POLITICAL ECONOMY OF TERRORISM
Recent contributions and some object lessons

By Jaromir Cekota, PhD
Economic Affairs Officer
Transport Division
UNECE
Introduction

• The author reviews briefly recent Copenhagen consensus papers on terrorism
• Provides examples of intergovernmental cooperation against terrorist threats
• Discusses possible forms of enhanced international cooperation in the rail transport sector
• Concludes with a list of references
Definitions

- Terrorism = premeditated use of violence by sub-national groups for political ends
- Targets = civilian, government, military
- Domestic terrorism = homegrown and consequences for own country only
- International terrorism = perpetrators and victims from 2 or more countries
Assumptions

• Terrorists respond to incentives and calculate before attacking
• Governments can influence behaviour (by stricter security measures, addressing grievances, etc)
• Permanent asymmetric warfare – no end point
• War on terror comparable to war on crime
Observations

• Terrorists cooperate across borders with ease
• Intergovernmental cooperation more difficult (sovereignty issues)
• Terrorism not driven by personal poverty
• Closed political systems conducive to the emergence of international terrorist groups
Domestic terrorism

• Driven by perceived grievances and ideological extremism
• Can occur anywhere (neither per capita income nor democracy important)
• Educational attainment of perpetrators above average
• Effective counter-terrorist strategies targeted and proportional
International terrorism

- Target countries tend to be prosperous democracies
- Source countries: political repression and low per capita income
- Benefit/cost ratios of security strategies not uniform but generally < 1
- Benefit/cost ratios of terrorist strategies generally >> 1
Economic consequences

- Infliction of economic damage intended
- Negative effects on business environment
- Investment and trade ↓ insurance cost ↑
- Large attacks → stock prices ↓
- Security expenditure ↑ long-term growth ↓
- Emerging markets and small economies more vulnerable (high cost/GDP ratio)
Policy dilemmas

• How much to spend?
• Where to spend (homeland security – military response - social integration – development assistance)?
• Focus on security in short run and on development in long run?
• How to reconcile national sovereignty with effective international cooperation?
Economic assessment

- Three possible responses (business as usual, increased pro-active responses, more economic aid) characterized by poor cost-benefit ratios
- The most effective response (enhanced international cooperation) relatively cheap but rather difficult to achieve
International cooperation

• UN International Convention for the Suppression of the Financing of Terrorism (1999)
• UN Security Council Resolution 1373 and Counterterrorism Committee (CTC)
• IAEA Nuclear Security Action Plan
• Financial Action Task Force (FATF), incl. 22 UNECE countries and EU
• Interpol (cross-border police cooperation)
• Egmont Group of Financial Intelligence Units, incl. 50 UNECE countries
• Border-security cooperation (OSCE)
International rail transport

• Agreements administered by UNECE (AGC, AGTC) - no security provisions
• Transnational rail security issues (cargo, passengers) handled on bilateral basis
• Multilateral security obligations more effective
• International legal instruments on minimum security obligations in rail transport – probably the best solution
References

  