

REGIONAL POLITICS

ECONOMIC ASPECTS OF TERRORISM (*With a Reference to the OSCE*)

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This note addresses terrorism with a focus on selected economic and policy issues, including the actual role of the OSCE in the fight against terrorism. Considering the vast amount of literature on terrorism published after “9/11,” a selection of topics and reference material had to be made, partly relying on personal preferences and perception of the phenomenon. However, we believe that the selected issues are relevant for addressing terrorism from the standpoint of economic policy at least.

Four parts are distinguished:

— The **first one** reviews a set of preliminary issues such as defining terrorism, history, geography, data and research.

— The **second part** presents recent findings about the costs of terrorism and the benefits of antiterrorism.

— The **third part** concentrates on the economic analysis of the phenomenon and policy implications: statistical regularities and forecasting, poverty, suicide terrorism, wealth and sponsoring, and immigration.

— The **fourth part** summarizes the role of the OSCE economic dimension in the fight against terrorism.

It should be made clear that terrorism is a very complex phenomenon that combines many factors such as ethnicity, minority/majority status and relations, social stratification and mobility, “territori-

The views are those of the author only and do not represent an official position.

ality” and statehood, etc. Subsequently, for the sake of effectiveness and success, economic policy measures that address terrorism must be designed in the context of broader policies and strategies that integrate other, and possibly, more important dimensions, including the need for a sustainable peace settlement in the Middle East, and moving ahead

with democratization and the protection of human rights in many countries, including those that are seen as “fragile states” by the OECD.¹

¹ OECD fragile states correspond to the 35 “poorest” countries as identified by World Bank calculations, plus Afghanistan, Liberia, Myanmar, Somalia and East Timor (see the OECD website [www.oecd.org]).

1. Preliminary Remarks

1.1. *The Quest for a Common Definition*

The lack of consensus. There are many definitions of terrorism proposed by the media, experts, academia, research, politicians, governments and international organizations. Considering the international community, the first attempt to provide an internationally acceptable definition was made in 1937, within the framework of the *League of Nations* (see [Box 1](#)). The drafted convention never came into existence, and U.N. member states still continue to disagree.² In fact, experts predicted that the dispute about defining terrorism will not result in the consensus.³

Box 1: Definitions of Terrorism

League of Nations (Draft, 1937)

All criminal acts directed against a State and intended or calculated to create a state of terror in the minds of particular persons or a group of persons or the general public.

The CIA/U.S. Code

The Intelligence Community is guided by the definition of terrorism contained in Title 22 of the U.S. Code, Section 2656f(d):

- The term “**terrorism**” means premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents, usually intended to influence an audience.
- The term “**international terrorism**” means terrorism involving the territory or the citizens of more than one country.
- The term “**terrorist group**” means any group that practices or has significant subgroups that practice international terrorism.

² See the website of the U.N. Office on Drugs and Crime [www.unodc.org].

³ For more detail, see: O. Malik, *Enough of the Definition of Terrorism*, Royal Institute of International Affairs, London, 2001.

Comments and Questions

- The League of Nations includes criminal acts against a State whereas the U.S. Code seems to exclude it. That difference may matter for interpreting facts and could be one of the factors explaining the lack of international consensus.
- What does the expression “politically motivated” mean? Is a “religious factor” a political one? What about hate caused by racism? Is there room for psychological variables? What does a “subnational group” mean? Does it have to be a minority? What is then “national”? How to define a group? What size, structure and relationship are required to be seen as a terrorist group?

Sources: UNODC website [www.unodc.org]; CIA website [<https://www.cia.gov/terrorism/faqs.html>].

The limits of international cooperation. The absence of a universally accepted definition of terrorism matters for the international community because it may not allow for a common position regarding acts of violence and responses, which reduces the scope of cooperation among countries.

National security policy and semantics. The lack of a universal definition of terrorism may also matter within countries—particularly in democratic regimes for which transparency and accountability should be the rules—and might have significant economic consequences. For instance, the use of public funds to address terrorism by governments has to be justified by those who may advocate costly, risky and far-reaching responses such as the use of military forces and intervention in third countries. From that perspective, the impact of semantic issues about terrorism on the mobilization and the allocation of public resources can be seen as a key-issue for economists, and others.

1.2. History and Geography of Terrorism

“An old and recurrent phenomenon?” It seems that the term “terrorism” was coined during the French revolution when the rule of terror was instituted and left thousands dead.⁴ Considering the activities of small groups or individuals before WWI, anarchists were known for acts of violence that would not only kill those who were targeted, but also other innocents. After WWII, terrorism has been, and in some cases is still, connected with the activities of separatist or ultra-nationalistic organizations, rightist and leftist groups, mainly of domestic origin—and sometimes with external support. Thus, from the 1960s until the late 1980s, the main motives for terrorism were political, aiming often at destabilization and/or at the creation of a new state, and ideological, with Marxist-oriented or “reactionary” paradigms providing a rationale for extreme violence.

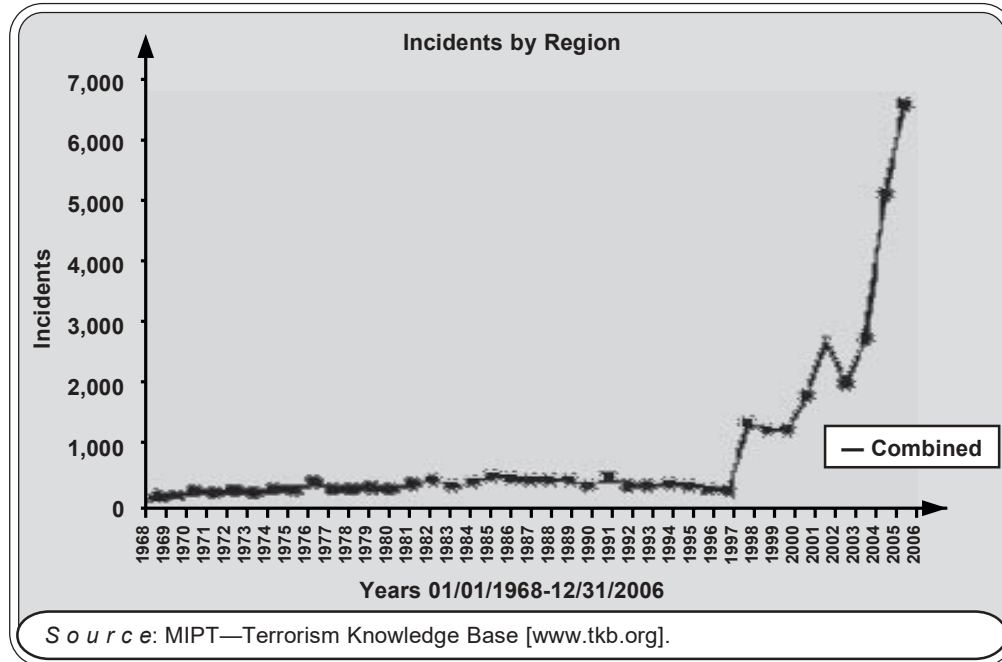
The evolution and transformation of terrorism. As indicated by Enders and Sandler, the dominant nature of terrorism has changed over time with more internationalization and globalization, the emergence of religious factors in the 1990s, and the growing recourse to suicide.⁵ When counting the number of terrorist groups, the proportion of religious ones might still be increasing, and there could even be a large number of potential candidates for recruitment, in Muslim countries and minority

⁴ See: D. Townson, *France in Revolution*, Hodder & Stoughton, London, 1990, pp. 82-93 (“The Political Terror”).

⁵ See: W. Enders, T. Sandler, “Is Transnational Terrorism Becoming More Threatening? *Journal of Conflict Resolution*, Vol. 44, No. 3, June 2000, pp. 307-332.

Figure 1

Yearly Total Number of Terrorism-Related Incidents in the World, 1968-2006



religious communities—a tendency that could be reinforced by the conversion to radical Islam of Christians and atheists,⁶ the Middle East situation, and the negative perception of the West in some countries and societies. This qualitative change corresponds to new behaviors and outcomes such as riskier endeavors and suicide terrorism, and incidents are likely to result in more death and injuries. Considering Fig. 1, the number of incidents of terrorism does display a strong positive trend over the last 18 years, which reflects conditions in specific regions.

A global concern. Considering geography, *de facto* the Middle East is seen as the major hot spot for terrorism. Nevertheless, all continents are enduring the scourges of terrorism, almost on a daily basis when they are combined. Thus, countries in the West, the CIS region, Asia, the Americas and Africa (see Fig. 2 on p. 120), are confronted with the threat of terrorism—it is a worldwide phenomenon and one major challenge to security and peace in the 21st century.

1.3. Data and Research

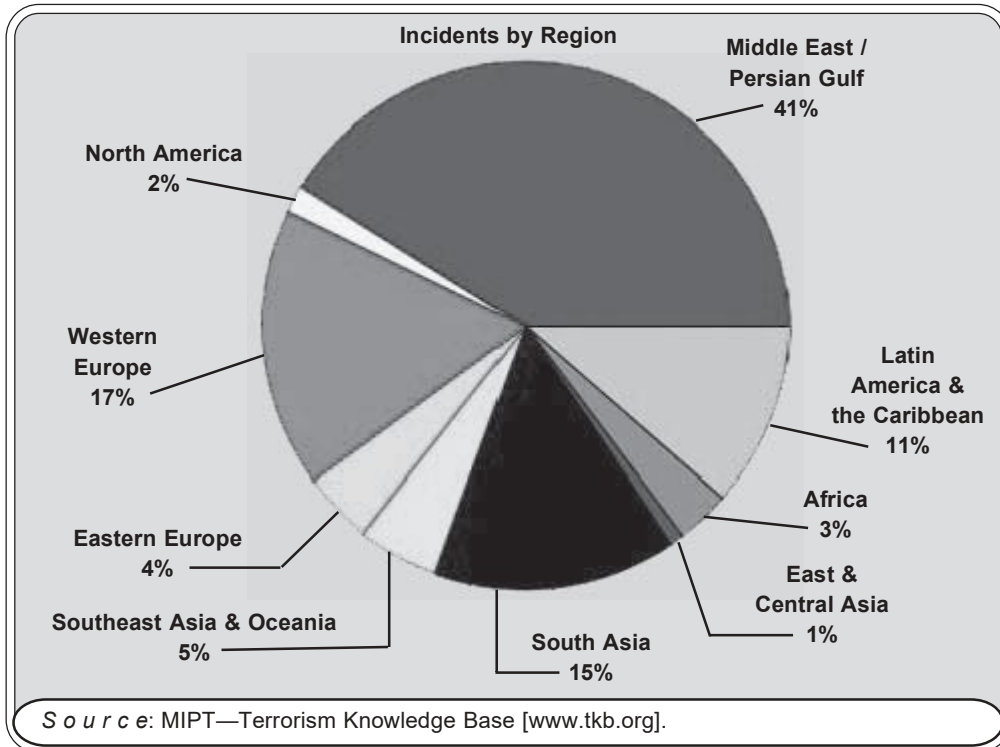
The ITERATE project. There are several databases on terrorism. The so-called ITERATE project in the U.S. is one of the most comprehensive database. That project is an attempt to quantify systematically information on different sets of key-features of transnational terrorist groups.⁷

⁶ This is the case of Russia today, and possibly of other countries too.

⁷ See: "International Terrorism: Attributes of Terrorist Events—ITERATE 1968-2002—Data Codebook," Compiled by E.F. Mickolus, T. Sandler, J.M. Murdock, and P.A. Flemming, 27 July, 2003, on the website of the University of California, San Diego [www.ucsd.edu].

Figure 2

Regional Distribution of Terrorism-Related Incidents, 1/1/1968-16/01/2007



Growing interests. U.N. agencies, the IMF, the Council of Europe, EU institutions, EUROPOL, INTERPOL, NATO, OECD, are all addressing terrorism, and there are more and more think-tanks and research institutes involved in the study of terrorism; for instance, there is *RAND* in the U.S., the *Centre for the Study of Terrorism and Political Violence* in the U.K., the *Institute for Peace Research and Security Policy (Institut für Friedensforschung und Sicherheitspolitik)* in Germany, the *Foundation for Strategic Research (Fondation pour la Recherche Stratégique)* in France, the *International Crisis Group* in Brussels, the *Center for Policy Studies (Центр политических исследований)* in Russia, etc. *De facto*, expertise on terrorism is mushrooming. Considering economics, studies on terrorism indicate a wide diversity of topics and approaches ranging from simple descriptive works to more sophisticated time series analysis relying, for instance, on the estimate of so-called spectral density functions, logit-probit or more complex econometric models. From an applied economic perspective, the U.S. experts Enders and Sandler made major and influential seminal works on terrorism.

2. The Economic Costs of Terrorism

In addition to the loss of lives and suffering, the economic costs of terrorism are manifold and can be tremendous. For the sake of illustration, 9/11 is considered. Recent estimates, based on econometric modeling, of the costs of terrorism for the world economy are also presented.

2.1. The Costs of 9/11

Immediate and short-term costs. The immediate economic costs of 9/11 correspond mainly to the destruction of buildings and planes. According to OECD experts, the destruction of physical assets amounted to about \$14 billion for the private sector, and \$2.2 billion for the public sector (U.S. Federal, State and local governments). In addition, rescue, cleanup and related costs could represent at least \$11 billion. The price of most financial assets also fell. In New York, 200,000 jobs were lost or reallocated. There was another deadly terror attack just after 9/11, with lethal anthrax spores—a mimic effect. As a result of 9/11, business confidence in the U.S. and other OECD countries decreased and the subsequent projected cumulated losses through the end of 2003 corresponded to \$500 billion for the U.S., or 5% GDP. *De facto* the economy proved much more resilient than expected because of household consumption, defense expenditures, and a strong policy response.⁸

Medium-term and long-lasting implications. The insurance business was directly hit by 9/11 and had to disburse up to \$58 billion, the largest insurance disbursement in history, undermining the capital base of several companies even if there were no major bankruptcies. The insurance business reacted by raising insurance rates and decreasing the coverage. Another consequence is the imposition of more controls on the shipping and transportation industry, which could impede trade. In fact, stricter border controls may correspond to the adoption of new international standards for formalities and procedures, which may facilitate trade. A third economic consequence of 9/11 is the rise of public expenditures for national security purposes, eroding the “peace dividends” permitted by the end of the Cold War. In addition to the public sector, the private sector is investing more on security. Higher public and private expenditure for security purposes may negatively impact on investments in productive activities—there is a “crowding out effect”—and, as a result, economic growth performance could decrease.⁹ The welfare costs in terms of people’s utility losses (because, for instance, of higher stress when traveling) should be added to the picture.¹⁰ “The costs of misplaced policies, including the creation of an unwieldy administration, the use of threat assessments to distort political outcomes, and the failure to utilize relevant conceptual and adequate empirical tools in the formulation of policy responses” could also be considered.¹¹

Developing countries. The world largest economy was hit by 9/11. The impacts for less developed economies were and are still far from negligible. The short-term impacts corresponded to a widening of bonds spreads on financial markets, making state borrowings more expensive, a fall in commodity prices and a weakening of domestic currencies. In the long-term, the higher costs of border control will impact on the exports of developing countries.¹² Tourism is also affected. Last but not least, visa requirements became more stringent and there will be more controls against illegal immigrations, impacting negatively on workers remittances.

2.2. Global Costs of Terrorism

Methodology. In a fairly recent paper, Nicole and Mark Crain provide a model to estimate the costs of terrorism, and the benefits of antiterrorism. The Crain’s paper seems to be the first serious estimate of the benefits of reducing terrorism, with the use of economic analysis, econometric

⁸ For more detail, see: “Economic Consequences of Terrorism,” *OECD Economic Outlook*, June 2002, No. 71, Chapter 4.

⁹ See: J. Penm, B. Buete, Q.T. Tran, “Economic Costs of Terrorism—An Illustration of the Impact of Lower Productivity Growth on World Economic Activity Using GTEM (global trade and environment model),” Australian Bureau of Agricultural and Resource Economics (ABARE) eReport 04.8, Government of Australia, 2004.

¹⁰ See: B.S. Frey, S. Luechinger, A. Stutzer, “Calculating Tragedy: Assessing the Costs of Terrorism,” University of Zürich, mimeo, 22 July, 2004.

¹¹ This critical view is expressed by D. Gold, “The Costs of Terrorism and the Costs of Countering Terrorism,” New School University, New York, *International Affairs WP 2005-03*, March 2005.

¹² See: “Economic Consequences of Terrorism,” p. 134.

modeling and panel data from the so-called ITERATE project, developed in the U.S. They consider 11,723 incidents of terrorism in 147 countries over the period 1968-2002, with corresponding 37,137 casualties—i.e. the number of individuals killed or injured.¹³

Costs/benefits estimates. The Crain model is used to estimate the costs of terrorism and the benefits of eliminating terrorism from a static perspective, with 2002 as the reference year: “The results reveal that the potential gains to a country from reducing terrorism are quite large... Most striking is the estimated world cost of terrorism, or the benefit of eliminating all international terrorism. If there were no terrorism incidents in 2002, world GDP would have been *USD 3.6 trillion* (italics mine.—D.L.) higher than it was that year” (p. 33).

The figure mentioned by N. and M. Crain is quite huge. It is more than the combined GDP of U.K. and Italy; it corresponds to about one third of U.S. GDP, or 7-9 percent of World GDP. Table 1 provides the benefits of reducing terrorism for selected rich and less rich countries. In absolute terms, the costs of terrorism look tremendous for Spain. For developing countries, there are also high costs.

Table 1

GDP Gains from Less Terrorism

Country	Reduce incidents per year from:	Gain in GDP (million US\$)
<i>Colombia</i>	13 to 12	87
<i>Egypt</i>	5 to 4	221
<i>France</i>	18 to 17	1,161
<i>India</i>	5 to 4	1,132
<i>Indonesia</i>	2 to 1	1,533
<i>Philippines</i>	9 to 8	122
<i>Spain</i>	1 to 0	92,000
<i>U.K.</i>	18 to 17	828
<i>U.S.</i>	3 to 2	40,626
<i>World</i>	To zero for 2002	3,600,000

Source: N. Crain and M. Crain, op. cit.

3. Economic Analysis and Policy Implications

3.1. Statistical Regularities and Forecasting

Terror cycles. In a recent work, Enders and Sandler propose a statistical analysis of time series on terrorism. Spectral density functions—which allow the detection of cycles and identify corresponding

¹³ See: N. Crain, M. Crain, *Terrorized Economies*, Draft, May 2005, available at [<http://209.85.135.104/search?q=cache:yIhoWLDXNAAJ:cipp.gmu.edu/archive/Terrorized-Economies-Crain-and-Crain.pdf+Crain+N.,+Crain+M.+Terrorized+Economies.&hl=ru&ct=clnk&cd=1&gl=ru>].

parameters (e.g. frequencies)—show that incidents tend to display cyclical patterns with the combination of a primary cycle of 58.18 quarters (about 14.5 years) and a secondary cycle of 23.98 quarters (6 years).¹⁴ Spectral analysis can also be used to study specific acts of terrorism such as kidnappings, assassinations and skyjackings, and for which data are adequate.

Forecasting terrorism. The detection of cycles could support the building of forecasting models and, as a result, rationalize further the decision making process, and better mobilize scarce public resources for fighting terrorism.¹⁵ Nevertheless, the forecasting of terrorist incidents assumes that terrorist groups ignore that it can be done and cannot obtain the relevant data. In fact, the information is partly available in books and academic journals, and could be integrated in the preparation of acts of terrorism. As a result, surprise attacks should perhaps be seen as the rule, unless there is a way not to publicize statistical findings. Quantitative analysis must be seen as a method to support and complement other antiterrorist activities.

3.2. The Issue of Suicide Terrorism

A growing threat. “Suicide terrorism is the readiness to sacrifice one’s life in the process of destroying or attempting to destroy a target to advance a political goal. The aim of the psychologically and physically war-trained terrorist is to die while destroying the enemy target.”¹⁶ In 2000, 10 groups were identified as having the capacity to mobilize candidates for suicide terrorism.¹⁷ Confined until recently to a few countries, suicide-terrorism is becoming a global and permanent threat, and it represents a category that requires much more research for better understanding and more adequate responses.¹⁸

Economic interpretation. An attempt to provide an economic explanation to suicide terrorism was made by M. Harrison for whom “trading life for identity” is what really matters.¹⁹ According to the author, there must be a rational choice behind acts of suicide terrorism, a welfare gain by dying, especially when such acts are extensively reported by medias. However, as the number of suicide terrorist acts increases, there could be diminishing returns, which would reduce the incentive for such behaviors.

3.3. Poverty and Terrorism

“Poverty does not matter.” The absence of linkages between poverty and terrorism seems to be supported by conservative politicians and scholars, possibly reflecting a “tradition” for which individuals are fully aware of their choices, behave rationally and should bear the full consequence of their decisions and acts.²⁰ Krueger and Maleckova wrote one of the most representative articles on

¹⁴ See: W. Enders, T. Sandler, op. cit.

¹⁵ See: “Quantitative Analysis Offers Tools to Predict Likely Terrorist Moves,” *Wall Street Journal*, Science Section, 17 February, 2006, page B1, available at [www.usc.edu/dept/LAS/ir/sandler.pdf].

¹⁶ “Suicide terrorism: A Global Threat,” *Jane’s Intelligence Review*, 20 October, 2000.

¹⁷ These groups are: “the Islam Resistance Movement (Hamas) and the Palestinian Islamic Jihad of the Israeli occupied territories; Hizbullah of Lebanon; the Egyptian Islamic Jihad (EIJ) and Gamaya Islamiya (Islamic Group—IG) of Egypt; the Armed Islamic Group (GIA) of Algeria; Barbar Khalsa International (BKI) of India; the Liberation Tigers of Tamil Eelam (LTTE) of Sri Lanka; the Kurdistan Worker’s Party (PKK) of Turkey; and the Osama bin Laden network (al Qa’eda) of Afghanistan” (ibidem).

¹⁸ See: R. Gunaratna, “The Employment of Suicide in Terrorism and Guerrilla Warfare,” in: “Vers une privatisation des conflits?” *Recherches & Documents*, No. 22, Avril 2001, pp. 43-60 (Fondation pour la Recherche Stratégique, Paris).

¹⁹ See: M. Harrison, “The Economics of Martyrdom,” Warwick University, research paper, 2003.

²⁰ This partly reflects the “Economics of Crime” of Nobel Prize winner G. Becker.

terrorism in which the impact of social and economic conditions is minimized.²¹ They conclude that economic models yield very little in terms of predictions because noneconomic factors such as, for instance, personal ambitions and goals also matter to explain involvement in terrorist groups and organizations. Abadie reports similar outcomes.²² He finds that the risk of terrorism is not significantly higher for poorer countries, and he concludes that the level of political freedom is essential for explaining the presence or the absence of terrorism in a country.²³

“Poverty does matter.” The above conclusions are challenged by analyses proposed for the Middle East. For instance, a recent study written by Saleh underlines that beside retaliation and vengeance factors, GDP-related and (un)employment variables matter to explain youth violence and terrorism in the West Bank and the Gaza Strip, which seems to point out to the contradictions of Israeli policy in the occupied territories at least—military presence and controls impede(d) the take-off and the development of a genuine Palestinian economy whereas thousands of new jobs have to be created to keep the youth busy and raise incomes.²⁴ Considering Chechnia, despite domestic and international assistance for reconstruction, the region remains characterized by widespread poverty fuelled by environmental degradation, and non business-conducive conditions with high levels of corruption and rampant crime.²⁵

Case-by-case approach. In the case of 9/11, terrorists were far from being poor. Some of them would belong to middle-class categories, which seems to support some of above arguments that minimize the importance of poverty for explaining terrorism. Similar social conditions partly prevailed for the suicide bombers of the London public transportation system. Nevertheless, in some regions of the world, including Palestine and Chechnia, the social and economic environment may matter a lot. Furthermore, it should be stressed that terrorism negatively impacts on businesses, and causes significant economic decline as that has been the case of the Basque region in Spain—causality works in both directions.²⁶

3.4. Wealth, Money Laundering and the Sponsoring of Terror

The use of money laundering. Terrorist organizations use money laundering to recycle illicit funds. Money laundering is a process by which money is integrated in the legal economy and then re-used openly to finance legal activities. For that purpose, there are complex transfer operations (“so-called layering”) aiming at separating the proceeds from their origins; then “integration” can take place with seemingly legal and legitimate businesses and investments. The al-Qa’eda network has used extensively money laundering, relying on the services offered in major financial and off-shore centers located in several countries. Wealthy Islamic donors and charity institutions, where clerics might play key-roles, provided funds to al-Qa’eda.²⁷ Moreover, the direct or indirect involvement of Saudi officials, diplomats or their relatives, in the funding of 9/11 still remains unclear.²⁸ These experiences

²¹ See: A. Krueger, J. Maleckova, “Education, Poverty and Terrorism: Is there a Causal Connection?” *NBER Working Paper* No. 9074, July 2002. A version of that paper was also published in the *Journal of Economic Perspectives* in 2003.

²² See: A. Abadie, “Poverty, Political Freedom, and the Roots of Terrorism,” *NBER Working Paper* No. 10879, October 2004.

²³ Nevertheless, there might be a strong positive correlation between levels of development and political freedoms.

²⁴ See: B.A. Saleh, “Economic Conditions as a Determinant of Political Violence in the Palestinian Territories,” paper prepared for the Conference “Making Peace Work” organized by the World Institute for Development Economics Research, United Nations University, Helsinki, 4-5 June, 2004.

²⁵ See: D. Linotte, M. Yoshii, “The Reconstruction of Chechnia: A Long-Term and Daunting Task,” *Central Asia and the Caucasus*, No. 5 (23), 2003.

²⁶ See: National Center for Policy Analysis, “Case Study of Terrorism’s Cost: Spain Basque Region,” *Daily Policy Digest, Terrorism Issues*, Friday, 1 February, 2002.

²⁷ See: D. Linotte, “Addressing Economic and Financial Aspects of Terrorism,” paper prepared for the London International Conference “Stop Money Laundering,” 26-27 February, 2002.

²⁸ See: “FBI Probes Possible Saudi, 9/11 Money Ties,” *CNN*, 23 November, 2002.

indicate that, in addition to poverty, and eventually by exploiting unique opportunities created by poverty and subsequent distress, the so-called oil rent and related benefits can lead to far-reaching political actions, including the financing of terrorism.²⁹

Fighting “terror money.” In the case of 9/11, formal and informal banking were used for channeling illicit funds, and within a few months after the event, more than one hundred million dollars had been seized on bank accounts. The FBI reviewed at least 200,000 documents and 10,000 accounts. Some financial operations made by the terrorists and their sponsors do correspond to money laundering. Following 9/11, the international community is better equipped to supervise formal banking operations and detect suspicious transfers. The 9 special recommendations of the Financial Action Task Force (FATF), an institution that is “hosted” by the OECD, represent a “must” for domestic financial systems and central banks, and are adopted in many countries with the support of the IMF:

- I. Ratification and implementation of U.N. instruments.
- II. Criminalizing the financing of terrorism and associated money laundering.
- III. Freezing and confiscating terrorist assets.
- IV. Reporting suspicious transactions related to terrorism.
- V. International cooperation
- VI. Alternative remittance.
- VII. Wire transfers.
- VIII. Non-profit organizations.
- IX. Cash couriers.³⁰

Nevertheless, (i) according to experts, more must be done to implement effectively FATF recommendations, especially in developing and transition countries; (ii) terrorist organizations partly rely on informal banking (the Arabic word *Hawala* refers to “money transfers, regardless of how it is made”); informal banking is based on mutual trust and personal relationship, and it can be faster, cheaper and more reliable than formal transfers; (iii) international seed money for terrorism can be quickly complemented and replaced by funding based on legal economic activities; (iv) for 9/11, the costs of pilot lessons was limited to a few thousand dollars, an amount easily affordable.

3.5. Immigration and Terrorism

The issue of immigration. Immigrants and nationals with foreign roots were involved in 9/11 and more recent acts of terrorism in Western Europe. These involvements raise concerns about immigration policies and integration in host countries. The fact that some terrorists were born in the West and were fully integrated in their communities, with regular jobs and, for some of them, families with children, seems to indicate that a full integration is not enough to prevent a radicalization process and enrolment in terror complots. Demographic tendencies for populations in Muslim countries and minority communities in host countries, particularly in Western Europe, are also seen as worrisome by some “native-Europeans,” conservative and populist politicians, journalists and experts—scenarios

²⁹ The oil rent is also used by Iranian leaders to support their foreign policy ambitions in the Middle East and finance their controversial nuclear program; China is a major client for Iranian energy products.

³⁰ See: [www.fatf-gafi.org].

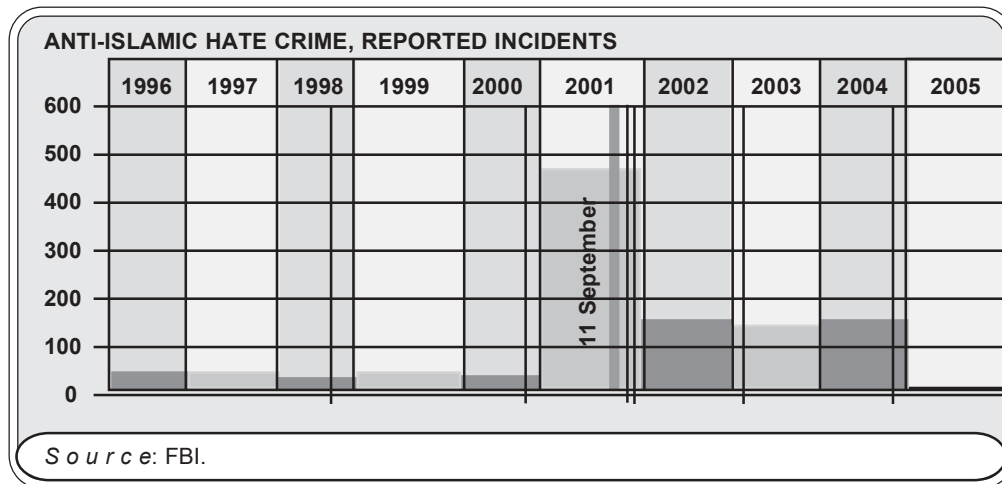
show Muslims as becoming a prominent religious group and political force in Europe, eventually overtaking Christians in some countries.³¹

Rethinking immigration. Immediate measures could relate to a severing of immigration procedures and border controls and, in countries where they apply, a lowering of quotas to reduce the actual number of incomers; more controls of “non-native communities” are also advocated. However, such measures may create tensions between domestic and “foreign” communities in host countries, and could represent a loss of human rights and freedom, and may lead to an open policy of discrimination if a distinction is made between “desirable” and “undesirable” immigration. Moreover, many host/destination countries are characterized by pessimistic demographic tendencies, with low birth rates and the ageing of the population, which implies that immigration might be important for labor supply, and possibly the payment of retirement benefits with income transfers, in addition to revenues of past capitalization. The emigration pressure in home/origin (low and medium income) countries is expected to grow because of positive demographic trends, political uncertainties, limited economic prospects, and for some countries in specific regions, environmental degradation.

Integration versus assimilation. Long-term solutions could insist on the full assimilation of incomers and their descents. Thus, a line is often drawn between integration and assimilation. Broadly speaking, integration refers to the effective inclusion in a society that can be composed of different ethnical, cultural and religious segments that may have little in common—they coexist, most often in peace. Assimilation is a more demanding process by which one cultural group, very often a minority one, is to a large extent absorbed by another group, the majority one, and as a result adopts new values and behaviors. Nevertheless, assimilation *per se* is another quite sensitive issue in societies that favor tolerance and mutual respect, as it is or should be the case in Western countries. Social mobility policies could perhaps be enhanced with adequate education programs, more equal chances for minorities on labor markets, and as a result reverse actual “Islamophobic” tendencies in Europe³² and the U.S. (see Fig. 3). Moreover, development aid, including support to birth controls, could be increased to better contain and eventually reduce emigration pressures.

Figure 3

The Impact of 9/11 on Anti-Islamic Crimes in the U.S.



³¹ According to Daniel Pipes, some 5% of the EU, or nearly 20 million persons, identify themselves as Muslims; should the current trends continue that figure should reach 10% by 2020. If non-Muslims start fleeing the “new Islamic order,” the continent could be majority-Muslim within decades (see: “Muslim Europe,” *New York Sun*, 11 May, 2004).

³² See: “New Report Says Muslims Face Broad Discrimination,” *Radio Free Europe/Radio Liberty*, 18 December, 2006.

4. The OSCE Economic and Environmental Dimension and the Fight against Terrorism

4.1. The OSCE Economic and Environmental Dimension

The Helsinki three baskets and the OSCE economic perspective. The OSCE economic and environmental dimension is one of the three so-called “baskets” of the Helsinki Final Act that was signed by 35 States on 1 August, 1975—the other two baskets being the politico-military dimension, focusing *inter alia* on arms controls and the prevention of conflicts, and the human dimension that relates to the respect of human rights, the imposition of the rule of law and democracy, etc.

The “Strategy Document.” The role of the OSCE economic and environmental dimension was strongly enhanced in December 2003 with the adoption at the Maastricht Meeting of the Ministerial Council of an OSCE “Strategy Document” that underlines the importance of addressing economic and environmental threats and challenges to security.³³ Economic and environmental factors are seen as a crucial contribution to “security, stability, democracy and prosperity.” Responses are identified to improve economic and environmental conditions in the OSCE region; they include further and better integration in the global economy, fostering regional economic integration and cooperation, strengthening energy security, supporting business-conducive environments—a broad agenda indeed, to which we contributed.

Main OSCE economic and environmental activities. The scope of OSCE economic and environmental activities is widening over time, partly because of more resources and growing awareness about the importance of related factors for peace and security. Broadly speaking, much importance is given to good governance and transparency, private sector development with the promotion of SMEs, the adoption of measures aiming at sustainable development, the fight against economic crimes such as money laundering, and the trafficking of human beings. It should be noted that the Coordinators of OSCE economic and environmental activities also shape the development of their office with their own views and experience.

The role of the Coordinators. The first Coordinator of OSCE economic and environmental activities, Tom Price, a former U.S. diplomat, played a major role in gaining support from OSCE participating States and consolidating the economic dimension; the second Coordinator, Marcin Swiecicki, a former Minister of Poland, had a considerable experience with transition and governance issues, and strong views about the need to foster economic and business education; the third and actual Coordinator, Bernard Snoy, was a Belgian representative at the World Bank and EBRD and, in his previous position, he was heading the economic department (Working Table II) of the so-called “Stability Pact” for the Balkans, an essential experience for advocating regional economic cooperation and integration in OSCE regions.

4.2. Contributing to the Fight against Terrorism

The December 2001 Bucharest Meeting of the Ministerial Council. Following 9/11, the OSCE participating States made a Declaration condemning “all acts of terrorism,” and expressed their determination to strengthen and deepen their cooperation to address extremism, violent separatism and terrorism. A “Program of Action” with measures to prevent terrorism was adopted; it underlines the importance of identifying some of the negative socioeconomic and environmental factors that may cause terrorism, namely: “poor governance, corruption, illegal economic activity, high unemployment,

³³ See: [osce.org/documents/sg/20#1600C4].

widespread poverty and large disparities, demographic factors, and unsustainable use of natural resources” (Art 13). Furthermore, the key-role of the Office of the Coordinator of OSCE economic and environmental activities to catalyze actions and co-operation is stressed.

The Strategy Document and terrorism. To a large extent, the SD repeats the wording of the Bucharest Meeting. In addition, the OSCE participating States “will continue to develop, implement and enforce financial legislation and regulations on combating money laundering and corruption and criminalizing the financing of terrorism” (Art 2.1.11).

Concrete economic activities to address terrorism. OSCE economic projects and events reflect the importance given to money laundering in the Strategy Document, and also the 2001 Bucharest Decision on Combating Terrorism. OSCE experts underline that the proceeds of illegal businesses can go through a complex process of money laundering that can play an important role in the financing of terrorism. National workshops on combating money laundering and suppressing the financing of terrorism have been organized in all Central Asia and South Caucasian participating States. These events are jointly implemented with the U.N. Office on Drugs and Crime (UNODC) Global Program Against Money Laundering, which underlines the role of the OSCE as a major catalyst. The OSCE assist States to adopt and implement the special recommendations on terrorist financing of the Financial Action Task Force, which also include a “FATF self-assessment” exercise. Finally, some activities do target the risk of abuse of NGOs and charities, in cooperation with UNODC, NATO and the U.S. State Department.

F i n a l R e m a r k s

- The lack of a universally accepted definition of terrorism did not prevent researchers and policy-makers to address terrorism. Nevertheless, semantic issues seem to impose limits to international co-operation, and matter for addressing terrorism, particularly in democracies.
- Terrorism is not new. However, modern terrorism has specific features such as the dominance of religious factors, the globalization process, and growing recourse to suicide.
- The short and long term economic costs of terrorism can be tremendous. The estimates provided by the Crain’s study proposes a figure above 3 trillions dollars for the world economy in 2002.
- The economic analysis of terrorism and their policy implications are manifold. Table 2 underlines that some measures can be quickly implemented and be rewarding in the medium term—and they are already implemented. Nevertheless, there are risks that can eventually be reduced. From that perspective, the positive role of bilateral and multilateral aid and technical assistance to developing countries should not be underestimated and, when alleviating poverty and reducing emigration pressures, such measures could be seen as contributions to international solidarity, peace and security. A reduction of public expenditures on defense in developed and developing countries could also allow the provision of more funds for development.
- The actual and seemingly irreversible rise of Islam in Europe is a reality that has to be fully integrated in domestic policies to detect, prevent and diffuse tensions, and promote a more peaceful coexistence among communities, and with other regions outside Europe, the South Mediterranean and Middle East neighborhoods in particular. Moreover, an equitable peace settlement among Israel, Palestinians and Arab countries is essential for better containment of terrorism.
- The actual and potential outcomes of Iranian political and nuclear ambitions, funded by the energy rent, have to be assessed carefully as they may matter for international security, and terrorism.
- As indicated by the OSCE economic activities, the financing of terrorism is a major concern for many countries. In that respect, much importance is given to the fight against money laundering

Table 2

Addressing Terrorism—Synthesis Table

The issue	Measures/policies	Timeframe	Problems and risks
Predicting terrorism with data analysis	Building time series and econometric models	Short term; can be done quickly at low costs	Data are not always available or lack accuracy; terrorists could know publicized forecasts and adjust their plans
Preventing terrorism with poverty reduction	Adoption of poverty alleviation policies and strategies; institutional development; building business conducive environments	Medium and long term	Lack of resources is often an issue and foreign aid does not often fill the gap
Deterring terrorism by fighting dirty money	Adopting measures to better detect suspicious financial flows and transactions	Short and medium term	Lack of experience and expertise is an issue; external aid required for some countries
Impeding terrorism with trade-related measures	Adopting new control instruments for international commerce in line with trade facilitation measures	Medium term	Low and medium income countries are lacking resources and experience; assistance is required
Diffusing terrorism by better controlling immigration	Enhancing controls on the cross border movement of people; more assimilation if possible; access to good education and equal chances for all; reducing incentives for emigration	Medium and long term	More hostile attitude against immigrants and minorities in host countries; development aid insufficient

and the abuses of NGOs. There are also challenges and risks: informal finance does not seem to be addressed despite its importance in low and medium income countries, and among communities of immigrants; moreover, the control of NGOs can be abused by some governments to contain the rise of civil society and democracy, and ultimately strengthen authoritarian-like political regimes, particularly in Central Asia, the Caucasus and Western CIS.