Financial Impact of Terrorism on Global Economy, Financial Markets and Tourism

13th February 2014 Luxemburg
Number of Terrorist Incidents

Number of Terrorist Incidents
2000 - 2009 (8th February)
WE WILL NOT BE INTIMIDATED BY PEOPLE WHO DO NOT LIKE WHAT WE STAND FOR, AND THAT IS, FREEDOM, DEMOCRACY AND THE FIGHT AGAINST TERRORISM.
TERRORISM

ECONOMY

TOURISM
2011, Middle East, India, Pakistan & Russia were the areas most impacted by terrorism. India's GTI rank was 4 out of the 159 countries surveyed. While Iraq stood at number 1, Pakistan at number 2, Afghanistan at number 3, India at number 4, Yemen was number 5. There were 7,473 fatalities in 2011 due to terrorism, which is 25% less than in 2007. The index shows that global terrorism started to increase after the escalation of the Iraq war. This was subsequently followed by further increasing waves of terrorism in Afghanistan and then in Pakistan 18 months later.

"Terrorism is one of the most emotive subjects of our time. The impact of terrorism does seem to have plateaued over the last three years but is still unacceptably high," said Steve Killelea, executive chairman of the Institute for Economics & Peace, which produced the index.

Only 31 of the 159 countries ranked have not experienced a terrorist attack since 2001.
Terrorism and Tourism are Linked

Terrorism and Tourism are two terms that are linked together, Terrorism impacts the tourists & the whole tourism industry. Terrorist attacks on the tourists targets generate a vast amount of media attention attaining widespread publicity.

Media can significantly influence the way that people perceive the destination, especially after the Terrorist attacks.

Through constant negative media attention, tourist destination continually decrease in number of arrivals. Decrease in international arrivals has been noticed post the terrorist attacks in Indonesia and Egypt etc.

Unlike the events in London and Madrid, where attacks were directed at major transport chains, with the primary goal being to damage the countries economy.

However according to Cooper et al (2008) the United Kingdom and Spain noticed a significant increase in the amount of tourists visiting their capital cities, post the attack. Cooper et al (2008) states that these countries invested huge amounts of funds into a marketing campaign following those tragic events, within that campaign it has been stated that both Madrid and London are safe cities.
In addition to the immediate economic impact of the attacks on the New York economy, estimated in November 2001 to reach as much as $83 billion (The Century Foundation, Economic Impact of terrorist Attack, May 13 2002), there are significant longer-term economic repercussions in terms of business relocation, loss of tax revenue, fall in property values, a drop in tourism and its impact on the retail, hotel and leisure industries.

For example in 2002 it was estimated that the New York City Finance Department would collect $200 million less in property taxes than in the previous fiscal year, with the World Trade Center responsible for $70 million of the loss.

The remainder is a result of the decreases in value of other property in the area and, interestingly, by a reduction in the value of Manhattan hotels (-19%) and parking lots (-9%) resulting from the subsequent decline in tourism (The Century Foundation, Economic Impact of Terrorist Attack, May 13 2002).

Nonetheless on a more positive note, The Century Foundation report indicates that, six months on, commercial property vacancies and rents were beginning to stabilise.
American Airlines Flight 11 crashed into the North Tower of the World Trade Center at 8:46am and American Airlines Flight 175 hit the South Tower at 9:03am on Tuesday September 11, 2001

New York Stock Exchange (NYSE) & the Nasdaq DID NOT OPEN for trading on Tuesday September 11, 2001. Anticipating market chaos, panic selling and a disastrous loss of value in the wake of the attacks

The NYSE & The Nasdaq remained closed until September 17, THE LONGEST SHUTDOWN SINCE 1933

September 10, 2001, the Dow Jones Industrial Average (DJIA) **Closed at 9,605.51**

On the first day of NYSE trading after 9/11, the **market fell 684 points, a 7.1% decline**, record for the biggest loss in exchange history for one trading day.

At the close of trading that Friday, ending a week that saw the biggest losses in NYSE history, the Dow Jones was down almost **1,370 points, representing a loss of over 14%**.

The **Standard and Poor's (S&P) index** lost 11.6%. An estimated $1.4 trillion in value was lost in those five days of trading.
Stock Markets Tumble after UK Blasts

London at 11:41 UTC, the FTSE 100, used to measure the largest British companies on the stock market had fallen 3.85%, dropping by 201.2 points to 5028.40. British Airways and the Hilton group lead the losers with drops of over 7% each.

Paris at 11:47 UTC, the Cac 40 Index of France's forty largest companies took an even worse beating, and had fallen 4% dropping by 170.37 points to 4109.58. Among the top losers was Axa Insurance which dropped by 5.4%.

Germany at 11:50 UTC, the Dax had shed 3.15%, dropping by 145.47 points to 4470.02. Among the top losers was a major insurer – Allianz which fell over 5%. Airlines and insurers have been hit the worst so far. Ryanair has dropped 7.73% or over €400m in value and easyjet has shed 7.28%.

The FTSE had recovered 116 points at 13:43 after it's initial fall of 206. Increased volume of FTSE futures on LIFFE has meant that many people have been able to profit from the fall.
Shares in Mumbai shrugged off fears of any threat to the country's economy after this week's terrorist attacks, to climb 1.5%
10:20AM GMT 28 Nov 2008

The market initially fell 1.5% this morning, when it reopened after being suspended. The rupee, which is only partially convertible, also recovered from early losses today, and was up 1.5% against the dollar.

Mark Mobius, manager of the Templeton Emerging Markets fund, told Bloomberg Television that India was still growing fast and the fallout from the terrorist attacks would be limited. "It's a fast-growing economy and we can't allow this kind of incident to sway our decisions regarding where we want to invest," Mobius told the broadcaster. "India will rise from this and prosper."

Share gains in Mumbai were led by Sterlite, a unit of London-listed Vedanta Resources, after mining stocks benefitted from analyst recommendations to buy shares of industry leader BHP Billiton. Power equipment maker Bharat also climbed.

At 3.30pm local time, the 30-share Bombay Sensex Stock Exchange was up 1.5% to 9157.62 points.
New York Stock Exchange (NYSE) & the Nasdaq did not open for trading on 9/11, 2001 and remained closed until 9/17 (6Days)
The first day of trading, the market fell by 684 points, a 7.1%

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Gerry Adams has offered to meet the families of victims of IRA violence in the Republic of Ireland.

Martin McGuinness: from convicted terrorist to political establishment.
The Bishopsgate bombing of 24 April 1993 occurred when the Provisional Irish Republican Army (IRA) detonated a truck Bomb on Bishopsgate, a major thoroughfare in London’s financial district, the City of London. One person was killed in the explosion and 44 were injured; damage initially estimated at £1 billion was caused. As a result of the bombing the "ring of steel" was introduced to protect the City, and many firms introduced disaster recovery plans in case of further attacks.
19th April 1995 Oklahoma City bombing

It would remain the most destructive act of terrorism on American soil until the September 11 attacks six years later. The bombing claimed 168 lives, including 19 children under the age of 6, and injured more than 680 people. The blast destroyed or damaged 324 buildings within a sixteen-block radius, destroyed or burned 86 cars, and shattered glass in 258 nearby buildings.

Sketch used by the FBI (left) and McVeigh (right)

View of the memorial, From left to right are the memorial chairs, Gate of Time and Reflecting Pool, the Survivor Tree, and the Journal Record Building

Charles Porter’s photograph of fire fighter Chris Fields holding the dying infant
The Cost of Terror: Oklahoma City Bombing Cost $681 million Plus Lives

Timothy McVeigh bombed the Alfred P. Murrah Federal Building in Oklahoma City. Let’s take a look at the $681 million in costs associated with this domestic terrorism:

The U.S. Department of Justice released figures showing the federal government spent $82.5 million investigating and prosecuting Timothy McVeigh’s case. McVeigh’s defense cost taxpayers about $15 million. The Alfred P. Murrah Federal Building cost $14.5 million to build in 1977. The Oklahoma City National Memorial cost $29 million. 312 buildings were damaged in the blast, including 10 that collapsed and 25 more with structural damage, according to the Oklahoma City’s Department of Public Works. The total cost was estimated at $500 million. The new Federal Building just north of the memorial cost $40 million.

Most costly were the lives lost and the destruction thrust on the surviving families. The blast killed 168 people – 19 of them children – and injured over 680 others.

(the burial, medical costs, and gross costs to the families were not available).
The 1996 Manchester bombing was an attack carried out by the Provisional Irish Republican Army (IRA) on 15 June 1996 in Manchester, England. The bomb, placed in a van on Corporation Street in city centre, targeted the city's infrastructure and economy and caused widespread damage, estimated by insurers at £700 million (£1 billion as of 2013). Two hundred and twelve people were injured, but there were no fatalities.

Evacuation
At 10:00 am, there were an estimated 75,000–80,000 people shopping and working in the vicinity. An evacuation of the area was undertaken by police officers from Bootle Street police station, supplemented by officers drafted into Manchester to control the football crowds. The police forces were helped by security guards from local shops.
Details of the bombing
Several buildings near the explosion were damaged beyond repair and had to be demolished, while many more were closed for months for structural repairs. Most of the rebuilding work was completed by the end of 1999, at a cost of £1.2 billion, although redevelopment continued until 2005.

According to Home Office statistics, an estimated 400 businesses within half a mile (0.8 km) of the blast were affected, 40% of which did not recover. The heaviest damage was sustained by the three buildings closest to the bomb: Michael House, comprising a Mark & Spencer store and a six-storey office block; Longridge House, offices for Royal and Sun Alliance, an insurance company; and the Arndale Centre, a shopping mall. Michael House was deemed beyond economic repair and demolished.
Reconstruction
About twelve buildings in the immediate vicinity of the explosion were severely damaged. Overall, 530,000 square feet (49,000 m²) of retail space and 610,000 square feet (57,000 m²) of office space were put out of use. **Insurers paid out £411 million (£600 million as of 2013)** in damages for what was at the time one of the most expensive man-made disasters ever.
On September 11, 2001, two airplanes flew into both towers of the World Trade Center and the towers subsequently collapsed. Five surrounding buildings were also destroyed and downtown New York was forever changed. As of this writing, the death toll stands above 3,500. The real estate losses were also staggering: 13.45 million square feet of office space were destroyed. This loss represents 30% of the total class A real estate in the downtown area (Heschmeyer) and 3.6 percent of total office space on the island of Manhattan.
11th September 2001 USA
Bali is a small island in Indonesia which hosts over 2 million tourists a year. This massive number of tourist’s accounts for majority of the island's income. Until 2002, Bali was a peaceful "getaway" which no one suspected to be the site of a massive bombing.

The main economic effect of the bombings will be to worsen Indonesia's reputation amongst international investors and further inhibit the recommencement of foreign capital inflows into the country.

The 2002 Bali bombings occurred on 12 October 2002 in the tourist district of Kuta on the Indonesian island of Bali. The attack was claimed as the deadliest act of terrorism in the history of Indonesia according to the current police general, killing 202 people, (including 88 Australians, and 38 Indonesian citizens). A further 240 people were injured. The attack by the JI involved the detonation of three bombs: a backpack-mounted device carried by a suicide bomber; a large car bomb, both of which were detonated in or near popular nightclubs in Kuta; and a third much smaller device detonated outside the United States consulate in Denpasar, causing only minor damage.
12th October 2002 Bali bombing

Kuta, the centre of the tourist district, has become a ghost town. By 18 October, the occupancy rate of local hotels had dropped from close to 80 per cent to 27 per cent. There had been 1000 bookings cancelled at the Hilton International Jakarta alone and that will flow onto exports. Australia is a significant exporter of food products in Indonesia, they have about 20% share of Indonesia's food import market and products such as meat, fruit and vegetables, dairy products which get to be used in the hotel sectors and they will be affected over the short to medium term with the cancellation of bookings at hotels.

Bali is one of the less-developed regions of Indonesia and is heavily dependent on this one industry to provide jobs for a workforce that is otherwise mostly involved in semi-subsistence agriculture. Bali accounts for about 40 per cent of Indonesia's earnings from tourism, which last year earned $US 5.4 billion in foreign exchange. Tourism revenue ranks alongside clothing, textiles and petroleum products as the biggest sources of foreign income for Indonesia. Visitors have reportedly been deserting tourist sites in other parts of Indonesia since the Bali events.
Millions demonstrated after terrorists bombed four trains in Madrid. The attack raised fears about a rising threat level in Europe.

While the attack itself is likely to have only a minor financial impact on Europe’s fifth-largest economy, the train bombings rocked consumer confidence from London to Rome and fueled concern about a possible new wave of terror, analysts said.

“I think the attacks in Spain will have a dampening effect on business confidence and consumer activity,” said Don Straszheim of Straszheim Global Advisors. “And I believe that al-Qaida probably learned something from the Spain attack, that they can make progress quite simply. It doesn’t take a suicide bomber. I would expect Europe to be targeted further.”

The train bombings in Madrid, with their deliberate targeting of civilians at the busiest part of a workday and suspected al-Qaida link, gained an almost-immediate status as “Europe’s 9/11.” The March 11 attacks came exactly two and a half years — 911 days — after the strikes on New York and Washington.
11th March 2004 Madrid bombings

Madrid is a large city in Spain with a population of over 6 million. The Madrid Bombings involved a series of nearly simultaneous bombings in 2004. In total 191 were killed and another approximated 1841 were reported injured. It occurred in the city of Madrid in the early peak hours of 11 March 2004. The main target of the bombing was the Madrid Commuter system or the train system. The terrorism made use of backpack bombs which were detonated in the trains.

Economic Impacts
The bombing however, also had long term effects on the train system as well in the sense that it inflicted fear to commuters. Thus, less people used the train reducing profits from public transport. Therefore, the long-term economic impact was significant. The economy of Spain was also affected because of the decrease in tourism. Tourism declined because people were afraid to travel to Spain after the bombings thinking that it was not safe. Tourism in Spain accounts for $53 billion of its yearly revenues of 2010 and a decrease in tourism would hit this severely. Many citizens in Spain lost their livelihood as a result of this due to the decrease in demand for tourism. Thus, Spain suffered from the Madrid Bombings as tourism was affected and people lost their jobs.
The London bombings occurred on the morning of 7 July 2005. It was a series of co-ordinated suicide attacks in London. It targeted civilians using the public transport during the morning peak hour. Four Islamist terrorists detonated four bombs. Three of the bombs were at the London Underground trains and a fourth one on a double-decker bus in Tavistock Square. Fifty-two people, as well as the four bombers, were killed in the attacks, and over 700 more were injured.
7th July 2005 London bombing

The research shows that even before the first attack on 7th July, business confidence in London had slumped to levels not seen since the eve of the Iraq War in 2003. Immediately after the blast, British pound fell by 0.89 cents against USD. It triggered the London Stock Exchange's special measures, restricting panic selling and aimed at ensuring market stability. In the weekend after the first bombing there was a 20% reduction in shoppers in central London. In the second quarter of the year the number of firms expecting the UK economy to improve over the next 12 months stood at just 19%.

Conclusion
In conclusion, the London bombings caused a deterioration to the economy which was already doing badly during that period.
As a result, it caused fear of a further slide to the British economy. People were more afraid of travelling to London after the bombings, which affected the tourism industry in Britain and in turn, the economy.

Business confidence was also weak and this led to reduction in bank interest rates to prevent further weakening of the economy.
The Islamabad Marriott Hotel bombing occurred during the night of 20 September 2008, when a dump truck filled with explosives detonated in front of the Marriott Hotel in the Pakistani capital Islamabad, killing at least 54 people, injuring at least 266 and leaving a 60 ft (20 m) wide, 20 ft (6 m) deep crater outside the hotel. The majority of the casualties were Pakistanis; although at least five foreign nationals were killed and fifteen others reported injured. The hotel blast caused a severe natural gas leak that set the top floor of the five-story, 258-room hotel on fire, police said. The explosion was heard 15 kilometres away. The blaze that followed quickly engulfed the entire structure of the Marriott hotel. About two-thirds of the building caught fire as a result of the explosion after a natural gas pipe was blown open.
Explosives used
Government advisor Rehman Malik said RDX and TNT were used in the attack. Approximately 600 kg (1,300 lb) of RDX was mixed with TNT (Torpex) or H6 and a mixture of mortar and ammunition to increase the explosive capacity. Aluminium powder was also mixed with the material to further enhance this capability. Torpex is about 50% more powerful than TNT by weight.

The "Islamabad Marriott Assistance Fund" was started by the owner of the hotel as the blast and resulting fires killed about 40 hotel staff, including the security guards who had desperately tried to avert the disaster. While scores of other employees were also wounded.

Prime Minister Manmohan Singh in a letter to Yousuf Raza Gilani, said: “Such attacks are a grim reminder of the challenges we face from destructive forces which have pitted themselves against the values of democracy and pluralism and the voices of moderation. We strongly condemn this act of terrorism. They threaten the peace, stability and development of each of us individually and all of us collectively. We must not allow such forces to succeed. They must be dealt with and brought to justice”. Indian Foreign Minister Pranab Mukherjee said, "India condemns such acts of destruction and terrorism in any country of the world".
NEW DELHI:
The terror attack on the country's financial capital, say economists, will have a short-term impact on the economy, but sentiments could be given a boost in the medium- to long-term if the Government responds by improving the law and order. However, Chief Economic Advisor in the Finance Ministry Arvind Virmani said non-economic shocks of this nature generally have a very little direct impact on the economy.
India bombing

India is among top five terror-hit nations, reveals study

The Global Terrorism Index (GTI), which was released on Tuesday by the Australia-based Institute for Economics & Peace, ranked countries based on data from the Global Terrorism Database run by a consortium based at the University of Maryland. The GTI revealed that Pakistan 12%, India 11% and Afghanistan 10% accounted for the global terrorist incidents, from 2002 to 2009.

According to the figures put out by the institute, there had been 529 incidents of terrorism in India in 2011 that had taken the lives of 402 people and injured 687. India's high numbers come in the period 2006-2010 when the casualty figures averaged more than 600 per year, peaking at 735 in 2009 and 772 in 2010. However, in terms of public perception there is little doubt that 2008, the year in which the Indian Mujahideen carried out a number of bombing attacks across the country, and the Lashkar-e-Tayyeba (LeT) strike in Mumbai would have been the deadliest year for the country.
The attacks are sometimes referred to in India as "26/11", after the date in 2008 that they began the attacks, and the nomenclature behind the 9/11 attacks in the United States, akin to that of the 3/11 attack in Madrid, Spain, and the 7/7 bombings in London, United Kingdom.

### Map of the 2008 Mumbai attacks

### Ajmal Kasab at Chhatrapati Shivaji Terminus

### Table

<table>
<thead>
<tr>
<th>Date</th>
<th>26 November 2008 – 29 November 2008</th>
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<tbody>
<tr>
<td>Attack type</td>
<td>Bombings, shootings, hostage crisis, siege</td>
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<tr>
<td>Deaths</td>
<td>Approximately 166 (including 10 attackers, 1 attacker captured and later executed)</td>
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<tr>
<td>Injured (non-fatal)</td>
<td>More than 600</td>
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<tr>
<td>Perpetrators</td>
<td>ISI, Lashkar-e-Taiba, later confirmed by the Pakistani Government</td>
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Attackers
There were in all 10 attackers out of which 9 were killed and 1 survived
Abdul Rehman
Abdul Rahman Chhota
Abu Ali
Fahad Ullah
Ismail Khan
Babar Imran
Abu Umar
Abu Sohrab
Shoaib alias Soheb
Ajmal Kasab (Captured)
later hanged in Yerwada Jail
15th April 2013 Boston bombing

MONDAY, APRIL 15 2013
Around 2:50 p.m. About four hours into the world-famous Boston Marathon two explosions erupted about a block apart on the finish line that killed three people and injured 176, many of them critically.
Immediately following the blasts, emergency workers, volunteers and bystanders rushed to help victims.
A medical tent set up to care for runners near the finish line was converted into a makeshift trauma clinic.

Injured people and debris lie on the sidewalk near the finish line following an explosion,
Doctors treating the wounded said their injuries indicated the bombs contained metal shards and other shrapnel
The FBI said The Boston bombs which unleashed terror at the marathon were lethal devices consisting of metal pressure cooker filled with nails and ball bearings, both explosives devices were placed in a nylon backpack. Associated Press said the bomb was packed into 1.6 gallon pressure cookers.

Remains-of-a-black-bag (backpack)

The victims:
Martin Richard, 8
Krystle Campbell, 29
Lingzi Lu, a Boston University graduate
15th April 2013 Boston bombing

An armed FBI agent passes a Boston police officer following an explosion at the finish line on Monday, April 15, 2013 at Boston Marathon. Two explosions shattered the euphoria of the Boston Marathon. SWAT team members stand guard near the finish line.

Unclaimed finish line bags are viewed near the scene of a twin bombing at the Boston Marathon, on April 16, 2013 in Boston, Massachusetts. The bombings at the 116-year-old Boston race, resulted in heightened security across the nation with cancellations of many professional sporting events as authorities search for a motive to the violence.

Boston Marathon crowd picture with every one of the hundred or so faces circled in red as a possible suspect per the "Internet hive mind," derided the detective work on Reddit and elsewhere as "a process known as 'procrastinating at work,' or 'crowdsourcing.'"
THURSDAY: FBI releases surveillance footage and photos of two suspects wearing hats and carrying backpacks. The suspects were seen turning from Gloucester Street onto Boylston Street and walking toward the finish line. Tamerlan Tsarnaev wearing a dark hat and His younger brother, Dzhokhar Tsarnaev, wearing a white cap.

The dramatic end to the hunt for Dzhokar Tsarnaev came when a Watertown resident reported the to the police. A police helicopter equipped with thermographic cameras confirms that there is a warm body hidden inside the boat, Police pounded the boat with flashbangs, a powerful concussive force, to see if he would react; he barely did.

Flashbang: When detonated, the grenade delivers a loud bang and bright flash sufficient to temporarily confuse, disorient the target subject.
Why?

23, June, 1985, Air India bombing, which killed 329 people.

21, December, 1988, Pan Am bombing, which killed 243 passengers, 16 crew and 11 on the ground.

26, November, 2008 Mumbai, killing 173 people and wounding at least 308.

9, September 2001, New York, four plane crashed killing 2,976 victims and 19 hijackers.
September 20th 2008 suicide truck bomb Marriott hotel in Islamabad Pakistan, killing 54, injuring at least 266

April 19, 1995, truck exploded in the street Federal building, Oklahoma USA, killing 168 and injuring more than 680

21 December 1988 Bomb Destroyed Pan Am 103 Killing all 243 passengers and 16 crew members and 11 people on the ground in Lockerbie Southern Scotland

Mumbai, Nov 26th 2008 the terrorists Attacks Taj hotel in India

9, September 2001, New York, four plane crashed Killing 2,976 victims and 19 hijackers

Why?
Air India Flight 182 was blown up in midair by a bomb in Irish airspace in the single deadliest terrorist attack involving an aircraft to that date.

The incident represents the largest mass murder.

Boeing 747-237B named Emperor Kanishka, exploded at an altitude of 31,000 feet (9,400 m) and crashed into the Atlantic Ocean. While some passengers survived the initial explosion and subsequent decompression, none survived the impact. 329 people perished, among them 280 Canadians and 22 Indian nationals.

What was the global response?

Sunday June 23, 1985 an explosion at Tokyo Narita International Airport killed two baggage handlers, and injured four. The bomb in that bag was intended for Air India Flight 301 with 177 passengers and crew on board, bound for Bangkok International Airport.
Financial Impact of Terrorism on Global Economy, Financial Markets and Tourism

13th February 2014 Luxemburg

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