ONE

Terrorism

An Introduction

The events on 11 September 2001 (henceforth, 9/11) served as a wake-up call to the world that transnational terrorism poses grave risks. The four simultaneous hijackings on 9/11 represent watershed terrorist incidents for a number of reasons. First, the deaths associated with 9/11 were unprecedented: the human toll was equal to the number of deaths from transnational terrorism from the start of 1988 through the end of 2000 (Sandler, 2003). Second, the losses associated with 9/11 topped $80 billion and caused insurance companies to end automatic coverage of terrorist-induced losses.[1] Following 9/11, many companies were unable to afford terrorism insurance. To address the insurance concern, the US government enacted the Terrorism Risk Insurance Act (TRIA) on 26 November 2002.[2] Third, 9/11 showed that ordinary objects can be turned into deadly weapons with catastrophic consequences. Despite the huge carnage of 9/11, the death toll could have been much higher had the planes struck the towers at a lower floor. Fourth, 9/11 underscored the objectives of today's fundamentalist terrorists to seek maximum casualties and to cause widespread fear, unlike the predominantly left-wing terrorist campaigns of the 1970s and 1980s that sought to win over a constituency.[3] Fifth, 9/11 mobilized a

[1] On the implications of 9/11 for the insurance industry, see Kunreuther and Michel-Kerjan (2004a) and Kunreuther, Michel-Kerjan, and Porter (2003). Approximately half of the losses from 9/11 were covered by the insurance companies, including $11 billion in lost business, $2 billion of workers' compensation, $3.5 billion in property losses at the World Trade Center, and $3.5 billion of aviation liability.

[2] TRIA is now extended to 31 December 2014 and provides for the US government to cover 85% of the insured losses on large-scale terrorist incidents. Government-supported payouts are capped at $100 billion annually.

[3] On the changing nature of terrorists, see Brandt and Sandler (2010), Enders and Sandler (2000, 2005a, 2006), Hoffman (1998, 2006), Rapoport (2004), White (2003), and Wilkinson (2001).

huge reallocation of resources to homeland security – since 2002, the US Department of Homeland Security (DHS) budget has grown by over 60% to $36.2 billion for the fiscal year 2004 (DHS, 2003). In fiscal year 2005, the DHS budget grew another 10% to $40.2 billion (DHS, 2004). The proposed DHS budget for 2010 is $55.1 billion, with approximately 65% of the budget, or $35.7 billion, going to homeland security proper (DHS, 2009, p. 155). In past DHS budgets, between 60 and 65% went to defending against terrorism on US soil. This expenditure is small compared to proactive or military measures taken in fighting the "war on terror," including the invasion against the Taliban and al-Qaida in Afghanistan on 7 October 2001 and the ongoing operations against these groups in Afghanistan in 2009, 2010, and 2011. Still other proactive spending involves improving intelligence, tracking terrorist assets, and fostering cooperative linkages with other countries. Sixth, protective actions taken by rich developed countries have transferred some attacks against these countries' interests to poorer countries – for example, the post-9/11 attacks in Indonesia, Morocco, Kenya, Saudi Arabia, Turkey, and elsewhere.

The events of 9/11 heightened anxiety worldwide and resulted in trade-offs in terms of accepting reduced freedom in return for greater security; society had not been willing to surrender as much freedom prior to 9/11. Society lost innocence on that fateful day that it will never regain. The threat of catastrophic terrorist events – though remote – is etched indelibly in everyone's mind. The Madrid train bombings on 11 March 2004 and the 7 July 2005 London transport bombings have made Europe more aware that large-scale terrorist events can occur on European soil. Other noteworthy European attacks include bomb-laden sedans discovered in London's Haymarket district on 29 June 2007 and the crash of a flaming SUV into the doors of the main terminal at Glasgow Airport on 30 June 2007. The anxiety that terrorists seek to create is amplified by people's proclivity to overreact to low-probability but ghastly events.

Although terrorist attacks are generally fewer in number since the late 1990s, terrorism continues to pose grave security risks to society. As will be shown in Chapter 3, each terrorist attack results, on average, in more casualties than those of earlier decades. Some modern-day terrorists are bent on causing attacks with large numbers of casualties – for example, al-Qaida, Lashkar-e-Taiba, and Jemaah Islamiyah. Select terrorist groups have displayed a desire to acquire weapons of mass destruction (Intriligator, 2010). The attempted bombing of a Northwest Airlines flight on 25 December 2009 highlights the fact that terrorists will innovate to circumvent static security measures, so that weak points must be constantly plugged in order

to forestall catastrophe. The reliance on reactive measures (for example, inspecting shoes after the shoe bomber incident) is not the best way to avert disaster. Terrorists will always have a tactical advantage because they can seek weak spots after governments allocate defensive measures to alternative targets. Many terrorist groups harbor great animosity to Western interests and will patiently wait for their opportunity.

The study of terrorism has been an active field of research in international relations since the early 1970s and the start of the modern era of transnational terrorism (that is, terrorism with international implications or genesis). Of course, the interest in the study of terrorism grew greatly after 9/11, with many new courses being taught at the undergraduate level worldwide. Subscriptions to the two field journals – *Terrorism and Political Violence* and *Studies in Conflict & Terrorism* (formerly, *Terrorism*) – that publish scholarly articles increased following 9/11. Ever since 9/11, there has been a greater appreciation for the application of scientific methods to the study of terrorism. This is reflected in the growing number of articles on terrorism in economics, political science, operations research, criminology, and sociology journals. General journals in the social sciences are now more willing to publish articles on terrorism. In recent years, special issues of journals have been devoted to the study of terrorism – for example, the *Journal of Monetary Economics* (2004), *European Journal of Political Economy* (2004), *Risk Analysis* (2007), *Economics and Politics* (2009), and *Journal of Conflict Resolution* (2010). Scientific methods have been emphasized by the twelve DHS Centers of Excellence that have funded a vast network of researchers studying terrorism. Grant opportunities are also available from government agencies (for example, the National Science Foundation and the Department of Defense) and private foundations. These funding opportunities are also available abroad. Scholarly conferences on terrorism have also grown in number during the last few years.

The purpose of this book is to present a widely accessible political economy approach that combines economic methods and political analysis. Where possible, we apply theoretical and statistical tools so that the reader can understand why governments and terrorists take certain actions even when, on occasion, these actions may be against their interests. Often, we are able to explain behavior that appears counterintuitive once the underlying *strategic* interactions among agents (for example, among targeted governments) are taken into account. Throughout the book, we provide insights that go against conventional wisdom but that are supported by the data. Our reliance on statistical analysis means that we do *not* simply eyeball the data in order to draw conclusions that may not hold up to statistical

scrutiny. Our approach gives the reader statistical inference that is less apt to change tomorrow as new terrorist groups with new objectives and modes of action come on the scene. Our intention is to offer a fresh approach that can inform not only students but also researchers, practitioners (for example, insurers), policymakers, and others interested in an up-to-date treatment of the political economy of terrorism.

We acknowledge that our scientific-based, political economy approach is not the only fruitful way of studying terrorism. Like other social scientific topics, terrorism is best understood by using complementary methods that draw on history, mathematical modeling, statistical inference, psychology, and culture. We are, however, constantly amazed at how mathematics and statistical inference can identify important stable relationships heretofore missed by other approaches – for example, some kinds of hostage-taking incidents are not deterred by governments' raids to free the hostages.[4] Unlike other methods, statistical analysis can also quantify a relationship, such as how long stock markets were impacted by 9/11 (Chen and Siems, 2004).

DEFINITIONS OF TERRORISM

Terrorism is the premeditated use or threat to use violence by individuals or subnational groups to obtain a political or social objective through the intimidation of a large audience beyond that of the immediate victims. Two essential ingredients characterize any modern definition of terrorism: the presence or threat of violence and a political/social motive. Without violence or its threat, terrorists cannot get a political decision maker to respond to their demands. Moreover, in the absence of a political/social motive, a violent act is a crime rather than an act of terrorism. Terrorists broaden their audience beyond their immediate victim by making their actions appear to be random, so that everyone feels anxiety. In contrast to a drive-by shooting on a city street, terrorist acts are not random but well-planned and often well-executed attacks where terrorists account for risks and associated costs, as well as possible gains.

In addition to violence and a political motive, a minimalist definition hinges on three additional factors: the victim, the perpetrator, and the audience. Of these three, the most controversial is the identity of the *victim*. Is

[4] Brandt and Sandler (2009) found that government-orchestrated violent ends to kidnappings did not deter future kidnappings. Kidnappers apparently reasoned that better efforts on their part to keep their location secret would prevent such a disastrous outcome.

an attack against a passive military target or a peacekeeper a terrorist act? The Israelis include an assault against a passive military target as a terrorist attack, whereas other countries may not if the military person is part of an occupying force. Virtually all definitions consider terrorist attacks against civilians as terrorism. The data set International Terrorism: Attributes of Terrorist Events (ITERATE) includes terrorist actions against peacekeepers but not against an occupying army as acts of terrorism.[5] While not as contentious as the victim, the *perpetrator* also presents controversy. If a state or government applies terror tactics to its citizens (for example, Stalin's reign of terror), is this terrorism? We apply the convention to call such actions *state terror* but not terrorism. In our definition here, the perpetrators are individuals or subnational groups but not the state itself. States can, however, support these subnational terrorist groups by providing safe havens, funding, weapons, intelligence, training, or by other means. When a state assists a terrorist group, the resulting terrorist act is known as *state-sponsored terrorism*. Libya is accused of state sponsoring the downing of Pan Am flight 103 over Lockerbie, Scotland, on 21 December 1988, and agreed in 2003 to compensate the victims' families. The US Department of State brands a number of nations – Cuba, Iran, North Korea, and Syria – as state sponsors of terrorism.[6] Finally, the *audience* refers to the collective that the terrorist act is intended to intimidate. For example, a terrorist bomb aboard a commuter train is meant to cause anxiety among the public at large, because such bombs can be placed in any train or public place. The audience thus extends beyond the immediate victims of the attack. On 9/11, al-Qaida's audience was everyone on the planet, not just the unfortunate victims associated with the four hijackings and their aftermath.

Why do terrorists seek such a wide audience? Terrorists want to circumvent the normal political channels/procedures and create political change through threats and violence. By intimidating a target population, terrorists intend that this population will apply pressure on political decision makers to concede to their demands. From a rational calculus viewpoint, political decision makers must weigh the expected costs of conceding, including possible countergrievances from other groups,[7] against the anticipated costs of future attacks. If the latter costs exceed those of concessions, then

[5] On ITERATE, see Mickolus (1980, 1982) and Mickolus, Sandler, and Murdock (1989).

[6] In the April 2003 issue of *Patterns of Global Terrorism 2002*, the US Department of State (2003) also included Iraq on this list. In recent years, Libya and Sudan have been removed from the list of state sponsors.

[7] Such other groups may view a government's concessions as an invitation to engage in their own terror campaigns.

a besieged government should rationally give in to the demands of the terrorists. Suicide attacks have gained prominence since 1983, because they raise the target audience's anxiety and, in so doing, greatly increase the government's anticipated costs from future attacks. This follows because a suicide attack kills on average twelve to thirteen people, while a typical terrorist incident kills on average a single person (Pape, 2003, 2005). Thus, governments have more readily given in to *modest* demands following suicide campaigns – for example, Hezbollah's car bombing of the US Marine barracks in Lebanon on 23 October 1983 resulted in the US withdrawal from Lebanon, whereas the October 1994–August 1995 Hamas suicide campaign against Israel led to the partial Israeli withdrawal from the West Bank (Pape, 2003, Table 1). Concessions also encourage more terrorism as the government loses its reputation for toughness – these reputational costs must also be weighed against the gains from giving in (for example, released hostages or an end to attacks). Terrorist tactics are more effective in liberal democracies where governments are expected to protect lives and property. Understandably, suicide campaigns have been almost exclusively associated with liberal democracies.

Some Alternative Definitions

To show how definitions may vary, we investigate a few official ones starting with that of the US Department of State, for which "terrorism means premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents, usually intended to influence an audience" (US Department of State, 2003, p. xiii). An interesting feature of this definition is the characterization of the victims as "noncombatants," meaning civilians and unarmed or off-duty military personnel. Accordingly, a bomb planted under a US soldier's private vehicle in Germany by a Red Army Faction terrorist is an act of terrorism. This nicely illustrates how the designation of a victim can be quite controversial. The State Department's definition is silent about whether a threat is a terrorist act.

The US Department of Defense (DoD) defines terrorism as "the unlawful use or threatened use of force or violence against individuals or property to coerce or intimidate governments or societies, often to achieve political, religious, or ideological objectives" (White, 2003, p. 12). Three contrasts between the DoD's and the State Department's definition are worth highlighting. First, the *threat* of violence is now included. Second, the noncombatant distinction is dropped, so that the roadside bombing of a US

convoy in Iraq would be terrorism. Third, religious and ideological motives are explicitly identified. Even two departments of the same government cannot fully agree on the definition! Nevertheless, these definitions identify the same five minimalist ingredients – that is, violence, political motivation, perpetrator, victim, and audience. The definitional problem lies in precisely identifying these ingredients. Slightly different definitions for terrorism also characterize those of the Federal Bureau of Investigation (FBI), the Defense Intelligence Agency, and the Vice President's Task Force on Terrorism in 1986 (White, 2003, p. 12).

The political nature of defining terrorism comes into focus when the official UN definition is examined: "terrorism is the act of destroying or injuring civilian lives or the act of destroying or damaging civilian or government property *without the expressly chartered permission of a specific government*, this by individuals or groups acting independently … in the attempt to effect some political goal" (emphasis added) (White, 2003, p. 12). A difficulty with this definition is that it may not brand a state-sponsored skyjacking or bombing as an act of terrorism if it is sanctioned by a specific government – for example, Iran's action to maintain the takeover of the US embassy in Tehran on 4 November 1979 for 444 days. Loopholes such as this arise when so many nations have to agree on a definition and governments do not want to tie their own hands. Since 9/11, the United Nations has ignored its official definition and taken a more pragmatic approach, branding violent acts perpetrated by subnational groups for political change as terrorism (United Nations, 2002a, p. 6). This new pragmatic definition closely matches our own definition.

Another definitional issue concerns distinguishing terrorism from warfare. In its classic sense, war targets combatants with weapons that are highly discriminating in order to limit collateral damage to civilians. Unlike war, terrorism targets noncombatants in a relatively indiscriminate manner, as 9/11 or the downing of Pan Am flight 103 illustrates. Unfortunately, the firebombings of Dresden and Tokyo during World War II blur the wartime distinction about noncombatants and discriminating attack. For our purposes, we distinguish warfare from terrorism in this standard way despite some issues. The Dresden and Tokyo bombings were not terrorist attacks, because they were perpetrated by governments, not by subnational groups, during a declared war.

Another essential distinction concerns insurrection, guerrilla warfare, and terrorism. An insurrection is a politically based uprising that is typically intended to overthrow the established system of governance. Insurgencies may also be leveled at occupying armies. Terrorism and guerrilla warfare are

tactics used by an armed movement to achieve political change. Guerrilla warfare often involves large bands of rebel forces attacking superior government armies. Guerrillas rely on surprise and cover to harass and defeat government troops. Generally, guerrillas control territory within a country – for example, the Revolutionary Armed Forces of Colombia (FARC) controls jungle tracts in southeastern Colombia. This control can be short- or long-term. In contrast to terrorism, guerrilla warfare may be a more pervasive tactic that puts many more people at risk. Typically, terrorists do not try to control territory, nor do they operate as military units that engage government troops (Hoffman, 2006, p. 35). At times, some of these distinctions can become blurred – for example, Sendero Luminoso or Shining Path in Peru controlled territory. As we will discuss, many terrorist groups rely on urban guerrilla tactics to ambush police and military forces. These terrorists do not control the urban areas; rather, they use a city as cover to conduct their surprise attacks.

Definitions are essential when putting together data to examine propositions, trends, and other aspects of terrorism. A well-defined notion is needed so that events can be classified as terrorism for empirical purposes. To this end, we rely on our definition, which takes a middle ground with respect to other definitions and comes close to the US Department of State's definition and the pragmatic UN definition after 9/11.

Domestic versus Transnational Terrorism

Another essential distinction is between domestic and transnational terrorism. *Domestic terrorism* is homegrown and has consequences for just the host country, its institutions, citizens, property, and policies. In a domestic incident, the perpetrators, victims, and audience are all from the host country. The Weather Underground in the United States engaged in domestic terrorist attacks; this group operated from 1969 until about 1981. Other US domestic terrorist groups include the Animal Liberation Front, the Army of God, and the Earth Liberation Front ("The Elves"). On 19 April 1995, Timothy McVeigh's bombing of the Alfred P. Murrah Federal Building in Oklahoma City was a domestic terrorist event, as was the 27 July 1996 Centennial Olympic Park bombing in Atlanta. The latter attack was claimed by the Army of God, which protests abortions. The Unabomber – Theodore Kaczynski – mailed sixteen bombs to universities, airlines, and other targets from 1978 to 1995.[8] In addressing domestic terrorism, a country can

[8] The facts in this paragraph come from various Wikipedia entries.

be self-reliant if it possesses sufficient resources. Antiterrorist policies need not involve other countries insofar as neither the terrorist acts nor the government's responses need impose costs or confer benefits on foreign interests. Domestic terrorist campaigns result in a country taking measures to limit the threat. A targeted country is motivated to curb the threat; elected governments may lose the next election if domestic terrorist attacks are not curtailed.

Over the last two decades, most terrorist events directed against the United States have not occurred on its soil. The kidnapping in January 2002 and subsequent murder of the reporter Daniel Pearl in Pakistan; the destruction of the Al Khubar Towers housing US airmen in June 1996 near Dhahran, Saudi Arabia; and the bombing of the US embassies in Kenya and Tanzania in August 1998 are but three gruesome examples of *transnational terrorism*. Another example is the August 2006 plot in the United Kingdom to blow up ten or more transatlantic flights from the United Kingdom to the United States and Canada with liquid explosives. British authorities arrested the plotters, thereby averting disasters. Terrorism is transnational when an incident in one country involves perpetrators, victims, institutions, governments, or citizens of another country. If an incident begins in one country but terminates in another, then it is a transnational terrorist event, as in the case of a hijacking of a plane in country *A* that is made to fly to country *B*. An attack against a multilateral organization is a transnational incident owing to its multicountry impact, as in the case of the suicide car bombing of the UN headquarters in Baghdad on 19 August 2003. The toppling of the World Trade Center towers was a transnational incident because the victims were from ninety different countries, the mission had been planned abroad, the terrorists were foreigners, and the implications of the event (for example, financial repercussions) were global.

With transnational terrorism, countries' policies are interdependent. Efforts by the European countries to secure their borders and ports of entry may merely shift attacks aimed at their people and property abroad, where borders are more porous (Enders and Sandler, 1993, 1995; also see Chapter 5). US actions that deny al-Qaida safe havens or that destroy its training camps limit the network's effectiveness against all potential targets, thereby conferring a benefit on other countries. Intelligence on a common transnational terrorist threat that is gathered by one nation can benefit other potential target countries. As a result, transnational terrorism raises the need for countries to coordinate antiterrorist policies, a need that countries had resisted until 9/11. Even now, this coordination could be much improved (see Chapters 6 and 7).

OTHER ASPECTS OF TERRORISM

The motives of terrorists may vary among groups. Traditionally, many terrorists are motivated by ethno-nationalistic goals to establish a homeland for an oppressed ethnic group. The now-defeated Tamil Tigers in Sri Lanka fell into this category, as did the Sudanese People Liberation Army's (SPLA's) struggle against the Muslim majority in the north of Sudan.[9] The Palestinians are also applying terrorism in order to gain a state. Terrorism may also be motivated by nihilism, left-wing ideology, religious suppression, intolerance, social injustice, or issue-specific goals. In recent years, some groups have resorted to terrorism to establish a fundamentalist-based regime (Hoffman, 1998, 2006). For example, Harakat ul-Jihad-I-Islami/Bangladesh wants to establish Islamic rule in Bangladesh; Al-Jihad (also known as the Egyptian Islamic Jihad) wishes to set up an Islamic state in Egypt; and Jemaah Islamiyah intends to create a pan-Islamic state out of Indonesia, Malaysia, Singapore, the southern Philippines, and southern Thailand (US Department of State, 2003). Many other rationales – for example, publicizing an alleged genocide, a millennium movement, and animal protection – have motivated terrorists' wrath on innocent victims.

Terrorists employ varied modes of attack to create an atmosphere of fear and vulnerability. Some common tactics are displayed in Table 1.1. Hostage missions are logistically complex and risky, and include kidnappings, barricade and hostage taking (that is, the takeover of a building and the securing of hostages), skyjackings, and the takeover of nonaerial means of transportation. Ransoms from kidnappings have been used by some terrorist groups as a revenue source to support operations. This is especially true of some Latin American terrorist groups (for example, FARC), which have kidnapped business executives for ransoms. Bombings can take many forms, including explosive, letter, and incendiary bombs. Bombings are by far the favorite tactic of terrorists, accounting for about half of all transnational terrorist incidents (Sandler and Enders, 2004). Assassinations are politically motivated murders. Threats are promises of future action, while hoaxes are false claims of past actions (for example, a falsely claimed bomb

[9] The Liberation Tigers of Tamil Eelam (LTTE) was defeated by the Sri Lankan military on 16 May 2009. The SPLA and the Sudanese government signed an accord in January 2005 that ended hostilities. This long-term struggle between the SPLA and the Muslim majority must not be confused with the state terror of the Sudanese government directed against the inhabitants of Darfur in 2004 and 2005.