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DANCING WITH WOLVES: A VOIDING TRANSNATIONAL CORPORATION COMPLICITY WITH TERRORISTS

U.S.-headquartered Chiquita Brands International (CBI) admitted in March 2007 of engaging in transactions with the right-wing Colombian terrorist group Autodefensas Unidas de Colombia. The case provides an example of how collaboration may arise between transnational companies and terror groups based in host countries.

This paper provides an analysis of the CBI case and sheds lights on the challenges such firms face doing business in politically unstable environs. It addresses the disparate steps global firms may pursue should they face similar circumstances. The study then analyzes the multifaceted implications of any such alternatives. The study concludes that terrorist activity injects another layer of complexity that companies must contend with while doing business abroad.

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BEHAVIORAL CHANGES IN AIRLINE TRAVEL AFTER 9/11

This research addresses behavioral changes in airline passenger travel to and from the United States after 9/11. Previous work has determined that when individuals have higher perceived risk (or fear) they substitute international travel for domestic travel. Given higher perceived risk, I hope to understand how two substitution effects influenced U.S. travel: first, passenger shifts from international to domestic travel within the U.S. and second, shifts of international travelers away from the U.S. towards other nations. Here I examine these substitution effects for 33 of the largest metropolitan areas within the U.S. Expected implications are that the attacked regions, New York and Washington D.C. experienced greater substitution effects than the rest of the U.S. (while controlling for confounding factors) and that U.S. tourism destinations were impacted more strongly than other U.S. destinations. Impacts are measured as decreases in metro area passengers relative to total U.S. passengers and the duration of the passenger deficit. The second part of the paper examines changes in technology and the relative productivity of business travel versus cyber communications. Finally, I briefly discuss the political and economic ramifications of the study.
This work studies the impact of the main terrorist attacks of Jihadist origin (the New York attack of September 11, the Madrid bombings of March 11 and those of London on July 7) on the international stock markets. Financial markets’ reactions to these sorts of events are especially relevant, as they reflect the immediate investors’ perceptions about the short and medium term economic impact of the attacks ceteris paribus (as normally no additional information except the one referring to the attacks is considered). Thus financial markets are the first to efficiently take on board and transform the news of a terrorist attack into economic information.

As for the determining elements of the Stock Exchange reaction in the specific case of the March 11 attacks, it can be seen that there were two factors which impinged mainly on market trends: the number of victims — the only objective measurement which was available to investors when quantifying the magnitude of the attacks — and who was responsible for them — certainty over which allowed the risk of the attacks being repeated or spreading to the rest of Europe to be measured.

Finally, we briefly compare the impacts of March 11, September 11 and July 7, in order to note that both the intensities and durations are becoming smaller. We point out, on the one hand this has been due to effective macroeconomic responses (assuring liquidity, suspending electronic trading, controlling the news flow, etc.) and, on the other, because in the wake of September 11, most large firms with their headquarters in big cities have developed “evacuation plans” which enable them to transfer their business in a minimum time period from the central location in the City to alternative locations outside the urban area, and thus continue business scarcely without a hitch, and with a minimum time lapse.

The early 1990s saw a noticeable targeting of global cities and in particular their economic infrastructure by terrorist organizations in order to attract global media publicity and cause severe insurance losses and disruptions in trade. In London the Provisional IRA successfully attacked a number of key economic targets in the 1990s with large bombs exploding within London financial core. These bombings, and the subsequent reaction of the urban authorities, served to highlight the need for more advanced approaches of counter-terrorism and new forms of terrorism insurance, in order to stop the relocation of international business and to protect the image of the UK economy.

In this paper the response of central London authorities both pre and post 9/11 is used as the lens through which to view attempts to reduce the real and perceived threat of terrorist attack against economic infrastructure in the UK which now also includes a consideration of the main provincial cities which are seen as key terrorist targets. Increasingly such responses are seen in terms of attempts to embed ‘resilience’ into the managerial and urban design responses of local and national government in order to reduce risk and give confidence to business communities by enhanced securitization of the public realm and more proactive contingency planning.
The possibility of an international avian influenza pandemic has suggested to policy makers the need to consider
the possibility of border closures to interrupt trade, international business travel, tourism and immigration. In an
era of significant globalization, the costs of such measures are substantial. On the other hand, the duration of a
worst-case outbreak could be as long as a year and hundreds of thousands of Americans could die. In this light,
extreme measures may have to be contemplated. We apply NIEMO (a 47-sector, 50-state National Interstate
Economic Model), the first Operational multi-regional input-output model, to simulate these possible impacts,
their magnitude, and their spatial incidence. We consider the loss of imports and exports (but allow for exporters
and importers to mitigate impacts by trading with each other), an interruption to international travel, the loss of
tourism, and the loss of immigrant labor and cross-border interactions. We consider border closures of different
levels of intensity and different durations. The results must be assessed carefully in light of the uncertainties
involved and the fact that this could be an extreme event outside the normal range of the data used to estimate
the model. Nevertheless, the estimated costs of border closure and the benefits (the dollar value of lives saved
and health expenses minimized) are sufficiently close that closing the border merits serious attention as a
mitigation strategy if a pandemic breaks out.

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GLOBALIZATION, GLOBAL BUSINESS, AND GLOBAL TERRORISM: A POLICY PERSPECTIVE

Globalization is a powerful real aspect of the new world system, and it represents one of the most influential
forces in determining the future course of the planet. It has manifold dimensions: economic, security, political,
and others. Two important aspects of globalization are global business and global terrorism, with the two linked.
This paper discusses these links and evaluates how the two influence each other, including how global terrorism
makes use of global business and how global business could play a major role in reducing the dangers of global
terrorism. Global business could have an important role as a major player in the development of new global
institutions that would combine public and private interests on a multinational basis to counter global terrorism,
challenging the acquisition of various resources by global terrorists.
Terrorists equipped with unconventional weapons (also known as nuclear, biological, chemical, and radiological \[NBCR\] weapons) present a real and present threat of creating catastrophic losses for the U.S., as well as many other countries in the world. NBCR risks have long been excluded from many insurance policies in the U.S. and other countries, even though the risk sharing created by insurance would clearly be welfare enhancing. Since the 9/11 terrorist attack, however, the U.S. and other countries have created government programs that backstop at least some of the losses that would be created by terrorist attacks, in some cases including, and other cases excluding, losses created by NBCR attacks. In this paper, we begin by exploring the reasons why NBCR risks are so often excluded from insurance coverage, starting with the historical context and finishing with the recently created government programs. Not surprisingly, the dominant reason is the enormous size of the possible losses, which could well exceed the resources available to a country's insurance industry. The paper then focuses on solutions, including the possibility of unifying resources on a worldwide basis through either reinsurance entities or the capital markets directly.

Foot-and-Mouth Disease is not a hypothetical event in Korea which experienced FMD for twenty-two years from 1911 to 1927, again in 1931, and from 1933 to 1934. The FMD problem subsided from 1935 to 1999. It reappeared in 2000 and 2002. About 1.7 million animals were killed in these years.

Strategies to counter the effects of FMD outbreaks should be based on a fundamental understanding of FMD's economic impacts as well as its infection and spread patterns. Thus, the Korean FMD outbreak cases provide useful information for analyzing the economic impacts of foot-and-mouth disease and also for developing FMD scenarios associated with hypothetical terrorist attacks. The 2006 National FMD Crisis Response Exercise of the Korean government reveals important aspects of FMD economic impact analysis. The objectives of this research are to investigate the major factors of FMD economic impact analysis derived from actual experiences, to identify possible economic impacts of Korean FMD outbreaks in the 21st century, and to develop more precise economic impact scenarios of FMD terrorist attack. We apply causal-effect network methods, statistical analysis methods, multi-regional input-output analyses, and geographic information analysis techniques.
Increasing globalization of economic and social activities worldwide makes catastrophe risks more and more global due to interdependencies across sectors and over time. A hallmark of the 21st century is that we have entered a new era of catastrophic risks with pressure for the private and public sectors to react extremely quickly even though they cannot always predict the impact that their actions will have.

Managing global risks under conditions of uncertainty, interdependency and competing interests is far from simple. Two years ago, the World Economic Forum (WEF) launched the Global Risks initiative to address some of the issues related to these events under a joint initiative with several large companies and the Wharton Risk Management and Decision Processes Center. Building on the WEF Global Risks 2007 report this paper applies pathways to mitigation by the private and public sectors to the risks of terrorism and natural disasters. These pathways include improving insight, enhancing information flow, refocusing incentives and improving investment.

This paper explores the decision processes of individuals that are critical to developing better strategies and public policies for mitigating global risks. One of the biggest challenges in implementing these strategies is overcoming the tendency to focus only on immediate payoffs. Due to myopia, individuals and firms require a sufficient return in the short-run to justify the upfront costs of protection. We often decide not to invest in risk reducing measures because we fail to consider that the expected benefits from these options are likely to extend over many years.
Extant research on the effect of transnational terrorist attacks on international commerce has found evidence within a gravity model framework that terrorism reduces bilateral trade flows. One problem with the existing research is that the indicators of terrorism employed are measured at the country level. As a result they reflect essentially the country attributes, rather than the effect of “directional” terrorist attacks. It is plausible that the country-level terrorism indicators are merely reflecting the overall risk environment for businesses in a country, not terrorism per se. Furthermore, many terrorist attacks actually involve an attacker from a particular country and a target in another country. To accurately gauge the effect of terrorism on trade between countries, one should directly examine the effect of a terrorist incident involving an attacker from one country against a target in another. The idea is that such bilateral terrorist attacks more closely reflect the affinity and quality of the relationship between the citizens of the two relevant countries and hence, better represent the actual risk posed to traders in the two countries. This effect is empirically evaluated and estimated within a gravity model framework using bilateral trade data and transnational terrorist attacks data from 1968 to 2005. The findings provide a better assessment and estimation of the effect of terrorism on international commerce.

North Korea has a terrorist past, primarily against South Korea. Today, the threat is more indirect, supplying weapons (possibly even weapons of mass destruction) to terrorists around the world and/or rogue nations. The reunification of the Korean peninsula might resolve these concerns. Would an improvement in the North Korean economy assist in this goal, and can, and should, the rest of the world contribute? Currently, only South Korea and China are investing in the North. If the strategy is justifiable, it would probably require a combination of public investment by Governments (primarily in infrastructure projects that have a problematic payback) and private investment by transnational corporations (focusing on job creation in export activities). However, the risks to foreign direct investment prior to reunification are huge, pending resolution of the political instability problem. The paper will place this discussion in the context of alternative reunification strategies: sudden R-day (the German model) and the TP (transition phase) approach that requires actions both before and after reunification. The paper argues that the TP approach is preferable (in part because of the economic implications for South Korea), but its success would depend on the participation of global business.
Several threats to the U.S. may require a partial or complete shutdown of our borders to people and goods. Such threats would include a coordinated terrorist attack or an influenza outbreak, and could last anywhere from just a few days to several months. Given that the U.S. economy is highly dependent on international mobility of goods and people, the economic impacts of a partial or total border closure are likely to be significant. Major economic impacts would stem from four factors. First, we import a significant amount of both intermediate and final goods. Second, our exports are an important source of foreign exchange, and we may face retaliation in the form of import bans on our goods if we impose restrictions on goods coming in from other countries. Third, international visitors are a significant stimulus to the U.S. economy. Fourth, in-migration provides important workers at all skill levels.

We will analyze the impacts of the curtailment of all of these actions using the REMI Economic Forecasting and Simulation Model. The analysis will be performed through a set of comparative static stimulations to isolate the impact of each aspect of a curtailment, as well as a comprehensive simulation to identify interaction effects. In addition, we will factor in resilience actions to the potential shock at both individual business and market levels. These include use of inventories, excess capacity, conservation, domestic input substitution in response to price changes, redirecting exports to domestic input needs, and rescheduling lost production to a later date.

The paper suggests a comprehensive framework for thinking and applying business continuity in an enterprise. It looks at the role of security; the role of planning in creating options for response and resilience; how detection should be integrated into the framework both for “expected” and “unexpected” disruptions; the execution of business continuity; and issues of corporate culture beyond planning for bouncing back from disruptions.
Under the authority of Executive Order 12866, the White House Office of Management and Budget directs agencies to conduct regulatory impact analyses to evaluate the benefits and costs of proposed regulations. However, conducting benefit-cost analyses of terrorism security efforts is difficult for several reasons including: uncertainty about terrorism threat; lack of data on the effects of security measures on reducing terrorism risks; and the possible occurrence of catastrophic events that experts suggest have a low probability of occurrence. This paper discusses the challenges posed by each of these factors as well as approaches to addressing them within the context of a proposed DHS regulation, the Western Hemisphere Travel Initiative in the Land Environment.