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ECONOMIC ANALYSIS OF SUICIDE TERRORISM

Viera Kočišíková*

Abstract

The article focuses on the economic analysis of the suicide terrorism. It is divided into three parts – individual level, organizational level and environmental level. The individual level considers the decision making process of an individual from economy point of view. The individual evaluates whether to prefer his own goals, or the goals of the organization. An individual decides whether to give priority to his personal interests, or sacrifice for the interests of the group. The same micro-economic analysis was applied on the decision-making process of a group/organization at the organizational level, when deciding whether to get involved in the criminal activities or rather the terrorist activities. The environmental level deals with the impact of globalization on terrorism and its link to the world economy is examined. The examples demonstrate how this linkage affected the development of financing terrorism.

Key words: suicide terrorism, motivation of an individual, motivation of a group, financing terrorism.

Introduction

Nowadays suicide terrorism is becoming a political and strategic problem with the far reaching political consequences; however, it is not a new phenomenon in the international relations. In the world of globalization this phenomenon is being spread and widely used by extremist movements all around the world. In the globalized world it represents a serious threat, spilling over from country to country.

The presence of suicide attacks throughout the history can be noticed always when there are two parties fighting against each other and one of them is financially and technologically more advanced than the other. The main reason for using this tactics is that the suicide attack gives the weaker side a chance to succeed. There is no sophisticated technology needed to manage the attack, the suicide bomber brings the weapon right to the target and uses it at

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the very right moment. The tactics is very effective – accurate and destructive.

The systematic use of suicide attacks started in the 20th Century in the beginning of 1980s. Most of them, however, have taken place after 2001 (more than 99%). This method is mostly spread among the so called terrorist groups, mainly in the Middle East and Sri Lanka. The reason is obvious; these movements of resistance do not have sufficient assets to come up with financially sophisticated methods (Pape, 2007).

Multilevel analysis

This article comes out from the **Assaf Moghadam's** analysis (Moghadam, 2006), who uses 3 levels to describe suicide terrorism:

- Individual Level
- Organizational Level
- Environmental Level

All three levels are interactive, connected to each other; therefore, it is necessary to look at all three of them together. Most of the researches done in this field had taken just one of them into consideration.

The individual level contains the psychological approaches and the motivations of an individual as well as the possible role of a charismatic leader. It is being discussed whether there is a generalized profile of suicide attacker. The individual level discusses individual incentives to individuals who have opted for this form of warfare. Studied factors are the rate of suicide bomber education, social status, poverty rate. The question remains whether it is even possible to define the profile of a suicide bomber. This level considers also the psychological aspect and the role of charismatic leader, so the question to what extent can the role of charismatic leadership led the organization to motivate individuals to membership in the organization.

The organizational level deals with the motivations of the terrorist organization for using this tactics. It considers the interactions with the individual and the environmental level. At the organizational level, the motives of the organization are being investigated as well as the political and economic goal as reasons why the organization has decided for this form of combat, how it recruits its members, criteria by which it evaluates the success of its actions. Foremost, it evaluates why the organization considers this tactic to be successful and goal-achieving.

The environmental level considers the influence of the outer environment, of the factors such as political system, religion, educational system, economy in the region, cultural aspects, etc. Environmental aspect examines and evaluates all the external factors that may influence this phenomenon. This includes the geographical aspect – the extent to which the position of the State in which the organization carries out its activities influences its motivation, religious considerations, economic considerations, etc.

All three levels are intertwined. Some factors affect more than one level of this analysis. For example, a factor of education may influence the individual, as well as the environmental level. These are two completely different perspectives. The impact of education on the motivation of individuals can be examined, i.e. how the level of education influences the motivation of individuals to involve in terrorist activities, or whether the individuals with the lower education tend more to get involved in suicide terrorist activities. Another aspect is to consider the factor of educational level in the country/region and how this affects the occurrence of the phenomenon of suicide bombers; whether the countries with the lower educational level have higher rates of suicide attacks and so forth.

Similar role is played by the economic aspect. It can be analyzed on the individual as well as on the environmental level. On the individual level the economic situation of an individual is being considered, and whether the poverty of an individual is the motivation for him to get involved in suicide terrorist attacks. On the other hand, from the environmental perspective the economic situation of the state/region is being considered, i.e. whether the states/regions in worse economic situation are more susceptible to the appearance of the suicide attacks. In the first case the motivation and decision making process of an individual is being researched; the second example analyzes the regional characteristics and their impact or correlation with this phenomenon (Vesely, 2011).

This article takes the economy as a factor and considers how this factor influences each level of analysis. It views each level from the perspective of economy. It is being divided into three parts, individual level, organizational level, environmental level, reflecting the way the analysis is structured. The individual level describes the decision making process of an individual from the perspective of micro-economy analysis, when deciding whether to participate in the terrorist attacks or not; how the individual evaluates whether to prefer his own goals, or the goals of the organization and how he balances these two

counter parts. An individual decides whether to give priority to his personal interests, or sacrifice for the interests of the group.

At the organizational level, the same micro-economic analysis was applied on the decision-making process of a group, when deciding whether to get involved in the criminal activities or the terrorist activities. The difference between the criminal group and the terrorist group is being explained as well as the thin borderline between them. It is much more efficient for a group to be involved in a criminal activity. Being an organization purely involved in terrorism might help the organization in achieving its political goals, but it does not bring any revenue to it. Therefore, most of the so called terrorist groups are more or less involved in criminal activities.

The environmental level uses the macro economy view and attempts to show the impact of globalization on terrorism and its link to the world economy. The borders between state economy and the economy of terror are being demonstrated. It is illustrated how easily the terrorism can cross borders in the environment of the globalized world. The examples demonstrate how the link to economies and deregulation of financial markets affected the development of financing terrorism.

Individual level

Trade-off between the individual and the group. Extended presumption of rationality (Gupta, 2008)

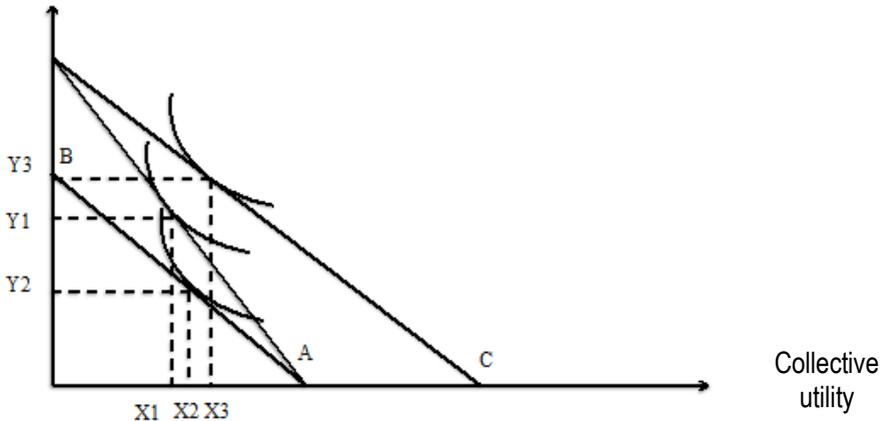
Assignment to the group and social action in its favor is one of the manifestations of human rationality, as well as satisfying one's own personal interests. Combining these two motivations represents the activity of man. The neo-classical economic school and the schools of sociology and public choice on the other hand claim that the activity of man is defined by satisfying just the individual interests. For the purpose of this paper the man activity is considered as all the activities one does to satisfy his own needs as well the acts leading to achieving the goals of the group the individual refers to.

The hypothesis: the individual does not seek only to maximize his own benefit, but tries to achieve a balance between the conflicting interests of society and his individual interests. His action and decision making process is based on a rational analysis.

For simplicity, it is assumed that private goods are the product of individual and the collective goods are on the contrary achieved by the collective effort of the group. The individual effort reflects the individual utility (usefulness) of an individual. The joint effort of the team represents the function of power of the collective identity of an individual. This trade off is graphically illustrated in the graph 1) The individual and collective utility: impact of changes in the political environment.

Graph 1) The individual and collective utility: impact of changes in the political environment

Individual utility



Source: Gupta, 2008, p. 208

On the Y axis the utility derived from private goods (personal income, power, honesty, etc.) is measured. On the X axis the utility derived from involvement of an individual in the process of achieving collective goods (discrimination limit, gaining national independence, religious freedom, freedom of speech, etc.) is measured.

Indifference curves show the utility an individual gets by splitting his interests between individual and collective. Budget Line (A) measures the given time restriction of the individual. This dedicated amount of time needs to be divided between the two activities resulting in achieving either individual or

collective utility goods. In this figure an individual, *ceteris paribus*, reaches equilibrium - the perfect mix of two activities, gaining the satisfying mix of personal utility and collective utility when he expends Y_1 units of time to achieve private goods and X_1 units of time to achieve collective goods at the point where the time budget line intersects the one of the indifference curves of the indifference map. Budget Line is determined by a combination of time devoted to these two activities. This means that an individual who aims to achieve absolute individual utility invests 100% of the time units he has available in obtaining personal goods leading to personal utility. In the picture it would be the point where the Budget Line A intersects the vertical Y axis. On the contrary, an individual who aims to achieve absolute collective utility invests 100% of the time units into activities leading to the achievement of collective goods resulting in the collective utility - in the picture the point where the Budget Line A intersects the horizontal axis X.

The indifference curve whose tangent is Budget Line A shows the maximum amount of two goods that an individual can achieve if 100% of his time fund is used. Conditions that affect this curve depend on the following factors:

Change in economic opportunities

Budget Line measures the opportunity cost of time. It shows how many units of one good an individual can expect to get if he gives up one unit of another good, the trade-off between private and public goods. The budget limitation (Budget Line) is not fixed in time and may change under the influence of socio-political and economic change (under different economic conditions the individual might have more time available to invest either in private or public goods). This means the shift of Budget Line depending on the relative (in this case Budget Line is defined by available time fund) cost of producing those two goods. For example, if an individual is capable to produce more private goods for the same time as before (time reducing the cost of private goods) by improving economic conditions Budget Line moves upwards to the vertical axis Y.

Otherwise, if economic conditions worsen, or an individual loses his job and is unemployed, the amount of private goods that an individual can achieve within a given fund is reduced. This situation is illustrated in by Budget Line shift downward the vertical axis Y – to Budget Line B.

The result of the change in economic conditions, despite the collective goods conditions did not change (government keeps strict law and order), is that the reduced economic opportunity costs will result in an increase in political protests and riots and other forms of collective negotiations that lead to collective goods achievement, which is illustrated by X2 shift in the picture 1). Therefore, when the society is facing economic decline, reduced economic opportunities (reduced opportunities to gain personal wealth and private goods) allow individuals to spend more time for achieving collective goods. This increase in collective action can be demonstrated as an increase in political protests and acts of terrorism. Individuals are much more willing to take part in public demonstrations, protests and actions leading to public goods increase.

On the other hand, if economic conditions improve, individuals will be able to produce more private goods, leading to the increased utility of the individual (self-interest goods). Therefore, opportunity costs of resources to obtain collective goods will increase. The actor will spend more time acquiring personal goods. Using the same logic, the move will result in less time spent for acquiring collective goods at the expense of private goods by the individual, because the individual would have more and better opportunities to gain private goods. In these cases, citizens may accept restrictions on personal freedom, corruption, increased rates of violence in society, or even suppression of human rights, because they would exchange (trade off), these collective goods for private goods, for their own economic wellbeing. In reality the examples can be find among the dictatorship regimes or oligarchies of Latin America.

Change in the political opportunities

Change in the political opportunities may also modify the preference of an individual in achieving the two goods, private or public. For example, if the government is weakened by a war or other, natural or human disaster, weakening the imperative (coercive) government forces will result in the bandwagon effect. When the fear of punishment decreases, people feel fearless to show their dissatisfaction with the current political system. In the Graph 1) this is illustrated by the shift of Budget Line A to the right into Budget Line C. This shift will result in a rapid increase of individual participation in collective activities.

Political opportunities can also be determined by how the government views the suppression of their political opponents. For example, if the government decides to suppress the action of dissidents, it could result in

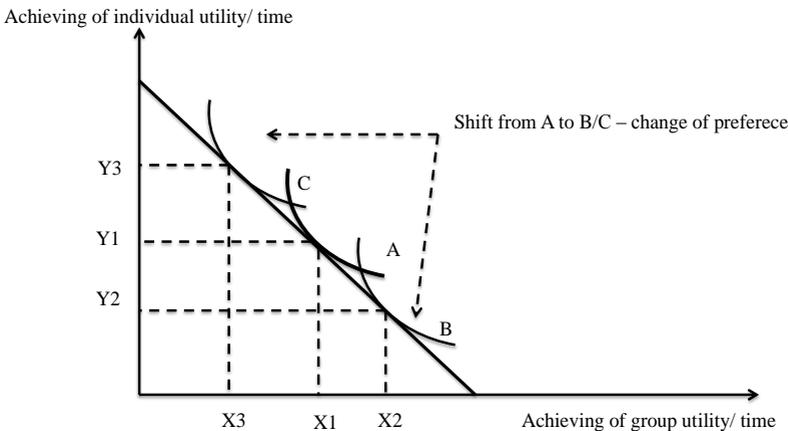
Budget Line restriction. The result is again the change of proportions between the private and collective goods. This situation could be observed among the countries during the Arab spring, when the attendance of individuals in the public anti-governmental protests was significant.

The shift of relative preferences

Weight applied on the allocation of time by the individual between the two goods influences the direction of indifference maps as well. Preferences depend on the strength of individual's collective identity that influences and modifies the political leadership and the external environment. A new political leader may lead to an increase in individual preferences for collective goods. For example, the attacks of Osama bin Laden resulted in increased growth of newly recruited members in Islamic extremist organizations in various Islamic countries.

Relative preferences may also change due to external events. For example the attacks of 9/11 in the U.S. resulted in an increase of recruited members to the U.S. army, despite the increased probability of death and injury during the service (Gupta, 2008). In such cases, the individual will prefer a different mix of the two goods; it is shown as a change of direction vector of indifference maps.

Graph 2) Individual utility and collective utility: the influence of political leadership illustrates this situation



(Gupta, 2008: 208)

As seen in the Graph 2) the change of preferences in favor of collective goods will move to the indifference map right - to the indifference curve B. Individuals put more stress on acquiring collective goods by participation in political protests of any kind.

According to the micro economy analysis the individual decides rationally whether he is going to spend his time by achieving goods that just he himself can benefit from, or whether he is going to get involved in activities leading to the group satisfaction. The shifts from the two extremes are caused by the external factors such as change in economy conditions, political change etc. The individual might under certain extreme conditions decide when the existence of the society/group he refers to is threatened to sacrifice his needs for achieving the need of the whole group. These extreme situations might be seen among the extremist resistance movements when the individuals decide to give up their life in order to fight for the goals of an organization.

According to the economist **Joseph Stigler** (1961) the price of the products on the market is also determined by their reputation, e.g. brand, producers, suppliers etc. The same logic applies to the individuals in the society. It is on one hand the reputation assigned by other people an individual interacts with, and on the other hand it is the perception of an individual by himself, or the identity he chooses. Like anything else that has a durable value, identity is an asset. An individual can invest in it and trade on it. Investing means the things an individual does not just for immediate advantage but for long-term expected gain, because they contribute to his sense of self and promote the identity an individual wishes to sustain. Because of the variation in individual circumstances and predispositions, and also because each individual's choice is influenced by the choices that others have already made, everybody acquires an identity that is distinct in some way (Harrison, 2006). The tendency of an individual to create an identity and distinguish from the mass may change the preferences of an individual and motivate him to get involved in suicide operations. This hunger for an identity might be supported by other external factors such as presence of a charismatic leader or a lack of opportunities in the society, or by the values of the group he refers to, specifically in the cultures where martyrdom is being highly appreciated and glorified, such as in the Shia society, where every young man desires to become a martyr while fighting for the rights of the community and protecting it from the enemy as their founder Ali did.

Organizational level

Terrorism and organized crime: A formal model (Gupta, 2008)

At first glance, terrorist organizations and organized crime seem very similar. Despite all the similarities, the motivation is the essential difference. The primary objectives of terrorist groups are political, such as the change of government, the achievement of independence, starting a new social system based on religious grounds. These are all public, collective goods. If the goal is achieved the benefits will flow to all members of the society, regardless of whether they were members of the organization or not, or whether they participated in the achievement or not. On the other hand, organized crime has no political objectives, but quasi-political objectives (common pooled resources), from which only the members of the organization benefit. This is a fundamental difference (Dishman, 2001: 46).

The hypothesis: the organization, same as an individual, uses a rational analysis to decide whether to involve in terrorist actions or organized crime.

We assume that either individuals or groups may allocate their time resources to obtain two types of goods - public goods from that benefit society as whole and quasi-public goods from that benefit only members of the group. Furthermore, we assume that public goods are achieved through terrorist acts and quasi-public goods are acquired by criminal acts.

Not all terrorist organizations put the equal importance in achieving the ideological goals. Groups such as al-Qaeda and Hamas have a strong ideological basis; other groups such as Abu Sayyaf in the Philippines are much more focused on making money for the core leadership of the organization (Gupta, 2008).

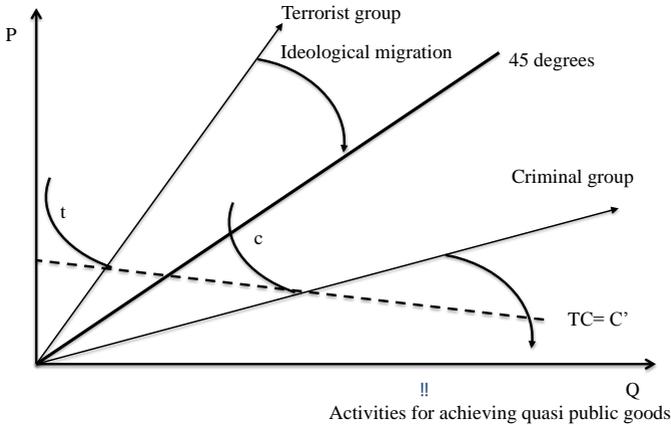
The relative strength of the ideological basis of the terrorist organizations is reflected by importance they give to their activities. This means that engaging in criminal activities may be less risky and more profitable (especially for the leaders of the group). In selecting the appropriate ratio of the two goods the organization's management considers the risk of loss of political legitimacy based on the close ties to criminal activities.

When a group engages in activities not covered by law, the risk is detected and punished. Parameters of cost functions are external, not influenced by the terrorist group; it is a result of public policy adopted by government and implemented by the law enforcement authorities and the army. It is considered

that the group has the ability to absorb a limited amount of costs due to involvement in activities not covered by the Law (Enders, Sandler, 2005: 36).

Graph 3) Transformation of the groups

Activities for achieving public goods



(Gupta, 2008: 213)

On the Y axis of the Graph 3) Transformation of the groups, it is shown that the utility that the group derives from the achievement of public goods and on the X axis the utility derived from obtaining the quasi-public goods is measured. The line forming an angle of 45 degrees with the two axes shows a uniform distribution of the goods (0.5). Any point above this line shows that the group has a greater benefit from the achievement of one unit of the public good than from the achievement of one unit of the quasi-public good. Any point below the line shows the opposite situation. To conclude, it is assumed that the group achieves the public goods by terrorist activities and quasi-public goods by engaging in criminal activities. Hypothetical terrorist organization will be demonstrated by indifference map (t). For comparison, the optimum of criminal organization would be on indifference map (c).

The dashed line is identical to the TC budget constraints under which an organization must choose a combination of the two goods to maximize its benefits. The slope of the cost curve expects higher costs of engaging in terrorist activities. Based on the presented model, it is assumed that a terrorist

group prefers quasi-public goods to public goods.

It is clear, that the costs of terrorist activities are higher than the costs of criminal activities, and since the organization must ensure its economic self-sustenance it has to recruit members experienced in criminal activities. Therefore, the terrorist organization will tend to benefit from crime. Only very strong leadership can prevent this transition.

Conversely, criminal organization, which has higher costs of engaging in political activities, will be much more reluctant to cooperate with a terrorist organization. Therefore, if the two sometimes cooperate, it will be occasional rather than regular by its nature. Terrorist organization will be more able to raise funds in-house by illegal means than in cooperation with the organization dedicated to organized crime.

This model can be changed in case that would weaken the central government or in case of the fall of state or in case of the political, military, legal weakening or the weakening of the coercive power of the state. This would create the so called brown points, not covered by law. In this case, the financial difference between the two types of organizations disappears (Gupta, 2008).

The above mentioned micro-economy analysis shows how the organization itself decides about its priorities. The organization evaluates, based on its goals and program, whether to be involved in terrorism, organized crime or both. The organization aiming for the goals that the whole society benefits from gets involved in the terrorism. The main economic reason why such an organization gets involved in terrorist activities is its struggle for the market share. Terrorist organization fighting for its political goals is a part of a certain political scene together with other political parties, government, etc. All of these political players fight for the popularity, or in economy terminology, market share. What helps in gaining the market share is first of all choosing the right political goals supported by the majority of the population. Second, these terrorist organizations believe that there is a minimal level of violence presence needed for the organization to keep its relevance and maintain the market share (Pape, 2007).

On the other hand, the organization trying to achieve goals that just the organization in question benefits from is involved in the criminal acts. The terrorist organization, however, often gets involved in criminal activities in order to assure an income necessary for its further operation. It started by the counterfeiting, bank robbery, theft and fraud, but nowadays terrorist organizations are involved in much longer list of crimes including kidnapping,

espionage, smuggling of drugs, arms, military arms, biological weapons, exotic jewelry, cigarettes and even baby formula; tax evasion, money laundering, cell phone and credit card theft, immigration violations, passports forgery; extortion, arson, human trafficking and prostitution, starting with IRA, through FARC to al-Qaeda (Hamm, 2007).

Environmental level

The environmental level attempts to evaluate the impact of globalization on terrorism and its interactions with the national economies. The two different angles, two different researches are standing against each other. Based on a research of **Napoleoni** (2004) it is demonstrated how the globalized environment supports the spillover of terrorism from one country to another and wipes the borders between state economy and the economy of terrorism. On the contrary, there are the results of **Li** and **Schaub** research (2004) showing that the importance of globalization impact on a terrorism spillover is irrelevant.

The hypothesis: the national economies and the economy of terrorism are interconnected and influenced by each other.

In the globalized world the spillovers of economy issues could be observed. According to **Napoleoni** globalization fostered not only the dissemination of ideologies of terrorism at the global level, but also enabled the connections between terrorist organizations themselves and linked their economies to each other, as well as with the state economies. The examples mentioned illustrate the impact of globalization on economies and their link to terrorist organizations, as well as on the economies of Western states.

Only after the attacks 9/11 the opinions that the driving force of terrorist attacks is more economic than ideological, as expected before, appeared. The origins of modern terrorism go back to the period of decolonization after World War II. At that time the armed groups were dependent on wealthy sponsors, former colonial powers. During the Cold War the wealthy sponsors changed and these armed groups were officially sponsored by U.S. and Russia. They supported the groups, today commonly referred to as terrorist groups, to fight for them on the outskirts of zones of influence. It became very expensive to finance these organizations and this support was not seen well in the home countries. These organizations brought up by former superpowers aimed to gain military control over the territory and gradually destroy the existing socio-economic infrastructure, or what remained of it. The goal was to replace it with

armed groups, their own socio-economic infrastructure, economic system established to support armed conflict. Attacks on humanitarian organizations were part of the terrorist organizations' strategy. To illustrate how big these amounts were, in 1984 during the armed protests against U.S. involvement in Nicaragua, the Reagan administration managed to obtain the agreement of Congress for a package of financial support amounting to 24 million USD for the support and arming of insurgents. Although this amount was increased each year until the scandal with Iranian opposition, it was not high enough to finance the rebels (Napoleoni, 2004).

In this chapter there are selected examples of how the money spills between state economies and the economies of terrorism. How due to the globalization the effect of certain activities is being transferred to another regions or influences different aspects of life.

First chosen example from the period of Reagan administration in the USA demonstrates the connections between all three economies, the state economy, the economy of a criminal organization and the economy of terrorist group (for the difference between criminal and terrorist organization, see chapter Organizational level). During Reagan administration US weapons were sold by CIA to Islamic Republic of Iran by Israeli and Saudi businessmen. These businessmen charged significant fees for mediation of this trade. Iranian payments were then cleared through a number of Swiss bank accounts controlled by the rebel leadership. Tax cost of legal and illegal transactions burdened the American citizens - entire economic burden of state-sponsored terrorism always burdens the home population of a state sponsoring the terrorism (in this case the USA).

Second example is from the seventies, when **Yasser Arafat's** PLO managed to transform from state-supported groups to the economically independent armed organization that developed a model called the privatization of terrorism. In this example the migration between the terrorist and criminal group is noticeable. Only few organizations can afford to be purely terrorist focusing solely on the political goals. During the civil war in Lebanon, **Arafat** established the Palestinian state. This state was held together by well-developed socio-economic infrastructure, albeit without the core - the right to self-determination. CIA estimates show that total wealth of the PLO in 1990 amounted to 8 to 14 billion USD. If this figure is considered as an approximate estimate of GDP of PLO, the GDP of PLO was at the time higher than the GDP of several Arab countries like Yemen (6.5 billion USD), Bahrain (6 billion USD)

and Jordan (10.6 billion USD) (Livingstone, 1990). With the increase of wealth, PLO increased the economic dependence on its enemy Israel, who knew about the situation and who was benefiting from the money of terrorism as well after it was exchanged to local currency and spent inside Israel (Napoleoni, 2004).

In the nineties under the influence of further deregulation of international economy and financial markets and globalization, terrorism was born. After removal of economic and financial barriers, armed groups have become economically international, which means that they were able to raise money across borders and operate in more than one country. Business empire of **Osama bin Laden**, financed by the terrorist attacks against Western interests across the Islamic countries before 9/11 is a shining example of this phenomenon. His portfolio was truly transnational and highly diversified. During his stay in Sudan, **bin Laden** acquired 70% share of the Gum Arabic Company Ltd, which was a monopoly in the market (80% of world reserves). Largest importer of Gum Arabic was the USA enjoying a special price conditions with suppliers. In 1998, the Clinton administration decided to impose an economic embargo on Sudan, which met with protests by lobbyists representing U.S. importers of Gum Arabic. These finally managed to convince the government to remove this company from the list of companies that are covered by the embargo. Their argument was that sanctions would mostly affect the U.S. importers, because the Sudanese company product would be sold to France (the second biggest importer) and would eventually get into the USA with a significant margin from France. This example illustrates how much the economy of terrorism is linked to the economies of Western countries (Napoleoni, 2004).

Western corporations are often aware that they deal with groups that are linked to illegal trade and trade related with terrorism. According to **Daniel Pearl**, the Wall Street journalist, who was kidnapped and killed by Jaish-I-Mohammed (Army of Mohammed), Sony in Pakistan used a contraband network in Asia as a part of its regional strategy (Pearl, Stecklow, 2002). Consumers are also dependent on money from terrorism. In the Tri-Border region of Latin America, the Arabs connected to Hamas and Hezbollah started a trade focused on the laundering of drug funds through the smuggling of duty free goods from Central America. These activities supply the Colombian population with the foreign goods that they would otherwise not be able to afford.

“Most destructive effects that come with the deregulation of the markets has brought the unification of the new economy of terror with the international

illegal and criminal economy. This happened in the nineties due to the deregulation of international financial markets. When economic barriers have fallen, terrorist groups were able to connect to each other and join with organized crime, or split their activities between terrorist activities and organized crime (see organizational level). Dirty money laundered through the same channels, buy weapons through the same dealers. These sums amounted to about 1.5 trillion USD, which is more than the GDP of Great Britain. The composition of this economy is as follows:

- 500 billion USD in the loss of the capital, illegally transferred from country to country
- 500 billion USD is called Gross criminal product, the money generated by criminal organizations
- 500 billion USD belongs to the new economy of terror - by the third is the legal trade and two thirds come from criminal activities, especially drug trafficking and smuggling” (Napoleoni, 2004;3).

The total volume of 1.5 trillion USD flows into Western economies, where the money is recycled in the U.S. and Europe. This is a critical moment in the cash flow of these economies. More surprising is the fact that terror/illegal economy in the USA and U.S. money supply are dependent. The exchange means of this economy are the U.S. 100 dollar bills. Weapons, drugs, peddling, all illegal activities are conducted via the U.S. currency. “Therefore, the growth rate of the economy estimated at about an annual increase in stocks of U.S. dollars. Federal research stocks in Saint Louis shows that since the sixties USD money supply is rising steadily. In 2000, the equivalent of two thirds of U.S. stocks M1, which is 500 billion USD, was exported from the U.S. monetary system abroad. (Porter, Judson, 1996) This amount does not include stocks of dollars held by central banks, monetary reserves. If statistics are true, then the rate of monetary growth of the terror/illegal economy is higher than the rate of monetary growth of the U.S. economy. Because the U.S. dollar is the reserve currency, the supply of dollars abroad is due to the seigniorage an important source of income for the U.S. Treasury. In other words, the U.S. Treasury may issue T-notes and lent them against the world’s total stocks held in dollars, not only against the U.S. stock. This amount represents a significant amount of tax depreciation.” (Napoleoni, 2004;4)

On the other hand the research of **Li** and **Schaub** proves the opposite. They published systematic, rigorous analysis of the relationship between economic globalization and transnational terrorist incidents in 2004. In their study they analyzed statistically the effect of economic globalization on the number of transnational terrorist incidents within countries. The analysis is based on a sample of 112 countries from 1975 to 1997 and it shows interesting patterns of statistical association between economic globalization and transnational terrorist incidents. In general, trade, FDI, and portfolio investment of a country do not directly increase the number of transnational terrorist incidents inside its borders. Economic development of the country and its top trading partners reduces the number of terrorist incidents inside the country. To the extent that economic globalization promotes development, globalization can have an indirect negative effect on transnational terrorism. The analysis is focused on the linkages between economic globalization and terrorism as a first cut. It raises caution about generalizing the findings to other aspects of the globalization phenomenon. The analysis is informative in terms of how a country's economic integration affects the number of terrorist incidents within the country. According to **Li** and **Schaub** economic globalization is not the cause of, but a possible partial solution to, transnational terrorism. Although opening up one's border facilitates the movement of terrorists and their activities, their results show that the effect of such facilitation appears weak. It does not precipitate a significant rise in transnational terrorist attacks within a country. More important, based on the research results economic openness to the extent that it promotes economic development may actually help to reduce indirectly the number of transnational terrorist incidents inside a country and closing borders to foreign goods and capital may produce undesirable effects. Economic closure and autarky can generate more incentives to engage in transnational terrorist activities by hindering economic development. **Li** and **Schaub** stress out that antiterrorism policy measures should be designed with caution. They should not be designed to slow down economic globalization (Li, Schaub, 2004).

Conclusion

In this article the phenomenon of suicide terrorism is being researched on three levels – individual, organizational and environmental. Different variables influence each level and are being analyzed. Some of the variables such as

education, poverty, religion can affect more than one level of this analysis. One of the variables which can be used at all these levels is the economic variable. Economy view can be applied at the decision making process of an individual as well as the organization, and it can be researched at the environmental level as well.

Micro-economic analysis as an approach can be applied at the individual as well as the organizational level. When considering the macro-economic approach, the interactions between the national economy and the economy of terrorism could be observed at the environmental level.

When micro-economic analysis is applied to a decision making process of an individual, he considers whether to spend his time in achieving goods that he as an individual benefits from; in achieving goods that the organization he refers to as a member benefits from; or how to create a perfect mix of these two types of goods. The equilibrium point, the intersection of indifference curve and budget line shows this perfect mix of the two above mentioned types of goods that the individual achieves within his time budget. The equilibrium changes depending on the change of the conditions such as the political situation, the economic opportunities or personal preferences of an individual.

The same micro-economic analysis could be applied to the organization and its decision making process. It is being analyzed how an organization decides whether to involve in terrorism or criminal action. The major difference between the terrorist organization and criminal organization is that from the actions of terrorist organization the whole society the organization refers to benefits, but the actions of criminal organization benefit only the criminal organization itself or its core members. In reality it is very difficult to find these two types of organizations separated. The sustenance costs of the terrorist organization are very high; therefore, the transition from a terrorist organization into a criminal one is quite common, while the opposite situation happens very rarely.

Regarding the environmental level, it is difficult to point out the exact role that globalization plays in the growth of terrorism. The examples demonstrated by **Napoleoni** (2004) in her research show the dependence between the Western and terrorist/illegal economies and illustrate how with the continuous globalization and diminishing of the borders between states and cultures, the borders between the legal, state economy and the illegal economy of terror are disappearing. Other analysis by **Li** and **Schaub** (2004) on the other hand proves a low relevance of the globalization for the growth of international

terrorism. Globalization wipes the differences between the state economy and the economy of terror, but it is not clear whether this increases the terrorist activities within the country or not. According to **Li** and **Schaub** the correlation is irrelevant.

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