



ECOFIN
STUDY GUIDE

TEDMUN

20

24



ANKARA
TED ANKARA COLLEGE
FOUNDATION HIGH SCHOOL
MODEL UNITED NATIONS

TEDMUN'24 GA2: ECOFIN STUDY GUIDE

AGENDA ITEM: 9/11 Attacks' Ongoing Economic Impacts on Global Economies



TABLE OF CONTENTS

- 1) Letter from the Secretary General
- 2) Letter from the Chairboard
- 3) ECOFIN
- 4) Introduction to the agenda item
- 5) Historical Context behind the 9/11 Attacks
 - a. Core reasons behind 9/11
 - i. Osama bin Laden and His Role in the Attacks
 - ii. Al-Qaeda
 - b. Preparation of the 9/11 attacks
 - c. Timeline of the attacks
- 6) The aftermath of the 9/11 attacks around the World
 - a. War On Terror
 - b. War on Terror's effect on Middle East and Afghanistan
- 7) Economic Impacts of 9/11
 - a. Immediate Impacts
 - b. Long-term and ongoing economic impacts of 9/11 attacks
 - i. Cost of Counterterrorism Measures
 - ii. Impact on Global Trade and Transportation
 - iii. Effect on Insurance Industry
 - iv. Changes in Travel and Tourism
 - v. Impact on Financial Markets
 - vi. Impact on Global Supply Chains
 - vii. Economic Effects on Airlines and Aviation
- 8) 9/11 Attacks' economic effects in the Middle East and Afghanistan
 - a. The situation in Afghanistan
 - b. The situation in Iraq
 - c. Humanitarian Devastation and Refugee Flows
- 9) Questions to be addressed
- 10)References



1) LETTER FROM THE SECRETARY GENERAL

Dear participants of TEDMUN 2024,

My words could not start without a quote that enlightens and motivates the whole spirit of this conference: “Peace in home, peace in world.” Although Mustafa Kemal Atatürk is known to be a great military commander and a brilliant government man, he was unique. At that time, while most of the leaders had rather aggressive views regarding the importance of International Diplomacy and Foreign Affairs, Mustafa Kemal Atatürk knew that the future of the modern world and a future modern Türkiye must be tenant to diplomacy. It must be reminded that, our hearths and opinions lie within his words, and this conference is assembled through his enlightenment.

TED Ankara College Policy Diplomacy Club has assembled 9 conferences since 2014, and this year we are proud to be the part of the 10th TEDMUN Conference. Becoming a part of the PDC, being an MUN’er and organizing TEDMUN at the end of the 11th grade has turned into a long-lasting tradition of every TED Ankara College member. We are proud to be a part of this long-lasting tradition and glorifying our club. The TED Ankara College Policy Diplomacy Club has a rich history of fostering such principles, organizing conferences that serve as platforms for meaningful discourse and collaboration. As we continue this tradition with the 10th TEDMUN Conference, we stand as proud torchbearers of our club's legacy, committed to upholding the values of diplomacy, mutual respect, and cooperation.

For each of us, participating in Model United Nations represents more than just a simulation; it is an opportunity to engage with diverse perspectives, to forge connections, and to contribute to the collective pursuit of peace and prosperity. As Secretary-General, I am deeply inspired by the dedication and passion that each of you brings to this conference. I hope the best for your contributions to the Model United Nations, and I wish you to enlighten yourselves by recovering the embedded solutions in each conflict. In my opinion, your youth and perspectives will make this conference shine like the North Star in the Arctic.



As we embark on this journey together, let us remember the words of Atatürk and the legacy of TED Ankara College Policy Diplomacy Club. Let us approach our deliberations with open minds, empathy, and a shared commitment to building a better world. I am confident that through our collective efforts, we will not only honour our advisors but also reaffirm our belief in the power of diplomacy to transcend borders and unite humanity.

With warm regards,

Buğra Ermihan

Secretary-General of TEDMUN 2024



2) LETTER FROM THE CHAIRBOARD

Highly distinguished participants,

I am Kağan Darga and I will be serving as the president chair of ECOFIN. I sincerely welcome you all to the TEDMUN'24 conference. I am a sophomore pre-IB student in Ankara. I have been doing MUNs for over a year, which has become one of my passions. Last year at TEDMUN'23, I participated in the ECOFIN committee and realized how much I loved making economy-related committees so I genuinely hope you enjoy this committee as much as I do.

While writing this study guide, I tried to give you information about the 9/11 attacks and their impacts worldwide. I think this study guide will be very helpful for you in the committee so it's paramount that you read this guide. But this guide shouldn't be the only thing that you get help from. I encourage you to further research both the agenda item and your country's stance on the matter. And I again highly encourage you to learn more about the economy and how it works since it will be the main point that we will be talking about in the committee.

I cannot finish this letter without mentioning how hard TEDMUN'24 team worked to make this conference wonderful. So I thank all of the people involved in the making of this conference. I can assure you that TEDMUN'24 will be spectacular. And please keep in mind that this conference is following the THIMUN procedure, so it's crucial that you write some clauses before the conference for the resolutions that we will be writing in the committee.

Bear in mind that as the chairboard of this committee, we are here to guide you in the committee. So if you have any questions regarding the committee you can always reach to me via this email:

kagandarga08@gmail.com

Again, I hope that you find this study guide beneficial and have a wonderful conference that you'll never forget!

Sincerely,

Kağan DARGA



3) ECOFIN

The **United Nations General Assembly Second Committee** (also known as the **Economic and Financial Committee** or **ECOFIN** or **C2**) is one of the six main committees of the United Nations General Assembly. It deals with global finance and economic matters.

The Second Committee meets every year in early October and aims to finish its work by the end of November. All 193 member states of the UN can attend.

The Economic and Financial Committee (Second Committee) of the United Nations is responsible for dealing with questions about economics, global finance, and growth and development around the world. It was created alongside the other major General Assembly bodies of the United Nations during its founding. It is considered a critical organ of the UN; without it the United Nations and the other organs attached to it would cease to function, as ECOFIN apportions funding among programs and committees. Within the purview of the committee are developing solution mechanisms to persistent economic inequity and dealing with emerging concerns within global finance. ECOFIN is composed of all 193 member states of the United Nations and each of them have equal voting power. It can essentially be described as the policy making body for economics, global finance, and economic growth. As in other UN bodies, ECOFIN has the capacity to make policies and draft guidelines, but cannot enforce them. Accordingly, cooperation and support is essential in this committee, as well as thoroughly thought out incentive systems for nations to voluntarily agree to participate in the resolutions produced by this body.

Scope of ECOFIN

The agenda items allocated to C2 are organized in 11 clusters:

- macroeconomic policy,
- operational activities for development,
- financing for development,
- groups of countries in special situations,
- globalization and interdependence,
- eradication of poverty,
- sustainable development,



- information and communication technologies for development,
- agriculture development,
- food security and nutrition,
- human settlements and sustainable urban development,

4) INTRODUCTION

The **September 11 attacks**, commonly known as **9/11**, were four coordinated Islamist suicide terrorist attacks carried out by Al-Qaeda against the United States on September 11, 2001. That day, four commercial airliners scheduled to travel from the East Coast to California were hijacked by 19 terrorists. The hijackers crashed the first two planes into the Twin Towers of the World Trade Center in New York City, two of the world's five tallest buildings at the time, and aimed the next two flights toward targets in or near Washington, D.C., in an attack on the nation's capital. The third team struck the Pentagon, the headquarters of the U.S. Department of Defense in Arlington County, Virginia, while the fourth plane crashed in rural Pennsylvania during a passenger revolt. The September 11 attacks killed 2,977 people, making them the deadliest terrorist attack in history, and instigated the multi-decade global war on terror, fought in Afghanistan, Iraq, and elsewhere. The attack also had severe economic impacts on the World's and America's economies.



5) Historical Context behind the 9/11 Attacks

a) The core reasons behind 9/11

9/11 happened because of various reasons. First and foremost, Islamic extremism was stirred by the Iranian Revolution (a popular uprising in Iran in 1978-79 that resulted in the toppling of the monarchy on February 11, 1979, and led to the establishment of an Islamic republic.), the Soviet invasion of Afghanistan and the assassination of the Egyptian president. That extremism



turned anti-American because of U.S. support for Israel and repressive and secular Arab regimes. Soaring birthrates and limited economic opportunities generated some social pressures. Extremist thinking embraced violence because local regimes left no other options for peaceful, democratic reform. The proliferation of weapons gave activists the means to inflict harm, and innovation in communications facilitated worldwide publicity about their deeds — which served the psychological warfare objective of unsettling Western populations.

i. Osama Bin Laden and His Role in the Attacks

In 1979, The Soviets invaded Afghanistan to support the recently installed pro-Soviet government in their war against various Islamist rebel groups backed up by the US, UK, Saudi Arabia, and other countries. They did not want the communists to win. Among those who also did not want communists to was the young son of a Saudi businessman, Osama Bin Laden. He saw the Soviet invasion as a direct threat to the Islamic world. Bin Laden joined the rebels in 1979 and moved to Pakistan, from where he and his allies were funneling arms, money, and fighters to Afghanistan. The key takeaway is that the US and Osama bin Laden were on the same side. The conflict lasted for ten years, and in 1989, when the



Soviets finally abandoned Afghanistan empty-handed, Osama returned to Saudi Arabia as a hero. But he quickly gained the reputation of a radical opponent to the Saudi Arabian government and especially their foreign and defense policy.

What was Osama concerned with? To start with, he was unhappy that during the Gulf War, the Saudi Arabian government chose to rely on the US for all things defense rather than on its domestic force. But perhaps Osama's biggest concern was that after the Gulf War in 1991, the US kept operating in the region, playing an active role in the daily agenda of the Islamic world. Even the US military bases across Saudi Arabia were there to stay. Osama felt the Saudi government was undermining Islam does putting the Islamic World at risk by bringing capitalists to their front door. The strong matches between Bin Laden and the Saudi government got so intense at one point in the 1990s that Osama was exiled from his country, lost his



citizenship, and moved first to Sudan and then to the Afghanistan. By then, Bin Laden had already established “Al-Qaeda” an organization that declared the holy war against the US.

ii. Al-Qaeda

Al-Qaeda, a broad-based militant Islamist organization founded by Osama bin Laden in the late 1980s became one of the world’s most notorious terrorist organizations after carrying out the attacks of September 11, 2001.

Al-Qaeda began as a logistical network to support Muslims fighting against the Soviet Union during the Afghan War; members were recruited throughout the Islamic world. When the Soviets withdrew from Afghanistan in 1989, the organization dispersed but continued to oppose what its leaders considered corrupt Islamic regimes and foreign (i.e., U.S.) presence in Islamic lands. Based in Sudan for a period in the early 1990s, the group eventually reestablished its headquarters in Afghanistan (c. 1996) under the patronage of the Taliban militia.

Al-Qaeda merged with several other militant Islamist organizations, including Egypt’s Islamic Jihad and the Islamic Group, and on several occasions, its leaders declared holy war against the United States. The organization established camps for Muslim militants from throughout the world, training tens of thousands in paramilitary skills, and its agents engaged in numerous terrorist attacks, including the destruction of the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania (1998), and a suicide bomb attack against the U.S. warship *Cole* in Aden, Yemen (2000; *see* USS *Cole* attack). In 2001, 19 militants associated with al-Qaeda staged the September 11 attacks against the United States. Within weeks the U.S. government responded by attacking Taliban and al-Qaeda forces in Afghanistan. Thousands of militants were killed or captured, among them several key members (including the militant who allegedly planned and organized the September 11 attacks), and the remainder and their leaders were driven into hiding.

b) Preparation of the Attacks

By 1996, 5 years before the attacks, Al-Qaeda already had a clear vision of how the events would unfold. On 9/11 they wanted to demolish US’s power and economic prosperity symbols such as the US capital building, the Pentagon and the World Trade Center. After considering



many options, they eventually decided to use kamikaze-style airplane attacks. Airplanes especially the large commercial ones carry tons and tons of jet fuel on board and thus can be used as a jet fuel field missile to cause devastating damage. Needless to say, it took years to prepare for the attack (5 years to be precise). They took their time to select each candidate for this operation, trained Pilots to fly commercial airplanes, and taught 15 muscle hijackers to neutralize flight attendants and uncooperative passengers and take control of the plane.

c) Timeline of the Attacks

On the morning of September 11th, 2001, all four groups of terrorists successfully took control of the airplanes shortly after their take off. Boeing 767 crashed into the World Trade Center Twin Towers in New York City. One Boeing 757 crashed into the Pentagon headquarters in Virginia. Another 757 never reached its target. The flight passengers retaliated and almost forced the hijackers to nosedive the planes miles away from the US Capitol building in Washington DC.

September 11, 2001

5:45 AM – Mohamed Atta and Abdul Aziz al-Omari, two of the intended hijackers, pass through security at the Portland International Jetport in Maine. They board a commuter flight to Boston Logan International Airport, and they then board **American Airlines Flight 11**.

7:59 AM – **Flight 11** takes off from Boston, headed for Los Angeles, California. There are 76 passengers, 11 crew members, and 5 hijackers on board.

8:15 AM – **United Airlines Flight 175** takes off from Boston, also headed for Los Angeles. There are 51 passengers, 9 crew members, and 5 hijackers on board.

8:19 AM – A flight attendant on **Flight 11**, Betty Ann Ong, alerts ground personnel that a hijacking is underway and that the cockpit is unreachable.

8:20 AM – **American Airlines Flight 77** takes off from Dulles, outside of Washington, DC, headed for Los Angeles. There are 53 passengers, 6 crew members, and 5 hijackers on board.

8:24 AM – Mohamed Atta, a hijacker on **Flight 11**, unintentionally alerts air controllers in Boston to the attack. He meant to press the button that allowed him to talk to the passengers on his flight.



8:37 AM – After hearing the broadcast from Atta on **Flight 11**, Boston Air traffic control alerts the US Air Force’s Northeast Defense Sector, who then mobilize the Air National Guard to follow the plane.

8:42 AM – **United Flight 93** takes off from Newark, New Jersey, after a delay due to routine traffic. It was headed for San Francisco, California. There are 33 passengers, 7 crew members, and 4 hijackers on board.

8:46 AM – **Flight 11** crashes into the World Trade Center’s North Tower. All passengers aboard are instantly killed, and employees of the WTC are trapped above the 91st floor.

9:03 AM – **Flight 175** crashes into the WTC’s South Tower. All passengers aboard are killed instantly and so are an unknown number of people in the tower.



WTC 1 Burning, WTC 2 Plane Impact & Immediate Aftermath



9:05 AM – President George W. Bush, in an elementary school classroom in Florida, is informed about the hit on the second tower. His chief of staff, Andrew Card, whispers the chilling news into the president’s ear. Bush later wrote about his response: “I made the decision not to jump up immediately and leave the classroom. I didn’t want to rattle the kids. I wanted to project a sense of calm... I had been in enough crises to know that the first thing the leader has to do is to project calm.” (Miller Center)



President Bush participates in a reading demonstration on the morning of September 11 at Emma E. Booker Elementary School in Sarasota, Florida *Courtesy of George W. Bush Presidential Library and Museum*

9:28 AM – Hijackers attack on **Flight 93**.

9:37 AM – **Flight 77** crashes into the Pentagon. All passengers aboard are instantly killed and so are 125 civilian and military personnel in the building.

9:45 AM – US airspace is shut down under Operation Yellow Ribbon. All civilian aircraft are ordered to land at the nearest airport.,

9:55 AM – **Air Force One** with President George W. Bush aboard takes off from Florida.

9:57 AM – Passengers aboard **Flight 93** begin to run up toward the cockpit. Jarrah, the pilot, begins to roll the plane back and forth in an attempt to destabilize the revolt.



9:59 AM – The South Tower of the World Trade Center collapses.



10:02 AM – **Flight 93** plows into an empty field in Shanksville, Pennsylvania. Although its ultimate target is unknown, it was likely heading for either the White House or the US Capitol.



The site of Flight 93's crash *Wikimedia Commons*

10:18 AM – President Bush authorizes any non-grounded planes to be shot down. At that time, all four hijacked planes had already crashed but the president's team was operating under the impression that **Flight 93** was still in the air.

10:28 AM – The North Tower of the World Trade Center collapses.

10:53 AM – Secretary of Defense Donald Rumsfeld orders the US military to move to a higher state of alert, going to DEFCON 3.

11:45 AM – **Air Force 1** lands at Barksdale Air Force Base near Shreveport, Louisiana.

12:15 PM – Airspace in the United States is completely free of all commercial and private flights.

1:30 PM – **Air Force 1** leaves Barksdale.



2:30 PM – Rudy Giuliani, the mayor of New York City, visits the fallen Twin Towers of the World Trade Center at what becomes known as Ground Zero.

3:00 PM – **Air Force 1** lands at Offutt Air Force Base in Nebraska, and President Bush is immediately taken to a secure bunker that is capable of withstanding a nuclear attack.

4:30 PM – **Air Force 1** leaves Offutt and heads back toward Andrews Air Force Base near Washington, DC.

5:30 PM – Building 7 of the World Trade Center collapses.

8:30 PM – President Bush addresses the nation.

5) The aftermath of the 9/11 attacks around the World



American Soldiers in Iraq, 2005 *Wikimedia Commons*

Because of the events that took place on

September 11, 2001, American society as a whole suffered dramatically. Recovery took years, and the economy declined drastically after the attacks. Various first responders united that day to help as much as possible. Whether they were paramedics, police officers, firefighters, doctors, nurses, or ordinary civilians, the main objective was to cooperate and help the wounded. More than 1,500 first responders, ironworkers, engineers, heavy equipment operators, and other workers worked at Ground Zero to attempt to find survivors and clean up the wreckage. Cranes and bulldozers were brought in along with search and rescue dogs in order to locate survivors and bodies of the deceased, however, operations were hindered by the presence of approximately two feet of soot at the site, which obscured objects and bodies.

In the immediate aftermath of the attacks, only 20 survivors were pulled alive from the rubble, although some several human remains and belongings were removed from the site. The day after the attack, then-mayor Rudy Giuliani told reporters that they were receiving mobile phone calls from people trapped in the debris. The task of removing debris and rubble continued well into 2002, with some 108,000 truckloads of 1.8 million tons of rubble removed by May 2002.



The immediate response to 9/11 was the George W. Bush administration's War on Terror, which began in Afghanistan as a retaliation against al Qaeda for carrying out the attack. The Bush administration soon expanded the War on Terror into Iraq, and the consequences of these wars continue to affect the Middle East to this day. There were domestic long-term effects of 9/11 as well. Thousands of people struggle with cancer and lasting chronic health

problems relating to the toxicity from Ground Zero, the site where the Twin Towers used to stand. The September 11 attacks also changed American air travel as airlines began to require stringent security checks designed to prevent the types of weapons the hijackers used from slipping through. Finally, the 9/11 attacks resulted in changes to the federal government and an expansion of executive power. A new cabinet department, the Department of Homeland Security, was created, and the intelligence community was consolidated under the Director of National Intelligence to improve coordination between various agencies and departments. New legislation such as the USA Patriot Act expanded domestic security and surveillance, disrupted terrorist funding by cracking down on activities such as money laundering, and increased efficiency within the U.S. intelligence community.

WAR ON TERROR

War on terrorism, a term used to describe the American-led global counterterrorism campaign launched in response to the terrorist attacks of September 11, 2001. In its scope, expenditure, and impact on international relations, the war on terrorism was comparable to the Cold War; it was intended to represent a new phase in global political relations and has had important consequences for security, human rights, international law, cooperation, and governance.



Guantánamo Bay detainees, Prisoners aboard a U.S. transport plane headed to the detention camp in Guantánamo Bay, Cuba, 2002.(more)

The war on terrorism was a multidimensional campaign of almost limitless scope. Its military dimension involved major wars in Afghanistan and Iraq, covert operations in Yemen and elsewhere, large-scale military assistance programs for cooperative regimes, and major



increases in military spending. Its intelligence dimension comprised institutional reorganization and considerable increases in the funding of America's intelligence-gathering capabilities, a global program of capturing terrorist suspects and interning them at Guantánamo Bay expanded cooperation with foreign intelligence agencies, and the tracking and interception of terrorist financing. Its diplomatic dimension included continuing efforts to construct and maintain a global coalition of partner states and organizations and an extensive public diplomacy campaign to counter anti-Americanism in the Middle East. The domestic dimension of the U.S. war on terrorism entailed new antiterrorism legislation, such as the USA PATRIOT Act; new security institutions, such as the Department of Homeland Security; the preventive detainment of thousands of suspects; surveillance and intelligence-gathering programs by the National Security Agency (NSA), the Federal Bureau of Investigation (FBI), and local authorities; the strengthening of emergency-response procedures; and increased security measures for airports, borders, and public events.

The successes of the first years of the war on terrorism included the arrest of hundreds of terrorist suspects around the world, the prevention of further large-scale terrorist attacks on the American mainland, the toppling of the Taliban regime, and subsequent closure of terrorist training camps in Afghanistan, the capture or elimination of many of al-Qaeda's senior members, and increased levels of international cooperation in global counterterrorism efforts.

However, critics argued that the failures of America's counterterrorism campaign outweighed its successes. They contended that the war in Afghanistan had effectively scattered the al-Qaeda network, thereby making it even harder to counteract, and that the attacks in Afghanistan and Iraq had increased anti-Americanism among the world's Muslims, thereby amplifying the message of militant Islam and uniting disparate groups in a common cause. Other critics alleged that the war on terrorism was a contrived smokescreen for the pursuit of a larger U.S. geopolitical agenda that included controlling global oil reserves, increasing defense spending, expanding the country's international military presence, and countering the strategic challenge posed by various regional powers.

By the time of U.S. Pres. George W. Bush's reelection in 2004, the drawbacks of the war on terrorism were becoming apparent. In Iraq, U.S. forces had overthrown the government of Saddam Hussein in 2003, and U.S. war planners had underestimated the difficulties of building a functioning government from scratch and neglected to consider how this effort



could be complicated by Iraq's sectarian tensions, which had been held in check by Saddam's repressive regime but were unleashed by his removal. By late 2004 it was clear that Iraq was sinking into chaos and civil war; estimates of the number of Iraqi civilians killed during the period of maximum violence—roughly 2004 to 2007—vary widely but generally exceed 200,000. U.S. casualties during this period far outnumbered those suffered during the initial 2003 invasion. Afghanistan, which for several years had seemed to be under control, soon followed a similar trajectory, and by 2006 the U.S. was facing a full-blown insurgency there led by a reconstituted Taliban.

The Bush administration faced domestic and international criticism for actions that it deemed necessary to fight terrorism but which critics considered to be immoral, illegal, or both. These included the detention of accused enemy combatants without trial at Guantánamo Bay and at several secret prisons outside the United States, the use of torture against these detainees in an effort to extract intelligence, and the use of unmanned combat drones to kill suspected enemies in countries far beyond the battlefields of Iraq and Afghanistan.

By the last years of Bush's presidency, public opinion had turned strongly negative concerning his handling of the Iraq War and other national security matters. This discontent helped Barack Obama, an outspoken critic of Bush's foreign policy, win the presidency in 2008. Under the new administration, the expression *war on terrorism*—still closely associated with Bush policies—quickly disappeared from official communications. Obama made the rejection explicit in a 2013 speech in which he stated that the United States would eschew a boundless, vaguely defined “global war on terrorism” in favour of more focused actions against specific hostile groups. Under Obama, the wars in Iraq and Afghanistan were gradually wound down, although at the end of Obama's presidency in 2016 there were still U.S. troops in both countries.

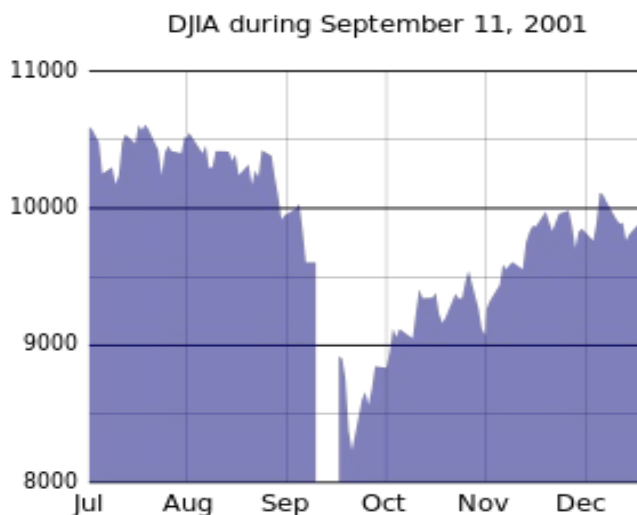
It is worth noting that beneath Obama's rejection of the war on terrorism as a rhetorical device and as a conceptual framework for national security there were important continuities with the policies of his predecessor. The Obama administration, for example, greatly expanded the campaign of targeted killings carried out with drones, even eliminating several U.S. citizens abroad whom it deemed threatening. Special operations forces were greatly expanded and increasingly deployed to conduct low-profile military interventions in countries outside of acknowledged war zones. And U.S. security agencies



continued to exercise the wide-ranging surveillance powers that they had accumulated during the Bush administration despite protests from civil liberties groups.

6) ECONOMIC IMPACTS OF 9/11

After the terrorist attack, various repercussions took place that affected the U.S as a whole. All the money and claims that were being put out to help aid the victims of the attack, as well as



different security and laws to protect the U.S, caused several layoffs and un-employments. Specifically, it was said that 462 extended masses were layoffs because of the attacks that displaced approximately 130,000 employees. The unemployment rate inclined to a total of 5.0%.

The attacks caused an estimated overall economic loss to the city of \$82.8-94.8 billion, with the lower number being

consistent with the NYC Partnership's November 2001 estimate and the high end being consistent with the New York City Comptroller's October 2001 estimate. It was calculated that the lost human productive value, life insurance payouts were \$2.63 billion, federal payments after offsets were estimated at \$2.34 billion and charitable payments were \$0.79 billion.

Stock exchanges closed between September 10, 2001 and September 17, 2001. After the initial panic, the DJIA quickly rose for only a slight drop.

a. Immediate Economic Impacts

The September 11 attacks in 2001 were followed by initial shocks causing

global stock markets to drop sharply.

On Tuesday, September 11, 2001, the opening of the New York Stock Exchange (NYSE) was delayed after the first plane crashed into the World Trade Center's North Tower, and trading for the day was canceled after the second plane crashed into the South Tower. The NASDAQ also canceled trading. The New York Stock Exchange Building was then evacuated as well as nearly all banks and financial institutions on Wall Street and in many cities across the country. The London Stock Exchange and other stock exchanges around the world were also closed down and evacuated in fear of follow-up terrorist attacks. The New York Stock Exchange remained closed until the following Monday. This was the third time in history that the NYSE



experienced prolonged closure, the first time being in the early months of World War I and the second being March 1933 during the Great Depression. Trading on the United States bond market also ceased; the leading government bond trader, Cantor Fitzgerald, was based in the World Trade Center. The New York Mercantile Exchange was also closed for a week after the attacks.

The Federal Reserve issued a statement, saying it was "open and operating. The discount window is available to meet liquidity needs." The Federal Reserve added \$100 billion in liquidity per day, during the three days following the attack to help avert a financial crisis. Federal Reserve Governor Roger W. Ferguson Jr. has described in detail this and the other actions that the Fed undertook to maintain a stable economy and offset potential disruptions arising in the financial system.

Gold prices spiked upwards, from \$215.50 to \$287 an ounce in London trading. Oil prices also spiked upwards. Gas prices in the United States also briefly shot up, though the spike in prices lasted only about one week.

Currency trading continued, with the United States dollar falling sharply against the Euro, British pound, and Japanese yen. The next day, European stock markets fell sharply, including declines of 4.6% in Spain, 8.5% in Germany, and 5.7% on the London Stock Exchange. Stocks in the Latin American markets also plunged, with a 9.2% drop in Brazil, 5.2% drop in Argentina, and a 5.6% decline in Mexico, before trading was halted.

The immediate impact on some business sectors was significant. The insurance industry was hit with 9/11-related claims estimated at some \$40 billion, although most firms held adequate cash reserves to cover these obligations. As a result of the fallout from the 9/11 attacks on the insurance industry, the Terrorism Risk Insurance Act was passed to share losses between the federal government and the insurance industry. This legislation became necessary as premiums were becoming too costly or simply unavailable due to perceptions of increased risk. No financial formula can perfectly gauge the risks of a terrorist attack in terms of the scope of damage. Following 9/11, many insurance companies were refusing to cover damages stemming from terrorist activities. The Terrorism Risk Insurance Act enabled insurers to include once again terrorism insurance as a part of their coverage. Without this legislation, the cost of coverage against terrorism acts would be too steep for most businesses to purchase.

b. Long-term and Ongoing Economic Impacts of 9/11

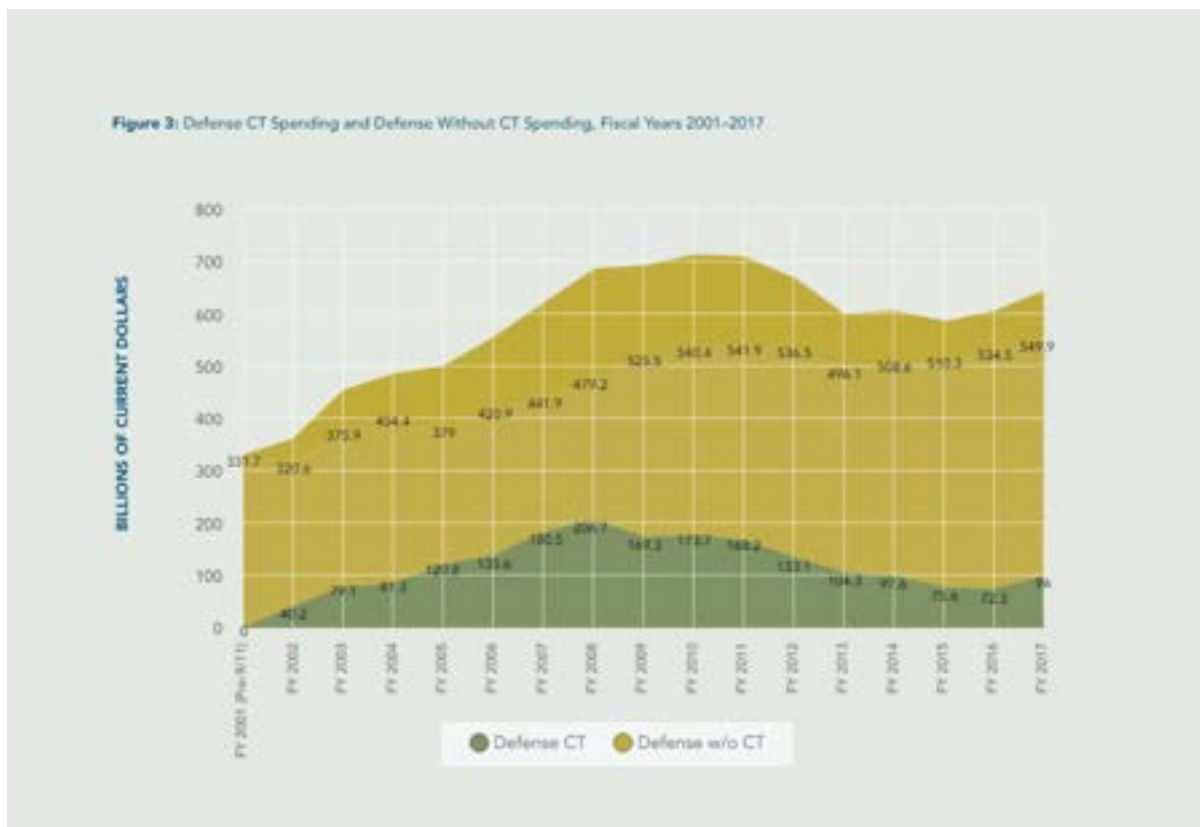


The 9/11 attacks were part of Al Qaeda’s strategy to disrupt Western economies and impose both direct and secondary costs on the United States and other nations. The immediate costs were the physical damage, loss of lives and earnings, slower world economic growth, and capital losses on stock markets. Indirect costs include higher insurance and shipping fees, diversion of time and resources away from enhancing productivity to protecting and insuring property, public loss of confidence, and reduced demand for travel and tourism. In a broader sense, the 9/11 attacks led to the invasions and occupations of Afghanistan and Iraq.

i. Cost of Counterterrorism measures

Counterterrorism has been a central pillar of U.S. national security strategy, particularly since the terrorist attacks of September 11, 2001. Yet nearly 23 years later, it remains unclear how much the United States has spent on its counterterrorism efforts. Incomplete data on spending poses a challenge to objective and rigorous assessments of the efficacy and efficiency of U.S. counterterrorism strategy.

In the summer of 2017, the Stimson Center convened a nonpartisan study group to provide an initial tally of total CT(Counter Terrorism) spending since 9/11, to examine gaps in the understanding of CT spending, and to offer recommendations for improving U.S. government efforts to account for these expenditures. Stimson’s research suggests that total spending that



has been characterized as CT-related – including expenditures for government-wide homeland security efforts, international programs, and the wars in Afghanistan, Iraq, and Syria – totaled \$2.8 trillion during fiscal years 2002 through 2017. According to the group’s research, annual CT spending peaked at \$260 billion in 2008 at the height of the wars in Afghanistan and Iraq. This represents a 16-fold increase over the 2001 total. In 2017, as war funding declined, total CT spending amounted to \$175 billion, nearly an 11-fold increase from the 2001 level. In the 16 years that have followed the 9/11 attacks, the United States has spent some \$1.8 trillion on the wars in Afghanistan, Iraq, and Syria, and other CT operations, and an additional \$1 trillion on homeland security and other foreign aid. This spending is part of overall discretionary spending that is appropriated annually, and so is subject to budget limits in annual budget resolutions. Since 2011, however, discretionary spending has been subject to separate limits in the form of caps for defense and nondefense spending that are enforced with across-the-board cuts (also known as a sequester) if the caps are not met each year. While both discretionary and CT spending have risen rapidly since 9/11, CT spending has risen more sharply. At the 2008 peak, CT spending had increased 277 percent – primarily because of the wars – while overall discretionary spending had grown by 116 percent since 2002. By 2017, CT spending had increased by 154 percent since 2002, whereas overall discretionary spending had increased by 102 percent. As Figure 3 illustrates, defense CT spending and other defense spending generally rise and fall in parallel. The growth in CT spending was sharper than in overall defense spending in only one year, FY 2007.

ii. Impact on Global Trade and Transportation

In the wake of the terrorist attacks on New York City and Washington, D.C., emergency measures were taken to tighten security at air and seaports as well as land border crossings. Some disruption of trade flows during the immediate aftermath of the attacks seemed almost inevitable, yet additional frictional trading costs due to tighter security have affected trade not only in North America but also worldwide and have the potential to continue to do so in the medium to long term.

Anecdotal evidence suggests that the short-term business environment of transport operators and trading companies has been affected by new security measures and the increased perception of the risk of terrorist attacks. Businesses faced longer delays at airports, seaports, and land-border crossings, higher expenditures on security equipment and personnel, and augmented insurance fees. There were major disruptions in trade flows in the immediate aftermath of the



terrorist attacks, but over time trade operations seemed to have returned to normal again. Also, flexible responses of businesses and customs services to the new border situation have helped to remove some temporary bottlenecks. Yet, some modest increase in frictional costs due to increased security concerns is likely to persist, even though the exact amount is hard to predict, as general economic developments mask the effect of the terrorist attacks.

Some have likened the higher frictional trading costs to additional taxes on business activity or increases in border tariffs. Yet, a comparison with business spending on mandatory pollution abatement equipment seems more appropriate, as the higher expenses for the private sector provide benefits to the general public (higher environmental quality and lower risk of terrorist attacks, respectively), but are generally not accompanied by additional tax or tariff revenues for governments.

Not all commodities and countries will be affected to the same extent by the increases in frictional costs. Differences across products are due to varying ratios of transport and insurance costs to goods value, divergences in prevailing transport modes, and differing roles in the production process. For example, just-in-time deliveries in the automotive industry were markedly affected by delays due to more elaborate customs inspections. Concerning cross-country effects, intra-NAFTA trade was naturally strongly impeded by the tightening of security at US borders, but the trade of other countries with substantial exposure to North American markets, notably imports and exports of Latin American countries, was also significantly disturbed by the longer delays at borders and other frictional cost increases.

Developments in customs and security procedures

In the longer term, the attention and resources devoted to customs inspections after the 11 September events might trigger efforts to develop more efficient security procedures and improve border management. Measures to facilitate trade could include the reduction of the number of in-transit cargo inspections, the electronic collection of customs duties, and improved information sharing between authorities. As a result, customs services could become more able to reconcile policing of borders with smooth and open trade flows. The benefits of customs harmonization have been illustrated through research by Japan's Ministry of Economy, Trade, and Industry and the Mitsubishi Research Institute that shows that the introduction of automated customs would lower the direct costs of customs clearance by the equivalent of 0.2 percent of the value of traded goods. If furthermore the indirect benefits of a reduction in



customs-related delays are taken into account, additional cost reductions of up to 1 percent of merchandise value could be realized.

Some concrete results of trade facilitation efforts following the 11 September events have materialized. For example, on 12 December 2001, Canada and the USA signed a "smart border declaration" that outlines a 30-point action plan to collaborate in identifying and addressing security risks while expediting the flow of people and goods back and forth across the Canada-USA border. The action plan aims to enhance security and strengthen cross-border commerce through improved technology, coordination, and information sharing.

Market incentives for private firms could similarly lead to more efficient security devices and services. If the increased demand for security equipment makes it possible for producers to realize benefits from economies of scale and mass production, unit costs of production will fall. For example, when airbags first became available, they were only installed in luxury cars because of their high costs. Over time, producers were able to improve their production processes, reduce manufacturing costs, and lower prices, such that airbags have become standard safety features in passenger cars. Similar developments may occur concerning cargo screening and other security equipment.

Another means to improve the efficiency of security provision could be closer cooperation among firms along the production and operation chain. For example, in October 2001, the aircraft manufacturer Boeing and Israel's airline El Al announced their intention to form a joint venture that would aim to further integrate the security demands of airlines into the aircraft production process. By considering best practice solutions for security features from the early stages of aircraft design, the partners are hoping to provide a higher level of security at reduced costs.

Implications for international trade

Prior to the terrorist attacks, estimates of the cost of time delays, paperwork, and compliance related to border crossing ranged from 5 percent to 13 percent of the value of the goods involved, depending on the types of goods traded. Industry experts have estimated that the total costs of extra security measures could add 1 to 3 percentage points to this value-share, which would correspond to an increase in annual production costs of traded goods of \$5.6 billion to \$16.8 billion.¹² However, these estimates were made soon after the 11 September events, and seem to represent an upper bound for the impacts. To the extent that the new border security measures persist, the ensuing costs will be ongoing, though perhaps declining over time as



technical and procedural progress is realized. On the other hand, new terrorist attacks could give rise to renewed security concerns with implications for the level of frictional costs to international trade.

Some have likened the higher frictional trading costs for private enterprises to additional taxes on business activity or increases in border tariffs. Yet a comparison with business spending on mandatory pollution abatement equipment seems more appropriate, as the higher expenses for the private sector provide benefits to the general public (higher environmental quality and lower risk of terrorist attacks, respectively), but are not accompanied by additional tax or tariff revenues for governments. If the higher frictional costs are incurred by public sector agencies, such as in the case of additional training programs to improve the efficiency of customs services in emergencies, they will have to be financed through higher user fees, increases in taxes, or reductions in government spending.

The trade implications of further terrorist attacks

Further terrorist attacks involving the air, maritime, rail, or road system would likely trigger even tighter security measures with ensuing cost increases for transport operators and traders. If in this context increasing the number of customs inspectors and x-ray machines were seen as not providing adequate security at air and seaports or land border crossings, additional control measures, like systematically examining containers at the origin, might be envisaged. Such additional levers of control would add an entirely new category of costs to most types of imports and could have a corresponding impact on trade flows.

In air transport, an upper estimate for security-related expenses might be seen in the amount that Israel's El Al spends on checking, screening, and surveying passengers and cargo. Even though no official figures exist, it is estimated that El Al uses about 2 percent of its revenues for security measures (for three quarters of which it gets reimbursed by the Israeli government), almost ten times the share that North American and European airlines spent before the 11 September events.

Other forms of terrorism could also fundamentally disrupt trade. The anthrax mailings shortly following the plane attacks on New York and Washington raised concerns about possible threats from bioterrorism. Policies such as mandatory registration of foreign food processors



with local authorities, advance notice of importation and pre-shipment inspection, and lengthened quarantine periods could easily develop into major impediments to trade.

iii. Effect on Insurance Industry

September 11 attacks not only reshaped the geopolitical landscape but also had profound and lasting effects on various industries, including insurance. The insurance industry, responsible for mitigating risk and providing financial security, underwent significant transformations in the wake of 9/11.

Before 9/11, acts of terrorism were often considered an unlikely and uninsurable risk. The sheer scale of destruction on that day forced insurers and policymakers to reevaluate their stance on terrorism coverage. In response, the Terrorism Risk Insurance Act (TRIA) was passed in 2002, creating a federal backstop for insurance companies that provided coverage against terrorism-related losses. This move encouraged insurers to offer terrorism insurance policies and allowed businesses and property owners to protect themselves against this emerging threat.

The 9/11 attacks demonstrated the catastrophic potential of terrorism, leading insurers to reevaluate their pricing strategies. The insurance industry began charging higher premiums for policies that included terrorism coverage, reflecting the increased risk associated with such events. Additionally, deductibles for terrorism-related claims often rose substantially, requiring policyholders to bear a larger portion of the financial burden in the event of an attack. These changes aimed to balance the risk between insurers and policyholders while ensuring the availability of terrorism coverage.

The insurance industry traditionally relied on historical data and actuarial models to assess risk. However, 9/11 shattered preconceived notions about the likelihood and scale of terrorist attacks. Insurers had to adapt by incorporating new risk assessment techniques that factored in geopolitical instability, intelligence reports, and global terrorism trends. The ability to accurately predict and price terrorism risk became critical in maintaining the sustainability of the industry.

The massive losses incurred by insurers in the aftermath of 9/11 highlighted the importance of effective risk management and the role of reinsurance. Reinsurance companies, which provide coverage to primary insurers, faced substantial payouts due to the attacks. These prompted reinsurers to revise their pricing models and risk assessment methods, leading to increased costs for primary insurers.



In response to these challenges, regulatory bodies introduced stricter capital requirements for insurance companies. These requirements ensured that insurers had sufficient financial reserves to cover potential catastrophic losses, such as those resulting from terrorism. This forced insurers to allocate more capital to reserves, affecting their profitability and financial stability. The insurance industry played a crucial role in promoting risk mitigation and security enhancements. Insurers started to collaborate with businesses and property owners to implement security measures that could reduce the risk of terrorist attacks. This included investments in surveillance systems, security personnel, and fortified infrastructure. By actively participating in risk mitigation efforts, insurers aimed to lower the overall risk exposure in their portfolios.

The 9/11 attacks underscored the interconnectedness of the global economy and the need for insurance coverage that transcended national borders. Insurers began diversifying their portfolios by offering coverage in international markets and expanding their product offerings to include coverage against political risk, terrorism, and war-related events. This globalization of the insurance industry allowed it to better adapt to emerging risks and provide comprehensive protection to businesses operating in a complex global environment.

The rise of terrorism brought with it a new type of threat – cyberterrorism. As technology advanced, the insurance industry recognized the need for policies that covered losses resulting from cyberattacks. The 9/11 attacks indirectly spurred the development of cybersecurity insurance, as insurers and businesses became increasingly aware of the potential financial devastation that cyberattacks could cause. This new type of insurance has since grown into a significant sector of the industry, with policies tailored to protect against a wide range of cyber risks.

The events of 9/11 reshaped the insurance industry in profound ways. It led to the creation of terrorism insurance, altered risk assessment methodologies, increased premiums and deductibles, and prompted insurers to collaborate with policyholders on risk mitigation efforts. Additionally, the industry adapted by diversifying globally, addressing emerging risks like cybersecurity, and complying with stricter capital requirements. The legacy of 9/11 continues to influence the insurance landscape, highlighting the industry's resilience and adaptability in the face of evolving threats.

iv. Changes in Travel and Tourism

The terror attacks of September 11, 2001 had an immediate and substantial impact on international travel worldwide. The attacks induced substitution away from air travel generally



and caused a shift in the preferences of travelers for particular destinations. The United States in particular experienced an immediate and precipitous drop in arrivals of international visitors, particularly from those flying in from overseas. The initial drop in arrivals immediately following 9/11 in part reflected widespread concern about the safety of international air travel. Economic factors most likely also played a role in reducing travel to the United States in the aftermath of 9/11. Between 2001 and 2002, for example, the global economy experienced a recession that reduced demand for air travel generally. In addition to safety concerns and deteriorating economic conditions, the perception that U.S. visa policy became more restrictive in the wake of 9/11 may also have negatively impacted arrivals. Such perceptions prompted concern within the travel industry that the United States was becoming a less attractive travel destination and was damaging its image abroad (Alden, 2008). Although visa policy itself did not significantly change after 9/11, the security screening procedures that are part of the visa application process were standardized and intensified (Yale-Loehr et al., 2005). After the 9/11 attacks, for example, certain administrative procedures related to visa issuance and entry at the U.S. border were implemented as part of an enhanced travel security protocol. The security procedures related to visa issuance only affected visa applicants travelling to the United States and did not affect travelers from countries participating in the Visa Waiver Program (VWP). Moreover, while travelers from VWP and non-VWP countries were exposed to the same screening procedures upon entry to the United States, some travelers from non-VWP countries were subject to an additional layer of processing. Taken together, the fact that VWP travelers are exempt from the visa issuance procedures and are not exposed to the additional entry processing that some non-VWP arrivals undergo introduces inter-country variation that can be

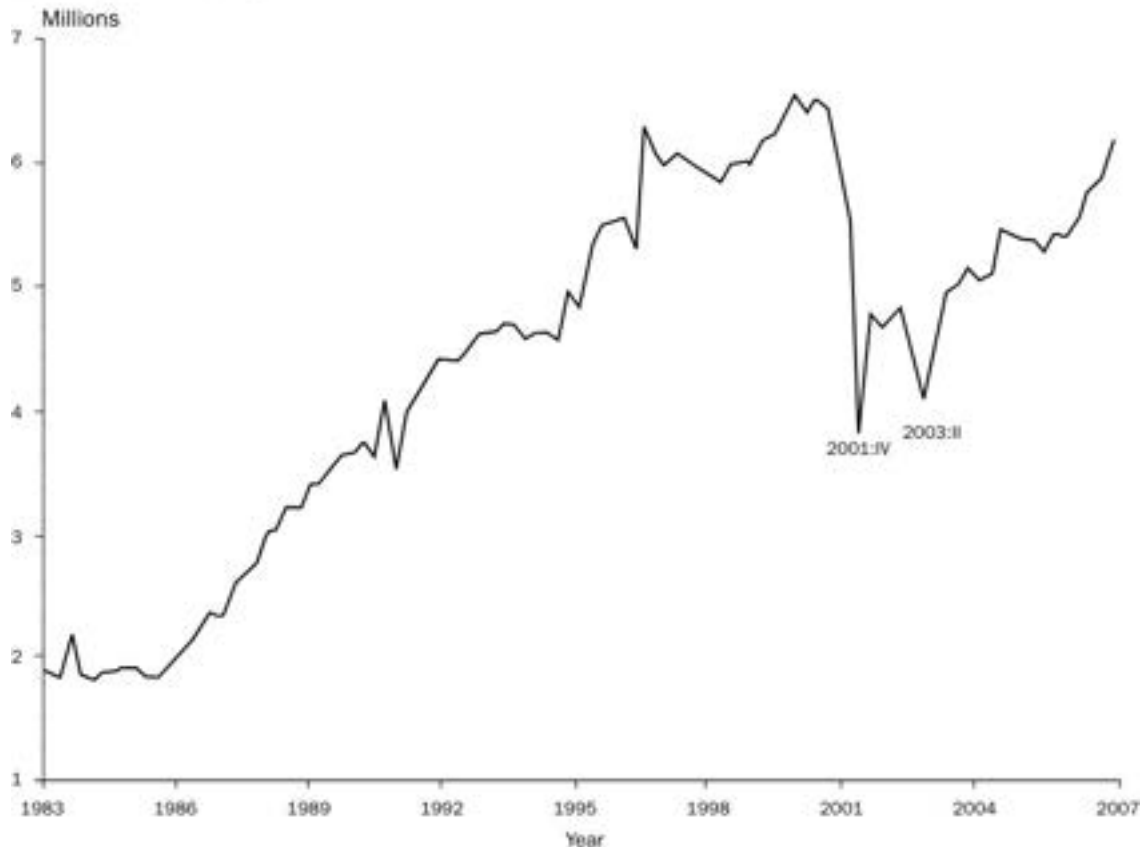


used to test whether the new administrative procedures actually reduced travel to the United States among travelers needing a visa.

A study by Neiman and Swagel (2009) exploits this variation between VWP and non-VWP countries in order to assess the impact of the post-9/11 security environment on nonimmigrant arrivals to the United States. The results of their study indicate that, despite the new security protocol, arrivals from non-VWP countries were not significantly lower than those from VWP countries after 9/11. This finding suggests that, contrary to popular perceptions, the new security procedures did not disproportionately discourage travel from non-VWP countries. In addition to this empirical assessment, casual inspection of nonimmigrant arrivals data indicates that a general recovery began late in 2003 and continued through 2007. Figure 1 illustrates both the initial fall in total nonimmigrant arrivals between 2001 and 2002 and the subsequent recovery in late 2003. As Figure 1 shows, by 2007, total nonimmigrant arrivals had almost returned to their pre-9/11 level.

Together, the Neiman-Swagel study coupled with the apparent recovery of nonimmigrant

Figure 1.
Overseas Arrivals to the US
(quarterly seasonally adjusted values)



arrivals by 2007, implies that the procedural changes implemented after 9/11 did not



significantly affect non-VWP arrivals relative to those from VWP countries. However, despite the Neiman-Swagel results and the apparent recovery in total arrivals, there are two general reasons to question this conclusion. First, the time period covered in the Neiman-Swagel study ends in September 2003, which means that the post-9/11 period they examine is only two years long. Since many aspects of the new security protocol were not fully implemented until 2003, the time sample may be too restrictive to detect any effect these procedural changes may have had on nonimmigrant arrivals over time. It is conceivable, for example, that the new procedures may have had a delayed impact on arrivals from non-VWP countries. The second issue involves the recovery in arrivals documented in Figure 1. At first glance, the fact that total nonimmigrant arrivals appear to have returned to their pre-9/11 level by 2007 suggests that the impact of the new procedures may not have been significant.

v. Impact on Financial Markets

The tragic events of September 11, 2001, aggravated an already very difficult situation in the U.S. and world stock markets. The shock in the U.S. market driven by the terrorist attacks gave rise to a synchronous downturn for United States and nearly all major emerging markets around the world. Mean returns immediately following the attacks fell by 4.93 percent for the S&P 500 Index, 12.02 percent for the KOSPI of Korea, 6.72 percent for the Thailand SET General Index, 9.18 percent for the BOVESPA of Brazil, 2.71 percent for the Mexico SE IPC, and 2.79 percent for the Prague SE PX Index of the Czech Republic. At the same time, the market volatility rose drastically across the emerging markets. Apparently, increased international financial linkages have played an important role in the synchronicity of global market downturns. The attacks have potentially far-reaching implications for stock market behavior and deserve special attention in the area of financial economics for at least four reasons. First, although there were many incidents that severely affected U.S. stock markets in the past, the 9/11 attacks appeared to be unique in the pattern of U.S. stock market behavior after market crashes.¹ Although there was gradual market resilience shortly after the crash for other incidents, the 9/11 attacks caused stock markets to plunge to a prolonged bear market after the attacks due to a long-term decline in consumer and investor confidence. Second, as documented by Mun (2005), the long-term bear market after the 9/11 attacks contributed to a structural change in cross-market correlations. Being characterized by a synchronous fall in returns and rise in volatility across international markets, the aftermath of the terrorist attacks implied increased international financial linkages, which in turn contributed to higher cross-market correlations. Third, the fact that the attacks were premeditated and therefore could be repeated has had a significant impact



on investor sentiment. Terrorism could now become a part of the fabric of investor sentiment, putting a new risk factor in the equation for international investors. Finally, given the virtually unprecedented shock in nature with global reach, the attacks created a new level of international transmission of financial shocks to the global market. International stock markets now respond more sensitively to the shocks that arise in the U.S. market. Various studies have documented that international stock market correlations increase when markets are volatile. The international market correlation could change because international market volatility changes over time and/or because interdependence across markets changes. If cross-market correlations increase significantly after a crisis, there is a contagion from the United States to other markets. Cross-market contagion driven by the attacks could provide an adverse investment environment for risk managers and internationally diversified investors since the changing correlation pattern and financial disturbances make it more difficult for them to select an ex-ante optimal investment strategy.

vi. Impact on Global Supply Chains

The Sept. 11 terrorist strikes were a wake-up call to the US government that their borders weren't secure. Suddenly, every plane, ship and container became suspect. Back then, vessels carrying freight would arrive at U.S. ports uninspected, and containers' contents were often unknown to Customs and Border Protection (CBP). Then, the looming threat of terrorism forced the government to demand more information, placing the burden of security on supply chains.

Yet, the post-9/11 supply chain has arguably become much more efficient today than it was before the attack, according to Jon Slingerup, Chairman and CEO at American GlobalLogistics. In identifying shippers – collecting and sharing data in the process – and better understanding the cargo hand-off points, government agencies and industry stakeholders worked together to improve safety without compromising the speedy movement of product.

“What we encountered since 9/11 was an understanding of how silo-driven the management of those supply chains were, and to some extent still are,” Slingerup told Supply Chain Dive. “The various agencies involved in protecting people and assets pulled together very quickly.”

In the twenty-three years since 9/11, these gained efficiencies have translated into bottom-line gains, as the cost of shipping as a percentage of a product's total cost has fallen. Here are five of the main changes that made this happen:



Data led to supply chain efficiency

Since 9/11, there's been a lot of attention paid to the points where cargo changes hands: from origin of manufacturing, to shipper, to marine terminal for loading, to ocean carrier, to marine terminal for offloading, to rail and trucking, to the warehouse and distribution centers.

"That's where the risk and cost lie," said Slingerup. Once the cargo is on a vessel, the content is already known and screened. With increased pre-shipping data requirements due to post-9/11 security concerns, the supply chain was forced to create efficiencies in the hand-offs, where money and time are often wasted, said Slingerup. As a result, the cost to move goods is a smaller proportion of the sale price to the end user than it was 10 years ago, he said.

It's the data that's driving deliveries, as opposed to physical drop-offs and loading.

Information and data leads to visibility and answers as to when a shipper can expect their goods to show up on the dock or warehouse. Using data, companies can see where the breakdowns occur in the supply chain, to make corrections. The ocean shipping industry is taking more time from a visibility perspective than the air industry, because of the multi-nation integration needed to share information without giving away a competitive advantage. Like the airline industry has already done, the ocean side is now forming alliances to help integrate information and cross-sell. "This revolution of information started with the small package industry in the early 1980s, with companies like FedEx and UPS," Slingerup said. By the time of 9/11, those same companies already had significant information tools available to them to more easily comply with increased scrutiny. Those that didn't have those tools in place had to scramble to get them. The air freight side was in better shape to do that than the ocean freight side, which is catching up.

Screening at origin

The Container Security Initiative (CSI) was implemented in January 2002. "It forced upstream the actual inspection or screening of containers at origin," instead of inspection and risk mitigation left until arrival at the destination, said Slingerup.

U.S. Customs officers work with foreign counterparts at 58 foreign ports to assess container security before they're loaded onto the vessels. When the cargo arrives onshore in the U.S., it goes through similar scrutiny. These actions dramatically improved the risk profile for moving ocean freight. Interestingly, inspections have not delayed importing time to the U.S., said



Geoffrey Powell, president of the National Customs Brokers & Forwarders Association of America (NCBFAA), which represents operators in international trade. And the reason for this is more advanced data. CBP has visibility via data on all the shipments prior to loading. The data package, including automated manifests and Importer Security Filings (ISF), and the entry package must be submitted earlier than in pre-9/11 days.

Advanced filings and timeline shifts

Before 9/11, exporters could deliver their cargo two days before vessel sailing, and get it on board. The documents and data weren't needed until the ship sailed, or even a few days later. That's changed. While an exporter might have a five-day window to deliver the cargo for loading, the data is required on day three, even if the cargo arrives on day four or five. That shortens the window and pressures companies to get the data out earlier. It's the data that's driving deliveries, as opposed to physical drop-offs and loading. Powell said. In 2002 the U.S. government started requiring advanced or automated manifests. All carriers have to submit these automated manifests to CBP before loading the cargo, to allow for electronic or manual screening. In 2009, the government required ISF. Importers (or shipping agents) became liable for the information provided to customs, before the goods arrived at the port.

Developing ways to reduce container examinations

In November 2001, the government developed a known importers program, which became Customs-Trade Partnership Against Terrorism (C-TPAT). The idea is for participating companies to benefit from fewer cargo examinations and expedited shipping when there's a port delay. While there's not a similar program for exporters, that's something that various U.S. agencies are working on, to show that companies are meeting export regulations.

Congress initiated the SAFE Ports Act in 2006, requiring that every container be examined prior to entry. Initially with this program, though, there was concern that ship traffic would backup, so the government has had to balance trade facilitation with security and compliance needs.

Increased agency cooperation

“Cooperation is the most amazing thing to come out of this (post-9/11 security initiatives), and doing that in a way that did not affect the performance or efficiency of the supply chain,” said Slingerup. That includes multi-agency data integration and sharing, that goes beyond the U.S.



borders. “The cooperation between the CBP and their counterparts across the various origin points of shipping has been remarkable,” said Slangerup.

Slangerup, previously the CEO of the Port of Long Beach, said the level of domestic agency cooperation was also evident when they built a joint command and control center, holding Homeland Security, CBP, the Coast Guard and others. “They all co-share this facility, which has state-of-the-art surveillance, information and interdiction capability, combined around a common goal of protecting the integrity of imported and exported goods into and out of the US,” he said.

vii. Economic Effects on Airlines and Aviation

The entire industry, from airport security to flight attendant training to even the number of airlines in existence, was reshaped by the deadliest terror attack in U.S. history. Commercial flights were halted for several days. Airline executives pondered the industry’s future.

“We immediately grounded all our airplanes,” said David Neeleman, founder and then-CEO of JetBlue Airways, at that point a new carrier that debuted 19 months before 9/11. “We had planes landing in the Carolinas, Kansas. Our CFO was at the printer. He was proofing the prospectus for our IPO.”

Arriving from	Time	Remarks	Flight Gate
Denver	8:19A	Canceled	JL 5873 46B
Fresno	8:13A	Canceled	CO2842 44
Fresno	8:13A	Canceled	3230 44
Fresno	8:13A	Canceled	NW1780 44
Fresno	10:20A	Canceled	CO2710 44
Fresno	10:20A	Canceled	3232 44
Fresno	10:20A	Canceled	NW1782 44
Guadalajara	9:30A	Canceled	Customs
Houston-Hbby	9:34A	Canceled	1477 46B
Houston-Hbby	9:34A	Canceled	MU8409 46B
Las Vegas	8:15A	Canceled	QF3164 38
Las Vegas	8:15A	Canceled	JL 5823 38
Las Vegas	8:15A	Canceled	691 38
Las Vegas	8:15A	Canceled	MU8408 38
Lima, Peru	9:30A	Now 1:38P	LA Customs

Cancelled flights are displayed on monitors at the Los Angeles Airport terminal September 10, 2001 in Los Angeles, CA.



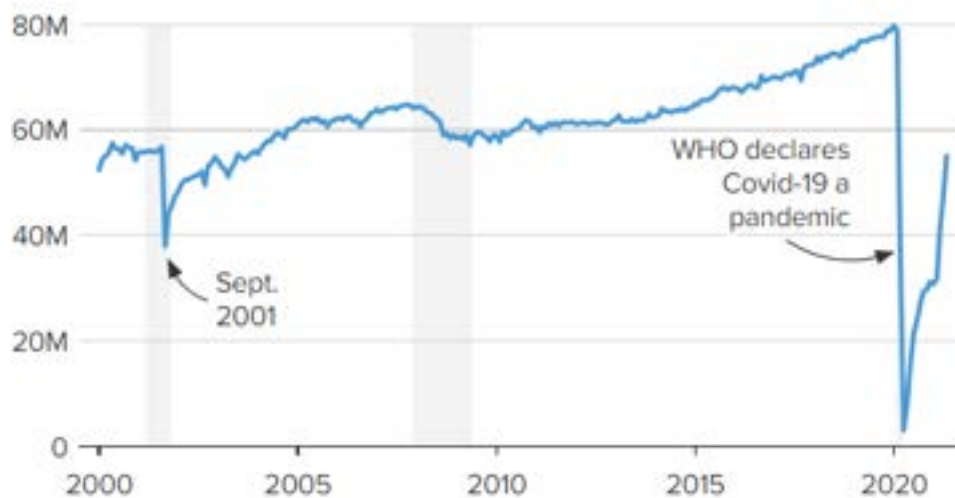
Global passenger traffic recovered but it took two years, as travelers were reluctant to fly and business travel demand plunged because of the attacks and a recession. U.S. airlines lost \$8 billion in 2001. The industry wasn't profitable again until 2006. Losses topped \$60 billion over that five-year period and airlines again lost money in 2008 during the Great Recession. Job cuts in the wake of 9/11 were in the tens of thousands and workers faced massive pay cuts. Only the Covid pandemic has threatened more jobs but a record \$54 billion federal bailout prohibited airlines from laying off staff. U.S. airline employment even before the pandemic still hadn't recovered to the 2001 peak.

Consolidation and fees

The financial turmoil sparked a wave of bankruptcies and consolidation among airlines that left four carriers, American, United, Delta Air Lines and Southwest Airlines in control of about three-

Air travel in the wake of the Sept. 11 attacks and the Covid outbreak

Monthly U.S. airline passengers



Note: Shaded areas represent U.S. recessions.

Source: U.S. Department of Transportation. Data is seasonally adjusted and as of May 2021.



quarters of U.S. commercial air travel market by 2018. In the years after 9/11 several major airlines stopped serving free meals and instead started selling food, and charging customers to check bags to help offset higher fuel costs and other financial strain. During a 10-year profit streak that was stopped by the Covid-19 pandemic last year, airlines carved up the coach cabin into smaller classes, began charging for certain seats, even those without extra legroom, as well as early boarding and other perks.



Legroom was reduced as more seats were added to planes to maximize revenue. Airlines generated billions of dollars from passenger fees in recent years, but between 1999 and 2019, the average price of a domestic itinerary fell from \$530 to \$323, when adjusting for inflation, according to the Department of Transportation. “There’s enormous consumer demand for the services that airlines provide and that’s true today even during Covid,” said Gary Kennedy, who was general counsel at American Airlines from 2003 until 2014. “Yet through so much of the airline industry history to translate that into a profit has been difficult.”

Security overhaul

Airport security in the United States was handled by private contractors before Sept. 11 and was lax compared with the years after the attacks, with little scrutiny of checked luggage. Travelers passed through metal detectors and friends and family could accompany them to the gate. Airport passenger screenings for weapons or firearms that were federally-mandated in 1973 were aimed at thwarting hijackings, which were far more common in the 1960s and early 1970s. Airlines told passengers to arrive 15 to 30 minutes earlier than usual for the new screenings, according to a January 1973 article in the New York Times. Fast-forward to 2001 and little had changed. The knives and boxcutters that the hijackers brought on board on Sept. 11, 2001 went through checkpoints easily; they weren’t prohibited.



After the attacks, in November 2001, then-President George W. Bush signed the Aviation and Transportation Security Act, which created the Transportation Security Administration, handing passenger screening over to federal employees. It also added more Federal Air Marshals. Passengers were then prohibited from bringing knives, razor blades and other sharp objects in the cabin.

“The system on 9/11 was fundamentally the same one we started with in ’73,” said Jeff Price, who teaches aviation safety management at Metropolitan State University of Denver and was airport director at Rocky Mountain Metropolitan Airport on Sept 11, 2001. “I look at the system today like a piece of Swiss cheese where there’s certain gaps in it. I look at the pre-9/11 system as just a gigantic hole right in the middle of the cheese. It amazed me that no one exploited it in the two decades prior to that.”

A hijacking hasn’t occurred on U.S. soil since 9/11. Security threats have changed, and so have screening procedures. Foiled plots like the 2001 “shoe bomber” attempt forces most travelers to remove their shoes at checkpoints. Liquids and gels, with the exception of small containers, aren’t allowed in carry-on bags after British officials stopped a terror plot to bring liquid explosives on flights in 2006.

Travelers that opt to pay for pre-screening services like TSA’s PreCheck undergo a background check and can bypass some of the checkpoint screening procedures. Experts say the current screening system partially aims to deter terrorists. “You need both: actual security measures and you also need to get away with a little security theater to help with deterrence,” an expert said. The TSA has faced criticism in recent years after the Department of Homeland Security’s watchdog in 2015 found agents missed test weapons 95% of the time. TSA agents at airports last year caught 3,257 firearms, double the rate of 2019. TSA Administrator David Pekoske defended the agency. “Our system is much more risk-based and intelligence focused than it was in 2002,” he said in an interview. “We continue to make improvements every day.” Price says threats are evolving, to include cybersecurity issues and drones.

Flight attendants’ changed profession

The 9/11 attacks had a profound impact on flight crews. Eight pilots and 25 flight attendants were working the four flights that were hijacked.



Ken Diaz, United chapter president of the Association of Flight Attendants-CWA labor union remembers checking in for a flight he was working to Chicago from Newark Liberty International Airport the morning of 9/11. Some of his friends were crew members on Flight 93, which crashed near Shanksville, Pa.



United Airlines flight attendants unfold a flag at a memorial site on the 5th anniversary of the September 11, 2001 attacks, where United Flight 93 crashed into a field in Shanksville, Pennsylvania, September 11, 2006.

Sara Nelson, international president of the union, which represents some 50,000 cabin crew members at more than a dozen airlines, said she and a colleague, when they returned to flying later in September 2001, placed their hands around their necks during takeoff so that potential hijackers wouldn't slit their throats "and they would get our hands instead."

Julia Simpson, who was a Boston-based flight attendant at American Airlines at the time, said the airline allowed flight attendants to schedule themselves with friends in the months after the attacks for added emotional support. More than 40% of United's flight attendants were hired after 9/11, as were more than a third of American's. But Nelson said flight attendant training is still informed by those events. "By the time they get their wings it's fundamental to the training they've had," she said, who started as a flight attendant at United in 1996.

Diaz said there are new procedures, including notifications to crews for when a pilot exits the flight deck to use the lavatory. Flight attendants are also more dispersed throughout the cabin during boarding. But demands on flight attendants have grown over the years. Airlines cut



staffing to federal minimums on many flights, at first domestically, and later internationally. Diaz said a Boeing 757 is generally staffed with four flight attendants, down from six in the 9/11 era.

Airlines are also more careful about capacity and planes fly fuller. In January 2000, typically a weak-demand month, U.S. flights were about 63% full. In January 2020, just before the pandemic, they were 80% full. “Because of the plane being more full right now they would jump to help a flight crew in need of assistance,” said Diaz, adding that “all the airlines have cut staffing so there’s more of a workload on each flight attendant,” Nelson argues that airlines have to do more to beef up flight attendant training. The TSA started offering self-defense classes after 9/11, but they remain optional and flight attendants have to pay for transportation and take them on their own time. Classes resumed recently after a Covid hiatus, and unions say interest has shot up, partly because of a surge in unruly, and sometimes violent passenger behavior over the past year.

7) 9/11 Attacks’ economic effects in the Middle East and Afghanistan

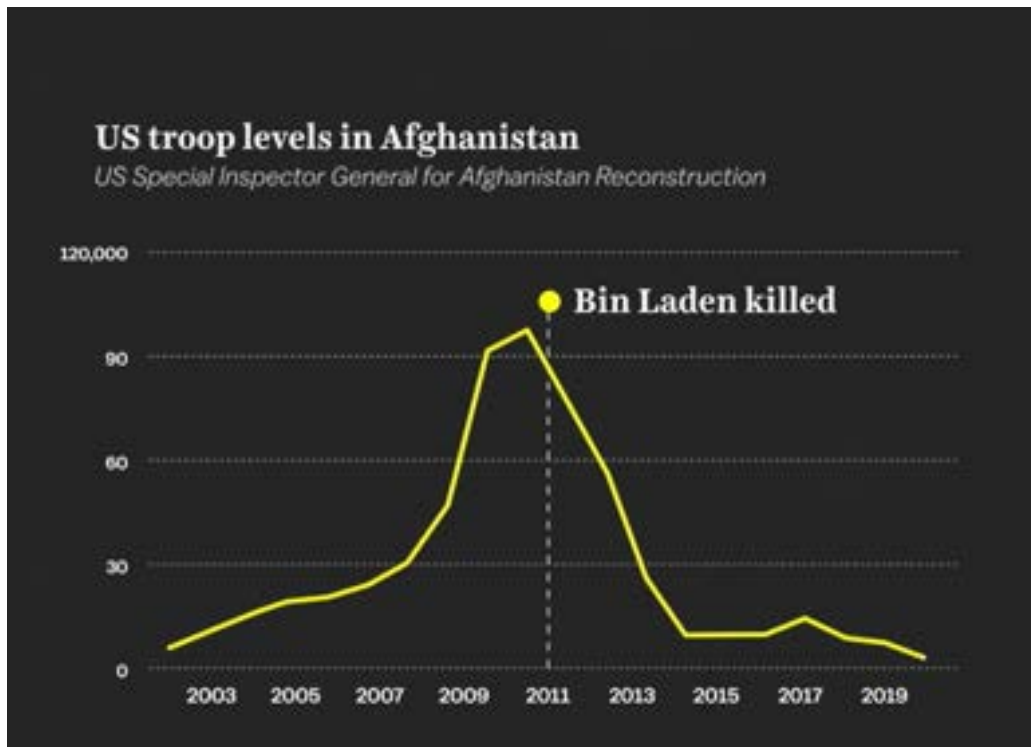
a. The situation in Afghanistan

On 9/11, Osama bin Laden publicly declared war on the U.S. and openly bragged about his direct involvement in planning. And since Osama bin Laden was in Afghanistan, US troops started the bombings against the Afghanistan. But once the bombing began and in the lead up to it, it was no longer just about “we want to have Bin Laden.” It was about the Taliban state as can be seen in the speech of Laura Bush, first lady of the United States 2001-2009, “The plight of women and children in Afghanistan is a matter of deliberate human cruelty. The fight against terrorism is also a fight for the rights and dignity of women.”. There were actually offersto turn over bin laden by the Taliban but the United States refused. They wanted a surrender directly to the United States.

Shortly after the bombing campaign started, the Taliban fell fairly quickly, and by April of 2002, it was very apparent to the Americans that they couldn’t just sweep in, overthrow a regime and walk away. They needed to build a new government.



US came up with the idea of a “nation building program”. As in the words of George Bush, the president at the time, “This idea that, we’re going to take the gloves off and we’re really going to eradicate Al-Qaeda.” This campaign prioritized counterterrorism.

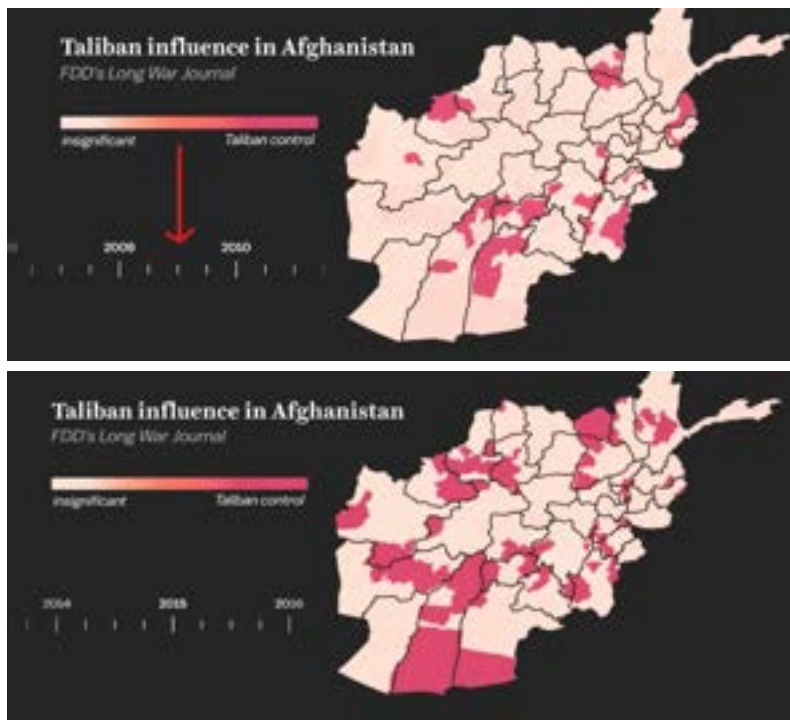


The decrease in troop presence dates from 2011. There was a sense that overall, the threat of a terrorist attack against the United States from Afghanistan was greatly diminished. Part of what American forces in Afghanistan were doing was providing formalized training, building up equipment, providing intelligence support, and eventually providing air support. Afghan soldiers were supported by US aircraft that would fire on insurgents. In reality, it was just air power that allowed the Afghan government to retain this tenuous hold in places where they weren't necessarily very popular. Yet Afghan security wasn't evolving quite in the manner that was anticipated.

At the same time, there were also billions of dollars in reconstruction money just pouring into a country without the kind of infrastructure to handle that kind of money. That means building health clinics. It means building schools, bridges, roads, and more than that, that kind of reconstruction money, coupled with America's counterterrorism goals, was really like a toxic mix. Partnering with very corrupt warlords or local strongmen who, in exchange for allowing you to build a school on this land, you would give us the contract for the health clinic right next door.



Most media coverage from Afghanistan that Americans might hear often comes from urban cities, particularly Kabul. But across the rural countryside, support for the Taliban gained ground because of this massive campaign of airstrikes, of bombings. Much of which have had high civilian death tolls. The Taliban had been defeated, and yet the American presence in Afghanistan brought them back from the dead.



In the 2013-2014 period, the Taliban began to regain its footing. It was clear that every year they were making some advances and they were operating primarily in rural and depopulated areas. There was a growing concern of what is commonly called ghost soldiers. How many soldiers were actually on the rolls? Was it 330,000, or was it several tens of thousands lower than that? And the real issue related

to whether soldiers felt they were fighting for a government that represented them.

In 2020, Trump ordered the withdrawal of 2500 US troops from Afghanistan and Iraq, "All US troops should leave Afghanistan by the end of the year." (Donald TRUMP). Next year, President Joe Biden has decided the United States has seen enough of the war in Afghanistan. So when the Biden administration announced that they would be continuing Trump's plan to withdraw, many Afghanistan watchers were poised for the Taliban to gain ground. United States, which has been providing air power to Afghan forces, can no longer going to be something that Afghan forces can rely on. After these events, Taliban was no longer just sweeping through districts in places that were more rural, but there was a huge escalation of that in May of 2021. Taliban swept the country in Kabul and the city collapsed. There was no real security.





As the Taliban solidified their control of the city and the country, Afghans who went above and beyond to help American service members were stuck in ambiguity. A large reason that many Afghans worked with the Americans or other foreigners was that many of them wanted a better life for their families, and hoped that it would one day lead to their being able to leave. And now, regarding the current situation of Afghanistan with many of the citizens having huge problems, this may be considered as a failure on the part of the US government.

b. The situation in Iraq

In 2003, the US and a handful of allies invaded Iraq to get rid of Saddam Hussein on the premise that he had weapons of mass destruction which later turned out not to be true. And the war kicked off a cycle of violence and political instability that Iraq is still caught up in. The legacy is the destruction of a coherent state and the inability to rebuild. There are five main takeaways to understand the complexity of the situation well.

1. Life in Iraq was Tough before the US invasion

The first thing that is need to be considered is that life in Iraq before the US invasion was really tough, and that the man who'd ruled Iraq for more than 20 years, Saddam Hussein, was brutal. There was no political freedom, and Saddam's regime committed horrific human rights abuses, killings, torture, disappearances, even a chemical weapons attack that killed thousands of Iraqi Kurds. Iraq was isolated, seen as a rogue state, and it was under strict international sanctions that had a punishing effect on the Iraqi people. There was absolutely no room to barely even breathe. The regime dictated every aspect of your life from the moment you're born to the moment of death. But within weeks of the US invasion in 2003, Saddam Hussein's regime had



fallen and President George W Bush announced, mission accomplished. “The United States and our allies have prevailed.”(George Bush, the president of the United States of America 2001-2009). And despite the huge controversy around the invasion, there was a moment when some



Iraq citizens celebrating the fall of Saddam and America’s arrival to the country

Iraqis thought things might actually improve and they initially were excited about this idea. They didn’t like living under Saddam. Many Iraqis were actually cautiously looking at the invasion as a potential to end their, years of suffering under the Saddam Hussein regime and the sanctions and all that Saddam Hussein had brought to the country. So then the question became, what happens next? And it soon became clear that there had been some seriously bad planning on that front.

2. Bad Planning

The second takeaway is bad planning, because it set Iraq on a really troubling and chaotic path. Americans said, we are coming for you to give you a freedom. But Iraq citizens had some questions in their heads like “Where is the freedom coming every day in the night?” Unfortunately, this question was not answered properly. There was no administration. There was no system. There was no organization. Certainly, U.S. leaders could have been more informed about the complexity of the situation that they were walking into.

The U.S. installed a temporary government, the CPA, and the first thing it did was a big clear out of people from Iraq's state institutions. It was called de-Baathification, and it targeted anyone who'd been linked to Saddam's party, the Baath Party. But that was basically everyone



who had been running the country because at the time you had to be a party member for most state jobs, all the normal functions of government just stopped, and hundreds of thousands of people were suddenly out of a job.

And then came the CPA's second move disbanding the Iraqi military. And a lot of people reckoned this was one of the biggest mistakes. A bunch of men with guns were now unemployed and angry. Many different militias were starting to be seen throughout the country. Many different armed groups popped up. Many of them would become the networks that would become Al-Qaeda in Iraq and then ISIS. The plan was basically dismantling everything, every aspect of the previous regime, all the institutions. And that led to a collapse in security that Iraq has barely recovered from.

Another example of the bad planning was how the new political system was designed and introduced. It was created by a bunch of outsiders, mostly American officials and exiled Iraqis, basically opponents of Saddam Hussein. Many of them had lived abroad for decades.



The Iraqi politicians that were exiled from the country in London three months before the invasion, where they agreed on what the new system would look like.

For many people, the fundamental mistake was people came from outside to a country and determined that this would be the political system without really doing enough to get to the voice of the people and how the people wanted to be represented.

In Iraq, the three main demographic groups are the Shia majority and the Sunni and Kurdish minorities. Under Saddam, Iraq was technically a secular state, but it was the Sunnis who generally held the positions of power. But the new political system was based on the idea that the three main groups should share power. There's an unofficial arrangement where the Prime minister who really runs the country, is always Shia, the president is Kurdish, and the speaker of parliament is Sunni. And that model served the interests of all those Iraqi exiles who designed



it and planned to come back and take charge. But the main question her was how can these people returning to a country after decades of exile, built constituents? They didn't know these people. The way designed this new system is by building these kind of imagined communities based on ethnicity or sect. All of a sudden there were parties which created sectarianism and ethnic divides, and Iraqis are now beginning to find out from their friends. This new system divided the people of country.

3. Corruption

The other problem with this new political system is that it's allowed corruption to flourish. It's a huge issue. They called it power sharing but to a huge extent, as one Iraqi politician herself called it, "it's us basically splitting up the cake." Most Iraqis basically see this political system as a elite pact of these parties that came to share the spoils of the state, to gut the system of its wealth. The greatest threat to Iraq's advancement is internal corruption, the siphoning of state resources away from the benefit of the people into personal and private accounts for personal and private aims. Keep in mind, there's actually a lot of money sloshing around in Iraq. It's got huge oil reserves, which bring in billions of dollars every year and basically fund the government. But it's mostly the politicians who benefit. Their fortunes have increased by billions while the country continues to decline on the quality of life on income and on levels of employment. The Ministry of Health has a board to make sure that medicine in Iraq is fit for purpose. Its budget is \$1 billion a year. But considering some research about this board, 70% of medicine is either fake or or expired. So people are taking bad medicine, even though there is literally a company with \$1 billion to ensure medicine. This shows how big of a problem is corruption in Iraq.

4. Iran's role

Iran is a big player for Iraq since they share a long border. In 1980s, Saddam Hussein invaded Iran and the two countries fought an eight-year war. From an Iranian perspective, Iran fears a strong Iraq can be said, thinking largely back to the time of the Iran-Iraq War and would seek, on one way or another to co-opt Iraq, such that it can never threaten Iran. Iran is run by Shia religious leaders. It's got its own regional ambitions and a major rivalry with the U.S., which also plays out in Iraq.

In the chaos that followed the U.S. invasion, Iran started doing things like getting behind certain political parties and funding militias, and over time, it's become a major power broker. Iran also does not function as an as simply a neighbor. It functions kind of as a protector and as an owner.



Basically, many of the opposition parties spent time in Iran when they were opposing the Saddam Hussein regime. So these leveraged these relations to really gain access to developing the political system in Iraq to its liking. It's that balancing of how to sort of keep Iraq some strong enough to function, but also weak enough never to present a threat to its interests.

From the flawed political system to corruption to the influence of Iran Iraq today is a kind of political stalemate where nothing really gets done. Add to that the issue of security, or more accurately, the lack of security. At the height of the chaos in 2008, around 10,000 civilians were killed. Iraqis have had to deal with all kinds of threats, from foreign troops to groups like Al-Qaeda and ISIL, plus all the different militias that have cropped up. Sometimes these militias have been helpful, for example, in the fight against al Qaeda and ISIL. But today it's gone to the point where militias have a kind of stranglehold over Iraq and its politics, because many militias are actually aligned with political parties. So there's no real ruling system in Iraq. It's a network of corruption. It's a network of parties and political figures and militia groups basically battling each other for money and influence. And of course, none of this serves the needs of the people of Iraq.

5. Iraqis are in need of a change

In 2019, their frustrations spilled over into huge protests in the South. The protests went on for months, and the government responded with a violent crackdown and almost 600 people were killed. They did bring down the prime minister, but they never really touched the system. And instead the system has recalibrated. Now, many in this protest movement have pinned their hopes on a guy named Muqtada al-Sadr. He's a very powerful figure. He's a Shia religious leader who's been around for years. He led a brutal militia that carried out some of the worst sectarian violence that happened after the U.S. invasion. More recently, he styled himself as a reformer, someone who wants to tackle corruption and curb sectarianism and the influence of Iran. But many question al-Sadr's real motivation or even see him as an obstacle to reform. Al-Sadr's bloc actually won the most seats in the 2021 election, but he didn't manage to form a government. It led to a political crisis that essentially pitted al-Sadr against a rival Shia bloc. In the end, that other bloc came out on top and they chose the current prime minister, Mohammed Shia Al-Sudani. What all of this shows is just how difficult it seems to be for Iraq to move forward. The country was so deeply shattered by the U.S. invasion, and 20 years later, it's still working out how to put the pieces back together.



6. Humanitarian Devastation and Refugee Flows

After 9/11 and US troops coming to the middle east, there were many conflicts initiated in the place which caused huge humanitarian devastation and refugee flows. Even though 9/11 was just one of the reasons out of many more, it had a significant effect on the future of the middle east and the citizens who live there. Consequently, in the middle east, there were many other conflicts political upheavals, and military interventions that damaged the Middle East even more.

Since the US invasion of Afghanistan after the 9/11 attacks, there have been tens of thousands of civilian casualties and large damage to infrastructure, leaving millions of Afghan citizens without access to basic services like healthcare and education. As a consequence of this, huge numbers of Afghan citizens have been removed from their houses both internally and externally, with paramount numbers seeking refuge in neighboring countries such as Pakistan and Iran. And in 2020, after Taliban retook the control of the country, the problems there grew even bigger, leaving many people in a bad situation.

In Iraq, after the US started a military operation to overthrow Saddam Hussein's regime there was political instability, sectarian strife, and the emergence of some extremist groups like ISIS. As mentioned before in this study guide, this conflict resulted in hundreds of deaths and extensive destruction, mostly affecting the healthcare system. Because of this, many Iraq citizens were displaced which created substantive refugee problems in Jordan, Syria(before its civil war), and many other countries.

The Syrian Civil War, which was initiated in 2011 after some huge protests in the country which were anti-government escalated into some elaborate conflicts including diverse local, regional, and international roles. The war has been destructive, with hundreds of thousands killed, widespread imprisonment and torture, and entire cities destroyed. Basic necessities that humans need to go on with their lives like food, water, and medical care are severely limited. Over 5.6 million Syrians have immigrated from their home to neighboring countries primarily to Turkey, Lebanon, Jordan, and Europe, while more than 6 million remain internally displaced within Syria.

Including the civil war in Yemen and Libya to the conflicts in Middle East, there are many economic problems that citizens face every day. The immigration of refugees to the neighboring



countries put the countries such as Jordan, Lebanon and Turkey in a place that affected their economy in a way that increased the inflation rates and devalued the value of the countries' money. Not only it affected economically, but also it sometimes led to social tensions and competition for resources, starting local conflicts. The international community such as UNHRC and some different NGOs, has been trying to provide aid to in need, yet the problem is still paramount since these aids often fall short because of insufficient funding and limited access to affected areas.

QUESTIONS TO BE ADDRESSED

- 1) What ongoing economic challenges have emerged as a result of the 9/11 attacks?
- 2) How have industries such as aviation, tourism and insurance been impacted in the long term and what measures could be taken to address these impacts?
- 3) How have global trade patterns and investment flows been reshaped in the aftermath of the 9/11 attacks, particularly in regions directly affected by tourism and conflict?
- 4) What role do trade agreements and economic partnerships play in fostering economic recovery and resilience?
- 5) How have financial markets responded to the ongoing threat of terrorism and geopolitical instability since the 9/11 attacks?
- 6) What measures could be taken to enhance market resilience and risk management?
- 7) What financial and monetary policies can governments implement in the long term, and what measures can be taken to address these impacts?
- 8) How can countries promote sustainable development and resilience-building efforts in the context of ongoing security threats and economic challenges stemming from the 9/11 attacks?
- 9) How have the Middle East Countries' and Afghanistan's economies been directly affected by the 9/11 attacks and subsequent military interventions?
- 10) What are the key challenges faced by the Middle East Countries' and Afghanistan's economies in terms of rebuilding infrastructure, restoring economic stability and promoting sustainable development?
- 11) How has the movement of refugees from the regions affected regions, including Afghanistan, impacted the Middle East economies?



- 12) What strategies can be implemented to address the humanitarian needs of displaced populations and what further things can be done to promote their socio-economic integration?
- 13) What things can be done to help boost the economy of Iraq and Afghanistan?

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