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## **Terrorism And Trade**

**by Dr. James Carafano**

The world economy thrives on the free movement of goods, services, people, and ideas. However, exploiting the global pathways that have become the lifeblood of the economy has enabled terrorists to turn their practices into a transnational corporate enterprise. At the same time, the engines of globalization, its transport, financial, and production networks; population centers; and seats of government make tempting targets. There is no doubt that, though unintended, global trade, travel, and communication nourish terror.

On the other hand, economic growth also provides the means to defeat transnational terrorism. The United States and its friends and allies around the world have taken significant steps in combating global terrorists. They have the capacity to do so. The national resources generated by economic growth and the instruments of good governance and the rule of law that facilitate the activities of free economies, in turn, give the states the power to protect global trade networks and fight terrorists. Nations simply cannot ignore the fact that the decisions they make in the global marketplace affect both their ability to enhance economic growth and prevent terrorists from rising-up against them.

Overburdening, restricting, or impeding the flow of goods and people in the name providing greater security is a win for the terrorists. On the other hand, an unsupervised global economy is the devil's playground. The brief post-Cold War era, when trade and security could be addressed separately, is over. Solutions to the problems they pose can no longer be simply met by black and white choices—opting for commerce or caution. One cannot be sacrificed for the other. Solutions have to be found that both grow the economy and diminish the threat of transnational terrorism.

The answer is a global economy that simultaneously advances two agendas: free trade and better counterterrorism. While creating exactly the right security regimes for the 21st century may be difficult

in practice, articulating the principles that should guide the construction of these mechanisms is not. There are three.

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- 0. Global security regimes need to be adaptive—capable of keeping pace with emerging terrorist threats and the changing demands and capabilities of the marketplace.
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- 0. Security regimes need to close, not widen, the gap between the developed and the developing world.
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- 0. Security regimes must strengthen, instead of undermine, a growing global commitment to free trade.
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### *Adaptive Security in a Global Marketplace*

Security systems must be as adaptive as the terrorists to both protect and prevent the exploitation of the networks of global commerce. Additionally, to ensure that security regimes empower rather than hinder the flow of global trade they must be able to adjust to new technologies, changing trade practices, emerging markets, and other forces that drive the course of free trade. Cost, for example, will always be an important factor in implementing security, and many of the expenses will rightly be born by the private sector. After all, they own most of the means that produce and transport goods and services, and they benefit most from these activities. Security, in much the same manner as providing for environmental and safety concerns, is part of the price of doing business in the modern world. If, however, participants are to bear the responsibility for protecting the ways and means they use and conduct commercial activities, they must have the freedom to determine how to provide security in the most efficient and effective manner.

While there is a place for security regulations, they should be based on open standards that are uniformly applied. The optimum regulations will be performance-based. In other words, they will set

reasonable objectives without dictating to the marketplace how to achieve the ends. Performance-based regimes offer several advantages. First, they leave it to experts in the private-sector, those who best know their own businesses and how to achieve the most successful and most cost-effective results. Second, they establish a market for “anti-terrorism.” Performance-based regulations create opportunities for adaptation and innovation, for both keeping ahead of the terrorists and for making the best use of new technologies and other opportunities in the market place.

### *Comprehensive Security*

Developing countries are part of the dynamic markets for terrorism, trade, and anti-terrorism. Unless they are successful at the latter two, the first will only further arrest their progress toward greater economic development. The developing world cannot be sidelined from the pathways of secure global commerce. To do so would result in those economies only falling further behind and, at the same time, create new sanctuaries, gaps, and opportunities for terrorists to use against us.

In contrast to most developed nations, security efforts in emerging economies have lagged. This is not because poor countries are necessarily more natural havens for terrorists or because weak states are less worried about the threats terrorists pose to the global community. Developing nations simply lack the resources and instruments to effectively combat transnational terrorism. Yet, to have emerging economies become dependable international trading partners and to extend the boundaries of the global security network, these nations must develop means to stop terrorists.

The U.S. National Security Strategy rightly calls for encouraging economic development through free markets and free trade and enhancing the capacity of developing nations to compete in a global economy. Concurrently, the United States is, also rightly, promoting international security regimes designed to prevent terrorists from attacking or exploiting the world’s global trade networks. Meeting these requirements is difficult for developing countries that lack

mature infrastructure, robust human capital programs, and adequate financing. Today, many of these countries are not major trading partners with the United States and they see little to gain in taking additional measures to protect others. However, unless they figure out how to meet emerging international measures to combat terrorism, they will never be fully linked to the global trading market.

In the long term, the best solution for engaging emerging economies in the battle against terrorism is the promotion of free trade. Free trade is the handmaiden of security. "A strong world economy," as the U.S. National Security Strategy points out, "enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth supported by free trade and free markets creates new jobs and higher incomes. It allows people to lift their lives out of poverty, spurs economic and legal reform, and the fight against corruption, and it reinforces the habits of liberty." Economic growth also provides the capacity to implement effective security regimes. In short, there are few better weapons in the war against terrorism than free trade.

Developed nations can help speed the process—first, by engaging in free trade agreements with emerging economies and second, by promoting foreign policies that combat corruption; encourage good governance; the rule of law and transparency; aim to establish strong institutions; and advance economic and political freedom. A good place for developed nations to start is by rethinking their foreign assistance programs.

While traditional aid programs are just not getting the job done, either for promoting economic growth or enhancing security, there are alternatives. That's why President Bush proposed a new form of assistance: the Millennium Challenge Account or MCA—a performance-based foreign aid program. The MCA is an innovative attempt to address this failure and make foreign aid more effective. Under the MCA, nations would be eligible to receive assistance only if they adopt policies consistent with good governance and economic freedom—policies proven to lead to greater prosperity.

## *Looking Ahead*

Terrorism and trade enjoyed a brief period of détente in the wake of the Cold War. That time has past. Transnational terrorism has proven itself an intolerable threat to world peace and it cannot be allowed to share the pathways of global commerce with legitimate trade and traffic. At the same time, transnational terrorism is a very beatable enemy, an enemy that can be, if perhaps never completely silenced, at the least severely crippled by sound global security practices.

Moving ahead requires stopping the terrorists while not diminishing ourselves. That means building security regimes for the 21st century—regimes that are adaptive, truly global in scope, and enhance, not distract, from efforts to expand the benefits of free trade to all nations.

### **About The Author**

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