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economic and political impacts

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I thought it useful to write this piece on the first anniversary of the incident that was surely a brutal attack on the US World Trade Centre in New York. In a horrific sequence of destruction, two hijacked passenger planes crashed into the twin towers of the World Trade Centre, quickly resulting in the collapse of both.

As Americans reeled from the apparent terrorist attacks on the World Trade Centre in New York City and the Pentagon in Washington, nearly the entire world reacted with a mix of sympathy and outrage, and considered their own protective measures.

It has been a year since the incident happened but it definitely has left a vital importance significance and consequences for many years to come, creating a new turn in the political and economic history."

If we first analyse the economic consequences of the incident, the facts and figures that occupied big financial journal including, "Economist and Financial Time", I can confidently say that the world was already moving

economic analysis in "The Economist", September 15, 2001) estimated that the direct effect of the attacks on production would reduce America's GDP growth in both the third and fourth quarters by 0.8% points - i.e. an annualized 3% CSFB's figures almost certainly exaggerated the direct impact of the attacks, not least since any lost output will partly be offset by more spending on rebuilding security and defence.

Worries about America's shrinking budget surplus were likely to be tossed aside as the government boosts spending, but this may not come through immediately. Yet far more important than the direct impact on production were the impact on business and (especially consumer confidence, and hence on spending) In the short term, a terrorist attack on this scale may have made Americans more fearful of public places (such as shopping malls) and so led them to spend less. The longer-term effect is less certain.

Most economists who believed that America could avoid recession had largely based their case on consumer spending remaining robust. The recent fall in

ready taken its toll on East Asian electronic producers pushing Taiwan, Singapore, Malaysia, and Hong Kong into recession. Most of the Latin America was also contracting. This raised the risk of ricochet effect, in which a slowdown in one country leads it to reduce its imports from other, which squeezes their output, and hence their imports, magnifying the initial fall in demand.

If America and the world now suffer a recession it seems sure to be blamed on the terrorist in general and "Talibans" in specific. Economists may have used this to explain why their earlier forecasts were wrong. Yet the truth is that the world was probably heading for recession any way.

Before we turn on to the political consequences of this crucial incident, an important question that emerged in minds, throughout the globe, needs attention: why the attack on US? To answer this question I would consider the following abstract of an article "The American empire" by Ignacio Ramonet.

"There are periods in history when the power of a single state, following the defeat or disintegration of its main rivals, reaches

one to hold responsible for the hopelessness of their lives, believe that to grater or lesser extent America has reaped as it sowed. If this charge is to be taken at all seriously, it must first be separated from the general anti-Americanism fashionable in some left-wing circles in Europe, say, or even Latin America.

The charge that 'in politics the United State is arrogant, even hypocritical' may deserve more notice by looking deeper into the past.

During the last half century, the US undoubtedly subordinated principles as well as the causes to the overriding concern of defeating communism. The great upholder of laws at home was happy to trash them abroad, whether invading Grenada or mining Nicaraguan harbors. It propped up caudillos in Latin America backed tyrants in Africa and Asia, promoted coups in the Middle East. More recently, it has been willing to kick invaders out of Kuwait, to strike at ruthless states like Libya and Iraq, and, moreover, to go on trying to contain them with sanctions and, in Iraq's case with almost incessant bombardment".

war, which its main architect, Defence Secretary Robert McNamara, knew we could not win? Why did not I cry when we helped Pol Pot butcher another million by giving him arms and money, because he was apposed to 'Our enemy' (who eventually stopped the killing fields)? And when our government arranged for the murder of the Congo's only decent leader, to be replaced by General Mobutu, a greedy vicious, murdering dictator, Nor did I cry when the CIA arranged for the overthrow of Indonesia's Sukarno, who had fought the Japanese World War-II, invaders and established a free independent country, and then replaced him with another General, Suharto, who had collaborated with the Japanese and who proceeded to execute at least half a million "Marxists" (in a country where, if folks had ever heard of Marx, it was at best (Groucho)? I didn't cry when the US invaded that wonderful tiny Caribbean nation of Grenada and killed innocent citizens who hoped to get a better life by building a tourist airfield, which my government called proof of a Russian Base, but then finished building once the island

America's policies may have earned it enemies. But in truth it is difficult to find plausible explanations for the virulence of September 11 attacks, except in the envy, hatred and moral confusion of those who plotted and perpetrated them."

Taking into account the political consequences, I don't think there would be any significant change in the pre existing world order as far as the autonomy and undeclared 'solo rule of the US is concerned, it does, on the other hand, reinforces certain important implications; the call for a unilateral and universal fight against "terrorism" and more importantly towards abundant concerns and procedures for "national securities", checks and procedures by nations. But nations today, must learn the fundamental reasons for the last year attacks 'terrorism.' If Americans think 'no reason' to be hated they need to ask the Afghani innocent children who have been brutally made 'parentless or they should look into eyes of those sick Iraqi children who can not get even life saving drugs because of the rational sanctions on Iraq. Or they can ask the question to hundreds of those Pales-

occupied big financial journal including, "Economist and Financial Time", I can confidently say that the world was already moving dangerously close to recession and the 11th September's terrorist attacks in America had just increased the risk. The attack on the World Trade Centre reduced to rubble one of the most famous symbols of American capitalism. But had it also increased the risk of collapse in an already fragile world economy?

American stock markets were closed week after the incident, but the immediate answer from other markets around the globe seemed to be a tentative "yes". For the global economy, indeed, the attack could hardly have happened at a worst time. It followed a rash of bad economic news that had already dented many financial markets. America's unemployment rate had already jumped by more than expected in August, to 4.9% from 4.5% in July and Japan's GDP fell at an annual rate of 3.2% in the second quarter of the last year. New figures published on September 13th 2001, confirmed that the Euro-area's GDP had slowed to a virtual standstill in the second quarter. These numbers, together with the previously reported growth of 0.2% in the United States, suggest that output in the rich world as a whole fell in the second quarter for the first time since 1990-. In short, as day broke on September 11th, both America and the world were already dangerously close to recession.

Now, with everyday life was disrupted for many Americans and the country's GDP looks more likely to fall in the third quarter. In the immediate aftermath of the attack, many factories and shops were closed., Credit Suisse First Boston (in an

most economists who believed that America could avoid recession had largely based their case on consumer spending remaining robust. The recent fall in the share prices and the news that unemployment had raised more sharply than expected seemed likely to dent that confidence and then the attack on America's very security wreaked further damage. During the Gulf war, when the economy was also stuttering on the brink of recession, consumer spending in America fell for 6 months at an annual rate of 2.6%. This time, with the carnage at home not abroad, the Impact was even bigger. The economy is more fragile today than it was at the time of the Fed's last emergency easing in 1998. At the start of the unfortunate week, most economist in investment banks were forecasting that America could avoid a recession. After the terrorist attack, a growing number now believe that a recession is likely.

If it was so, America will drag much of the rest of the world down with it. The most harrowing aspect of the slowdown was that it was more synchronized around the world then at any time since the 1930s. When America went into recession in 1990-1991, Japan continental Europe and most emerging economics continued to boom. This time, though they all had to sink together.

Japan's GDP felt at annual rate of more than 10%. The Japanese economy looked almost certain to contract again in the third quarter at a time, when recovery in the Euro area was likely to be weak, at best, German industrial production and manufacturing orders also felt by much more than expected in July last year.

America's tech slump had al-

"There are periods in history when the power of a single state, following the defeat or disintegration of its main rivals, reaches over the whole of the known world. Since the 16th century three powers-Spain, France and Britain. Hae taken it in turn to dominate the world militarily, economically and- up to a point-culturally. After 1945 the US together with what was then the other superpower the Soviet Union establish a sort of world condominium characterized by fierce rivalry. This became known as the cold war. After the confrontation came to an end in 1991 with the implosion of the Soviet Union, the US has been enjoying the supremacy, unknown for any world power, for more than a century. Henceforth "the American empire was (and is) the only one in the world, an exclusive hegemony, the first time that this strange phenomenon has occurred in the history of mankind". The US is now being increasingly called on to mediate in the event of a political impasse anywhere around the globe. Whether its Serbian opposition to Slobodan Milosevic asking Washington to support or Algerians, through Ait Ahmad calling on the US to help "Stop the spiral of violence". As a result, US was displaying a growing tendency to st its own criteria and act purely in its own interests in every part of the world. Having influence on international organizations like the United Nation it imposed economic sanctions on Cuba, Libya and Iraq and arbitrarily opposed BoutrosGali's reappointment as UN Secretary General."

And in another article "The roots of hatred", published in the Economist, September 22nd 2001, the author says "a surprising number of people and not just gullible fanatics looking for some-

moreover, to go on trying to contain them with sanctions and, in Iraq's case with almost incessant bombardment".

While the American President, during his speech (on the day he got approval for 'reasonable retaliation' from the American Senate) said:

"We will not forget South Korean children gathering to pray outside our embassy in Seoul, or the prayers of sympathy offered at a mosque in Cairo. We will not forget moments of silence and days of mourning in Australia and Africa and Latin America, for will we forget the citizens of 80 other nations who died with our own. Dozens of Pakistanis, more than 130 Israelis, more than 250 citizens of India, men and women from El Salvador, Iran, Mexico and Japan, and hundreds of British citizens."

The US president also said: "Americans are asking, "Why do they hate us?"

he answered it as: "They hate what they see right here in this chamber: a democratically elected government. Their leaders are self-appointed. They hate our freedoms: our freedom of religion, our freedom of speech, our freedom to vote and assemble and disagree with each other". One other answer of this question is given by an American author John Gerassi in his article "Will Tears Ever Stop" is: "I can't help crying. As soon as I see a person on TV telling the heart-rending story of the tragic fate of their loved-one in the World Trade Centre disaster. I can't control my tears. But then I wonder why didn't I cry when our troops wiped out some 5000 poor people in Panama's El Chorrillo neighborhood on the excuse of looking for Noriega. Worse still, why didn't I cry when we killed two million Vietnamese, mostly innocent peasants in the

cent citizens who hoped to get a better life by building a tourist airfield, which my government called proof of a Russian Base, but then finished building once the island was secure in the US Camp again. I guess one only cry only for one's own."

"So now we are going to get reward. We are certainly entitled to go after those who killed so many of our brothers and sisters. And we'll win, of course Against Bin Laden against the Taliban against Iraq and against whoever and whatever. In the process we'll kill a few innocent children again. Children who have not clothes for the coming winter. No houses to shelter them. An no schools to learn why they are guilty, at two or four or six years old. Any then what? Will we now be able to run the world the way we want to? With all the new legislation establishing massive surveillance of you and me, Our CEOs will certainly be pleased that the folks demonstrating against globalisation will now be cowed for ever. No more riots in Seattle, Quebec or Geno. Peace at last".

When will Americans learn that as long as we keep trying to run the world for the sake of the bottom line, we will suffer someone's revenge? No war will ever stop terrorism as long as we use terror to have our way."

This was however, one aspect of the situation another view, on the other hand, can be read in an article of The Economist (September 22nd 2001),

"Those who criticise America's leadership of the world's capitalist system a far from perfect affair-should remember that it has brought more wealth and better living standards to more people than any other in history. And those who regret America's true triumph in the cold war should stop to think how the world would look of the Soviet Union had won.

of those sick Iraqi children who can not get even life saving drugs because of the rational sanctions on Iraq. Or they can ask the question to hundreds of those Palestinian children-the fathers of whom laid their lives for a good and prosperous future of their children.

Relating the issue further with the global political and economic readers, I strongly believe this event is not going to stop or de-accelerate the process of "globalisation", reason for that is obvious. If the war against Iraq, Israel and Palestine, Bosnia and Serbia, Pakistan and India and the wars on so many other parts of our world have not been able to demise the deeply penetrating acceleration and spontaneity of the process of globalisation, so should not it. 'Fears over security have surely raised the costs of international trade and persuade more businesses to stay at home. However a look at the statistics suggests it would take a truly seismic shock to cancel out the forces that made the world economy increasingly integrated during the second half of 20th century writing globalisation's obituary would be premature. "(ED Crooks, 16-10-2001).

I will close this debate on the words of Rosenau (1197), "World order can no longer be conceived as purely state-centric or even primarily state governed, as authority has become increasingly diffused among public and private agencies at the local, national, regional and global levels. Nation-states are no longer the sole centers of the principal forms of governance or authority on the world."

Globalisation therefore, in its pure form (with an abundant emphasis on equality among nations.) is a necessity of today and not merely a choice, to avoid any such big disaster in future.