

**TECHNICAL UNIVERSITY OF LIBEREC**

Faculty of Economics



**“World Trade Center”**

**Bombing and its Effect in World Economy**

Diploma project

Study discipline: Business Administration

Nader A.Ali Asad Abdulla

supervisor: doc. Ing. Jiri Farek, Csc

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Liberec 2002



# TECHNICKÁ UNIVERZITA V LIBERCI

Hospodářská fakulta

Katedra ekonomie

Akademický rok: 2001/2002

## ZADÁNÍ DIPLOMOVÉ PRÁCE

pro

Nader A.Ali Asad Abdulla

obor č. 6208 T      Podniková ekonomika

Vedoucí katedry Vám ve smyslu zákona č. 111 / 1998 Sb. o vysokých školách a navazujících předpisů určuje tuto diplomovou práci:

Název tématu:

### ***„World Trade Center“ Bombing and its Effect in World Economy***

Pokyny pro vypracování:

1. World Trade Center and its bombing
2. Economic effects in USA from bombing
3. Economic effect in EU and the world
4. Economic effects in Arabic and Islamic countries
5. Changes in USA economic policy in the middle east countries before and during its revenge (inflict punishment)
6. Terrorism and how it will effect the economic relations between USA, EU and Arabic and Islamic countries in the future

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Vedoucí diplomové práce: doc. Ing. Jiří Fárek, CSc.

Konzultant:

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doc. Ing. Jiří Kraft, CSc.  
vedoucí katedry

prof. Ing. Jan Ehleman, CSc.  
děkan Hospodářské fakulty

## **Declaration**

I declare that all work in this diploma project done independently by my self with aid of referred literature under the control of supervisor and consultant.

In Liberec, 24-5-2002



Signature



## **Annotation**

THEME: World Trade Center Bombing and its Effect in World Economy.

ANNOTATION: Diploma project explains the World Trade Center Twin Towers, their terrorist attacks, and the economic effects caused by these attacks in the USA and the World.

TEMA: Ekonomický vliv po atentát na obchodní centrum v USA.

ANOTACE: Diplomová práce zabývá:

- Konstrukce budovy(Twin Tower).
- Útok teroristu a jeho vliv na Ameriku a Světovou Ekonomii.

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From all the the people that have helped me through out my studies, my greatest gratitude goes to my parents for their patience and constant support during all stages of my life, without which I would have never made it so far.

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I would like also to express my thanks and gratefulness to The Technical University of Liberec, the Teaching staff and administration especially the Economic Department for all the assistance and support they have given during my course of study.



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## **Introduction**

Terrorism Works, Terrorism is not the weapon of the Weak, That is the culture in which we live and it reveals several facts. One is the fact that terrorism works. It doesn't fail. It works. Violence usually works. That's world history.

Secondly, it's a very serious analytic error to say, as is commonly done, that terrorism is the weapon of the weak. Like other means of violence, it's primarily a weapon of the strong, overwhelmingly, in fact. It is held to be a weapon of the weak because the strong also control the doctrinal systems and their terror doesn't count as terror. Now that's close to universal. I can't think of a historical exception, even the worst mass murderers view the world that way. So pick the Nazis. They weren't carrying out terror in occupied Europe. They were protecting the local population from the terrorisms of the partisans.

And like other resistance movements, there was terrorism. The Nazis were carrying out counter terror. Furthermore, the United States essentially agreed with that. After the war, the US army did extensive studies of Nazi counter terror operations in Europe. From that time the terrorism become in every culture from east to west.

Terrorism is a product of intense oppression (and the deep feelings of humiliation and injured human dignity that such oppression generates) and, at the same time, of political helplessness and desperation. It begins from a point in which all avenues for popular self-determination appear closed, and it works to shut them tighter still.

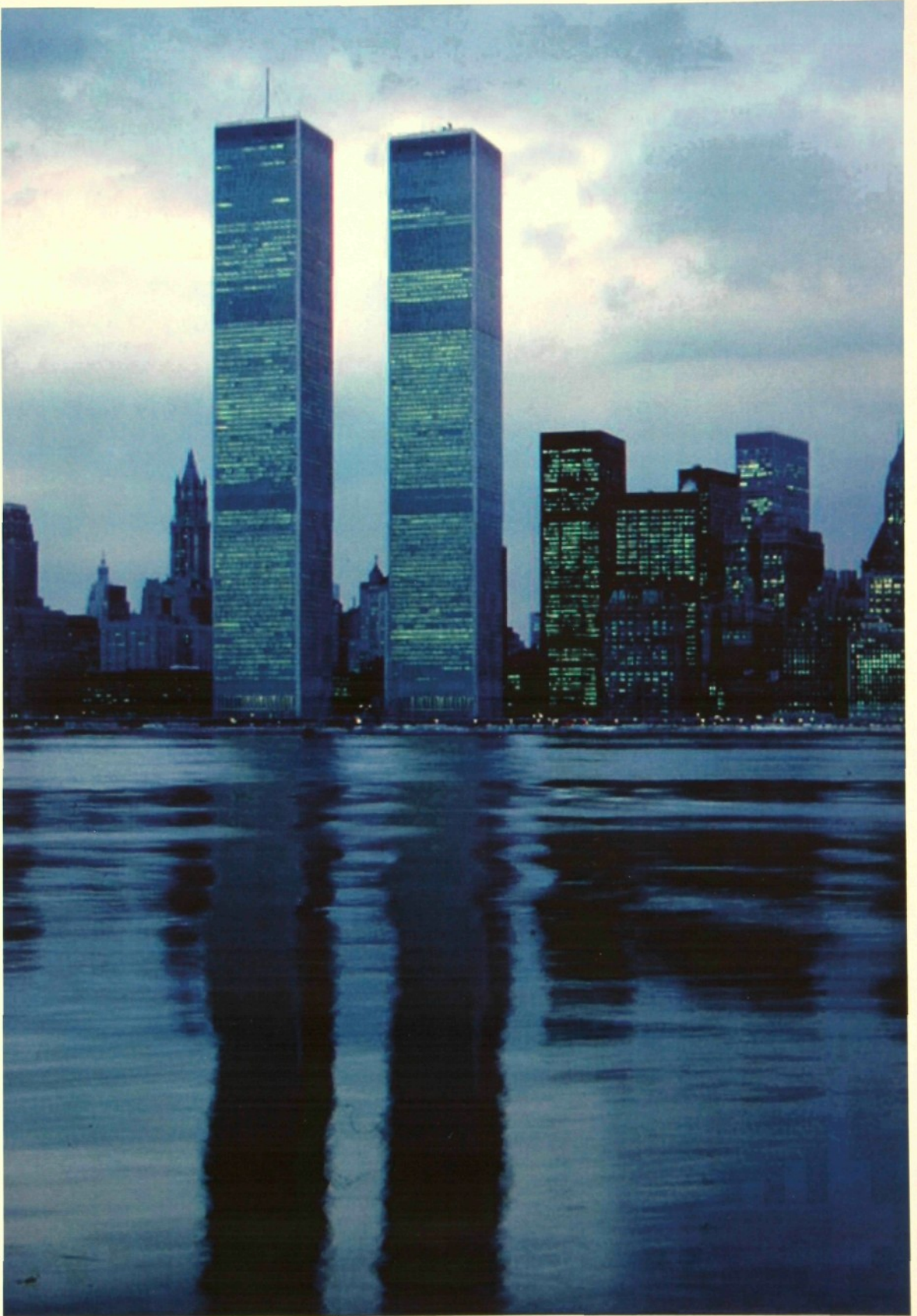
The aim of my project is to explain the World Trade Center and its bombing, how the twins collapsed, who is responsible of this horrific action and the economic effects in United States, and the World.



## **CHAPTER 1**

### **World trade center and its bombing**







## **1. The World Trade Center**

The World Trade Center is more than its signature twin towers: it is a complex of seven buildings on 16-acres, constructed and operated by the Port Authority of New York and New Jersey (PANYNJ). The towers, One and Two World Trade Center, rise at the heart of the complex, each climbing more than 100 feet higher than the silver mast of the Empire State Building.

Construction of a world trade facility had been under consideration since the end of WWII. In the late 1950s the Port Authority took interest in the project and in 1962 fixed its site on the west side of Lower Manhattan on a superblock bounded by Vesey, Liberty, Church and West Streets. Architect Minoru Yamasaki was selected to design the project; architects Emery Roth & Sons handled production work, and, at the request of Yamasaki, the firm of Worthington, Skilling, Helle and Jackson served as engineers.

The Port Authority envisioned a project with a total of 10 million square feet of office space. To achieve this, Yamasaki considered more than a hundred different building configurations before settling on the concept of twin towers and three lower-rise structures. Designed to be very tall to maximize the area of the plaza, the towers were initially to rise to only 80-90 stories. Only later was it decided to construct them as the world's tallest buildings, following a suggestion said to have originated with the Port Authority's public relations staff.

Yamasaki and engineers John Skilling and Les Robertson worked closely, and the relationship between the towers' design and structure is clear. Faced with the difficulties of building to unprecedented heights, the engineers employed an innovative structural model: a rigid "hollow tube" of closely spaced steel columns with floor trusses extending across to a central core. The columns, finished with a silver-colored aluminum alloy, were 18 3/4" wide and set only 22" apart, making the towers appear from afar to have no windows at all.

Also unique to the engineering design were its core and elevator system. The twin towers were the first supertall buildings designed without any masonry. Worried that the intense air pressure created by the buildings' high speed elevators might buckle conventional shafts, engineers designed a solution using a drywall system fixed to the reinforced steel core. For the elevators, to serve 110 stories with a traditional configuration would have required half the area of the lower stories be used for shaftways. Otis Elevators developed an express and local system, whereby passengers would change at "sky lobbies" on the 44th and 78th floors, halving the number of shaftways.

Construction began in 1966 and cost an estimated \$1.5 billion. One World Trade Center was ready for its first tenants in late 1970, though the upper stories were not completed until 1972; Two World Trade Center was finished in 1973. Excavation to bedrock 70 feet below produced the material for the Battery Park City landfill project in the Hudson River. When complete, the Center met with mixed reviews, but at 1,368 and 1,362 feet and 110 stories each, the twin towers were the world's tallest, and largest, buildings until the Sears Tower surpassed them both in 1974.



## **1.1 Vital Statistics:**

Location: New York, New York, USA

Completion Date: 1972 (Tower One), 1973 (Tower Two); destroyed 2001

Cost: \$400 million

Height: 1,368 feet (Tower One), 1,362 feet (Tower Two)

Stories: 110

Materials: Steel

Facing Materials: Aluminum, steel

Engineer(s): Skilling, Helle, Christiansen & Robertson

Constructed by the Port Authority of New York and New Jersey in the early 1970s, the World Trade Center towers were, for their time, the best known examples of tube buildings. Tube buildings are strengthened by closely spaced columns and beams in the outer walls. The closely spaced columns and beams in each tower formed a steel tube that, together with an internal core, withstood the tremendous wind loads that affect buildings this tall.

Aside from withstanding enormous wind loads, the World Trade Center towers were also constructed to withstand settlement loads. Because the towers were built on six acres of landfill, the foundation of each tower had to extend more than 70 feet below ground level to rest on solid bedrock.

The two towers were unable to survive the effects of a direct hit by two hijacked commercial jetliners during terrorist attacks on the morning of September 11, 2001. Although they were in fact designed to withstand being struck by an airplane, the resultant fires weakened the infrastructure of the building, collapsing the upper floors and creating too much load for the lower floors to bear. Shortly after the attack, both towers collapsed.

At the time of their completion in 1973, the World Trade Center towers were the two tallest buildings in the world. Two years later, the Sears Tower in Chicago seized the coveted title.



Here's how this skyscraper compared to the biggest skyscrapers in the world.  
(height, in feet)

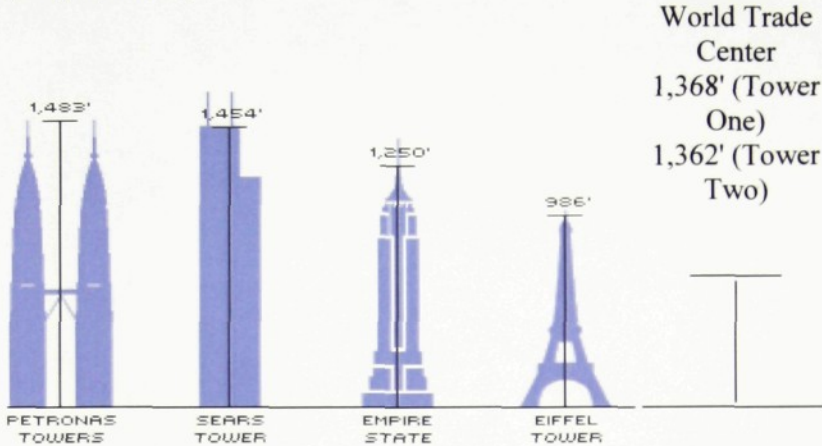


Figure 1

### 1.1.1 Fast Facts:

- Each tower had 104 passenger elevators, 21,800 windows, and roughly an acre of rentable space on each floor.
- From the observation deck on Two World Trade Center it was possible to see 45 miles in every direction.
- Each tower swayed approximately three feet from true center in strong wind storms.
- If all the glass used in the construction of both towers were melted into a ribbon of glass, 20 inches wide, it would have run 65 miles long.
- On Friday, February 26, 1993, a bomb exploded in the underground garage of One World Trade Center, creating a 22-foot-wide, five-story-deep crater. Six people were killed and more than 1,000 were injured. The towers were cleaned, repaired, and reopened in less than one month. On Tuesday, September 11, 2001, a second terrorist attack destroyed both towers.

The World Trade Center Tanents are shown in appendix 1.

## 1.2 World trade center booming:

How could substantial symbols of America's financial and construction know-how disappear in just minutes? Blame kamikaze terrorists who used perhaps the only weapons that could have brought down the Twin Towers so quickly.

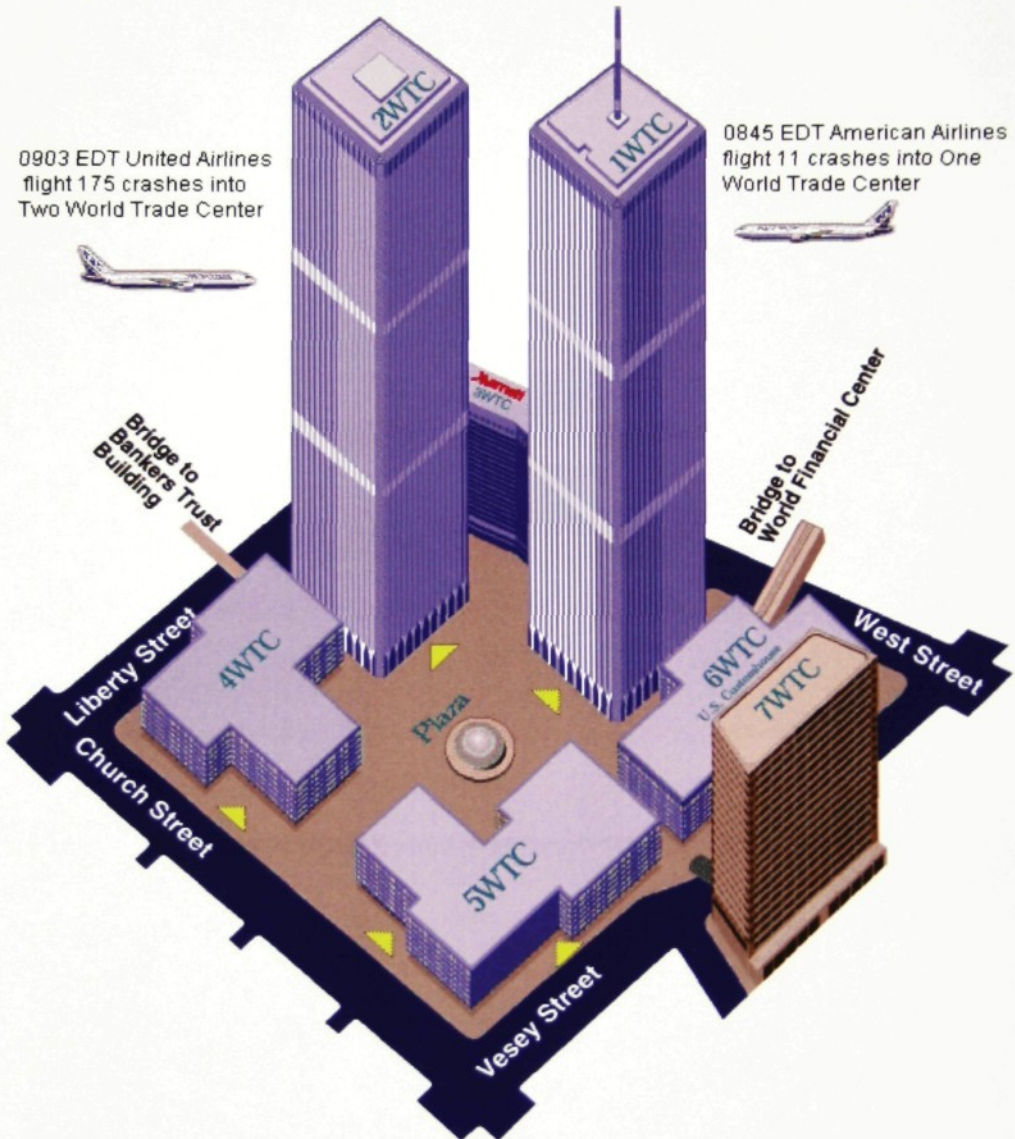


Figure 2

The timeline of United States Attacks is shown in Appendix 2.



### **1.2.1 The Structural System & how they collapse:**

Yamasaki and engineers John Skilling and Les Robertson worked closely, and the relationship between the towers' design and structure is clear. Faced with the difficulties of building to unprecedented heights, the engineers employed an innovative structural model: a rigid "hollow tube" of closely spaced steel columns with floor trusses extending across to a central core. The columns, finished with a silver-colored aluminum alloy, were 18 3/4" wide and set only 22" apart, making the towers appear from afar to have no windows at all.

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The structural system, deriving from the I.B.M. Building in Seattle, is impressively simple. The 208-foot wide facade is, in effect, a prefabricated steel lattice, with columns on 39-inch centers acting as wind bracing to resist all overturning forces; the central core takes only the gravity loads of the building. A very light, economical structure results by keeping the wind bracing in the most efficient place, the outside surface of the building, thus not transferring the forces through the floor membrane to the core, as in most curtain-wall structures. Office spaces will have no interior columns. In the upper floors there is as much as 40,000 square feet of office space per floor. The floor construction is of prefabricated trussed steel, only 33 inches in depth, that spans the full 60 feet to the core, and also acts as a diaphragm to stiffen the outside wall against lateral buckling forces from wind-load pressures."

Why Did It Collapse? Tim Wilkinson, Lecturer in Civil Engineering (This is an initial suggestion on one possible reason for failure, and should not be regarded as official advice)

The structural integrity of the World Trade Center depends on the closely spaced columns around the perimeter. Lightweight steel trusses span between the central elevator core and the perimeter columns on each floor. These trusses support the concrete slab of each floor and tie the perimeter columns to the core, preventing the columns from buckling outwards.

After the initial plane impacts, it appeared to most observers that the structure had been severely damaged, but not necessarily fatally.

It appears likely that the impact of the plane crash destroyed a significant number of perimeter columns on several floors of the building, severely weakening the entire system. Initially this was not enough to cause collapse.

However, as fire raged in the upper floors, the heat would have been gradually affecting the behaviour of the remaining material. As the planes had only recently taken off, the fire would have been initially fuelled by large volumes of jet fuel, creating potentially enormously high temperatures. The strength of the steel drops markedly with prolonged



exposure to fire, while the elastic modulus of the steel reduces (stiffness drops), increasing deflections.

Modern structures are designed to resist fire for a specific length of time. Safety features such as fire retarding materials and sprinkler systems help to contain fires, help extinguish flames, or prevent steel from being exposed to excessively high temperatures. This gives occupants time to escape and allow fire fighters to extinguish blazes, before the building is catastrophically damaged.

It is possible that the blaze, started by jet fuel and then engulfing the contents of the offices, in a highly confined area, generated fire conditions significantly more severe than those anticipated in a typical office fire. These conditions may have overcome the building's fire defences considerably faster than expected.

Eventually, the loss of strength and stiffness of the materials resulting from the fire, combined with the initial impact damage, would have caused a failure of the truss system supporting a floor, or the remaining perimeter columns, or even the internal core, or some combination. Failure of the flooring system would have subsequently allowed the perimeter columns to buckle outwards. Regardless of which of these possibilities actually occurred, it would have resulted in the complete collapse of at least one complete storey at the level of impact.

Once one storey collapsed all floors above would have begun to fall. The huge mass of falling structure would gain momentum, crushing the structurally intact floors below, resulting in catastrophic failure of the entire structure.



## WHY THE TOWERS COLLAPSED

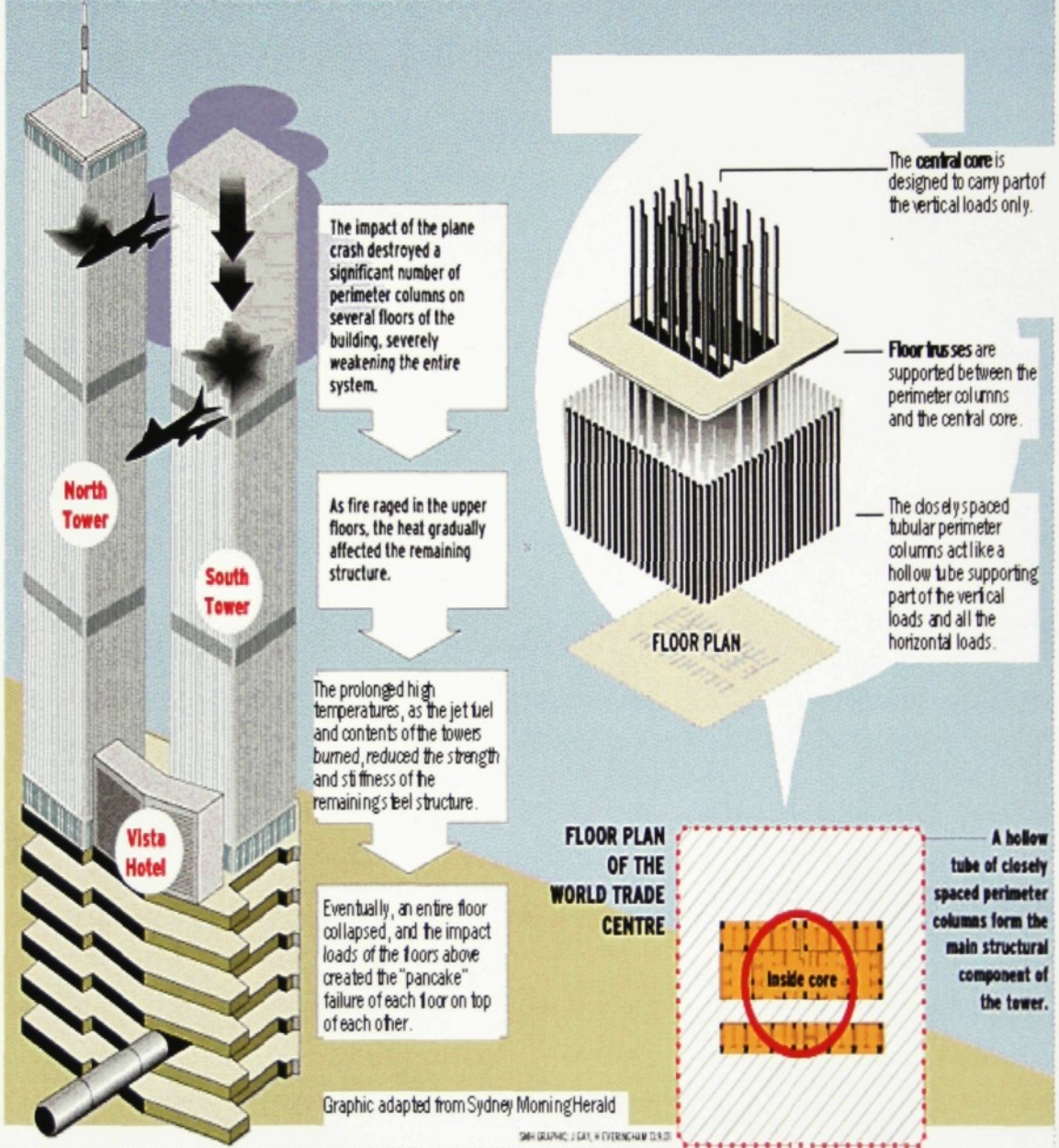


Figure 3

The only evidence so far are photographs and television footage. Whether failure was initiated at the perimeter columns or the core is unknown. The extent to which the internal parts were damaged during the collision may be evident in the rubble if any forensic investigation is conducted. Since the mass of the combined towers is close to 1000000 tons, finding evidence will be an enormous task. Perimeter columns, several storeys high, and still linked together, lie amongst all the debris on the ground.





Figure 4

This photograph shows the south tower just as it is collapsing. It is evident that the building is falling over to the left. The North Tower collapsed directly downwards, on top of itself. The same mechanism of failure, the combination of impact and subsequent fire damage, is the likely cause of failure of both towers. However, it is possible that a storey on only one side of the South Tower initially collapsed, resulting in the "skewed" failure of the entire tower.

The gigantic impact forces caused by the huge mass of the falling structure landing on the floors below travelled down the columns like a shockwave faster than the entire structure fell. The clouds of debris coming from the tower, several storeys below the huge falling mass, probably result from the sudden and almost explosive failure of each floor, caused by the "shockwave".



### **1.2.2 International Reaction, Country-by-Country**

#### **EUROPE:**

**ALBANIA:** Declared it stood on the side of the United States and its Western allies in the fight against terrorism, offered use of Albanian airspace, ports and airports to the United States and its allies.

**AUSTRIA:** Chancellor Wolfgang Schuessel said his country would allow the use of Austrian airspace and provide whatever support it can, but Austrian soldiers would not become involved in military action because that is banned by Austria's constitution.

**BELARUS:** President Alexander Lukashenko, who had often lashed out at the United States, sent his condolences to the American people. Belarus did not join Russia and other European nations in observing a moment of silence last week, and some officials said the terror attacks had been prompted by arrogant U.S. policies.

**BELGIUM:** Organized an anti-terrorist sweep following the attacks, holding two suspects on charges of possible involvement in planning an attack on U.S. interests in Europe. As current president of the European Union, it has also played host to emergency meetings of EU foreign ministers to show support for the United States.

**BOSNIA:** Stepped up security for U.S. citizens and property. "This country will offer any kind of assistance the United States government may ask for," said Foreign Ministry spokesman Amer Kapetanovic.

**BRITAIN:** Urged its citizens to leave parts of Pakistan amid fears that U.S. retaliation might target neighboring Afghanistan. Prime Minister Tony Blair, who has pledged British support for U.S. action against the terrorists, called President Bush's handling of the attack and its aftermath "absolutely right" and praised the U.S. administration's consultations with allies.

**BULGARIA:** Prime Minister Simeon Saxcoburggotski pledged support for an international campaign against terror. Foreign Minister Solomon Pasi said his country, which is applying for NATO membership, was "ready to act as a (virtual) NATO ally" in the campaign.

**CROATIA:** Supports United States against terrorism. However, Prime Minister Ivica Racan expressed concerns Monday that the European Union countries may now seek to impose tougher measures on their borders to prevent entry of potential terrorists, isolating non-members, including Croatia.

**CZECH REPUBLIC:** Security was increased at the country's airports and other sensitive points such as nuclear power plants and dams. All unscheduled flights were forbidden. The government expressed its full support to the United States for military action against the terrorists.

**DENMARK:** As a NATO member, Denmark supports a joint action against terrorism, and the government asked intelligence agencies to track down possible supporters in Denmark.



The Faeroe Islands and Greenland, both semiautonomous Danish territories, sent letters of condolence late Tuesday and held two minutes of silence on Friday.

**ESTONIA:** Was quick to condemn the airborne attacks, and the Foreign Ministry said the nation was "prepared to provide to the United States any assistance within the scope of its capabilities." Estonia and its Baltic neighbors Latvia and Lithuania also expressed concerns that the crisis might put NATO enlargement on the back burner.

**FINLAND:** Has beefed up security at borders, airports and outside embassies and increased air surveillance. Prime Minister Paavo Lipponen said "the likelihood of terrorist attacks against Finland or Finnish targets abroad is very small."

**FRANCE:** Defense Minister Alain Richard said France was confident the United States would react responsibly to last week's terror attacks, but he cautioned against using force alone to retaliate. "We must use it in a way that doesn't provoke other elements of instability," he said. President Jacques Chirac meets Bush at the White House on Tuesday.

**GEORGIA:** Officials have said they were ready to offer any help to the United States in its efforts to find and punish the perpetrators of the attacks.

**GERMANY:** Interior Minister Otto Schily called for a review of "our entire intelligence strategy" after three men who lived quietly in Hamburg for years were implicated in the terror attacks in the United States.

**GREECE:** Pledged its full support to American and European Union actions to combat terrorism. Greece plays host to a large U.S. Navy base on the island of Crete. Ministers and officials have also begun re-evaluating security measures for the 2004 Olympics, to be held in Athens.

**HUNGARY:** Expressed solidarity with the people of the United States and full support for the fight against terrorism. "The essential thing is that the political readiness is there; we are supportive of the victims and will do our part in the struggle to eradicate terrorism," Foreign Minister Janos Martonyi said.

**ICELAND:** Foreign Minister Halldor Asgrimsson said the airport at Keflavik was available for any U.S. operations.

**IRELAND:** Prime Minister Bertie Ahern has said America would be justified in retaliating, so long as the military action fell within the United Nations' definition of self-defense. He said a large-scale attack on Afghanistan would be wrong: "It's an easy thing to bomb territories where people are in famine. But that will not do much to crush international terrorism."

**ITALY:** Has vowed an "all-out battle against terrorist organizations," adding, "we must concentrate our forces now in the Atlantic Alliance ... and the European Union." Italy's Supreme Defense Council — consisting of the country's president, prime minister and top Cabinet ministers — convened an emergency session Friday for the first time since Libya fired missiles toward the Sicilian island of Lampedusa in 1986.

**LATVIA:** Condemned the attacks, and has said it will back any U.S. response. Defense forces were put on alert and security was tightened around the U.S. and Israeli embassies.



**LIECHTENSTEIN:** The Banking Federation said it will consider setting up a task force to investigate whether the country's financial institutions were used by anyone with terrorist links, but it says there is no evidence of this so far.

**LITHUANIA:** President Valdas Adamkus, a former American citizen, was visiting Washington during the attacks and spoke on national television about seeing the Pentagon burn. He said his countrymen had to think about how they could aid the United States. "Until now, we have always tended to think only that America needed to protect us," Adamkus said.

**THE NETHERLANDS:** Dutch police, with the Belgians, stepped up a joint operation against suspected members of Muslim radical groups. Rotterdam police took four men into custody on Thursday. Prime Minister Wim Kok, while lending full support to the fight against terrorism, was one of the first to caution the U.S. administration to be mindful of "democratic values."

**NORWAY:** Strongly condemned "evil put into a system" and backs its ally the United States through NATO.

**POLAND:** President Aleksander Kwasniewski and Prime Minister Jerzy Buzek have appealed for a concerted international effort in fighting terrorism, and pledged to fully participate in any NATO action.

**PORTUGAL:** Has pledged total cooperation with the United States in all areas, including military support for a retaliation. Portugal next year takes over the presidency of the 55-nation Organization for Security and Cooperation in Europe and says the fight against international terrorism will be a priority. Portugal has tightened security at airports, embassies and U.S. companies.

**SLOVAKIA:** Prime Minister Mikulas Dzurinda has condemned the terrorist attacks and expressed Slovakia's determination to support the United States and NATO in all actions against terrorism around the world.

**SLOVENIA:** President Milan Kucan, in a letter to the U.S. president, declared his country's support in the fight against terrorism.

**SPAIN:** Defense Minister Federico Trillo said U.S. forces could use Spanish military bases for any retaliation.

**SWEDEN:** Swedish Prime Minister Goeran Persson canceled the so-called Progressive Summit of 14 center-left leaders that was to have been held in Stockholm on Sept. 14-15. The Swedish government also has expressed concerns about a backlash against Muslims, meeting with Islamic leaders and stepping up security around Stockholm's mosque.

**SWITZERLAND:** Switzerland, which had already frozen all bank accounts linked to Afghanistan's ruling Taliban, said one of the suspected hijackers of the planes used in Tuesday's attacks bought two knives in Switzerland using a credit card. One of Usama bin Laden's many siblings, a half-brother who has distanced himself from the exiled Saudi, has lived in Geneva since 1973.



**TURKEY:** Would allow the use of Incirlik air base for a possible military response. Incirlik is the base used by U.S. and British warplanes enforcing a no-fly zone over northern Iraq and was a launching pad for U.S. attacks on Iraq during the Gulf War.

**RUSSIA:** Russian President Vladimir Putin ordered a nationwide moment of silence for victims of the attacks, offered help in rescue efforts and called for a global effort to uproot international terrorism. At the same time, Russia, where one of every seven residents is Muslim, is unlikely to risk internal unrest by joining any U.S. retaliation. Russian officials have also made it clear that Moscow does not want former Soviet republics in Central Asia to be used as bases for such operations.

**UKRAINE:** Called for a coordinated international fight against terrorism. The parliament called the attacks on the United States a "challenge to all of civilized humanity."

**YUGOSLAVIA:** Leaders declared support for a global fight against terrorism. But with memories of the 1999 NATO air war against Yugoslavia still fresh, officials have not openly supported a possible U.S. campaign against suspected perpetrators.

### **AFRICA:**

**ANGOLA:** Condemned the attacks and expressed its sympathy with the victims' families. Elite police were stationed outside the U.S. Embassy in Luanda.

**BURKINA FASO:** President Blaise Compaore expressed sympathy for the American people. "Burkina Faso condemns these terrorist attacks in the same way it condemns all forms of terrorism," he said.

**BURUNDI:** President Pierre Buyoya expressed his condolences to all Americans, especially those living in Burundi.

**CAMEROON:** President Paul Biya sent a letter to President Bush offering condolences over "the horrifying tragedy." Security has been tightened around Western diplomatic missions in Cameroon, with traffic diverted around the U.S. Embassy.

**CENTRAL AFRICAN REPUBLIC:** The government condemned the attacks and sent two Cabinet ministers to sign a condolence book at the U.S. Embassy. Security has been tightened at the embassy and at the international airport.

**ETHIOPIA:** Offered condolences and condemned the attack.

**GHANA:** Said it was ready to help hunt down those responsible. "We consider the attacks as a strike against humanity and civilization all over the world," Foreign Affairs Minister Hackman Owusu-Agyemang said.

**GUINEA:** President Lansana Conte expressed sympathy over the attacks on a visit to the U.S. Embassy, where security was tightened.



**IVORY COAST:** President Laurent Gbagbo condemned "with the utmost firmness these acts, which no human reason could possibly justify." Security was tightened at the U.S. Embassy and extra soldiers deployed at the international airport.

**KENYA:** President Daniel arap Moi offered condolences, but appealed for restraint. Security at Nairobi's main airport was tightened. Moi said Kenya would join the international fight against terrorism because of the U.S. Embassy bombing in Kenya in 1998.

**LIBERIA:** Liberia said it was prepared to join an international coalition against terrorism and declared three days of national mourning. "Today the hands of evil have struck America," President Charles Taylor said at a prayer service. "Tomorrow it could be any other nation."

**LIBYA:** Leader Moammar Gadhafi condemned the attacks, called on Muslim aid agencies to offer support for the victims and said the United States had the right to take revenge, but asked "will this put an end to the problem?" "There is nothing in Afghanistan," and if the United States occupies Afghanistan, "it will not be in its interests," he said.

**MADAGASCAR:** Prime Minister Tantely Andrianarivo condemned the attacks, saying the people of Madagascar stand in solidarity with the American people and its government. Madagascar has provided additional police and military security personnel to help protect U.S. government buildings.

**MALAWI:** President Bakili Muzuli, a Muslim, described the attacks as acts of "barbarism" and said they went against the teachings of Islam. "We all worship God to go to heaven and we cannot kill in order to go there," he said.

**MAURITANIA:** Government spokesman Rachid Ould Saleh condemned "these horrible attacks."

**MOZAMBIQUE:** Mozambique condemned the attack and expressed solidarity with the United States. President Joaquim Chissano urged the United States to think first before reacting and to be responsible in its actions.

**NAMIBIA:** President Sam Nujoma condemned the "cowardly terrorist attack," and said the world should reaffirm its commitment to peace and "to strengthen the fight against all forms of international terrorism."

**NIGERIA:** While a few radical Muslims initially celebrated the attacks, most Muslim and Christian groups mourned the U.S. deaths. President Olusegun Obasanjo promised support for measures to bring the terrorists to justice.

**REPUBLIC OF CONGO:** President Denis Sassou-Nguesso offered to help bring those responsible to justice. "All people of the world have to organize themselves to fight terrorism and enable the values of peace, freedom and development to triumph," he said.

**RWANDA:** President Paul Kagame expressed "deepest condolences" to Americans, their leaders "and the families who lost their loved ones, at this hour of profound national catastrophe."



**SAO TOME and PRINCIPE:** The two-island nation off West Africa encouraged the United States to fight the perpetrators of the "barbaric" attacks. Elite troops were placed on guard at the port, airport and Voice of America offices.

**SIERRA LEONE:** President Ahmed Tejan Kabbah said his government and people "hope and pray that the almighty God will give the injured people speedy recovery and the bereaved families succor and solace in this period of grief."

**SOMALIA:** President Abdiqasim Salad Hassan expressed his condolences for the attack.

**SOUTH AFRICA:** President Thabo Mbeki offered humanitarian support to help the United States. Foreign Minister Nkosazana Dlamini-Zuma said the United States' reaction should be focused and should not entail war against countries. Countries should instead work together to root out terrorism, he said.

**SWAZILAND:** Prime Minister Sibusiso Dlamini condemned the "monstrous acts" and sent condolences to the victims. "But as in war ... we must carry on in our work, striving to ensure that good triumphs (over) evil."

**SUDAN:** President Omar el-Bashir's Islamic government has been treated as an international pariah for the last 10 years, but was quick to condemn the attacks on Washington and New York. A Foreign Ministry statement said Sudan "rejects all kinds of violence." El-Bashir said the attacks showed that no nation, even the powerful United States, was completely secure.

**TANZANIA:** President Benjamin Mkapa condemned the attacks, and the Foreign Ministry issued a statement saying, "We sincerely hope that the perpetrators of this heinous crime will be tracked down, apprehended and brought to justice." In 1998, Tanzania was the site of one of the twin U.S. Embassy bombings linked to bin Laden.

**UGANDA:** President Yoweri Museveni offered condolences and condemned the attack. "The Ugandan government has always been warning the world about the actions of terrorists which are always either cowardly or misguided," he said.

**ZAMBIA:** President Frederick Chiluba promised his country would "stand with the United States to fight international terrorism for preservation of Christian values and democracy."

**ZIMBABWE:** President Robert Mugabe wrote to President Bush expressing horror at the attacks and his people's solidarity with America. The attacks appeared to be the work of "the most remorseless and hardened enemies of the United States government and people, and indeed, of all the peace-loving people of the wider world," he wrote.

### **MIDDLE EAST:**

**BAHRAIN:** The crown prince, Sheik Salman bin Hamad Al Khalifa condemned the attacks as "unjustifiable under any conditions." The island nation, home base to the U.S. Navy's Fifth Fleet, has close ties to the United States. Sheik Salman said Bahrain hasn't received any requests from Washington, but "in a time of need, we stand by our friends."



**CYPRUS:** President Glafcos Clerides has expressed support for action against terrorists. Government protested formally to the United States that a claim by former NATO commander Wesley Clark that Cyprus sheltered terrorists "is absolutely unfounded and violates truth and real facts."

**EGYPT:** President Hosni Mubarak denounced the attacks as "horrible and unimaginable," and that they "led to the deaths of many innocent civilians." Mubarak also repeated his call for holding an international conference for combating terrorism. Egyptian Foreign Minister Ahmed Maher reiterated Egypt's full cooperation with United States in the investigation.

**IRAN:** Iran, an opponent of Afghanistan's Taliban leaders, closed its 562-mile border to prevent Afghan refugees from crossing in the event of U.S. attacks. The U.S. State Department has said it would consider welcoming Iran into an international coalition to fight terrorism. Iran has not indicated that it would join.

**IRAQ:** Said attacks resulted from aggressive U.S. policies, and said Americans should feel and learn from the pain they have inflicted on other people, including Iraqis and Palestinians. Saddam Hussein urged United States to use wisdom, rather than force, in responding to attacks.

**ISRAEL:** President Bush pressured Israel to hold truce talks with the Palestinians as America seeks to build an international anti-terror coalition that would include Arab countries. Prime Minister Ariel Sharon compared Palestinian leader Yasser Arafat to Osama bin Laden and said he would permit high-level talks only after 48 hours without violence. Sharon said Monday that Israel had been invited to join the anti-terror coalition.

**KUWAIT:** Defense minister Sheik Jaber Mubarak Al Sabah pledged to work "hand in hand" with Washington to eliminate terrorism. Politically strong Muslim fundamentalist groups also condemned the attacks but said the world should not forget the "suffering of our Palestinian brothers from Jewish terrorism."

**LEBANON:** Has condemned the attacks, from President Emile Lahoud down to leaders of political and religious groups. Prime Minister Rafik Hariri said Wednesday he would support U.S. action against those proven to be the perpetrators. The Hezbollah guerrilla group has expressed regret for the loss of life, but warned against "taking advantage of the attacks to practice aggression and terrorism against those who committed aggression and terrorism."

**OMAN:** Oman's leader, Sultan Qaboos, condemned the attacks and said his country would stand "side by side" with the United States to fight terrorism. A Foreign Ministry statement said Oman is ready to cooperate in the U.S. effort, but did not say what type of cooperation it would offer.

**QATAR:** Foreign Minister Sheik Hamad bin Jassim bin Jabr Al Thani said in a telephone call Friday with Secretary of State Colin Powell that Qatar condemned the attacks and is willing to cooperate in fighting terrorism. However, Qatar has not said whether it would join any anti-terrorism coalition,

**SAUDI ARABIA:** Said it will cooperate fully with the United States on its investigation into the attacks. It has condemned the attacks, but said they are partly the result of U.S. foreign policy, particularly in the Middle East.



**UNITED ARAB EMIRATES:** The United Arab Emirates has condemned the attacks, has offered to help the United States fight terrorism and has launched an investigation to determine whether an Emirati national, Marwan Alshehhi, is the same man that German police have said is one of the 19 suspects in the attacks. Emirates President Sheik Zayed bin Sultan Al Nahyan warned in a letter to NATO ambassadors that without a solution to Middle East conflict, terrorism cannot be eradicated.

**YEMEN:** Foreign Minister Abubakr al-Qirbi said his country rejects terrorism "and Yemen will cooperate in fighting terrorism." Yemen has said it would be willing to join an international coalition to fight terrorism, but only under the umbrella of an international organization such as the United Nations.

### **SUBCONTINENT/CENTRAL ASIA:**

**AFGHANISTAN:** The Muslim fundamentalist Taliban rulers discuss conditions for possibly extraditing bin Laden to a country other than United States, a Pakistan government source says hours after the Taliban urged Afghans to prepare for a holy war. All foreigners were ordered to leave, and many Afghans began to flee.

**ARMENIA:** Condemned the attacks and offered to send salvage experts to the United States. Armenian officials have called for coordination of international efforts to fight terrorism.

**AZERBAIJAN:** Azerbaijani President Geidar Aliev denounced the attacks as "the most monstrous event in modern history," ordered a nationwide mourning for its victims and offered his nation's help in tracking down the organizers of the attacks.

**INDIA:** Intelligence officials said they have given the United States information about Islamic extremists in Afghanistan and Pakistan, including evidence describing how bin Laden and other Muslim militant leaders were financing guerrilla groups and running training camps.

**KAZAKSTAN:** Kazakhstan, the largest of the former Soviet republics in Central Asia, has condemned the attacks and sent condolences to Washington. But officials have been nervous about possible U.S. strikes in Afghanistan, fearing they would destabilize the region and trigger a flow of refugees.

**KYRGYZSTAN:** Kyrgyzstan, separated from Afghanistan by a thin swath of mountainous Tajikistan, expressed condolences to the United States and called for stronger action against international terrorism. Officials have made no commitments to assist the United States.

**PAKISTAN:** Declared its "full support" for U.S. retaliation against the Taliban, and was sending a high-level delegation to Kandahar on Monday to demand the Taliban hand over bin Laden to the United States or risk a massive retaliatory assault. Hard-line Muslims, who oppose Pakistani cooperation with the United States, demonstrated nationwide.

**SRI LANKA:** President Chandrika Kumaratunga condemned the terror attacks and pledged Sri Lanka's fullest support to find the reasons for the emergence of terrorist groups. She said it was not strategically possible to eliminate terrorism and said energy should be directed towards finding what makes groups resort to violence.



**TAJIKISTAN:** Ruled out the possibility of launching any Western-led reprisal attacks from its territory, which borders northern Afghanistan. Prime Minister Akil Akilov had indicated he might consider a U.S. request to provide air corridors, but only with approval from Russia and the international community.

**TURKMENISTAN:** Turkmenistan, which borders Afghanistan, has condemned the terror attacks and offered support to the United States. However, President Saparmurat Niyazov has been noncommittal about any possible assistance to the United States for staging strikes on Afghanistan.

**RUSSIA:** Russian President Vladimir Putin ordered a nationwide moment of silence for victims of the attacks and called for a global effort to uproot international terrorism. At the same time, Russia, where one of every seven residents is Muslim, is unlikely to risk internal unrest by joining any U.S. retaliation. Russian officials have also made it clear that Moscow does not want former Soviet republics in Central Asia to be used as bases for such operations.

**UZBEKISTAN:** The Foreign Ministry said Monday that it was ready "to discuss any form of cooperation in the struggle against international terrorism in our region, including the deployment of U.S. forces." The predominantly Muslim nation, which borders Afghanistan, has itself faced attacks by Islamic extremists allegedly linked with the Taliban.

#### **ASIA/PACIFIC:**

**AUSTRALIA:** Agreed to a U.S. request to keep its frigate HMAS Anzac stationed in the Persian Gulf for eight days longer than planned. It had been due to leave the area, where it had been enforcing sanctions against Iraq, on Sunday. Australia has invoked its defense treaty with the United States, clearing the way for military participation in any U.S. retaliatory strikes.

**BRUNEI:** Sultan Hassanal Bolkiah, absolute ruler of the tiny, oil-rich enclave on Borneo island in Southeast Asia, expressed shock and sent a message of condolence to President Bush.

**CHINA:** President Jiang Zemin called Bush a day after the attacks to express condolences and say China wanted to collaborate with the United States on anti-terrorism activities. A deputy foreign minister said China wanted to be consulted before Washington or NATO countries took any military action outside their territories.

**INDONESIA:** President Megawati Sukarnoputri condemned the attacks before she left Monday for the United States to meet Bush and address the U.N. General Assembly. Indonesia is the world's most populous Muslim nation, where some hard-line Islamic groups are waging separatist conflicts that threaten the secular government.

**JAPAN:** The Japanese government pledged to help the United States in its war against terrorism "in whatever way we can." The nation's pacifist constitution prohibits it from engaging in offensive military action, but Tokyo has promised help with transport and medical operations.



**MALAYSIA:** Security has been tightened at the world's tallest buildings, the Petronas Twin Towers, after a bomb scare. Government officials promise to investigate reports that one of the hijackers who crashed a plane into the Pentagon met a suspect in the USS Cole attack at the Kuala Lumpur's airport in October. Prime Minister Mahathir Mohamad warned against retaliatory violence, saying the result will be more terror.

**SOUTH KOREA:** Observed a national day of mourning on Friday. South Korean President Kim Dae-jung said the two Koreas should issue a joint statement against terrorism in reconciliation talks now under way in Seoul. The North has not commented on the proposal.

**TAIWAN:** President Chen Shui-bian offered to "provide any necessary assistance" to the United States against terrorism. Chen ordered security to be stepped up at airports, ports and nuclear plants, and appointed a panel to study how the attacks would affect the world's economy.

**THAILAND:** Pledged to help the United States "just as we did in the past." During the Gulf War against Iraq, Thailand was used by U.S. military aircraft as a refueling stop. The government has pledged to exchange intelligence on terrorists and will support any United Nations resolution against terrorism.

**VIETNAM:** President Tran Duc Luong sent a message to Bush expressing shock at the attacks. "Vietnam consistently rejects terrorist actions which cause loss of life and suffering to civilians," he said.

#### **THE AMERICAS:**

**ARGENTINA:** The only South American country with a special status in NATO has fully backed the United States in its promised war on terrorism. Argentina committed troops to the Gulf War a decade ago, but has not yet specified what form of support it would provide.

**BOLIVIA:** The Bolivian government issued a statement offering its support to the United States after the terrorist attacks. Most Bolivians condemned the attacks, though certain union leaders, including Indian leader and former guerrilla Felipe Quispe, have said that the "imperialist" politics of the United States led to them.

**BRAZIL:** Proposed that the Organization of American States formalize support for the United States under a 1947 treaty that considers an armed attack on any member as an attack on all. Foreign Minister Celso Lafer said that for now the support was diplomatic and not military, but he declined to say whether Brazil would endorse an eventual U.S. military response.

**CANADA:** Will be part of a "global response to a global threat," Prime Minister Jean Chretien said Monday, but he has so far refused to commit Canadian troops to any ground fighting. Opposition leader Stockwell Day of the Canadian Alliance said, "If and when the need arises for military action ... we must be willing and we must be prepared to provide it."



**CHILE:** Condemned the attacks and expressed firm support for the United States, though cautioning that any response should be within the frame of international law and avoid harm to innocent people.

**COLOMBIA:** President Andres Pastrana prayed for the victims in a chapel in the presidential palace. Just as the global drug scourge cannot be defeated without every country's cooperation, all nations have a "shared responsibility" to combat terrorism, Pastrana said. Firefighters in Cali and Medellin also marched or prayed in support of New York City firefighters.

**COSTA RICA:** Foreign Minister Roberto Rojas announced on Friday that Costa Rica, which holds the presidency of the Permanent Council of the Organization of American States, will convene a meeting of the council in Washington on Wednesday to analyze the repercussions of the attacks.

**CUBA:** Cuban President Fidel Castro condemned the attacks and offered medical assistance to the United States. He also cautioned against getting "caught up in the desire" for revenge.

**ECUADOR:** Police and army intelligence are investigating the possible presence of bin Laden's Al-Qaeda terrorist organization within the country, Foreign Minister Heinz Moeller said Monday.

**EL SALVADOR:** President Francisco Flores condemned the attack and suspended all Independence Day celebrations. The Congress declared three days of national mourning, and Flores said that "anything El Salvador can do to collaborate (in the investigations) it will do."

**GUATEMALA:** The Guatemalan government declared three days of mourning and lowered flags at government buildings to half-staff. President Alfonso Portillo condemned the attacks in his annual Independence Day speech on Saturday and said he supported the international fight against terrorism and organized crime.

**HONDURAS:** Seven Central American countries are tentatively scheduled to meet in Honduras on Wednesday to adopt a common strategy against terrorism in the wake of the New York attacks, the Honduran government announced Monday. Honduran officials said their country "is most willing to participate in the fight against terrorism."

**MEXICO:** Fresh from a visit to Washington, President Vicente Fox said his country is "ready to collaborate with all those countries in a proposed alliance to fight this evil." Foreign Secretary Jorge Castaneda told the Mexican Congress that the United States "has every right and reason to seek reprisal" and that "we can't deny them our support."

**NICARAGUA:** The Nicaraguan government said it deplored the attacks and promised to lend whatever help was necessary to fight terrorism within the framework of the Interamerican Reciprocal Assistance Treaty, a mutual defense treaty for the Western Hemisphere. The government said it also would help with the investigations in whatever way possible.

**PANAMA:** Reinforced protection of the Panama Canal, the U.S. Embassy, oil refineries and the main airport. President Mireya Moscoso sent the U.S. government a message of support and solidarity.



**PARAGUAY:** Paraguay has stepped up controls along its borders with Brazil and Argentina, a thriving trade corridor that is home to a large Arab community. The area has been suspected in the past of being a conduit for shadowy Islamic groups.

**PERU:** President Alejandro Toledo expressed support for the United States against the "demented" terrorist attacks that affect "not only the United States but also the democratic conviction of the world." Foreign Minister Diego Garcia Sayan pressed for an emergency meeting of the Organization of American States to adopt a resolution backing all measures in the fight against global terrorism.

**URUGUAY:** Foreign Secretary Didier Opertti says Uruguay "will support the collective decisions taken because it understands that this aggression is not just an aggression against the United States, but against the lifestyle of our countries."

**VENEZUELA:** President Hugo Chavez said OPEC member Venezuela would do "everything possible" to guarantee steady oil supplies. He appealed to President Bush not to wage a "World War III" that could trigger global, even nuclear, conflict. Defense Minister Jose Vicente Rangel said Venezuela could cooperate in U.S.-led military action but won't promise "carte blanche" help in a conflict with Muslim nations, with which Venezuela maintains ties based on oil.

#### **CARIBBEAN:**

**ANGUILLA:** The British territory's Gov. Peter Johnstone sent the U.S. government a message of condolence and held a prayer service Monday. Security has been increased at the airport.

**BAHAMAS:** A U.S. and Bahamian flag are flying at half staff in Nassau's tourist district. Security has been tightened.

**BERMUDA:** The British territory's largest labor organization, the Bermuda Industrial Union, has set up a fund for victims' families. Premier Jennifer Smith condemned the "horrific acts of terrorism."

**BARBADOS:** Prime Minister Owen Arthur condemned the "horrific" attacks.

**DOMINICA:** The government has sent its condolences to the U.S. government. The leader of the small Muslim community in Dominica, Saaberah Abdullah, condemned the attack as "the work of infidels." Increased airport security is being considered.

**DOMINICAN REPUBLIC:** Airport security has increased, leading to some travel delays. The government has condemned the attacks and offered condolences to the United States.

**GUYANA:** Security has been beefed up for U.S. bound flights.

**HAITI:** President Jean-Bertrand Aristide condemned the attacks on the United States but expressed hope for peace. More than 650 Haitians have signed a book expressing condolences

to the American people. Airports have tightened security, with agents thoroughly searching luggage.

**JAMAICA:** All flags were flown at half staff Friday and Saturday. Air Jamaica and the main airports in Montego Bay and Kingston have put new security measures in place.

**MONTSEERRAT:** Chief Minister John Osborne has extended condolences to the United States. The British territory expects stricter standards to be enacted for its helicopter and sea ports. The island's airport was destroyed by an active volcano in 1997.

**PUERTO RICO:** Police have stepped up security around mosques and synagogues and at the main airport in San Juan, increasing checks of vehicles and baggage. The disaster spurred outpouring of support from Puerto Ricans, many of whom have lived in New York or have family or friends there.

**ST. LUCIA:** The government is discussing increased security at the country's two airports and three sea ports. Prime Minister Kenny Anthony sent President Bush a letter expressing St. Lucia's "collective grief and outrage at the incidents."

**SURINAME:** The government expressed its "disgust" for the attacks on the United States and said the incident showed the need to reject terror as a means to settle disputes.

**TRINIDAD AND TOBAGO:** Prime Minister Basdeo Panday sent condolences and said, "no country on Earth is safe from terrorism, not even the most powerful and heavily protected." The government increased security for the FIFA soccer youth world championships taking place this week. It also has increased security at air and sea ports and national buildings.

**U.S. VIRGIN ISLANDS:** Gov. Charles Turnbull has urged islanders not to single out Arabs following reports of harassment against the U.S. territory's Arab community.



### 1.3 Osama bin Laden

**Profile:** Osama bin Laden, International terrorist/Islamic Extremist

**Age:** 44

**Born:** Saudi Arabia

**Current location:** Unknown - Probably in Afghanistan



Figure 5: Osama Bin Laden: Has called for a holy war against the US

**Activities:** Bin Laden masterminded and financed several of the past decade's most barbaric acts of terrorism. His worldwide terrorist network, Al-Qaeda, played a central role in the Sept. 11, 2001 multiple plane hijackings and coordinated attacks on the World Trade Center and the Pentagon. The Saudi exile has been directly linked to the Aug. 7, 1998 bombing of the U.S. embassies in Nairobi, Kenya and Dar es Salaam, Tanzania, killing 224 people, and the October 2000 bombing attack of the U.S.S. Cole in Yemen.

**Beliefs and Goals:** In 1998, bin Laden issued a religious edict to his followers, "to kill the Americans and their allies, civilians and the military." Bin Laden has made no secret of his anti-American, anti-Western and anti-Israel sentiments.

**Status:** Bin Laden tops the FBI's most wanted terrorist list. Until recently, he has been living in exile under the protection of Afghanistan's Taliban regime. Since the collapse of the Taliban regime, he has been in hiding. Though his current whereabouts are unknown, most reports indicate that, if alive, Bin Laden is probably in Afghanistan.

#### 1.3.1 Osama bin Laden and the Al-Qaeda Organization

Osama bin Laden is a 44 year-old "businessman" and son of one of Saudi Arabia's wealthiest families, and the coordinator of an international terrorist network believed to be responsible for numerous deadly attacks against American and Western targets.



Bin Laden formed the terrorist Al-Qaeda ("the base") organization in 1988, and it is believed to have operatives in as many as twenty countries. In 1998 bin Laden announced the establishment of "The International Islamic Front for Holy War Against Jews and Crusaders," an umbrella organization linking Islamic extremists in scores of countries around the world, including Egypt, Bangladesh and Pakistan. The group issued a religious edict upon its establishment: "The ruling to kill the Americans and their allies, civilians, and the military, is an individual duty for every Muslim who can do it in any country in which it is possible to do it, in order to liberate al-Aqsa Mosque and the Holy Mosque from their grip and in order for their armies to move out of all the lands of Islam, defeated, and unable to threaten any Muslim. This is in accordance with the words of Almighty G-d, and 'fight the pagans all together as they fight you all together,' and 'fight them until there is no more tumult or oppression, and there prevail justice and faith in G-d.'"

His militancy is traced back to the 1979 Soviet invasion of Afghanistan. Bin Laden's avowed goal from that time is to remove Western "infidels" from Muslim countries - the Russians from Afghanistan, the American military from Saudi Arabia and other points in the Gulf - the downfall of many government of Muslim states, and for the destruction of the United States and its allies.

Bin Laden is the son of the Yemeni-born owner of a leading Saudi construction company. Born into great wealth, he is believed to have inherited as much as \$300 million when his father died in the 1960's. From 1979, bin Laden began raising money for the Mujahadeen forces fighting the Soviets in Afghanistan, and gradually became more and more affiliated with Egyptian Islamic extremist groups, such as Egyptian Islamic Jihad. From the mid-1980's bin Laden began to establish training camps in Afghanistan, initially for the war in Afghanistan, but later to fight against other targets worldwide. He has attracted thousands of recruits from Saudi Arabia, Algeria, Egypt, Yemen, Pakistan and Sudan.

Reportedly, bin Laden's anti-Americanism intensified during the Gulf War, when U.S. troops were stationed in Saudi Arabia. According to The New York Times: "The presence of American soldiers in Saudi Arabia, the birthplace of the Prophet Muhammad and the home of the two holiest Muslim shrines, enraged Mr. bin Laden and other Arab militants." He and his associates also blamed the U.S. support for Israel as anti-Islam.

In 1994 Saudi Arabia stripped bin Laden's citizenship, citing his opposition to the Saudi King and leadership and expelled him from the country. He then went to Khartoum, Sudan (where he owns numerous businesses), but under U.S. pressure was expelled in 1996 and relocated to Afghanistan. Bin Laden is on the FBI's list of 10 most-wanted criminals, and the State Department offered a \$5 million reward for his arrest following the August 1998 embassy bombings. The United Nations imposed economic sanctions on the Taliban regime in Afghanistan in 1999 for harboring bin Laden, and many nations, including the U.S. have frozen assets owned by bin Laden and his senior associates.

Bin Laden has been thought to finance, inspire or directly organize various terrorist attacks. In one way or another his name has been linked to the killings of Western tourists by militant Islamic groups in Egypt, bombings in France by Islamic extremist Algerians, the maintenance of a safe-house in Pakistan for Ramzi Ahmed Yousef, the convicted mastermind of the 1993 World Trade Center bombing, and sheltering Sheikh Omar Abd Al-Rahman (the Blind Sheikh), who was also convicted in the World Trade Center bombing. He has also been linked to the 1992 bombings of a hotel in Yemen, which killed two Australians, but was



supposedly targeted against American soldiers stationed there; the 1995 detonation of a car bomb in Riyadh, Saudi Arabia; the 1995 truck bomb in Dhahran, Saudi Arabia that killed 19 U.S. servicemen; and the 1995 assassination attempt on Egyptian President Hosni Mubarak. Bin Laden has been directly connected to the August 7, 1998 bombing of the U.S. embassies in Nairobi, Kenya and Dar-es-Salaam, Tanzania, killing 224 people, the October 2000 attack of the U.S. destroyer ship Cole in Yemen, and september 11, 2001 bombing world trade center and pentagon U.S.A.

Bin Laden has made no secret of his anti-American, anti-Western and anti-Israel sentiments. In fact, he has been outspoken on these topics, issuing theological rulings calling for Muslims to attack Americans and threatening terrorism against related targets. Pointing to the defeat of the Soviet forces in Afghanistan, bin Laden has consistently declared that the United States is vulnerable to defeat by a jihad by Islamic forces:

### **1.3.2 Osama bin Laden in His Own Words:**

- September 23, 2001 - "We hope that these brothers (Muslim casualties in Pakistan) are among the first martyrs in Islam's battle in this era against the new Christian-Jewish crusade led by the big crusader Bush under the flag of the Cross; this battle is considered one of Islam's battles... (text illegible)

We ask Allah to make him (Taliban leader Mullah Mohammed Omar) victorious over the forces of infidels and tyranny, and to crush the new **Christian-Jewish crusade** on the land of Pakistan and Afghanistan... "

- Summer 2001 - A videotape circulating in the Middle East features bin Laden reciting a victory poem about the USS Cole bombing, and then issues a call to arms: "To all the Mujah: Your brothers in Palestine are waiting for you; it's time to penetrate America and Israel and hit them where it hurts the most."
- January 1999 – In an interview with bin Laden published in *Newsweek*: "Muslim scholars have issued a fatwa [a religious order] against any American who pays taxes to his government. He is our target because he is helping the American war machine against the Muslim nation."

"The [International Front of Islamic Movements, an alliance of extremist organizations created by bin Laden] is an umbrella to all organizations fighting the jihad against Jews and the crusaders. The response from Muslim nations has been greater than we expected. We are urging all of them to start fighting, or at least to start preparing to fight, against the enemies of Islam."

- In an interview published in *Time* the same week (from a December 1998 ABC News interview with bin Laden): "If the instigation for jihad against the Jews and the Americans in order to liberate al-Aksa Mosque and the Holy Ka'aba [Islamic shrines in Jerusalem and Saudi Arabia] is considered a crime, then let history be a witness that I am a criminal."



Hostility toward America is a religious duty, and we hope to be rewarded for it by God"

- May 1998 - Bin Laden issued a statement entitled "The Nuclear Bomb of Islam," under the banner of the "International Islamic Front for Fighting the Jews and Crusaders," in which he stated that "it is the duty of Muslims to prepare as much force as possible to terrorize the enemies of God."
- February 1998 - Under the banner of the "International Islamic Front for Jihad on the Jews and Crusaders," bin Laden endorsed a *fatwa*, religious decree, to call for the liberation of Muslim holy places in Saudi Arabia and Israel, as well as the death of Americans and their allies. The decree says, "These crimes and sins committed by the Americans are a clear declaration of war on God, his messenger and Muslims."
- May 1997 - During an interview with CNN, bin Laden reaffirms his call for a holy war against Americans. "We have focused our declaration of jihad on the U.S. soldiers inside Arabia...The U.S. government has committed acts that are extremely unjust, hideous and criminal through its support of the Israeli occupation of Palestine."

Bin Laden in an interview with CNN's Peter Arnett: "If the American government is serious about avoiding the explosions inside the US, then let it stop provoking the feelings of 1,250 million Muslims. Those hundreds of thousands who have been killed or displaced in Iraq, Palestine, Lebanon, do have brothers and relatives. They would make of Ramzi Yousef [convicted for his role in 1993 bombing of the World Trade Center] a symbol and a teacher. The US will drive them to transfer the battle into the United States."

- May 1997 - Bin Laden reaffirmed his call for a holy war against Americans. "The US Government has committed acts that are extremely unjust, hideous and criminal through its support of the Israeli occupation of Palestine"
- February 1997 - Bin Laden threatens holy war against the U.S. in an interview on the British documentary program, Dispatches. "This war will not only be between the people of the two sacred mosques and the Americans, but it will be between the Islamic world and the Americans and their allies because this war is a new crusade led by America against the Islamic nations."
- November 1996 - Bin Laden issues an ultimatum to the U.S. and Western countries with troops stationed in Arab countries and declares a holy war against the "enemy." "Had we wanted to carry out small operations after our threat statement, we would have been able to... We thought that the two bombings in Riyadh and Dhahran would be enough (sic.) a signal to the wise U.S. decision-makers to avoid the real confrontation with the Islamic nation, but it seems they did not understand it."
- November 1996 - Bin Laden warns U.S. forces in Saudi Arabia to expect more "effective, qualitative" attacks and advises Western forces to speed their "departure" from the Middle East.
- August 1996 - Bin Laden says to the London-based al-Quds al-Arabi newspaper that the Saudis have a "legitimate right" to attack the 5,000 American military personnel



stationed in Saudi Arabia. "The presence of the American crusader armed forces in the countries of the Islamic Gulf is the greatest danger and the biggest harm that threatens the world's largest oil reserves... The infidels must be thrown out of the Arabian Peninsula."

- August 1996 - Bin Laden issued a Declaration of jihad, holy war, entitled: "Message from Osama bin Laden to his Muslim Brothers in the Whole World and Especially in the Arabian Peninsula: Declaration of Jihad Against the Americans Occupying the Land of the Two Holy Mosques; Expel the Heretics from the Arabian Peninsula."
- August 1996 In an interview with *The Independent*, a London daily, bin Laden calls the June 1995 truck bomb in Dhahran, Saudi Arabia "the beginning of war between Muslims and the United States."
- July 1996 - Bin Laden warns that the terrorists who bombed American soldiers in Saudi Arabia will also attack British and French military personnel. He said "[the bomb in Dhahran] was the result of American behavior against Muslims, its support of Jews in Palestine, and the massacre of Muslims in Palestine and Lebanon."

### **1.3.3 Text of Fatwah Urging Jihad Against Americans published in Al-Quds al-'Arabi on February 23, 1998**

Statement signed by Sheikh Usamah Bin-Muhammad Bin-Ladin; Ayman al-Zawahiri, leader of the Jihad Group in Egypt; Abu- Yasir Rifa'i Ahmad Taha, a leader of the Islamic Group; Sheikh Mir Hamzah, secretary of the Jamiat-ul-Ulema-e-Pakistan; and Fazlul Rahman, leader of the Jihad Movement in Bangladesh

Praise be to God, who revealed the Book, controls the clouds, defeats factionalism, and says in His Book "But when the forbidden months are past, then fight and slay the pagans wherever ye find them, seize them, beleaguer them, and lie in wait for them in every stratagem (of war)"; and peace be upon our Prophet, Muhammad Bin-'Abdallah, who said "I have been sent with the sword between my hands to ensure that no one but God is worshipped, God who put my livelihood under the shadow of my spear and who inflicts humiliation and scorn on those who disobey my orders." The Arabian Peninsula has never--since God made it flat, created its desert, and encircled it with seas--been stormed by any forces like the crusader armies now spreading in it like locusts, consuming its riches and destroying its plantations. All this is happening at a time when nations are attacking Muslims like people fighting over a plate of food. In the light of the grave situation and the lack of support, we and you are obliged to discuss current events, and we should all agree on how to settle the matter.

No one argues today about three facts that are known to everyone; we will list them, in order to remind everyone:

First, for over seven years the United States has been occupying the lands of Islam in the holiest of places, the Arabian Peninsula, plundering its riches, dictating to its rulers, humiliating its people, terrorizing its neighbors, and turning its bases in the Peninsula into a spearhead through which to fight the neighboring Muslim peoples.



If some people have formerly debated the fact of the occupation, all the people of the Peninsula have now acknowledged it.

The best proof of this is the Americans' continuing aggression against the Iraqi people using the Peninsula as a staging post, even though all its rulers are against their territories being used to that end, still they are helpless. Second, despite the great devastation inflicted on the Iraqi people by the crusader-Zionist alliance, and despite the huge number of those killed, in excess of 1 million... despite all this, the Americans are once again trying to repeat the horrific massacres, as though they are not content with the protracted blockade imposed after the ferocious war or the fragmentation and devastation.

So now they come to annihilate what is left of this people and to humiliate their Muslim neighbors.

Third, if the Americans' aims behind these wars are religious and economic, the aim is also to serve the Jews' petty state and divert attention from its occupation of Jerusalem and murder of Muslims there.

The best proof of this is their eagerness to destroy Iraq, the strongest neighboring Arab state, and their endeavor to fragment all the states of the region such as Iraq, Saudi Arabia, Egypt, and Sudan into paper statelets and through their disunion and weakness to guarantee Israel's survival and the continuation of the brutal crusade occupation of the Peninsula.

All these crimes and sins committed by the Americans are a clear declaration of war on God, his messenger, and Muslims. And ulema have throughout Islamic history unanimously agreed that the jihad is an individual duty if the enemy destroys the Muslim countries. This was revealed by Imam Bin-Qadamah in "Al- Mughni," Imam al-Kisa'i in "Al-Bada'i," al-Qurtubi in his interpretation, and the shaykh of al-Islam in his books, where he said "As for the militant struggle, it is aimed at defending sanctity and religion, and it is a duty as agreed. Nothing is more sacred than belief except repulsing an enemy who is attacking religion and life."

On that basis, and in compliance with God's order, we issue the following fatwa to all Muslims

The ruling to kill the Americans and their allies--civilians and military--is an individual duty for every Muslim who can do it in any country in which it is possible to do it, in order to liberate the al-Aqsa Mosque and the holy mosque from their grip, and in order for their armies to move out of all the lands of Islam, defeated and unable to threaten any Muslim. This is in accordance with the words of Almighty God, "and fight the pagans all together as they fight you all together," and "fight them until there is no more tumult or oppression, and there prevail justice and faith in God."

This is in addition to the words of Almighty God "And why should ye not fight in the cause of God and of those who, being weak, are ill-treated and oppressed--women and children, whose cry is 'Our Lord, rescue us from this town, whose people are oppressors; and raise for us from thee one who will help!'"

We -- with God's help -- call on every Muslim who believes in God and wishes to be rewarded to comply with God's order to kill the Americans and plunder their money wherever



and whenever they find it. We also call on Muslim ulema, leaders, youths, and soldiers to launch the raid on Satan's U.S. troops and the devil's supporters allying with them, and to displace those who are behind them so that they may learn a lesson.

Almighty God said "O ye who believe, give your response to God and His Apostle, when He calleth you to that which will give you life. And know that God cometh between a man and his heart, and that it is He to whom ye shall all be gathered."

Almighty God also says "O ye who believe, what is the matter with you, that when ye are asked to go forth in the cause of God, ye cling so heavily to the earth! Do ye prefer the life of this world to the hereafter? But little is the comfort of this life, as compared with the hereafter. Unless ye go forth, He will punish you with a grievous penalty, and put others in your place; but Him ye would not harm in the least. For God hath power over all things."

Almighty God also says "So lose no heart, nor fall into despair. For ye must gain mastery if ye are true in faith."

**CHAPTER 2**  
**Economic effects in United States of America**



## **2. Economic effects in USA from bombing**

### **2.1 Direct Impacts**

Economic and Financial Impact of Terrorist Attack on US There are no historical precedents for the terrorist attack on the US on which to make a sound assessment of the likely long-term economic and financial implications. Using other “key world” events over the past 40 years as a benchmark may not be appropriate.

Events such as the Iraqi invasion of Kuwait and the Gulf War (1990/1991), the stock market crash of 1987, The Yom Kippur war (1973), JFK’s assassination(1963), the Cuban missile crisis (1962), etc. may provide some guidance as to the possible economic effects of recent events in the US. However, what is equally relevant is how the US and the other major economies within the G7 were performing prior to the shock or disruption in question. The evidence is mixed.

On this occasion, the attack on the US occurred against the background of a very fragile international economy, where the US was close to recession and where the global economy was living with a number of serious imbalances such as the record US current account deficit and an overvalued US dollar. As a result, the economic effects of 11 September could be much more damaging than other shocks.

This was the first time in modern history that the US sustained a major attack from forces outside its national territory. Hawaii, the 50<sup>th</sup> State, (ref. the attack on Pearl Harbour in 1941) was not admitted to the Union until 1959.

There is a risk that economists could exaggerate the economic consequences of the attack on the US (such as the start of an ‘economic winter’). However, there is also the possibility that traditional forecasting methods, based on extrapolation of the past and a purely ‘economics based focus’ on the future, could underestimate the fundamental changes to result from recent events in the US.

While the near term direction of the economic effects is clear, the magnitudes are not. It is too early to be making anything other than tentative judgements as to the economic consequences. Economists will present new scenarios to replace old ones but businesses need to be more cautious. There is a need to consider the implications of a range of scenarios for their risk management strategies.

There were several predictable near term effects such as lower official and short-term interest rates and a fall in equity prices. Yield curves also steepened as longer term rates rose for fear of increased bond issuance and the risks of war. These financial market movements were based on the realistic expectations that US and global economies would weaken or go into recession. The US has been a ‘buyer of last resort’ for much of the global economy in recent years. Reduced US domestic demand will adversely affect the growth prospects for other economies.

The attack represented a significant psychological blow to the US and to the international community. The nature of the attack has raised terrorism (as seen by Westerners) to new horrifying heights.



A major factor is whether the attack on New York represents a one-off event. We could face more attacks. There is evidence to suggest that the planned attack on the US was more widespread than actually occurred. Furthermore, there are also indications of planned follow-up attacks on the US and on European cities. The fear factor associated with 'thinking the unthinkable' has adversely affected economies beyond the US. It will take time for this fear to recede.

The events in New York and Washington on 11 September represented a major direct attack on the US economic and political system. They have put the US on a war footing, raised fears of a new 'cold war' and sparked concerns that the US could become more isolationist in the years ahead. This could threaten the foundations of the economic success of the past decade, which was based on the triple lock of financial market deregulation, the technological revolution and the more open international trading environment in goods and services.

While the attack on the US could not be seen as sufficiently large to have a directly devastating effect on the US economic system, it nevertheless will have a number of short, medium and long-term effects on many business sectors and economies in the US and beyond. New York, the second largest state, represents 8% of the US economy but the serious disruption to the financial system could have wider consequences. Financial markets are still not back to normal. In the foreign exchange markets, trading remains thin with considerable inter-day volatility.

As regards the immediate economic outlook, the spotlight is on the likely reaction of US consumers but the economic issues go way beyond this sector. Investment and international trade effects could be just as significant. Despite the 'cheerleading' by the US administration and the US Federal Reserve about the medium to longer-term favourable outlook for the US economy, the initial evidence is that the US economy has suffered an economic seizure in the aftermath of the attacks. Alan Greenspan said that the US economy had ground to a halt. It will take some time for the data to yield the knock-on effects of events on 11 September. We will have to wait until at least November 2001 for appropriate data. In the meantime, uncertainty will prevail.

Financial markets can adapt to bad news but abhor uncertainty. As a result, we face an extended period of market volatility. US equity markets were overvalued prior to the attack on 11 September. The market was waiting for evidence that US earnings would recover in the next 6-12 months. However, post 11 September, these hopes have been dashed. As a result, equity prices have fallen. Up to the end of trading on 21 September, the Dow had fallen by 14.3%, the NASDAQ by 16.1% and the Wilshire 5000 by 11.9% since 11 September. However, over the past month, the Dow has fallen by 21% and the NASDAQ by almost 26%. It would be foolish to predict that we have reached a bottom even if the market offers value in a number of sectors. Apart from the negative reaction to the sectors badly affected by the events in the US, equity markets are also suffering from the generalised loss of confidence.

We now face into an unknown military conflict. Opinion is divided as to whether the US can 'win' a war in Afghanistan. The short-term economic effects of the expected US military response are unclear. Comparisons will be made with the Gulf War in 1990/1991. A close examination of the period shows that the subsequent recession was not "caused" by the Kuwait/Iraq conflict. Oil prices rose sharply in 1990, contributing to a fall in consumer



confidence. Between August 1990 and January 1991, the US Conference Board's consumer confidence index fell by 47 points. Charts show that there is a high correlation between the trend in consumer confidence and the growth in consumer spending. On this occasion, oil prices have remained stable to lower as OPEC sides with the US and the market recognises the dampening effects of weaker global economic growth and the decline in the airline industry on the demand for oil. There is unlikely to be a "CNN effect" on this occasion (as in the Gulf war) which reduced consumer spending as consumer sat watching television.

In the longer term, economies and financial markets will adjust to a long-term "war on terrorism". However, there will be a number of longer-term negative effects. First, the benefits deriving from the "peace dividend" associated with the ending of the Cold War in which defence spending was reduced, budgets moved into surplus and private sector investment boomed (the crowding-in effect) will be reduced or reversed. Second, the risk premium on equities will rise as the markets reassess the threat of international terrorism on the free market. This also underlies the fall in equity prices noted above.

The US Federal Reserve cut official interest rates by 0.5% to 3.0% on 17 September. The Fed remains biased towards further easing. The Fed has eased by a cumulative 3.5% since the start of the year. The Fed is expected to cut again. The next FOMC meeting is on 2 October. Another easing by 0.25% is possible. The Fed could reduce the Fed funds rate to 2.5%. This would be close to zero in real terms. Due to the Fed's market operations, the actual rate may trade below the official target rate.

It will take time for lower interest rates to stimulate the economy. Usually, Fed easing is accompanied by a boost to equity markets, a reduction in long term interest rates and a weakening of the dollar. These channels usually take up to 9-12 months to produce a stronger economy. However, on this occasion, the dollar appreciated strongly in the first half of 2001, long term rates rose and equity prices fell. The usual transmission mechanism for monetary policy, therefore, has malfunctioned on this occasion. With growing uncertainty, there is no guarantee that easier fiscal policy in the form of lower personal taxes or higher federal spending will boost the economy.

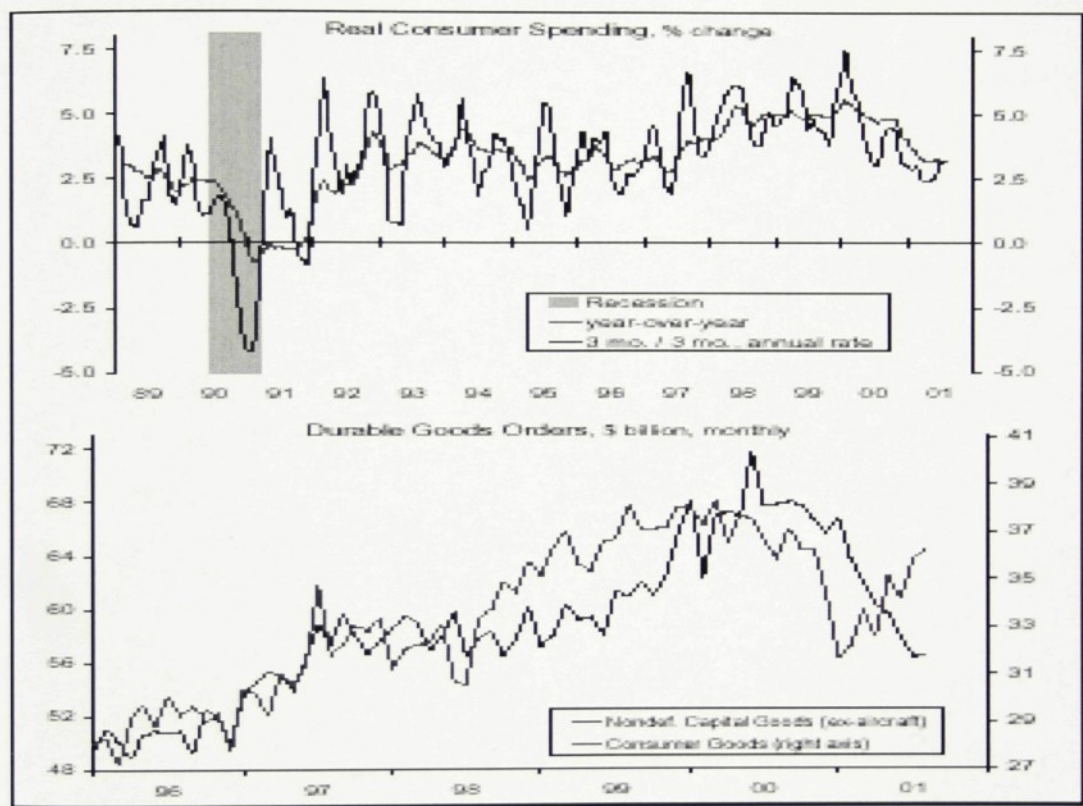
It seems very likely that the US economy will have entered a recession with an annualised decline in real GDP of up to 0.5%.

### **2.1.1 How Deep And For How Long? the USA economy will be down**

- The September 11 terrorist attack is having a significant effect on the U.S. economy. However, the long-term economic effects are unlikely to be severe.
- The squeeze on corporate profits and the global slowdown were serious concerns before 9/11. The pace of layoffs will accelerate through year-end.
- Aggressive monetary and fiscal policy should help stabilize the economy in early 2002. However, the outlook is very much uncertain, revolving around two key factors: consumer and business psychology.



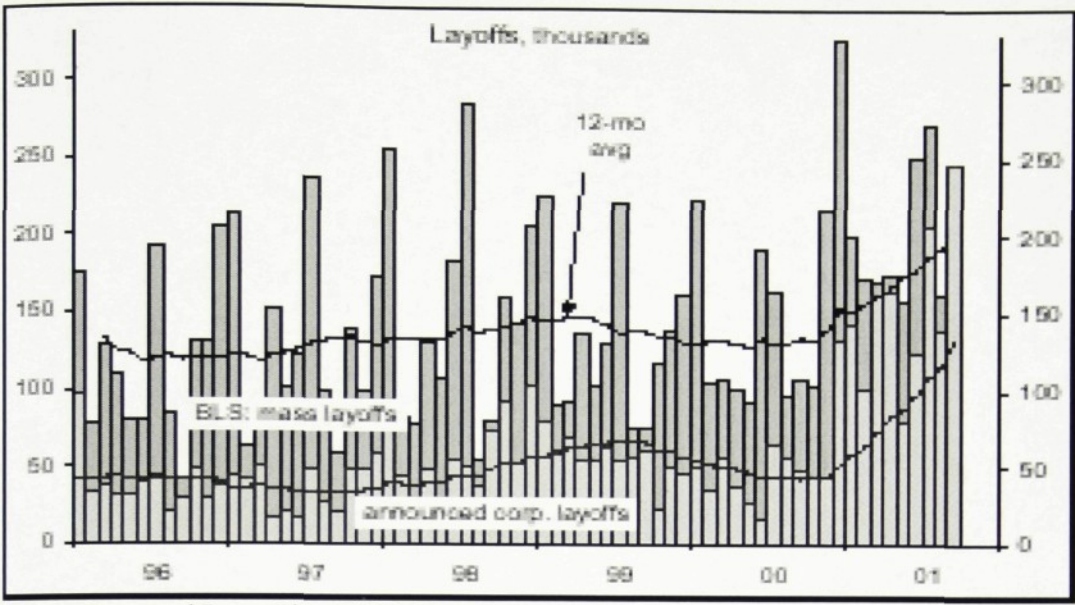
Prior to the events of September 11, economic activity was mixed. Overall growth was sluggish. The manufacturing sector was still in decline, but the continued paring of inventories and a flattening trend in new orders hinted at a possible bottoming. Orders for consumer goods were rebounding from the decline of last year. New orders for capital equipment were beginning to stabilize. Consumer spending growth was relatively strong – a 2.9% annual rate in inflation-adjusted spending (which accounts for more than 2/3 of GDP) through the first two months of the third quarter (vs. 2.5% in 2Q01). However, consumer fundamentals were deteriorating. Confidence fell sharply prior to the terrorist attack (and not much after) – however, what’s important is why confidence is falling and what consumers will do about it.



Source: Raymond James Financial Center, Economic Research, Petersburg.

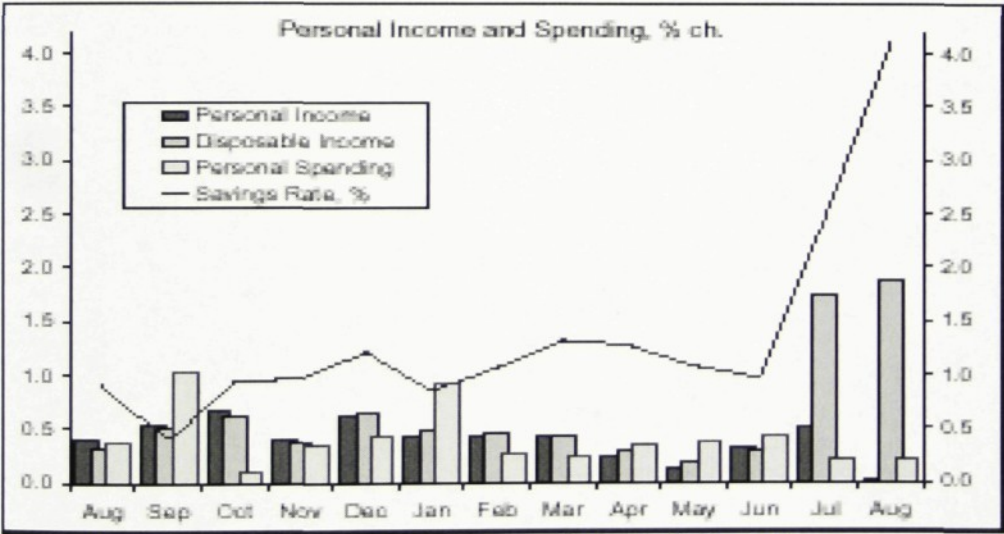
According to the National Income and Product Accounts, before-tax corporate profits from current production fell 14.9% in the second quarter (from a year earlier), to their lowest level since 1Q96. The squeeze on profit margins provides incentive for firms to lay people off. The air travel, lodging, and tourist industries have added to the layoff toll following the terrorist attack – and firms in many other industries have used the terrorist attack as an excuse to trim npayrolls.





Source: Raymond James Financial Center, Economic Research, Petersburg.

In many cases, layoff decisions may have simply been pushed forward. However, if firms use layoffs as a defensive move against a possible recession, expectations of poor economic conditions will become a self-fulfilling prophecy.



Source: Raymond James Financial Center, Economic Research, Petersburg.

The main threat to consumer spending is not the drop in confidence (by itself). Rather, spending is largely driven by income growth. Private-sector wage and salary disbursements edged down 0.2% in August 2001, a meager 1.4% annual rate since April. Wages are expected to have declined in October 2001 as a result of the terrorist attack. In contrast, disposable personal income rose sharply in July and August, boosted by the cuts in marginal tax rates (a full percent reduction for mid- to high-end rates, which took effect on July 1, 2001) and by tax rebate checks (\$35 billion sent out over the 10 weeks ending September 21, 2001). Taken at face, Layoffs are likely to trend higher through the end of the year, putting



downward pressure on income growth and, in turn, consumer spending. The overall degree of economic weakness will depend on the extent of job losses. Consumer attitudes will play a lesser, but significant, role. If consumers worry about their jobs, they may be inclined to save more – and by saving more, they would spend less, further weakening the overall economy. With the distribution of tax rebates complete, disposable income will drop in October 2001 and the reported savings rate is likely to turn negative. So the data are unlikely to give us an accurate gauge of consumer attitudes toward saving. The stock market wealth effect will also act as a restraint on spending. However, despite a wide range of ownership, equity holdings remain concentrated

among the very wealthy. Home equity, on the other hand, is much more widespread, and homeowners have seen significant gains in home values in most areas of the country in the last few years. Low mortgage rates should continue to boost refinancing activity. The impact of lower monthly payments will be overshadowed by the increase in equity taken out (which will have a much larger effect on spending). In addition, lower energy prices will boost consumer purchasing power over the near term. Business psychology will also be a critical factor in determining the depth and duration of the current economic weakness. Uncertainty causes paralysis in business decisions. Firms become reluctant to hire and expand. Prior to the terrorist attack, business fixed investment appeared likely to stabilize through the end of the year. Following the attack, capital expenditure plans have been further curtailed. Low interest rates, by themselves, are unlikely to entice firms to expand.

However, they won't hurt. Lower interest rates should help offset the reluctance on the part of banks to lend. The global slowdown was also a serious concern prior to the terrorist attack.

The U.S. is unlikely to get much help from the rest of the world in the near term. Drastic times call for drastic action. The Federal Reserve has dropped short-term interest rates sharply this year 2001, lowering the Fed funds target rate from 6.5% to 2.5%, the lowest since the early 1960s. The Fed is expected to cut rates by another 25 basis points on November 6. At the August 21 Fed policy meeting, officials indicated that rates would likely be raised well before solid signs of economic improvement became evident. That sentiment should no longer hold. The Fed will keep rates low until the economy shows clear signs of a turnaround, to next spring or beyond. Lawmakers have already approved a \$45 billion package providing emergency relief, increased military spending, and additional airport security. More fiscal stimulus is coming, but the final form remains unclear at this time. Cuts in the capital gains tax rate or in marginal tax rates may make sense in the long run, but could be inappropriate in the current environment. Government construction projects could help offset some of the labor market weakness, but Republicans are generally opposed to additional spending, whether short-term or not (being wary that temporary spending will become permanent). Tax cuts should be perceived as permanent to have maximum effect, but lawmakers need to be mindful of the effect of policy changes on long-term interest rates. Temporary cuts in payroll taxes could be very effective, boosting disposable income for those most likely to spend it and providing short-term relief for businesses. Fiscal stimulus, if well constructed, should help the economy recover in 2002.

Notes on the forecast: based on available data, the economy appears likely to have posted near-zero growth in 3Q01. The advance estimate (to be reported on October 31, 2001) will depend on inventories and foreign trade. Consumer spending should weaken in the fourth quarter and recover gradually next year. Business fixed investment should bottom early next year. Federal government spending will provide some stability, but state and local



government spending will be weak. Inventories, when they stop falling, will add to GDP growth. Risk are weighted to the downside.

	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1998	1999	2000	2001	2002
GDP (contributions)	1.9	1.3	0.3	0.0	-1.0	1.0	2.1	2.6	2.7	4.3	4.1	4.1	1.2	1.0
consumer durables	-0.2	0.8	0.6	0.2	-0.9	-0.3	0.1	0.2	0.2	0.8	1.0	0.8	0.3	-0.1
nondurables & services	2.3	1.2	1.2	1.1	-0.3	0.5	0.8	1.2	1.4	2.4	2.4	2.5	1.5	0.7
bus. fixed investment	0.1	0.0	-2.0	-1.8	-1.0	-0.2	0.3	0.6	0.7	1.5	1.0	1.3	-0.4	-0.4
residential investment	-0.1	0.4	0.3	0.0	-0.2	-0.4	-0.2	0.1	0.1	0.3	0.3	0.0	0.0	-0.1
government	0.6	0.9	0.9	0.3	0.6	0.6	0.5	0.4	0.4	0.3	0.6	0.5	0.6	0.5
Domestic Final Sales	2.7	3.2	0.8	-0.2	-1.8	0.2	1.5	2.5	2.7	5.3	5.2	4.9	2.0	0.5
exports	-0.5	-0.1	-1.5	-1.0	-1.0	-0.2	0.2	0.4	0.6	0.2	0.4	1.0	-0.3	-0.3
imports	0.1	0.8	1.3	1.4	1.2	0.4	-0.2	-0.6	-0.8	-1.4	-1.3	-1.8	0.3	0.4
Final Sales	2.4	4.0	0.7	0.2	-1.6	0.4	1.5	2.3	2.5	4.2	4.3	4.3	2.0	0.6
ch. in bus. inventories	-0.5	-2.6	-0.4	-0.2	0.6	0.6	0.6	0.3	0.2	0.2	-0.2	-0.1	-0.8	0.4
Unemployment, %	4.0	4.2	4.5	4.8	5.3	5.5	5.6	5.6	5.6	4.5	4.2	4.0	4.7	5.8
NF Payrolls, monthly, th.	107	96	-74	-88	-150	20	80	120	125	251	256	167	-54	86
Consumer Price Index	2.1	4.0	3.7	0.0	1.8	2.2	2.3	2.4	2.4	1.6	2.7	3.4	2.4	2.3
excl. food & energy	2.0	3.5	2.6	2.2	2.0	2.0	2.1	2.2	2.2	2.4	1.9	2.6	2.6	2.1
PCE Price Index	1.9	3.2	1.3	0.3	1.6	2.0	2.1	2.2	2.2	1.1	1.6	2.7	2.0	1.7
Fed Funds Rate, %	6.5	5.6	4.3	3.5	2.3	2.3	2.4	2.9	3.5	5.4	5.0	6.3	3.9	3.2
3-month T-Bill, (bnd-eq.)	6.2	4.9	3.7	3.2	2.2	2.3	2.6	3.2	3.6	4.9	4.8	6.0	3.5	3.0
2-year Treasury Note	5.7	4.6	4.2	3.7	2.3	2.5	3.2	4.0	4.6	5.1	5.4	6.3	3.8	3.7
10-year Treasury Note	5.6	5.0	5.3	5.0	4.6	4.7	4.9	5.1	5.3	5.3	5.6	6.0	5.0	5.0
30-year Treasury Bond	5.7	5.4	5.7	5.5	5.4	5.5	5.6	5.8	5.9	5.6	5.9	5.9	5.6	5.8

the data suggest that consumers saved the rebates.

## 2.1.2 Airlines' stock prices improving

March 4, 2002, It's taken nearly half a year, but the stock prices of the country's biggest airlines are finally reaching heights not seen since before the Sept. 11 terrorist attacks. Buoyed by reports of fewer empty seats and predictions from some carriers that revenues are improving, shares of American and Northwest inched toward their Sept. 10 closing prices on Monday, while Delta Air Lines surpassed the mark. The Dow Jones transportation average, which tracks the broader sector, soared more than 5 percent. Southwest Airlines, the only major carrier to report a fourth quarter profit in 2001, transcended its pre-Sept. 11 levels back in November. The company said Monday, though, that it couldn't be sure of a first quarter profit in 2002, blaming two consecutive months of declining passenger traffic.

Major carriers are still in a funk based on year-to-year comparisons, but the majority have made month-to-month progress in luring back travelers - and Wall Street is latching onto any positive news it can find in this troubled sector. Salomon Smith Barney analyst Brian Harris called the industry's performance in February "encouraging," while Merrill Lynch analyst Michael Linenberg said he was "pleased by the improvement." Despite Wall Street's optimism about the gradual industry turnaround, most carriers continue to lose money. One carrier that has predicted a first quarter profit is Houston-based Continental Airlines, whose passenger traffic declined by 6.7 percent in February to 4.2 billion revenue passenger miles, a measure of the number of paying customers that travel one mile. By comparison the company



had only 4 billion revenue passenger miles in October, the first full month of travel after the attacks. Continental's capacity, or number of available seats, was down 11.3 percent from the previous year. That helped improve the percentage of seats filled, or load factor, by roughly 4 percentage points to 72 percent. October's load factor was 66 percent. Continental, the nation's fifth-largest airline, said revenue generated per seat in February was between 10 and 12 percent below year ago levels. That's better than January, though, when per-seat revenues were down 14 percent from the year before.

"The reduction in systemwide capacity has resulted in superior operating performance for many carriers," said Linenberg, adding that Continental's on-time performance has also been on the rise lately.

The positive reception of Continental's February data pushed the stock \$2.10, or 6 percent, higher on Monday to \$34.80 on the New York Stock Exchange. While Continental's shares remain lower than their Sept. 10 close of \$39.64, the carrier's positive news sent shares of other airlines substantially higher. Shares of American climbed \$1.80 to \$29.05 on the NYSE, not far from its Sept. 10 closing price of \$29.70. The stock price of Atlanta-based Delta, the third-largest airline, rose \$2.42 to \$38.59, above its Sept. 10 closing price of \$37.25. And Eagan, Minn.-based Northwest ended the day at \$19.08 on the Nasdaq Stock Market, about half a dollar below its closing price the day before the terror attacks. American Airlines said its February passenger traffic declined by 13.7 percent to 8.3 billion revenue passenger miles. And with the number of available seats down 17.2 percent compared with last year, American's load factor improved by about 3 percentage points to 68 percent. Southwest's February passenger traffic was down 4.4 percent from a year earlier to 3.2 billion revenue passenger miles. But with capacity up by 5 percent, the Dallas-based carrier's load factor suffered, declining by 6 percentage points to 61 percent.

### **2.1.3 Airlines crises from september 11 attacks:**

The stock of major airlines and travel-related companies fell sharply with Wall Street extremely jittery about an industry facing long-term financial woes, and in some cases bankruptcies, in the wake of terrorist attacks. Shares of AMR Corp., the parent company of American Airlines, plummeted \$12.50, or 42 percent, to \$ 17.20 in early trading on the New York Stock Exchange. US Airways Group Inc. shares were down \$5.13, or 44 percent, to \$6.49 and Delta plunged \$17.15, or 46 percent, to \$20.10 a share also on the NYSE.

Northwest Airlines Corp. fell from \$7.07 to \$12.55 on the Nasdaq Stock Market. Travelocity.com Inc., an Internet travel agency, dropped \$10.36, or 47 percent, to \$11.66 on Nasdaq while its rival Expedia Inc. was down \$10.28, or 28 percent, at \$25.97.

Major carriers have lost about \$1 billion in the past weeks as a result of reduced demand from fearful travelers, extensive losses from a two-day aviation shutdown after the attacks and higher expenses from tough new security requirements. American, Continental, Delta, Northwest and United have announced severe scheduling cutbacks. Delta expects to fly 75 percent of its normal schedule, while American, Continental, Northwest and United plan to operate at 80 percent of their normal schedules. The industry already was struggling under a large debt burden and rising costs of labor and fuel, as revenues from business fliers dropped



alongside the nation's economic performance, while carriers cut fares to compete for remaining passengers. Analysts say the industry could lose more than \$4 billion in this year.

carriers are expected to appeal to the federal government for a government bailout of between \$10 billion and \$20 billion that includes direct aid, low-interest loans, tax relief and a takeover of insurance liability from claims related to the terrorist acts. The Air Transport Association, an industry organization, said attacks show the interconnection of aviation security and national security and that the government should play a greater role in aviation safety. We need a financial package to stabilize the industry in this difficult time, said Mike Wascom, a spokesman for the association. National Airlines of Las Vegas announced that it was cutting back its operations by 20 percent and laying off 300 workers, leaving it with 1,000 employees. Midway Airlines of North Carolina closed down while in the midst of reorganizing its financially troubled business, laying off 1,700 employees.

Boeing Co. said its plans to lay off 20,000 to 30,000 commercial airplane workers by end of 2002 as a result of the aerospace business impact of terrorist attacks. We profoundly regret that these actions will impact the lives of so many of our highly valued employees, said Alan Mulally, president and chief executive of Boeing Commercial Airplanes. However, it is critical that we take these necessary steps now to size the commercial Airplanes business to support the difficult and uncertain environment faced by our airline customers.

Mulally told reporters the company will likely start handing out pink slips within three weeks, with layoffs to begin about two months later (19 september 2001). Layoffs will be made across the board, across the country and across all airplane models, he said. Deliveries for 2001, which had been expected to be 538 aircraft, could be as low as 500, he said. For 2002, deliveries are estimated to be as low as 400, compared with the 510 to 520 previously forecast. Roughly 39,000 people work for Boeing's commercial airline sector, much of which is centered around the company's former headquarters in seattle. Boeing's corporate headquarters is now in chicago. Boeing also saw major layoffs in the late 90's, between 1998 and the present, Boeing worldwide employment dropped from 238,400 to the current 199,000 dipping as low as 187,000 in August 2000. Boeing's stock has plunged since markets reopened, on monday, the first regular day of trading since the Sept. 11 attacks on New York City and Washington, the stock price fell 13 percent. The price was down \$2.66, or 7.4 percent, to \$33.14, when trading closed Tuesday.

In the wake of the attacks, and their impact on commercial air travel, many airline carriers have warned they will be laying off at least 26,000 people – a number that could grow to 100,000. Many including American, Continental, Delta, Northwest and United, have also scaled back their schedules by about 20 percent. With such declines, analysts have said Boeing layoffs would be an inevitable side effect as orders for commercial aircraft are affected.

The White House and Congress are considering a federal aid package for the airline industry to help it recover from the attacks. The industry has asked for \$24 billion, the House floated a \$15 billion relief plan last friday that could include \$2.5 billion in immediate grants and \$12.5 billion in loans and credits. Though the White House and congressional leaders suggested a multibillion-dollar package was on the way, they weren't offering a final dollar figure or timetable for debate. „Our reaction is that it is certainly imperative that Congress look favorably at the appropriations request for relief to the airline industry“, Lock spokeswoman Middleton said in an interview.



In April 17, 2002, Boeing Co. reported a loss of \$1.25 billion in the first quarter on Wednesday because of a hefty accounting change and fell well short of Wall Street's expectations amid the slowdown in aviation since Sept. 11. Despite what it called a strong operating performance in its core aerospace and finance businesses, Boeing was hurt by weakness in its commercial satellite operation and continuing fallout from the terrorist attacks. In early trading on the New York Stock Exchange, Boeing shares sank 3.1 percent, or \$1.53 a share, to \$47.17.

The biggest setback was a non-cash charge of \$1.83 billion, primarily for goodwill related to the October 2000 acquisition of the satellite-making holdings of Hughes Electronics Corp. Boeing had warned it would take the charge to comply with new accounting rules governing the amortization of goodwill, or the amount above fair value that a company is allowed to carry on its books after paying an acquisition premium. The net loss amounted to \$1.54 a share for the January-March period, compared with earnings of \$1.24 billion, or \$1.45 a share, a year earlier. Excluding special items, earnings of \$602 million, or 75 cents a share, came in below the 85 cents-per-share consensus estimate of analysts interviewed by Thomson Financial/First Call.

Among other reasons for the shortfall, profits at its space and communications division fell 50 percent to \$42 million, and Boeing said the impact of stock compensation reduced earnings by 13 cents a share.

Despite the rocky results, revenues rose 4 percent to \$13.8 billion from \$13.3 billion as Boeing benefited from its continuing push to diversify beyond airplanes.

While revenues at its commercial airplanes division were essentially unchanged at \$8.3 billion, military aircraft and missile systems reaped a 22 percent increase to \$3 billion and Boeing Capital Corp., its financial unit, saw a 42 percent jump to \$228 million. Space and communications revenue rose 4 percent to \$2.3 billion. As the world's leading commercial aircraft maker, Boeing took a huge hit from the post-Sept. 11 downturn in air travel along air carriers, its biggest customers. The company took \$622 million in charges in the previous quarter, largely related to the attacks, including laying off about 30,000 of the division's 95,000 employees - moves Boeing said Wednesday will be completed by mid-year. The company took an additional \$34 million in special charges related to Sept. 11 in the first quarter.

## **2.2 Indirect Impacts**

### **2.2.1 Impact on the job market .**

Before Tuesday morning, September 11, 2001, the U.S. economy appeared poised for a rebound from 14 months of slowing economic growth. The effects of recent monetary and fiscal policy actions were beginning to have an impact on the cost and availability of capital. In addition, inventories had been trimmed and unemployment remained below historical benchmarks. Then, terrorist attacks destroyed the World Trade Center in the heart of New York City's financial district and severely damaged the U.S. military headquarters at the Pentagon in



Washington, D.C. National attention focused primarily and properly on the rescue and recovery efforts in New York and Washington. The disruption of the financial center in New York City and of our air transport industry has raised serious questions about the immediate and long-term consequences of the attacks on the U.S. economy.

As discussed in this Employment Trends, these attacks have not changed the fundamental realities of innovation, competitiveness and productive capacity that are the strengths of the American economy. Disruptions in New York City and Washington, as well as the effects on the airline industry, may lead to a brief economic contraction. However, the magnitude of fiscal and monetary stimulus proposals and the impact of reconstruction are likely to result in stronger expansion and more rapid recovery in 2002 than had previously been expected. The critical consideration is confidence – will the terrorists succeed in plunging America into an economic recession by undermining consumer and investor confidence in the strength and resilience of the nation?

### **2.2.2 Terrorism is Economic Warfare**

The terrorist attacks on Washington and New York City combine elements of military, psychological and economic warfare. From an economic perspective, the aim was to disrupt normal channels of commerce, increase costs of doing business – directly through their damage and indirectly through the impact of increased security measures – and discourage investment and consumer spending. A key target of the assault appears to have been the stock market. The terrorists may have hoped to cause panic selling that would destroy the value of individual savings and subsequently undercut consumer spending. Recent reports have suggested that the terrorists may have aimed to cash in on the economic impact of their acts by selling short stocks likely to tumble in the aftermath.

The immediate disruption of economic activity, as public attention is focused on the terrorist events, is substantial. The U.S. economy normally produces about \$33 billion of output per weekday.<sup>1</sup> After the attacks, many workplaces closed, shopping centers emptied and many employees who stayed on the job were occupied with emergency responses instead of normal production activities. Anecdotal evidence suggests that sales and productivity nationwide remained below normal for much of the remaining week. Retail establishments reported drastically lower sales volume, all air traffic was grounded and financial markets were closed. The loss of production in the days immediately following the attacks may approach \$100 billion, which is 1 percent of annual GDP.

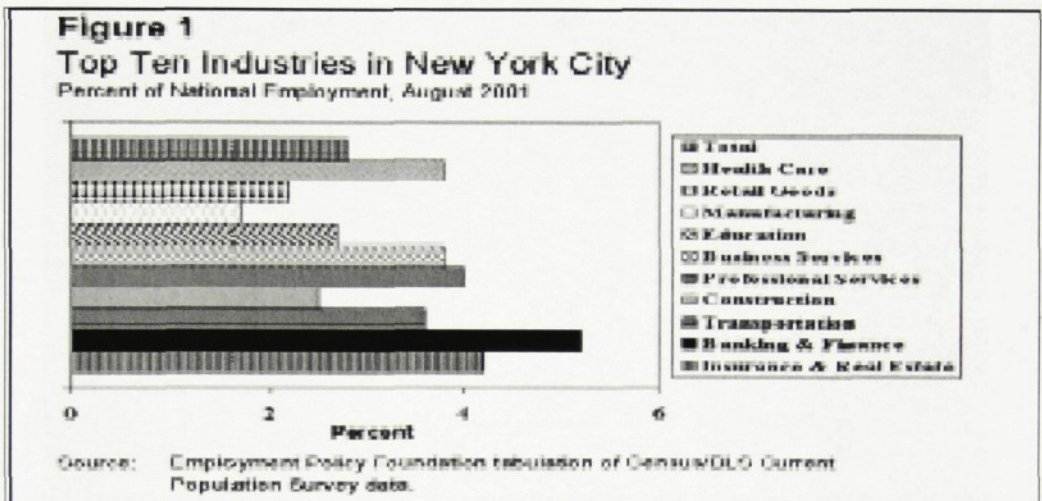
### **2.2.3 New York as a Strategic Target**

The New York City attack, in particular, highlights that the city is a critical center of financial, managerial and communications activity for business operations throughout the nation and the world. New York City's 4.1 million workers comprise 2.9 percent of the U.S. labor force – one in every 35 American workers works there. The significance of the overall metropolitan area – including adjacent New Jersey, Long Island and Connecticut – is even greater. One in 14, or 7.1 percent of the American workforce, are located in the greater New York City metropolitan area. The importance of New York City in terms of total employment is magnified when one considers the composition of employment.

The city accounts for nearly 1 million jobs in the critical insurance, banking, financial markets, business services and professional services industries. The concentration of these industries in New York City is 87 percent greater than their concentration in the general economy. Banking and financial markets alone account for 210,000 jobs in New York City – predominantly located in the lower Manhattan area. The banking and finance sector



is one of the top 10 employers in New York City, and comprise over 5.2 percent of such jobs in the nation. (See Figure 1.) Similar concentrations apply to the insurance and real estate industry – 4.2 percent of the nation’s insurance and real estate jobs are concentrated in New York City.



#### 2.2.4 The Air Transport Industry

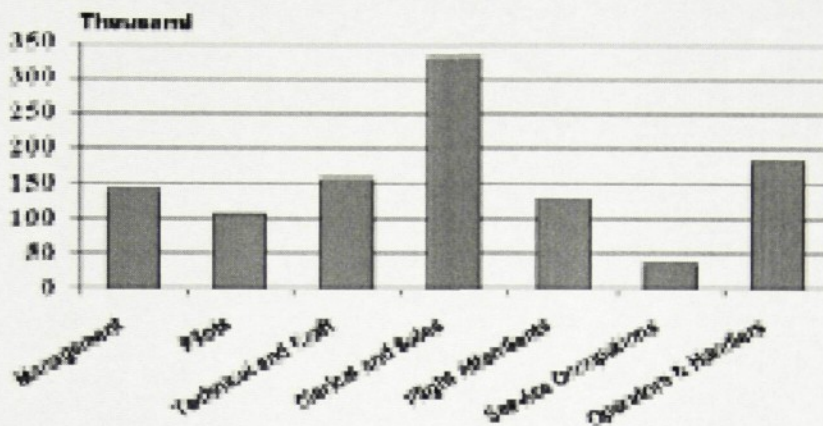
The use of airliners as weapons of mass destruction has had a chilling effect on an airline industry that was already suffering financially from the prolonged economic slowdown and from higher fuel prices dictated by the OPEC cartel. In August, over 989,000 people were employed directly in the air transportation industry and 428,000 were employed in the related aircraft manufacturing industry. The total – more than 1.4 million – accounts for 1 percent of American jobs. In addition to the direct impact on the air transport industry, the terrorists attacks affected hotel and other travel industry operations through disrupted business and tourist travel plans. Higher costs and more time-consuming procedures required to improve security will increase costs across the spectrum of industries that rely on employee travel to do business.

Figure 2 illustrates the wide array of occupations employed in the air transportation and manufacturing industries. Air transportation related jobs are predominantly high-skill, well-paid jobs – average annual earnings of employees in air transportation services sector was \$48,900 according to March 2000 data, more than 50 percent higher than the average across all industries.<sup>2</sup> Earnings in the aircraft manufacturing industry averaged \$40,700, which is 27 percent higher than the all industry composite.

A 10 percent reduction (140,000 jobs) in air transport and manufacturing employment, for example would reduce annual gross personal income by more \$6 billion – a large number, but less than one-tenth of 1 percent of total wage incomes in the United States’ \$10 trillion economy.



**Figure 2**  
**Air Transport Industry Jobs**  
 Employment by Occupation, August 2001



Source: Employment Policy Foundation simulations of Census/PL 8 Current Population Survey data.

### 2.2.5 The U.S. Economy is Resilient

Despite the economic significance of New York City's financial center and of the air transport industry, the terrorist strategy of economic warfare is likely to fail. The immense capacity and diversity of the American economy is too great to be permanently disabled by these attacks. Companies affected by the tragedy have already shown their ability to get back into operation through back-up facilities already in place elsewhere in New York and around the country. America's competitive market economy ensures multiple avenues for rapid response and reconstruction in the aftermath of these attacks. Normal channels for delivering critical financial and business services were disrupted, but the attack did not diminish the demand for such services. The diversity of providers and locations in our large national economy ensures that alternative sources quickly move into place to fulfill needs. The parallel between the September 11 attacks and the attack on Pearl Harbor nearly 60 years ago is important. In less than 2 hours on December 7, 1941, the U.S. Pacific Fleet was devastated, and more than 3,500 Americans were either killed or wounded but America was not paralyzed by the loss. Within 18 months, the U.S. economy had rebounded to launch a fleet 10 times the size of the one destroyed, and the perpetrators of the infamy were being swept from the seas.

### 2.2.6 The Outlook

Job losses arising from the attacks on Washington and New York City are likely to be offset by job gains as resources are mobilized to recover and rebuild. Construction employment gains in the New York City and Washington areas are likely to be quickly apparent as recovery moves from clean-up to repair and rebuilding. Already announced federal funding will accelerate the construction rebound. Nation-wide, new job opportunities are likely in protective services occupations as businesses and governments respond to the demand for greater security. Current employment levels – 581,000 private sector and 2.4 million public sector jobs in protective services – may be multiplied significantly.<sup>3</sup> Additional positive employment impacts will occur as telecommunications and alternative transportation modes expand to provide substitutes for

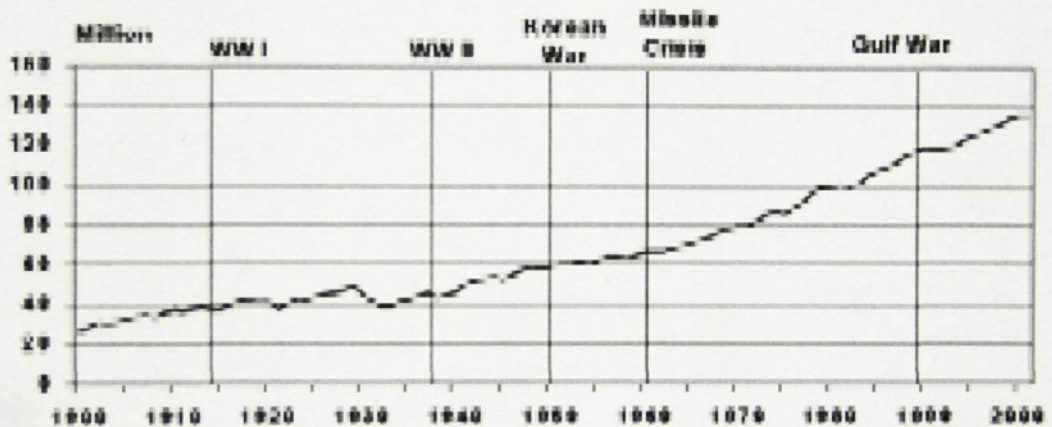


potential cutbacks in air transportation services. An important factor influencing recovery will be America's human resources – skilled and energetic employees who can solve problems, re-direct resources and adapt to new challenges. Human capital accounts for up to 70 percent of national income growth, and that survival of skilled people has been the key to rapid recovery from natural disasters – such as the Kobe, Japan, earthquake in 1995 – and from wars – as witnessed by Germany's rapid reconstruction after World War II.

The military mobilization to find and destroy the sources of terrorism is a significant indicator that a strong rebound is likely. Mobilization will create jobs across the economy to supply the needs of increased military readiness. Expanded production of military aircraft may offset expected reductions in civilian aircraft orders. Figure 3 shows that periods of military mobilization typically lead to accelerated employment growth. The only exception was the period immediately after the Gulf War, which was a relatively short engagement and coincided with structural adjustments in the economy that were already underway.

**Figure 3**

**War Mobilization and U.S. Civilian Employment  
1900-2000**



SOURCE: Employment Policy Foundation compilation of data from National Bureau of Economic Analysis (1900-1943) and Bureau of Labor Statistics (1944-2000)

The emerging expectation is that efforts to oppose terrorism will be unconventional and prolonged – conditions suggestive of the Cold War military expansion of the 1960s that followed the Cuban missile crisis. That expansion led to an era of sustained employment growth over nearly a decade.

The fundamental elements of the economic outlook are strong, and this strength suggests that the immediate contraction resulting from terrorist attacks may be followed by a vigorous rebound in 2002. The uncertainty in the economic equation is confidence. A failure of confidence could make the effects of this tragedy more severe and delay recovery. Maintaining confidence, focusing on the long-term strengths of the economy and a creating a unified national resolve to face the threat of terrorism resolutely will help ensure that recovery is strong and rapid.



## **2.3 11 September 2001: no real watershed for the TMT sector**

11 September 2001 will be seen as the date when the world's financial markets finally gave up on any return to growth in the US economy, and when global recession began. This comes as no surprise to the battered TMT sector, which has been in sharp decline for well over a year, but any hopes of recovery must now be postponed until at least 2003.

In the short term, there will be a rapid increase in demand for security-based products and services, and for services related to business continuity. Data centres, back-up, disaster recovery, cyber-security and physical security products will all experience rapid growth. The drive to improve security and quality of service over the public Internet will accelerate. This trend will be felt most strongly in the US, as a direct result of the attacks, but multinational and large national companies globally will follow.

In the rest of the TMT industry, the global slowdown in investment has already started and will continue. In the long term, there will be a return to basics and a fall-off in innovation and demand for advanced broadband services. Products that do not require massive investment and that are proven – voice telephony (fixed and mobile), SMS, e-mail and Internet access for information – will grow. Unproven products, particularly those with security risks attached, will decline. These trends have far less to do with the direct impact of the attacks than with the long-term economic slowdown and associated decline in the financial markets, capital availability and investment.

### **2.3.1 Macroeconomic effects**

The macroeconomic effects of the attacks are well documented elsewhere, and fall outside the domain of this article. However, some aspects that have a direct impact on the TMT sector are examined here.

The US was already beginning to experience a slowdown before the terrorist attacks took place. The attacks were a catalyst in that the immediate effect will be to deepen this slowdown and delay recovery, and force the US to face up to some harsh economic realities. Aside from the billions that will be spent on replacing equipment lost in the attacks, the slowdown in corporate and consumer spending on TMT products and services will accelerate.

In the longer term, damage to consumer and corporate confidence will spread beyond the US and affect the global economy. Financial markets in the US and then globally will be shaken to their core. The longer-term slowdown will be felt strongly in certain vertical sectors, and particularly in travel, financial services, manufacturing and advertising.

The consequences for IT and telecoms will include:

- a reduction in consumer discretionary spending due to unemployment and a 'save and hoard' mentality
- a fall in investment capital availability, with further delays to initial public offerings (IPOs) and rights issues drying up. This will lead to many business failures, as second- and third-round financing will not materialise
- companies and consumers reprioritising spend to focus on security and protection, rather than leading-edge technologies that failed in the wake of the attacks
- an increase in public-sector spending if war does indeed ensue. This will have a positive impact on spending on defence-related IT and telecoms products and services.



## **Keeping in touch**

In the immediate aftermath of 11 September, the PSTN was overloaded with demand for call connections that far exceeded the number of available circuits. There has already been a marked increase in Internet usage, and this will continue. People are keeping in touch by means other than travel, with a short-term increase in use of e-mail, basic telephone calls and location-based services. Corporate and personal travel budgets have fallen massively, and there are indications that the videoconferencing market has received a short-term boost, as multi-site corporations that require a high level of group activity turn to this alternative to travel.

## **Spreading the risk**

In the short term, companies will focus on improving their back-up and disaster recovery procedures and improving physical security for buildings and employees. In the longer term, centralisation of resources into large office buildings will be replaced by a more distributed environment. Companies will look to outsourcers to provide business continuity services, and network-based working methods such as teleworking and e-trading will replace centralised working in some industries. This will be accompanied by a review of business processes and procedures, aimed at spreading and minimising risk overall.

## **2.3.2 Impact on fixed telecoms backbone and IT services**

### **2.3.2.1 Short term**

Large end-user companies will rapidly review their data protection and disaster recovery systems. This will cause a short- and medium-term reprioritisation in expenditure to focus on corporate continuity and business defence. This shift in attitude is likely to be global, particularly in key cities, as nobody will feel immune any more.

There will be an immediate increase in demand for basic data centre space from corporate customers to house back-up and disaster recovery equipment. Spending on IT equipment and services will therefore focus on back-up and disaster recovery centres and the associated storage and security hardware and software, data mirroring services, and replacement equipment for US companies affected by the disaster.

Telecoms spending by US companies will also focus largely on replacement equipment and networks. Companies will look to IP VPNs for new essential WAN requirements, as they seek to obtain flexible connectivity. However, since investment will mainly focus on replacement equipment rather than new networks, frame relay and ATM infrastructure will dominate corporate networks in the short to medium term.

Telecoms network operators will focus on replacing and repairing networks and customer equipment. This will give a short-term boost to equipment manufacturers' sales.

### **2.3.2.2 Medium term**

Companies that were once fearful of not controlling all their mission-critical applications centrally will review their options, and many will turn to well-established



outsourcing companies for solutions. Many data centres work to NATO standards and have vetted personnel, and are therefore more secure than in-house facilities. This will result in a major increase in demand for outsourced data centres and co-location facilities, away from the 'trophy' buildings, which will be a big driver for distributed storage. This will be accompanied by an increase in demand for telecoms networks to link these facilities and to guarantee data synchronisation, both within the US and internationally, which will provide a boost for bandwidth suppliers.

As companies begin to implement decentralised procedures, they will also begin to look at network-based services to deliver flexibility and scale, in preference to equipment located at customer sites. This will have a modest medium-term positive effect on distributed service providers, such as call centres.

Telecoms network suppliers will need to focus on achieving route diversity and redundancy to ensure maximum physical security of their own and their wholesale customers' networks, and of their corporate customers' data. This will largely take place on existing infrastructure assets, resulting in improvements to today's dire network utilisation levels. The position of SDH/Sonet architectures will be reinforced, because of the inherent emphasis on continued operation in the event of physical damage.

New network infrastructure build will not be a priority in the short or medium term, since the bandwidth glut is too large for it to be absorbed by new sources of demand. Although traffic volumes will increase, bandwidth prices will continue to fall by 30–40% per year in the short to medium term, depending on the route. As recession deepens both in the US and globally, telecoms operators will continue to restrict investment as capital will remain scarce. Equipment manufacturers in the US have already reported that many telecoms companies are delaying purchases for as long as possible, forcing vendors to drop prices to the lowest possible level before signing purchase orders. This will spread beyond the US into Europe and Asia-Pacific.

IT vendors will focus on supporting the trend towards more data centres, back-up and data continuity systems. According to Ovum Holway, technology is no longer an 'optional extra' for any company. Therefore, although there may be some temporary postponements in new projects, there is no doubt that this segment of the market will return to healthy growth within the next few years.

### **2.3.3 Impact on mobile markets**

#### **2.3.3.1 Short term**

Health concerns over handset emissions will be pushed aside as demand for mobile subscriptions and handset ownership increases, particularly in the US. Consumers will want to keep in touch and to know that they can contact friends and family at any time, and corporations will issue mobile phones to keep in touch with their employees.

This will drive volumes of basic voice traffic. It will also trigger a modest increase in the take-up of SMS (both messaging and information-based services) in the US market.

#### **2.3.3.2 Medium term**

A massive increase in US take-up of mobile telephony is unlikely in the medium term, due to the negative impacts of prolonged recession on consumer discretionary spending. This is particularly true outside the major cities: mobile coverage of rural areas is unlikely to receive a significant boost in the wake of the disaster. Furthermore, the Federal Communications Commission (FCC) may be cautious in diverting radio spectrum away from defence if war becomes a reality.



Public attitudes to data privacy are likely to change, and the objections to many location-based and tracking services will disappear. Demand for location-based services such as friends and family or buddy group registration will increase. For corporate customers mobility management and related applications and services will grow as distributed working practices expand.

### **2.3.4 Impact on e-security**

#### **2.3.4.1 Short term**

There will be a huge and immediate impact on e-security, particularly in the US. US government agencies already have the right to gain access to e-mail and telephone calls in the interests of national security. This has been extended to ISPs, and several ISPs have been added to the surveillance list since the tragedy.

#### **2.3.4.2 Medium term**

Concerns about cyber-terrorism are likely to increase, leading to high-profile proposals for the continuous regulation of Internet traffic. The requirement to add quality of service to the public Internet will also increase. It is possible that peer-to-peer systems will be seen as high risk because they are harder to track and monitor, and capable of carrying encrypted files in apparently harmless images.

State-mandated surveillance to counter cyber-terrorism and denial-of-service attacks will increase. The question of privacy rights then becomes a serious issue. Internet privacy rights have not yet been established, and the debate rages about whether privacy rights – both in the US and elsewhere – should be sacrificed in the face of fear of terrorism. One further issue will be who carries the cost of such surveillance; any cost-of-compliance issues will be an additional burden for stretched telcos, ISPs and portals.

On the face of it, paranoia about personal and corporate security may spur demand for encryption software and services. However, governments will increasingly need to be able to break codes for security purposes, and encryption will therefore be harder to implement. One possibility is banning the industrial-strength encryption software that is virtually uncrackable, leaving only short encryption keys that are easier to crack.

There may be a niche opportunity for specialist biometrics vendors in vertical industries where biometric security is a viable option, such as airlines.

### **2.3.5 Impact on digital media**

Internet usage will continue to grow, as users go online for information and e-mail is driven by the desire to keep in touch. However, this increased usage will translate into revenues for only a few companies and will not alleviate the plight of many media players that rely largely on advertising.

The opportunity lies in creating value from communication and community – narrowband, mass-market applications that everybody uses to keep in touch and stay informed.

#### **2.3.5.1 Short term**

There is a risk of reaching a critical point in the Internet industry; those players left after the collapse of the dot.com bubble face a sharp decline in advertising revenues. Already the airlines – traditionally huge spenders on advertising – have withdrawn all campaigns. This means that Internet players' core source of revenues will disappear before they have the



chance to create a more stable business model that incorporates elements of user payment, subscription and commerce. Additional funding from the markets will be virtually impossible to obtain.

### **2.3.5.2 Medium term**

The current trend among ISPs and portals to focus on identifying premium content that users have proven willing to pay for will accelerate. Adult entertainment, games, community-based services such as chat or buddy groups, multimedia messaging and music are likely to be early leaders.

However, in the event of a prolonged consumer-led recession, the ability to move to subscription-based services will be limited. This will also affect business-to-consumer e-commerce, where most items are funded by discretionary spend, with holidays and flight discounts at the forefront. There will also be negative consequences for other next-generation services, such as mobile e-commerce and web-based storefronts, and many fledgling companies in these areas will fail. Growth of business-to-business marketplaces may slow in the short to medium term, as encryption and security fears grow.

Traditional brand owners may use this opportunity to buy online customers, brands and assets at firesale prices, to integrate these into their own business, or to kill competition, particularly in the e-commerce market. However, this is only a strategy for the strong; many retailers and publishers will focus on their core business, rather than looking for strategic opportunities.

### **2.3.6 Impact on suppliers**

The long-term impact of the terrorist attacks will be to reinforce the pressures of the current US slowdown, and to extend it globally. Growth through innovation will slow as recession bites and funding dries up. New-economy suppliers that rely on leading-edge technologies, highly innovative products and untried business models are in a precarious position, and many will fail. Success will depend on finding lucrative niches with proven end-user demand and revenues, and defending them to the hilt.

More established suppliers with strong core revenue streams must focus on maximising returns on their existing assets. For incumbent telcos, this means that they must protect their home fixed-line business and position telephony as a safe substitute for corporate and personal travel. There will be growth in the data centre, corporate outsourcing and e-security businesses. Mobile network operators, particularly in the US, will find some additional revenues from new subscribers, messaging and location-based applications, but spending on these services will not increase massively if a consumer-led recession arises.

Overall, though, we are in a back-to-basics climate, with future development outside these areas highly constrained for the foreseeable future. This is more to do with the impact of global recession than the direct consequences of the terrorist attacks.

Those companies that have a strong core business with sustainable revenues (including incumbents with a sound core fixed-line business in their home markets) are best placed to survive. Those companies with an expansionist strategy that requires high levels of capital expenditure to reach critical mass or venture capital funding to offset start-up losses, or that rely heavily on online consumer or advertising spend, will suffer and face failure.

Software companies that carried out IPOs before the dot.com crash are sitting on substantial cash sums and will be able to ride out the recession. Most of those that did not will go out of business, and will be acquisition targets for stronger players.



## **CHAPTER 3**

### **Economic effects in EU and World**



### 3.1 Impacts on Europe

#### **3.1.1 European growth likely to average below 2% in 2001 and 2002, with both stock markets and future growth vulnerable to further shocks**

The Western European economy is set to grow by less than 2% both this year and next according to a new report by economists at PricewaterhouseCoopers (PwC), but the risks to growth are clearly weighted to the downside.

The main scenario outlined in the latest edition of PwC's regular *European Economic Outlook* publication is that growth in Western Europe will fall from 3.3% in 2000 to only around 1.75% in 2001. After allowing for the potential knock-on effects of recent tragic events in the US, which occurred after much of the detailed analysis undertaken for the report was completed, latest estimates suggest that European growth is also likely to remain below 2% on average in 2002. Compared to an estimated trend rate of around 2-2.5%, this would represent a period of 'growth recession' for the European economy, but not of outright recession with falling output.

The report recognises that the risks to this main scenario, although very difficult to quantify at this stage, are weighted heavily to the downside, particularly in the light of the potential knock-on effects on business and consumer confidence and world trade of the terrorist attack on the US on 11 September. The report's authors note that, in itself, the attack need not precipitate a global recession, particularly given subsequent interest rate cuts, but that any further deterioration in the global political environment could push the world economy over the brink. And the report also indicates that both US and European stock markets remain vulnerable to further shocks, notwithstanding the falls both before and after 11 September.

Rosemary Radcliffe, Chief Economic Adviser at PricewaterhouseCoopers, commented that:

"The tragic events of 11 September, coming on top of an already deteriorating global economic environment, mean that both companies and investors face exceptionally high levels of uncertainty about economic prospects.

main scenario is still that the European economy will narrowly avoid recession, but the short-term risks to both economic growth and equity market valuations are heavily weighted to the downside. On the other hand, inflation does not appear to be a significant problem at present, which means that the European Central Bank can afford to cut interest rates further as and when this is needed."

Individual growth rates for the larger European economies in 2001 in the main scenario are projected to range from only 1% in Germany to just under 3% in Spain, with intermediate growth rates of around 1.5-2% expected in the Netherlands, Italy, France and the UK.



Manufacturing industry is projected to be in recession this year in Europe, with falling output, but services sector growth should remain positive. The report projects that average Euroland inflation should move back below 2% next year, allowing further cuts in European interest rates later this year. This should help to revive growth later next year, although this also depends crucially on the US economy improving as we move into 2002. The report also includes detailed analysis of past trends in equity returns relative to other assets such as long-term government bonds and cash. Over the period since 1973, this analysis shows that:

- annual real equity returns, over and above inflation, have averaged around 8% in the US and the six largest EU markets; and
- the average 'risk premium' earned by equities has been around 4.5% over government bond yields and around 5% over short-term money market interest rates.

Based on a variety of different valuation methods, the report concludes that share prices in the US and the largest six EU markets at the end of June 2001 were well above fair value, perhaps by as much as 20-50%. But even before the events of 11 September global equity markets had fallen by around 10-15%, moving them back towards fair values. Subsequent declines in world markets have accelerated the adjustment in share prices, due to reduced expectations of short-term profits growth and an increase in required equity risk premia following the terrorist attacks. It is, however, too early to assess how this will affect the underlying trend of share prices in the longer term - price-earnings (P/E) ratios in some European markets are now below historic average levels, but are generally still somewhat above estimated equilibrium levels. The study also finds that equity markets around the world have become increasingly correlated over time, which implies that if there is a further correction in US markets (in the event, for example, of a deepening recession there) then this would be likely to be mirrored closely in all the major European markets. And any such future global stock market correction could also significantly overshoot estimated fair values on the way down, based on past experience of bearmarkets.

**TABLE**  
**Outlook for Western European GDP growth (%)**

Country/region	2000	Main scenario	
		2001	2002
Germany	3.0	1	1.5
France	3.4	2	2
Italy	2.9	1.75	1.75
Spain	4.1	2.75	2.5
Netherlands	3.9	1.5	2.25
Other Euroland	3.5	2.25	2
<b>Euroland</b>	<b>3.4</b>	<b>1.75</b>	<b>1.75</b>
UK	2.9	2	2
Other Western Europe	3.4	1.75	1.75
<b>Western Europe</b>	<b>3.3</b>	<b>1.75</b>	<b>1.75</b>
Plausible range	-	1.25-2	0.5-2.5

Source: Eurostat, PwC - growth scenarios for 2001-2 are rounded to the nearest quarter of one percent  
Note: Our main scenario has been adjusted down since completion of the printed report to reflect increased



downside risks arising from the terrorist attacks on 11 September. The main difference is in projected growth in 2002, which for Western Europe as a whole is now around 0.5% lower than before (i.e. 1.75% rather than 2.25%). This preliminary assessment will continue to be revised as more data become available on the economic effects of the attacks and their aftermath.

**TABLE**

**Comparison of historic returns on equities and lower risk assets (% average annual rates)**

Using geometric average returns on equities	US	UK	Germany	France	Italy	Netherlands	Spain	Average (unweighted)
Total nominal return on equities	12.9	15.9	9.9	15.2	14.5	14.4	13.9	13.8
Inflation	4.7	7.5	3.1	6.0	9.9	3.7	4.8	5.7
<b>Total real return on equities</b>	<b>8.2</b>	<b>8.4</b>	<b>6.8</b>	<b>9.2</b>	<b>4.6</b>	<b>10.7</b>	<b>9.1</b>	<b>8.1</b>
Long term real interest rates	3.6	2.7	4.2	3.8	1.9	3.8	4.8	3.5
Short term real interest rates	2.9	2.4	3.1	2.7	2.0	2.4	4.9	2.9
<b>Implied equity risk premia (vs. bond yields)</b>	<b>4.6</b>	<b>5.7</b>	<b>2.6</b>	<b>5.4</b>	<b>2.7</b>	<b>6.9</b>	<b>4.3</b>	<b>4.6</b>
Implied equity risk premia (vs. short term interest rates)	5.3	6.0	3.7	6.5	2.6	8.3	4.2	5.2

Source: PwC calculations using information from Datastream for equity returns and NIESR for interest rates, which are for 10 year government bonds and 3 month money market rates. Data are for the period from Q1 1973 to Q2 2001, except for Spain, where data on equity returns start from Q1 1987.

**TABLE 3**

**Summary of stock market valuation analysis (using P/E ratios)**

Country	Historic average P/E ratio*	Estimated equilibrium P/E ratio**	Actual P/E ratio at end of June 2001	Actual P/E ratio on 19/9/2001***
US	15.3	15	24.1	22.6
UK	12.8	13	20.1	17.0
Germany	15.8	10	19.7	13.7
France	12.9	10	18	13.3
Italy	18.9	10	19.8	14.2
Netherlands	12.4	13	20.3	13.9
Spain	14.8	13	18.2	13.5

\*From Q1 1973 to Q2 2001, except for Italy (from Q2 1986) and Spain (from Q1 1987)

\*\*Using dividend growth model with dividend payout ratio set to historic average in each country (assuming equity risk premia of 4-4.5% and consensus forecasts for economic growth and inflation from latest long-term



Consensus Economics survey). Estimates rounded to nearest whole number.

\*\*\*Note that changes in P/E ratios since June reflect movements in both share prices and corporate earnings. In the US, for example, both share prices and earnings have declined since June.

Source: PwC calculations of historic averages and estimated equilibrium P/E ratios using total market indices from Datastream (same source for actual values)

### **3.1.2 Banks and Investment Banks Resilient Following World Trade Center Attacks**

Sept. 18, 2001, LONDON banks and investment banks appear to have fundamentally weathered the initial phase of the dislocations caused by the attacks on the World Trade Center, Standard & Poor's said, the payments system continued to work even in the immediate aftermath of the disaster, and financial markets are now all open for business.

Liquidity is plentiful: banks channeled large amounts of liquidity borrowed at the discount window to those experiencing temporary payment delays in the settlement and other processes. Such temporary glitches have now all but disappeared. For the most part, banks and brokers have been able to transfer operations to locations outside the downtown area, benefiting from recent emergency planning that took place prior to the millennium period.

Ratings considerations will focus not on the immediate and temporary impact of the World Trade Center disaster, but on its medium to longer-term implications for banks. Investment banks could be especially vulnerable to the business interruption and potential impact of a further slowdown in already weak capital markets. Any aggressive share buybacks will further reduce the tolerance threshold for earnings pressures. For those firms already on a negative outlook, such as Bear Stearns, Merrill Lynch, Goldman Sachs, Morgan Stanley, and Charles Schwab Corp., the earlier concerns expressed about the poor operating environment are likely to be exacerbated. Other firms that will be closely examined include: Credit Suisse Group, Lehman Brothers, Deutsche Bank AG, UBS AG, and E\*TRADE Group.

Standard & Poor's will also assess the longer-term implications on The Bank of New York, whose custody business and payment systems experienced operational difficulties during the first couple of days after the World Trade Center attacks.

## **3.2 Impacts on the World Economy**

### **3.2.1 Poverty To Rise in Wake Of Terrorist Attacks in US**

**October 1, 2001**—The September 11 terrorist attacks in the US will hurt economic growth in developing countries worldwide in 2001 and 2002, condemning as many as 10 million more people to live in poverty next year, and hampering the fight against childhood diseases and malnutrition, the World Bank says in a preliminary economic assessment released today.

Before September 11, the Bank expected developing country growth to fall from 5.5 percent in 2000 to 2.9 percent in 2001 as a result of slowdowns in the US, Japan and Europe, and then rebound to 4.3 percent in 2002. But because the attacks will delay the rich countries' recovery



into 2002, the Bank now warns that developing countries' growth could be lower by 0.5-0.75 percentage points in 2002.

GDP Growth Forecasts, 2001-2002 (Annual Percentage Change)					
	Actual	Before		After	
	2000	Sept. 11, 2001 2001	2002	Sept. 11, 2001 2001	2002
<b>High-income countries</b>	3.4	1.1	2.2	0.9	1-1.5
<b>Developing countries</b>	5.5	2.9	4.3	2.8	3.5- 3.8

Figure 6

We have seen the human toll the recent attacks wrought in the US, with citizens from some 80 nations perishing in New York, Washington and Pennsylvania," says World Bank President James D. Wolfensohn. "But there is another human toll that is largely unseen and one that will be felt in all parts of the developing world, especially Africa. We estimate that tens of thousands more children will die worldwide and some 10 million more people are likely to be living below the poverty line of \$1 a day because of the terrorist attacks. This is simply from loss of income. Many, many more people will be thrown into poverty if development strategies are disrupted.

### 3.2.2 Ripples Felt Throughout World

Prior to the crisis, the Bank estimated that the US and other OECD countries would grow by 1.1 percent in 2001 and recover to 2.2 percent in 2002. But now, GDP growth rates in the OECD could be lower by 0.75-1.25 percentage points in 2002. This assumes that business returns to normal by mid-2002, that consumers eventually respond to lower interest rates as they have in the past recession, and that no new events shock the global economy.

Already, there are signs that higher costs and reduced economic activity are putting a damper on global trade. Insurance and security costs and delays at customs clearance are among the main factors pushing up the costs of trade. Major shipping lines, for example, have increased freight rates to India by 10 to 15 percent. Tourism related trade flows are being hit exceptionally hard. Around 65 percent of the holidays booked for the Caribbean have been cancelled. The Middle East is also likely to suffer a sharp decline in tourism revenues during the coming winter. The fallout from the September 11 attacks will affect different groups of developing countries in different ways, reflecting their particular vulnerabilities. For the poorest countries that stall or fall into recession as a result of a decline in exports, tourism, commodity prices, or foreign investment, the number of people living below \$1 a day will rise. In countries that experience positive but slower growth, fewer people will be able to climb out of poverty than otherwise would have been the case. The slower growth and



recessions will hit the most vulnerable people in developing countries the hardest. The Bank estimates that an additional 20,000 - 40,000 children under five years old could die from the economic consequences of the September 11 attack as poverty worsens.

As investors flee to safer havens, the already weak flow of capital to developing countries will decline further and be increasingly concentrated in countries that are considered to be relatively immune from the crisis. The pattern established in the 1990s of private capital flows accounting for a much greater share of developing countries' financing needs is expected to be reversed in the near term as both equity and lending activities contract in lower risk countries. This will require greater support from bilateral and multilateral official sources if the financing needs of a growing number of developing countries are to be met. Outside of the US and OECD countries, the ripples from the September 11 attacks will be felt across all of the world's regions, particularly in countries dependent on tourism, remittances from populations living overseas, and foreign investment. The worst hit area will be Africa, where in addition to the possible increases in poverty of 2-3 million people as a result of lower growth and incomes, a further 2 million people may be condemned to living below \$1 a day due to the effects of falling commodity prices. Commodity prices were forecast to fall 7.4 percent on average this year, and are likely to fall even more as a result of the events of September 11. Farmers, rural laborers, and others tied to agriculture will bear a major portion of the burden. Travel and tourism represent almost 10 percent of merchandise exports for the region and are also likely to be disrupted. The 300 million poor in Sub-Saharan Africa are particularly vulnerable because most countries have little or no safety nets, and poor households have minimal savings to cushion bad times. About half the additional child deaths worldwide are likely to be in Africa. Oil prices are now at \$22/bbl, \$5/bbl lower than just before September 11, after a brief upward spike following the attacks. Prices of non-oil commodities have also declined. Many agricultural futures have declined by 5 percent since the attacks. These declines are likely to set the stage for lower commodity prices, that are lower by 3 percent for agriculture and 5 percent for metals next year. These prices have never recovered the levels seen prior to the East Asia crisis of 1997-98, and now find themselves buffeted by yet another global downturn. For economies that are dependent on commodity exports, particularly for cotton and beverage exporters, this portends a potentially large terms of trade shock over and above the impacts of slower growth in GDP.

### **3.2.3 Aid, Trade and Policies Key to Sustaining Poverty Fight**

The Bank's assessment is subject to revision in coming weeks and depends on how events unfold. But World Bank Chief Economist Nicholas Stern stresses that both rich and developing countries must be vigorous and vigilant to ensure that the global rebound occurs next year and continues strongly into 2003. "Policy responses have to be swift and somewhat bolder in rich and poor countries because of the heightened level of risk to the global economy—and they have to be vigilant because the uncertainties associated with future political and military events are unusually large," says Stern. "Maintaining world trade is more important than ever, especially in the face of an economic slowdown which is often accompanied by pressures for increased protectionism

Several steps are crucial in sustaining the global fight against poverty in the wake of September 11:



- **Boost Foreign Aid**—Private capital flows to developing countries are going down sharply, reversing the trend of the last decade. They are estimated to fall from \$240 billion last year to an estimated \$160 billion this year. This makes it even more imperative that governments increase official assistance to fill the financing gap. Currently, aid claims only 0.22 percent of GNP of the OECD countries, far short of the 0.7 percent goal agreed to by the international community. The evidence from the Bank's work on aid effectiveness demonstrates that well-directed aid, combined with strong reform efforts, can greatly reduce poverty, and can also mitigate particular effects of crises, such as terms of trade shocks.
- **Reduce Trade Barriers**—Now more than ever, the WTO summit must go ahead, and it must be a development round, one that is motivated primarily by a desire to use trade as a tool for poverty reduction and development. Substantial trade liberalization such as this would provide an additional cumulative income in developing countries of some \$1.5 trillion over a decade.
- **More Coordination**—The major industrial countries are likely to have a greater positive impact if their policies move in the same direction as they did immediately after the attacks. Building *additional coordination* into the conduct of economic policy, particularly monetary policy, could help counteract large shocks in the global financial system. Beyond reliance on all-important automatic stabilizers, fiscal policy may have to be better targeted in the coming months, particularly in providing assistance to low income groups and to affected regions, which are most likely to feel the immediate brunt of a slowdown and disruption.
- **Building Social Consensus for Continued Reforms**—Only a limited number of developing countries can adopt counter-cyclical macroeconomic policies. Most countries are too small to counteract imported shocks, and many face limited financing capabilities. For these countries, *accelerating reforms* to improve the investment climate may help encourage foreign and domestic investment during this time of heightened uncertainty. Additional financing from the international financial institutions may help implement pro-poor programs and leverage directly or indirectly more private investment.

### 3.3 World Bank Group Support

The World Bank stands ready to do its part. Managers and staff—many of whom are stationed in the field—have been in contact with high-level officials in all client countries to assure them of the Bank's continued commitment to deliver on previously agreed programs, and to offer help in minimizing and mitigating adverse impacts from the heightened uncertainty, risk, and volatility in the current global economic environment. Work is currently underway to assess needs on a country-by-country basis. Particular attention is being paid to Africa, given the extreme poverty and vulnerability to declining commodity prices of so many countries there. The IDA program, including possible additional debt relief under the HIPC Initiative, is being reviewed, and IFC is paying particular attention to its programs there. Countries in other parts of the world—especially those directly affected by an increased influx of refugees or a downturn in tourist receipts—also are getting special attention.



At the same time, the Bank is reviewing its lending instruments and financial resources to see how they might be best deployed in current circumstances. The menu of responses is likely to include quick disbursing policy-based adjustment lending, emergency recovery loans/credits, and supplements to existing loans/credits designed to protect essential programs. New investment lending and portfolio restructurings designed to target assistance to newly emerging priorities and to protect pro-poor programs also are being considered.

### **3.3.1 The international bank : the attacks will charge with pakistan billion dollar**

Washington Roitrs : he said the international bank yesterday that from the likely that he loses pakistan economy billion dollar is because of the events that followed the attacks that waged in the United states in the one ten of the last month the figure Wan may rise if the military operations continue in afghanistan to a long period .

And James Wlfnson said the international bank president in a statement that the bank is ready to pakistan help that to her limits with afghanistan in the keeping on her programs is the economic Llaslah in his path .

And said the statement that « the events that followed attacks the one ten of september ( september ) the past on New York and washington I focussed a sharp hit to pakistan economy it is expected to he needed the countries at least billion dollar ... This number may rise if the crisis solution in afghanistan in a death did not complete the short a » .

And the refugee through the borders to pakistan from afghanistan flow where the air attacks started.

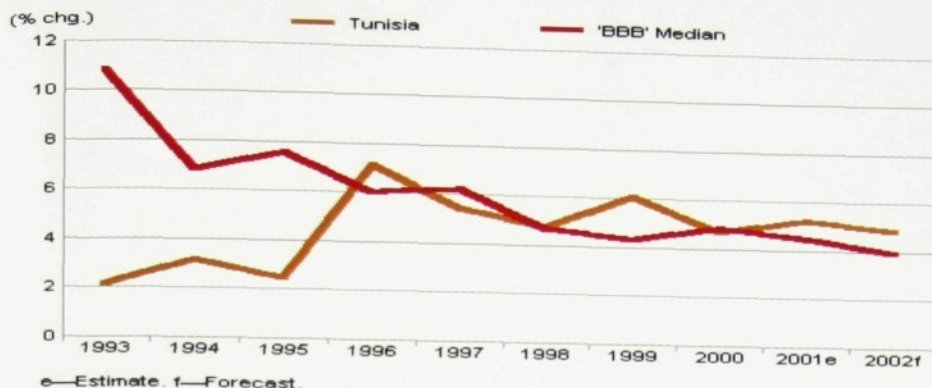
## **3.4 Impacts on Arabic Countreis**

### **3.4.1 Tunisia and US attacks**

In 2001, Tunisia's economic growth increased to 5.2%, up from 4.7% in 2000, and growth of 4.9% is forecast for 2002. Tunisia's growth trend has shifted upward in recent years, to 5.3% in 1997-2001 from an annual average of 4.6% in 1992-1996. In the medium term, growth is expected to average more than 5%. This growth has been fuelled by strong domestic demand, export, and investment growth. In 2002, Tunisia's economic growth, forecast at just under 5%, will be hindered by stagnant growth in the EU, which is Tunisia's main trading partner (80% of exports and 90% of tourists by nights spent), and lower tourism receipts following the attacks of Sept. 11, 2001 in the U.S. Although there are signs that tourism is beginning to recover, it is most likely that tourism receipts will stagnate next year.



Chart 5  
Real GDP



Source Tunisian Economic Research, ministry of economics.

With the end of the Ninth Development Plan (1997-2001), the government has been formulating its Tenth Development Plan, covering 2002-2006. The goal is to stimulate economic growth to 5.7% per year, compared with 5.3% during the previous plan. The main objectives are to provide sufficient employment to absorb the additional demand over this period, to improve the competitiveness of the export sector, and to maintain fiscal and external balances.

### 3.4.2 The dollar crisis in Egypt postpones the showing of banking bonds her value pound billion

Cairo : praise Yousef

4 Egyptian banks dignified the publication of average bonds a death by a value she reaches towards pound billions that was intending her showing to the sale in the Egyptian stock exchange and the international moneys market on the background of the last crisis to the dollar and what accompanied her from non a stability in the exchange market and a confusion in the rates of the performance of the Egyptian money market , a humiliation an anxiety investor and Egyptian and Arab and the foreigners a fear from another crisis occurrence she affects a negation on their treatments in the stock exchange .

And the banks list that became old by official applications to the shape of the Egyptian money market contains the Lasdar of average bonds a death or was she is studied by a serious form , all of the international delta bank that planned bonds Lasdar by an about 300 million pound and the international commercial bank that were intending bonds publication it by a value ranges between 200 and 300 million dollar by the take-over target on part of the international savings with liquidity provision by the local market, the exports promotion bank that decided the continuation of his program is the bonds Lasdar and that stopped a year 1999 by the showing of new bonds by a value 200 million pound to the financial resources increase to about 10 billions pound to the export sector development , she while he was the Arab



Egyptian bank heading to number of the publications showing by a gross value arrives at billion pound on that he starts by the showing of the first publication before the end of the present year by a value that ranges between 200 and 300 million pound .

And a tower the chairman of the administration of the international delta bank on a star to « the middle East a » that the stimulant factors that encouraged the banks on the expansion are in bonds publication as a substitute about the borrowing from the abroad went back on by a hardness twice per less than three months and their first after events 11 september ( september ) the past • and once the second because of the crisis that devastated the dollar exchange market and led to the black market emergence once again • explanatory that these crises created a sharp difference in the investors morales and made the confidence is movable in an Als And added that the climates before america events were preparing and supporter the Lasdar of this quality from the bonds • where that the Egyptian stock exchange have started booming and heads towards the ascent besides the decisions of the Egyptian central bank that these bonds from the rate of the reserve that gets on her the central bank from the total of the banking deposits and so is her consideration part of the liquidity size have the banks .

He mentions that the current banking bonds total in the Egyptian money market reaches 2 billions and 775 million pound of distributor as much as 900 million pound to the international commercial bank and 500 million pound to the bank of Iksbris americans and 300 million pound of Lsiti is a bank and 150 million pound to the civil general Sostih and 200 million pound to the American Egyptian bank and 500 million pound to the industrial development bank and 100 million pound to the British Egyptian bank and 125 million pound to the banking Arab corporation bank ( egypt ) .

### **3.5 Gulf Council Cooperation (GCC) losses millyards of dollars from the attacks on USA**

Economist saw that the GCC countries oil producers they have huge investments in west their losses are millyards of dollars from the terrorist attacks in United State. Gvernment and private investments for GCC countries in abroad are around millyards of dollars specially in financial markets and real state in United State and Canada.

Saudia Arabia investments in abroad are more than 200millyar dollars, and its losses about 28millyar of dollars because of fallback of financial markets and closedown of United Stasts Stock Exchange. Saeid Al-shaik, economist in Saudi Commercial Bank, said „Insurance companies gained biggest losses, explaining that becouse of amount of Saudi investments in investment companies which operating under domestic and foreign banks are 32millyar dollars“.

In Kuwait the economist Hajaj Bukadur said „the Kuwiat deposits in abroad are 150millyar dollars and they will fallback about 6%, and he added that the need for oil will fallback and this will effect economic situation in GCC countries which they are the biggest producers for oil in the region.

Hasan AlAli the Bahrainian economist said that“some companies who’s listed in GCC Stock Exchange and they have investments in United Stats and if they had losses there they shares will decrease in domestic stock exchange. Ebrahim Shrif Cheif Excutive of Tahyeb Bank in Manama, Bahrain said „prices of oil will be stable for short term period unless the US and World economy go to boom and that will decrease the oil price , and the Bahraini economist Ahmed Alyoosha expects that oil price will increase if the Middle East become conjuncture zone.



### **3.6 The banks union : the Arab banking services modernization to the stagnation encounter in the world economy**

Cairo : « the middle East a »

In an attempt to the protection of the Arab banks the biggest amount from the losses resultant about the stagnation state in the world economy that worsened by in a more generic way a clearness after september events ( september ) the American « he arranges the union of the Arab banks during the period from 22 23 of the december ( the december ) the runner by the Egyptian sheikh Sharm El Shekh a conference he participates in him number of the Arab banks experts and the upper administrators under a name « how we refresh our ditches to the tomorrow exchange encounter a » . And the conference to conversation workers between the participant aims from the upper administrators in the Arab banks round the better discussed curriculums an international and suitable to the development of the Arab banks by what qualifies her to the encounter of the contemporary challenges .

And said a D Fouad Shaker the secretary-general to the union of the Arab banks to « the middle East a » is that the conference will discuss some Arab banking experiments to the encounter of these challenges to the deduction by an integrated Arab imagination to the better mechanisms of the action to the development of the performance of the Arab banks « an indicative that the conference will depend on the open conversation between a selection from the ditches seniors and the experts in the banking domains and the financial one where he participates in the effectiveness of the conference D Joseph Trbia is the chairman of the administration of the Arab banks union and the manager of the bank of the Lebanese fund a love . Mustafa Razian is the mediterranean Sea bank president a love .A master Alhoari the president of the international center to the financial consultations is a Waladaria in cairo and number of the Arab banks presidents.

Washar Shaker is that the strategy of the union of the Arab banks during the coming stage depends activation and the cooperation scope increase she between the Arab banks through crystallization and the execution of new projects on the institutional levels and the alliances insurance between the guarantees the utilization from the available chances and the avoidance of the current dangers and the opening of conversation paths with the Arab banking gatherings outside the arab world .

And round Wasalib means and the achievement of the painted targets D Shaker confirmed that that will be from during the union function increase in the research domain and the informational one an all the same is what depends from him by the banking action or by the Arab economies from the Arab information bank development in the directions that guarantee his provision to a reference center to the provision of the comprehensive pieces of information and the integrated and accurate one about the banking industry and the financial and Arab one with crystallization and execution useful scientific and practical projects to the Arab banking sector by an annual guide placement to the banks and the Arab financial corporations the Wanshaa of corporation arab credit classification and situation system to the payments settlement between the Arab banks .



### 3.7 The severe landing in the oil prices

Brent in its lesser levels since two years and warnings by the fall continuation is what did not move OPEC.

The Venezuelan president Hago Shafiz studies ' the one that will join the Saudi Arabia in a snatcher official visit with the Saudi leadership ' important oil cases she aims at the retrogressive oil prices firmness that arrived yesterday to her lesser levels since two years with the treating avoiding to a probability that OPEC makes workers a relative to the continuous prices fall stop since a month ' and a caution treating by the landing continuation in the prices what OPEC did not do a thing during two days .

And he is informed the Venezuelan ambassador in the riyadh Karlos Mindo za Botila ' that the president tour comes in he blew his campaign to the encounter of the fall of the prices of the oil outside the scope of the price of OPEC basket between 22 and 28 dollar ' adding that his conversations with the Saudi leadership will take the better ways to the guarantee of the stability of the prices of the oil in the international markets .

And confirmed that his countries intend the encounter of any collapse in the oil prices and that by the arrangement with the producers and the consumers advantage all Altr. And indicates oil sources are a gulf that the Venezuelan president by means of his tour on some main countries the members in an organization seeks « OPEC a » to the gain of the shooting support to the necessity of the reduction of the oil production between 500 thousand and million barrel of daily to the encounter of the fall of the prices of the crude oil ' he in addition to an extensive meeting arrangement collects all oil countries the members in OPEC organization and the producers from outside her and that from her more prominent russia and mexico ' for the sake of the arrangement with the countries from outside « OPEC a » by non pumping quantities from the oil to the decrease compensation in the oil markets after the production reduction from toward countries « OPEC » .

And said these sources that OPEC countries aims by means of those meetings to the achievement of the stability of the prices of the oil in level 25 dollar to the barrel ' explanatory that the countries of the main OPEC seek meeting arrangement he collects them by actors about countries productive to the oil not members in OPEC to the cooperation possibility discussion regarding the production reduction and a sergeant to the crude oil prices improvement . As that the honest committee on the market will hold in the place of OPEC organization in vienna a meeting to her to the market situations discussion .

In in london she reported a Roitrz about treating their saying is yesterday that the promises of the officials of OPEC organization are by the preservation on the prices stability a hollow and expected that the fall continues .

In the hour 1209 by the Greenwich Mean Time it was the retraction of raw material price by the syllogistic ring the international is 44 cent to 55.20 dollar to the barrel a depression until about level 70.20 dollar and he his nearest levels since two years and that registered him after the attacks on the United states the last month . And the price retraction during one of treatment stages today to 32.20 dollar to the barrel .

And said Saimon James Thomas from that he will bring near « non Lay 's OPEC taking workers will lead in all of the states to another fall a Llasaar in a death short is what OPEC did not do a thing .

And the Saudi Arabia called a Wairan and venezuela the day before yesterday wednesday the productive from outside the organization to the contribution in the production reduction to the prices support .

And but productive from outside the organization did not show an enthusiasm mentions to the compliance of this invitation and the treating resented OPEC passivity .



And said the three countries that reduction workers are the other Lantag of the organization a mentioned matter a by reason of to the sharp fall in the demand on the oil after the attacks on the United states .

And OPEC reduced an action her production this year by amount 5.3 million barrel daily by about 13 in the hundred but the reduction did not cause the desired effect because of the production trespasses as says some .

And said the iranian minister of petrol Bign Zngnhn Lroitz in riyadh after his conversations with his saudi counterpart Ali Al-Nohaimi « the reduction may if this was necessary . The matter hinges at the market states and the consultations inside OPEC a » .

From it is decided that OPEC ministers in 14 november meet ( the november ) the coming to the market situations discussion and the production policy .

And the oil prices headed to the landing since the attacks that to her the United states in 11 september were exposed ( september ) the past with the fears increase is from a world depression . And the retreat of the economic performance led to the oil consumption fall .

And the oil prices continued her retraction this week with the indicators increase on the demand weakness is in the United states bigger and consumer to the oil in the universe is in the middle of sharp modifications to this anticipations of demand the year

And the energy pieces of information administration the day before yesterday said that the American demand is on the oil products by what are in her a benzine and the diesel he exceeded little about 19 million barrel daily in the average in the four past weeks by a fall by a rate 7.3 in the hundred about the period herself from past year .

And the agency of the international energy reduced her anticipations to the international demand on the oil the last from the year by amount 1.1 million barrel daily to 2.76 million barrel daily by a fall 600 thousand barrel daily about the period herself is from past year .



**CHAPTER 4**  
**Revenge and its Impacts in Middle East**



## **4.1 USA foreign Policy**

International terrorism threatens U.S. foreign and domestic security and compromises a broad range of U.S. foreign policy goals. Available policy options range from diplomacy, international cooperation and constructive engagement to economic sanctions, covert action, physical security enhancement and military force.

Throughout successive administrations, a key element of stated U.S. policy has remained: no concessions to terrorism. Recent willingness by such groups as the PLO, and to a lesser extent the IRA, to moderate behavior may be indicative of the success of this policy. In this context, the current U.S., British, and Israeli policies of engagement with such groups is supported by some as a response to changing circumstances.

Dramatic events, such as the Oklahoma City bombing, the World Trade Center bombing, and the Tokyo subway gas attack, have brought the issue of terrorism to the forefront of American public interest. These specific occurrences raise questions whether U.S. policy and organizational mechanisms are adequately focused to combat what may be a new brand of terrorist: one who does not work for any established organization and who is not an agent of any particular state sponsor, yet has access to the most lethal weaponry.

Current definitions of terrorism ignore the possibility of terrorist activity for financial profit or terrorists motivated by religious goals. Non-traditional harm such as computer "violence" is excluded as well. Such activity may well be on the rise, and the current policy mindset which sees all terrorism as politically motivated and violent behavior may limit our ability to combat new and expanding forms of terrorism.

Terrorist access to chemical, biological, or nuclear weaponry raises the specter of mass-casualty attacks. Faced with such prospects, governments are increasingly likely to consider utilizing covert operations to protect their citizenry.

In the context of these developments, and in light of the shifting nature and enhanced intensity of the new terrorist threat, a re-evaluation of U.S. counter-terrorism policy, organizational structure, and preparedness to respond to major terrorist incidents in the United States may prove timely.

Radical Islamic fundamentalist groups are seen to pose a major terrorist threat to U.S. interests, and this threat is magnified by Iran's active funding, support, training and coordination of such group activity. Of the seven states on the State Department's terrorism list, Iran stands out as the one state currently engaged in sponsoring widespread, systematic, active, and ongoing acts of terrorism. Iran has been aggressively seeking nuclear weapons technology. Sanctions, to date, have not deterred such activity to any meaningful degree.



## 4.2 Revenge

The attack against Afghanistan represents another crime against peace and against humanity. This attack represents a part of patriarchal system of vengeance. The cycle of vengeance started with the brutal attacks on New York and Washington on September 11th 2001.

This is not an attack against Osama Bin Laden, nor against his terrorist organization, this is an attack against the civilian population of Afghanistan and the whole region. All the militarists speak and act in the name of "higher national causes", and they actually misuse the interests of the nation and they threaten the fragile peace in the world. As President of the USA Bush explains, the fact that airplanes will be throwing packages containing food and medications straight after they throw each bomb, is the sign of friendship – which all together is the peak of cynicism. We know that by this, Bush wishes to prove this intervention humanitarian and moral, when he is actually justifying the increase of military budget and military expenses, as well as of military industry. The same thing is being done by the dictatorship regimes in Arab states. The civil population, as in every war, is the biggest victim.



Figure 7

### 4.2.1 A draft resolution American to the security council to the terrorism fight

The United states gave a draft resolution that guided the seventh chapter from the united Nation Charter . And it is the punishments separation , all of the countries necessitate stop the provision of all of the terrorist actions followed prohibition imposition on it . And the project that came to the councillors necessitates the incrimination by all of the means by a direct way or not direct any provision due to the countries nationalities or coming about lands by the intention of its use or by the knowledge of its use for the sake of the execution of terrorist actions .

The project necessitates the stagnation of any financial incomes or economic sources to any individuals that committed or intend the commitment of the terrorist actions or until the participation or the facilitation of the missions of the terrorist actions an all the same was by a direct form or not direct from toward these individuals or by the representation about them or any side befalls about them an all the same was issued about private properties or controls her by a direct form or not direct the terrorist persons or the a related Wafrad organizations.



And the draft resolution invites all of the members states to the prevention of any citizen or any persons and entities in the scope of their regions from the preparation of any moneys a financial Wasol or economic resources or financial services or an except by a direct form or not direct advantage persons committed or tried that facilitated or they participated in the execution of terrorist actions and entities that possesses it or controls it by a direct form or not direct these persons or persons and entities make by the prosecution or by the directing of these persons .

And the American draft resolution decides that all of the countries abstain from the offering of any form from the forms of the positive support or the negative one to entities or persons that share terrorist actions by what is in that by means of the prevention of the employing of the terrorist groups members and the weapons provision prevention aterrorists. And invites the project is to that it makes all of the countries of the steps essential to the prevention of the commitment of the terrorist actions by what in that by means of an early warning to the other countries by the information exchange , a Wan refuses a safe to these who finance shelter provision and plan they support or commit terrorist actions or provide Aaminah 's shelters . And invites the countries are that abstention is these who finance and plan they facilitate or commit terrorist actions from the use lands to those aims against other countries or her citizens .

And demands the project is all of the countries condensation by that it finds means and the operational information exchange accelerations is and by specially in what depends on actions or the movements of the terrorist persons or the terrorist networks , and false travel documents, the trades and the explosives or the sensitive one and the transportation technologies use by terrorist groups and the threat by the weapons of the collective destruction from the side of terrorist groups .

And invites also to the information exchange according to the international law and the local one and the cooperation regarding administrative and judicial matters to terrorist actions commitment prevention . It pressed on that she co-operate by specially by means of arrangements and bilateral agreements and the multilateral one and prevents the terrorist attacks suppress and workers against doer make these actions . Wakid is an importance that the countries become sides in a faster what it is in the agreements and the international protocols that it was put to the terrorism struggle by what is in the agreement specific by the terrorism provision stop .

And according to to the draft resolution the council indicates an anxiety to the strong relationship between the international terrorism and the organized crime through the nationalism and the trade by the drugs and the moneys washing and the smuggling of the nuclear materials and the chemist one and the two biology and an except from the materials with the murderous abilities . And confirms the project is concerning this the need to the efforts arrangement consolidation on regional national and like levels and international who polish an international answer support on these challenge and the threat the two dangerous to the international security . And decides the security council according to to the draft resolution that a committee follower to the council arises consists from all of the members states in the council to the observation of this decision execution in the state of his adoption and by an assistance from the suitable experts side .And invites all of the countries are to that it is informed the committee by any operations it makes it to the execution of this decision in a date that do not exceed 60 days from the taking of this decision.

Mullah Omar repeated the Taleban s position that Bin Laden could not have orchestrated the attacks on the World Trade Center and the Pentagon as he lacked the resources to do so. Taleban Education Minister, Mullah Amir Khan Muttaqi, told the Afghan Islamic Press agency that a final decision was expected by Thursday, with the clerics issuing a fatwa, or



religious edict. In a statement from his base in the city of Kandahar, Mullah Omar said: "Islam is a true way of life and our enemies and those against our religion believe that we are their enemies." In the meantime, United States combat aircraft have been ordered to move towards the Gulf region.

Correspondents say the decision is the most significant yet in Washington's preparations to retaliate for last week's suicide plane missions in New York and Washington. According to sources at the Pentagon, US Defence Secretary Donald Rumsfeld has ordered more than 100 aircraft to start moving to the region on Thursday. Indonesian President Megawati Sukarnoputri has warned the US president against action which could be interpreted as revenge against Muslims. She was speaking in Washington, where on Wednesday she was the first leader of an Islamic country to meet George W Bush since last week's terrorist attacks. Megawati strongly condemned the attacks on New York and Washington.

George W Bush used the meeting to try and rally support from countries which may be unwilling to play an overt military role. He called for all kind of support to try and track down the perpetrators of the attacks. After holding talks with Indonesian President Megawati Sukarnoputri, the leader of the world's largest Muslim nation, Mr Bush stressed that the US campaign against terrorism was not a war against Muslims, or their religion. Mr Bush said he would also address Congress on Thursday night to say who carried out the attacks on New York and Washington. French President Jacques Chirac has said France will not stand aside in the international fight against the scourge of terrorism-but he said his country still had to determine and evaluate its contribution.

President Chirac was speaking after a meeting at the United Nations headquarters with UN Secretary-General Kofi Annan. The lower house of the German parliament has voted overwhelmingly to support international military efforts to fight terrorism. From his side, Chancellor Gerhard Schroeder told parliament yesterday that the fight was not a war against a state or the Islamic world. Separately, the German Government approved measures that would allow authorities to outlaw religious groups that abuse their status to engage in criminal activities. That proposal must still be approved by parliament.

The government did not name any specific organisations it wants to ban. At the same time, inhabitants of Herat, Afghanistan are heading towards the Iranian borders, while half of Kandahar has been evacuated according to information of the United Nations High Commissioner. Additionally, inhabitants of Kabul are heading to the Pakistani borders. However, according to United Nations, the bad road network, the lack of fuel and poverty delay the inhabitants' exodus from urban centres. From his side, Pakistani President Pervez Musharraf says Pakistan is facing its worst crisis for 30 years over its support for US action against Osama Bin Laden and his Taliban protectors. In a televised address to the nation, he said the country was threatened with destruction, and had to save itself. He also warned that, if Pakistan made the wrong decision now, it could adversely affect the Kashmir dispute with India.

US President George W Bush praised President Musharraf for taking a "bold position", while White House spokesman Ari Fleischer said the speech was "an indication of the strong relationship between the US and Pakistan." Islamabad has bowed to US pressure for assistance in military action against Afghanistan, following last week's suicide attacks on the World Trade Center and the Pentagon, which left thousands dead. In his speech, General Musharraf acknowledged that many of his countrymen were bitterly opposed to his support



for the US, but argued that the move did not go against the principles of Islam. Meanwhile, British Prime Minister Tony Blair is visiting the United States today.

On a relative development, the ministers of Interior and Justice of the European Union country-members will discuss in Brussels today about measures regarding the combat of terrorism.

From his side, Prime Minister Costas Simitis stressed that Greece would not tolerate any terrorist acts, adding that as a NATO member it would participate in any initiative decided. Additionally, Foreign minister Yorgos Papandreou said that Greece's position would be determined by its national interests.

Earlier, after his meeting with the President of the Hellenic Republic Costis Stephanopoulos, Mr. Papandreou announced that a new bill would be prepared that would allow the forming of a Foreign Policy Council, while New Democracy party leader Costas Karamanlis reiterated his demand for a meeting among political party leaders. The European Union official responsible for European Union enlargement stated that the European Union does not take under consideration the allegations of the former CIA Manager James Wolsey that Cyprus consists a tax paradise for Osama bin Laden, adding that no such thing had been proved by any International Organisation. On a relative development, the Arab ministers of Foreign Affairs are meeting in the Saudi Arabian capital on Sunday to discuss about efforts in combatting terrorism, following the attacks launched on America and the latest developments in the Arab-Israeli front.

The Arab countries in the Gulf have promised to help the USA in their effort to combat terrorism, without however clarifying what their role will be in this framework.

#### **4.2.2 US Army ready for full-scale land combat**

The US Army is ready for sustained land combat as part of the war against terrorism. The troop deployment order signed by Defence Secretary Donald H Rumsfeld includes Army as well as Air Force troops. Army Secretary Thomas E White said it is only the first step in a broader military plan that would unfold in the weeks ahead.



Figure 8



White declined to say which Army forces are included in the initial deployment, but admitted: "We are ready to conduct sustained land combat operations as determined by the secretary of defence and the president." Officials have disclosed the Air Force is taking the first steps to dispatch dozens of warplanes to the Gulf area, setting in motion "Operation Infinite Justice."

Senior defence officials say combat aircraft, including F-16 Fighting Falcons and F-15 Eagles, will be preceded by Air Force airlift control teams.

#### **4.2.3 Saudi Arabia rejects US request to use its air bases**



Figure 9

A Saudi Arabian official says his country has rejected a US request to use its air bases for an offensive against terrorism, apparently due to concern about possible strikes on a fellow Arab state. President George W Bush's administration blames a pan-Arab network of Islamic militants led by exiled Saudi dissident Osama bin Laden for the attacks on New York and Washington on September 11 that left more than 6,000 people missing or dead. Officials indicate that a strike on Afghanistan, where bin Laden is in hiding, could come at any time. But Saudi officials say the US can not use the Prince Sultan Air Base, south of the capital Riyadh, for retaliatory attacks.

Last week, the commander of the US Central Command's air operations, Air Force Lieutenant General Charles Wald, shifted his operations to the base from South Carolina. The unnamed Saudi official says: "Saudi Arabia will not accept any infringement on its national sovereignty, but it fully backs action aimed at eradicating terrorism and its causes."

A spokesman for the US State Department says: "Saudi military co-operation with our international effort has been excellent." He adds that Mr Bush and Secretary of State Colin Powell have said "there will be many facets to our international effort to bring to justice those responsible for the September 11 attacks, including efforts in law enforcement, diplomacy and international finance. "As we move forward, we will be looking to the Saudis and others for assistance in these efforts." The United States and Saudi Arabia have been close allies for more than 50 years. US troops have remained in the kingdom since leading the multi-national coalition which ended Iraq's invasion of Kuwait in 1991.



#### **4.2.4 Saudis say 'no' to military help**

Saudi Arabia is refusing to allow itself to be used as a base to launch strikes on the Taliban. Defence Minister Prince Sultan says the situation is different from the Gulf War and Saudi bases can't be used to attack any Muslim country. He describes reports an agreement has been reached with the US over military co-operation as "nonsense". Saudi Arabia, the birthplace of Islam, is pledging its support for the global fight against terrorism and cut diplomatic ties with the Taliban for its refusal to hand over Osama bin Laden. But, quoting Arabic-language newspaper Okaz, Sky News reports Prince Sultan says: "We do not accept the presence in our country of a single soldier at war with Muslims or Arabs."

He adds that 40 Western military aircraft were in Saudi only to monitor southern Iraq under a UN Security Council decision and would not be allowed to join in attacks on Afghanistan.

#### **4.2.5 Afghanistan 'will become US troops graveyard'**

Afghanistan will become a graveyard for British and US troops if they invade the country, the Taliban's foreign minister claims. Wakil Ahmed Mutawakil says a US-led force will suffer great losses if they try to invade the mountainous country. He adds an attack would be state terrorism and vowed not to hand over the country's guest Osama bin Laden. He told Austrian magazine Profil: "We will defend ourselves without regard to losses. We won against the English and Russians, the Americans will lose too."

"The Americans have become a threat not only to us but to the whole world. But we are not afraid. "If they bombard us from the air, they will not find any targets but only kill innocent people. But if they march into our country, they will suffer great losses. Afghanistan will become a graveyard for the US military." Mutawakil said he did not know who was responsible for the attacks on the United States. He added: "The Taliban and all Muslims have condemned the attacks. Islam does not allow the killing of the innocent."

"Sheikh Osama bin Laden is our guest and under our control. Even if we extradited him, the Americans would not leave us in peace."

#### **4.3 Amnesty International warns revenge could be humanitarian disaster**

Amnesty International has told the US and United Nations the victims of the terror attacks deserve justice not revenge. The organisation says it has written to President George Bush and the United Nations Security Council urging them to respond in a just and fair way. It warns direct military action against Afghanistan may cause the deteriorating refugee crisis in and around the country to turn into a humanitarian disaster. Richard Bunting, director of communications at Amnesty International UK, says: "Many civilians in Afghanistan and elsewhere may now feel they are facing down the barrel of a giant gun. "People in and around



Afghanistan, many of whom are victims of terrible human rights violations living in circumstances of great humanitarian distress, need the international community's reassurance that the highest standards of justice will prevail in the search for the perpetrators of 11 September's crimes." The human rights organisation also says the closing of borders around Afghanistan is "inhumane and in direct contravention of international standards".

#### **4.4 Opium stockpiles 'could be military target'**

Military analysts say huge hidden stockpiles of heroin and opium could be one of the most effective targets for military strikes in Afghanistan. Opium has provided a vital lifeline to the Taliban, providing a constant flow of narcotics cash that has helped prop up its war machine. Although Afghanistan has no modern factories, telecommunications networks or financial centres, it dominates the world's heroin trade. Last year the Taliban enforced a ban on opium growing, but it is not believed to have destroyed any stockpiled opium and heroin. A UN expert panel on Afghanistan has concluded that the only reason for the ban was to keep heroin prices high in the West after several years of bumper poppy crops. Now there are signs that opium growing is likely to resume.

"They're already contemplating going back to cultivation," said Tadesse Zeru, an Oxfam agricultural adviser who returned from Afghanistan last week. Opium growing exploded after the Taliban seized power in 1996. By 1999, Afghanistan was growing more than 4,000 tonnes of opium a year, according to the United Nations Drugs Control Programme. The impoverished country became the source of three quarters of the world's illegal heroin and 90% of Europe's, *New Scientist* magazine reported. One option already considered is to spray poppy fields to kill the crops. In neighbouring Uzbekistan the UN, with US backing, has been funding trials of a fungus that attacks the plant's roots. However, using anything resembling a biological weapon might prove a public relations disaster. In any case it will be months before enough poppies are growing again to make an attack worth while. Experts believe seeking out and destroying stockpiles of opium and heroin would make more sense.

#### **4.5 Rallies in Pakistan to support US policy**

Pro-government rallies have been held in several cities in Pakistan to support President Pervez Musharraf's agreement to join the US war against terrorism. Officials have used the rallies to try to reduce opposition by hardline Muslim religious parties who support Osama bin Laden. In the northern city of Peshawar near the Afghan border, considered a stronghold of the pro-Taliban Islamic groups, several hundred people shouted anti-bin Laden slogans. Meanwhile, several thousand school and college students attended a rally in Islamabad, shouting slogans for peace and national unity. Foreign Minister Abdul Sattar told the crowd: "Our priority should be unity because the country faces a grave crisis." He added: "We are with the rest of the Islamic world and the international community in the fight against terrorism." But the rallies have been much smaller than anti-Musharraf protests held in cities across the country at the request of the Islamic religious parties.



#### **4.6 Rumsfeld leaves for Middle East mission**

US Defence Secretary Donald Rumsfeld has left for a four-nation mission to the Middle East that could be a prelude to military strikes against terrorists. The defence secretary will have talks with leaders in Saudi Arabia, Oman, Egypt and Uzbekistan, key members of the US coalition. Rumsfeld's first scheduled stop is Riyadh, the Saudi capital. Before leaving, Rumsfeld ordered 1,000 troops from the Army's 10th Mountain Division at Fort Drum, New York, to the former Soviet republics of Uzbekistan and Tajikistan, both of which border Afghanistan, The Washington Post reports. Pentagon officials refused to discuss the report.

##### **4.6.1 Witnesses describe Afghanistan attacks**

Afghans have been speaking of the overnight attacks on their country. One man said he saw at least four people injured. Kandahar's airport and the home of the Taliban leader Mullah Mohammed Omar, appeared to have been the primary targets in the city. A man calling himself Nematollah, said: "I was standing on my roof when I heard planes overhead, and the next thing I knew there were explosions and panic everywhere. "The electricity went out, and people were running in the streets in the darkness." Malang Bacha, who arrived in Chaman with his wife and four children after a three-hour journey in a pick-up truck loaded with other fleeing residents, commented: "Many people began to flee the city after the attacks began. It was very hard to see in the dark, but I saw four injured people."

At the border, business appeared to unfold as usual, with no sign of fleeing refugees. Most of the steady stream of people crossing have businesses on the Pakistani side but live in Kandahar. In Chaman, where Taliban influence and support is strong, people talked of calling a general strike. A half-dozen trucks loaded with flour waited for the border to open to cross into Afghanistan. Pick-ups filled with blocks of melting ice and bound for Vesh, a market just across the border, also waited for guards to lower the chain that marks the frontier. In Torkham, a border town at the Khyber Pass in north west Pakistan, no large-scale movements of Afghans were reported at major crossing points.

##### **4.6.2 'We are not at war with Muslims' says Blair**

Tony Blair is issuing a direct message to Muslims the war against terrorism is not directed against them. He claims Osama bin Laden would impose fundamentalist Islamic regimes across the Middle East. In an interview conducted with the Al-Jazeera satellite television station, the Prime Minister says the al Qaida network represents as much of a threat to moderate Arab states as it did to the West. "This is not about the West versus Islam. Decent Muslims, millions of them in European countries, have condemned these acts of terrorism in New York and elsewhere in America with every bit as much force as any of the rest of us. "Let us be clear, when we listen to the words of Osama bin Laden, if he has his way, the regimes that he would replace in the Arab world, would be like the Taliban regime in



Afghanistan. "I don't believe that anybody seriously wants to live under that kind of regime." Al-Jazeera, which is widely watched across the Middle East, has come to international prominence in recent weeks because of its close contacts with bin Laden and his al Qaida network.

Bin Laden has chosen to issue a series of statements and videos through the station, his latest calling for Muslims to rise up against the "infidels" bombing Afghanistan. These events have divided the world into two camps, the camp of the faithful and the camp of the infidels. Every Muslim must rise to defend his religion," he said. Mr Blair's interview with Al-Jazeera will be seen as a direct attempt to counter bin Laden's message in the Middle East, where tensions are running high in many countries following the attacks.

#### **4.6.3 Blair not ruling out attacks on other countries**

Tony Blair has refused to rule out military action against countries other than Afghanistan. The Prime Minister made his comments on BBC2's Newsnight programme. Asked whether Britain would back strikes against Iraq, he said that the first phase of the war was against Afghanistan. He added: "What I am not going to be prepared to do is to say that if there is evidence that emerges in respect of other terrorist operations elsewhere in the world we are not going to take action. "But I am not going to engage in speculation about that. What I say is that is something to consider, debate and discuss with our coalition partners." Turning to the Middle East peace process Mr Blair repeated that "nothing could ever justify" the US terror attacks and stressed they had been condemned by the Palestinian authorities.

He said: "But I do think we need to understand the real sense there is here in the Arab world and different parts of the world about the injustice of the conditions in which the Palestinians live. "We need to use this not as an excuse to let the peace process wither but on the contrary as an opportunity to reinvigorate it. "We will play whatever part we can in that."

#### **4.6.4 Omar says his 'death would not end struggle'**

Taliban leader Mullah Mohammed Omar says the war with America would not end with his death. He said others will take over if he was killed. He makes the comments in an interview with a Saudi magazine. "My death will not end the war. The (Afghan) tribes along with the Taliban are ready for war ... and they agreed to that," Omar was quoted as telling the London-based Saudi political weekly magazine, Al-Majalla. He spoke to a correspondent in the Taliban headquarters of Kandahar, a day after the US-led air strikes in Afghanistan began, says Essam Abdullah, the political editor.





Figure 10

Abdullah claims the interview is a compilation of more than one meeting with Omar. He says his reporter left Kandahar after his last meeting with Omar but was still inside Afghanistan. "The outcome of what we are in is either victory or death. Both are the making of God," Omar was quoted as saying. "As for those who strike against us now, they have to know that the struggling nature of the Afghans and the geography of Afghanistan make our country a grave for the invaders." U.S. warplanes targeted Omar's compound outside Kandahar on Sunday night and Wednesday morning. Omar is believed to have fled his compound on Sunday.

#### 4.7 Future of Terrorism

Possibly, we will see a relative decline, perhaps even extinction, of what we traditionally considered "ideological" terrorism: namely, the phenomenon that brought terrorism to the global stage via hijackings and bombings beginning around 1968, perpetrated by such groups as Red Army Faction, Red Brigades, Japanese Red Army, etc. The end of the Cold War has resulted in the drying of the well of support for anti-Democratic/anti-Capitalist, Marxist-based ideologically motivated political terrorists. Although there are a few of these ideologically motivated groups still active (particularly in Peru), the world will see these groups become extinct one by one, though possibly not without each one perpetrating one last paroxysm of violence before they disappear.

At the end of the Cold War, ideological terrorism lost its support and *raison d'être*, however, the "depolarization" of the world has allowed several ethno-religious conflicts, some centuries old, to manifest themselves in terrorism, insurgency, regional instability, and civil war. Ethno-religious terrorism will not die away, and could respond to several future stimuli. Examples of these stimuli include: an increasing US presence in the Middle East and Pacific Rim, Western development of the Caspian oil reserves, and flourishing Western technological development (and attendant cultural exposure) in the Middle East and Pacific Rim. Former Soviet Republics (especially Transcaucasus) might grow less stable as outside influences increase (economic, political and technological/media), Russia's ability to suppress insurgency lessens, economic conditions in those republics decline, and political power becomes a commodity for corruption and organized crime. As stability weakens in Central Asia, and Islamic fundamentalism gains political power the result of "protest votes" in governments from



Turkey to Indonesia but especially in Central Asia, relations among countries in the region could become more strained.

However, I believe relative to the above two other forms of terrorism (ethno-religious and ideological), single-issue terrorism will rise disproportionately, especially with US domestic terrorism, including groups oriented around or against technology (e.g. neo-Luddites). In the post-print age, groups, even nationalities, will organize themselves without geographic constraints, bringing diaspora together and uniting issue-oriented groups and religions through the course of globalization, which will paint clearer pictures of who and what has the ability to affect and influence masses of people. This, coupled with the general evolution of state sovereignty (in which many super- and sub-state organizations, including corporations, could challenge the state-centered international system), will likely drive terrorism and guerrilla warfare into being more broadly rejectionist: attacking more than just the general legitimacy of states, but also Non-Governmental Organizations, Multi-National Corporations, etc. Furthermore, access to weapons and methods of increasing lethality, or methods targeting digital information systems that attract wildly disproportionate effects and publicity, will allow terrorists to be "non-affiliated" with larger, better financed subversive organizations or state sponsors. This could result in terrorist cells that are smaller, even familial, and thus harder to infiltrate, track, or counter. Terrorism will be increasingly networked, with smaller and more self-sufficient cells, and will globally integrate parallel to digital global integration, and will permeate geographic boundaries and state sovereignties just as easily.

Also, keyed in with the rise in single-issue terrorism will be the rise in "true" guerrilla movements within the US: that is, movements that seek the destruction of the US government, rather than movements that seek to influence government, a particular policy or population. This also includes movements that are geographically centered, rather than cellular and sparse, operating in rural areas rather than urban centers.



## **conclusion**

We certainly want to reduce the level of terror, certainly not escalate it. There is one easy way to do that and therefore it is never discussed. Namely stop participating in it. That would automatically reduce the level of terror enormously. But that you can't discuss. Well we ought to make it possible to discuss it. So that's one easy way to reduce the level of terror.

Beyond that, we should rethink the kinds of policies, and Afghanistan is not the only one, in which we organize and train terrorist armies. That has effects. We're seeing some of these effects now. September 11th is one. Rethink it. Rethink the policies that are creating a reservoir of support. Exactly what the bankers, lawyers and so on are saying in places like Saudi Arabia. On the streets it's much more bitter, as you can imagine. That's possible. You know, those policies aren't graven in stone. And further more there are opportunities. It's hard to find many rays of light in the last couple of weeks but one of them is that there is an increased openness. Lots of issues are open for discussion, even in elite circles, certainly among the general public, that were not a couple of weeks ago. That's dramatically the case. I mean, if a newspaper like USA Today can run a very good article, a serious article, on life in the Gaza Strip...there has been a change.

The things I mentioned in the Wall Street Journal...that's change. And among the general public, I think there is much more openness and willingness to think about things that were under the rug and so on. These are opportunities and they should be used, at least by people who accept the goal of trying to reduce the level of violence and terror, including potential threats that are extremely severe and could make even September 11th pale into insignificance. The atrocity of September 11 should remind us of an economic lesson that is better taught by the Bible than by any economics treatise. The greatest threat to prosperity is not inflationary central bank policy, or high rates of taxation, or overbearing regulation. Those do much damage, to be sure, but they are symptoms of the disease, not the disease itself. The greatest threat to prosperity is something fundamental to human nature: the propensity for evil. It may seem callous to discuss the economic cost of 11 September's evil. Life is what is precious, not buildings. But the economic cost is impossible to ignore. It's staggering. Recent estimates have property and casualty damages running between \$40 and \$60 billion. Businesses have been devastated, financial markets are reeling, and international trade, already contracting before the atrocity, is now contracting even more.

The longer-term economic consequences will be more subtle but almost as perverse. Now and well into the future, this country will pour vast amounts of resources into security and defense. The economic cost of the shift in resources is enormous. Resources poured into security and defense cannot be used to produce houses, food, or medicine. Evil comes in many forms and varying degrees. The September 11 evil is the most destructive type: the desire for power over other people and the willingness to use violence to attain it.

God commands us to love others as we love ourselves. The desire for coercive power is the antithesis of this commandment. While the desire for coercive power sometimes manifests itself in private life, it flourishes in the political realm. Indeed, throughout history, politics, government, and violence have been three heads of the same monster. Government



historically has rarely been a means of preserving order; even more rarely has it been a means of preserving freedom. Far more often, government has been the choice instrument of evil, an instrument of conquest and oppression wielded by those who lust for power. The economic cost of the lust for power is as vivid as it is tragic. The poor countries of the world are not poor because they lack natural resources, or have poorly educated work forces, or have been exploited by global capitalism. They are poor because they were or still are ruled by tyrants, torn up in civil wars by would-be tyrants killing their way to power, or ravaged by imperialist states. The American empire is anything but innocent in the latter respect, and it is not unpatriotic or un-American to say so. It was none other than George Washington who, in his farewell address, warned his fellow Americans that the greatest threat to American freedom was involvement in foreign political affairs. U.S. government "involvement" – now there's a euphemism – in the Middle East began in earnest in the 1940s. It was then that the region became a focal point of U.S. foreign policy. The object was not to advance freedom or democracy but to fuel the empire – literally. Virtually every U.S. government action in the Middle East, from staging coups to weapons grants to war, has been taken to secure America continuous access to Middle Eastern oil.

Economic life is not so much about prosperity and poverty as it is the choices that lead to prosperity and poverty, including the choice of doing evil. Man is a fallen being and is thus prone to evil, but there is no more destructive evil than the desire for coercive power. The cost of such evil is incalculable.



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## Appendix 1

## Building: 1 World Trade Center - North Tower

Tenant	SF Leased	Industry	Floor
Alan Anthony	N/A	Business Services	
Royal Thai Embassy Office	N/A	Government	
NY Coffee Station	N/A		
Tes USA, Inc.	400	Financial Institutions	
Strawberry	7,106	Retailers/Wholesalers	CNCR
Ann Taylor Loft	7,200		CNCR
Delta Airlines	400	Transportation	LBBY
Olympia Airport Express	N/A		LBBY
Avis	N/A		LBBY
Port Authority of New York & New Jersey	22,411	Government	3,14,19,24,28,31
Geiger & Geiger	1,588	Law Firms	4,25,78
Gayer, Shyu & Wiesel	800	Accountants	5
Thai Farmers Bank	4,512	Financial Institutions	7
Amerson Group Co., Inc.	N/A	Personal Services	8
Bank of America	132,586	Financial Institutions	9-11,81
Porcella Vicini & Co.	2,200	Transportation	11
Primarch Decision Economics	4,954	Business Services	11
Instinet, Inc.	65,844	Financial Institutions	13,14
Dun & Bradstreet, Inc.	22,750	Personal Services	14
Landmark Education Corporation	44,407	Personal Services	15
Zim-American Israeli Shipping Co.	10,000	Transportation	17
Empire Health Choice	461,000	Insurance	17,19,20,23,24,27-31
Tower Computer Service	585	Retailers/Wholesalers	21,29
United Seamen's Service AMMLA	2,400	Personal Services	21
United Hercules Inc.	10,000	Transportation	21
Avesta Computer Services, Ltd.	1,464	Computers/Data Processing	21
Continental Logistics, Inc.	734	Personal Services	21
Dongwon Securities Co. Ltd.	1,171	Financial Institutions	21
Dr. Tadasu Tokumaru, M.D.	520	Medical	21
Friends Villas Fischer Trust	N/A	Financial Institutions	21
Friends Ivory & Sime, Inc.	13,262	Financial Institutions	21
Infotech	1,400		21
Law Offices of Roman V. Popik	586	Law Firms	21



Lief International USA	3,100	Manufacturing	21
Unicom Capital Advisors LLP	5,483	Financial Institutions	22,84
Chicago Options Exchange Corp.	3,608	Financial Institutions	22
Cheng Xiang Trading USA Inc.	1,900	Computers/Data Processing	22
G.C. Services	2,561	Financial Institutions	22
Gold Sky Inc.	421	Manufacturing	22
Kaiser Overseas Inc.	265	Manufacturing	22
Karoon Capital Management	991	Financial Institutions	22
MLU Investment	1,175		22
P. Wolfe Consultants	2,165	Business Services	22
The SCPIE Companies	2,582		22
Tai Fook Securities	1,500	Financial Institutions	22
R.H. Wrightson & Associates, Inc.	N/A	Financial Institutions	25
Garban-Intercapital	60,548	Financial Institutions	25,26
China Patent & Trademark USA	400	Law Firms	29
World Travel	25,000	Transportation	29
Banco LatinoAmericano de	3,000	Financial Institutions	32
Chang HWA Commercial Bank	12,182	Financial Institutions	32
Rohde & Liesenfeld, Inc.	5,000	Transportation	32
Berel & Mullen	2,786	Law Firms	33
China Daily Distribution Corp.	800	Personal Services	33
Data Transmission Network Corp.	342		33
Golden King (USA) Limited	190	Transportation	33
Hu Tong International (USA) Co., Ltd.	583	Retailers/Wholesalers	33
Koudis International Inc.	600	Transportation	33
MANAA Trading Group, Inc.	1,013	Financial Institutions	33
MIS Service Co.	2,000		33
Rachel & Associates, Inc.	814	Manufacturing	33
Serko & Simon	8,605	Law Firms	33
Anne Pope, Law Offices of	N/A	Law Firms	35
Kemper Insurance Companies	92,232	Insurance	35,36
Commodity Futures Trading Commission	35,000	Financial Institutions	37
Government of Thailand	5,109		37
Lehman Brothers	45,100		38-40
Regional Alliance Small	1,692	Business Services	38
Turner Construction Company	1,000	Agri/Mining/Utilities	38
The Cultural Institutions	5,416	Financial Institutions	39



Retirement Systems

Overseas Union Bank, Ltd.	3,750	Financial Institutions	39
Xcel Federal Credit Union	4,200	Financial Institutions	39
Mechanical Floor	N/A		41-43
N.Y. Society of Security	3,000	Government	44
American Lota International	626	Transportation	45
China Construction America, Inc.	2,000	Business Services	45
The Company Store	800	Retailers/Wholesalers	45
Dunavant Commodity Corp	1,437	Financial Institutions	45
Employee Merit	763	Business Services	45
Fertitta Enterprises	600		45
M.A. Katz, CPA	400	Accountants	45
SRA	1,000		45
Pure Energy Corp.	5,935	Retailers/Wholesalers	45,53
Sassoons Inc.	1,000		45
Security Traders Association, Inc.	1,520	Personal Services	45
Streamline Capital, LLC	2,024		45
ASTDC, Inc.	3,760	Personal Services	46
Auto Imperial Co.	374	Retailers/Wholesalers	46
Blue Sky Technologies, Inc.	350	Computers/Data Processing	46
Can-Achieve	392	Business Services	46
Consolidated Steelex Corp.	2,277	Manufacturing	46
Dahao USA Corp	N/A	Retailers/Wholesalers	46
J & X Tans International	338	Transportation	46
Kanebo Information Systems Corp.	800	Computers/Data Processing	46
Meganet Management Consultants, Inc.	600	Computers/Data Processing	46
Prospect International, Inc.	966		46
Sinopec USA, Inc.	4,584	Retailers/Wholesalers	46
Suggested Open Systems, Inc.	600	Computers/Data Processing	46
Suntendy America, Inc.	1,000	Retailers/Wholesalers	46
T&T Enterprises International, Inc.	1,006	Financial Institutions	46
Yong Ren America, Inc.	394		46
G. Z. Stephens, Inc.	1,200	Business Services	47
NFA/GGG, Inc.	2,053		47
American TCC Int'l Group, Inc.	5,736	Financial Institutions	47,90
Pacific American Co.	4,753	Retailers/Wholesalers	47
Quint Amasis, L.L.C.	1,000	Personal Services	47
W.J. Export-Import, Inc.	800	Retailers/Wholesalers	47
Dai-Ichi Kangyo Trust Co.	100,000	Financial Institutions	48-50
AT&T Corporation	11,612	Communications	51
C & P Press	N/A	Personal Services	51
TradeWeb	N/A	Online trading	51



The Williams Capital Group	578		52
Bramax Manufacturing (USA) Corp.	800	Retailers/Wholesalers	52
Gayer Shyu & Wiesel	N/A	Financial Institutions	52
Hill Betts & Nash, LLP	21,609	Law Firms	52
Temenos USA, Inc.	6,000	Retailers/Wholesalers	52,84
Howly (US) Corporation	1,150		52
Leeds & Morrelli	1,617	Law Firms	52
Okasan International (American) Inc.	2,250	Financial Institutions	52
RGL Gallagher PC	984	Accountants	52
Richard A. Zimmerman, Esq.	1,150	Law Firms	52
A I G Aviation Brokerage, Inc.	2,500	Insurance	53
Bank of Taiwan	7,500	Financial Institutions	53
China Resource Products USA Ltd.	N/A		53
Keenan Powers & Andrews	4,500	Law Firms	53
LoCurto & Funk, Inc.	N/A	Financial Institutions	53
Natural Nydegger Transport Corp.	3,500	Transportation	53
Pacrim Trading & Shipping, Inc.	1,200	Transportation	53
Brown & Wood, L.L.P.	223,100	Law Firms	54,56-59
Pace University	45,943	Personal Services	55
World Trade Institute	N/A		55
Asahi Bank, Ltd.	40,000	Financial Institutions	60
Airport Access Program	N/A	Financial Institutions	63
Hal Roth Agency, Inc.	2,250	Insurance	77
Jun He Law Office, LLC	894	Law Firms	77
Martin Progressive LLC	13,789	Computers/Data Processing	77
New-ey International Corp.	894	Personal Services	77
Partner Reinsurance Corp.	N/A	Insurance	77
World Trade Centers Association	5,400	Personal Services	77
Avenir, Inc.	2,162	Computers/Data Processing	78
Baltic Oil Corporation	981		78
Cedar Capital Management Associates	909		78
Cheng Cheng Enterprises Holding Inc.	4,073	Retailers/Wholesalers	78
Hyundai Securities Co., Ltd.	1,600	Financial Institutions	78
International Trade Center, Inc.	3,298	Business Services	78
Korea Local Authorities	1,000	Government	78
Meridian Ventures Holding, Inc.	3,315		78



Phink Path	1,214	Business Services	78
Traders Access Center	1,027	Financial Institutions	78
Daynard & Van Thunen Co.	4,750	Insurance	79
First Liberty Investment Group	1,000	Financial Institutions	79
International Office Centers	26,367	Personal Services	79
Nikko Securities	9,340	Financial Institutions	79
Okato Shoji Company, Ltd.	2,729	Computers/Data Processing	79
Securant Technologies	2,729	Computers/Data Processing	79
Agricor Commodities Corp.	3,200	Financial Institutions	80
The Beast.Comm	21,000	Computers/Data Processing	80
Intrust Investment Realty, Inc.	3,320		80
Noga Commodities Overseas, Inc.	6,518	Financial Institutions	80
RLI Insurance Company	3,900	Insurance	80
Shizuoka Bank Ltd.	2,200	Financial Institutions	80
New Continental Enterprises	2,055	Transportation	81
Network Plus	8,500	Communications	81
NY Metro Transportation Council	7,000	Government	82
General Telecommunications	8,994		83
Global Crossings Holdings Ltd.	N/A	Computers/Data Processing	83
Lava Trading, LLC	7,589		83
Taipei Bank	12,111	Financial Institutions	83
eMeritus Communications	7,203	Communications	83
Bright China Capital, Ltd.	2,016	Financial Institutions	84
David Peterson	1,863	Law Firms	84
LG Securities America, Inc.	1,800	Financial Institutions	84
San-In Godo Bank Ltd.	2,000	Financial Institutions	84
Daehan International	1,200	Financial Institutions	84,89
SMW Trading Corp.	3,000	Financial Institutions	85
Thermo Electron	2,289		85
Julien J. Studley, Inc.	6,372	Real Estate	86
May Davis Group	12,824	Financial Institutions	87
Barclay Dwyer	12,211		89
Broad USA, Inc.	N/A	Retailers/Wholesalers	89
CIIC Group (USA), Ltd.	2,500	Financial Institutions	89
Drinker Biddle & Reath	10,000	Law Firms	89
Metropolitan Life Insurance Co.	7,119	Insurance	89
Mutual International Forwarding	1,200	Transportation	89
Strategic Communications, Inc.	2,400	Communications	89



Wai Gao Qiao USA, Inc.	1,528	Business Services	89
Wall Street Planning Association	2,154		89
The Chugoku Bank, Ltd.	1,500	Financial Institutions	90
American Bureau of Shipping	8,400	Engineers	91
Fred Alger Management	36,078	Investments	93
Marsh USA	361,000	Insurance	93-100
Kidder Peabody & Co.	N/A		101
Cantor Fitzgerald Securities	22,000	Investments	101-105
The Nishi-Nippon Bank, Ltd.	10,325	Banks/Financial Institutions	102
Channel 4 (NBC)	400	Cable/Television	104
Windows on the World	40,000		106
Greatest Bar on Earth	13,333		107
World Trade Club	13,333		107
Channel 5 (WNYW)	200	Cable/Television	110
Channel 31 (WBIS)	1,400	Cable/Television	110
Channel 47 (WNJU)	800	Cable/Television	110
Channel 2 (WCBS)	400	Cable/Television	110
Channel 11 (WPIX)	400	Cable/Television	110

**Building: 2 World Trade Center - South Tower**

Tenant	SF Leased	Industry	Floor
Continental Insurance Company	40,000		
CINDE	N/A		
Xerox Document Company	5,400	Manufacturing	BSMT
Johnston & Murphy	N/A		CNCR
Nichols Foundation, Inc.	1,000	Government	GRND
Verizon Communications	155,490	Communications	LL,9-12
Colortek Kodak Imaging Center	731	Personal Services	1
EuroBrokers, Inc.	32,104	Financial Institutions	12
Union Bank of California	25,146	Financial Institutions	14
Patinka International (USA) Inc.	N/A	Personal Services	14
Charna Chemicals, Inc.	N/A	Manufacturing	14
Paging Network of New York	19,203	Communications	14
Mancini Duffy	28,091	Engineers/Architects	15,22
Candia Shipping	1,600	Retailers/Wholesalers	15
John W. Loofbourrow Associates, Inc.	1,807	Financial Institutions	15
John J. McMullen Associates, Inc.	15,000	Engineers/Architects	15
Orient International	N/A		15
James T. Ratner, Law Office of	N/A	Law Firms	15



National Development & Research Institute	44,325	Personal Services	16
N.Y. Institute of Finance	24,539	Business Services	17
Showtime Pictures	5,470	Business Services	18,107
Professional Assistance & Consulting	1,163	Business Services	18
Intera Group Inc.	1,180	Business Services	18
Alliance Consulting	N/A	Business Services	18
Pines Investment, Inc.	N/A		18
Caserta & Company	N/A		18
Law Offices of Abad, Castilla, and Mallonga	N/A	Law Firms	18
Weiland International	1,000	Financial Institutions	18
Chen, Lin, Li, & Jiang, LLP	1,994	Financial Institutions	18
Waterfront Commission of New York Harbor	2,000	Government	19
N.Y. Shipping Association	80,000	Transportation	19,20
Thacher, Proffitt & Wood	120,000	Law Firms	20,38-40
Career Engine	7,183	Personal Services	21
Adecco SA	2,000	Business Services	21
Charoen Pokphand USA, Inc.	2,000	Transportation	21
Sinochem American Holdings, Inc.	N/A	Financial Institutions	22
Washington Mutual, Inc.	1,117		22
Antal International, Inc.	2,086	Business Services	22
SCOR U.S. Corporation	59,000	Insurance	23,24
Unistrat Corporation of America	10,000	Business Services	23
Allstate Insurance Company	N/A	Insurance	24
TD Waterhouse Group, Inc.	18,591	Financial Institutions	24
China Chamber of Commerce, Inc.	N/A	Personal Services	24
Globe Tour & Travel	N/A	Transportation	24
Sinolion (USA)	694		24
December First Productions, LLC	821		24
Sun Microsystems, Inc.	89,162	Computers/Data Processing	25,26
New York Stock Exchange, Inc.	10,853		28-30
Big A Travel Agency	N/A	Transportation	28
Law Office of Joseph Bellard	3,400	Law Firms	28
Hua Nan Commercial Bank Ltd.	12,500	Financial Institutions	28
Weatherly Securities Corp.	18,801	Financial Institutions	29
Hartford Steam Boiler	1,600	Insurance	30
Oppenheimer Funds, Inc.	231,000	Financial Institutions	31,32
Commerzbank Capital Markets	45,540	Financial Institutions	32
ABN-AMRO, Inc.	40,000	Financial Institutions	35
Frenkel & Company, Inc.	59,670	Insurance	35,36
Sitailong International USA, Inc.	N/A		40
Morgan Stanley	840,000	Financial Institutions	43-46,56,59-74



Guy Carpenter	320,000	Insurance	47-54
Seabury & Smith	40,000	Insurance	49
Garban Intercapital	N/A		55
Dow Jones & Company, Inc.	72,133	Communications	57,58
First Commercial Bank	4,500	Financial Institutions	78
Fuji Bank	182,956	Financial Institutions	79-82
bepaid.com	N/A		84
Harris Beach & Wilcox, LLP	48,800	Law Firms	85
Keefe, Bruyette & Woods	97,600	Financial Institutions	85,88,89
NY State Department of Taxation & Finance	73,982	Government	86,87
Corporation Service Company	22,916		87
Fiduciary Trust Company Intl.	245,156	Financial Institutions	90,94-97
Gibbs & Hill		Engineers	91
Washington Group Intl.		Engineering	91
Raytheon Company	48,800	Manufacturing	91
AON Corporation	219,133	Insurance	92,99,100
Regus Business Centres	49,028	Employment Agencies	93
Sandler O'Neil & Partners	30,000	Investments	104
Atlantic Bank of New York	50,061	Banks/Financial Institutions	106

Tenant List provided by CoStar Group, Inc.



## Appendix 2

8:45 a.m. (all times are EDT): A hijacked passenger jet, American Airlines Flight 11 out of Boston, Massachusetts, crashes into the north tower of the World Trade Center, tearing a gaping hole in the building and setting it afire.

9:03 a.m.: A second hijacked airliner, United Airlines Flight 175 from Boston, crashes into the south tower of the World Trade Center and explodes. Both buildings are burning.



9:17 a.m.: The Federal Aviation Administration shuts down all New York City area airports.

9:21 a.m.: The Port Authority of New York and New Jersey orders all bridges and tunnels in the New York area closed.



9:30 a.m.: President Bush, speaking in Sarasota, Florida, says the country has suffered an "apparent terrorist attack."

9:40 a.m.: The FAA halts all flight operations at U.S. airports, the first time in U.S. history that air traffic nationwide has been halted.

9:43 a.m.: American Airlines Flight 77 crashes into the Pentagon, sending up a huge plume of smoke. Evacuation begins immediately.

9:45 a.m.: The White House evacuates.

9:57 a.m.: Bush departs from Florida.

10:05 a.m.: The south tower of the World Trade Center collapses, plummeting into the streets below. A massive cloud of dust and debris forms and slowly drifts away from building.



10:08 a.m.: Secret Service agents armed with automatic rifles are deployed into Lafayette Park across from the White House.

10:10 a.m.: A portion of the Pentagon collapses.

10:10 a.m.: United Airlines Flight 93, also hijacked, crashes in Somerset County, Pennsylvania, southeast of Pittsburgh.



10:13 a.m.: The United Nations building evacuates, including 4,700 people from the headquarters building and 7,000 total from UNICEF and U.N. development programs.

10:22 a.m.: In Washington, the State and Justice departments are evacuated, along with the World Bank.

10:24 a.m.: The FAA reports that all inbound transatlantic aircraft flying into the United States are being diverted to Canada.

10:28 a.m.: The World Trade Center's north tower collapses from the top down as if it were being peeled apart, releasing a tremendous cloud of debris and smoke.

10:45 a.m.: All federal office buildings in Washington are evacuated.

10:46 a.m.: U.S. Secretary of State Colin Powell cuts short his trip to Latin America to return to the United States.

10:48 a.m.: Police confirm the plane crash in Pennsylvania.

10:53 a.m.: New York's primary elections, scheduled for Tuesday, are postponed.

10:54 a.m.: Israel evacuates all diplomatic missions.

10:57 a.m.: New York Gov. George Pataki says all state government offices are closed.

11:02 a.m.: New York City Mayor Rudolph Giuliani urges New Yorkers to stay at home and orders an evacuation of the area south of Canal Street.

11:16 a.m.: CNN reports that the Centers for Disease Control and Prevention is preparing emergency-response teams in a precautionary move.

11:18 a.m.: American Airlines reports it has lost two aircraft. American Flight 11, a Boeing 767 flying from Boston to Los Angeles, had 81 passengers and 11 crew aboard. Flight 77, a Boeing 757 en route from Washington's Dulles International Airport to Los Angeles, had 58 passengers and six crew members aboard. Flight 11 slammed into the north tower of the World Trade Center. Flight 77 hit the Pentagon.

11:26 a.m.: United Airlines reports that United Flight 93, en route from Newark, New Jersey, to San Francisco, California, has crashed in Pennsylvania. The airline also says that it is "deeply concerned" about United Flight 175.

11:59 a.m.: United Airlines confirms that Flight 175, from Boston to Los Angeles, has crashed with 56 passengers and nine crew members aboard. It hit the World Trade Center's south tower.

12:04 p.m.: Los Angeles International Airport, the destination of three of the crashed airplanes, is evacuated.



12:15 p.m.: San Francisco International Airport is evacuated and shut down. The airport was the destination of United Airlines Flight 93, which crashed in Pennsylvania.

12:15 p.m.: The Immigration and Naturalization Service says U.S. borders with Canada and Mexico are on the highest state of alert, but no decision has been made about closing borders.

12:30 p.m.: The FAA says 50 flights are in U.S. airspace, but none are reporting any problems.

1:04 p.m.: Bush, speaking from Barksdale Air Force Base in Louisiana, says that all appropriate security measures are being taken, including putting the U.S. military on high alert worldwide. He asks for prayers for those killed or wounded in the attacks and says, "Make no mistake, the United States will hunt down and punish those responsible for these cowardly acts."

1:27 p.m.: A state of emergency is declared by the city of Washington.

1:44 p.m.: The Pentagon says five warships and two aircraft carriers will leave the U.S. Naval Station in Norfolk, Virginia, to protect the East Coast from further attack and to reduce the number of ships in port. The two carriers, the USS George Washington and the USS John F. Kennedy, are headed for the New York coast. The other ships headed to sea are frigates and guided missile destroyers capable of shooting down aircraft.

1:48 p.m.: Bush leaves Barksdale Air Force Base aboard Air Force One and flies to an Air Force base in Nebraska.

2 p.m.: Senior FBI sources tell CNN they are working on the assumption that the four airplanes that crashed were hijacked as part of a terrorist attack.

2:30 p.m.: The FAA announces there will be no U.S. commercial air traffic until noon EDT Wednesday at the earliest.

2:49 p.m.: At a news conference, Giuliani says that subway and bus service are partially restored in New York City. Asked about the number of people killed, Giuliani says, "I don't think we want to speculate about that -- more than any of us can bear."

3:55 p.m.: Karen Hughes, a White House counselor, says the president is at an undisclosed location, later revealed to be Offutt Air Force Base in Nebraska, and is conducting a National Security Council meeting by phone. Vice President Dick Cheney and National Security Adviser Condoleezza Rice are in a secure facility at the White House. Defense Secretary Donald Rumsfeld is at the Pentagon.

3:55 p.m.: Giuliani now says the number of critically injured in New York City is up to 200 with 2,100 total injuries reported.

4 p.m.: CNN National Security Correspondent David Ensor reports that U.S. officials say there are "good indications" that Saudi militant Osama bin Laden, suspected of coordinating the bombings of two U.S. embassies in 1998, is involved in the attacks, based on "new and specific" information developed since the attacks.



4:06 p.m.: California Gov. Gray Davis dispatches urban search-and-rescue teams to New York.

4:10 p.m.: Building 7 of the World Trade Center complex is reported on fire

4:20 p.m.: U.S. Sen. Bob Graham, D-Florida, chairman of the Senate Intelligence Committee, says he was "not surprised there was an attack (but) was surprised at the specificity." He says he was "shocked at what actually happened -- the extent of it."

4:25 p.m.: The American Stock Exchange, the Nasdaq and the New York Stock Exchange say they will remain closed Wednesday.

4:30 p.m.: The president leaves Offutt Air Force Base in Nebraska aboard Air Force One to return to Washington.

5:15 p.m.: CNN Military Affairs Correspondent Jamie McIntyre reports fires are still burning in part of the Pentagon. No death figures have been released yet.

5:20 p.m.: The 47-story Building 7 of the World Trade Center complex collapses. The evacuated building is damaged when the twin towers across the street collapse earlier in the day. Other nearby buildings in the area remain ablaze.

5:30 p.m.: CNN Senior White House Correspondent John King reports that U.S. officials say the plane that crashed in Pennsylvania could have been headed for one of three possible targets: Camp David, the White House or the U.S. Capitol building.

6 p.m.: Explosions are heard in Kabul, Afghanistan, hours after terrorist attacks targeted financial and military centers in the United States. The attacks occurred at 2:30 a.m. local time. Afghanistan is believed to be where bin Laden, who U.S. officials say is possibly behind Tuesday's deadly attacks, is located. U.S. officials say later that the United States had no involvement in the incident whatsoever. The attack is credited to the Northern Alliance, a group fighting the Taliban in the country's ongoing civil war.

6:10 p.m.: Giuliani urges New Yorkers to stay home Wednesday if they can.

6:40 p.m.: Rumsfeld, the U.S. defense secretary, holds a news conference in the Pentagon, noting the building is operational. "It will be in business tomorrow," he says.

6:54 p.m.: Bush arrives back at the White House aboard Marine One and is scheduled to address the nation at 8:30 p.m. The president earlier landed at Andrews Air Force Base in Maryland with a three-fighter jet escort. CNN's John King reports Laura Bush arrived earlier by motorcade from a "secure location."

7:17 p.m.: U.S. Attorney General John Ashcroft says the FBI is setting up a Web site for tips on the attacks: [www.ifccfbi.gov](http://www.ifccfbi.gov). He also says family and friends of possible victims can leave contact information at 800-331-0075.

7:02 p.m.: CNN's Paula Zahn reports the Marriott Hotel near the World Trade Center is on the verge of collapse and says some New York bridges are now open to outbound traffic.



7:45 p.m.: The New York Police Department says that at least 78 officers are missing. The city also says that as many as half of the first 400 firefighters on the scene were killed.

8:30 p.m.: President Bush addresses the nation, saying "thousands of lives were suddenly ended by evil" and asks for prayers for the families and friends of Tuesday's victims. "These acts shattered steel, but they cannot dent the steel of American resolve," he says. The president says the U.S. government will make no distinction between the terrorists who committed the acts and those who harbor them. He adds that government offices in Washington are reopening for essential personnel Tuesday night and for all workers Wednesday.

9:22 p.m.: CNN's McIntyre reports the fire at the Pentagon is still burning and is considered contained but not under control.

9:57 p.m.: Giuliani says New York City schools will be closed Wednesday and no more volunteers are needed for Tuesday evening's rescue efforts. He says there is hope that there are still people alive in rubble. He also says that power is out on the westside of Manhattan and that health department tests show there are no airborne chemical agents about which to worry.

10:49 p.m.: CNN Congressional Correspondent Jonathan Karl reports that Attorney General Ashcroft told members of Congress that there were three to five hijackers on each plane armed only with knives.

10:56 p.m.: CNN's Zahn reports that New York City police believe there are people alive in buildings near the World Trade Center.

11:54 p.m.: CNN Washington Bureau Chief Frank Sesno reports that a government official told him there was an open microphone on one of the hijacked planes and that sounds of discussion and "duress" were heard. Sesno also reports a source says law enforcement has "credible" information and leads and is confident about the investigation.