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### **Economic Effects of Terrorism in Italy, Spain, and the United Kingdom**

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# **Economic Effects of Terrorism in Italy, Spain, and the United Kingdom**

di **Brenda Lutz\***, **Jim Lutz\*\***

## **Abstract**

Terrorism has become a reality in many parts of the world. Although it goes back millennia and has been present over the centuries, it became more prominent in the world with events such as the campaigns against Israel, including the 1972 Munich Olympics attacks, the actions of Al Qaeda including the 9/11 attacks, and the attacks by ISIS in the Middle East, Europe, and elsewhere. There was also a major wave of attacks by extreme leftist groups in West Europe beginning in the late 1960s and in other places, as well as violence by ethnic nationalist movements. As terrorism continues to be a threat to governments and populations, it has been suggested that one consequence of terrorist violence has been negative economic impacts. The analyses to follow will concentrate on the economic effects of terrorist campaigns by Basque nationalist groups in Spain, Irish republican groups operating in Northern Ireland, and Italian extremist groups such as the Brigade Rosse (BR).

**Keywords:** terrorism, economic impact, Italy, Spain, UK

## **Abstract**

Il terrorismo è diventato una realtà in molte parti del mondo. Sebbene risalga a millenni fa e sia stato presente nel corso dei secoli, è diventato particolarmente significativo nel mondo con eventi come le campagne contro Israele, inclusi gli attacchi alle Olimpiadi di Monaco del 1972, le azioni di Al Qaeda inclusi gli attacchi dell'11 settembre e gli attacchi dell'ISIS in Medio Oriente, Europa e altrove. C'è stata anche una grande ondata di attacchi da parte di gruppi di estrema sinistra nell'Europa occidentale a

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\*\* Jim Lutz was Associate Professor in the S. J. & Jessie E. Quinney College of Natural Resources and the Ecology Center at Utah State University in Logan, Utah, USA. In February 2021 he passed away unexpectedly. The significant scholarly work on terrorism that Jim, both alone and with his wife Brenda, conducted over the years is evidenced by the numerous books and articles published by prestigious international publishers and journals. He will be greatly missed not only by his family but also by his students and the entire academic community. We are honoured to host in this issue one of his last written contributions.

partire dalla fine degli anni '60 e in altri luoghi, nonché violenze da parte di movimenti indipendentisti. Poiché il terrorismo continua a rappresentare una minaccia per i governi e le popolazioni, è stato suggerito la violenza terroristica abbia tra le altre cose un impatto economico negativo. Le analisi che seguono si concentrano sugli effetti economici delle campagne terroristiche dei gruppi nazionalisti baschi in Spagna, dei gruppi repubblicani irlandesi operanti in Irlanda del Nord, e dei gruppi estremisti italiani come le Brigate Rosse (BR).

**Parole chiave:** terrorismo, impatto economico, Italia, Spagna, Regno Unito

## **Introduction**

Terrorism has become an ever-present reality in many parts of the world. Although terrorism goes back millennia and has been present over the centuries (Chaliand and Blin, 2007; B. Lutz, 2019), it became more prominent in the world with events such as the PLO campaigns against Israel including the 1972 Munich Olympics attacks, the actions of Al Qaeda including the 9/11 attacks, and the attacks by ISIS in the Middle East, Europe, and elsewhere. There was also a major wave of attacks by extreme leftist groups in West Europe beginning in the late 1960s and in other places, as well as violence by ethnic nationalist movements (Rapoport, 2003; J. Lutz and B. Lutz, 2005). As terrorism continues to be a threat to governments and populations, it has been suggested that one consequence of terrorist violence has been negative economic impacts. These negative economic impacts could be particularly serious with extended campaigns of terrorist activity. The analyses to follow will concentrate on the effects of terrorist campaigns by Basque nationalist groups in Spain, Irish republican and anti-separatist groups operating in Northern Ireland, and Italian extremist groups such as the Brigate Rosse (BR).

## **1. The Terrorism Phenomenon**

There is no doubt that terrorism has indeed become widespread in the world. Generally accepted definitions of terrorism include the view that the violence is designed to achieve political or social goals; there is a target audience that goes beyond the immediate victims who are chosen as representatives of a broader

group (Schmid, 2012; J. Lutz and B. Lutz, 2019: 9-10). Many official government definitions also stipulate that the groups undertaking the violence are dissident organizations. Terrorist violence, however, can involve attacks by groups tolerated by the government or even supported by those in power (Wilkinson, 2000: 1). Religious violence by Islamic groups has received much of the attention on terrorism. Violence by Jewish, Sikh, Hindu, Orthodox Christian, Western Christian, and syncretic Aum Shinrikyo has also been present in the twentieth and twenty-first centuries as part of what Rapoport considered to be the fourth wave of modern terrorism (Rapoport, 2003). There has been continuing ethnonationalist violence in many parts of the world by groups seeking autonomy or independence. There have been campaigns rooted in ideological views of left-wing extremists such as the actions of the anarchists in the later nineteenth and early twentieth centuries and the violence beginning in the late 1960s. Finally, there have been extremists right-wing groups that have attacked migrant and foreign communities and even the government in a number of European countries.

In the case of Spain, the United Kingdom, and Italy, the bulk of the terrorist violence in each case can largely be ascribed to one type of dissident organization. Most of the terrorist violence in Italy came from the extreme, extra-parliamentary left with a variety of Marxist-Leninist or Maoist views, of which the BR was by far the largest perpetrator. The BR began in the late 1960s and continued major operations until 1990. Toward the end of its existence, the BR had been weakened by the counterterrorism efforts of the government and security forces and a major decline in public neutrality/sympathy/support after the group killed former Prime Minister Moro. Furthermore, the demise of communism in Eastern Europe effectively ended most of the remaining appeal of the group. There have been sporadic incidents by latter left-wing extremists since then but nothing to compare to the earlier BR campaigns. During the 1960s and 1970s, there were also assaults by right-wing, neo-Fascist extremists, but they never reached the same level of the BR and similar groups even if they were, on average, more likely to cause casualties (Engene, 2004: 129; J. Lutz and B. Lutz, 2019: 200). Some of the right-wing violence was a response to the activities of the violent left where the extreme right followed what was termed a “strategy of tension.” This strategy

involved attacks that were intended to lead the government to adopt more authoritarian measures that would strengthen the government and conservative groups in the process of eliminating the terrorist threat and reducing the influence of the parliamentary left in the government (Bale, 1996, p. 150; Crenshaw, 1998, p. 16; Jenkins, 1990). Violence by Islamic groups in Italy has been rare so far, and ethnonationalist activity by dissidents in the South Tyrol largely ended by 1960 (Engene, 2004: 140).

The Basque nationalists, of which the Euskadi Ta Askatasuna (ETA--Basque Homeland and Liberty) was the most prominent, operated for more than fifty years in efforts of gaining autonomy or independence for the Basque region of Spain (and France). Eventually the ETA largely ended its campaign of violence in 2011 and then officially disbanded in 2018 (Jones, 2018). While the ETA was not successful in creating an independent Basque state, its actions contributed without a doubt to concessions from Madrid that granted greater autonomy to the region (Shabad and Ramo, 1995, 468). It is possible that the agitation for independence could resurface if Catalonia is successful in breaking away from Spain. The ETA was behind major violence before the attack against the Madrid train station in 2004 by a group linked to Al Qaeda. There have also been a few additional attacks on Spanish targets by individuals with ties to the global jihad. There have been only a few terrorist incidents reflecting ideological antagonism toward the government.

Northern Ireland, of course, constituted a similar separatist situation for the United Kingdom. Irish Republicans seeking to unite Northern Ireland with the Republic of Ireland battled for decades against the British presence. The two principal violent groups opposed to the union with Great Britain were the Irish Republican Army (IRA) and the Irish National Liberation Army (INLA). The Catholic minority also faced political and economic discrimination; thus, these Republicans were opposed to the Protestant domination of the local government and economy. The religious element of the conflict overlapped with the desire of the Protestant British to remain part of the United Kingdom while the Catholic community identified with being Irish as opposed to being British. The situation in Northern Ireland was complicated by the fact that not only was there violence by the Irish Republicans against the continued links to Great

Britain but violence by Protestant paramilitaries targeting the Catholic community in retaliation for the Irish Catholic violence (J. Lutz and B. Lutz, 2019: 212). There were occasional attacks by the Republicans against targets in England as part of the larger campaign for independence. The IRA concluded that one bomb going off in London had a greater impact than ten bombs going off in Northern Ireland (Asal and Hoffman, 2016: 344). The most recent violent phases of the struggle lasted from 1969 to 1999 when the Good Friday Accords were signed by representatives from the British government, the Republicans, and Northern Irish Protestants. Violence then declined in Northern Ireland. The United Kingdom has seen more recent violence by global jihadists, including the bombing of the concert in Manchester in 2017 and a number of attacks in London.

## **2. Economic Consequences of Terrorism**

While terrorism is almost always designed to generate political change, the consequences of long-lasting campaigns like those of the BR, Irish Republicans, and the ETA can have a variety of economic effects. In general, high levels of terrorism can generate slower economic growth or even negative economic growth as economic actors react to the ongoing violence and threats. Negative effects on growth have been found in some studies of a large group of countries (Blomberg et al, 2013: 850). Such economic terrorism has generally been less effective against developed countries (Glaser, 2015: 92; Zeman & Urban, 2019: 88), but in the case of West Europe there remain indications that there continue to be negative effects on growth (Gaibullov and Sanders, 2008). When terrorist groups are not defeated quickly by the police and security forces, additional resources then have to be devoted to counterterrorism activities and protecting vulnerable sites and personnel. The trial of a number of BR activists in Turin and Milan required significant security, and participants in the trial faced continued attacks by other members of the organization (Geipel, 2007: 446; Drake, 1989: 446). The funds spent for such protective action can generate significant opportunity costs because those resources cannot be used elsewhere.

In other situations, terrorist groups can launch attacks with the express intent of causing damage to the national economy. Such economic warfare can

be part of an attrition strategy designed to wear down the government and lead it to decide that concessions or negotiations are preferable to the costs of continued struggle (Kydd and Walter, 2006; B. Lutz and J. Lutz, 2006). There is evidence that increases in terrorism are associated with reductions in foreign investment (Abadie and Gardeazabal, 2008). Economic targets can include any business operation, but often they will include important foreign investments.

Foreign investors are more likely to have the option of withdrawing or reducing their levels of commercial activity compared to domestic investors. The BR targeted major domestic and international business operations since they considered capitalists to be a major part of the problems in Italian society. Fiat was a frequent target for such attacks (Drake, 1989). As part of its campaign the BR and other extremists targeted members of the Italian Communist Party and labor unions for failing to defend the working class and for operating within the political system (Orsini, 2011, p. 55; Rimanelli, 1989, p. 255). The IRA and INLA also launched campaigns against foreign and domestic investors (Drake, 1998). At times, economic targets in London were chosen in order to increase the psychological effects of the terrorism (Berti, 2013: 157). The ETA also targeted investment in the Basque region. Abadie and Gardeazabal (2003) found that the attacks of the ETA reduced foreign investment in the area by ten per cent. It would be expected that such attacks would have had noticeable effects elsewhere in periods when terrorist campaigns were ongoing.

Tourists are a frequent target for some terrorist groups. Such attacks can lead to declines in tourist visits. For example, the 2016 attacks in Brussels led to a discernible decline in tourist arrivals (Zeman and Urban, 2019: 85). If tourism is a significant source of revenue and foreign exchange, terrorist attacks can reduce the number of visits. Reduced visits by tourists will lead to higher unemployment levels, declines in foreign exchange, and reductions in tax revenues available to the government. The decline in employment in the tourist sector, like lost jobs from limits on foreign direct investment (FDI) can generate public dissatisfaction with the government. Declines in revenues will mean that the government will have fewer resources to devote to counterterrorism efforts and/or to provide programs that might reduce domestic discontent. The ETA launched one very specific campaign against the tourist industry in the latter



part of the 1980s, but the ETA was very careful to prevent casualties. This bombing campaign was a warning to tourists, and it was quite successful in reducing tourist revenues at the time (Chalk, 1998: 380; Enders, Sandler, and Parise, 1992; B. Lutz and J. Lutz, 2006: 10). The ETA at various times in the years to follow made further efforts that attempted to diminish tourist visits to Spain (Nacos, 2012: 44). The BR and the Irish Republicans did not specifically attack tourists during their campaigns although tourist visits might have been reduced due to the levels of terrorist activities. Individuals linked to the global jihad, however, have used vehicles in attacks in locations frequented by tourists in London and Barcelona in more recent years.

### **3. Hypotheses and Data**

Previous studies of a large number of countries or regional analyses have had mixed results; case studies of individual countries, however, have frequently found a number of situations in which more terrorism has been linked with negative economic effects on investment levels, growth, and tourism (B. Lutz and J. Lutz, 2017). The situations of Spain, Italy, and the United Kingdom provide an opportunity to look at the effects of terrorist activities in the specific circumstances of extended campaigns by dissidents to detect patterns and contexts in which terrorism could have negative economic effects on measures such as increases in FDI, levels of tourism, and growth in GDP per capita. A comparative study of the three cases can also provide insight into the validity or relevance of previous studies for other countries in similar situations or for the future in a variety of countries in West Europe.

The above discussions suggest a number of potential hypotheses that can be tested with available data and a focus on these three countries. (1) In the case of the United Kingdom it would be expected that there would be growth in GDP per capita, stocks of FDI, and the number of tourist visits as a measure of positive economic change while low growth would reflect the negative effects of terrorism. The greatest negative effects should be seen between 1970 and 1999 since these were the years for the greatest violence in Northern Ireland. Further, it is possible that there would have been negative economic impacts reappearing with the more recent attacks by Islamic extremists on targets in Great Britain. (2) Similarly, it is expected that the Basque nationalists' activities

would have negative effects for the lengthy period that the ETA was active with anticipated negative economic impacts on GDP per capita growth, FDI, and tourism. It is possible that for both Spain and the United Kingdom the adverse effects might not be as great on a national level since much of the violence was restricted to particular regions. The ETA did extend its activities beyond the Basque region, however, especially with the campaign against the Mediterranean tourist areas. In addition, the Basque region is more a component of the Spanish national economy than Northern Ireland is for the British economy. The attacks by Islamic extremists in later years in Great Britain, however, could potentially have had a greater negative effect. (3) The actions of the BR in Italy were national in scope even if more concentrated in the northern and central parts of the country; therefore, the effects on the national economy could be more noticeable for the variables chosen than might be true for the Spanish situation and the British cases (from 1970 to 1999).

In order to test for the effects of terrorist actions in individual countries, Spain, Italy, and the United Kingdom will be compared to similar countries in what is termed a “most-similar-systems” approach. This comparison of cases that are similar reduces a wide variety of endogenous variables that would otherwise be confounding factors that make results less reliable (B. Lutz and J. Lutz, 2020; Meckstroth, 1975). Portugal meets this requirement for Spain because of geographic location and similar cultures, but also because both countries began the transition to democratic systems from authoritarian ones in 1975. Thus, any disruptions that occurred because of this shift would be similar for both nations. Similar nations for comparison with Italy and the United Kingdom are more difficult since there is no companion country that fits as well as Portugal did with Spain. France and Germany (West Germany) are similar in size, but they have their own set of national experiences with terrorist violence.

The Netherlands, while smaller, has had lower levels of terrorism but is one of the stronger economies. In addition, like Italy it was an initial member of the European Communities, and the United Kingdom was one of the additions in the first enlargement of the European Communities that became the EU. Thus, it seemed like the best available country for comparison.

The analyses to follow will rely on data on terrorism and a series of economic indicators. The data on terrorism were drawn from the Global Terrorism Database maintained by the University of Maryland (National Consortium for the Study of Terrorism and Responses to Terrorism, 2018). This database contains information on the number of terrorist occurrences in every country and information on fatalities resulting from the attacks. The database currently includes both domestic and international violent events from 1970 to 2018—the last year for which complete data is available. The database expanded upon earlier data collections that initially only included international attacks, but it has been retroactively updated to include domestic attacks as well. The information in the database is derived from media reports. As a consequence, there may be gaps in the information in some parts of the world such as sub-Saharan Africa which have limited media coverage compared to industrialized countries (B. Lutz and J. Lutz, 2013).

The information in the database, however, is very comprehensive for European countries for all the years. The use of terrorism or toleration of terrorism by governments against their own citizens is often absent from the database, but that shortcoming is also not a significant occurrence in the case of the European countries. Per capita figures were used since all other things being equal, more populous countries would be more likely to have more incidents or fatalities. Both per capita incidents and per capita levels for fatalities were included in the analysis. Some previous analysts have suggested that higher levels of casualties are a more important indicator (Liu and Pratt, 2017: 409). Others, however, have argued that a larger number of incidents would reflect the presence of an extended campaign that would be a better indicator of the actual level of threat that was present (Putra and Hitchcock, 2006: 163). Thus, the current analysis relied on both measures.

Three measures were used to determine changes in economic conditions in the five countries. Data were collected on changes GDP per capita levels, changes in the stock of foreign direct investments in the countries, and changes in tourist visits (World Bank Indicators, 2019). Changes in the average GDP per capita figures were used as a key measure for the health of national economies. Data for changes in FDI levels and tourist visits were also used since they have been targets for terrorism. Changes in foreign investment,

tourist visits, and GDP per capita were calculated for each year in the study plus 1, plus 2, and plus 3 to detect any effects of terrorist assaults that could take a period of time to appear. Percentage changes were used instead of absolute values since the basic levels of the economies are more likely to reflect underlying national economic advantages.

Using change foreign investment and tourist visits rather than absolute levels was a means of controlling for the fact that different countries have greater or lesser appeals for tourists either because of climate or the number of sites of interest for tourists or are more attractive to foreign investors due to natural resources, market conditions, and other factors. There is no standard definition for tourist visits as is the case for GDP and for FDI. Some countries measure visits by entry at the border, others when individuals check into lodgings and present their passports, and others when visitors spend more than one or two nights in the country. The data can be misleading when countries change their definitions for arrivals resulting in some discontinuities or breaks in the data that reflect changing definitions that limited data for a few years in the analyses to follow.

Spain and the United Kingdom had the largest number of per capita incidents and per capita fatalities for the five countries (see Table 1, at the end of the paper). The figures for Italy were also fairly high, especially during the periods of greatest violence when the BR was active. The relative levels of terrorist violence were much lower for Portugal and the Netherlands as expected. The levels in Italy after the demise of the BR and the end of communism in the Soviet Bloc were very low. The levels of incidents and fatalities in the United Kingdom after the Good Friday Accords were lower than in the period before the negotiated settlement.

#### **4. Analyses**

Testing for the effects of terrorism on various economic indicators involves a paired comparison of Italy, the United Kingdom, and Spain with other European countries based on the most-similar-systems approach. Portugal provides the best national comparison for Spain since the political system in Lisbon and the one in Madrid made the transition to democracy at the same time. Portugal,

moreover, did not have to deal with the high levels of terrorism that Spain did. Spain had to deal with high levels of terrorist violence than Portugal did. Portugal was thus expected to have better results on the economic indicators when compared to The Netherlands, and was chosen as the benchmark country for a similar comparison with Italy and the United Kingdom, and was similarly expected to have a better performance on the economic indicators given the lower per capita level of incidents and fatalities. Using per capita measures for incidents and fatalities controlled for population size, changes in the economic indicators controlled for external or confounding factors that would be potentially important in national economic circumstances.

The analyses relied on correlations between the terrorism measures and the three economic indicators. The correlation coefficients (Pearson's  $r$ ) determine the impacts, which were anticipated to be negative. The first comparison involves Spain and Portugal. Even though Spain had much higher levels of terrorist violence with both measures than Portugal, it was clear from Table 1 that FDI in Spain increased more rapidly. The Portuguese travel industry became more attractive than its Spanish counterpart. Overall, GDP per capita improved more in Spain than in Portugal despite the continuing terrorist activity. The results of the correlations indicate that FDI increased in the years after terrorist attacks in both Spain and Portugal at significant levels (see Table 2, at the end of the paper). Foreign investors were undeterred by more incidents in Spain and Portugal and even fatalities in Portugal which were considerably lower than in Spain.

GDP per capita, surprisingly, also increased more in both countries after the years with more violent activity. Tourism in Portugal was not negatively affected by terrorism actions, but there were obvious negative effects in the Spanish tourism sector. These results are in agreement with earlier studies that found tourism to be negatively impacted. One study found that the terrorism in Spain did discourage tourist visits to Portugal to some extent (Seabra et al, 2020: 10), but obviously not at the level that was present in Spain. The results for FDI and GDP per capita changes would suggest that the Spanish economy was stronger in some respects compared to Portugal and continued to develop even with the attacks that negatively affected the tourism industry.

The results for Italy and the United Kingdom compared to the Netherlands provided no indications that terrorism in the first two countries had any negative effects on the national economies in the comparisons in Table 1. The correlations support this finding. The results indicate that tourist visits and increases in GDP per capita were positively associated with higher levels of terrorism in the preceding year. One possible confounding factor is that the positive associations with tourism could involve “dark tourism” visits from those attracted to areas of conflict out of curiosity (after the fact) or to express solidarity for the country suffering from the violence (Buda, 2006; Korstanje and Clayton 2012, p. 19). In the Italian case, there were only a few significant correlations, but they were positive rather than negative as expected. The Netherlands had negative associations between terrorism and FDI but not at significant levels. This finding would at least suggest that the Netherlands was more negatively affected by relatively low levels of terrorism than the United Kingdom or Italy with much more violence.

The comparison between Portugal and Spain for the entire period from 1975 to 2015 was quite valid given the lengthy time that the Basque nationalists maintained their violent opposition to the central government and the timing of the transition away from authoritarianism in the two countries. The violence by the BR and other extremist groups in Italy, however, has largely ended by 1990; thus, the relevant comparison would be the economic indicators for Italy from 1970 to 1990 with Italy from 1991 to 2015. Obviously, the most similar system to Italy in the earlier period would be Italy in the second period. The most similar systems approach here obviously minimizes any need to include multiple control variables into the analysis. Similarly, the violence in Northern Ireland declined significantly after the Good Friday Accords in 1999. There would be a possibility that the indicators chosen would show improvement after 1999 compared to the earlier years. Given these possibilities, a second set of correlation coefficients were generated for Italy for the two different periods and for the United Kingdom for the two different periods were undertaken.

The comparison of Italy before and after 1990 indicated, not surprisingly, that per capita incidents and fatalities were greater in the earlier period. There were significant differences in the results for the two time periods for foreign

investment (see Table 3, at the end of the paper). While the Italian economy did improve more in the first period, notwithstanding the violence, there were negative effects on FDI in the years following terrorism incidents and fatalities. It is very difficult to suggest that the active campaign by the left had any direct negative impact on the perceived value of Italy as a market for investors or on increases in GDP per capita. Tourists, however, continued to come even with the terrorist activities. There were some indications that terrorism had a negative impact on GDP per capita growth. In the second period, most coefficients were not significant, but when they were, they were positive in this period with much less terrorism. Overall, the Italian economy was moving forward in this earlier period despite the terrorist attacks. It is possible that growth in GDP will reduce future terrorism (Nurunnabi and Sghair, 2018); thus, the improvement in the Italian economy in the first period may actually have assisted in undermining the campaign by extremists.

The comparisons for the United Kingdom before and after 1999 indicated that terrorism had no negative effects. In the earlier period when terrorist activity was much higher, changes in tourism and GDP per capita increased despite the attacks. Terrorist events in Northern Ireland had no more of a negative impact than the later attacks by global jihadists. The limited impacts of the violence that was largely, though not entirely, in Northern Ireland in the earlier period may have had the minimal impact that it did since, as noted, the violence was on the periphery of the country compared to the later attacks that were often centered in London. Perhaps the only negative effect that might have been present in Italy and the United Kingdom was that the two economies might have grown even more without the violence. This improvement but for the terrorism might have been even more likely for the United Kingdom given the overall higher levels of incidents and fatalities per capita that can be seen in Table 1.

## **5. Conclusions**

The results from the above analyses and national comparisons indicated that the economic effects of extended terrorist campaigns can be highly variable and often specific to the country and national circumstances. It is not possible to draw any conclusions about the importance of higher numbers of incidents



versus more fatalities from the above analyses. Neither one was consistently more important. There is the possibility that relatively low levels of terrorist activity of any kind have the least negative impacts based on the limited effects experienced by the Netherlands with its much lower levels of terrorism or Italy after 1990. In terms of GDP per capita rates, there was some evidence counterintuitively that Italy did better during the period of greater terrorist activity, and that Spain did better than Portugal even though the tourism sector was obviously hurt by the ETA actions. While it is always possible and quite likely that the Spanish economy would have grown even more rapidly without the ETA campaign, the economic harm appears to have been limited to a great extent other than in the tourism sector. In terms of foreign investment, the most general observation would be that foreign investors were not routinely deterred by major terrorist activities. And increases were larger in Spain than in Portugal and higher in Italy during the BR period than afterwards. Overall, Italy and the United Kingdom attracted more investment than the Netherlands and on levels similar to Portugal. Foreign investors are forward looking as well as backward looking, and major counterterrorism efforts by the Italians and British could have encouraged those investors (Lee, 2017: 171). Rates of return and advantages provided by other economic opportunities apparently offset any disabilities that were related to the terrorist violence. It is possible that such high rates of return or new opportunities were more available in new areas that became open for such activity as Spain when it made the transition to a democratic system and when it joined the EEC. Another possibility is that major investment opportunities not only attract foreign entrepreneurs but targeting by terrorist organizations (B. Lutz and J. Lutz, 2017: 165-6).

The same would hold true for the tourism sector. If there are major tourist attractions, they will not only attract foreign visitors but become targets for terrorist attacks. The United Kingdom may have avoided any detectable downturn in tourism because most of the violence until recently was in a region geographically separated from the rest of the country and not an area that attracted large numbers of tourists. The United Kingdom, moreover, went to great lengths to protect the London Olympics and those attending from attacks. The ETA campaign that was specifically directed against the tourist sector at



times, on the other hand, was clearly effective and persistent in hurting tourism as was obvious from the comparison with neighbouring Portugal. While the ETA ultimately did not win independence for the Basque region, the Spanish government made important concessions for greater autonomy which no doubt reflected the real economic costs of the attrition campaign of the violence.

Overall, the present analyses indicate that there are situations in which terrorism can have detectable negative economic consequences but that any connections that exist are highly variable. Economic actors may be deterred by terrorism violence in some circumstances but since terrorism is usually a weapon of the weak used when all other methods have failed and thus does not reach the threat level of violence involved in insurgencies or civil wars, there is a limit to the amount of disruption that can usually be achieved. Foreign investors were clearly the least deterred in the three cases of Italy, Spain, and the United Kingdom. The effects on levels of economic growth were somewhat muted as well. The tourism sector appeared to be the most vulnerable to negative effects from terrorist actions. This result may be because the tourist sector is much easier to specifically target in an advanced economy than levels of investment or overall growth which are, of course, influenced by a great number of factors. There might be different effects in other countries with weaker economies and more reliance on tourist revenues (B. Lutz and J. Lutz, 2020). But even in the case of tourism local context will determine the extent of the negative impacts. It is possible that the economic effects from recent terrorist attacks in the United Kingdom could extend into the future. It is also possible that the additional attacks in Brussels and Paris or future attacks elsewhere in Europe could have similar consequences. The future will determine how disruptive future attacks and campaigns will be.

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**Table 1 - Means for Variables**

Variable	Spain 1975-2015	Portugal 1975-2015	Italy 1970-2015	Italy 1970-1990	Country Italy 1991-2015	UK 1970-2015	UK 1970-1999	UK 2000-2015	Netherlands 1970-2015
Per Capita									
Incidents	2.0329	.3422	.6481	1.2175	.1717	1.8985	2.4827	.8030	.1854
Fatalities	.8375	.1133	.1695	.3409	.0258	1.2976	1.9403	.0927	.0600
% Change in FDI									
Year $t + 1$	17.19	15.80	12.00	16.76	8.17	14.48	17.70	8.44	11.13
Year $t + 2$	36.42	24.50	26.67	36.24	19.50	27.24	32.77	16.88	22.48
Year $t + 3$	68.29	41.78	43.40	58.62	30.74	41.71	49.23	26.67	34.07
% Change in Tourist Visits									
Year $t + 1$	2.58	7.71	3.81	4.94	2.58	3.83	4.30	9.24	5.33
Year $t + 2$	4.84	16.03	8.09	10.28	6.46	7.72	8.23	6.75	8.65
Year $t + 3$	7.14	23.74	12.56	16.25	10.25	12.02	12.87	10.44	15.07
% Change in GDP per capita									
Year $t + 1$	4.62	6.26	1.49	2.78	.26	7.85	10.37	3.14	6.80
Year $t + 2$	11.03	13.54	2.99	5.51	.67	16.47	21.87	6.36	14.37
Year $t + 3$	17.43	22.11	14.91	30.56	1.59	25.77	34.40	9.60	22.21

**Table 2 - Correlations: Terrorism Events and Economic Indicators**

Correlations (Pearson's r)										
Measures Years N	Spain		Portugal		Italy		United Kingdom		Netherlands	
	Incidents	Fatalities	Incidents	Fatalities	Incidents	Fatalities	Incidents	Fatalities	Incidents	Fatalities
	1975-2015		1975-2015		1970-2015		1970-2015		1970-2015	
	41	41	41	41	46	46	46	46	46	46
<hr/>										
% FDI Change										
Year $t + 1$	.374*	-.030	.123	.426*	.139	.055	-.101	-.006	-.130	-.193
Year $t + 2$	.545**	.033	.279 <sup>+</sup>	.385*	.023	-.033	-.090	.028	-.177	-.174
Year $t + 3$	.501**	-.004	.289 <sup>+</sup>	.350*	.061	-.092	-.105	.004	-.220	-.163
% Tourism Change										
Year $t + 1$	-.241 <sup>+</sup>	.106	.548***	.120	.094	.078	.263*	.322*	.439**	-.149
Year $t + 2$	-.219 <sup>+</sup>	.189	.655***	.362*	.033	.011	.254*	.322*	.406**	.001
Year $t + 3$	-.258 <sup>+</sup>	.187	.630***	.437**	.255 <sup>+</sup>	-.084	.300*	.360**	.273 <sup>+</sup>	.057
% GDP per capita Change										
Year $t + 1$	.363**	.222	.301*	-.100	.274*	.128	.577***	.696***	.172	.072
Year $t + 2$	.327*	.160	.361*	-.114	.287*	.081	.536***	.697***	.108	.090
Year $t + 3$	.264*	.123	.411**	-.012	.081	.110	.568***	.731***	.054	.004

<sup>+</sup> a = .10    \* a = .05    \*\* a = .01    \*\*\* a = .001

**Table 3 - Correlations: Comparison of Italy and the United Kingdom (before and after)**

Measures	Correlations (Pearson's r)							
	Italy		Italy		United Kingdom			
	Incidents	Fatalities	Incidents	Fatalities	Incidents	Fatalities	Incidents	Fatalities
	1970-1990	1970-1990	1991-2015	1991-2015	1970-1999	1970-1999	2000-2015	2000-2015
Years								
N	21	21	25	25	30	30	16	16
<hr/>								
FDI Change								
Year $t + 1$	-.323	-.460*	.330	.719**	-.192	-.079	-.309	.482*
Year $t + 2$	-.356	-.385 <sup>+</sup>	.327	.708**	-.196	-.058	-.395	-.058
Year $t + 3$	-.405 <sup>+</sup>	-.361	.490 <sup>+</sup>	.328	-.239	-.092	-.333	-.158
Change in Tourism								
Year $t + 1$	.429*	-.286	-.087	.032	.308*	.370*	.036	.234
Year $t + 2$	.396*	-.119	-.017	.207	.317*	.400*	.047	.069
Year $t + 3$	.225	-.132	.286	.402*	.362*	.454*	.118	-.047
Change in GDP Change								
Year $t + 1$	.142	-.160	.177	.049	.371*	.564***	-.077	.263
Year $t + 2$	.119	-.413*	.238	.217	.283	.558**	.001	.255
Year $t + 3$	.001	.024	.338*	.273 <sup>+</sup>	.331*	.610***	.115	.148

<sup>+</sup> a = .10    \* a = .05    \*\* a = .01    \*\*\* a = .001