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20 Years of 9/11: Full Circle from Bush to Biden

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Exactly 20 years ago, on 11 September 2001, the USA was shaken by the worst terrorist attacks in its history: Islamist terrorists crashed three hijacked planes into the World Trade Center in New York and the Pentagon near Washington. Another hijacked plane crashed in Pennsylvania. Roughly 3,000 people fell victim to the attacks.

The whole world was in shock, witnessing the tragic deaths of countless people on live TV as the iconic World Trade Center's two towers collapsed. War-like images came directly from one of the Western world's most prestigious centres. 102 minutes passed between the first plane hitting one tower and the collapse of the second one – a little over an hour and a half, during which the apparent sense of security in the Western world itself was irrevocably damaged.

Terrorist Attacks also Triggered Panic Reactions on the Stock Exchanges

On the stock exchanges, the so-called Nine-Eleven attacks initially caused panic. On the day of the terrorist attacks, the German stock index DAX dropped by 11.4 per cent, the British FTSE by nearly 6 per cent. Share prices of airlines and insurance companies around the world plummeted – Lufthansa shares, for example, lost up to 23 per cent in value. Munich Re shares dropped by more than 10 per cent. In the deeply shocked city of New York itself, trade did not even open; the US Securities and Exchange Commission (SEC) closed all stock exchanges in the US.

The attacks also were a hard blow to the already battered real economy. After a ten-year economic boom, the US economy had declined in the third quarter – the terrorist attacks now sparked fears of an even weaker fourth quarter and, by definition, a slide into recession.

This was corroborated by direct economic effects, such as the temporary standstill of air traffic, but also by the rapid decline in consumer sentiment under the impact of the terrorist attacks. The consumer sentiment index compiled by the Conference Board research institute still held at 114.3 points in August; however, after the attacks the index fell to 82.2 points by November, a seven-year low. The US economy is particularly dependent on domestic consumption, so weak consumer sentiment is an ominous sign for economic development in the US. At the time, a recession was also feared for other important economic regions such as Europe and Japan.

The Threat of Recession was Averted

As a result, however, consumer sentiment and the US economy recovered quickly in Q4, averting the recession. The US stock markets, after hitting three-year lows in September, recovered significantly during the rest of the year. Overall, the terrorist attacks probably cost the country only 0.5 percentage points of growth in 2001, according to a study by the US Department of Homeland Security on the economic consequences of 9/11. While the average forecast for GDP growth in 2001 was 1.6 per cent just before the attacks, this consensus value fell to 1.1 per cent in their wake. According to the study, this difference can be used to indirectly infer the influence of the attacks.

The following years were also marked by a recovery of the economy and stock markets: US GDP grew by 2.4 per cent in 2002, driven by a significant recovery in the service industry, and by an even higher 3.1 per cent in the following year. However, the increasing economic revival did not affect the labour market – a phenomenon known as “jobless growth”. By mid-2003, the unemployment rate had climbed to over 6 per cent. With its focus on domestic demand, the US economy also relies heavily on a solid labour market.

US President Bush Reacted with Retaliatory Strikes

As severe as the economic consequences in the aftermath of the terrorist attacks were, the consequences for foreign politics were more severe. In response to the attacks, then-US President George W. Bush launched several retaliatory strikes: the invasion of Afghanistan, where the Taliban had given shelter to al-Qaida, was followed by the invasion of Iraq in 2003. But the US forces also launched drone strikes in numerous other countries, for example in Pakistan, Somalia and Yemen.

As a consequence, the US did not suffer another attack like the one on 11 September, al-Qaeda leader Osama bin Laden was shot dead by US elite soldiers in Pakistan in 2011, Iraqi dictator Saddam Hussein was overthrown and executed, and elections and women's rights were introduced in Afghanistan.

But the US grew weary of war over the years. While President Barack Obama withdrew US troops from Iraq in 2011, his successor Donald Trump agreed with the Taliban on a complete troop withdrawal from Afghanistan in 2020, which was finally completed by his successor Joe Biden. In the meantime, the militant Islamist Taliban have taken power in Afghanistan again. Coinciding with the 20th anniversary of the attacks, Afghanistan's new government will be sworn in on Saturday.

Biden Plans to Focus more on China and Other Geopolitical Challenges

"We are now coming to the end of a strategic cycle, and a bracket is closing in which international jihadism was the only declared enemy," believes French political scientist Elie Tenenbaum. The strategic competition between the great powers is now likely to come back into focus.

Former National Security Advisor John Bolton recently warned that Afghanistan could once again become a "refuge" for terrorist groups. However, 20 years after the attacks, US President Biden now wants to take a new course, with US foreign and security policy focusing more on other regions in the future, particularly on emerging China, which is now seen as the greatest geopolitical challenge.

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