

Effects of terrorism on international business: a detailed analysis

[Society](#), [Terrorism](#)



This paper gives a detailed analysis of terrorism and its effects in the fast increasing globalization that the world is witnessing presently. The paper draws attention to the fact that the globalization of terror has brought forth immense difficulties for transnational companies and organizations that are engaged in importing and exporting commodities and services in terror effected regions of the world.

The paper gives a logical analysis of the present scenario in a lucid manner that would make the reader understand the gravity of the situation where a terror attack takes place. The author has argued the need for consensus among the developed and democratic world and so also others who value life and properties of human beings to take proper action to counter these attacks.

Only weakening the attacks can the world be assured of further increase in bilateral ties and enhanced standard of living through the process of international trade. IV. Introduction The opening up of economies in most part of the world or globalization as it is called signaled a boon to international trade. However, the same boon to international trade has facilitated the rapid growth of transnational terrorism having its root in domestic soils which spread out further into the far reaching corners of the globe.

Terrorism has taken an ominous form in the present times leaving only a miniscule few countries out of its vicious grip while incurring huge loss on life, properties and business between nations in the most part of our planet. The origins of terrorism lies in the past history of mankind yet its implications

have been more aggressive and having attained devilish proportions only in the recent past that could destabilize the whole of the international trade and financial order if the democratic and free world do not take cognizance of this problem.

In other words, terrorism has gained momentum with the rapid and fast changing global business environment due to the very reason that some people or parts of a community or nation are intransigent to the liberal exchange of views, ideas and actions of others which they feel are a threat to their own possessively held beliefs and practices.

When such exchange of liberal views and active demonstration of different values happen in the socio economic life of the community, the hardliners form a bastion to thwart the spread of such views and the rapid transformation taking place in the society which they feel is a threat to their own culture with utmost angst and violence.

There is no denying the fact that most terror originates from closed societies or regions where the dogma or practice of religion and social values are such as has been followed since times immemorial that they form an inevitable expression of dissent and outrage at the slightest hint of an intrusion of thoughts and actions from another community or region. This is more so when the ideas, thoughts and behaviors pertain to a foreign country with a totally different culture.

The orthodox communities in such instance wage wars carry out stealth bombings, suicide attacks and make all possible efforts to stop trade between the two nations and communities. In modern days terrorism is used in a

more systematic ways to communicate a political, religious and cultural message whereby intimidating and spreading the fear among the gullible public. It has also been seen that modern terrorist aim to damage businesses more than any other targets which they feel can effectively put an impasse on the other community's financial stability.

There are different forms of terrorism taking place around the world and they all aim to inflict fear upon the general public. The most common forms of terrorist attacks are carried out by bombings, guerilla squads, suicide attackers, kidnapping and hijacking and information warfare. The information warfare is the latest way that a terror group tries to demonstrate their strength and displeasure by uprooting the very base of the communication over which most governments and business organizations of the free world depends to a very large extent for their continuity and growth.

Yet what is seen to be terrorism may not be quite true for those who perpetrate it as they feel that it is the other side who is actually at fault and who are the real terrorists with seemingly neat manners and nice talks. The real reason for terrorism therefore is the growing discontent among a particular community when they see a threat to their own ways and means of practices and behaviors.

However, from the point of argument there may be several reasons that could look sound enough for giving justification to terror groups, but what cannot be forgotten is the reckless ways the life and properties of the civilians are put to stake. And this also means the dangers posed to the

smooth flow of international trade without which the very basis and existence of the new world is not possible. V. Significance of the Study

The study assumes significance in the light of the numerous and even frequent attacks on innocent civilians by groups who have become enormous along with the ballooning growth of the world economy. The dastardly acts without an iota of compassion and reasoning by people who want to change the whole world order to their very own narrow terms have brought to focus that this area requires more in-depth analysis and holds potentials for future studies for mankind to be more knowledgeable in order to explore grounds wherein such incidents could be minimized and brought before the rule of international law.

If there is need for justification from the angle of the warring group and those who are the free liberals and who advocate a free society then the need of the hour is to come to an understanding whereby both groups could willingly express themselves and adopt procedures which could minimize such sort of terrorism activities in the future. Needless to say terrorists attack and destroy business and financial institutions with the firm and quite obvious belief that the most parts of the world depend on the world trade for sustenance.

Hence, by stunting the growth of business and trade they feel that they are to a large extent able to coerce the rest of the world to come to terms. Thus, the study is important not only from the point of curtailing the terrorist activities worldwide, but to see reason for what terrorist are trying to state and then derive at a consensus such that the extreme elements among the

terrorist who see nothing short of the unreasonableness and those who are the moderates and who would like to have some support from the world, are singled out and segregated.

By doing so the students and researchers and general readers would have the ability to distinguish between the ideologically different groups, the moderates and the extreme hardcore elements that are hell bent to disrupt the entire flow of life as if it is their business to do so. The extreme hardcore elements are the political ideological groups, drug mafia, the religious bigots, and some extreme cults whose practices are highly questionable and do not in any way go with the civilized existence of human beings.

When it comes to the area of business it is usually seen that the effects of terrorism on the global businesses have been minimal if one considers the extent of damages caused by large scale wars. However, this is no reason to relegate the study of terrorism to a lower level for it is seen that the catastrophes of war is extreme and as such people by and large have already submitted themselves to the forthcoming casualties whether in the form of human life or business.

The fear psychosis on the other hand is more ominous with terrorism gaining ground as the population and businesses undergoes a series of frequent uncertainties, a sudden assault and then a relative period of ease due to which the actual normal life that was prevailing previously is never fully restored. The tension that a business organization experiences is multi-fold and on a continuous basis too and this is likely to remain so with no proper

study so far being undertaken to tackle the menace from the grassroots itself.

Therefore, for businesses carrying on trade, whether domestic or international, an alternate means of survival has to be formed such that the financial constraints brought forth by terrorism can be effectively checked. This again would help in preparing future contingency plans for businesses carrying out trade in high risk, low risk or no risk terrorism countries or regions.

Another factor that has emerged over time in different literatures and the media is the presence of terrorism money or the ill-gotten money made by terrorist organizations which are in turn invested in shares of multi-national companies and in other securities which are traded freely as there is no proper means to control these properly. Further, the terrorist by themselves keep a low profile and their leaders who have come to the light seldom ever record these transactions in their own name, but do so in the name of their underworld accomplice or by their faithful proxies.

Again, some legitimate businesses are one way or the other transacting their business across countries with organizations belonging to a terrorist group by design or by ignorance. Several countries perpetuate business tensions too if the government of that country has an ulterior motive to help organizations belonging to terrorists to trade with organizations of other countries which had earlier carried out terror attacks on that country.

This can cause extreme embarrassment and there are several instances of governments of countries ignoring ethics and international agreements while

forging business partnership with organizations belonging to well known terror organizations with an inherent desire to get access to the raw materials or services without which a part of their industry might find it difficult to survive. The US is one such country where its newspapers are the largest importers of Gum Arabic manufactured by Gum Arabic Company Ltd, belonging to Osama Bin Laden who incidentally has 70% shares in it.

The above example and many others clearly show how terrorism is intricately related with the mainstream legitimate business worldwide and there is frequent overlapping of trade with these hardcore elements when an international transaction is carried out between countries. Since, the terror organizations are numerous and so also the number of people employed by them, that it becomes increasingly difficult to differentiate the good from the bad.

This is more prominently seen in the share market where the terrorist are skilled speculators and have made fortunes and thus been able to divert funds for financing further attacks on innocent civilian targets. The obvious solution then is to disallow activities which involve terrorists by systematically segregating them from the main stream activities. Unfortunately, this is easier said than done for it is impossible to identify a terrorist from the ordinary human beings until and after a terror attack takes place.

The damage occurring to business establishments, logistics, communication networks and political misunderstandings and suspicions leading to further deterioration of bilateral and multilateral trade is too enormous due to

terrorist activities one way or the other. Besides, the severe monitoring of procedures, scanning of websites and cautious and detailed checking of transactions, both finance and non-finance, has led to greater rigidity of controls and time consuming efforts proving detrimental to the smooth flow of international trade.

It has been seen in several studies that terrorism creates a fear which generally disrupts normal business activities and their effects are as hereunder. V. (A). Consumer's Lower Propensity to Consume The consumers in general show lesser appetite for consuming products or services after a terror attack had taken place. It has been seen that overall there is a significant fall in demand for weeks in and around the spots where an attack had taken place.

The growing atmosphere of uncertainty that prevails everywhere is not quite easy for the common consumers to think that everything is under control even though the authorities say so. In case of an attack of gigantic proportion the trade between two countries are greatly affected as the authorities are not likely to deny a second successive attack and this leads to a number of rules and regulations imposed or tightened and thereby several commodities ready for shipment may have to be scrutinized for custom clearance even more rigidly.

This obviously leads to time lapse, increased handling and shipment charges, increase in bank interest on loans due to delay, cancellation of orders and reduction in price of finished products due to its nature of being perishable commodity and other additional contingent liabilities which the business may

have to experience. The next in line and which have direct consequences in the event of a terror attack is the tourism industry. Under such circumstances tourists altogether cease to arrive for the whole year giving a jolt to the tourism business.

V. (B). Shortages of Raw Materials Uncertainty is one of the most important factors leading to disruption of trade between countries. It is seen that importers generally fail to place repeat orders when they feel that the exporter may not be able to get the required raw materials for the manufacture of the items when a terror takes place near the vicinity of the company. This is because the entire supply chain of the manufacturer is disrupted and the importing party hardly feels any justification that the manufacturers would keep their word.

Again, some important chemicals and highly hazardous substances essential for the manufacture of an item may come under severe scrutiny or ban leading to production loss. V. (C). New Policy Regulations The government of the region or country which had experienced severe terror attacks is likely to introduce new stricter laws and monitoring which in general would affect the trade and commerce in that region. Even otherwise there can be changes in International relations between the affected countries with those with whom it has grave suspicions of having given shelter to the alleged perpetrators in its home land.

The case of India and Pakistan is very noteworthy in this regard with Pakistan being base to almost all the terror attacks on Indian soil. Although there is trade between the two countries it remains at very low or volatile levels and

at times both countries opting for stoppages of trade due to differences at the political level mainly arising out of Pakistan adopting an attitude of rouge state and perpetrating terror in the Indian soil. V. (D). Absence of TCP

The absence of Terrorism Contingency Plan (TCP) can to a great extent inhibit a country's future trade potential as well as prove to be a stumbling block to whatever trade was in progress prior to the terror attack. In fact, it is seen that most companies rarely have a Terror Contingency Plan in place and which if implemented could act like a shock absorber in case any damage is caused in the event of a terror strike on the company's value chain.

Insurance policies to some extent helps businesses in recovering part of the cost of materials and damaged properties, it however, never actually helps in recovering the loss occurred in terms of sales lost, future uncertainties and loss on the manufacturing and distribution front which includes logistics too. Under such circumstances there is considerable loss for businesses when terror strikes near its vicinity. V. (E). Rise in Cost of doing Business There will be significant rise in cost of doing business in areas where terror attacks takes place.

This means that a business for continuity purposes would have to procure raw materials and other services from other costly sources when shipments to import from the previous suppliers fail. Again, there will be more additional software required for information network in the event of a cyber attack. Further, business would have to look after its own security by

designing and implementing a better system for business continuity which inevitably increases the cost.

The government in all likelihood would be able to thwart a broader range of external threats, but might fail to address the security system for a particular business and its peculiarities. Moreover, the government of the country might increase its defense budget to counter problems of terrorism and thereby have less money at its disposal to address the security concerns of the individual businesses. V. (F). Rise in Unemployment

There is invariably a rise in unemployment in places where terror has struck due to the direct effect it causes on businesses and international trade. This may be mild or severe and depends to a great extent the way the political machinery of the country or region works. In many developing countries this may have disastrous consequences. Even in US the 26/11 attacks has had a significant effect on trade leading to unemployment. It is perhaps the vastness and soundness of the US domestic and international markets that had greatly checked the severity of unemployment.

For other countries this would have lead to a total collapse of the economy as mass unemployment would lead to social unrest leading to political instability in the region. VI. Purpose of the Study The goal of this study is to establish the importance of an effective all round deterrence against terror aimed at business organizations world wide and how it would help in mitigating the negative impacts on business with respect to its future growth and profitability.

The study's prime aim is to facilitate further researches in this field such that it can be an effective ground for enabling a consensus driven discussion from academicians, scholars, students, businessmen, social and political leaders who have the genuine need to address the problems posed by terrorist activities. The study would in all probability lead to certain mechanisms from the viewpoints and suggestions raised by different academicians and scholars and so also the business groups.

During all subsequent discussions it would help to bring about certain valid changes in the international trade through better cost effective monitoring techniques, better contingency plans for protection of small and large businesses including tourism as well a more fool proof way of identifying and tracking money laundering. This concerted action would give ample justice for which the study has been undertaken and instill a greater response from all stakeholders from world over who wishes to see a phenomenal rise in international trade in years to come.

The study is therefore important from at least three points and these are as elucidated below.

- There has been a steady increase in terrorist activities worldwide which clearly shows that the area of study has not been seriously pursued so far in order to recommend a proper defense mechanism that would save the huge loss incurring to international trade
- There is also an increased intensity in terror attacks on both civilian and business targets over the years which have proved beyond doubt the incapacity of many businesses to recover the lost opportunities completely.

This jeopardizes the long term goals and targets of organization and in turn effects the economic development of the region. • Terrorism is relatively a new field of study and hence highlighting the importance of study in this area would benefit business organizations, policy makers and civilians. This is mainly because the study would throw up important suggestions and points of view from intellectuals to check its growing menace. This study has also taken into consideration the wide ranging implications of terror attacks and how the various literature have been able to throw light into the new emerging area of thought.

For the purpose of the study the available literature are not extensive enough to provide justification to such an important area of study yet they have helped in assessing the different viewpoints expressed by authors and academicians and the nature of terror threats that the world faces today. The paper underlines the need for a concerted action from all those people who would like to enhance their standard of living and free exchange of commodities, services and communication through international trade.

Under such circumstances any hindrance to free flow of trade is quite detrimental to the uplift of ones community and hence there must be a broad understanding by all stakeholders to fight terrorism. VII. Literature Review The literature reviews of different academicians and authors have so far been seen as quite meager when one considers the importance of the problem. Yet almost all authenticated journals and articles by authors point to the fact that terror not only disrupts normal life at places where it has

struck, but has negative implications on businesses and disrupts smooth flow of trade between countries.

Again, all authenticated writings by scholars have pointed out to the fact that terror knows no boundary whether domestic or foreign and can strike anywhere at anytime on civilian targets in order to generate fear among the people. The latest form of terror is however the most feared among the modern businessmen and cross border traders and this is cyber terrorism. Cyber terrorist groups target the internet itself using DOS or DDOS virtually shutting down critical infrastructure and other software used constantly by organizations (Gable, 2010).

Nowadays there are hardly any companies who do not interact over the net or carry on their operation by online communication network. Hence, a terror attack on the network can shut down operations and destroy useful files and information for the business. Many companies having branches in other countries are also connected by intranet network which is equally vulnerable to such attacks. Since, the terrorist are low profiled people moving about just as ordinary folks do they are difficult to identify and their illicit transactions are never known.

Such is the efficiency of a terrorist that money laundering which is seen as yet another method the terrorist receives and provides the much necessary funds for the next attack. According to the authors Delston and Walls this type of money laundering is quite common as it seeks to disguise the proceeds of crime and moving value through use of trade transactions in order to legitimize their illicit origins (2009). In other words, the terror groups

conduct their day to day business by stealth operations disguising their terror money in several forms.

In such cases in international trade and commerce the custom personnel must not only be vigilant about hazardous products being smuggled into a country, but must have the requisite knowledge of billing and the approximate prices of commodities that are being traded. At times, the actual cost of a commodity might be only \$100, but the exporter may invoice it for \$1, 00, 000 to the importer as previously agreed upon where the difference in the amount stands for terror money that the importer makes in order to fund a ruthless operation. Such money looks every bit legitimate and passes on easily through approved financial networks.

This has given rise to whole lot of problems whereupon governments of different nations have undertaken to monitor the commodities that are being passed for shipment as there is always the chance of hazardous or nuclear materials passing through by declaring it as any one of the common items. Illicit transshipment and theft of nuclear materials used to manufacture bombs is not just a hypothetical worry, but an ongoing reality (Bunn, 2009). One of the important factors which several authors have voiced concern is the way globalization has been thrust upon the people with extremely different views and culture.

These communities by their very nature of being stubborn and possessing orthodox beliefs tend to express themselves in a totally different behavioral attitudes, views and preferences which in turn prove to be a stumbling block for smooth conduct of trade. In fact, globalization contributes to the creation

of socio-cultural and psychological conditions which breeds discontentment and terrorism (Stout, 2002). Therefore, the need for the hour on part of every international business is to promote goodwill and understanding about different social, cultural and linguistic communities other than ones own.

However, some of these extreme elements rather than follow the path of least resistance try to foment trouble by hijacking the very beliefs of the people by calling themselves the real religious people. In many Moslem countries the religious heads under the threat of such groups and also by receiving cash benefits succumb to the pressures and ideologies the terror group dictates. The Pakistan based launching pad was effectively used by the so called Mujahidin or warriors of God, which consisted of Arab and Asian Moslems for carrying on their anti-Soviet Afghan campaign in the year 1979-1989 (Buckley and Fawn, 2003).

Here, religion compounded by the fear of Western or American hegemony created excellent conditions for such terror groups to emerge in rapid succession. Later on many of these terror elements would form part of the larger group whereby there strength would increase and so also pooling of funds for large scale terror attacks. Modern terrorist organizations are loose knit global entities that have practically no geographical borders, but use loopholes of each domestic law to establish safe havens (Airey, 2009).

However, the worst scenario seen in recent times is the timid responses of developed nations who have been under such attacks. Many of these developed countries have either a connection with a terrorist organization in the past especially during the Cold War periods. For instance, both the US as

well as the erstwhile Soviet Union had their own well funded terror groups to launch attacks on each other. Again, for political reasons alone a terror group which showed allegiance to one country previously may have fallen out during the period of globalization.

The case is more intriguing when the warring group in another country can influence the political base of another country. The US failed to include IRA (Irish Republican Army) as a terror organization basically because it didn't want to alienate Irish-American voters (Lutz JM and Lutz BJ, 2009). This kind of lackluster attitude on part of nations could hamper any consensus built to root out terrorism from the society. To reiterate the fact once more it is to be understood by the readers that the 26/11 attacks cost US 3000 lives while in July 2005 in London's public transport system killed more than 50 people.

Further, the Madrid train bombing on March 2004 claimed 191 people. Even in Far East like Japan the terrorism has struck by domestic terrorist groups themselves. In 1994-95 Japanese citizens in Tokyo were attacked with chemicals which were allegedly to be carried out by the Aum Shinrikyo, a religious cult of Japan. There are, in fact, hundreds of terror attacks carried out in different parts of the world and the severest attacks happen in places where the region or country is under occupation of foreign armed forces.

The Israel and Hamas conflicts have left huge number of people dead and so also in Iraq. VIII. Recommendations The paper suggests a strong agreement between governments of the free democratic world with those of moderates who would like to see a civilized world order. There must be a consensus reached between the member countries to share valuable information and

counter terror methods that are being effectively implemented by another country or countries.

The internet is here to stay and would be the next big picture where most or a significant part of the international trade would be conducted. Therefore, there must be development of software that would upgrade the communication and online network sites and which would effectively thwart any terrorists hackers from assessing the information. Above all the governments should provide a broad outline of a practical contingency plan for business to cover any liabilities whether tangible or intangible in case of a terror attack.

Lastly, but not the least there must be careful monitoring of business transactions world wide and a systematic elimination of terror groups by addressing some of the issues like giving importance to different cultural groups working for the organizations. Once, the basis of difference which is mainly cultural, religious and linguistic is properly addressed there would be lesser pressure from potential terror groups to inflict damage to business. This again would lead to the weakening of the hardcore extremist terror groups. Reference List Airey T. Joseph (2009).

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