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TERRORISM, AS SOCIAL-POLITICAL PHENOMENON AND IMPEDING FACTOR FOR GLOBAL BUSINESS

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Abstract:

Economic stability and peace are the important determinants of socio-economic development in the modern world. Analysis of the situation in conflicting regions worldwide clarifies that at the modern stage it is very complicated to reach this. One of the main factors, which cause the process of economic and political destabilization, is global terrorism, which became the world's important phenomenon. After the terrorist act of 11 September in the USA in 2001 and terrorist act on the journal "Charlie Hebdo" in Paris in 2015 the problem became more actual. Compared with 2013, in 2014 the world terrorism threat increased up to 61%, which considerably limits dynamic development of the global market.

In such countries, where threat of terrorism is high, it becomes far difficult to develop the international trade relations, inflow of foreign investments reduces, and the danger of starting business is high. Within this context, the main principles of market formation are determined not by the supply-demand phenomenon, but the main source of its destabilization is the fear caused in result of terrorism. In result of we receive atrophied market relations, when separate states possess relevant resources and economic potential for economic development, but in result of interference of exogamic forces (terrorism) it is impossible to perfectly master them and, owing to this, dynamic development of the economic system.

In the present article we studied the socio-political aspects of terrorism and its influence on the global business.

Keywords:

Economic stability, socio-economic development, global terrorism, destabilization, global business.

JEL Classification: F20

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Introduction

Development of global economy is the moving factor for modern world development. This process, due to the formed economic difficulties, is ongoing in a complicated way. Along with those problems of global security, which are recognized by United Nations Organization (global warming, poverty, ecological misbalance, etc), terrorism is one of the main challenges of the international security.

Terrorism originates still in the early centuries. Wide-scale terrorist act was planned by Guy Fawkes in 1605, which was going to arrange an explosion in the Parliament of England to murder King James I [6]. In XXI century the area of terrorism propagation became wider and it reached the world scale. The word "terror" is of Latin origin and means fear, horror. In XXI century terrorism is the problem for almost all the states, though it has far longer history than its legal assessment and criminalization was conducted.

Still before the Middle Ages terrorism was used as one of the means to fight for power. Terror was used in the palace coup, overthrowing of unwanted government, inquisition, especially massive it was in the revolutions. The history of political terrorism starts from the first quarter of XIX century. The terrorism of this period is called revolutionary, because the revolutionary changes were considered to be the only way to reach the political purpose, terrorism was recognized an obligatory attribute of this way. Just in the 30-40s of XIX century the ideas of Nationalism, Anarchy, and Socialism start wide spreading and terrorism became a form of fight of the radical directions of these movements [10].

In XXI century terrorism became modernized, its new forms appeared: super and cyber terrorism. Along with the technical revolution the danger of terrorism keeps growing and its control is more complicated.

Causes and Forms of Terrorism Origination

Terrorism danger serves concrete purpose. This purpose, within both political and economic context is anti-social, directed against concrete political figure, country, race, religious groupings.

In the modern world main reason of terrorism is considered to be religious confrontation. Special danger, born by terrorism, is Islamic Fundamentalism, which implies spread of principles of the Koran in the world by force. Islamic fundamentalists call their followers for "Jihad" holy war, i.e. to fight against the population, which does not share Islam, as the world dominant religion. Such an approach causes neglect of world economic and political order, threatens the world global security. In result of events that took place in Iraq, formation of the so-called "Islamic State" and murder of Yezidis Kurds, existence of such unregulated centers in oil-rich states cause not their economic development, but economic, social and political misbalance.

In the modern world global business development is threatened by such Islamist-terrorist organizations, as: Hezbollah, Hamas, Taliban, Jamaat al Islamy, and Al-Qaida. The purposes of these organizations differ and the tactics of their activity are non-uniform. Thus, for example, "Hezbollah" is a radical organization of Lebanon, terrorist acts of which are directed not only against Israel and the USA, but against Muslim Shiites as well. "Hamas" is Sunni radical military-political organization of Palestine, which declared Holy War against Israel and its followers. "Taliban" is extremely conservative, radical Islamist organization, which was a ruling power in Afghanistan and actively supported terrorist groupings of Islamist-Fundamentalists "Jamaat al Islamy" is an Islamist organization, the purpose of which is to form and Islamic state of Central Asia. "Al-Qaida" is an extremist-terrorist Islamic organization, which was formed by Osama Ben Laden, recognized as the terrorist number one in the world. Just he organized the terrorist acts of 11 September 2001 in the USA.

Area of Terrorism Spread

Spread of terrorism starts when the political situation is not stable and the military activities are ongoing in the country. Respectively, in the countries, where the conflicting environment is formed, the tempo of economic development and business investments reduce.

In her research "A Snapshot of Terrorism in the World Today", Amanda Macias presents the areas of terrorism spread and frequency of terrorist activity according to the countries [2, p 68]. Activity is high in such countries, where poverty is noticed, the level of economic development is low, religious conflicts prevail, and anti-democratic governance is spread. That's why the highest mark of terrorism is in Syria, Iraq, Afghanistan, Pakistan and Niger.

After 2008 the growth of terrorist activity is noticed in the world. In 2013, compared with a previous year, 43% increase is fixed; in 2014 this indicator reached 61%. Such dangerous growth of this indicator in the future can incur an important blow on the global business [9, p 31].

Economic crisis of 2008 influenced almost the entire world. Accordingly, political and economic interests gave birth to new centers of conflicts and the index of peace in the world sharply reduced. The revolutionary change of power in Egypt, the civil war in Lebanon, "the Arabian Spring" and internal state conflicts in Syria, change of power in a few African countries considerably influenced growth of terrorism within general scale and promoted further aggravation of the conflicts. To all this lately was added occupation of territories of Georgia, also annexation of the Crimea region and East part of Ukraine by Russia. Confrontation of Israel-Palestine already passed to the dangerous phase and in reality acquired the form of terrorist war. These events recently caused increase in number of conflicting regions in the world.

Civil wars and existence of conflicting regions in the country reduces its economic development and causes reduction of investments. This is especially heavy burden for the poor countries with transitional economy, which do not possess sufficient internal resources got development, and the threat of destabilization does not enable business to develop. In GDP of foreign investments in GDP are small in the countries, where the danger of terrorism is grown, and this is seen well in Table 1.

Table 1: Foreign Investments (in GDP , %)

Country	foreign investments in GDP , %
Afghanistan	0,3
India	1,5
Iran	0,8
Iraq	1,2
Lebanon	0,9
Niger	1,1
Bangladesh	1,0
Pakistan	0,6
Ruanda	1,5
Yemen	0,4

Source: Foreign direct investment, net inflows (% of GDP).

<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

For any country, which wants to expand its own business, the market is important, which will be protected from the negative influence of external factors. In the process of planning the company strategy, from the viewpoint of entering the foreign market, firstly the conflicting regions will be excluded as the business extension areas. That's why, it is important for the international companies to analyze the peace index, which points to the stability existing in the country. After II World War, the index of peace increased. However, after 2008 in 111 countries this index reduced, only 51 countries managed to increase or preserve it.

By the data of Institute for Economics & Peace (IEP), 10 countries were outlined, where the situation is instable and civil confrontation is fixed, Respectively, there are great risk-factors for business development, as peace existing at that stage, can be violated any moment. They are: Zambia, Haiti, Argentine, Chad, Bosnia and Herzegovina, Nepal, Burundi, Georgia, Liberia and Qatar [1, p 8].

By the data of 2014, in the world scale the most peaceful regions were considered to be: Europe, Canada and Australia. After the terrorist acts conducted in 2015 in France and other countries of Europe, Europe lost this status.

Compared with 2013, in 2014 the growth was noticed in the number of conflicting regions and facts of violence. However, according to the countries we see increase or reduction of some determining factors.

Table 2: 3 indicators acting on Peace Index, which were most of all increased and reduced

Top-3 improved factor (index of conflicts reduced)	change in 2013-2014
Political terror	- 0,049
Amount of murders per 100 000 persons	- 0,049
Amount of dead in the military conflicts, organized in external conflicts	- 0.049
Top-3 worsened factor (index of conflicts increased)	change in 2013-2014
Terrorist activity	0, 167
Amount of internal and external conflicts	0,099
Amount of refugees according to the amount population	0,031

Source: *Global Peace Index 2014, Institute for Economics & Peace, (IEP), 2014, p 16.*

Expenses of Global Terrorism and Conflicts

Conflicts and terrorism in small or wide scales are connected with important economic expenses. Reduction of human resources, unavailability of production resources, restriction in export-import, decrease in investments and tourism imply losses for local and global companies. Accordingly, politically instable situation will be followed by economic fall, which leads to expenses. GDP reduction and worsening of economic situation in a concrete country are reflected on the neighboring and partner countries. Then these changes have a chain impact in the world market activity.

By the data of 2013 the expenses on fight against conflicts, violation and terrorism made up total USD 9, 8 trillion, which is 11, 3% of the global GDP; by calculation on each man they are equivalent to USD 1 350. Compared with 2012, the expenses increased by USD 179 million, i.e. 3, 8%. And this is 0, 4% of the global GDP.

If we judge according to the existing data terrorism, conflict destabilization and violence of different kind cost too much for the global economy (Table 3). This sum will enable to reduce the problem of poverty, which is caused just by these conflicts.

Table 3: Global Expenses of Conflicts, Terrorism and Violation by the Data of 2013

Type of violence	total expenses (USD, billion)
Military expenses	2 535\$
Murder	720\$
Defense	625\$
Heavy crime	325\$
Personal protection	315\$
Detainment	185\$
GDP losses in result of conflicts	130\$
Death-rate in result of home conflicts	30\$
Fear	25\$
Terrorist acts	10\$
UN peace preservation	5\$

IDPs	2\$
Death-rate in result of external conflicts	1\$
Total (direct sum)	4 908\$
Total expenses (using the multiplier)	9816\$

Source: *Global Peace Index 2014, Institute for Economics & Peace, (IEP), 2014, p 17*

Table 3 shows that the expenses involve not only losses received directly during the terrorist act, but the expenses spent for its prevention, which are far larger than the losses received directly in result of the fact.

The fact should also be taken into consideration that expenses of each country are in direct relation with other states, which are involved in foreign trade and global market activity. Accordingly, the countries should take care for reduction of military interventions and violence, because each adopted step is reflected on the world economic condition.

Influence of Terrorism on Human Resources

It is important to mention the influence of terrorism on human resources, as potential victim of the terrorist act. It is already a fact that the terrorist act target is mostly business centers and large state establishments. Respectively, first among them is their staff.

Business has enormous losses in case of wide-scale terrorist acts, when it loses qualified personnel and their simple substitution is not easy, more if the top-managers become victims of acts of similar type [3, p 26].

Terrorism largely damages the human resources. Only in 2013 owing to the terrorist attacks 17 958 people died, from them 82% in result of the facts that took place in Iraq, Afghanistan, Pakistan, Niger and Syria. In 2013, only in Iraq 2 492 terrorist acts were fixed, which took away the lives of 6 362. 5% of similar facts happened after 2000 are terrorist acts conducted in the public gathering places by kamikaze terrorists. 90% of the terrorist acts happen in such countries, which differ with low level of economic development. IEP (Institute of Economics & Peace) outlines 13 countries, where terrorism risk-factors are high. They are: Angola, Bangladesh, Burundi, Republic of Central Africa, Ivory Coast, Ethiopia, Iran, Mali, Myanmar, Sri Lanka, and Uganda [2, p 12].

Such companies, where the danger of terrorist attack exists, are forced to insure their personnel and spend more sums on their protection and insurance of their life and health. Accordingly, they finally have high expenses for well-arranged work of business.

Employment of concrete persons is also dangerous for the companies. Anyone from the staff may start work in the present company for conducting a concrete terrorist act. Therefore, prevention of such a fact becomes more complicated. Just this was the reason that after 11 September terrorist act in the USA and not only there, hard situation was formed for the Muslim population living there, because many of them were released from the work and some of them failed to get new work. In the present case, the factor of fear acted and the companies tried to insure against any sabotage.

In case if terrorist act the company can be blamed for forming insufficient protection. At entering the trade or other objects a person should be inspected whether he has an explosive device or a gun, with which he will try to kill another person. Respectively, it is important for the company to protect its employees and also clients, which buy products or are in any concrete business center.

Threats of Terrorism in Georgia

Today economic growth of Georgia determines such factors, as: foreign investments, volume of export in international trade, growth of business. But in result of terrorist attack of Russia in 2008 the economic situation in the country became unstable. Existence of territories in Georgia, occupied by Russia (Abkhazia and Samachablo) forms the image of unstable country for starting business, impedes development of international economic activities, risk-factors for starting business grow. Changes of peace index in the entire Eurasian region by the data of 2014 witness positive tendencies seen in Table 4.

Table 4: Change in Index of Peace in Eurasian Region and Russia by Data of 2014

Eurasian region and Russia	assessment from total amount	total scaled coefficient	change in coefficient	ranging by regions
Moldova	71	1,971	-	1
Belarus	92	2,078	-0,038	2
Turkmenistan	95	2,093	-0,026	3
Armenia	97	2,097	-0.026	4
Kazakhstan	103	2,150	-0,119	5
Uzbekistan	104	2,179	-0,141	6
Georgia	111	2,225	-0,272	7
Azerbaijan	123	2,365	-0,028	8
Kyrgyzstan	125	2,382	-0,009	9

Tajikistan	126	2,395	-0,100	10
Ukraine	141	2,546	-0,295	11
Ukraine	152	3,039	-0,021	12
Average	-	2,293	-	-

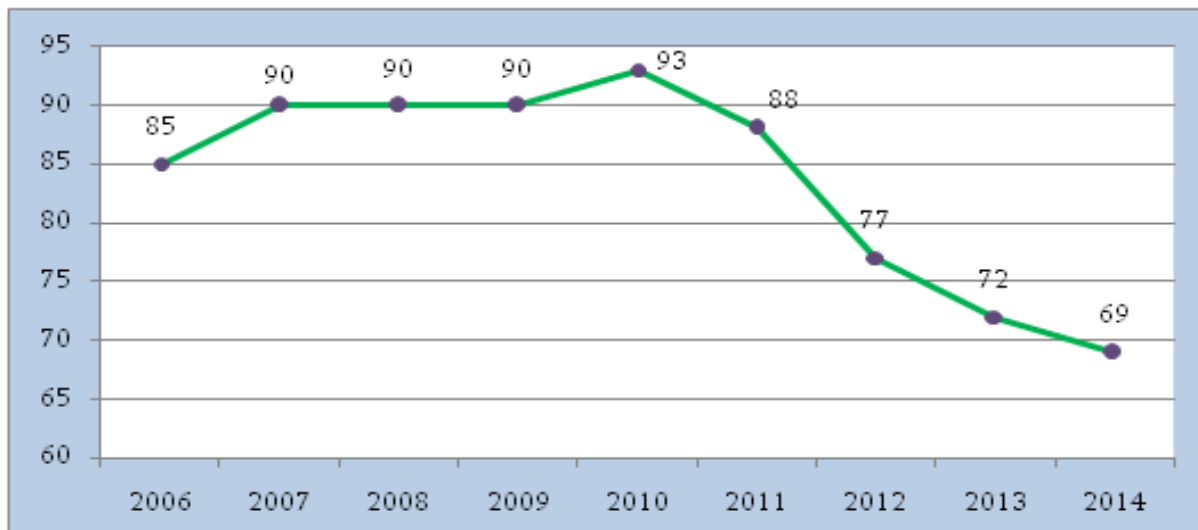
Source: *Global Peace Index 2014, Institute for Economic & Peace (IEP), 2014, p 10.*

Georgia considerably improved its position compared with last year – with 2 225 GPI scores it moved from 139th place in 2013 to 111st position among 162 countries of the rating. Changes are also in the ratings of Georgia's neighboring countries: Russia is on 152nd position (in 2013 – 154th), Turkey – 128th (2013 – 134th), Azerbaijan – 123rd (2013 – 126th), Armenia – 87th (2013 – 98th). Positive changes of Georgia's positions means that the situation became more stable compared with the previous years and more perspective and ways are opened for economic development from this aspect.

Positive change of this indicator caused improvement of Global Competitiveness Index in the country.

It is important for the fast economic development of Georgia to be competitive at the global level. Swiss organization World Economic Forum (WEF) publishes annual reports from 1979, in which competitiveness and business environment of the world countries is analyzed. The present report assists the governments to reveal the factors impeding the economic development and the business sector – to adopt decisions on future investments. The Global Competitiveness Report of 2014 was published by the WEF this September. Competitiveness of 144 countries is studied in the report. The analysis was conducted based on the data of 2013. Each country was assessed by 119 criteria, and the source for the data of 33 criteria (e.g. debt of government, budget deficit, inflation, level of taxes, export, average duration of life, amount of students and pupils, etc) is official statistical data of the country, and for the rest of criteria (e.g. rights of ownership, trust to politicians, independence of court, transparency of policy, criminal, level of medicine and education, quality of infrastructure, etc) the source of information is direct questioning of small, medium and large enterprises conducted by World Economic Forum. The questioning is confidential and the possibility to see the answers of the companies has only the Swiss side. From Georgia almost 200 companies participate in the research, which are selected by the arbitrary principle each year. Proceeding from this, the mentioned research is based more on the attitude, apprehension of the business environment of the entrepreneurs than on official statistical information.

In the Global Competitiveness Index 2014 Georgia occupied 69th place, moving three places above from the position in 2013. Georgia has positive tendency in the mentioned index for four years already (Diagram 1).

Diagram 1: Position of Georgia in Global Competitiveness Index

Source: <http://forbes.ge/news/453/saqarTvelos-ekonomikis--konkurentunarianoba>

119 criteria for assessment of competitiveness are united into 12 thematic groups. According to the mentioned groups, Georgia has the best position in the labor market efficiency – 31st place in the world, and it is on the lowest place (121st) by the innovations.

Table 5: Georgia's Position by Criteria

Criteria	world position	score (maximum score 7)
Institutions	48	4.3
Infrastructure	48	4.2
macro-economic environment	59	4.3
healthcare and elementary education	63	5.8
higher education and trainings	92	5,9
commodity market efficiency	60	4.4
labor market efficiency	41	4.5
financial market efficiency	79	3.9
technological readiness	67	3.8
Innovations	121	2.7

Source: <http://forbes.ge/453/saqarTvelos-ekonomikis--konkurentunarianoba>

If we sum up Georgia's advantages and disadvantages, we'll get such a picture: Georgia is comparatively competitive by development of institutions, infrastructure, labor market efficiency, low taxes and regulations, absence of currency control, low criminal, lack of bureaucratic procedures for starting and doing business. Problems are in the following directions: protection of property rights, innovations, secondary and higher education, science and research, level of competition at home market, availability of finances, professional labor force, trust of society in politicians and unstable policy. The idea is popular that in the mentioned rating Georgia will never occupy leading positions, because it is the country of

small market. This is not true, because 2nd place in the rating is occupied by Singapore, the population of which is 5, 4 million (1, 3 times more than the population of Georgia, its territory is 718 square meters (95 times less than the territory of Georgia) and by the size of economy is on 40th place in the world. The only criterion restricting a small country, which the index involves, really is size of market, according to which Georgia is on 103rd place. However, influence of the mentioned criterion on the sum indicator of the country is approximately within 5%. By the same indicator Singapore occupies 31st position, but it is on the 1st place by the trust of society in politicians and transparency of the government policy, low level of inflation, quality of air transport, level of elementary education, mathematical and scientific education, easy customs policy. It is on 2nd place in the world by protection of property rights, protection of investors, attraction of talents, port infrastructure and size of export towards economy.

This comparison shows that a small country also can become the most competitive in the world and attract that amount of capital, which will promote economic growth and development of the country, for which it is important to reach economic stability of the country caused by prevention of terrorism.

Conclusion

Terrorism is one of the most important problems for the modern world economy. That's why it is necessary for each state to take care for prevention of terrorist activity and to protect business from such attacks. The main problem for development of modern economy is to reach stability and peace, to which the attempts of world countries are directed. Despite this, the events recently developed in the countries of Europe clarify that the threat of terrorism is still great. Expenses of conflicts, terrorism and global violence still keep growing in the world, which impedes growth of global business and respectively reduction of poverty – the world's primary problem.

In result of Russia's terrorist attack against Georgia in 2008 made the situation in the country economically unsustainable. Existence of territories in Georgia, occupied by Russia (Abkhazia and Samachablo) forms the image of unstable country for Georgia from the viewpoint of starting business, impedes development of international economic activity, and risk-factors for starting business increase.

The means for avoiding terrorism should be introduced and their activity should be controlled worldwide. It is necessary to provide security of concrete companies, firms and establishments. Finally, the main thing is that each country and international organization should try to impede the activity of terrorist organizations and to promote fight against terrorism in the world.

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