

# 1. Introduction

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The past century, the last of a millennium, saw many changes in geopolitical and economic structures that were established by the desire and need to open up or isolate human groupings, whether in the shape of nations, states, regions or economic zones. Geopolitics, economics and trade have therefore followed one another in the establishment, functioning and restructure of the international business environment.

The two world wars and the Cold War behind us, the main drivers of globalization were technological advance and geopolitical change made over the last hundred years. The last two decades of the century saw an intensifying of trade patterns with the end of the Cold War, of the Soviet empire, and of the bipolar superpower equilibrium between the Soviet Union and the United States. At the same time as the international business environment changes, international trade alters. For instance 80 per cent of international trade is now conducted by foreign direct investment, rather than the cross-border movement of goods and services (Rugman, 2000). The hegemonic strengthening of the one remaining superpower appeared certain, and international business developments have been structured around this superpower, in zones of power politics, economic integration and globalization. In matters of security, micro-conflicts, wars of intervention and multilateral negotiations have been the main focus of the international community during this time.

On September 11, 2001, the world held its breath and saw the unthinkable, terrifying, revolting truth of the new millennium: terrorism has globalized, too. Threat is intangible, and the untouchable is touchable. A common morality does not exist, and globalization presents two sides; it can be abused, and it also allows for an international integration of threat and fanaticism. On that day the world watched the World Trade Center tumbling down, the Pentagon hit and another terrorist flight crashing before reaching its target.

Reactions in the business environment revealed the extent of the trauma caused by this event to people and structures. We all remained silent in shock for the first hours, if not days, until the realization sunk in that the world had changed yet again: diplomatically, geopolitically, economically

and in many other fields. In home and politics, in business schools and corporations, topics have come to the fore that deal with security and insecurity, risk and risk diversion, and uncertainty. We analyse risk, uncertainty and disaster and examine the international business environment. September 11 brought a new reality: traditional political and financial risk assessment theory alone is insufficient in the analysis of the international business environment. International terrorism is an entity. It needs to be taken into consideration on its own behalf; and this being so, then risk management today must include the study of international terrorism and its impact on financial, macro- and possibly micro-economic decisions for firms, investment decisions and the way international business views its world. Sector impact is studied in a selection of fields in which this impact is now discernible.

The initiative for editing this book was born from my conviction that the economics and corporate sectors need guidelines developed from research and case studies that analyse those adjustments made necessary through international terrorism as known since September 11. The implicit theme of this collective work is to examine why and how terrorism matters to international business. The pre-09/11 era of contemporary (economic) history has given birth to a transitivity of (1) globalization, (2) increased systemic vulnerability and complexity, and (3) the transition of terrorism. As of now, we believe that academic teaching and learning, politico-economic research and corporate policy need to take into account the risk of terrorism on a wide scale. The formulated call is for diplomacy as well as for business to incorporate the knowledge of international threat, security and disaster and their management that may reveal important competitive advantage and opportunities in the long run.

This book examines and analyses the legacies of September 11, 2001, and the various forces shaping the business sector that evolved from the traumatic impact of the events to international business and commerce. Each analysis places international terrorism into a different perspective, and concludes by arguing that it is at the root of major changes in the analysis of the international business environment if disaster recovery is to evolve into operational resilience. Adding the analysis of historical forces, we argue that September 11, 2001, and the effects of this new terrorism, can be considered as a rupture in the global political economy, different from previous disasters that shaped the world economy. Complexity, uncertainty and synergy have evolved into key issues since 2001.

In terms of risk and disaster management, however, September 11 was a predictable if not predicted event: not so much in its organization but by globalization, and in its traumatic impact on mankind and international relations. It has made visible what was already there: terrorism has to be

considered as a major continuous challenge to the international business environment. We now need sufficient research and analysis to obtain a systematic theory on the security–business nexus.

The assessment of each contribution, and their argument as an entity, does not neglect the reality that September 11, 2001 was a traumatic event for the entire world, but in particular for the USA (Kagan, 2003). This reality in itself explains the diversity of analyses and assumptions made to date in academic literature. It is generally recognized in the literature's depth and profound implications. The aim of this book is to contribute to the discussion of risk management as an assessment of the implications that the events have for the business environment in which international business evolves. We do not attempt to make a political judgement.

Profound alterations are identified in this volume. Assumptions are developed about the future of what international business textbooks will generally call 'external forces' to the international business environment. September 11 was followed by the as yet unfinished war against terrorism. The reader will find a diversity of thought and opinion regarding these related issues in this book. It is important to show (and not undermine) this diversity of opinion, which does not hinder the achievement of relevant reflection and analysis, but rather enriches them. This is the basis of democratic and multi-opinion work.

While September 11 was the launch of major developments in the geo-political and geo-economic environment for business, the war on Iraq has become a turning point in the post-Second World War arena: for the first time, what was known as 'the West' has divided. European countries had mainly been in agreement with the US, the liberator of the continent 50 years ago in international politics. Europe had become dependent in economics, and unable to compete in the military field; this has been a situation comparable to some extent to the case of Eastern and Central European countries today, freed from the chains of the Cold War. Some European countries decided to find a voice that pronounced its difference in history and politics (Hutton, 2002), and aims to evolve into another, different force that opts for a multipolarization of world politics; the belief that peaceful conflict prevention is a prevention of terrorism in the long run prevails in this argumentation. Others remain in close special relation to the US. The scenario that Europe finds itself in, reflects the essential asymmetries in globalization (Brewer et al., 2002) that may well be the cause for transatlantic tensions.

Asymmetries have a vital impact on the international business environment. The relationship between risk, security and geopolitical thinking has been paramount for trade since the earliest forms of exchange of goods. Pluralism and democracy have encountered unilateralism, hegemony and

dictatorship over centuries. Today's society and business world have undergone interdependencies on a global scale, a scale larger than ever, through globalization and the establishment of routines and patterns of trade and geopolitical thinking that are altered profoundly through the horrors of international terrorism. This sheer scale of risk, threat, uncertainty and complexity has posed problems to citizens, to producers and consumers, to regulators and decision-makers on a governmental and non-governmental level, and for economic agents worldwide. A shift of preference in decision-making and in the distribution of profit according to risk has been acknowledged in the analyses of this book, in response to the deep suspicion of capitalism and geopolitical hegemony that may exist through globalization. The reaction and consequences examined in international trade and investment shed light on the crucial realities of the post- September 11 era: the trade-off between security and business has undergone profound changes. The resulting long-term implications to business are instability, complexity and uncertainty on a scale never known before.

Terrorist attacks have an important impact on the international business environment, that yet appears underexamined due to the complexity of the task. This is an attempt to establish a basis for future research and the construction of models that will help to find the necessary normative approaches. The first part of this book deals primarily with a view on trends in international terrorism, threat, the evolving geopolitical and geo-economic patterns in the pre- and post-September 11 era, and the question of why this matters to the international business environment. In Part I we demonstrate the diversity of levels on which the impact of terrorism can be conceptualized. Part II focuses on the forces in the trade and investment environment that alter our understanding of finance, country risk assessment, the e-divide and investment flows, that are crucial to economic and corporate activity. We look at direct as well as indirect effects. Part III presents case studies of selected business sectors. They analyse the various implications that post-09/11 terrorism creates, on what Czinkota, Knight and Liesch will call the micro level of analysis. These business studies are chosen from different sectors for a wide understanding of the issues that prevail, and were selected due to the discernibility and diversity of impact analysis. They are written by academia and corporate authors, and are linked to the broader analyses made in Part II. Part IV concludes with a look into disaster management and international security in the long run.

The studies will hopefully arouse widespread discussion and enhance awareness about the security–business nexus that has gained ground, moving forward the debate on terrorism and the international business environment and their place in risk management.

## REFERENCES

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