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Research Article

Terrorism Challenges Faced by South Asian Association for Regional Cooperation Countries: A Perceptive Prospect of Trade

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Abstract

The territory of Indonesia is dominated by vast oceans. Therefore, Indonesian citizens should be equipped with a deep understanding about sea currents and sea pollution. This study aims to identify the conceptions held by pre-service primary school teachers about both sea currents and sea pollutant migration. The study also aims to identify whether pre-service primary school teachers see a relationship occurring between those conceptions. The study involved 147 pre-service primary school teachers from one of Indonesia's teacher training institutions. Four-tier diagnostic tests were used to gather data about the conceptions of pre-service primary teachers. The data were interpreted and analyzed in a descriptive quantitative method. The results showed that pre-service primary school teachers' conceptions about sea currents and sea pollutant migration were mostly in the category of 'misconception' and 'have no conception'. The correlation test about the ability of pre-service primary school teachers to explain the concepts of sea currents and sea pollutant migration was also not significant. The results of this study indicate a need to improve the quality of teaching and learning for pre-service primary school teachers about convection by linking it to sea currents and sea pollutant migration.

Keywords

Four-Tier Diagnostic Test, Sea Pollutant Migration, Convection, Pre-Service Teacher Education, Sea Currents

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Introduction

(Enders and Sandler 2012) define terrorism as "premeditated use of or threat to use violence by individuals or sub national groups to obtain a political or social objective through the intimidation of a large audience beyond that of the immediate victims". Terrorism has been spreading like a contagious disease around the globe for the last few decades. South Asian countries account for 33 percent of the world terrorist attacks as reported by Bureau of Counterterrorism and Countering Violent Extremism in 2015. Despite the fact that some of the South Asian countries are growing at a reasonable rate, their potential to grow much faster has been overshadowed economically by the terrorist activities. According to World Bank, South Asia is one of the least integrated regions and its interregional trade is the lowest in the world. The intra-regional trade accounts for only 5 percent of South Asia's total trade compared to 25 percent in ASEAN. 1 All this restricts the region economic promise.

After the devastating incident of 9/11 counter terrorism squared incarcerated terrorist activities from the western regions but South Asian countries are not lucky enough. Most of the South Asian countries are still experiencing the fear of terrorist. This fear of terrorism may lead to political instability, high expenditure on military and may spur many negative aspects. A recent work of (Cevik and Ricco 2015) investigated strong relationship between terrorism and increase in military spending as a percentage of GDP. Their estimation also reveals that if there are frequent terrorist attacks then the impact is greater resulting in a large number of fatalities. For instance, Bhutan who has not been the part of any war for so many years had to organize military to confront with the terrorist groups.

Pakistan is a country that has been targeted by the terrorists many times, the attack back in 2014 on the army public school end up with carnage of many innocent children and teachers. The attack's aftereffect can still be observed by looking at the decrease in primary school enrollments. Pakistan positions fifth out of 163 nations on the Global Terrorism Index (GTI) with a score of 8.4 out of 10, the Australia and US-based Institute for Economics and Peace (IEP) said in its report. The worldwide risk postured by IS or 'Daesh' and its fast effort in South Asia make territorial participation a desperate need. Afghanistan, Pakistan, India and Bangladesh have colossal Muslim populaces and are powerless against expanded fear based oppressor dangers from the IS or its intermediaries. Pakistan, following the FATF choice a month ago, went into a stage where it needs to not just present an activity design against controlling terror fund at the body's next entire in Paris end-June yet additionally give a political endeavor that it would execute the means. North Korea and Iran are on the blacklist of FATF and there is a probability that Pakistan will be the part of the list if she is unable to adopt the rules of grey list. The project of CEPEC (China Pakistan Economic Corridor) might bring prosperity in Pakistan and other South Asian countries if the project is kept out of the range of terrorist activities.

The Pathankot terrorist based oppressor assault in India was all in all driven by the Pakistan-based outfit Jaish-e-Muhammad (JeM), which had prior been engaged with the seize of an Indian Airlines plane in 1999 and in the December 2001 assault on Indian Parliament which prompted a war-like Indo-Pak circumstance. In July 2016, no less than 20 individuals - generally non-Muslim nonnatives from Italy and the US - were hacked to death in a bakery in the Bangladeshi capital, Dhaka. Isis asserted responsibility, despite the fact that the legislature pointed the finger at Jamaat-ul-Mujahideen, a Bangladeshi Islamic gathering, Foreign Affairs reports. In mid-2017, there were three bungled suicide bombings in and around Dhaka, following which armed force commandos executed four suspects after a drawn out fight, Seven to eight individuals were later discovered exploded in neighboring Moulvibazar.

[1] World Bank, The regional integration: The answer to South Asia's Development, (2017).

Sri Lanka is one of the countries which has encountered a portion of the most noticeably awful psychological militant assaults that have happened around the world, with at least 100 fatalities. The Sri Lankan government has neglected to satisfy its promises to abolish the damaging Prevention of Terrorism Act (PTA). For a considerable length of time, the PTA has been utilized to self-assertively keep suspects for quite a long time and often years without charge or trial, encouraging torment, and other mishandle. All through 2016, local political turmoil kept on plaguing Nepal as members of Madhesi groups from the nation's southern Terai region upset for alterations to the constitution declared in September 2015. In June 2016, a Splinter Maoist gathering drove by Netra Bikram Chand, otherwise called the Biplav group, utilized rough flammable gadgets to devastate phone towers in a few locale and to assault workplaces of two worldwide non-administrative associations (NGOs) in Sindhupalchowk and Nuwakot areas. In September, another Maoist splinter group was associated with planting unrefined extemporized dangerous gadgets at various schools in the Kathmandu Valley.

We need a general public which is peaceful, where the persecution and separation that we endure today is a relic of days gone by. However, in the battle for this new society Marxists don't dismiss all savagery. The middle class lawmakers who make such cases - while supporting wars, atomic weapons, armed forces, detainment facilities, and so forth - are basically wolves in sheep's clothing, and Marxists perceive that in specific conditions, for example, wars of national freedom and mass progressive battle, brutality might be unavoidable. Be that as it may, psychological oppression, as in planting bombs on government or nonmilitary personnel targets, or seizing planes, or deaths by little gatherings acting freely of class battle, has dependably been regarded inadmissible. This is on account of terrorism runs counter to the most essential standards of Marxism. Marx demonstrated that the underlying driver of abuse, persecution, oppression and war was not terrible individual rulers or awful governments but rather the division of society into classes, and the proprietorship and control of generation by a minority class that live off the work of the greater part. The topple of a decision class and the economic framework on which it rests can't be accomplished by slaughtering or terrifying even expansive quantities of people, however just by the battle of another class which is the bearer of a new economic system.

From international trade perspective, the gravity model has been widely used to explain trade flows between regions (Tinbergen 1962; Cheng and Wall 2005; Pöyhönen 1963; Breuss and Egger 1999; Egger 2000; Anderson and Wincoop 2001). On the other hand, the mechanism and the agents of integration with the global world have been well explained by the Transnationalism theory, coined by Randolph Bourne in the early 20th century. The theory brings to mind the concept of globalization, whereby non-state actors such as non-governmental organizations, terrorist actors, multinational corporations as well as religious actors, among others, tend to influence interactions in the international system. During the era of globalization individuals, groups, institutions and states interact with each other where cultural and political characteristic of national societies are combined with emerging multilevel and multinational activities.

Transnationalism as concept, theory and experience has encouraged plethora literature in the field of social sciences. Practically, transnationalism is based on the integration of cross border individuals, groups and firms to create a new global space. Some researchers scrutinized undercover, criminal networks and foreign fighters under the theory of transnationalism. The theory focuses on interactions across borders, as well as the impact of non-state actors such as terrorist groups in such interactions (Ashie 2015).

Terrorism has done so much destruction in south Asian countries, for instance loss of infrastructure, factories, economic and social activities. The aftermath includes dwindle FDI, brain drain and less economic development. The work of (Omay et al. 2013) discussed linear and non- linear models, their results reveal that there is a negative impact of terrorism

on foreign direct investment but in non-linear model the negative impact is more severe. Another paper which is contribution to the previous literature sheds light on the relationship between foreign direct investment and terrorism. His results reveal that terrorism activities discourage foreign direct investment in Kenya and thus reduce foreign investors' confidence to invest in such countries (Kinyanjui 2014). The inverse relationship between terrorism and economic development has been continuously debated in economic literature (Keefer 2008; Benmelech, Berrebi, and Klor 2010). Almost two decades before, (Blomberg and Hess 2006) investigated the relationship between terrorism and trade. Their results revel that if a country is facing terrorist activities or internal and external conflict then the tariff rate of that country is 30% on trade which shows that the impact of terrorism on trade is quite robust.

Terrorism increases the cost of traded goods relative to the analogous goods produced in terrorism free-states. (Nitsch and Schumacher 2004) found negative relationship between terrorism and trade. They examined 200 countries over the period from 1960 to 1993. Their consolidated empirical finding revels that terrorism actions reduce volume of trade. Their results show that if there is an increase in terrorism then bilateral trade will fall by 4 percent. It is not necessary that terrorists target their native country other countries are also in their target list in order to create chaos globally, such terrorism is called transnational terrorism.

(Sousa, Mirza, and Verdier 2010) documented the direct negative impact of transnational terrorism on trade. They found that the spillover of neighbor terror depends on the proximity to terrorism: the closer are countries to the source of the diffusion of terrorism, the larger is their negative spillover on trade. In a sharp contrast, countries located far enough from terrorism benefit from positive spillovers on trade related to changes in multilateral resistances. One view point is that terrorism increases import of armed trade. One of the components in international trade is transfer of weapons which is in high Propulsion in the presence of terrorism. (Blomberg and Tocoian 2013) argued that external conflict is the most robust determinant of arms trade and they also examined that terrorism plays an indispensable role in increasing the demand for arms. (Bandyopadhyay, Sandler, and Younas 2016) examined the effects of terrorism on overall trade (export/imports) while allowing disaggregation by primary commodities and manufacturing goods. They found that on primary product there is no impact of terrorism whereas terrorism reduces the trade of manufactured goods. Common boarders are considered to be another important determinant of trade. Sharing of common border might be beneficial if the two countries are having good relationship with each other. For instance: countries those who have common borders along with element of terrorism end up with less trade. On the other hand neighboring or distant countries which are free from terrorism are involved in more trade (Fratianni, and Kang 2006).

Foreign direct investment is another variable which influences trade. FDI can be quite beneficial for the developing countries as it gives boost to the institutions, creates jobs, promotes new technologies and reduces the probability of brain drain thus resulting in economic development. The study of Shuhei sheds light on the relationship between foreign direct investment and exports. He covered thirty two products and forty nine host countries from the year 1993 to 2008 for his analysis. The finding reveals that foreign direct investment by the production firms lead to marginal exports of intermediate goods from the home country (Shuhei 2013).

For positive impact of FDI on trade (see also Jayakumar, Kannan, and Anbalagan 2014; Hailu 2010; Tran and Dinh 2014). Large number of consumers means bigger market which gives a push to global trade as in the past (Romer 1986; Lucas 1988; Grossman and Elhanan 1991) provided models of growth in which various mechanisms imply that a larger size of production increases productivity. If there are economies of scale then larger countries and larger markets are expected to perform better in term of trade. Foreign direct

investment is a potential instrument for economic development particularly for the developing countries. It stimulates poor capital countries like most of SAARC countries, to enhance their physical capital, creates employment opportunities, awareness among the domestic labors regarding new technology and helps integrate the domestic economy with the global economy.

(Jayakumar, Kannan, and Anbalagan 2014) shed light on the relationship between foreign direct investment and the exports and imports in India. Their results revel that FDI has a significant positive link with import and exports. For positive impact of foreign direct investment on trade (see Lionel 1999; Manuela and Paula 2007). A recent work of (Wacker, Grosskurth, and Lakemann 2016) investigated negative and positive impact of foreign direct investment on terms of trade for the countries Pakistan, Bangladesh, Malaysia and Thailand. They argued that those countries that have low human capital have to face negative impact of FDI on terms of trade whereas high human capital results in positive impact of FDI on terms of trade.

When prices are relatively constant then it is difficult to understand international trade and trade policy. But when there is rapid inflation, most of the macroeconomic variable tends to agitate for example; fluctuation in currency exchange rate and international balance of payments accounts. Inflation is another important macroeconomic phenomenon in global economy that is yet to be scratched deeply with trade. Economist like (Romer 1993) has shown that more closed economies have higher inflation rates. (Borodin and Strokov 2014) empirically examined the relationship between inflation and trade. Their results reveal that Russian economy increases its exports of fuel and raw-material commodities to countries with lower inflation rates and, simultaneously, increases its import of engineering, chemical, and agricultural products from countries with lower inflation rates.

For a given barrier of trade larger countries bring more net economic gain via trade so, the larger the country is, the more is the probability of having increased trade (Alesina, Spolaore, and Wacziarg 2005). A late study by (Keesing 1968) found that comparative disadvantage is associated with most of the small countries of manufacturing industries. In the regression equations out of 160, 105 were significant showing country-size effects. (Hong 2012) sheds light on Southern Mediterranean Countries and argued that a larger population in the Southern Mediterranean countries endorse native market and complementing external markets taking advantage of economy-of-scale productions. In South Mediterranean Countries highly skilled human capital and physical capital are increasing to produce more efficiently making SM's exports more competitive and that will in turn attract more trade.

The literature review suggests that the relationship between terrorism and trade is still ambiguous and requires heed particularly for South Asian countries. This ambiguous relationship leads us to our objective that is to investigate the impact of terrorism on trade for selected South Asian countries. In this paper Instead of using cliché theoretical rationing, we employ the Transnationalism theory stated above for the empirical analysis.

As a customary the paper is organized into different sections. Section 2 discusses data, methodology and the model. Section 3 is dedicated to the results of the paper whereas, section 4 comprises of conclusion and policy implications.

2. Methodology

2.1. Data

In accordance with the objective of the study, we examined a panel of 6 SAARC countries namely Bhutan, Nepal, Bangladesh, India, Pakistan and Sri Lanka having annual data for the period 2005- 2015. We debarred Afghanistan from our sample to avoid terrorism outlier for example (see Asongu and Kodila-Tedika 2015). The data has

been taken from World Development Indicators and South Asian Terrorism Portal. The Dummy variable for Common Border has been generated by assigning value 0 if countries are not sharing common border and 1 if countries are sharing common borders.

2.1.1. Model

Number of studies on the relationship between terrorism and trade applied gravity model, however our empirical model is based on Transnationalism theory. Formally, the empirical specification of our transnationalism model takes the following form:

$$Trade_{it} = \beta 0 + \beta 1 terr_{it} + \beta 2 pop_{it} + \beta 3 inf_{t} + \beta 4 fdi_{it} + \beta 5 cb_{it} + \varepsilon_{it} \quad \ldots\ldots (1)$$

Where:

TRADE = trade i in time period t

TERR = terrorism

POP= population

INF= inflation

FDI= foreign direct investment

CB = common border

Dependent variable is trade and the independent variable or variable of interest is terrorism. Other variables population, foreign direct investment, inflation and common boarder are control variables. We expect that FDI, population and common boarder have positive signs whereas; our variable of interest terrorism and control variable inflation might have negative signs. The trade variable is captured by three indicators: the ratio of the sum of imports and exports to GDP, the ratio of exports to GDP, and the ratio of imports to GDP. In our study the dependent variable is trade which is gauged as the ratio of exports to GDP. The variable has been widely used as a proxy for trade openness by many researchers (see for instance, Chong and Zanforlin 2001; Sun and Heshmati 2010).

Our variable of interest terrorism is defined as total number of fatalities due to explosion/bombing, conflict and armed assault. Common border is a dummy variable, 1 represent sharing of common border and otherwise 0. Inflation is used in the model as a control variable and is gauged by the consumer price index, reflects the basket of goods and services and the fluctuations of prices in the basket over the period of time. Annual population growth rate for year t is the exponential rate of growth in percentage. The definition of population covers all residents apart from legal status or citizenship. Foreign direct investment is the net inflows of investment made by a company or individual.

3. Empirical results

The descriptive statistics of the variables; mean, median and standard deviation are given in table 1. Two main observations are noteworthy: The data appear to be skewed to the right, which explains why the mean is greater than the median. The spread of the data can be seen from the values of standard deviation. The higher the standard deviation is the greater the spread in the data. The table below reflects that the data of terrorism has a greater spread in the data due to greater value of standard deviation.

Table 1.

Descriptive Statistics

	lnTRADE	TERR	POP	lnINF	FDI	CB
Mean	2.978023	1775.939	1.401311	8.292750	1.377348	0.833333
Median	2.979804	58.00000	1.238961	7.779207	1.163928	1.000000

Std. Dev.	0.449078	3154.477	0.475002	3.571337	1.126515	0.375534
Observations	66	66	66	66	66	66

In panel data cross section dependence may exist and needs to be cured before the regression; otherwise it leads to spurious results (Breusch and Pagan 1980; Pesaran 2004). According to Baltagi, cross-sectional dependence is a problem in macro panels with long time series (over 20-30 years). This is not much of a problem in micro panels but to have more accuracy in results, we have applied Pesaran CD test that allows for small T and sufficient N. Results of table 2 show that Pesaran CD test accept the null hypothesis of no cross section dependence. Therefore we can say that Pesaram CD test gives us the passage to perform next diagnostic.

Table 2.

Residual Cross-Section Dependence Test

	Statistic	**d.f.**	**Model 1**
Test			P value
Breusch-Pagan LM	37.62347	15	0.0010
Pesaran scaled LM	3.035016		0.0024
Pesaran CD	-0.770461		0.4410

Table 3 below shows the results of Hausman test. Hausman test indicates that if there is any correlation between unique errors (ηi) and the regressors. The null hypothesis of the test states that there is no correlation E (ηi/Xit) = 0. If the null hypothesis is rejected then Fixed Effect Model is employed otherwise random effect model is appropriate (Padachi 2006). The results of table 4 support the random effect model to be appropriate for the regression as the p-value is greater than 0.05 which shows the acceptance of null hypothesis. Hence the results of present study are based upon the random effect model (see table.4).

Table 4.

Random Effect Estimation

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Period random	2.665859	5	0.7513

Table 3.

Correlated Random Effects - Hausman Test

Variables	Coefficient	t-statistics	DV: Trade
TERR	4.8***	(1.82)	(-2.64)
POP	0.32***	(0.15)	(2.64)
INF	-0.004	(0.01)	(0.31)
FDI	0.12***	(0.06)	2.09
CB	-0.53***	0.15	(-3.41)
Constant	2.91	(0.17)	
R^2	0.29		
F- Statistics	5.01		

*Note: Standard errors are reported in parentheses, *, **, *** indicates significance at the 10%, 5%, and 1% level, respectively*

In table 4 we report the results of model 1. Variable of interest (Terrorism) enters the equation with a negative sign and is statistically significant. The coefficient value shows that if terrorism increases by 1% trade of the studied countries will decrease by 4.8 %. Our coefficient of terrorism shows much larger negative impact on trade as compared to other coefficients. This much larger impact and the negative sign is as per our expectations. The theory utilized in our paper states that terrorism's acts influence international system and that is the case in our model estimates. The negative impact of terrorism on trade in our paper is in line with the result of (Nitsch and Schumacher 2004) and is among the very few papers who showed negative association between terrorism and trade. Nitsch and Schumacher argued that if the terrorist incidents are doubled (a rise by 100 percent) then there would be a decrease in bilateral trade by 4 percent ceteris paribus. In their paper the coefficient value of terrorism is analogous to our coefficient value of terrorism both having stronger impact on trade.

The coefficient of foreign direct investment is positive and statistically significant. The positive relationship between foreign direct investment and trade has been jotted down by many researchers (see for instance, Shuhei 2013; Liargovas and Skandalis 2011). Foreign direct investment associated with high value added activities may have also greater impact on exports than on imports. In comparison, foreign investment in low value added activities may generate high values of intermediate imports, with negative impact on the balance of trade (Magalhaes and Africano 2007). An informative paper written in the late in 1960s by Keesing proposed that small countries are at a disadvantage in the international trade of manufactured goods because their limited national markets restrict the possibilities of exploiting internal and external economies. According to Keesing, this "size effect" would give rise to a positive correlation between per capita exports of individual categories of manufactured goods and population, while there would be a negative correlation between per capita imports and population. In turn, an "income effect" is said to exist if the partial regression coefficient of per capita exports and imports with respect to income per head exceeds unity. In our paper the coefficient of population has a positive sign which shows that Pakistan, India and Bangladesh are among the top 10 populous countries and can influence the trade positively. Common border enters the equation with negative sign and is also statistically significant. As contrary to the expected positive relationship between common border and trade, the negative sign of the coefficient of common border reflects the hostile relationship of countries with each other in terms of trade. Among SAARC countries for instance Pakistan and India have unfriendly trade relationship with each other.

Countries which apply focal control over all outside cash exchanges can exaggerate or underestimate their own particular cash by straightforward authoritative choices. In either case, the inflation rate in one country can be affected if the theoretical connection holds in practice. For example, descending weight on expansion rates can be accomplished by holding down the annual rate of progress in the exchange rate by overvaluing the money of a country. This will reduce exports out and empower imports. Then again, if the currency of a country is deliberately underestimated, upward weight will be connected to its inflation rate as its exports seem less expensive on world markets and as its imports turn out to be moderately more costly. In our paper coefficient of inflation is statistically significant and has a negative sign. The negative impact of inflation is in line with results of Romer (1993) who empirically demonstrated that there is a strong and robust negative association between inflation and trade openness.

4. Conclusion & Policy Implications

This paper empirically demonstrated the relationship between terrorism and trade. We reached to the conclusion by using panel annul data from 2005 -2015. Instead of using conventional gravity model we preferred a novel model approach "Transnationalism" (non-governmental organizations, terrorist actors, multinational corporations as well as religious actors, among others, tend to influence interactions in the international system) to see the impact of terrorism on trade for selected SAARC countries. Our empirical evidence is based on Random effect model followed by different diagnostic tests. We found that there is a strong negative relationship between terrorism and trade that is if terrorism increases by 1 percent the trade will decline by 4.8 percent.

We found that foreign direct investment is positive and statistically significant. The coefficient of population is positive and statistically significant. Our empirical findings suggest that common border and inflation hinder trade.

The findings of the study may propel policy makers to develop some effective strategies to overcome terrorism. For example practitioners may convince government to develop good relations with neighboring countries and must collaborate with each other on the same cause (terrorism); otherwise the sharing of common border may end with negative impact on trade as our results have revealed. Sharing border countries India and Pakistan needs to tie up with each other forgetting 70 years old vendetta. India and Pakistan if work together can remove terrorism from the root. Although there are some other determinants of trade but we examined that terrorism is one of the crucial one.

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