

TERRORISM: IMPACT ON PAKISTAN'S SOCIO-POLITICAL AND ECONOMIC SECURITY AND STRATEGIC POLICY

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Introduction

The United States launched attacks on Afghanistan soon after 9/11 to dismantle the al-Qaeda terror network, which was blamed for New York's twin-tower tragedy. The first phase of the war ended quickly with the toppling of the Taliban regime in Afghanistan. However, it had long-term consequences for Pakistan, which is not only the immediate neighbour of the war-torn country but also had close links with the Taliban, who fled to its tribal areas along with al-Qaeda hardliners to avoid reprisals.

Starting with easy victory, the war against terrorism slowly changed into a bloody struggle between the US-led western forces and the militants affiliated with al-Qaeda and Taliban. Pakistan, which joined the war as a key US ally in the struggle against terrorism, soon found itself in the role of the frontline state in the conflict. That led to a wave of terrorism hitting Pakistan which emerged as the chief victim and its people, political structure and economy as the main losers. Pakistan was forced to commit more material and human resources to contain terrorism, which proved a huge burden, causing social, political, economic and strategic difficulties.

The strategic cost increased due to worsening law and order situation, attacks on security forces and sensitive places like the GHQ. Reports of possible takeover of the country by the extremists raised questions of safety of nuclear

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assets, followed by a barrage of news reports and comments in the western media about Pakistan's vulnerability to the jihadist onslaught. The worries increased due to weaknesses of the national economy and perennial instability of political and democratic institutions. The overall national scenario presented a dismal picture of socio-political and economic security and lack of comprehensive strategic policy and more and more questions were raised about the rationale of the security policy aimed at eliminating terrorism through force as demanded by the western countries, especially the United States.

The prevalent socio-political and economic indicators present a negative picture of the state of Pakistan and its society. It is believed that the country stands at a dangerous precipice, facing issues which can be termed matters of life and death.

Yet, despite the gravity of the situation, little effort has been made by national leaders, individual analysts and academics to understand the issue. The result has been startling absence of research material on the impact of the war on terror on Pakistan's society, politics and economy and its strategic repercussions. The present study is an attempt to fill this gap.

The main objective of the paper is thus to analyse the socio-political, economic and strategic fallout from terrorism in Pakistan since 2001 when it joined the war on terror.

The following questions are addressed:

- What is the magnitude of terrorism?
- What are the socio-political implications of the unrest caused by terrorism?
- What is the economic cost of terrorism for the country?
- What is the strategic fallout of terrorism for Pakistan?

The study is based on both primary and secondary sources. Background interviews with policy-makers, officials and economists have been conducted to get primary information on the subject. Existing material in the form of books, journals, articles, news stories, online sources and unpublished government documents has also been used and the statistics/reports of various ministries consulted.

The study measures the problem of terrorism through acts of violence including bomb blasts, suicide attacks, target killings and sporadic violence, which has killed more than 30,000 civilians and more than 5,000 security personnel in the country. Economic impact is calculated by the disruptions to normal trading activities, higher cost of international trade, slow economic growth, decline in inflow of foreign investment, slowdown in the privatization programme and restricted movement of foreign investors due to travel bans and advisories by western governments. The socio-political unrest is gauged through the social and political problems, lack of development, the increase in poverty

and deterioration in development indicators. Strategic policy matters have been studied through the criticism on the army, safety of nukes issues and overall vulnerability of the state.

This study has theoretical and empirical importance as it seeks to fill the deficiency in the systematic research about the cost of terrorism for Pakistan. Theoretically, it proves instrumental theorising that wars prove disastrous for socio-political and economic structures, and empirically it will help policymakers to think of ways to eliminate the threat of terrorism and try to minimize its ill-effects.

Brief history

The creation of Pakistan in 1947 was accompanied by huge socio-political, economic and security challenges. The country lacked trained manpower, economic and industrial base, and resources to build the society, economy and institutions of national security. The government faced economic disruption caused by partition and struggled to tackle trade problems, loss to agriculture, massive dislocation of people, poor infrastructure, and absence of state machinery. In the formative years the country had to fix the social problems, chalk out a comprehensive programme for long-term economic development and devise a national security strategy. The social and political problems were compounded by the security dilemma due to lurking fears that India might try to swallow back the new state. The security fears were exacerbated by the first Pakistan-India war on the disputed Kashmir region in 1948. It ended in a stalemate but had multiple implications for a new country trying to build everything from scratch.

The initial efforts present modest gains with 3 per cent economic growth from 1947 to 1958. During the 1960s, the average growth rate was 6.2 per cent, mostly due to Ayub Khan's lopsided development policies and massive industrialization. The separation of East Pakistan in 1971 slowed growth rates to 1.2 per cent in 1972, but the government took various steps like rupee devaluation by 131 per cent which boosted exports by more than 150 per cent, and by 1974 growth rate touched 7.5 per cent. Overall the GDP grew at the rate of 3.6 per cent from 1974 to 1977. The 1980s proved fruitful in economic terms — thanks to all-out US-Saudi funding during the Afghan war — and Pakistan's GDP grew by an average of 6.5 per cent during 1980-88.⁽¹⁾ The period of 1990s was not good for development owing to political instability engineered by the establishment and the economy grew at an average 3.8 per cent.

When 9/11 occurred, General Pervez Musharraf, who took over in a military coup in October 1999, was struggling to fix the multiple economic and social problems as envisioned in his seven-point agenda. His decision to join the war on terror opened gates for large-scale western economic aid, helping the economy to grow at an average rate of 6.3 per cent. But the situation deteriorated after 2007 due to a rise in militancy. By the time Musharraf stepped

down in 2008, paving the way for the new government, the economic situation had worsened and growth rates had fallen to around 2.5 per cent.

In terms of socio-political development, the country has not fared well and failed to address deep-rooted social issues like poverty, unemployment, population growth, speedy and inexpensive justice, unequal distribution of wealth, agriculture sector reforms, reasonable health and education infrastructure and above all the transformation of the people into a nation. The issue of political stability, considered vital for social and economic development, also remained a wild goose chase and the army's direct and indirect meddling in the political sphere has been a regular feature, with the military directly ruling the state for almost half of its history. The ten years of war on terror further exacerbated the socio-political and economic difficulties of the country. Political uncertainty is one of the reasons for poor social sector development as successive regimes pursued policies which failed to root out poverty, unemployment, violence, crimes, drugs, sectarianism and militancy from the society.

National security has been the top priority of the state since 1947. Pakistan is situated between India and Afghanistan, with both being a source of trouble from the beginning. India had only grudgingly recognised Pakistan but the western neighbour not only voted against its membership of the United Nations in 1947 but also disputed its western borders which were drawn by the British. Being a new state trying to start from zero, Pakistan had to delicately balance its security needs with socio-economic constraints. It followed a strategy of having closer ties with rich and industrially advanced western countries to build the defence forces and national economy, for which it paid a price. The alliance with Washington and economic support from the United States and other western nations only partly solved strategic issues. The western countries had their own regional interests which often clashed with Pakistan's national security policy and its main concern to develop credible deterrence against archrival India.

The war on terror increased violence in Pakistan, with social, political, economic and strategic implications. The London-based Economist wrote in 2008 that the manager of one of the classier hotels in Pakistan's beautiful Swat valley "sounds wistful on the phone" as his hotel has been closed for months. "Over 4,000 tourists visited Swat in 2007, drawn by its Alpine scenery and Buddhist archaeology. But the trade has dried up this year. Visitors are deterred by the Taliban encamped in the region and the mortar fire meant to oust them."⁽²⁾ The magazine further noted that the damage to Pakistan's tourist industry, which brought in US\$276 million in 2007, was one example of the price the country was paying for the war on terror.⁽³⁾

When the economy struggled through disruption of normal industrial and commercial activities, and the cost of international trade increased substantially due to various factors, society became more volatile and political situation more uncertain. The economy suffered approximately US\$2.669 billion

in 2002 due to terrorism, which increased, as the number of bombings and suicide attacks multiplied, and by 2009 the economy had suffered over \$34-billion.⁽⁴⁾ Now the economic cost of terrorism stands at a whopping \$68 billion.⁽⁵⁾

“After 9/11 Pakistan had to assume the role of a frontline state in the War against Terror. The onset of the War disrupted Pakistan’s normal trading activities, as the cost of trading increased substantially because of higher insurance cover. Consequently, economic growth slowed, demands for imports reduced with consequential decline in tax collection and inflows of foreign investment were naturally adversely affected, accentuated by the travel bans issued by western governments to its entrepreneurs.”⁽⁶⁾

The initial impact of the war was mostly seen in the socio-economic context but soon its strategic implications became visible. The weakness of the state institutions increased and soon a time came when it was being claimed openly that Pakistan’s strategic weapons might fall into the hands of terrorists. As the war on terror lingered on, its long-term effects on the society and economy of Pakistan became more pronounced. There was an unbridled wave of suicide attacks, sending shock waves into the fabric of society and structure of the state. After the fall of Gen Musharraf and with a democratic government in power since February 2008, large-scale power shortages hit the country, prices skyrocketed, unemployment and poverty went up and political unrest increased.

Post 9/11 terrorism

The tragedy of 9/11 changed the landscape of Pakistan as police barricades appeared on roads and highways and frequent security checks became the order of the day. Though Pakistan was facing violence even before 9/11, it was primarily the result of sectarian strife in Punjab and ethnic tension in Karachi, which both erupted in the 1980s when military ruler Gen Ziaul Haq was trying to enforce his brand of Islam and break the political opposition through force and guile. Sectarian and ethnic terrorism followed a particular pattern and most of the killings were targeted while public places were usually spared. However, the nature of the conflict changed after 2001 due to the US-led invasion of Afghanistan and Pakistan’s decision to help the western forces to dismantle the so-called terror network.

Pakistan has since been subjected to a relentless spree of terrorist attacks and the frequency and magnitude of violence increased with each passing year. The data shows stunning surge in terrorism at public places, targeting the common civilians. There were only five acts of terrorism during 2001 but it spiralled up to at least 473 bomb blasts in 2010, which rocked various parts of the country. There were 25 acts of terror in 2002, 11 in 2003, 21 in 2004, 17 in 2005, 41 in 2006, 153 in 2007, 246 in 2008 and 378 in 2009.⁽⁷⁾

The number of violence-related deaths also went up with the rise in terrorism. There were nearly 189 deaths due to violence in 2003, which went up to 863 in 2004. In 2005 the death toll went down to 648 but the following years

saw unprecedented violence-related deaths and 6,715 people were killed due to terrorism in 2008. It further went up to 11,704 in 2009 but declined to 7,435 in 2010. The trend of violence and consequent casualties continued through 2011 and by July 2011, 3,658 people had been killed in the unabated wave of terrorism.⁽⁸⁾ (See the table below).

Table

Annual fatalities in terrorist violence in Pakistan, 2003-2011

Years	Civilians	Security Force Personnel	Terrorists/Insurgents	Total
2003	140	24	25	189
2004	435	184	244	863
2005	430	81	137	648
2006	608	325	538	1471
2007	1522	597	1479	3598
2008	2155	654	3906	6715
2009	2324	991	8389	11704
2010	1796	469	5170	7435
2011	1510	485	1663	3658
Total	10920	3810	21551	36281

*Data up to 24 July 2011

Source: Figures are compiled from news reports and are provisional.

As the clouds of violence thickened over Pakistan, its areas along the tribal belt and the settled parts of Khyber-Pakhtunkhwa and major urban centres in the rest of the country were badly hit by increasing acts of terrorism. The terrorists did not spare even the common people and killed innocent civilians with impunity by targeting markets, mosques and passenger vehicles. The security forces also paid a huge price and thousands of policemen and soldiers lost their lives while fighting violent extremism. In 2003, those killed included 140 civilians, 24 security personnel and 25 terrorists. The deaths went up in 2010 with 1,796 civilians, 469 person from security forces and 5,170 terrorists being killed. But the toll peaked in 2009, when 2,324 civilians, 991 persons from the forces and 8,389 terrorists were killed.

The South Asia Terrorist Portal shows that suicide attacks rose tragically and badly impacted the overall security situation. There was not a single incident of suicide in 2001 but by the end of June 2011 there were at least 283 suicide attacks in the country, in which hundreds of people were killed and injured.⁽⁹⁾ (See table)

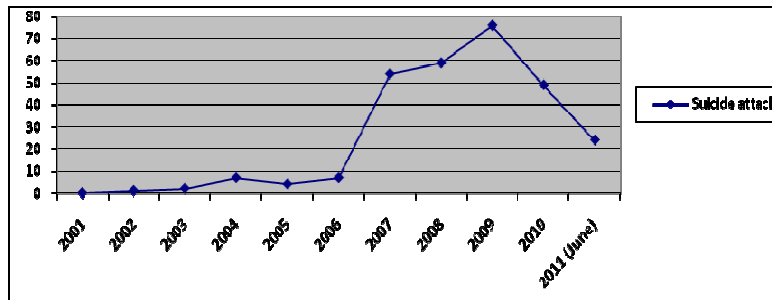
Table

Suicide attacks from 2001 to June 2011.

YEAR	Suicide attacks	Killed	Injured
2002	01	15	34
2003	02	69	103
2004	07	89	321
2005	04	84	219
2006	07	161	352
2007	54	765	1677
2008	59	893	1846
2009	76	949	2356
2010	49	1167	2199
2011 (June)	24	419	775
Total	283	4611	9882

Source: South Asia Terrorism Portal website

A graphic presentation of suicide attacks is as follows.



The graph shows that the suicide attacks peaked in 2009 and have since registered a steady decline, which can be attributed to successive successful military operations in various parts of the country in 2009 and 2010, including operations in Swat, Bajour, South Waziristan, Orakzai and Mohmand. The sudden rise in 2007 was due to the Lal Masjid (red mosque) operation in Islamabad in July which resulted in a number of attacks on the security forces and civilians.

According to official data so far more than 35,000 people have been killed in terrorism-related violence including 5,000 personnel of the security forces. The death toll was released for the first time in a statement by the Foreign Office after the US killed Osama bin Laden in a covert action in Abbottabad on 2 May 2011. "Almost 30,000 Pakistani civilians lost their lives in terrorist attacks in the last few years. More than 5,000 Pakistani security and armed forces officials have been martyred in Pakistan's campaign against al-Qaeda, other terrorist organizations and affiliates."⁽¹⁰⁾ *The Pakistan Economic Survey 2010-11* said that the war had spread like contagion and had so far "cost the country more than 35,000 citizens, (and) 3,500 security personnel."⁽¹¹⁾ But no detailed break-up of the casualties was given.

Socio-political implications

The war on terror and terrorism hit Pakistan at a time when the country was trying to adjust to the new political realities under the military regime of Gen Pervez Musharraf. He was facing domestic problems when the 9/11 incident took place. He supported the US-led war to defeat the Taliban government in Afghanistan. By joining the "war on terror," he wielded enormous influence and was considered by the West the most vital connection in the struggle against extremism. Though his new role helped him bring greater attention to Pakistan, which helped open up economic opportunities for the country, the economic gains were eroded by the social and political unrest as the main opposition parties demanded free elections and restoration of true representative government. The war which Musharraf had joined as the key ally became increasingly unpopular and he was blamed for selling the national interest under pressure from the United States. The violence increased and militancy spewed tension in the country, making the society more violent.

The apparent economic upsurge under Gen Musharraf failed to address long-term deep-rooted problems like rampant poverty, unemployment, disease and illiteracy and people felt that the military ruler was using the war, like Gen Zia did in the 80s, to just prolong his regime. The prices of real estate and commodities began to soar whereas the income of people remained low compared to the rise in prices. There were mega scandals like flour shortage and sugar crisis and the government completely failed to punish the culprits, which created a sense of social alienation among the masses. The social dichotomy also widened due to Musharraf's policy of promoting "enlightened moderation" without a comprehensive policy to contain and root out extremist tendencies. The efforts to ban militant organizations also failed as they resurfaced under

different names. Madras reforms were scuttled due to opposition by the right-wing parties which were supporting Musharraf in the parliament. Ashley Tellis says that Musharraf's campaign against sectarianism failed because it was selective. "But the continuing fragmentation of these violent groups, their links to the wider networks of international terrorism now resident in Pakistan, various foreign sponsors abroad, and the flourishing madaris within the country; and the continuing utility of their gun-toting membership to different political parties and occasionally to governmental organ themselves imply that sectarian threats will be impossible to extinguish."⁽¹²⁾

The public disenchantment with Musharraf's polices increased after 2005 when even the west started asking questions about his ability to deliver on the war on terror and reform the country. "The Bush administration has now begun to press Musharraf to actively interdict the Taliban — an issue that did not become the subject of high-level US demarches before 2005-2006," but it is not sure that Pakistani counterterrorism action "would be as effective as they could have been had they been pursued in the administration's first term."⁽¹³⁾

This was the time when the Americans were deeply in the Iraq war and the Taliban and al-Qaeda had regrouped in the tribal areas to intensify attacks on the western troops in Afghanistan. Pakistan was also asked to send more soldiers in the tribal areas and launch operations against the militants. Pakistan was reluctant and instead tried to restrain the militants through local agreements but the US objected to it. There were more drone attacks in the coming years leading to and increase in anger towards the US.

As the US-led war in Afghanistan continued the acts of terror targeting the people and the armed forces in Pakistan increased, as well as the economic and human costs of the war. *The Pakistan Economic Survey 2010-11*, giving details of the fallout of the war says that it resulted in destruction of infrastructure, internal migration of millions of people, erosion of investment climate, nose-diving of production and growing unemployment. "Pakistan had never witnessed such devastating social and economic upheaval in its industry, even after dismemberment of the country by direct war (in 1971)."⁽¹⁴⁾

One of the tragic fallouts of the war on terror had been the wave of suicide attacks, targeting major towns and civilian and military installations, using mostly teenage madrassa students. The unending supply of suicide bombers shows that impressionable minds of youth have been deeply affected by the militancy in the country. From 2002 to June 2011, 283 suicide attacks were carried out in the country which killed 4,611 people and injured 9,882.⁽¹⁵⁾ It shows that social values of tolerance and peaceful coexistence have long vanished.

The years under Gen Musharraf also saw an important social transformation due to proliferation of media services in Pakistan. As the government encouraged emergence of more and more media outlets, a number of private television channels and newspapers sprang up in the country and the media began to relish the freedom which was never seen in the country before.

The talk-show phenomenon and live coverage of incidents, events and accidents had its social repercussions in the age of terrorism. It was seen that violent acts were shown live by the media which under the “theory of imitation” impacted the people. Both the state authorities and militant outfits competed for media coverage and media houses swung both ways to avoid the wrath of parties involved in the conflict. Incidents of terrorism became the breaking news and headlines while the government struggled to convince journalists to reduce coverage of violence as it provided terrorists what former British prime minister Margaret Thatcher termed the “oxygen of publicity” before clamping broadcasting bans on IRA and Sinn Fein in the late 1980s. “The thinking behind this prohibition was that terrorist groups were exploiting the broadcasters, that the enemies of democracy were subverting the system by harnessing a key tenet of democracy — a free, open media.”⁽¹⁶⁾ Pakistan could not ban the live coverage but it has been reduced in recent times.

Another important social impact of terrorism has been the radicalization of Pakistani society. Today, more youth are spotted with beards than a decade ago. Similarly, the number of females fully or partly covering their faces has increased tremendously. Organisations like al-Huda have also played a role in the radicalisation of women but its success cannot be seen in isolation from the on-going war on terror. The number of madrassas has also gone up in the last ten years. “A recent survey reveals that the number of madrassas across Pakistan stands at 28,982, compared to 2,861 in 1988 and 246 in 1947.”⁽¹⁷⁾ This phenomenon can also be seen in the swelling crowds of Tableeghi Jamat and Dawat-e-Islami, the two missionary organisations promoting radicalism in the name of preaching Islam.

The society has also become more violent and common people do not hesitate to take the law into their own hands. In May 2008 in Karachi, people got hold of two robbers, gave them some severe beating and then set them on fire.⁽¹⁸⁾ In Saikot, people clubbed two young brothers to death on suspicion of theft in August 2010, which angered the entire country. As social unrest increases, even the family system is coming under strain. *Dawn* reported in August 2011 that the number of court marriages has increased in the capital, as the three main nikkah registrars in the Islamabad district courts helped solemnise about 250 marriages in 2010, but they registered 240 court marriages by July 2011 and the total number is “expected to cross 300 by coming December.”⁽¹⁹⁾ There are also reports about increase in domestic violence and surge in divorces rates. It is believed that poverty and social tensions are the key factor behind these problems. Though not directly linked with terrorism, indirectly the violence results in deteriorating social relations as the economy slows down and unemployment increases.

Economic cost of violence

Pakistan’s economy suffered due to increasing terrorism in the form of disruptions in the normal industrial and trading activities and rising cost of international trade due to higher insurance cover and other charges. The law and

order situation not only deterred foreign investors but local businessmen also became reluctant to invest more money under the prevailing state of security and poor economic conditions. Overall development slowed as the funds meant for socio-economic development were diverted towards fighting militancy.

As for the cost of war, Foreign Minister Shah Mahmood Qureshi speaking at a press conference with EU Foreign Policy Chief Javier Solana on 20 July 2009 said that the war against terror had cost Pakistan more than US\$35 billion while the cost in human lives was immeasurable.⁽²⁰⁾ Earlier, the *Economist* wrote on 20 November 2008: “on November 14th the finance ministry announced its estimate of the full (war on terror) bill: US\$8.5 billion for this fiscal year, which ends in June 2009, and a staggering US\$34.5 billion since 2001.”⁽²¹⁾

The government of Pakistan in mid-2009 prepared a document to highlight the economic losses suffered by the country. “The cost of war on terror incurred by Pakistan... was estimated at US\$2.669 billion in 2001-02, but it started increasing in the following years, seriously affecting economic growth.”⁽²²⁾ It is said that in 2001-02 Pakistan suffered US\$1.4 billion in export losses, \$0.3 billion in foreign investment, \$0.5 billion in privatisation, \$0.113 billion in industrial input, \$0.247 billion in tax collection, and \$0.109 billion in expenditure overrun.

The calculation done by the Ministry of Finance based the cost on the following assumptions.

- The war in Afghanistan will end by December 2001.
- Normalcy will resume in January 2002.
- The Taliban government will be ousted though some low-intensity fight will continue, yet life in Pakistan will remain normal.
- The additional increase in freight cargo and war risk permit will be removed.

However, these assumptions did not materialize and instead the war on terror continued to gain momentum becoming more deadly for Pakistan and the rest of the region. The economy was subjected to enormous direct and indirect costs, which continued to rise from US\$2.669 billion in 2001-02 to \$6.264 billion in 2007-08, projected to rise to \$8.4 billion in 2008-09, 13.5-billion-dollars in 2009-10 and estimated to shoot to 17.8 billion dollars in 2010-11.⁽²³⁾

The war affected many areas of economic activities: it scared away potential investors; reduced import demand; reduced exports; affected the process of privatisation; slowed overall economic activity; reduced tax collection and caused expenditure overrun. Foreign embassies, continue to issue travel advisories warning their citizens about hazards in Pakistan. A warning issued by the US embassy on 8 September 2009, asked American citizens to avoid travel to Pakistan due to the continuing threat of terrorism. It reminded

those present in Pakistan to avoid going to places like hotels, markets, etc, exposed to terrorist attacks.⁽²⁴⁾

When terrorists strike, consumer and business confidence weakens, sales slump, production tumbles, and businesses go bankrupt. Foreign investment that played a key role in initiating development in Pakistan also suffered due to terrorism. Starting from just US\$560 million in 2002, it peaked to \$8.4 billion in 2007. But it started declining after this, going down to just \$2 billion in the first three quarters of FY 2009, due to the overall deteriorating law and order situation, especially the relentless campaign of suicide bombings.⁽²⁵⁾ There are also reports that foreign buyers declined to open L/Cs with Pakistani banks for fear of disruption in shipments as the spate of terrorist acts in major cities increased levels of insecurity. Analysts point to the plummeting foreign direct investment (FDI) as a sign of weakening investors' confidence due to a surge in terrorism. "The total investment declined from 22.5 per cent of GDP in 2006-07 to 19.7 per cent of GDP in 2008-09. Fixed investment has decreased to 18.1 per cent of GDP from 20.4 per cent last year. Private sector investment was decelerating persistently since 2004-05 and its ratio to GDP has declined from 15.7 per cent in 2004-05 to 13.2 per cent in 2008-09. Public sector investment-to-GDP ratio rose consistently from 4.0 per cent in 2002-03 to 5.6 per cent in 2006-07; however, it declined to 4.9 per cent in 2008-09."⁽²⁶⁾

The Pakistan Economic Survey 2010-11 says that the economy is under pressure since the war on terror spread like a contagion into settled areas of Pakistan. The new government elected in 2008 constituted an inter-ministerial committee to assess the direct and indirect cost of the war on Pakistan. After careful analysis of the situation, the committee presented its findings: "The conclusion was that the War not only caused serious damage to the economy, but also to the social fabric of Pakistan. Obviously, continuity of War will continue to bleed the economy and society of Pakistan."⁽²⁷⁾

Data shows that at the start of the war, its cost for Pakistan was estimated at US\$2.669 billion in fiscal year 2001-02, but it went up in subsequent years. (As shown in the following table which gives the cost for Pakistan in the last 10 years).

Table

Cost of war estimate in 2001-02 and 2010-11(US\$ billion)

Sectors	2001-02	2010-11 (est)
Exports	1.2	2.9
Compensation to affectees	0.0	0.8
Physical infrastructure	0.00	1.72

Foreign investment	0.15	2.10
Privatisation	0.50	1.10
Industrial output	0.11	1.70
Tax collection	0.25	2.10
Cost of uncertainty	0.10	2.90
Expenditure overrun	0.11	1.60
Others	0.10	0.90
Total	2.72	17.82

Source: Ministry of Finance

Pakistan continued to pay a heavy price and a large portion of its resources, men and material were consumed by this war. "The economy was subjected to enormous direct and indirect costs which continued to rise from US\$2.669 billion in 2001-02 to \$13.6 billion by 2009-10, and was projected to rise to US\$17.8 billion in FY 2010-11, and moving forward, the direct and indirect cost to the economy is most likely to rise further."⁽²⁸⁾ The following table shows the year-wise cost of war on terror.

Table

Cost of war 2001-2011

Years	Billion US\$	Billion Rs	% Change
2001-02	2.669	163.9	-
2002-03	2.749	160.8	3.0
2003-04	2.932	168.8	6.7
2004-05	3.410	202.4	16.3
2005-06	3.986	238.6	16.9
2006-07	4.670	283.2	17.2
2007-08	6.940	434.1	48.6
2008-09	9.180	720.6	32.3

2009-10	13.560	1136.4	47.7
2010-11*	17.830	1528.0	31.5
Total	67.926	5036.8	

* Estimated on the basis of eight months actual data

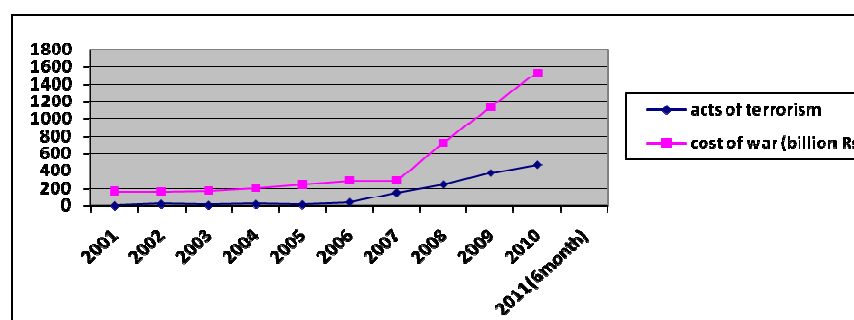
Source: Joint Ministerial Group of Ministries of Finance and Foreign Affairs

It shows that during the last 10 years the cost of war on terror incurred by Pakistan amounted to around US\$67.93 billion or Rs.5037 billion.

The economic losses suffered by Pakistan are far greater than the total US aid received, since joining the war on terror after 9/11. Washington committed to provide \$20.7 billion to Pakistan since 2001, which is just 0.1 per cent of \$3 trillion US spending on the global war on terror. Out of the amount, security-related aid was \$14.7 billion, which also includes payments under the Coalition Support Fund (CSF), and \$6.5 billion for socio-economic development. The biggest actual amount of \$8.8 billion was given under CSF, which is the reimbursement for cost incurred by the Pakistan military on its operations. In this context, actual transfer amounted to \$1.63 billion while the bulk is recycled within the US system, mainly among contractors.

Pakistan is still paying the cost as its investment-to-GDP ratio has nosedived from 22.5 per cent in 2006-07 to 13.4 per cent in 2010-11 with serious consequences for employment generation in the economy. In order to move forward, Pakistan needs enormous resources to enhance productive capacity of the economy but the security situation will be the key determinant of the future development and flow of investment. Pakistan will continue to face problems as long as the war on terror continues.

The correlation and simple link between terrorism and the economy is shown below:



Source: Pakistan Economic Survey 2010-11, and South Asia Terrorism Portal

The graphic presentation shows that economic cost has steadily gone up with the increasing acts of violence in the country after 2001.

Strategic fallout

The word “strategic” has military connotations and originated from the Greek word “strategikos” which means “of or for a general.” Another Greek word of the same root “strategos” means “leader or commander of army.”⁽²⁹⁾ According to the online *The Free Dictionary*, strategy, which grammatically is an English noun, means, “the science and art of using all the forces of a nation to execute approved plans as effectively as possible during peace or war, or the science and art of military command as applied to the overall planning and conduct of large-scale combat operations.”⁽³⁰⁾ Its synonym is “plan of action” which means a plan for actively doing something. The word strategic is an adjective, meaning a plan related to strategy, which if defined narrowly means the art of the general. But broadly it stands for combination of end goals for which an organisation strives and the policy through which it tries to materialise certain well-defined goals.

The word strategic was mostly used in America about the military aspect of the cold war and it meant the “actual use or threat of use of force in international relations.”⁽³¹⁾ But alongside the US-dominated strategic studies, a British school developed which worked on a broader range of issues, and its efforts led to the rise of “security studies” in the 1980s and early 1990s,⁽³²⁾ which take into account the nontraditional threats and create better threat perceptions.

The strategic fallout of the war on terror and subsequent terrorism in Pakistan directly impinged on the national security of the country, which suffered increasing vulnerability due to the unending violence. Security is a broad term and has both strategic and nonstrategic definitions. “The first (strategic definition) conceives security in terms of abstract values and is concerned mainly with the preservation of independence and sovereignty of nation-states; the second (nonstrategic definition) is concerned with both the maintenance of the flow of vital economic resources and the nonmilitary aspects of nation-state functions.”⁽³³⁾

It shows that primarily national security is concerned with the protection of the physical entity of a state, and its sovereignty to make important decisions related to its safety, security and progress. Anthony Burke says, “We know that security is one of the most fundamental human needs: an irrefutable guarantee of safety and well being, economic assurance and possibility, sociability and order; of a life lived freely without fear and hardship.”⁽³⁴⁾ It also brings to light critical questions about the impact of terrorism on national security.

Pakistan’s security problems started when it made a strategic decision in 2001 to join the US-led “war on terror,” and not only provided the land and air space against the militants but also sent troops in the tribal areas to capture the

militants fleeing the bombings in Afghanistan. The decision had long-term strategic ramifications for national security.

Initially, it looked as if the situation was under control. The Americans defeated the Taliban and installed a new government. Pakistan sent its troops into the tribal areas and they helped arrest a number of Taliban and al-Qaeda militants entering Pakistan from Afghanistan. The militants were badly disorganized and scattered after losing power in Kabul and on the run to avoid capture by the US and Pakistani forces and intelligence agencies. But the situation took a new turn after the US attacked Iraq in 2003. The Iraqis put up stubborn resistance after the invasion and their guerilla and terrorist tactics were replicated in Afghanistan, where resistance started, and by 2005 had come of age in the sense that militants were systematically attacking the NATO troops in Afghanistan.

Pakistan was caught in the vortex of fighting as the militants were using its tribal areas to train and launch cross-border attacks on the western troops. The pressure mounted on Pakistan to contain the insurgents and it was forced to send additional troops into the tribal areas to launch organized counter-militancy campaign. The start of active military effort by Pakistan had its repercussions, as the local militants turned their guns at Islamabad and the country started to bleed.

The armed struggle between the Pakistani armed forces and the militants raised many questions, some of them directly relating to the capability and potential of the army to take on the insurgents. It was important as the army was revered in Pakistan as the most disciplined, resourceful and capable institution and any doubt about its ability to crush the militants had serious consequences for its standing among the masses. The credibility of the forces was further eroded in the coming months due to half hearted military operations. The issue of double game also came up as western media propagated that Pakistan army was reluctant to fight Taliban militia, which it helped to create in the 1990s. To avoid more confrontation and restore its standing, Pakistan tried to negotiate peace deals with the militants, but US opposed it and used force to sabotage the first successful agreement with Nek Muhammad. "The Pakistan Army signed first peace deal with Maulvi Nek Muhammad in South Waziristan on March 27, 2004. Within few months Maulvi Nek Muhammad was killed in the first ever drone attack by US in Pakistan on June 18, 2004. That was the beginning of a new bloody war in Pakistan."⁽³⁵⁾

After killing of Nek Muhammad, Abdullah Mahsud came forward as key militant leader and announced to take revenge from Pakistan. The Pakistani establishment supported Baitullah Mahsud and signed a peace deal with him on February 22, 2005 "and it was decided that Baitullah Mahsud will not provide shelter to foreign militants but there was another drone attack on May 14, 2005,"⁽³⁶⁾ which angered the militants and blaming military as ally of the US, they announced revenge. Later, the US carried out a lethal drone strike at a madrassah in Damadolla area of Bajour on October 30, 2006, which killed 80

people and destroyed chances of a peace deal in the region. Among the victims of the attack was Maulvi Liaquat, the owner of the seminary, whose brother, Maulvi Faqeer Muhammad, rose to become an important militant leader who is still fighting against Pakistan, primarily to avenge the killing of his brother.

Three successive events played a key role in creating the strategic problems for Pakistan. These were:

- The killing of Maulvi Nek Muhammad in a US missile strike on 18 June 2004
- The US drone attack at Damadolla on 30 October 2006
- The Lal Masjid Operation in Islamabad in July 2007

These are considered the turning points in Pakistan's involvement in the war on terror which led to strong anger among the militants. They decided to unite and formed Tehrik-e-Taliban Pakistan (TTP) in December 2007, with Baitullah Mahsud as its leader, who unleashed a mayhem in the country through indiscriminate bombing and suicide attacks.

The military was at the receiving end during these years. Its image as ultimate saviour of the country suffered irreparable loss. As the weaknesses of the military vis-a-vis terrorist onslaught became more open, the critical question of the safety of the strategic weapons became more persistent. When militants occupied the Pir Baba shrine in Buner in 2008, the western media said that they were just 100 miles away from Islamabad. Later, the military launched successive operations in Swat and South Waziristan and its image was partly restored; though the question of nukes falling into the militants hands still lingered on, as there were rumours of a “colonel’s coup” by the mid-level officers and the army chief fighting to keep his job.⁽³⁷⁾ The army rejected these rumours as a smear campaign by the western media but serious questions of how to eliminate the militants remained. The military received more shocks when it found infiltration of Hizb-ut-Tahrir (HT) and arrested a brigadier for his connection with the HT.⁽³⁸⁾

The issue of drone attacks highlights another aspect of the war and terror and its impact on Pakistan, as drone strikes have been termed violation of Pakistan’s sovereignty and direct threat to national security. Though the attacks are not without utility as a number of known terrorists, including Baitullah Mahsud, have been killed in these attacks, yet they also kill innocent civilians and help the militants exploit it for enlisting new recruits. Pakistan has officially brought up the issue with the US many times but in vain. The attacks have created serious strategic problems and people continue to ask questions about the credibility and potential of the national security institutions.

Pakistan's strategic problems were further aggravated by the covert US operation on 2 May 2011 to kill Osama bin Laden at Abbottabad, which resulted in huge embarrassment for the security establishment of the country. But the attack at bin Laden compound has become the biggest embarrassment since the

dismemberment of the country in 1971. Apart from denting the pride of the armed forces and the people, the incident raised a number of questions about the capability, commitment and potential of the army in Pakistan and its ability to safeguard the nuclear weapons. CNN reported then CIA chief Leon Panetta as saying in a closed-door meeting of the House of Representatives in August 2011: “either they were involved or incompetent. Neither place is good place to be.”⁽³⁹⁾ Pakistan has still been struggling to put behind the 2 May incident but its bitter memory and long-term effects are going to stay. The incident embittered ties with the United States and increased the trust deficit between the two countries, which also had various strategic implications for Pakistan owing to heavy reliance on US and other western countries for military hardware. The latest blow came in the form of attack at the Mehran Naval Base in Karachi and the national morale sunk even further.

It shows that almost 10 years after 9/11, the war on terror and subsequent terrorism have added to Pakistan's many strategic predicaments. Before this Pakistan never had to prepare a two-pronged war strategy aimed at simultaneously defending the eastern and western borders. Lt Gen (Retd) Ihsanul Haq, who was corps commander, Peshawar, in 2001 and later head of the ISI, said in a Geo TV talk show, “Jirga with Saleem Safi” on 28 July 2011, that he as a general never thought in his entire military career that they would have to send military in the tribal areas. Today, Pakistan is sandwiched between the al-Qaeda and Taliban militants and archrival India. That is why when it faced a possible Indian attack after the Mumbai terror attack in November 2008, it had to rush thousands of troops from its western borders to buttress defences along the eastern border, costing additional resources and time, and also weakening the western front.

In a nutshell, strategic fallout of terrorism has been tremendous which affected all aspects of national security and strategic policy, and made Pakistan more vulnerable to internal and external threats.

Conclusion

The objective of the study was to investigate the impact of terrorism on socio-political and economic security and strategic policy and it was framed around a set of four fundamental queries: a) the magnitude of the wave of terrorism; b) socio-political implications of the unrest caused by terrorism; c) the economic cost suffered by the country, and d) the strategic fallout for Pakistan. After careful analysis it has found that terrorism has resulted in social fragmentation by creating fissures in the society, as people are more uncertain about the future, more concerned about their welfare and more fearful about the prevailing law and order situation. Politically, the “war on terror” and terrorism has created instability and there are questions about the future of democratic institutions and political process. The economy has been badly hit and the immediate economic future looks bleak, with little chances of a revival unless massive investment is made which is not possible without substantial progress in

defeating militancy. The strategic policy remains hostage to terrorism, which has become the major threat for national security.

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