

IMPACT OF TERRORISM ON FOREIGN DIRECT INVESTMENT AND KEY INDICATORS OF DEVELOPMENT IN PAKISTAN

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ABSTRACT

The word 'Terrorism' is a term generally used to describe the maximum possible degrees of illegitimate deeds or coercions where most of the population is affected and the highest degree of economic activity is disrupted. However, this is not the final and agreed definition of the word terrorism. There is no single definition of terrorism which is acceptable to all. Twelve yearsback in 2001, soon after the attack on the World Trade Centre (WTC) in US, American troops entered into the territory of Afghanistan. Since then, Pakistan became ally of the American and NATO forces against the war on terrorism without any deliberations and consultation with the nation. Consequently, Pakistan has greatly suffered socially, economically and politically as well. Comparing the benefits of the war with the costs inflicted, we can safely conclude that the costs are much higher than the benefits of this war against terrorism. Pakistan is just a loser in this game at all fronts.

Key Words: Pakistan, Terrorism and FDI

INTRODUCTION

The whole world is confronting acts of terrorism in different shapes and manifestations as a result of American war on terror after the event of 9/11. Just after the attack America announced that Osama bin Laden is the prime suspect and demanded the Taliban government in Afghanistan to hand over him to the US for trial. The then Bush administration warned Afghanistan of dire consequences if Taliban do not hand over him to the United States for interrogation. Actually USA has a multipurpose agenda to be achieved from the submission of Afghan people.

One of the aims is to block the spread of political Islam and the unity among the regional countries including Pakistan, Iran, Afghanistan and Central Asian Republics. Second, to limit the growth and development of Pakistan as nuclear Muslim state to remain dependent upon the aid from US. While the third important aim of the attack on Afghanistan by the American forces is to contain the rise of China as an economic and military power which is generally perceived a dire threat by the US to the US hegemony (Roberts, 2012).

Initially, Taliban rejected the American warning and asked United States for producing evidences against Osama bin Laden. It is also on record that Osama bin Laden denied his involvement in the event of 9/11 against US. The USA being a power of the day formed a coalition of mighty countries against a poorer country of the world—Afghanistan. This malevolent war started on October 7, 2001 which actually brought misery, poverty,

lawlessness, cruelty, tension, economic depression and religious tension to the whole world. This would be a war more dangerous and devastating than the World War I and II if not tackled properly and judiciously.

The US knew that without the support of Islamabad, the war could not be won in Afghanistan. Therefore, America wanted Pakistan to extend all kind of support to the war on terror. As a result President General Pervez Musharraf, for many more reasons, decided to extend support to the US without any serious deliberations on the matter, and Pakistan became once again a frontline state and a non NATO ally of the coalition in the war against terror.

Pakistan has been badly affected by joining this on going to war against terrorism. Initially it was estimated that the cost of this war to Pakistan would be \$2.669 billion in fiscal year 2001-02 based on the assumption that the war will hopefully end by December 2001 and normalcy will resume in Afghanistan from January 2002 (Economic Survey 2010-11, p. 219). However, the presumption was not materialized and Pakistan was badly trapped in the middle of the vortex. Pakistan has Since badly suffered at all fronts. The objective of this paper is to discuss and evaluate the economic effects of the war on terror on the economy of Pakistan from a multi-dimensional perspective including economic growth, foreign direct investment, tourism, fiscal and budgetary resources, and the level of poverty.

DATA AND METHODOLOGY

The aim of the paper is to assess the impact of terrorism on the economy of Pakistan. The growth and development of each economy depends upon the contribution of various sectors of the economy, for examples agriculture, mining, manufacturing, transport, communication, and service sector. Further the growth, development and progress of these sectors also depends on some factors e.g., the extent of domestic and foreign investment, Foreign Direct Investment (FDI), law and order situation, political stability and so on. So, relevant data and information have been collected from various sources. These sources include economic surveys of Pakistan, South Asia Terrorism Portal (SATP), State Bank of Pakistan (SBP) and Federal Bureau of Statistics Islamabad. The data have been converted into averages, percentages and conclusions have been drawn. The paper used descriptive methodology to make analysis of the collected data from various national and international sources.

Impact of War on Terror on Economic Growth

The attack on Afghanistan and joining the war against terrorism in 2001 had an impact on the economy of Pakistan. The growth rate since 1998 after the detonation of atomic bomb remained low. In 1997-98, the growth rate was 3.5 percent, 4.2 percent in 1998-99 while in 1999-2000 it decreased to 3.9 percent. In 2001 when USA with its allied forces attacked Afghanistan, the growth rate further decreased to only 2 percent as shown in the table 1.

Table 1: Economic Growth Rates since 1997-98.

Year	19 98	19 99	20 00	20 01	20 02	20 03	20 04	20 05	20 06	20 07	20 08	20 09	20 10	20 11
Growth rate	3.5	4.2	3.9	2.0	3.1	4.7	7.5	9.0	5.8	6.8	3.7	1.7	3.1	3.0

Source: Economic Survey 2006-07 and 2011-12.

However, recovery starts during 2001-02 in which the growth rate was 3.1 which increases to 4.7 in 2002-03 and 7.5 in the year 2003-04. Three reasons can be cited here for the low growth rates in Pakistan. One, the direct involvement of Pakistan in the war against terror, second, the global recession caused by the incident of 9/11 attack on America. Third, there are some researches which highlight the negative relationship between the number of terrorist incidents in a country and the GDP Per Capita growth and the formation of physical capital as well. For example, according to Barth et al; (2006), the higher the number of terrorist attacks per million population, the lower the real GDP per capita growth and lower the capital formation as a percentage of GDP. Unfortunately Pakistan after joining the war against terror has become the hub of terrorist activities since 2002 which may have had negative impact on the growth of GDP per capita and the physical formation. Moreover, high oil prices during these days may also be one of the prime causes of the slow and low growth rates in Pakistan.

Table 2: Nominal and Inflation-Adjusted Oil Prices since 1998 (in \$/bbl.)

Year	19 98	19 99	20 00	20 01	20 02	20 03	20 04	20 05	20 06	20 07	20 08	20 09	20 10	20 11
Nominal	11.91	16.56	27.39	23.00	22.81	27.69	37.66	50.04	58.30	64.20	91.48	53.48	71.21	87.04
Inflation Adjusted	16.80	22.79	36.54	29.86	29.12	34.60	45.78	58.83	66.45	71.03	97.33	57.08	75.05	88.93

Source: <http://inflationdata.com>

Oil prices begin to increase in 1998. As shown in table 2, oil prices have been rising since 2002. As a result of increase in OPEC quota which was occurred in the years 2001 and 2002, however since then, there is a continued increase in oil prices touching \$91.48/bbl in 2008 or \$97.33/bbl inflation-adjusted prices. Military engagements, uncertainty, political instability and a variety of other factors tend to impact oil prices in the world (Jackson, 2008, p. 11).

Impact on Foreign Direct Investment

Foreign direct investment (FDI) has emerged as a major source of private external flow for developing countries like Pakistan. FDI has several benefits for example, technology spill over, human capital formation, increase in economic growth and alleviation of poverty in the host country. Moreover, higher FDI in Pakistan has relaxed the foreign exchange constraint for imports to a greater extent and supported the increase in the investment to GDP ratio necessary to deliver the higher growth rates (Economic Survey 2006-07, p. 12)

Table 3: Net Flow of FDI (Million US\$)

Year	FDI	FDI as %age of GDP	From USA	From UK	From Japan
1994-95	442.4	1.74	176.4	38.7	16.3
1995-96	1101.7	1.10	319.8	33.7	82.1
1996-97	682.1	0.79	-	-	-
1997-98	601.3	0.75	256.6	135.3	17.8
1998-99	472.3	0.77	214.62	89.3	59.0
1999-2000	469.9	0.55	166.9	169.0	17.7
2000-01	322.4	0.82	92.7	90.5	9.1
2001-02	484.7	1.17	326.4	30.3	6.4
2002-03	798.0	0.98	211.5	219.4	14.1
2003-04	949.4	0.97	238.4	64.6	15.1
2004-05	1524.0	1.39	325.9	181.5	45.2
2005-06	3521.0	2.94	516.7	244.0	57.0
2006-07	5139.6	3.78	913.1	860.1	64.4
2007-08	5410.2	3.41	1309.3	460.2	131.2
2008-09	3719.9	2.42	869.9	263.4	74.3
2009-10	2250.8	1.33	468.3	294.6	26.8
2010-11	1634.8	-	238.1	207.1	3.2

Source: Pakistan Board of Investment

There are two opinions regarding the impact of terrorism, terrorist attacks on FDI. Some researchers are of the view that terrorism adversely affects the flow of FDI. For example, Gassebner et al (2005, p. 7) writes that terrorist attacks are likely to have negative and adverse consequences on the investment behavior of the people. While others clearly assert that such activities have nothing to do with the inflow of FDI to the countries concerned because investment decisions are driven primarily by profit and not by terror (Daniel Wagner 2006; Jackson, 2006). According to Abadie and Gardeazabal, Javier's (2005) analysis of FDI in Spain shows a permanent decrease in Spain's output with the decline having to do more with a shifting of economic activities from the terrorist-prone regions to more secure regions.

Since early 1980s, Pakistan has been introducing reforms for attracting FDI inflow and, for the first time, FDI crossed the one billion dollar mark in 1995-96, as shown in table 3. Many incentives were introduced ranging from reduced or zero import duty on machinery and equipment, exemption from levy of tax on income, one window operations, fully developed infrastructure, supply of utilities, and availability of fiscal and monetary incentives (Saeed, 2003, p. 382). But after 1995-96, the East Asian Currency Crisis, the detonation of atomic bomb in May 1998 by Pakistan, and later the incident of 9/11 negatively impacted the inflow of FDI into Pakistan touching to the lowest level at \$ 322 million in 2000-01.

The inflow of FDI from UK, USA and other major countries declined. For example, FDI from USA and UK declined to \$ 214.62 million and \$ 89.3 million respectively as a result of atomic explosions. Again FDI from USA, UK and Japan declined from \$ 166.9 million, \$ 169 million and \$ 17.7 million to \$ 92.7 million, \$ 90.5 million and \$ 9.1 million only respectively as a result of 9/11 incident from these three countries. However, after the initial negative impact of the 9/11 incident on the inflow of FDI into Pakistan, the situation improved and the inflow of FDI starts rising reaching highest at \$ 5410.2 million in the year 2007-08. The financial crisis in the US and the West during 2007-08 onward Pakistan saw a downturn in the inflow of FDI and, therefore, FDI fell to \$ 3719.9 million in the year 2008-09. And this declining trend still continues as shown in table 3. As earlier said that this decline could be due to the worsening effects of global financial crisis, so we see that inflow of FDI from USA, UK and Japan decreases to \$ 468.3 million, \$ 263.4 million and \$ 74.3 million respectively during 2008-09.

Impact on Fiscal and Budgetary Resources

One of the unavoidable consequences of terrorism or terrorist attacks is the increase in military operations in the country concerned. These additional military engagements need heavy funds which are being covered by government borrowing or through increase in taxes. These military engagements drains resources from the productive economy which will typically lead to slower economic growth, less investment, higher trade deficits and fewer jobs (Baker, 2007, p. 9). In Pakistan military expenditures has increased specially after the US military attack in Afghanistan in 2001, and subsequent terrorist incidents in Pakistan.

Table 4: Expenditure on Defense, Law and Order in Pakistan

Year	Defense Expenditure at Current Prices in Balances	Growth Rate	Expenditure on Law & Order at Current Prices In Billion Rs.	Growth Rate
1997-98	131.4		11.9	
1998-99	143.5	8.4	13.2	9.8
1999-00	152.8	6.1	15.6	15.4
2000-01	131.2	-14.1	17.5	10.9
2001-02	149.3	12.1	19.5	10.3
2002-03	160.1	6.7	23.7	17.7
2003-04	180.5	11.3	32.1	26.2
2004-05	216.3	16.7	35.5	9.6
2005-06	241.1	10.3	64.7	45.1
2006-07	252.6	4.6	57.1	-11.7
2007-08	277.3	8.9	65.0	12.2
2008-09	311.3	10.9	-	-
2009-10	378.2	17.7	-	-

Source: Handbook of Statistics on Pakistan Economy 2010.

Before joining the war on terror in 2001 the growth in law and order expenses was 10.9 percent which increased to as high as 45.1 percent in 2005-06, unambiguously affected the exchequer of Pakistan. The government of Pakistan has been spending huge amount of money on maintaining law and order situation since joining the war against terror. As a whole, there is an increasing trend in this spending since 2000-01. Rs. 320 billion has been incurred on maintaining law and order during four years from 2007-08 to 2010-11 (The daily Nation, August 22, 2011). Khyber Pakhtunkhwa, the most terrorism-affected province in Pakistan, has spent huge amount of for this purpose including Rs. 6.5 billion in 2007-08, Rs. 8.5 billion in 2008-09, Rs. 18 billion in 2009-10, and Rs. 17 billion during the year 2010-11 (the daily Nation, August 22, 2011). Furthermore, this situation has worsened the balance between the government's current receipts and expenditure

position more rapidly since 2001. Table 5 shows expenditure and total receipts with net borrowing or lending of Pakistan.

Table 5: Public Receipts and Expenses, 1997-98 to 2009-10. (Rs. Million)

Year	Total Receipts	Total Expenses	Net Borrowing/Lending
1997-98	429,454	634,014	204,560
1998-99	468,601	647,778	179,177
1999-00	512,500	709,100	196,600
2000-01	553,000	717,900	164,900
2001-02	624,100	826,550	202,450
2002-03	720,800	898,200	177,400
2003-04	805,827	940,359	134,532
2004-05	900,014	1,116,981	216,967
2005-06	1,076,600	1,401,900	325,300
2006-07	1,297,957	1,799,968	502,011
2007-08	1,499,380	2,276,549	777,169
2008-09	1,850,901	2,531,308	680,407
2009-10	2,078,165	3,455,120	928,497

Source: Economic Surveys (2006-07 and 2011-12)

The column net borrowing/lending (surplus/deficit) shows Pakistan accounts at deficit levels immediately following the joining of the war on terror in 2001. However, deficit existed since long as depicted in the table. The deficit after the war on terror ballooned from Rs.164,900 million in 2000-01 to Rs. 928,497 million in 2009-10. The deficit generally reflects in large part the government of Pakistan's response to terrorism in the country.

Impact on Tourism

Tourism is potentially one of major revenue earners for Pakistan, but persistent terror activities in the country have negatively impacted the tourism business, especially after the Marriot hotel attack which left 60 people dead. The Swat valley, once famously known as the Switzerland of Asia is under continuous threat of militancy and terror attacks by the Taliban militants. Hoteling industry has been severely affected in the whole district of Swat affecting the occupancy and income associated services is Rs. 60 billion from 2007-09 (Ali, 2010, p. 10). In the latest Travel and Tourism Competitiveness report (TTCP) 2009 released by World Economic Forum, Pakistan

stands at 113 out of 133, two places down from the previous year (Ibid, p. 10). On the contrary, India and Sri Lanka despite a string of terrorist attacks during the same period witnessed an upward movement in the TTCP report, from 65 to 62 and 78 to 73 respectively.

Table 6 shows that in the year 2000, 556.8 thousand people from all over the world travelled to Pakistan. The US attack on Afghanistan negatively impacted the flow of people to Pakistan and there was a 10.3 percent decline in the visitors in 2001. However, in the year 2003 and onward, we see a rising trend in the tourist arrivals. In 2007 and 2008, Pakistan again saw a reduction of visitors by 6.4 and 1.9 percent respectively due to terrorist incidents in Pakistan. From Europe, 257.5 thousand people visited Pakistan in 2000 just before the US-NATO attack on Afghanistan. There was 20.3 percent reduction in visitors from Europe to Pakistan in 2001 and this falling trend continued until now except for the years 2005 and 2006. From USA, 71.5 thousand people visited Pakistan in 2000 which increased to 96.1 thousand in 2001. But we saw 28.2 percent decline in the tourist arrivals from USA to Pakistan in 2002. Again, as stated earlier, due to terrorist incidents in 2007 and 2008, the number of visitors from America declined by 3.4 and 6.4 percent respectively during these two years.

Table 6: Tourist Arrivals by Nationality (in thousands)

Nationality	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Grand Total	556.8	499.7	498.1	500.9	648.0	798.3	897.6	839.5	822.8	854.9
Europe	257.5	205.1	215.3	192.8	80.9	356.8	394.2	386.7	389.2	378.6
Middle East	33.1	30.5	22.3	19.6	28.4	31.9	37.7	35.9	29.0	28.0
Africa	16.5	14.9	11.6	11.7	12.5	14.7	19.0	15.8	15.7	14.7
Pacific & East Asia	50.0	42.7	43.9	43.5	59.5	83.6	99.1	87.1	76.0	89.1
USA	71.5	96.1	69.0	72.4	87.3	121.6	126.2	121.9	114.1	117.5

Source: Pakistan Statistical Year Book 2011, Pakistan Bureau of Statistics Ministry of Finance, Islamabad, Statics Division

We can imagine the impact of these on-going terrorism activities on tourism and hoteling industries in Pakistan by presenting here the example of the impact of one time incident of World Trade Centre on New York. The economic impact of World Trade Centre attack on travel and tourism was enormous, estimated at between \$ 7 billion to \$ 13 billion in lost revenue and 25,000 lost jobs by the year 2003 while visitors to New York were expected to fall 14 percent in 2001 (LCCI, 2005, p. 12). Many countries including USA imposed travel ban on their citizens to Pakistan. This has not only affected tourism industry but also exports as well as the inflow of FDI and other investment ventures in Pakistan.

Inflation and the Value of Pak Rupee

One of the impacts of the on going war against terror is a rising trend in inflation and the depreciation of Pak rupee because of slowdown of economic activities in the country. This rising trend in inflation and the downgrading of Pak rupee affects the life standard of the people very badly which is one of the reasons of rising poverty in Pakistan.

Table 7. Percentage Increase in Essential Food Basket Items during 2001-2012.

Basic Food Basket Items	Increase in Prices during 2007-2012	Increase in Prices during 2001-2012	Contribution to Monthly Food Basket Cost
Wheat	67	200	20
Meat	94	300	11
Sugar	147	200	06
Pulses	71	134	02
Ghee and Edible Oil	57	200	13

Source: Kiani (2012).

The cost of minimum food basket basic items increased by 79 percent during the four and a half years of the present government in Pakistan. The price of wheat has increased by 67 percent during 2007 to 2011 from Rs. 18 to Rs. 30 per kg. Likewise the price of meat has increased by 94 percent while the price of pulses, mostly used by the poor section of our society, has increased by 71 percent during the same period. Prices of ghee and edible oil increased by 57 percent and that of sugar recorded an unprecedented increase of 147 percent as shown in table 6. Table 6 also shows the increase in prices of these basic food items during 2001-2011. The same table depicts the contribution of the price hike of these basic food items to monthly food basic cost. The price of meat recorded a high percentage increase of 300 percent followed by wheat, ghee and oil and

sugar by 200 percent each, while the prices of pulses increased by 134 percent during 2001 to 2011.

Table 8: Value of Pak Rupee

Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Exchange Rate (Rs/US\$)	51.7	58.4	61.4	57.7	57.92	59.66	60.16	60.1	71.1	78.5	83.8	85.5
% Change	-	11.5	4.8	-4.7	-1.5	2.9	1.3	0.56	14.9	9.4	6.3	1.9

Source: Economic Surveys (2006-07 and 2011-12)

If we talk about the contribution of the price hike of these basic food items to monthly food basket cost, wheat contributed about 20 percent followed by ghee and edible oil (13 percent) and meat by 11 percent as shown in table 7.

Inflation has increased alarmingly to 21 percent in 2008-09 from 10.3 percent in 2007-08. That is more than 100 percent increase in inflation.

If it is claimed that drone strikes have killed numerous high level al-Qaeda operatives, but at the same time they have also killed scores of innocent civilians including women and children (Shah, 2011, p. 8 and Malik, 2012). And then the atrocities mitted out by these drone attacks generally motivated the relatives and friends of the innocent victims to seek revenge and they joined the militant groups, therefore, instead of reducing the forces that oppose it, the US is, in effect, increasing their ranks and their motivation for taking revenge (Malik, 2012). To further substantiate this, Bowcott writes in the Guardian that there are some clear evidences suggesting that these drone attacks have facilitated new recruitments to violent non-state armed groups and motivated further violent attacks (Bowcott, 2012).

Table. 9: Drone Attacks in Pakistan: 2004-2013

Year	Incidents	Killed	Injured
2004	1	8	0
2005	2	7	0
2006	2	23	0
2007	4	77	15
2008	33	313	17
2009	53	724	75
2010	118	993	85
2011	59	548	52
2012	46	344	37
2013	16	116	20
Total	334	3153	301

Source: Ghayasi (2011), and <http://www.satp.org>, Data till Sep 1st, 2013.

Table 10: Fatalities in Terrorist Violence in Pakistan 2003-2013

Year	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	2738	765	2800	6303

(...contd)

2012	3007	732	2472	6211
2013	2386	533	1410	4329
Total	17541	5355	26561	49466

Source: <http://www.satp.org>*Data till Sep 8, 2013

Pakistan has been paying heavy price since its joining the war on terror. Table 10 shows that a total of only 189 people including 140 civilians, 24 security force personnel (SFP) and 25 terrorists/militants killed in the year 2003. The death of civilians constitutes 74 percent; SFP 12.7 percent while militants killed constitutes only 13.2 percent of the total fatalities during the same year 2003. The number of total fatalities, including civilians, SFP and militants, is on the rise since 2003. The total number of people perished during 2009 has been the highest until now which was 11,704 including 8389 militants/terrorist (71.7 percent of the total), 2324 civilians (19.8 percent) and 991 SFP constituting 8.5 percent of the fatalities. Civilian fatalities as a percentage has been decreased during 2003-2010, however, it increases to 43.4 and 47.8 percent in 2011 and 2012 respectively. Terrorist fatalities as a percentage of the total increases since 2003 until 2009 (71.7 percent) and then declines, while SFP fatalities as a percentage remains high during the initial years and then it declines. The total number of fatalities since 2003 until September 2013 stands at 49,466. Out of this, the number of civilians is 17,541 (35.46 percent of the total), SFP 5,355 (10.8 percent), while militants/terrorist fatalities is 26,561 constituting 53.69 percent of the total fatalities in terrorist violence in Pakistan since 2003 as shown table 10.

Another problem is the internally displaced persons (IDPs). According to the estimates of Internal Displacement Monitoring Centre (IDMC), the total number of IDPs in Pakistan ranges between 1.47 million to 2 million (IDMC, 2010, p. 26). While World Health Organization (WHO) reported that the number of IDPs is 1.9 million. However, due to many reasons the real number could be much higher than the official figures.

Table 11: The Number of IDPs in Pakistan

Area	Total Population	Number of IDPs, July 2010
S. Waziristan	430,000	More than 300,000
N. Waziristan	361,000	Unknown
Kurram Agency	448,000	More than 100,000
Orakzai Agency	225,000	More than 200,000
FR Peshawar	54,000	Up-to 40,000
Khyber Agency	547,000	Up-to 80,000
Mohmand Agency	530,000	Up-to 200,000

(...contd)

Bajawar Agency	949,000	At-least 150,000
District Swat	1,811,000	Up-to 360,000
Lower Dir	1,093,000	Unknown
Upper Dir	777,000	-
Buner	768,000	-
Shangla	620,000	-
Total	7500,000	More than 1,400,000
Balochistan	6.6 million	40,000-140,000
Azad Kashmir	1.5 million	Less than 5,000
Gilgit-Baltistan	2.2 million	-
Grand Total	More than 18 million	1,470,000-2,000,000

Source: IDMC, 2010, p. 28.

Valid reasons for the under estimation of IDPs may include lack of national identification cards (NICs) of the IDPs, insufficient sites for registration of IDPs, risk of sectarian violence in some areas, the threat to officials and political interests. The National Database Registration Authority (NADRA) has registered approximately 1.9 million internally displaced persons of which 96 percent are registered Khyber Pakhtunkhwa. By the month of July, 2010, the total number of IDPs from South Waziristan area was about more than 300,000. The return of IDPs to their homes is another issue; fear of militants and poor economic conditions make IDPs reluctant to return. By September 2009, 1.6 million had returned to their homes and about 1.1 million remained displaced (IDMC, 2010). The large influx of IDPs into the settled areas has put enormous pressure on the available resources in these areas. Under these conditions, the government faces serious economic challenges.

The ongoing war on terror is not only detrimental to our economic growth, infrastructure and security but it also keeps away our children from education and schools in a variety of ways. According to a report prepared by Society for the Protection of the Rights of the Child launched at the Peshawar Club says that 710 schools had been destroyed in this war while the number of children kept out of schools due to militancy is 600,000 only in the province of Khyber Pakhtunkhwa, Pakistan (The daily DAWN, Sep 12th 2012). In terms of percentages, 65 percent of the schools in Swat district, 35 percent in Buner, upper and lower Dir, and Shangla districts have totally been destroyed or severely damaged in this war on terror (OCHA, 2009).

CONCLUSION

No doubt, the war against terrorism has severely affected the economy of Pakistan. It has affected tourism industry, FDI, agriculture, industries, human capital development, capital formation and the life standard of the people. What the ongoing war on terror has given to Pakistan, Haq and Hussain (2008, pp. 82-83) writes in these words:

“The war on terror has only prompted terror and militancy. It has affected new areas and expanded in scope and breadth including indoctrinating those who were on the sidelines. The collateral damage has affected thousands of innocent families, driving them in to the lap of insurgency. It has helped bartered away Pakistan's sovereignty and has been a huge humiliation to its 160 million people.”

There is a growing weariness in general masses with the present ongoing policy of the government regarding the war against terrorism. Cost-benefit analysis of the ongoing war against terrorism shows that costs are much higher than the benefits. USA has badly used Pakistan for its own so called national interests and it clearly seems that Pakistan is only a loser in this game at all fronts. Closing industries, low agricultural production, no access to American and other European markets, depreciation of rupee, rising public debt, no ray of hope for the settlement of long standing Kashmir dispute, human losses in drone and other terrorists incidents, weakening of social fabric, weakening of the law enforcement institutions, and a declining trend in the life standard of the people are some of the important outcomes of the policy of fighting the American war of terrorism.

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