

## **Economic Impacts of Terrorism on Pakistan's Economy: An Analytical Study**

By

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### **Abstract:**

*Pakistan has been struggling as well as suffering deeply because of continuous wave of terrorism for such a long period of time. As a result of that, the State is experiencing terrible economic impacts along with other significant spheres of life. The main purpose of this study is to highlight the factors involved in terrorism and its deep economic impacts on Pakistani society, which are really creating hurdles for economic development and growth.*

**Keywords:** Economy, Pakistan, Terrorism, Impacts, Etc.

### **Introduction:**

As far as the term "Terrorism" is concerned, it may be described as, "The deliberate practice or intimidation with utility of ferocity committed via

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people or (Sub-national) groups obtaining a partisan or shared purpose via the coercion. (Sandler and Enders, 2005).

Undoubtedly terrorism isn't a latest sensation; yet attaining huge significance in texts subsequently the incident of (9/11) assaults on world trade center in America way back in 2001. Even though terrorism being a worldwide occurrence, the gulf states as well as South Asian countries remain definitely pretentious because of the (war on terror) started subsequently the (9/11) assaults. American establishment and her allies blamed the Afghani Taliban's being the real culprits for sheltering the Al-Qaeda in Afghanistan carrying out the attack on world trade center. Subsequently America along with Nato forces, invaded Afghanistan in the year 2001. As a result of that, Pakistan, being the neighbor of Afghanistan, had grave effects of those strikes as well. Pakistani society not only faced immense impacts of terrorism, but also experienced serious crisis in terms of economic development and growth being a developing state. Indeed, the effects of terrorism are dreadful for a developing state for the obvious reasons for having all the focus of capitals in just particular section. (Sandler and Enders, 2005).

It has been years now that terrorist activities immensely affecting Pakistani society in all aspects of life being engaged in the war against terror in Afghanistan. Also the country is facing the grave issue of sectarianism and ethnic clashes in the society along with autonomist liberation demands by different groups resulting in eventually decelerating the financial development. Thus, this research focusses to the current texts in showing indications about the effects of terrorism on economic development and economic growth in Pakistani society.

It has been ages; terrorist activities have become prevalent in Pakistani society. Also experiencing the costs of war regarding Afghanistan, the country remains vulnerable engaged with different racial, religious as well as linguistic battles increasing terrorism in Pakistani soil.

The above mentioned facts creating immense problems for the country in terms of economic development and growth.

The problem of analysis apropos the research requisites to be discovered concerning valid information with reference to the remarkable effects of the

terrorism regarding economic development and growth in the state and economy as well. It's similarly crucial to analytically evaluate as well as observe that how deep the terrorist activities have damaged the Pakistani society and what significant problems and hurdles the country is facing in terms of economic development and growth as a result of terrorist activities? The question of prime importance needs to be answered through authentic data, that how and in what manner, the state is going to get rid of grave terrorism issue?

What would be the future scenario of the country regarding economic development and growth if the terrorism problem persists?

### **Literature Review:**

The works on the influence of extremism over economic state of a state is very partial yet a transitory appraisal of the obtainable texts is offered below. According to Bloomberg et al. (2002) an economic model of extremism, in which radical groups who are calamitous by the present state in a state trying to transport revolution with treating in extremist actions. Terrorism by those clusters might have diverse consequences liable over the economic condition.

Either they may decrease the economic happenings with cumulative terrorist activities, or if further economic inducements are present in the economy then terrorism is reduced for instance, more job prospects may decrease the inducement to spoil in extremist actions. According to the research slumps in high revenue states may effect in greater likelihood of extremist actions.

According to Bloomberg et al. (2004) empirically looking into the influence of extremism over 177 states upon the age 1968-2000. The research discovers the influence of extremism over economic growth as negative. Additional answers display that extremism marks in instability of capitals as of savings spending to government spending. Though, the occurrence of extremism varies upon diverse sets of states. For instance, though the extremist actions remain further common in developed countries like that of the OECD states nonetheless their influence was less important than emerging states.

According to Sandler and Enders (2005) having alike opinions as they associate the effect of extremism over industrialized as well as emerging

states. Research says that industrialized nations having massive economy and any extremist action might effect by modifying of capitals amid numerous sections of the country, then but, this is not the example by the emerging states and any main extremist action might endanger the economic growth. Alike their massive economies, industrialized states having healthier organizations as well as markets also may engross impacts of extremism. They may deliver essential economic as well as financial incentives to engross the impacts of extremism, though several emerging states lack this aptitude. Also, emerging states remain further reliant over other states comparing with industrialized states. Consequently, any financial tremor made through extremism in other states may touch their financial growth.

Extremism having hostile influences over the economic growth, these influences remain diffused with numerous frequencies. Primary as well as notable, extremism abolishes physical and human wealth of a state. Extremism frequently marks in the failure of health and educational infrastructure; leading to scarcity in the clean drinking water and facilities of sanitation, medical care, deterioration in the standard of education, low enrollment rates all of these have negative implications for economic growth. Second, it limits the trade and business happenings leading to confine the economic growth. Third, because of amplified insight of jeopardies, extremism might decrease the influxes of Foreign Direct Investment (FDI) and as FDI is a vital fragment in the investment actions in most of the emerging states as well as any reduction in FDI would decrease the economic growth. Also FDI, Unpredictability as well as dangers in a state would likewise effect in dropping the investment with its individual inhabitants then would similarly cause the capital voyage.

Fourth, extremism likewise distracts the public expenditure as of growing actions to less productive defense activities. Fifth, extremism similarly bases the displacement of individuals in the extremism hit zones also it not only generates communal harms nonetheless similarly marks in economic harms.

**Conclusion:**

As far as the term “War of Terror” is concerned, it is an open fact that Pakistan plunged into this particular War because it was inevitable as a wake of terrible incident of 9/11 in America.

The prime objective was to save the State’s integrity, also to save the country by deep social, political, and economic turmoil.

Undoubtedly, it was not easy at all to formulate pungent policies coping with the grave War on terror issue.

Terrorism is indeed an ulcer which can damage any particular state’s social, political and economic set up. Same is the case with Pakistan, and it is indeed need of the hour to cope this grave issue and policies must be formulated to get rid of it rapidly to achieve prosperity in the country regarding economic development and growth.

So far, Pakistani establishment and political parties are agreed being on the same page to continue fighting against War on Terror.

Pakistani forces have achieved massive victories against war on terror.

But still some extraneous variables are involved which need to be taken into consideration when it comes to achieve complete victory against war on terror.

Pakistani forces are fully capable to fight against terrorism, and so far the results are healthier.

It is indeed the need of the hour that there should be harmony among all the political parties, Pakistani Media, legislature, Judiciary, executive bodies, regarding the efforts and struggles carried out by Pakistan Army to fight against Terrorism in order to bring prosperity and achieve rapid economic development and growth in the country.

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