

EXTREMIST AND RELIGIOUS VIOLENCE: AN ECONOMIC OVERVIEW OF PAKISTAN

ZAHID IQBAL¹ & SUMAIRA LODHI²

¹Forman Christian College, A Chartered University, Lahore, Pakistan

²Bahaudin Zikarya University, Lahore, Pakistan

ABSTRACT

Violent and religious extremism is rapidly increasing in Pakistan over the past few years. There is not only one factor that is responsible for the present economic crisis in Pakistan but frequently changing governments, ineffective policies, corruption, misallocation and underutilization of resources combined with government's failure to combat against terrorism and extremist violence has meltdown the economy since past decade. An economy that is struggling hard to survive in the competitive world has experienced low GDP growth rates, public and private investment, decline in FDI and tourism, unemployment and poverty levels that never existed before. This study is a qualitative one and it seeks to examine the impact of violent and religious extremism on the economy of Pakistan by doing a cost and benefit analysis of US-led war on terror that Pakistan joined in 2001. The study is based on the secondary data obtained from various Competitiveness Reports of World Economic Forum, Pakistan Institute for Peace studies, SBP, Handbook of Statistics and various issues of Economic Survey of Pakistan. The results of the study show that terrorism and violent extremism has created a bad name for the country thereby disturbing the investment climate adversely. Increased defense expenditure has reduced public and private investment and areas afflicted with extremism have faced downward spiral in economic activity.

KEYWORDS: Violent, Religious Extremism, Religious Terrorism

INTRODUCTION

There is no doubt that Pakistan's economy has been suffering from low growth rates, declined foreign investment and ever increasing poverty and unemployment. Despite certain flaws in the structural framework of the economy, the country is facing most violent years in its entire history. This paper is an insight to the phenomena of violent and religious extremism that is rapidly increasing in Pakistan and all over the world but its implications are severe in the case of Pakistan so it also attempts to explain this issue in a historical perspective to see the impact of violent extremism on the economy of Pakistan. So, the study attempts to explain the concepts of extremism, violent extremism and religious extremism in earlier sections and then it explain this phenomenon in context of Pakistan.

Extremism is a complex phenomenon as many researchers and analysts have defined it as "views that are inconsistent with existing norms while others have defined it as beliefs, feelings, actions and strategies that are far away from ordinary". When individuals' beliefs move from being relatively mainstream to being radical and they want a dire change in society, this is known as radicalization.

On the other hand, violent extremism is defined as the beliefs and actions of people who support or use violence to achieve certain ideological, religious or political goals. This includes terrorism, other forms of politically motivated

violence including some forms of communal and sectarian violence. Almost all forms of violent extremism, irrespective of their motivation, seek change through fear and intimidation rather than constructive democratic processes. Extremist acts employ violent means to impose their beliefs by targeting women, children, and other civilians in a society posing a threat to lives of masses by taking its severe forms. They make use of violence when they think that fear and terror are justified to achieve ideological, political or social change so they become followers of violent extremism.

Factors Motivating Violent Extremism

There is not a single factor that motivates the extremists to use violence as a means to achieve their goals but following are some of the most common factors that trigger the extremists to use violence as a tool to achieve their objectives;

- **Push Factors** are the negative social, cultural, and political features of one's societal environment that aid in "pushing" vulnerable individuals onto the path of violent extremism that are commonly known as 'root causes' such as poverty, unemployment, illiteracy, discrimination, and political/economical marginalization.
- **Pull Factors**, on the other hand, are the positive characteristics and benefits of an extremist organization that "pull" vulnerable individuals to join. These include the group's ideology (e.g., emphasis on changing one's condition through violence rather than "apathetic" and "passive" democratic means), strong bonds of brotherhood and sense of belonging, reputation building, prospect of fame or glory, and other socialization benefits. (<http://www.ctc.usma.edu>)

In case of Pakistan, poverty, unemployment, illiteracy and economical marginalization has forced many people to join violent extremist groups. Many organizations pay youth for joining such organizations and their vulnerable minds are then exploited. A recent study revealed that youth prefers joining such organizations because they gain power and self-esteem which otherwise would have not been given to them in the society.

Religious Extremism: Not a New Phenomenon

Extremism is based on the concept of exclusivism which makes extremists think that they are different from others on cultural, linguistic, ethnic or sub-religious grounds and use violence in expressing their identity and pursuing their ideological, social, economic and political objectives. Religious extremism is not a new phenomenon as it has existed in its diversified forms throughout the world history. Various Christian denominations, orthodox Buddhist groups and Hindu extremists have existed since long. Moreover, fundamentalism has been defined as strict adherence to the basic and traditional views of any particular religion or it is a direct opposition of modernization.

Violent and Religious Extremism in Pakistan

Pakistan is one of the countries in the world that is experiencing severe forms of extremist violence such as target killings and suicidal attacks. Extremist violence and terrorism related activities have been one of the main causes of economic meltdown of the country. Extremist militant organizations of all shapes and sizes have put a threat on the democratic environment of the country through their flawed militant ideology of Islam. The country has failed to achieve stability in its multi-dimensional meaning and violent extremism has not only affected the law and order situation of the state but it has also disturbed the business and other economic activities taking place in the country (Hussain, 2012).

Umbreen Javaid has primarily focused on the impact of such religious extremism, fundamentalism and militancy on the society as a whole and people belonging to different religions in Pakistan.

Ever since its independence, Pakistan is a developing country and striving hard to compete with the rest of the world. There is not only one factor that is not letting the economy experience rapid growth rates but frequently changing governments, mismanagement and underutilization of resources, failure of governance, security break down and worldwide recession has catastrophically influenced the economy of Pakistan. In addition to these factors, extremist and religious violence is one factor that is playing a negative role in the economic growth and development of the country.

Pakistan is a country with a much fragmented society in terms of religious, regional and national identities. The total population is divided on economic, religious, regional, ethnic and linguistic basis. According to world factbook (2010), almost 184 million people reside in the country belonging to different religions and identities (both regional and national). As far as economic division is concerned, 54% of the population is living in state of multiple deprivations with 69% of rural and 21% of urban poverty rate. Out of this total figure of 184 million, 95% of the population is comprised of Muslims with 75% Sunni, 20% Shia and 5% include Christians and Hindus. Furthermore, a percentage of Barelvis and Deobandis exist within Sunni community also (Talbot, 2009). Apart from such fragmentation of the society, there is another characteristic of the country which is violence and terrorism placing it third in worldwide rank (Delavande & Zafar, 2011).

Religious extremism is a phenomenon that is rapidly on the rise in Pakistan and it does not only exist in Pakistan but it is deep rooted in other South Asian states as well where the governments have failed to cut roots and eliminate fundamentalism from the society. In general, a major cause of such extremism in these states and Pakistan in particular is the unbridgeable gulf that has been created between the government and certain religious radicals. In case of Pakistan, the government is blamed for its alliance with anti-Islamic forces due to which religious groups are emerging day by day with their new agendas and an orthodox Islamic approach.

The society of Pakistan is a liberal and a moderate society where most of the people possess non-violent perception of Islam but apart from such majority there exists a significant percentage of population belonging to religious institutions promoting thoughts of fundamentalism in the society (Javaid, 2011).

Religious extremism has severe implications for Pakistan as it has now made the society more 'vulnerable' leading to lack of cohesion and unity among people of different religions. Fundamentalist approach of religious radicals has exploited many young adults in the society.

Causes of Religious Extremism in Pakistan: Historical Perspective

The causes of religious extremism in Pakistan can be traced back to the Sunni-dominated war of Iraq on Iran and US initiated war against Soviet Union in Afghanistan. As the author states, the Iran-Iraq war gave rise to religious extremism in Pakistan as Sunnis of Iraq received support from a large population of Pakistan which then became a battlefield for this war and proxy war against the soviet union by U.S was a stepping stone of religious extremism as it used Mujahedeen who were trained through a religious propaganda. The two incidents had changed the political, social, and economic environment of the country soon after 1979.

Before the dictatorship of General Zia, religion was not a controversial issue in Pakistan. In addition to that, religious parties were not able to gain political dominance before 1979 but under the dictatorship of General Zia, religious

groups became stronger and dominant enough to expand roots of religious extremism in the country. According to the author, religion was used as a 'battering ram' (a strict tool) by General. Zia whose regime is considered to be the worst one in terms of the appearance of sectarian violence and fundamentalism in the country.

The success of U.S in expulsion of Soviet Union from Afghanistan gave rise to Jihadi movements for Kashmir liberation in Pakistan. All such movements which promoted jihad culture in the country led to the establishments of Madrassas where children belonging to poor families were given free food and free education. According to Datta and Sharma (2002), all such madrassas naturally acted as magnets to draw talibs. As a result of the emergence of Jihad culture, minorities suffered a lot giving rise to despair, frustration and intolerance among them. Under religious and sectarian movement, people found an opportunity to live in a place where free food and education was available.

Role of Madrassas in Promoting Extremism

Madrassas are blamed for promoting jihad culture and intolerant behavior among the Talibs whose raw minds were misguided in tender age to do suicide bombing in the name of jihad. However, a staff report issued by Federal Reserve Bank of New York revealed that certain stereotypes have been made regarding students enrolled in madrassas in Pakistan. Madrassas are thought to be 'weapons of mass instruction' and factories of jihad. The report clearly stated the fact that madrassas are not institutions where religious extremism takes its roots because different male and female students belonging to madrassas, Islamic universities and liberal universities were randomly selected to observe their behavior in several experiments of economic decision making. It was found that madrassas were not principle place for militancy and extremism as experiments were designed to see how students of madrassas interacted with other groups. Although the degree of religiosity was found to be highest in madrassa students than any other group but they were not found to be violent and selfish as perceived by the general public and stereotypes formed against them (Delavande & Zafar, 2011).

However, madrassa students have generally a very biased approach towards ideas and concepts associated with modernization and westernization. Students in madrassas are brought up to raise voice against modernization and westernization in Pakistan. There is a pressing need to reform madrassa education in Pakistan otherwise; religious extremism cannot be controlled in its true sense.

Role of 9/11 Incident in Changing Social, Political and Economic Environment of Pakistan

Pakistan had joined the war on terror after the incident of 9/11 due to which religious extremism emerged in its most severe forms in the country. The incident had affected the worldwide economy but Pakistan experienced most drastic effects of the event. Pakistan was then considered to be a home town of terrorists, extremists and militants. Many religious institutions including Islamic Madrassas were blamed for the event as they were criticized for promoting 'Jihad culture' among the youth. Not only they were blamed for injecting anti-American values in them but their brain-washing was considered to be a major cause of suicide bombings that killed masses. Many people adopted an anti-American approach while others blamed the government for becoming a frontline on war against terror and taking the responsibility of evacuating extremists and so called terrorists from the land. There were no suicide bombings in Pakistan two decades ago but a sudden rise occurred soon after this event that had long lasting impact for many countries. The geo-strategic location of Pakistan and its alliance with U.S in war against terror had adversely affected the political, social and economic environment of the country.

Foreign policy of Pakistan had become more flexible which was not only a threat to the sovereignty of the country

but it was a real threat to the economic climate of the country.

At present, Pakistan is paying for its decision of becoming a frontline on war against terror. Number of suicidal bombings has increased and now such extremism has been transformed into target killings. The reason of such extremism and disturbed environment are still unknown today because no religion permits the killing of women, children and masses. The ideology behind suicide bombing and target killings is still ambiguous but it has been given a name of religious extremism. Moreover, religious extremism and terrorism are the two terms that are sometimes used interchangeably by different authors and analysts. Although, terrorism is considered to be a consequence of religious extremism but it has become difficult to distinguish religious extremism and terrorism in present situation of the country.

Moreover, there is a mixture of feelings among the masses regarding the factors leading to current economic crisis in Pakistan. There are clashing views on the real role of madrassas in Pakistan because some authors including Adeline and Basit Zafar empirically proved that madrassas are not fueling religious and militant extremism in Pakistan while researchers and analysts like Umbreen Javaid believe that religious institutions have played an important role in fostering militancy in Pakistan and such extremism has retarded the economic growth and development of the country over the last two decades. However, it must be noticed that madrassas have been playing a crucial role in raising the literacy rate in Pakistan as they provided free education and food to its enrolled students till 1970's. Soon after the incident of 9/11, religious madrassas were turned into places of promoting jihad when U.S intervened in Afghanistan to throw out Taliban government. U.S blamed Taliban for harboring Osama-bin-Laden and blamed Pakistan for supporting Taliban in Afghanistan. Pakistan's government under the president ship of General Parvaiz Musharraf allied with U.S agreeing to become a frontline state in was against terror allied. Afghan refugees entered in tribal areas of Pakistan and Pashtun people in FATA opposed the government for its alliance with U.S in throwing out Taliban government in Afghanistan as well as killing innocent Pashtun's across the border.

Soon after the fall of Taliban government in Afghanistan, number of madrassas tremendously grew in Pakistan. Gen.Zia's domestic policy of sectarian fragmentation of the society led to the formation of theocratic state where Islamic injunctions were followed to a greater extent (Khatri and Kueck, 2003). Students in these madrassas were given military training by ISI and were then held responsible for violence in the country.

According to recent estimates, the total number of religious madrassas have crossed the figure of 40, 0000 in the country. Number of suicidal attacks has increased in the country there by creating fear amongst the masses. Root cause of such extremism in Pakistan revolves around both internal and external factors. Umbreen Javaid has beautifully explained all these causes in context of past and present situation of Pakistan. Islamization of the society under Zia's rule was based on Sunni perception of Islam and Shias regarded this islamization as a threat to their existence in society. This process led to sectarian violence in Pakistan. Afterwards, the forces of fundamentalism grew to such an extent that no political leader was able to control it till today (Abbas, 2007). Internal forces combined with external forces and increasing Jihad culture has inflicted irrevocable damage on the civil society and the institutions of the country.

Militancy denied basic and legal rights to people which created intolerance among masses as they had no channels to express their sorrow (Niaz, 2011). Moreover, the study highlights the fact that religious extremism reached its climax during the regime of Gen.Parvez Musharraf in late 90's. By then, such groups had found independent channels of financing giving them increased maneuverability (Abbas, 2005). Religious groups had joined hands with Al-Qaeda and Taliban's

who were blamed for the incident of 9/11.

Economic Implications of Violent Extremism for Pakistan

There are economic reasons behind violence prevailing in the country and General Musharraf himself said: “We need to understand that the root cause of extremism and militancy lies in political injustice, denial and deprivation. Political injustice to a nation or a people when combined with stark poverty and illiteracy makes the explosive mix leading towards an acute sense of deprivation, hopelessness and powerlessness. A people suffering from a combination of all these lethal ills are easily available cannon fodder for the propagation of militancy and the perpetration of extremist and terrorist acts”(www.netpakistani.com)

According to an annual review on Social Development in Pakistan issued by Social policy and development Centre, Karachi (2009-2010), war on terror has severe implications for social as well as economic development in Pakistan. Today, a large portion of the budget is allocated in the provision of security measures. As depicted by the report, Pakistan is locked up in the vicious cycle of economic crisis where political instability and security breakdown leads to economic crisis through higher transaction cost, diversion of resources from productive use and loss of life, property and investment. The report also showed that governance of failure and security breakdown leads to economic crisis and economic crisis in turn leads to management problems for the government thereby forming a cycle that is difficult to break.

The economy is experiencing slow growth because of disturbed investment climate. Over the past two decades, the economy has experienced much lower rates of domestic as well as foreign investment and a detailed discussion will be done in the following sections. An economic fear has prevailed in the country due to which poorer section of the society is suffering much more than the rich people. When there is no or less investment in the economy, production falls and when production falls, employment opportunities decline leading to lower per capita income. According to Michael Todaro, middle class is known for higher marginal rates of saving but violence attached with religious extremism and ever increasing inflation has drastically decreased savings rate over the past few years. Rich class hardly save due to their luxurious lifestyles and middle class is bound to consume what it earns because of low per capita income resulting from lower investment and declined economic activity in the country. Business optimism is greatly affected when some violent extremists appear on the roads to express their feelings against attacks on Islamic ideology.

There are different schools of Islamic thoughts but there is a greater degree of contradiction between them. Followers of one school of thought believe that their concepts about religion are right while others believe that their perceptions about Islam are true. In reality, there is no consensus amongst them. This diversification within a religion has given a rise to religious extremism in Pakistan.

The Red Mosque in Islamabad was one example of religious extremism in Pakistan. According to Umbreen Javaid, it was a host of militants and law breakers who created fear and horror all over the state. The U.S pressure combined with pressure of Chinese government after the students of mosque took hostage of employees of massage parlor led to military operation against talibs and clerics of Red mosque. It was due to this incident that two other illegally constructed mosques were abolished in Islamabad .As a reaction to this military operation, suicide bombings increased in Pakistan. Soon after this incident happened, a military action was taken against Maulana Fazallula who captured and enforced his rules in Swat affecting tourism adversely. Furthermore, assassination of Benazir Bhutto, Salman Taseer, governor of Punjab, and killing of Shahbaz Bhatti, minister of minorities, is also seen as an act of religious extremism.

All such military operations had created a bad name for Pakistan internationally. The negative impact of extremism on economic growth and society can be minimized only if governments are involved in evacuating fundamentalism from the society through imposition of strict laws against extremist activities. Equal distribution of resources is one factor that can control the current crisis and the society as whole needs to stand against religious extremists. "The political parties, intellectuals, sectarian and religious parties and the masses all have to openly condemn the extremists so that they do not find any way to flourish" (Javaid, 2011)

Moreover, Pakistanis as a nation need to understand Islam as a religion of justice, compassion, of knowledge and reason, of openness and peace (Hussain, 2000). Islam should not be used as a tool to gain political power but it should be used to direct the economy on the road to economic growth and development. Rights of minorities should be protected under the law and civilians should be protected from internal as well as external threats. Statistics show how Pakistan has suffered in terms of economic growth over the past few years and ever increasing violence is further weakening the state institutions adversely. Madrassas should be reformed to avoid further radicalization of views of the masses. There can be no way out of such circumstances if a secured investment climate is established in the country because investment is the ultimate economic variable affected by sectarian violence and infrastructural development of the country. Government is an important factor in the provision of all rights to the public, investors, traders and service providers.

LITERATURE REVIEW

Javaid (2012) has analyzed the political, economic and social environment of Pakistan in the post 9/11 era. The author has analyzed the role of Al-Qaeda and Taliban in determining the present situation of the country in all aspects by highlighting the repercussions of increasing militant extremism for Pakistan. The study concludes that there are internal as well as external factors boosting religious militant extremism in Pakistan and countering militant extremism in Pakistan is not an easy task as it requires strong dedication and commitment to the cause of eliminating the evil of religious militant extremism from the soil of Pakistan. Hussain et al (2012) have showed how the economy of Khyber Pakhtoon Khwa is affected due to religious extremism and its corresponding violence. Economic indicators of the province are all showing a downward trend. The total cost to the economy in 2010-11 was estimated to be \$17.8 billion due to unemployment, destruction of infrastructure and decrease in investment and employment was evident. The study showed that tourism has declined and violent extremism has discouraged local and foreign investors to invest in the country. Consumption patterns are affected and foreign trade has declined. The study concludes that cost of security has increased due to which expenditure on developmental projects have declined immensely.

Javaid (2011) has highlighted the fact that fundamentalism has increased in Pakistan and it has further brought radicalization, divisions and cracks in an already fragmented society. The study indicates that if the present situation of the country is unchecked, it has the potential to destabilize the country. Javaid has concluded that fundamentalism has taken deep roots in the society thereby affecting the whole society in a negative manner, putting the security of the country at stake. Nasir (2011) states that mild signs of economic recovery are seen in the recent economic data of Pakistan. The growth path could ease off in later stages if things run well. However the overall economic situation does not appear positive. The presence of terrorism and social disorder, as well as political instability and power outages are the factors which are leading to an economic slump. The study concludes that the only way to put the economy on the correct path is to implement basic structural changes. Michael and Sabir (2007) have linked terrorism with the political and socio-

economic set up of Pakistan. The study highlights that being front line in the war against terror has affected the economic progress, social system and political economy of Pakistan. The authors depict terrorism as a tree and extremism as the food provided to the tree to facilitate its growth. Moreover, the study concludes that the current situation of terrorism in Pakistan is caused by political disparity, socio-economic inequality and the search of groups and individuals to maintain power for their personal interest. This is leading to great unrest in the country, since country men are fighting with each other there by hampering long term productivity growth of the economy. Khan has showed the impact of increasing terrorism and violence on the economic variables including revenues, exports and foreign direct investment. The study showed that terrorism had cost 380 billion rupees to the economy in the year 2008 alone. The results indicated that increased terrorism has declined consumption leading to lowest GDP growth rates ever experienced by the economy. Moreover, the cost of security has increased, reducing development expenditure down to 1% of GDP which is the lowest in the world. Khan showed that increasing violence has declined tourism which was once a major source of revenue for Pakistan. This was evident from the fact that less than 1% people (internationally) agreed to visit Pakistan on vacations thereby decreasing foreign income that could be earned through tourism.

Ali (2011) stated that the incident of 9/11 had changed the socio-economic and geopolitical scenario of the world. The study explored the immediate cost of terrorist attacks to be loss of human lives, destruction of property and infrastructure and reduction in the short-term economic activity. The author concluded that uncertainty caused by increased suicidal attacks and violent acts have lowered investment in case of Pakistan.

METHODOLOGY

Since this study is a qualitative research, the main focus will be on the graphical and tabular analysis of the economic variables as well as the social and economic cost involved in the violent and religious extremism.

As we know that Pakistan is the weakest country in the region of South Asia and its percentage GDP growth has declined over the past few years. There is not a single factor contributing to the lowest growth rates of the economy but the economic crisis presently prevailing in the economy is multi-dimensional. As mentioned earlier, violent and religious extremism is one of those factors that has hampered the growth of the country and this extremism has been increasing ever since Pakistan joined the war on terror in 2001. Violence in the country has slowed down economic growth due to disturbed investment climate affecting social as well as the economic life of the masses.

Economic Performance of Pakistan in South Asia

Pakistan has lost its annual worldwide ranking in general and amongst the South Asian economies in particular. The graph below represent a trend in its ranking from 2005-2011 based on its macro-economic stability, goods, labor and financial market efficiency, institutions and business sophistication etc.

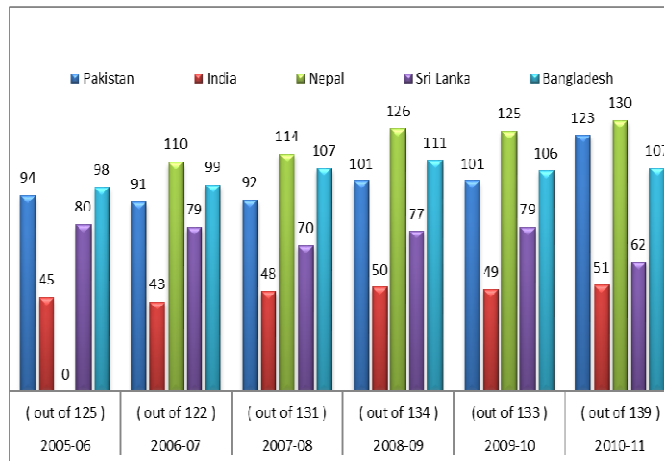


Figure 1: Overall Economic Performance of Pakistan among South Asian Countries
Source: Annual Global Competitiveness Report of World Economic Forum, 2011

Out of 125 countries, Pakistan was at 94th rank in 2005 to 2006 and it lost its rank from 94 to 123 in 2010 to 2011. On the other hand, India was at 45th number out of 125 countries in 2005 to 2006 and it lost its ranking from 45 to 51 in 2010 to 2011 but it can be seen clearly from the rating on the graph that Pakistan lost its rank more than that of India. As far as the performance of Sri Lanka is concerned, Sri Lanka improved its rank in 2005 to 2006 from 80 to 62. The significant difference is due to Sri Lanka’s attitude towards competitiveness and growth.

One evident reason of such a loss in rankings is disturbed investment climate and increased social and economic cost of war on terror due to which expenditure on security arrangements has increased at the expense of development expenditure. Recognizing and estimating the cost of terrorism is an extremely difficult exercise (Ali, 2011).

Most of these terrorist activities after 9/11 constituted of suicide bombing. Over the years, the trend of suicide bombing has picked up. Consequently the number of people injured and killed have also risen. The numbers started rising after 2006 when they went from 4 suicide attacks in 2005 to 9 attacks in 2006, it then reached a sharp peak in 2009 when it rose from 61 attacks in 2008 to 90 in 2009. Over the past few years though, the numbers have slid, due to better security measures being taken by the government. The terrorist attacks vary in nature and they are categorised into the following types; terrorist attacks, clashes between security forces and militant, operational attacks by security forces, drone attacks, border clashes, ethno-political violence and inter-tribal clashes. All these forms of violence have created a situation of social and political unrest in the country. A greater percentage of attacks are of terrorist attacks followed by clashes between security forces and militants and the remaining forms. The point that needs to be considered is that whatever form or the nature of an attacks is, its repercussions are severe in case of Pakistan. People are dying every now and then because of such attacks.

The study also finds out that number of annual fatalities in terrorist violence in Pakistan since 2003 to 2009 has increased. After 2001, Pakistan joined hands with US on war on terror and in result Pakistan paid a high price of human cost. According to the statistical figures provided by the institute of conflict management, in 2003, total number of fatalities including civilians, security personnel and terrorists was 189 but this number kept on increasing after 2003 and reached at its peak in 2009 when the total number of fatalities became 11,585. By the end of 2010, total number of fatalities had been estimated to be 25,329 showing terrorist attacks and all forms of terrorist activities including violent acts

has led the country to pay higher human cost. Loss of lives is one such thing whose value cannot be quantified but its repercussions are severe for a developing country like Pakistan.

Overall the rise in the violent form of religious extremism, is affecting the economy of Pakistan. With the rise in religious learning and hence the formation of religious institutes, the country is being pulled apart. All the institutions are fighting against the political system. In the past, both used to work together and this helped increase the unity and hence the productivity of the country. Now since all religions and their relevant sects are fighting against one another, the country's economy suffers since people are more busy trying to destroy each other for the "victory" of their own school of thought. Tolerance has also reached a new low and with every little issue, people come out onto the streets.

This new form of "rioting" is only a way of destroying infrastructure and businesses. The riots usually take place on main roads. The shops either have to close down their business (resulting in loss of sales) OR stay open and risk having their shop destroyed. Either way there is no guarantee of their products, since these riots also have lots of people who like to break shops and steal goods. All this leads to low investment, in foreign and domestic terms.

Since investors know that there's a chance that their investment might be destroyed, they don't bother putting money in. Also most insurance don't cover the clause of riot or strike damage. For that peril to be covered, extra premium has to be paid, which again makes the investment costlier.

Looking specifically in terms of suicide bombing, the same thing is present. Most suicide bombings take place in crowded places (such as markets etc.) and hence make investment less profitable. Also people now stay away from crowded places due to the fear of suicide attacks. This has greatly hampered the business of the shopkeepers.

The people living in the country have also suffered due to these suicide attacks. With a fall in investment, unemployment has risen. This unemployment has taken poor households into greater depths of poverty due to the rising inflation. Additionally the uncertainty created in the minds of people while going out to work is that no one knows whether they'll come back home or not. This fear greatly hampers the freedom of society, since they are afraid to come out of their homes.

Education has also greatly suffered. With many schools being blown up in provinces of Pakistan, many children are not going to school. Additionally children, who have lost their family members due to suicide bombing, have to leave school and earn for the family.

As the number of people killed (in suicide attacks) rises, the total labour force falls. This leads to a loss in productivity for the country. Additionally the increase in suicide attacks has also ruined Pakistan's image abroad and has deterred tourism, which used to be another form of income for the country. All these factors cause a decline in per capita income and slide Pakistan towards economic despair.

Brain Drain and Terrorism

Since, terrorist activity was at its peak in the year 2009, it was found that around 600,000 Pakistanis went abroad to work in 2009 which included qualified and technical staff like doctors, engineers, nurses, electricians and students also.

With the declining economic conditions, "brain drain" is becoming a massive phenomenon in Pakistan that needs to be addressed in order to save the long term economic growth of the country. Pakistan being the 6th most populous country in the world has seen an increasing trend of its work force migrating to other countries. According to the Pakistan

Overseas Employment Corporation, during the last 30 years nearly 360000 professionals including doctors, scientists, engineers and teachers have migrated to other countries for acquiring better living standards and this human capital flight has increased radically in the recent years (Bureau of Emigration and Overseas Employment, Pakistan, 2011). The statistics show an increase in worker remittances from US \$1 billion to US \$8 billion since 2000 to 2009, respectively. Remittances remained stagnant from 2000 to 2001 but after 2001, remittances increased till 2003 and with increasing terrorism in Pakistan, country had to face a gradual fall in remittances which then started to increase after 2004 till now. However, remittances in Pakistan have not been used properly in productive purposes. Private investment has remained below because of uncertainty prevailing in the country resulting from violent extremism and terrorism.

Brain Drain is considered to have both positive and negative impacts for a country. In Pakistan remittances are an important source of foreign exchange earnings after exports of manufactured goods and have shown tremendous growth in the recent years (US 8 Billion dollars for 2011). The migration of Pakistani workers has been on a rising trend, due to which the flow of workers' remittances has quadrupled during the last decade (Kock & Sun, 2011). Recent reports have shown that foreign remittances have not been used for productive purpose as many believe that a large proportion of foreign remittances are devoted to consumption expenditures, debt repayment, construction and renovation of houses and expenses related to weddings and dowries for children (Ahmed, 2009).

Increased extremism and violence has adversely affected country's creditworthiness thereby decreasing its access to international credit markets for financing infrastructure and other developmental projects.

In order to stop massive outflow of labor, the issue of terrorism within the region must be dealt seriously and strict actions should be taken in order to maintain peace and tranquility. The efforts of the government to maintain law and order within the country must be increased in order to provide incentive to the emigrants to return home with increased skill that would contribute to the economic growth.

In their study of 'Religion & Economic Growth and Development, Nath and Sushmit tried to determine a causal relationship between economic development and religion and tried to find ways to measure this relationship. The study picked up points from earlier works of Adam Smith and Robin Grier and concluded that a rise in "religiosity" increases economic development, since it helps to increase per capita income and promotes productivity of the population when religious groups work together. The distinction between good and evil, also helps deter them from doing unlawful acts.

However, there was no proper way to measure the extent of this relationship. On the contrary, if religious institutions start working against the state when they think that the new development projects are too "modern" and against the religion, this leads to a decline in economic development. Same is the case in Pakistan, the targets and the attackers share the same faith, often the same nationality, and occasionally the same ethnicity and neighborhood. There is evidence that religion may be extremely useful to group efforts to select, recruit and train individuals for suicide missions. According to a recent report issued by Pakistan Institute for Peace Studies in 2010, interviews with failed suicide attackers revealed that some of them were highly educated in religious teaching and others were barely aware of the message of Islam and of the logic of and essentials for jihad. Those who were religiously educated had provided Islamic reasoning for suicide bom-bing while others stated that they would launch suicide attacks against military operations in South Waziristan. The report also revealed that a young man of Kashmiri origin had never been a practicing Muslim but he wanted to take revenge from the government for the killing of girls and women in the July 2007 Lal Masjid operation by

the security forces in Islamabad. Akbar Nasir Khan, author of PIPS 2010 report, interviewed Aitzaz Shah, the first person arrested in murder case of Benazir Bhutto in District Dera Ismail Khan on January 19, 2008, who claimed that Benazir was working against Islam and was a partner of non-Muslim Western Alliance and America and it was justified to kill her. In all these cases, religion was the main motivation tool available to the recruiters or to the self-motivated individuals.

Moreover, the protest against anti-Islam film turned violent on 21 Sept, 2012 (Ishq-e-Rasool Day), caused massive property damage, in addition to 20 killed and 200 wounded (The Express Tribune, 2012). Business shutdowns on 21 Sept cost the national economy close to Rs 76 billion excluding cost of property damage. During protests in Karachi alone, 3 police vans, 5 cars, cinemas and banks were torched. Traders and wholesalers in Karachi said that one-day shutdown cost them around Rs5 billion losses in business. Closure of ports had a negative impact on the government's collection of tax revenues as ports account for large portion of revenue. Protestors torched petrol pumps across the country and attacked the police destroying billboards and traffic signals on the routes. All this created a bad name for the country thereby affecting the economy adversely.

Economic and Social Cost of Terrorism

Terrorism has had a significant impact on Pakistan's economy since 2001. The costs of being part of the war on terror are rising greatly. These costs include losses of human life and infrastructure, disturbance of economic activity and drop in investment. The war on terror is said to have contributed majorly in the decline of economic activity of Pakistan.

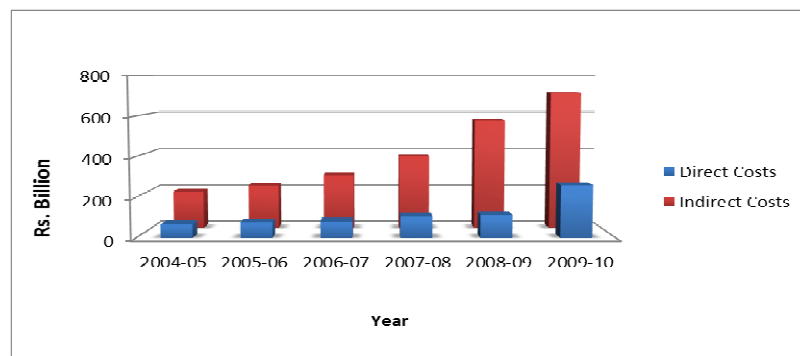


Figure 2: Loss to the Economy
Source: Economic Survey of Pakistan (2009-2010)

The graph above has been plotted to visualize the total loss to the economy resulting from increased cost of war on terror. The red bars represent the total indirect costs incurred by the economy and the blue bars represent total direct cost incurred by the economy. However, it must be noticed that indirect costs borne by the economy are greater than the direct costs incurred in all the periods. Moreover, both direct and indirect costs have increased from the year 2004 to 2011 due to reasons discussed earlier.

According to the estimates provided by Federal Budget in brief (various issues), Explanatory Memorandum on Federal Receipts (various issues) and Province-wise Annual Budget Statements (various issues), the average cumulative annual growth of security public expenditures has increased from 14.6% to 20.5% from the year 2001 to 2011 because extremist violence has led the economy to face huge cost in the world, greater than any other nation is paying.

The direct and indirect cost incurred by Pakistan on operations against terrorism during the past 10 years amounts to about US \$ 68 billion which is equivalent to half of the country's total debt. All such operations have caused a serious

damage to the economy of Pakistan. Direct costs include damage to infrastructure and property; compensation paid to victims, higher costs of private security and higher expenditure on defence and police. Even though the value of lives lost is part of these costs, it is not easy to quantify. Also the “number of terrorist attacks” is used to estimate the cost of damage to infrastructure and property.

Indirect costs include costs to local economies (i.e. the loss to provincial economies) and costs of higher risk speculations which include declines in private investment and stock market values. Other indirect costs include an increase in insurance costs and drop in tourism. The economic situation and security situation of the country depicted a rising trend in the indirect costs as well as the direct costs over the last decade.

With huge declines in investment, the costs rise. Without investment a country cannot build new infrastructure or make its current production processes more efficient. Hence a country’s development suffers.

Foreign Aid (2002-2011) and Cost of War on Terror

The aid received by Pakistan had increased by more than four hundred times soon after 9/11. A huge issue that was raised around the world was the issuance of these funds without any associated accountability.

Three Years before the Attacks of September 11: Aid Received = \$9 Million

Three Years after the Attacks of September 11: Aid Received = \$4.2 Billion

Pakistan received security related foreign aid and economic related aid from the U.S. after joining war on terror. U.S has provided more than \$10.58 billion to Pakistan since September 2001. There has been a sharp increase in the aid after 9/11 incident. By the end of 2011, Pakistan received 14, 970 billion dollars as CSF and 7,785 billion dollars as Economic Support Fund. It is to be noted that around 88% of the U.S aid to Central South Asia in fiscal year 2012 was requested for Pakistan and Afghanistan. ESF that is received from the U.S is said to help the government in providing basic services to citizens such as health and education, empowering tax collection and building infrastructure.

Pakistan became a second U.S aid recipient, after Afghanistan and before Israel. Aid increased from 2002 to 2011 for various purposes including Coalition Support Funds that are designed to compensate Pakistan for its operational support of U.S- led counter terrorism operations. It was estimated that Coalition Support fund was \$8.9 billion in 2011 and it was believed that it would be beneficial for the economy in avoiding financial crisis resulting from poor tax revenues, mismanagement and overgenerous subsidies (dawn.com). Coalition Support Fund increased foreign exchange reserves to \$15692.5 million in 2011 and CSF helped in keeping 100, 000 Pakistani troops on the field of Northwest by paying and providing them with food, shelter and clothing.

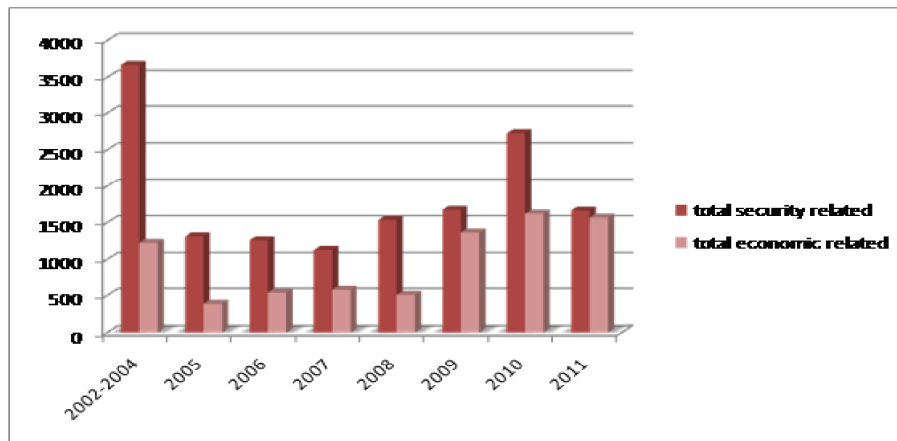


Figure 3: Foreign Aid From U. S from 2002-2011

The bar chart above shows that funds received for security purpose were at peak in 2002-2004. However, security related funds declined in 2005 till 2007 and then again rose in 2008 to 2010. Similarly, economic related funds have been lower as compared to security related funds received from U.S throughout this period.

The cost of war covers not just military operations but extends to intelligence costs, proactive and passive measures as well as diplomatic strategies. Costs of this war can also be seen in terms of opportunity costs as well as losses incurred in tourism and foreign investments (Zaidi, 2010).

According to the statistical figures provided by the MOF (Ministry of Foreign Affairs joint Ministerial group), the total direct and indirect cost of terrorism incurred by Pakistan amounted to be 2.66 US billion dollars which reached to 17.830 U.S \$ billion. Pakistan had to pay a heavy cost for joining war against terror as U.S and other countries imposed a travel ban on their citizens like investors, importers and tourists to visit Pakistan or invest in Pakistan. This affected a large proportion of Pakistan's exports and prevented inflows of foreign direct investments. After participating in the war against terror, political and economic instability increased in Pakistan which posed serious threats to the law and order of the state. A direct consequence of political instability was that the confidence of economic agents was completely shattered. It reduced the pace of privatization and slowed the overall economic level of activities. There was a reduction in the demand of imports, tax collection reduced, expenditure over-run on additional security spending, and domestic tourism industry suffered badly and at last it resulted in economic disaster. The trend in the cost of war on terror has been showing by using a bar chart shown below.

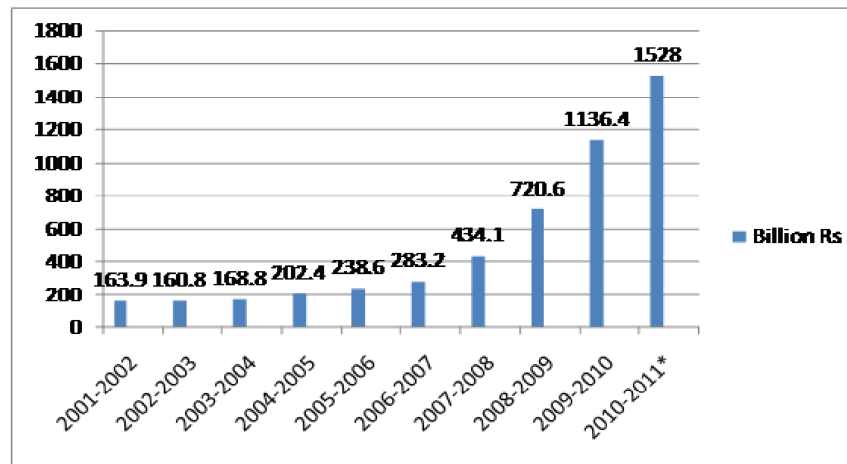


Figure 4: Cost of War on Terror 2001-2011

Source: Data Source Was MOF (M/O Foreign Affair Joint Ministerial Group)

As it is clear from the bar chart, the height of the bars is gradually rising from 2001 to 2011. The rise in bars from 2001 to 2007 is not much but from 2007 to 2011 height of the bars increase much faster than before. The height of the bar of 2010 to 2011 is very high. "Major increase was witnessed in 2009-10, when the government decided to double the salaries of all employees of Islamabad police and, as a result, police budget went up from Rs 1.64 billion in 2008-09 to Rs 3.65 billion in 2009-10 while the total increase over these years has amounted to 582 percent, which is unprecedented" (Mukhtar, 2010).

According to Pakistan economic survey 2009-10 between 2002 and April 2010 a total of 8,141 incidents of terrorism have occurred on Pakistani soil resulting in 8,875 deaths of both civilians as well as personnel of law enforcement agencies, and injuries to a further 20,675 people. Due to terrorism activities the precious lives, homes and income of our local population have been uprooted, while educational attainment for virtually a whole generation of school going age in the affected areas of N.W.F.P and FATA have been jeopardized or severely undermined. Pakistan has been impacted to the extent of over US\$ 43 billion between 2001 and 2010. Since 2007-08 to overcome terrorism large scale military operation took place in Malakand/Swat and the agencies of South-Waziristan, Bajaur, Mohmand, Khyber and recently Kurram and Aurakzayi. War on terrorism has led to decline in GDP growth, reduction in investment, loss of exports, damaged/destroyed physical infrastructure, loss of employment and incomes, shift of budgetary resources from development projects to military and security related spending, capital and human capital flight, exchange rate depreciation and inflation is the cost. Pakistan is more than likely to face a significant degree of permanent welfare loss in account of diversion of development spending to the security budget, capital flight and brain drain, and due to trade diversion it has suffered since 9/11.

Negative Impacts of Terrorism on Agricultural Production of Malakand, Swat and NWFP

The district of Swat along with the Malakand Agency is famous for their specialized agricultural produces all over the country. The area of Malakand division has earlier made substantial contribution to national production of various crops:

Peach account for 60% of the total national production, pear account for 34%, tomato 18%, apple (15%), plum

(14%), tobacco (11%), maize (8%), onion (eight per cent), all vegetables (5%), apricot (5%), wheat (1%), and rice (1%). They are also the main source of persimmon (Japani fruit, in local parlance). Swat leads the other four districts in the production of fruits by a large margin. A survey by the National Agricultural Research Centre (NARC) shows that nearly 48 per cent of Pakistan's total fruit is produced by the NWFP, with Swat district being a major contributor.

In the past few years, the situation and crisis through which the people of Malakand had to pass is a different chapter of history. Three years back the wave of militancy and an army led operation to crush this wave started a vicious circle as a result of which the people of Malakand had to pay the price in the form of extremism, terrorism, migration and destruction of infrastructure. In view of this scenario, not only the basic infrastructure of health and education were destroyed but the most vital sector of Malakand Division, the tourism industry suffered a major back lash. Thousands of people, who were affiliated with this industry and were earning their livelihood, were the worst sufferers of terrorism. Agricultural activity and tourism in the region was reduced due to dislocation of a huge number of people (Madni, 2012).

DISCUSSIONS

There are some research institutions like Jan Consulting that has predicted a very bright future of Pakistan for the next two decades in terms of economic growth and employment opportunities. There are almost seven trends that have been predicted by the study including population, increased economic growth with a rapid increase in religious and ethnic conflicts in the country. There is a contradiction in these predictions because the ethnic conflicts are likely to increase in Pakistan by 2028 while the size of the economy is predicted to increase four times than the present size of the economy. Our study explored that religious extremism accompanied with lower investment rates are likely to retard economic growth of the country. In order to have increased economic growth, Pakistan has to face a serious challenge of ever increasing religious extremism. The economic growth of the country depends on increased investments in educational and other developmental sectors but presently Pakistan is allocating a lower percentage of its budget to developmental sectors. The current economic and political scenario of Pakistan is likely to be more or less same by 2028 unless huge investments are made in the developmental sectors instead of military.

According to DAWN News (2010), recent terrorism has shook confidence of people. Exports have declined by 19% in current year, foreign buyers have declined. Foreign direct investment (FDI) has reduced to \$463 million during the first quarter of the financial year from \$1.17 billion the previous year. Critics further argued that businessmen are afraid of investing money in businesses, by giving the reference of Institute of Public Policy report 2008 newspaper argued that in 2008 alone Rupees 380 billion were directed against terrorism. However critics further argued that \$35 billion have already been spent in this regard. Loans, grants and aid cannot substitute the loss of lives and the damage caused to production and infrastructure. Finally the economic cost of terrorism and the war against militancy is alarming and its impact is going to be felt long after it is over and done with.

Although, the present economic situation in Pakistan has been caused by increasing violent extremism and many researchers and analysts have blamed Talibanization and Al-Qaeda to create violence in the country but former British foreign secretary 'Robin Crook', Inter-Services Intelligence said that there is no Al-Qaeda but it is a propaganda to make people believe that they must adhere to a unified international leadership for a war against terror and the country behind it is the U.S. Despite these contradictory views about the existence of Al-Qaeda, there are still many forms of violent extremism in the country and whether we associate that extremism with Al-Qaeda or not, the fact is that it is hampering the

economic performance of Pakistan adversely.

CONCLUSIONS

Over the past few years, religious extremism and its consequent violence has taken deep roots in Pakistan. Looking at historic data, there was barely any violent extremism (e.g. suicide bombings) in the country before the incidents of 9/11. After the country became a frontline ally in the “war against terror”, the rise of suicide bombings and other violent acts related with religious extremism, became a norm.

Due to the presence of religious extremism, the situation in the country has become very uncertain. Hence investors, both domestic and foreign, are not keen to invest. This results in unemployment among the masses. Additionally with the prevailing law and order situation, most people don't like working in an environment where safety is not guaranteed. Hence both these factors contribute to the increasing “brain drain”, where people migrate from Pakistan to other countries in the prospects of better jobs and social standards. Even though the remittances sent from them could contribute to economic growth, but families use them for personal use like building a home or marriage expenses etc. The economy has also been affected by lower agricultural production in areas rife with extremist violence (such as Khyber Pakhtoon Khwa and Swat). The crops used to contribute greatly to the economy but now production has all but seized. Tourism has also declined drastically. This used to contribute to the economy as well. As mentioned above investment has remained low compared to other South Asian Countries. This is mainly due to the law and order situation in the country, as well as the costs of war on terror. This has led to a decrease in development expenditures in case of Pakistan. The law and order situation greatly deterred investors from investing. This downward trend has continued due to political instability and decrease of economic activity. Additionally the changing economic policies also detract investors due to uncertainty.

With the rise in violent extremist activities (such as suicide bombings) the business environment is not favourable for investment. Pakistan is paying a very high cost for partaking in the War on terror. The rise in religious extremism and its consequent violence is reducing investment in the country. The social costs (i.e. unsafe environment) and human costs (i.e. loss of lives) are a substantial reason for the decline in economic growth of Pakistan. For the country to become free of this evil, it must come up with strong policy changes to help eliminate religious extremism. If the law and order situation of the country improves, investment will increase, therefore increasing the GDP growth.

Concluding, in view of all these circumstances and the whole scenario it is suggestive that there is a vital and a severe need of strict law and order to be passed and implemented in a country. Besides this a sincere government that only aims to work for the well-being of its nationals is also mandatory. Slowly but ultimately such small steps and careful decisions will help eradicate all the sorrows and worries from the soil of Pakistan.

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