

## **Pakistan and International Dynamics of War Economy in 21<sup>st</sup> Century**

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### **Introduction**

The new strategic scenario after the cold war gave a chance to the global powers to reduce their military expenditures due to termination of arms race imposed by the proxy environment of international wars. This caused shift in the spending of military expenses in develop and developing country. The world witnessed significant reduction in military budgets in develop countries and in developing countries super powers termination of arms race let to reduction of military tensions in regional conflicts and this also change the pattern of military aid and military conflicts in third world countries. But this did not eliminate totally the need of military expenses incurred by poor countries on their security and survival(Jurgen & Paul, 2004).

Therefore, end of cold war did not finish arms races in developing countries. This resulted in continues increase in their defiance budges due to their domestic and regional security situations and on other hand the develop countries also compelled them to import weapons and other military equipment's due to increase in the arms exports of developed countries for boosting their economies. It is important that the cuts in military budgets of developing countries did not lead to

reduction in militarization. Weapons were very cheaper than previous prices and world became dangerous place of regional and international conflicts (James, 2008). This trend provided an opportunity to the poor countries of world to spend their budgets cut from military needs on the development of their countries to foster human development in their countries. These sources can be used for other purposes like poverty elevation, education, health facilities etc. alternatively to tackle the most important issues related to human survival. The issues include economic security, human security, socio economic development, environmental degradation and other national issues linked to their economic development and prosperity.

Many poor countries spend their foreign exchanges on their military purposes rather than the economic wellbeing of their nations. This excuse of military security by these countries is not justified because it creates the situation of choosing lesser evil for their survival. The important point is that whether this scars resources of developing countries will be made available for socio economic development of these third world countries. Another school of thought is of the view that certainly the reduction in military budgets will lead to peace dividend and reallocating this budget will not only result in development of their countries and this will also lead to peace penalty which will eventually increase the amounts to deal the external and external security of the state (Siddiqi, 2007).

The experiences of develop countries about the cost of adjustment were quite different and relatively subjective to the domestic and regional environments of the developed and developing countries and they failed to bring economic development at the cost of cuts of military expenditures therefore it is very complex to analysis the interplay between these two variables that is relationship between military spending and economic development of a country this also brought the significance of war politics, war economies and political economy of war industries at domestic, regional and international level (Coulomb, 2004).

Hence, in different sectors of economy, for aid structural adjustments adopting conversion policies, it is important to take care of reallocating the national budget. In developing countries, circumstances may vary, but the issues are similar. In order to establish policies of disarmament, it is crucial to acknowledge the role of military spending in socio-economic development and its impact on economies. Only when information on these variables is available can policies be made feasible at the national and international levels for any developing country to meet the challenges of development. This, in turn, will contribute to the nourishment of human capital and the human development index of developing countries.

Being the developing country, Pakistan provides the same scenario of the issue circumference the complex geo strategic and geo political position which is very unique and complex. Pakistan has direct implication to buy any single move of the international war politics wrestling among different global and regional actors. the international war politics revolve around different wars in different regions adjacent to Pakistani borders, so to understand international war politics we have to analysis international war in Afghanistan and its relevance to new patterns of security in south Asia and its impact upon different regions ranging from china, India, Iran, central Asia, middle east linking to multiple interest of major powers of the world. International war politics spinning around war against terrorism in Afghanistan is leading to change narratives of policy for economy and security of Pakistan dealing with the same population living in KPK and FATA areas of Pakistan. At the same time the archrival, India on the eastern front of country engages Pakistan into the situation of security dilemma with complex outcomes that leads the countries to arms race and armament compulsively. Therefore, at eastern and western borders Pakistan has been protecting her since many years, therefore the relationship between military spending and economic growth in Pakistan is different than any other country of the region as well as in the world.

This created multi-stand problems for Pakistan regarding economic expenditures, security situations, regional scenario, and patterns of global war economy and its related issues perpetuated into the dynamics of war politics in Pakistan and the regions near to Pakistan. No one ready to invest in Pakistan owing to security phenomena emerging in Pakistan recently. If this situation precedes for a longer time many countries in the region and across the globe will be instable and will lead to economic bankrupt due to international war against terrorism and will lead great depression. War will not only lead to destruction of economy but also will bring destruction of societies, culture, politics, behaviors of survival, patterns of relation of living, human development, economic growth, social development and several other variables affecting human being in a specific country overshadow by the clouds of war as is being faced by Pakistan.

In such geo strategic landscape, it is important to study international war politic and its impacts for socio economic development of Pakistan. The world is currently facing manes of terrorism in different forms and in different ways. The geo strategic and the geo political situations abruptly change after the incidence of 9/11 and grasped the whole world in different manifestations. the dynamics of terrorism is very difficult and complex as due to the involvement of multiple state and non-state actors in the world. The terrorists are spread accord the globe and has linkages with one another actors the borders with agreed on common agenda beyond any political, ethnic, cultural, religious, social, national, economic and civilization identities. They are utilizing each other logistics sport, finances and human and economic capital. Pakistan is also facing this problem and tackling all these issues with limited resources and capabilities which is eroding the countries social structure and economic growth. The acts of terrorism are threatening Pakistan's law and order situation, violating human rights, destroying fundamental infrastructure for economic wellbeing of citizen. the immediate cost of terrorism is multiple in the shape of social, political, human, economic and cultural damages.

### **Significance of the Study**

In the last ten years as a consistent field within economics, the reason for this tendency is the innovative effects of globalization and the latest challenges to the stability and security of the world. These security challenges are now arising from different new means like they warn us about new dangers and need new concepts and instruments from us. Due to which the economic area for defense has been increased greatly but the chance of exploitation for new insights from the overall economics has increased accordingly.

This research will highlight that how the current development in international political economy model is related to the study of this outstanding development of the strategic situation of the world and its safety challenges. In this research, I explained one theory on contributions which is expected from the globalized world economy where the old thinking pattern is useless. It is more focus on firstly, the changes in the field and the connection between challenges of security and the requirement of latest analytic approach. Secondly, the involvement of developing ideas about governance, predation and conflict is involved into and has influenced the defense economy greatly. Thirdly, how this will raise questions about the outcome of the study of past years and what discarded.

The economic growth and defense relationship have generally been portrayed as “guns-versus-butter debate”(James, 2008).The expenditures of defense are usually understood as shifting the valued assets away from the civilians of economic sector. Moreover, the mega defense expenditures cause the society to come under severe unsustainable financial burden and which can further cause economic uncertainty. The case of global military spending and economic development has an inverse relationship and its value pushes us to think that how the above-mentioned money is being earned and how it is being accumulated, distributed and transferred, and what its capital flow is. As global military expenditures increase every year, the culture, products, is over burden and the consequences are disruptive and destructive. Wars on large level cause great

shocks to the economy of the countries participating in the war. “Notwithstanding some positive aspects of short-term stimulation and long-term destruction and rebuilding, war generally impedes economic development and undermines prosperity”.

### **Objective of the Study:**

- (i) To identify the salient features of international war politics.
- (ii) To discover the role and function of war economy in international war politics.
- (iii) To determine its significance as vital variable in 21<sup>st</sup> century.
- (iv) To explore its link with political govt.
- (v) To explore its nature as link between military forces, political institutions and economic development.
- (vi) To identify it as economic indicator.
- (vii) To evaluate effects of international wars with Pakistan and its value at different levels of political, military and economic situation at different levels of analysis.
- (viii) To assess the dynamics of war, political economy, military industrial complex and its impacts on geo political and geo strategic output of Pakistan along with major focus on war against terrorism and its connections with various stake holders domestically and globally.

### **Dynamics of international war economy**

In the last few decades, the nature of war has been changed. In the past, most of wars occurred between countries while the modern days conflicts are tending to be civil war or insurgencies. There is some consensus on the reasons behind changing the patterns of wars, but the fact is clear that the pattern has been changed. To decide that the current pattern of war is temporary aberration, or a permanent change is a critical question for the policy makers. (Coulomb, 2004)

To find the answer for this question, a detail study of the related literature about the global strategic trends and armed conflicts to find out the possible motives responsible for a change in the war pattern.

This review was summarized from many academic presses and scholarly journals. As the field of political sciences is more engaged with the problem of “large scale violent conflict” in the academic discipline, the literature review is focused on the political science primarily along with other fields like anthropology, social psychology, political psychology, sociology and economic are also part of it. Mainly it focuses on the most recent empirical findings along with the reviews conducted from those school of thoughts who have evolved over the years. The review consists of quantitative findings of research as the main objective of this research was to develop a tool which show the future types and level of wars.

Several scholars in the recent years have worked on the analysis of war and they are of the view that the on international level the system is in the process of profound transformation which is shaped by the “end of the Cold War, the spread of globalization and the emergence of new patterns of cooperation and conflict among state and non-state actors”. This change has arguably boosted the new types of warfare development which is different qualitatively from the earlier types of warfare (Bitzinger, 2009). The argument holds that “during the last decades of the twentieth century, a new type of organized violence developed, especially in Africa and Eastern Europe”. The term “conflicts” can be used for this new type of violence. After the introduction of this new term “conflict”, the scholars and researchers are forced to re-evaluate their theories about conventional war and to study the “war nature” with a different perspective (Dombrowski & Gholz, 2006).

Most scholars believe that theories about armed conflict study a number of social, political and economic factors that help them to identify common trends in contemporary wars. It is pertinent to note that in this dissertation the term wars do not refer to the

work of a single author, but to a wide body of literature that suggests that the nature of warfare has changed.

Exploring the nature of war requires studying the different factors that characterize wars. identifies six main factors of conflict analysis. The first main factor of conflict analysis is the participants in war– nation states or non-state actors, public or private actors, warlords, criminals or terrorists. The second factor is the spatial context – the international, regional or interstate setting of war. The third factor is the root causes of war – ethnic diversity, political identity, income inequality, criminal activity or state failure”. The actor’s motives including territorial secession, government control, greed, grievance and political ideology is the fourth factor. The methods of violence like training and military tactics, use of technology is the fifth factor. The human and social impact of conflict including non-combatants, killing of civilians, terrorizing, human displacement is the sixth factor(Coulomb, 2004).Although this list did not cover all the variable in the analysis of war, however, it includes the factors which are most important and help the researchers to explain and understand the nature of war. Most of the literature suggests that the “number of intrastate conflicts has decreased, while the number of interstate conflicts has; hence, wars are described as civil wars or internal conflicts”.

According to research, modern conflicts are categorized by the failure of the state which is caused by economic factors like private armies, para-military groups rise, human rights violation, use of legitimate force, state criminalization, economic decline, refugee’s movement and demographic pressures etc.

Now the political factor like ideology are not more important the social factors like religion and ethnicity. Civilians including children and women are deliberately targeted and are the core victims of modern wars. The ethnic cleansing and genocide are the common identity of modern wars. In the recent violent conflicts, the number of displaces people and civilian has been increased as compared with the earlier wars(Pratt, 1990). For



the recent violent conflicts, the usual trait is the common thugs, criminals, warlords and private and public combatant. A number of attractive perceptions are available for the study of modern violent conflict which also provide a useful procedure and methodology to analyze the economic, social, dynamics and natural aspects of the modern violent conflict.

This shows that the modern violent conflict consists of a robust methodology which give some useful, interesting and valid explanations of the violent conflict's nature but at the same time it also overstates the novelty of violent conflicts features.

In the international structure context, the modern violent conflict suggests that "the current international system is divided into two distinct parts refer to these distinct parts as Zone of Peace and Zone of Conflict, prefer the terms Zone of peace and Zone of turmoil while calls them First Tier and Second Tier". Although the researches use different terminology, but the actual meaning is the same for all. The develop capitalist states are called "zone of peace" while the rest of the countries which facing internal and external violence, are called "zone of conflict"(Alesina, Spolaore, & Wacziarg, 2005).The formula of two zones indicates the opinion that after the Cold War, the international structure has been evolved.

Since the combatants' objective is to prolong civil wars and perpetuate violence, it is not surprising that the violence is primarily directed against civilians rather than military forces. The author, presenting statistical analysis, concluded that there were two reasons for PIJ participation: higher education and standard of living. The author suggested that to reduce the probability of participation in terrorist activities, marriage became significantly important. Bird et al. discussed causes and consequences, with the author noting that the majority of terrorist attacks occurred in the US and some European countries over the period from 1998 to 2003.

This study delves into the root causes of terrorism, categorizing them into both quantitative and qualitative variables. It

provides an exploration of when, where, and why terrorism occurred. The researcher examines the relationship between the frequency of terrorism and various socio-economic conditions, encompassing human development, political rights, civil liberties, inequality, population density, and urbanization. Through analysis, the study aims to unravel the intricate connections and patterns underlying the occurrence of terrorism in relation to these factors. (Ledbetter, 2011). Provided an analytical framework, to understand the origin of terrorism. Author identified the counter terrorism and what could be known about causation. Rapid urbanization, increased poverty, declining, traditional authority, globalization and so forth were the causes of terrorism. Academic differences were merely reflecting philosophical, religious, political and other differences.

### **Pakistan and international forces of war**

policy of the United States of America for South Asia has been developed with a strategically unimaginative and unexplainable obsession with Pakistan as the main stream. In the last 60 years, the “Pakistan-centric South Asia foreign policy” of United States shows lack of interest to conduct an audit of its policies strategically or to examine the “cost-benefit-ratior” as Pakistan is a so-called strategic alliance of the United States (Siddiq, 2007). Logically, it is the best time for the United States to do so. The United States planners of foreign policy for the South Asia are facing a complex challenge after viewing their policy from the following perspectives;

Pakistan is at strategic odds with its two neighbors including on Eastern border with India and on Western border with Afghanistan and being the only major Non-NATO ally of the United States in South Asia its injustice that Pakistan is facing military confrontation on both borders at the same time.

Afghanistan is under the rebuilding process and the United States is working to make it a model for the rest of Muslim countries and develop it as a democratic and moderate Islamic country. Currently, the US is totally focusing to develop

strategic relationship with India after estrangement of so many years possibly due to the “Pakistan-centric South Asia foreign policy of the United States”.

The US after the 9/11 has given a wrong turn on the original slate and health of the relationship between Pakistan and United States. But the actual reality is that “Pakistan has been double-timing the United States in the American global war on terrorism and under cutting the US efforts to seize Osama bin Laden”. It continuously sponsored the US friendly government of Karzai in Afghanistan.

Pakistan is the true strategic and political picture, which is at odds with India and Afghanistan, the two pillars for the United States future foreign policy for South Asia. The planners of the foreign policy for United States must identify the stark reality that “Pakistan has never followed a loyal US-centric foreign policy”. The foreign policy of Pakistan is mostly China-centric not only due to the India factor but to balance its worries about the extreme coercion from the US (Bose & Jalal, 1998).

While chasing the above-mentioned aim of Pakistan, it has been complicit in furthering the strategic designs of China in the Greater South West Asia and South Asia. From Pakistani perspective, the United States was like a handy milk cow which possibly milked advanced military equipment but also billions of dollars.

### **United States Maintains a Status-Quo in its South Asia Policy**

Bureaucratically, the simpler option is to rely on the hope that Pakistan may change, or the other option is that the US would play its role to develop a rapprochement process between Pakistan and India or Afghanistan and Pakistan. Moreover, it can be hoped that Pakistan, Afghanistan and India would continue to further the interest of the national security of the US in this region (Enders & Sandler, 2011).

For United States, the simpler option is that it also rises more so in relations to the plans of the United States for Afghanistan

which will also be the most dangerous option as predictable for the strategic risks. There is a clash between the interests of Pakistan and United States in Afghanistan. Pakistan will not cease “the proxy de-stabilization of Afghanistan until a Pakistani puppet regime like Taliban is enthroned in Kabul”(James, 2008).

As a reflex action, Pakistan can increase the cost of NATO and United States military presence in Afghanistan. It is also predictable to use Al Qaeda and Taliban and also enlist Iran on the Eastern flank. The deferential policies of the United States for Pakistan will finally prove to be counter-productive.

The United States has two strategies in this status-quo option, first it should engage Pakistan and India to toward a peace process especially focusing on India to develop strategic concessions to the military dictator of Pakistan and secondly, it should keep India away from “Look West Policy” and divert it to have a “Look East Policy”(James, 2008).

The most important is that the US should understand that India is largely opposing the peace dialogues between India and Pakistan. The India’s leftists along with the Indian Prime Minister cannot push through this dialogue which their public is demanding. “Concessions on Sir Creek, Siachen or Kashmir at US prodding will be seen as sell outs and no Indian Government can survive in power by doing so”(Musharraf, 2008).

During this process, the image of United States will be affected adversely throughout India and they will lose the only country, where they have a positive image throughout South Asia. India is not probably to bestow with a “Look West Policy”, but much it does not find favor with USA. Therefore, the option of the status-quo for the US is now becoming counterproductive(Musharraf G. P., 2019).

### **Pakistan and International war economy in 21<sup>st</sup> century**

The unique geostrategic position is directly implied by Pakistan in every action of the international defense industry. The

influence of the war in Afghanistan also changed the country's national policy and linked it to the same population living on the northwestern border of the country. At the same time, the main competitor in the eastern region (India) placed Pakistan in a security dilemma and its complex consequences led to the country's arms control. As the current security situation in Pakistan has changed, the country's military morale has been lost and no one is willing to invest in Pakistan. Economics and war, if the two countries continue to be popular, two or more countries in the region will be in trouble and lead to the Great Depression. The war not only led to economic destruction, but also the people and society in the war were destroyed in culture, rituals, traditions, and other actual narratives. Under this geostrategic model, it is very important to study the impact of the international arms industry on Pakistan's social and economic development.

Pakistan faces a terrorist threat and undermines the country's social structure, economic development and political system. Terrorist acts threaten the security situation in Pakistan, violate the human rights of citizens and destroy infrastructure and economic opportunities.

The direct costs of terrorist attacks are the loss of life, the destruction of property and infrastructure and the reduction of short-term economic activity. In addition, terrorism creates uncertainty, reduces confidence and raises risk awareness, leading to declining investment rates and a decline in economic growth. Not only has Pakistan lost valuable life and infrastructure, but it has also suffered losses of US \$ 350 to 400 billion between 2001 and 2002, due solely to the global financial crisis and internal problems. These included the war on terror and the resulting displacement of some 3 million people, conducted by the NWFP security forces and the FATA federal border tribunals. The war on terror and population revival (IDPs) consumed most of the government's financial resources, then increased the budget deficit and halted economic growth. As a result of the war on terror, Pakistan has suffered more casualties than any other country.

Given the threat of terrorism, normal business requires extra time and extra security. As a result, terrorism led to a general slowdown in economic activity. In addition, the terrorists investigated the work of confusion and insecurity, and these measures undermined the moderate image of Pakistan. According to international economic analysts, this is an important source for attracting foreign direct investment (FDI). Foreign direct investment fell to \$ 463 million in the first quarter, compared to \$ 1,116 million in the same period last year, a decrease of 58.5 percent. Frequent terrorist incidents have led to Pakistan's bad reputation in the world and in international markets. Terrorism damages the economy of Pakistan, politics and society.

Therefore, it is a very difficult task to understand and evaluate the costs of terrorism. In addition, the lack of key data makes this task even more difficult. This research will look like an attempt to bridge the knowledge gap in this area and promote better analysis of better framework conditions and cost estimates. Normal business operations necessitate additional time and heightened security measures. Consequently, terrorism results in a widespread deceleration of economic activity. Furthermore, terrorists have undermined the government's authority by instigating chaos and creating uncertain conditions, negatively impacting Pakistan's positive global image. International economic analysts posit that this soft image is akin to a valuable commodity, crucial for attracting foreign direct investments (FDI). Unfortunately, FDI plummeted to \$463 million in the first quarter, marking a 58.5% decline from the previous year's \$1.116 billion. The recurrent incidents of terrorism have adversely affected Pakistan's reputation on the world stage and in international markets, causing harm to the economy, governance, and societal structures across multiple dimensions. One reason for this trend is the revolutionary impact of globalization and its new challenges to the security and stability of the world

### **Conclusion**

Pakistan has paid a lot in the game of war and politics. Pakistan as a nation is the most affected nation from the games of

superpowers in the region. United States of America has always been interested in the wealth of the gulf which is oil and natural petroleum reserves. At the same time the USA has marked its involvement in the politics of the region and has done things which he finds in his own interests whether harmful and destructive for others(Musharraf P. , 2008). After the incident of 9/11 which was said a self-made attack by many defense experts of the world, Pakistan had been focused by the United States to fulfill their requirements as they wanted to invade Afghanistan on the basis of 9/11 incident. Pakistan was forcefully indulged in the war of Afghanistan and from there; a war had been started by the United States which was later spread to Iraq, Libya, Syria and other regions of the gulf.

Pakistan was helping the USA in this war against Taliban, but the war gone so long that its direct and indirect implication started to rise, and Pakistan stuck in this war against terror. Taliban got close to the Pakistan's border area and got into the areas nearby the boundaries. An untold war had been imposed on Pakistan Army and Pakistani nation lost peace on their land. Earlier it was called a proxy war but later it was known as Pakistan's own war(Oneal & Russett, 2000). All the happenings were the part of the international war politics and Pakistan become its direct victim. Consequently, Pakistan had to increase its defense spending in terms of latest weapons and also Pakistan had to increase budget to protect and secure its nuclear assets not only from the terrorist's organizations but also from the enemies that were the real stake holders of that war politics(Napoleoni, 2011).

Pakistan has always been a frontline in the war on terror country, since September 2001. So far, this war has had a huge impact by imposing damage on Pakistan by slowing economic growth, destroy the social structure and endanger the country politically. the intensity of the war increased spread to Pakistan's settlements. Federally Administrated Management Tribal areas (FATA) and Khyber Pakhtunkhwa (KPK).Terrorism influences the economic growth of the country, reduction of foreign direct investment, increase risk perception.

The war on terror has been imposed on Pakistan since the year 2001 from the month of September. Till the date, Pakistan has lost its 40,000 citizens and 5000 security personnel with the destruction of the infrastructure and the direct economic loss of \$123.426billion(World Factbook Download 2009, 2019).

Pakistan is facing with terrorist attacks including suicide attacks, worse legal situation and foreign investors not willing to invest in Pakistan. The military launched operations against terrorists due to which thousands of people were displaced from their houses and land from KPK and Swat. Terrorist activities also undermined Pakistan's image in International Community(Musharraf P. , 2008). Terrorism threatens peace, the stability and well-being of Pakistani society

This issue is important because it has an important policy. The country's influence as a war on terror is increasing, and Pakistan's economic, political and socio-economic growth is also alarming. Pakistan is increasingly undermined, and its income is low. The country and the war on terror have further intensified the economy. The problem is that due to the low economic growth, foreign loans have increased and at the same time Pakistan exports and private investment reduced investment, terrorists questioned the prosecutors and the weak form of Pakistan have been defiled(Siddiq, 2007).

### **Research Findings**

- Military role in war and politics is generally considered by the nature of potential and real arms conflicts; by “military-technical progress and available economic resources needed for defense; and by ambitions and phobias of state leaders, military-industrial complexes” and their contractors at research centers and in the media.
- The number of conflicts on international level and the devastating scale for them has decreased significantly in the last twenty years in comparison with the twenty years period between late 1940s and late 1980s of the cold war. While studying those years, there were wars



including Iraq and Iran and India-Pakistan wars, war in Afghanistan, four wars in Middle East, two wars of Indo-China and the Korean war and some civil and border conflicts in Latin America, Africa and Asia. During the Cold war, approximately 20 million people were killed. Although the US is very sensitive about the casualties of its military lost, a hundred and twenty thousand people died at that time which is almost equal to the casualties of first world war.

- The super powers countries were involved in number of crises which could evolved in a global war. But luckily the world save itself from any such disaster. Some see it as “demonstration of the effectiveness of nuclear deterrence while others see it as inefficiency of nuclear deterrence. The later thinkers see the satisfied result of a worst scenario like the 1962 missile crisis in Cuba as pure luck.
- The conflicts taken place after the early 1990s, the US and allies were involved in to two wars against Iraq and civil wars with outside interference in Libya, Afghanistan, Tajikistan and Yugoslavia. The number of casualties and destruction of these wars can be compared with the Cold War. There is extreme rivalry in progress in the arms markets of the countries like North Africa, Latin America, Asia and Middle East. These rivalries are consisting of political leverage and its consequence is also political.
- Hypothetically, the current greatest danger would be the conflict between United States and China over Taiwan. Moreover, it is possible the crisis is aggravated due to South China Sea island, where the counties of Southeast Asia will be supporting the United States. The current competition and global military and political confrontation is the rivalry between China and United States for the dominance in Asia-Pacific region.
- If the great powers failed to cooperate against common security threats like proliferation of WMD and terrorism, it would develop inability to face new threats

and challenges and will increase chaos in the politics and economy of the world.

- There are also some major region conflicts including the conflict between North and South Korea, Pakistan and India, and Iran against Israel (either without or together with US). These conflicts look more dangerous after the possibility of escalation to a nuclear war. The greatest threat in this context is posed by “military-political confrontation in South Asia.
- Killing innocent people without any reason, suicide attack, destruction and harassment is called terrorism. It cuts the social fabric of society, cause political instability, cause a decrease in the growth of economy, damages infrastructure and disturb the inhabitants.
- Terrorism increase the risk perception, decrease investments, lowering capital formation and damages foreign direct investment causing disturbance of economic growth. All the war affected regions of Europe, Asia and Africa have suffered in the same way. Events of terrorism on public places like airports, transport, properties and general public causes decrease in GDP per capita and lower capital formation.
- The social, political and economic setup of Pakistan is devastated each day as the war of terrorism is stretching. This war is intensifying the economic problems of Pakistan. The private investments, capital formation and exports has decreased due to increase in foreign borrowings due to decrease in the growth of economy of Pakistan. Soft image of the country is also stained due to the challenges caused by terrorism to the writ of the state.
- The expenditures of defense can portray the economic situation in either positively or negatively. In the negative context, it can be costly and can affect the investments considering it unproductive. In the context of positivity, it can generate employments and increase in the production economy.
- The country is dealing with terrorism since 2001 as a “front line state” and the war had not only harmed the

state politically but also devastated the social setup and cause decrease in the growth of economy as the outcomes of the war against terrorism. With the passage of time, the war's intensity has increased and now the settled areas of the country are also facing the consequences of this war. The most affected areas are the province of KPK and FATA.

- Pakistan is paying a huge price while suffering a great deal because of the war against terrorism in the shape of infrastructure destruction, sacrificing citizens and decrease in economic growth. The country's soft image is also disturbed as the terrorists challenge the writ of the country. Foreign direct investments, low performance of the stock exchange, damaged tourism structure and increased defense expenditures and decrease in GDP growth are the outcomes of terrorism.
- Moreover, there are other factors like 2010 floods, 2008 global financial crisis and shortage of energy supply, besides terrorism are the factors which affect the economy negatively. This research finds that political advancement, social progress and economic growth has a negative relationship with terrorist activities.
- Instability in Pakistan is due to terrorism. We face many issues at the national level, for example, political issues, religious issues, bureaucratic and military issues. Regional and national stability is very necessary. If terrorist attacks increased continuously then production cost will shoot up.
- Pakistan's economy is suffering and will continue to suffer economic and human losses until the end of the Afghan war. US and Western countries have a continuous ban on its citizens including importers and investors to travel to visit Pakistan which has vast effects on the exports of Pakistan.
- The restriction of foreign investors is causing a decrease in foreign investments, a decrease in the flow of privatization process, a stop to the industrialization process, an increase in poverty and unemployment, damage to the local tourism industry, and an increase in defense spending.

and expenditures, decrease in the collection of tax and has slow down the overall economic activities.

- Pakistan is using a major portion of its resources including materials and men to tackle the security situation cause by terrorism. The country had paid substantial price of security and economic terms including the foreign and local tourism loss, destruction of civil and military infrastructure, increase in security spending, additional expenditures caused by the migration of people from the war affected areas.
- In all the major sectors of economy, overall growth rate was affected due to the terrorism. Trading activities were also disrupted. Meetings were delayed, and export process was also disturbed. As a result, products of Pakistan, lost their market share to their competitors. Economic growth could not increase planned. Pakistan became the serious victim of terrorism

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