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RESEARCH ARTICLE

Pakistan: Economic Challenges and Terrorism in the Global Context

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| <i>Article Info</i> | <i>Abstract</i> |
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| <p>Keywords: Globalization, Terrorism, Foreign Direct Investment, Exports, Imports</p> | <p><i>Terrorism has become an important and recurring topic in public discussion, which has created economic challenges over the last few decades and is a serious global issue. The security challenges of terrorism are international. It has challenged Westphalian articulations in the international arena and activated public policymaking across all governments. This study explores the relationship between terrorism and economic globalization in South Asia, particularly focusing on Pakistan. Indicators of economic globalization are foreign direct investment, exports, and imports as percentages of gross domestic product. In this study, terrorism was operationalized as the number of deaths due to terrorist attacks from 2002 to 2015. This study compiled secondary data on the indicators of globalization and terrorism obtained from the South Asia Terrorism Portal and the World Bank archive. A descriptive analysis was performed to examine the annual increase or decrease in economic globalization and terrorist attacks. An inferential statistical technique: Pearson's correlation was used to test the hypotheses. The results show that terrorism negatively affected Pakistan's economic globalization.</i></p> |

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Introduction

Diverse academic literature on globalization indicates that it is a very complex and contested concept.¹ Many scholars in this area have studied globalization as an economic phenomenon,² while others have also highlighted the sociocultural and political dimensions of globalization.³ Focusing on Pakistan, this article analyzes the links between terrorism and economic globalization. Terrorism is an act of violence, usually committed against non-combatants, and aims to achieve behavioral change and political objectives by creating fear in a large population. Adding quotes from Nelson Mandela, we realize that terrorism is a politically motivated term. One man's terrorist is another man's fighter of freedom. In addition, in some cases, in people's perceptions, a 'terrorist' can be transformed into a "freedom fighter".⁴ To achieve sustainable economic growth without further increasing the already massive foreign debt, the government of Pakistan has made serious efforts to attract foreign investment, increase exports, and minimize reliance on imports. However, despite playing the role of a frontline state to combat global terrorism, little attention has been paid to Pakistan to empirically study the socioeconomic implications of

¹ Andrew Herod, *Globalization: A Critical Introduction* (Malden, MA: Blackwell, 1997); Jan Aart Scholte, *Globalization: A Critical Introduction*, 2nd ed. (London: Palgrave Macmillan, 2008); Daniel Strand, Nils Mueller, and Glenn McArther, "Globalization and Development," *Journal of Economic Perspectives* 19, no. 3 (2005): 163–92.

² William I. Robinson, *A Theory of Global Capitalism* (Baltimore: Johns Hopkins University Press, 2004); Roland Robertson, *Globalization: Social Theory and Global Culture* (London: Sage, 1992); Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell, 2000).

³ Samuel P. Huntington, *The Clash of Civilizations, and the Remaking of World Order* (New York: Simon & Schuster, 1996); George Ritzer, *The McDonaldization of Society* (Thousand Oaks, CA: Pine Forge Press, 2011); Victor Roudometof, *Globalization and Orthodox Christianity: The Transformations of a Religious Tradition* (New York: Routledge, 2013).

⁴ Ramón Spaaji, *The Sociology of Terrorism* (London: Routledge, 2010); Bertjan Doosje et al., "Terrorism, Radicalization, and De-Radicalization," *Current Opinion in Psychology* 11 (2016): 79–84.

terrorism compared with other countries in the world.⁵ Pakistan is among the countries that have been severely affected by the post-September 11, 2001, global wave of terrorism. Earlier studies on the links between terrorism and economic growth in Pakistan and other developing countries have mainly focused only on Foreign Direct Investment (FDI) as a determinant of economic globalization.⁶ In this study, in addition to FDI, we include exports and imports as a percentage of the gross domestic product as indicators of economic globalization. In the current integrated world, terrorism has emerged as a global phenomenon that transcends geographical boundaries.⁷ Particularly after the September 11, 2001, attacks, terrorism has become a global challenge. The problem of terrorism is not confined to any particular region and has affected the economies of both developed and developing countries.⁸ Terrorists can attack anytime and anywhere in the world (such as terrorist attacks that occurred in Indonesia in January 2016 and Denmark, Turkey, and France in November 2015).⁹ The most prominent factors of globalization are trade, multinational production, and national finance. These factors of globalization are driven by the information technology revolution, leading to the weakening of the control of national

⁵ Mohammed Khan et al., "Terrorism and Economic Growth: Evidence from Pakistan," *Economic Modelling* 56 (2016): 45–53.

⁶ Ijaz Ali, Zhang Qingshi, Khalid Ullah, and Adil Ali, "Foreign Direct Investment and Terrorism: The Case of Pakistan," *Journal of Economic Research* 22, no. 3 (2017): 302–20; Theodore Metaxas and Vasiliki Kechagia, "Terrorism and FDI: Evidence from Developing Countries," *Journal of Economic Development* 42, no. 2 (2017): 63–86; Polyxeni Boukouvalas and Theodore Papatheodorou, "Terrorism, Tourism, and FDI," *Tourism Economics* 25, no. 1 (2019): 71–92; Syed Shah and Faisal Faiz, "FDI and Terrorism in Developing Countries," *South Asian Studies* 30, no. 1 (2015): 143–62.

⁷ Laszlo Stibli, "The Globalization of Terrorism," *Military Review* 90, no. 1 (2010): 67–74.

⁸ Javier Estrada, Donghyun Park, and Kaiser Khan, "Global Terrorism and Economic Growth," *Asian Economic Papers* 17, no. 1 (2018): 89–104.

⁹ Examples based on global news reporting.

governments in terms of the flow of information and finance.¹⁰ Globalization brought about changes in economic integration and shaped the geopolitical scenario of the world after the Cold War. Therefore, the scope of globalization has extended and become more complex. This concept has received special attention from researchers and policymakers to understand the phenomenon of globalization.¹¹ Appadurai discusses five global flows in the process of globalization: ethnoscape, which is the flow of individuals; financescape, the movement of money through nation-states; ideoscape, the flow of ideas around the world; mediascape, the global movement of information and images; and technoscape, the ever-fluid global informational and technological movement.¹² Some writers, such as Huntington, have focused only on the civilizational dimension of globalization. Samuel Huntington elaborated that globalization is not an embodied phenomenon. This occurred only at the surface level. It does not demolish the cultural identities of the individuals who live.¹³ Meanwhile, other writers such as Wallerstein emphasized the economic dimension of globalization. According to Wallerstein, globalization is a phenomenon through which global capitalists exploit their peripheries. He specifies peripheries as regions subordinated by core states through the process of colonization.¹⁴

The economic development of any country in the current age of globalization mainly depends on human capital, technological

¹⁰ Geoffrey Garrett, "The Causes of Globalization," *Comparative Political Studies* 33, no. 6-7 (2000): 941–991.

¹¹ Andreea Cuterela, "Globalization: Definition, Processes, and Concepts," *The International Conference on Communication, Media, Technology, and Design*, Istanbul, May 9-11, 2012.

¹² Arjun Appadurai, *Modernity at Large: Cultural Dimensions of Globalization* (Minneapolis: University of Minnesota Press, 1996).

¹³ Samuel P. Huntington, *The Clash of Civilizations, and the Remaking of World Order* (New York: Simon & Schuster, 1996).

¹⁴ Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge: Cambridge University Press, 1979).

innovation, trade openness, FDI, and infrastructure. Along with these factors, it also depends on other political and institutional factors.¹⁵ National governments focus mainly on market expansion through the process of globalization; therefore, in most cases, they liberalize their economies.¹⁶ Rapid advancements in information technologies and their worldwide spread have also contributed to the process of economic globalization.¹⁷ There are risks associated with financial integration when there is no sound and peaceful environment for foreign investment. Financial and structural policies are prerequisites for financial globalization because it is not an independent phenomenon but a very integrated process that maintains and respects the overall policy structure of a country.¹⁸ According to the Organization for Economic Cooperation and Development (OECD), "Foreign direct investment is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor."¹⁹ FDI plays an important role in economic development. Terrorism has adverse effects on FDI because foreign investors are hesitant to invest in countries where peace is not ensured. Pakistan has suffered a lot in every sector because of terrorism; specifically, its economy has been hit hard. The country must eradicate terrorism to attract foreign investors. Enders and Olson investigated the loss that terrorism can

¹⁵ George Petrakos, *Regional Development in Transition Economies: The Role of FDI and Trade* (New York: Springer, 2008).

¹⁶ Geoffrey Garrett, *The Causes of Globalization* (New York: Oxford University Press, 2000).

¹⁷ Shangquan Gao, *Economic Globalization: Trends, Risks and Risk Prevention* (Beijing: China Economic Publishing House, 2000).

¹⁸ Ayhan Kose, Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei, "Financial Globalization: A Reappraisal," *International Monetary Fund Staff Papers* 56, no. 1 (2010): 8-62.

¹⁹ Organization for Economic Cooperation and Development (OECD), *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs* (Paris: OECD, 2008): 17.

incur on the economy of a country, especially the cost of a war against terror. They concluded that the cumulative expenditure on rehabilitation, military expenses, and rebuilding infrastructure can significantly reduce the economic growth of the country.²⁰

Previous studies in many countries have shown that terrorism has multiple real economic consequences.²¹ However, among many aspects of terrorism, economic factors have contributed greatly to the rise of terrorism. Poor economic performance results in limited employment and other economic opportunities, and exacerbates income inequality, economic disparity, and poverty. Socioeconomic disparities provide fertile grounds for terrorist organizations to recruit more candidates to become terrorists. Additionally, increasingly limited economic opportunities can be a powerful factor in terrorism in relation to social and political dynamics.²² Terrorist attacks affect the overall economic growth. The target of terrorist attacks is the most vital infrastructure that can cause major economic losses; the hotel and tourism industries are particularly vulnerable.²³ Several studies have identified the impact of terrorism on economic performance.²⁴ However, Khan and Estrada note several controversies that

²⁰ Todd Sandler Enders and Walter Olson, *The Economics of Terrorism and Counterterrorism* (Cambridge: Cambridge University Press, 2012).

²¹ Abadie, Alberto, and Javier Gardeazabal. "The Economic Costs of Conflict: A Case Study of the Basque Country," *American Economic Review* 98, no. 1 (2008): 113-132.

²² Estrada, Edgar, et al. "Economic Impacts of Terrorism," *Journal of Economics and Finance* 42, no. 4 (2018): 675-691.

²³ Abadie, Alberto, and Javier Gardeazabal. "The Economic Costs of Conflict: A Case Study of the Basque Country," *American Economic Review* 98, no. 1 (2008): 113-132.

²⁴ Araz-Takay, Huseyin, et al. "Terrorism and Economic Growth: Evidence from Turkey," *International Journal of Applied Economics* 6, no. 2 (2009): 67-83.

underline the complex and sometimes contested relationship between terrorism and globalization.²⁵

Terrorism disrupts political stability and ultimately causes low FDI in Pakistan because foreign trade is only possible through effective, persistent government policies. Moreover, terrorist attacks destroy the vital infrastructure of a country, leading to a lower production rate, which is the main interest point for investors.²⁶ There are several reasons for terrorism in Pakistan, including lack of education, ethnic conflicts, lack of jobs, injustice, corruption, massive human displacement, and lack of opportunities for youth for their role in political participation or civic engagement activities.²⁷ Terrorism has become a common phenomenon that emerges in various forms.²⁸ In South Asia, Afghanistan and Pakistan were the two main countries facing terrorism and violence, particularly after the 9/11 incident. This wave of terrorism in these two countries has disturbed peace in South Asia.²⁹ Pakistan is one of those countries that is most severely affected by the current post-9/11 wave of terrorism. The country is also a prominent global ally for fighting terrorism. Focusing on Pakistan, this study draws on data from the World Bank and the South Asian Terrorism Portal to examine how economic globalization is linked to terrorism.

Pakistan actively participated in the war against terrorism after the terrorist attacks of 9/11 in the United States of America, which eventually exposed Pakistan to an immense wave of terrorist attacks on civilians and security forces. This has led to serious

²⁵ Khan, S. A., and Edgar Estrada, "Terrorism and Globalization: The Complex and Contested Relationship," *Global Studies Review* 25, no. 2 (2017): 225-238.

²⁶ Ullah, "Terrorism and Economic Growth," 2017.

²⁷ Khan et al., "Causes of Terrorism in Pakistan," 2016; Saud, "Youth, Politics, and Terrorism," 2020, 2021.

²⁸ Stibli, "Terrorism in South Asia," 2010.

²⁹ Ahmad, "Impact of Terrorism on South Asia," 2012.

political, social, and economic consequences for Pakistan.³⁰ Pakistan became a target of terrorist attacks when the country became a non-NATO ally of the West in a war against terror attacks. Being an ally, the country had access to advanced war equipment and the massive inflow of capital to the economy in the form of foreign aid, as well as the rescheduling of debts. On the other hand, it faced the emergence of militant groups such as Tehrik-e-Taliban Pakistan (TTP).³¹ Terrorist groups pushed Pakistan to war, resulting in human loss, poor economic growth due to declining trends in FDI and inflow of capital, political unrest, and destruction of infrastructure. Therefore, this study revolves around Pakistan's economic globalization and unpacks its relationship with terrorism.

Literature Review

Despite many differences and contestations among scholars and states over defining the concept of terrorism, four features of terrorism can be deduced, on which the majority of scholars and states agree. Terrorism involves committing violence. Second, terrorists deliberately commit the act. Third, the civilian population was the main target. Fourth, it produces fear in society. The act of terror is committed by non-state actors who violate the established laws of the state.³² FDI is a key factor in the economic growth and development of a country. Thus, the host country uses various incentives to boost FDI by motivating investors to invest in the country. Incentives include a low interest rate, exchange stability rate, and a peaceful internal environment. A country with political instability, weak implementation of laws, and an order situation will

³⁰ Daraz et al., "Economic Consequences of Terrorism in Pakistan," 2012; Ali, "Pakistan's War on Terror," 2010.

³¹ Ullah, "Terrorism and Economic Growth," 2017.

³² Ahmad, *Terrorism and State Laws*, 2012.

always remain in an underdeveloped economic index because these factors restrict foreign investors from investing in the country.³³

the era of immense globalization, most nation-states are facing the threat of terrorism on external and/or internal fronts. Therefore, they tend to coordinate to eliminate or minimize this common threat. The immediate purpose of coordination among nation-states in this regard is to minimize social, political, economic, and military costs while conducting operations against terrorism. These coordinated operations, in the South Asian region, had critical importance because the region is exposed to huge global investments in the shape of China Pakistan Economic Corridor (CPEC) and Chabahar port projects.³⁴ Blomberg in his paper demonstrates a negative relationship between terrorism and economic growth.³⁵ However, developed countries suffer less than developing or least developed countries from terrorism because developed countries have a better mechanism of fiscal and monetary policies to overcome the situation. They can easily absorb the situation by relocating resources.

Financial globalization is a long-term historical and dynamic process that involves the ebb and flow of capital, services, people, commodities, and information. Financial globalization has been accelerated by advancements in transportation and information technologies. The immediate purposes of globalization include production, trade, new markets, integration of markets, investment, and profit enhancement.³⁶ Haider argue that the most prominent

³³ Ullah, *Foreign Direct Investment and Economic Development*, 2017.

³⁴ Hyder, S., Akram, N., and Padda, I. H., "Impact of terrorism on economic development in Pakistan" *Pakistan Business Review*, 16(4), (2015): 704-706.

³⁵ Hess S. B. Blomberg and Weerapana, A, Terrorism from within: An economic model of terrorism: *The Economic Consequences of Global Terrorism*. Claremont: Claremont Colleges, 2002).

³⁶ Gereffi, Gary, and Timothy Sturgeon, "Global Value Chain-Oriented Industrial Policy: The Role of Emerging Economies," *Global Networks* 13, no. 3 (2013): 256–275.

causes of terrorism in Pakistan are the country's involvement in the war against terrorism, poor law enforcement, poverty, cross-border involvement, and unemployment.³⁷ However, each cause is not the immediate result of the other, but they are integrated in such a fashion that they provide the motives for terrorism. All these causes need effective policy implementation so that an array of psychological, social, political, and economic issues, human loss, and anxiety can be eradicated. After the terrorist incidence of 9/11, when Pakistan decided to join the war against terrorism, a wave of internal terrorist attacks was launched in the country, which resulted in low economic growth. Pakistan's dependency on small economies for imports increased because domestic investors drained from the country due to deteriorated political and infrastructural stability. In this way, a trend of capital outflow was seen, which further weakened the country economically. After the American invasion of Afghanistan, Pakistan, as a neighbor to Afghanistan, became an ally in the war against terror, which finally pushed the country into the current wave of terrorism. In addition to religious violence, Pakistan has experienced terrorist activities based on ethnic and linguistic grounds. The new wave of terrorism has severely affected the economic and social structure of the country. In the initial days of aligning with America, Pakistan's economy was boosted up because of receiving aid in coalition support fund and rescheduling the past debts, but with the destruction of its infrastructure due to terrorist attacks, the economy declined with a declining trend in FDI.³⁸

³⁷ Haider, Murtaza, Zubair Ahmed, and Amjad Waheed, "Causes of Terrorism in Pakistan," *Pakistan Journal of Social Issues* 6, no. 1 (2015): 19–31.

³⁸ Kaleem Hyder, Muhammad Akram, and Ishrat Padda, "The Effects of Terrorism on Economic Growth: Empirical Evidence from Pakistan," *Pakistan Development Review* 54, no. 4 (2015): 251–70; Eatzaz Ahmad, Muhammad Aslam, Muhammad Shahid Butt, and Haroon Ahmed, "The Impact of Terrorism on Foreign Direct Investment in Pakistan," *Lahore Journal of Economics* 8, no. 1 (2003): 39–50.

Yousaf describes South Asia as one of the most militarized regions in the world. India and Pakistan, the two largest countries in the region, have very hostile relations and have fought several wars. The countries frequently blame each other for sponsoring terrorist activities in their territories and destabilizing their economies.³⁹ Such a situation has put these countries into an increasing arms race to deter each other while cutting budgets on social spending, leading to dense human disparities in the region. The Stockholm International Peace Research Institute's data on trends in international arms transfer during 2019 showcase India as the second-largest importer of major weapons and Pakistan as the 11th largest importer of major weapons.⁴⁰ Saleem and Tahir explored the psychological effects of terrorism. They argued that the direct effect of fear caused by terrorism was the refrainment of governmental and state officials from their duties so that the state machinery could be paralyzed.⁴¹ Thus, they weakened their state, economy, and infrastructure. However, the authors claimed that researchers have not paid much attention to this dimension of terrorism and have particularly focused on the economic perspective. In this article, focusing on Pakistan, a frontline state to combat post-September 11, 2001, global wave of terrorism, we analyze the links between terrorism and economic globalization. Using secondary data, we show the socioeconomic implications of terrorism.

Methods

This study employed a quantitative approach. Secondary data on deaths from terrorist attacks and indicators of economic

³⁹ Mohammad Yousaf, "South Asia: Militarization and Its Implications", *South Asian Studies* (2017).

⁴⁰ Stockholm International Peace Research Institute, "Trends in International Arms Transfers, 2019," March 2020, <https://www.sipri.org/publications>.

⁴¹ Saleem Akhtar and Riaz Tahir, "Psychological Dimensions of Terrorism," *Journal of Political Studies* 21, no. 2 (2014): 123–136.

globalization in Pakistan from 2002 to 2015 were obtained from the South Asia Terrorism Portal and World Bank. In the present study, terrorism is operationalized by the deaths caused by terrorist attacks, whereas the economic globalization of Pakistan has been measured by FDI, Exports, and Imports over 14 years, that is, 2002 to 2015. To unpack the relationship between terrorism and economic globalization in Pakistan, we conducted descriptive and inferential statistical analyses. In the descriptive analysis, line graphs were developed to see an increase/decrease in the study variables on an annual basis from 2002 to 2015. Furthermore, Pearson’s correlation test was applied to test the relationship between the dependent variable (Economic Globalization) and the independent variable (terrorism).

Analysis and Discussion

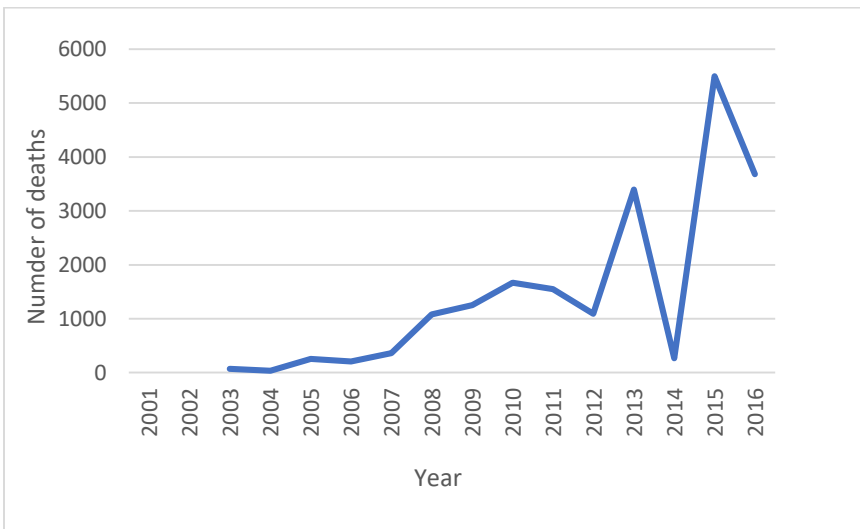
| Table 1: Number of deaths due to terrorist attacks, and the indicators of economic globalization of Pakistan (2002 to 2015) | | | | |
|---|--------------|-----------------|--------------------|--------------------|
| Year | No of Deaths | FDI as % of GDP | Export as % of GDP | Import as % of GDP |
| 2002 | 68 | 1.14 | 15.22 | 15.31 |
| 2003 | 34 | 0.64 | 16.72 | 16.13 |
| 2004 | 255 | 1.14 | 15.67 | 14.63 |
| 2005 | 210 | 2.01 | 15.69 | 19.56 |
| 2006 | 359 | 3.11 | 14.13 | 21.55 |
| 2007 | 1078 | 3.67 | 13.21 | 19.78 |
| 2008 | 1251 | 3.2 | 12.38 | 23.21 |
| 2009 | 1668 | 1.39 | 12.4 | 19.68 |
| 2010 | 1547 | 1.14 | 13.52 | 19.35 |
| 2011 | 1092 | 0.62 | 13.97 | 18.97 |
| 2012 | 3396 | 0.38 | 12.4 | 20.41 |
| 2013 | 268 | 0.58 | 13.28 | 20.6 |
| 2014 | 5496 | 0.76 | 12.24 | 18.66 |

| | | | | |
|------|------|------|-------|-------|
| 2015 | 3682 | 0.36 | 10.59 | 17.02 |
|------|------|------|-------|-------|

Source: South Asia Terrorism Portal

In 2002, when Pakistan became an ally of the West in a war against terrorism, it faced a very small number of terrorist attacks. Therefore, the number of exports was similar to the number of imports. With an increase in the intensity of the war against terrorism, an increase in the number of attacks as well as the number of deaths can be observed, as indicated by the data. With this increasing trend in terrorism, an abrupt decrease in FDI can be seen in FDI but exports and imports remain the same. In the subsequent years, 2004-5 and 2006, significant increases occurred in the number of attacks and deaths, but there was also an increasing trend in FDI just because Pakistan received a huge amount of coalition support funds from America and also due to the rescheduling of previous debts. In these years, exports have remained the same, but Pakistan's dependency on imports increased from 14.63% of its GDP in 2004 to 21.55% of its GDP in 2006. From 2007 to 2010, a gradual decrease was observed in the number of terrorist attacks, but there was a continuing increase in the number of deaths. With this increase in deaths, FDI decreased from 3.67% in 2007 to 1.14% in 2010, along with a gradual decreasing trend in exports from 13.21% to 12.4% in 2009. However, some fluctuations were observed in imports to the country in the same years. In the next five years, from 2011 to 2015, a decreasing trend in attacks was observed, but with an increase in the number of deaths, except in 2013. In these years, FDI, exports, and imports have shown a fluctuating trend.

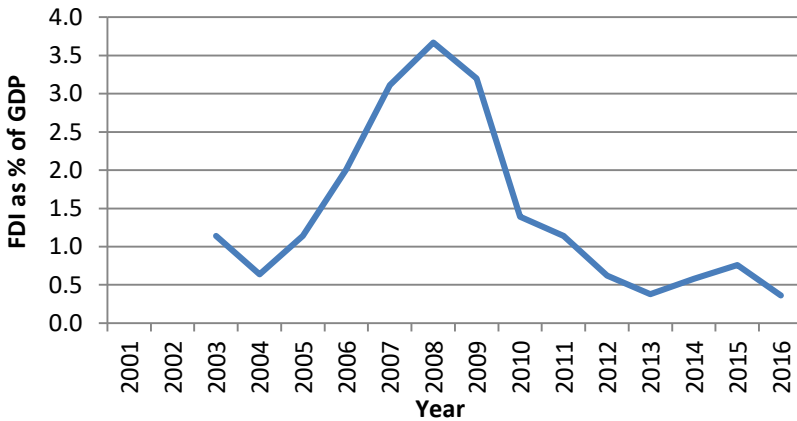
Figure 1. Deaths occurred during terrorist attacks from 2002 to 2015.



Source: South Asia Terrorist Portal

In the above graph, the number of deaths is shown on the vertical line, whereas the horizontal line shows the year in which the deaths occurred. This graph clearly shows the trend in the number of deaths each year. The death toll in 2002 and 2003 was not high, but there was a slightly increasing trend in 2004-5 and 2006. There was an abrupt and large increase in 2007, followed by a further increase in 2008-9 and 2010. The death toll decreased slightly by 2011, but in 2012, as the graph shows, it reached 3396. The graph further shows an instant decrease in 2013, with a death toll of 268, similar to the situation in 2004. The highest death toll was observed in 2014, when the number of deaths reached 5496 followed by a decreasing trend in 2015, when the total deaths declined to 3682.

Figure 2. Pakistan's FDI as a percentage of GDP from 2002-1015.



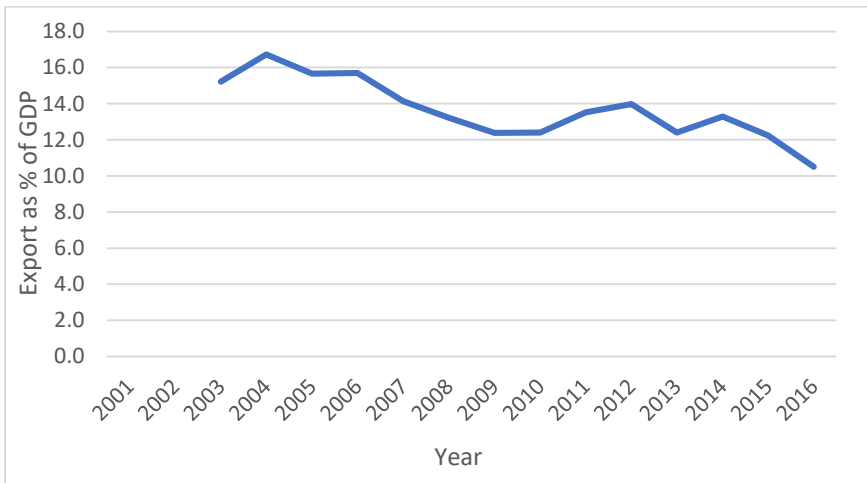
Source: South Asia Terrorist Portal

As discussed earlier, FDI is considered the backbone of a country's economy.⁴² In Pakistan, the current wave of terrorism adversely affects FDI levels. Any country or individual, across the border, prefers to invest in a country where favorable conditions are available for business activities. Unfortunately, in Pakistan, the favorable environment for investment has gradually been jeopardized by terrorism for the last fifteen years. As the figure shows, due to the terrorist attacks in 2002, the FDI of Pakistan decreased. With the correlation between the number of deaths and FDI as a percentage of GDP, it is evident that there is a negative relationship between these two variables. At the beginning of terrorism in 2002, the FDI level was better than the subsequent years in which terrorism acquired a very indispensable role in the affairs

⁴² Latif, Z., Latif, S., Ximei, L., Pathan, Z. H., Salam, S., & Jianqiu, Z., (2018). The dynamics of ICT, foreign direct investment, globalization and economic growth: Panel estimation robust to heterogeneity and cross-sectional dependence. *Telematics and Informatics*, 35(2) (2018): 318-328.

of the country. FDI of the country reached the highest level in the mid-2006 when Pakistan received foreign aid and was successful in rescheduling its foreign debts. However, with the increase in terrorism, a decrease in FDI can be observed. This decreasing trend continued until the severe attacks of 2012 in which the death toll reached the highest level of 3396, whereas the FDI reached its lowest level of 0.38 percent of GDP at the same time.

Figure 3. Pakistan's export as a percent of GDP from 2002-2015

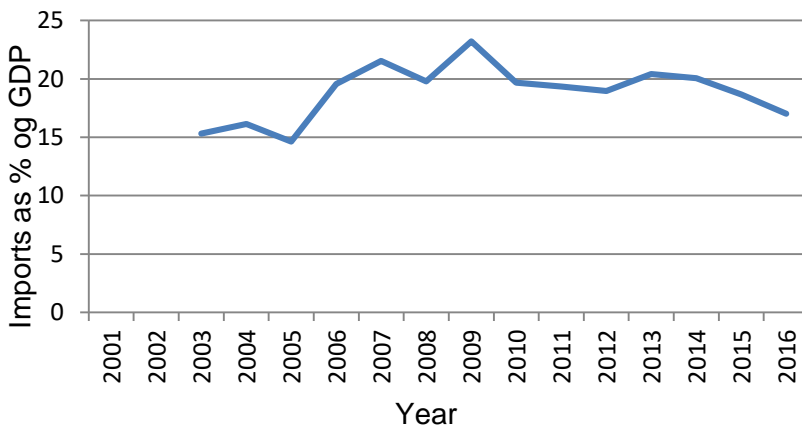


Source: The World Bank

The export level of a country depicts its economic development. Any country can export goods and services when it can fulfill its own needs first. The production of surplus goods and services is possible only through technological and economic development. The above figure shows the export trend in Pakistan from 2002 to 2015. By comparing figure 3 with figure 1, we can see that there is an inverse relationship between terrorism and exports of Pakistan. Exports increased by 1.5 percent from 2002 to 2003, showing a negative relationship with the number of deaths during that period. However, after 2003, the graph depicts a gradual decline in exports

of Pakistan. As showed previously in figure 1, during the same period, the number of deaths due to terrorist attacks increased significantly. This unveils an inverse relationship between exports of Pakistan and terrorism measured as the number of deaths in terrorist attacks.

Figure 4. Pakistan’s Import as percent of country’s GDP from 2002-2015.



Source: The World Bank

Pakistan’s import as a percent of GDP also confirms the inverse relationship between terrorism and economic globalization. One of the main reasons why a country imports goods and services from other countries is the incapability of the country to produce goods at the domestic level. As shown in figure 4, with an increase in the intensity of terrorism, Pakistan’s reliance on imported goods also increased. The sudden rise of terrorism from 2004 to 2008 also enhanced Pakistan’s imports as a percent of GDP.

| |
|---|
| Table 2. Association between Numbers of Deaths and Economic Globalization |
|---|

| Economic Globalization | R |
|--|----------|
| FDI | -0.32 |
| Exports | -0.75 |
| Imports | 0.17 |
| Note= Pearson R Correlation Coefficient (r) <.05 | |

To see the association between the indicators of economic globalization and terrorism, Pearson R correlational analysis was conducted (see Table 2). The results indicate that FDI was moderately and negatively correlated ($r=-.32$, $p<.05$) with the number of terrorism deaths. In addition, exports had a statistically strong significant negative relationship ($r=-.75$, $p<.05$) with the number of deaths due to terrorism. However, imports have a weak positive correlation with ($r=.17$, $p<.05$) the number of terrorism deaths. These findings suggest that terrorism affects the economic progress of the country. It becomes more evident in the context of developing countries, such as Pakistan are being at the front of the war against terrorism, which had suffered a lot. The analysis shows that FDI moderately decreases with the increase in terrorism, while exports of the country decrease quickly with the increase in terrorism. A study conducted by Estrada indicated that the acceleration of anti-globalization may cause terrorism in some countries. On the other hand, imports of the country increase with the increase in terrorism which means that terrorism along with other factors also contributed to Pakistan's dependency on other countries.⁴³ In addition to supporting linkages between terrorism and vital economic indicators, the study of Khan, Estrada & Yusof (2016) further quantifies the impact of terrorism on the economic performance of Pakistan.⁴⁴

⁴³ Estrada, M. A.R., Park, D., & Khan, A, The impact of terrorism on economic performance: The case of Turkey. *Economic Analysis and Policy* (2018). Doi: 10.1016/j.eap.2018.09.008

⁴⁴ Mohammad Yousaf, "South Asia: Militarization and Its Implications", *South Asian Studies* (2017).

Conclusion

The present study has shown the links between terrorism and economic globalization of Pakistan between 2002 to 2015. In this study, terrorism was operationalized as the number of deaths in terrorist attacks while the indicators of economic globalization included FDI, exports and imports as percentage of GDP. The findings of the study indicate that terrorism has adversely affected the economic globalization of Pakistan. As FDI and exports contribute significantly to the economy of any country, the present study reveals that with the increase of terrorism in Pakistan, these economic indicators have declined. Meanwhile, increasing terrorism in Pakistan has enhanced the country's reliance on imported goods that also marks the weakening of the country's economy. Meanwhile the study also reveals that all those terrorist attacks which got media coverage globally contributed to the weakening of domestic economy. That means global information flow affects each domestic circumstance. Building on the findings of this study, policy makers must make extra efforts in curbing terrorism and revival of economic growth. 21st century is known as the century of economics. Given the deteriorating economic situation of Pakistan, it is now cry of the day to introduce effective counter terrorism strategies, which in turn would make a fertile ground for foreign investment. Moreover, on the economic front, policy makers should initiate regional economic integration efforts for sustainable economic growth. Economically integrated region will lead to harmony of interest among the stakeholders, and as a result it will discourage terrorist and separatist tendencies.