

# ECONOMIC COST OF TERRORISM: A CASE STUDY OF PAKISTAN

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The world is currently confronting terrorism in different manifestations. After the 9/11 terrorist events, the phenomenon of terrorism has abruptly changed the socioeconomic and geopolitical situation of the world. Terrorist groups have linkages with each other and are utilising each other's areas for recruitment and training, exchanging illegal weapons, engaging in joint planning and ventures, and also providing administrative and other logistic support. Pakistan is also facing the menace of terrorism which is eroding the country's social structure, economic development and political system. The acts of terrorism are threatening Pakistan's law and order situation, violating human rights of the citizens, damaging basic infrastructure and economic opportunities.

The immediate costs of terrorist acts are loss of human lives, destruction of property and infrastructure and curtailment of short-term economic activity. Additionally, terrorism creates uncertainty, reduces confidence and increases risk perceptions; leading to lower rates of investment and lower economic growth. In fact, Pakistan has not only lost precious lives and infrastructure; according to official estimates, it has also suffered a loss of around \$ 35-40 billion since 2001-2002.

Pakistan's economic growth came to a near halt at around 2.00 per cent in fiscal year 2009, not only as a result of the global financial crisis, but also because of internal issues. These included a war on terror launched by security forces in the North West Frontier Province (NWFP) and the Federally Administrated Tribal Areas (FATA) bordering on Afghanistan, and the resultant displacement of some three million people from their homes. Both the war on terror and the rehabilitation of the internally displaced persons (IDPs) consumed a big chunk of the government's financial resources, thus widening the fiscal deficit and halting economic growth. Pakistan has suffered more than any other country due to the war on terror.

With the threat of terrorism, normal business requires more time and extra security. Thus, terrorism leads to a general slowdown in economic activity. Moreover, the terrorists have challenged the writ of the government by creating chaos and uncertain conditions that have tarnished the soft image of Pakistan. According to analysts of international economics, the soft image is like a cashable commodity, as it is an important source for attracting foreign direct investments (FDI). The FDI fell to \$ 463 million during the first quarter as against \$1.116 billion during the same period the previous year, a decline of 58.5 per cent. The frequent incidents of terrorism have given a bad name to Pakistan in the world and international markets. Terrorism has damaged the economy, polity and society of Pakistan, on multiple levels.

Against this background, recognizing and estimating the cost of terrorism is an extremely difficult exercise. Moreover, the absence of primary data makes the task even more challenging. The present study should thus be treated as an attempt at filling the knowledge gap in this area, encouraging more sophisticated analyses for better frameworks, and conflict cost estimates. The paper focuses on the economic cost of terrorism in Pakistan in a multi-dimensional perspective. While highlighting the impact of terrorism on GDP growth, it also takes into account the impact on FDI and tourism, along with the social sector.

### **Cost of terrorism: an assessment**

Assessing the economic cost of terrorism is a very difficult exercise. The terrorist attacks have imposed a number of significant costs on individuals, societies and the State, and have thereby substantially changed the economic and social structure of the country.

### **Areas of impact**

Any analytical framework devised to estimate such figures must include a wide range of impacts. Some of the areas that can be included in this framework are given below:

## **Types of costs      Impacts**

Maintaining law and order. Increased costs of maintaining law and order, including military, para-military, police and associated judicial costs.

Humanitarian aid.      Conflict affectees, IDPs and refugees.

Fiscal costs. Including the impact on revenue and programmes for growth and to rebuild society.

Economic costs.      Reduced investment, flight of capital and lower growth rate.

Social costs. The impact on living standards, including health, education and wider aspects of vulnerability, taking into account the fact that conflict often harms the poor most.

Cultural costs.      Impact on social conventions and structures, which is often severe and long-lasting.

Source: “Estimating Conflict Cost: The Case of North West Frontier Province and Pakistan (Draft for Discussion)”, [cppr.edu.pk/download/Estimating%20Conflict%20Cost%20-2009-08-20.pdf](http://cppr.edu.pk/download/Estimating%20Conflict%20Cost%20-2009-08-20.pdf)

There are some other factors as well which must be taken into account, including compensation to the aggrieved parties and destroyed private infrastructure and expenses. Moreover, the cost of dislocation of population and missed opportunities, along with the psychosocial cost, trauma, loss of loved ones and mental illness must also be factored in such cost assessments.

## **Consequences of terrorism**

The burden on a State managing a terrorism problem may be enormous, serious and unmanageable and has severe consequences on its economic outlook. Nevertheless, some of the economic consequences of terrorism are tabled below:

Economic Dimension      Effect

Economic growth.    Negative, sometimes falls dramatically.

Exports.      Negative, due to (i) production fall; (ii) shift to domestic sales; (iii) disruptions in international markets.

Sectoral distribution.      Shift from tradable to non-tradable sectors, due to, e.g., the undermining of banks and failure of transport system.

Consumption.      Negative, in spite of reduced domestic savings and increased foreign borrowing and aid.

Investment.    Sharp fall in government capital formation and private investment, due to budgetary restrictions and increased uncertainty.

Budget deficit.      Increase, due to increased spending, while revenues do not always fall.

Distribution of government spending.    Increased share allocated to the military, making it difficult to sustain social and economic expenditure.

Civic entitlements.    NGO efforts to provide food and services could in some cases partially compensate for lost public entitlements, while in other cases, NGOs are able to do little, as communities disintegrate.

Human costs.      Heavy human costs: increased infant mortality rates, deteriorating nutrition, health and educational standards, as a result of falling entitlements and war-induced famines.

Development costs.    Heavy development costs due to destruction of capital and reduced investment.

Source:      Based on Stewart and FitzGerald (2001), pp. 230-232.

## **Economic cost of terrorism**

The ongoing insurgency has accelerated the already dismal economic situation and has affected almost each and every economic aspects of the country, particularly in FATA and NWFP. All main resources of revenue in affected areas have been hurt, including agriculture, the tourism industry, manufacturing and small-scale industry.

## **Primary sectors**

### Agriculture

Agriculture is the main source of revenue in most of the terrorism-affected areas, including FATA and NWFP. People in these areas rely predominantly on agriculture as their main economic activity. The districts of Swat, Buner, Shangla and Lower Dir, along with the Malakand Agency, in the troubled region, are 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 (60 per cent), pear (34 per cent), tomato (18 per cent), apple (15 per cent), plum (14 per cent), tobacco (11 per cent), maize (eight per cent), onion (eight per cent), all vegetables (five per cent), apricot (five per cent), wheat (one per cent), and rice (one per cent). The five districts 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.

Swat has 98,100 hectares arable land, while 408,175 hectares remain uncultivable. Agriculture is the main source of livelihood for most households, accounting for 80 per cent of the total population. It specializes in many commodities like peaches and contributes about 60 per cent to the national production. Swat also produces 13 per cent of total national production of tomato. In the overall provincial production of vegetables in the NWFP, one-fourth comes from Swat. These commodities arrive in markets when supplies from other corners of the country are short. Normally, 500 to 600 trucks transport fruit from Swat to the rest of the country during the harvest season on a daily basis.

In addition, the Swat farming system was a model for the rest of the NWFP in particular and the country in general in the pre-war period. It was a centre of orchards, coupled with multi-utility processing industries, cold storages, huge dry storages and an efficient transportation and marketing mechanism. Swat was a training centre for budding and grafting of plants and nursery industry was on the rise. The experienced farmhands worked in the rest of the province and even in Balochistan, especially for the growth of olives. Its plant nursery production ranked third in the country after Pathoki (Lahore) and Tarnab (Peshawar).

But, due to the insurgency, the Swat valley has been subjected to continuous attacks since 2007. According to the government of Pakistan estimates, the loss to agriculture alone amounts to Rs. 35 billion. The local media, citing Swat-based agricultural officials has reported that 55 to 70 per cent of the total fruit produce has gone waste. That has been due to various factors, including hostilities, artillery shelling, blowing of bridges in bomb blasts, blockade of roads, attacks, and curfews. The breakdown in law and order has damaged the district's fruit-based economy and rendered billions of rupees losses to the landowners, labourers, dealers and farmers who earn their livelihood from these orchards.

Also, the Economic Survey of Pakistan report shows that the share of agriculture in the gross domestic product (GDP) has been constantly falling. It accounted for 25.9 per cent of GDP in 1999-2000; however, gradually its share shrank to 21.3 per cent in 2007-2008 but improved slightly to 21.8 per cent in 2008-2009. The figures show that terrorism has not only decreased the productive capacity of agricultural activity in these regions but also in the entire country.

## Manufacturing

The manufacturing sector has been hard hit by political instability and frequent incidents of terrorism and has created an uncertain environment resulting into low level of economic growth. The manufacturing sector is witnessing the lowest-ever share of 18.2 per cent in the GDP over the last five years. In addition, the small and medium-size enterprises are a key area of manufacturing activity in Pakistan, particularly in the war-affected areas. Power looms, precious and semi-precious stone mining, wood and marble work, and small units of consumer items are affected across the country because of power shortages and frequent terrorist attacks.

As a result, the mining and quarry sector has shown the lowest-ever growth in almost a decade and grew by only 1.3 per cent in 2008-2009, as compared to 4.4 per cent in the year before, and a target of 5.0 per cent. The contribution of this sector to the GDP has remained low at around 2.5 per cent. The following table shows the growth performance of real sectors in Pakistan for this period:

Table: 1 Sectoral contribution to GDP growth (% points)

Sectors	2004-05		2005-06		2006-07		2007-08		2008-09	
Agriculture	1.5	1.4	0.9	0.24	1.00					
Industry	3.1	1.1	2.3	0.45	-0.92					
Manufacturing	2.7	1.6	1.6	0.91	-0.64					
Services	4.4	3.3	3.6	3.41	1.92					
Real GDP (FC)	9.0	5.8	6.8	4.10	2.00					

Source: Federal Bureau of Statistics

According to the then finance minister, Shaukat Tarin, financial year 2009 has been the worst economic year of the decade for Pakistan. The real economic growth was the lowest in last eight years, and fell to 2.0 per cent, as against the average of 6.3 per cent in the previous six years. It is also apprehended that one of the prime contributors to this derailing is Pakistan's proactive role in the war on terror in NWFP and FATA. Hence, Pakistan has not only lost precious lives and infrastructure, but has also borne the cost of around \$ 40 billion since 2001-2002. Pakistan's economy is also suffering \$ 6 billion export losses annually due to the ongoing war on terror.

Direct and indirect costs of terrorism

Terrorism has both direct and indirect costs for the economy. The direct costs include human casualties, 'collateral damage' to the infrastructure, factories and standing crops; and interruption of economic activities. The indirect costs include the decline in investment, inability to proceed with development work, loss of production time, increase in unemployment and the high cost of supporting and rehabilitating the displaced persons.

With expanding insurgency in the tribal belt and increasing acts of terrorism in Pakistan, the direct and indirect costs are growing exponentially. According to the Economic Survey, Pakistan has been the worst victim of the war on terror. Pakistan's economy has significantly lost the momentum of economic growth since 2007. The Annual Report by the Institute of Public Policy of Beacon House National University estimates the cost of the war on terror in Pakistan to be \$31.4 billion since 2004-2005, far in excess of the assistance of \$1.7 billion annually. A clearer picture can be seen in the following table:

Table: 2 Cost of conflict to Pakistan (Rs. billion)

Cost	2004-2005	2005-2006	2006-2007	2007-2008	2008-09
Direct cost	67.103	78.060	82.499	108.527	114.033
Indirect cost	192.000	222.720	278.400	375.840	563.760
Total cost	259.103	300.780	360.899	484.367	677.793

Source: Finance Division, Government of Pakistan, September 2008.

According to the Ministry of Finance as cited in the table above, Pakistan has suffered directly or indirectly a loss of Rs. 2,083 billion in the war against terror between 2004-2005 and 2008-2009. As can be seen, at the beginning, that is, in the fiscal year 2004-2005, it was around Rs. 259.103. However, it has increased rapidly since then, and reached Rs. 678 billion which has affected the country's socio-economic development. This includes both direct and indirect costs. The economy is suffering from losses of income and employment opportunities; especially in the war-torn areas and the cost of rehabilitation of hundreds of thousand uprooted people from Swat, Malakand and FATA areas.



If this trend continues, the direct and indirect costs would increase manifold. Frequent terrorist acts are occurring in all major cities of the country including Peshawar, Lahore Rawalpindi and Islamabad. Therefore, the expected direct cost of war on terror would likely increase in the upcoming years. Similarly the indirect cost would also increase in the coming years. However, if the loss to infrastructure, especially girl schools, missed opportunities due to displacements and kidnapping, and looting are also factored in, the cost of terrorism would be even higher and more devastating for the future of Pakistan.

In short, terrorism has adversely affected development and imposed a heavy economic burden on the economy. It is important to note that the general loss of confidence in the economy and the consequent inability to attract foreign inflow, high military expenditure, and enhanced transaction costs lead to economic distortions impacting economic growth and causing instability. However, effective action to combat terrorism would generate significant benefits for the economy, preventing losses from reduced trade flows and investment which undermine economic growth in the long term.

#### Foreign direct investment (FDI)

The behaviour of foreign investors is always difficult to predict, as it depends on various factors such as wisdom, prior experience, perception and tolerance of economic and political risk, and long-term objectives. In the case of Pakistan, terrorism has affected the allocation decision of firms investing money in foreign assets. As a result, FDI, which had witnessed a steep rise over the previous several years, was adversely affected by the terrorist acts in the country, especially in FATA and other areas of NWFP.

A major concern for Pakistan is the perception in financial market that as a country it is failing to deal effectively with terrorism. In such a situation, markets face high risk premiums and the cost of protecting assets rises, reducing investment inflows. Pakistan's participation in the war on terror has led to an excessive increase in the country's credit risk due to which the World Bank has lowered Pakistan credit rating.

According to a Harvard study (December 2000), higher levels of terrorism risk are associated with lower levels of net FDI. In an integrated world economy where investors are able to diversify their investments, terrorism may induce large movements of capital across countries. So, Pakistan is not an exception and the flow of FDI is likely to reduce further. However, the Asian Development Bank has reported that in nearly every instance, acts of terrorism in Pakistan were directed at government and military targets. The report further said that commercial loss was always the result of collateral damage. This is in sharp contrast to the image of Pakistan that prevails in the world where it is portrayed as a poor place to invest because of high terrorism risk.

As a result of this flawed perception, FDI has fallen manifolds in the last few years. It fell by over 58 per cent during the first quarter of the current fiscal year amid deteriorating law and order situation which devastated the image of the country at the international level. The State Bank of Pakistan reported that the FDI fell to \$463 million during the first quarter against \$1.116 billion during the same period last year, a decline of 58.5 per cent. The report demonstrated that the Asian countries have all but left Pakistan and their investment in the country has turned to almost zero during the first quarter of current financial year. The Asian countries which invested \$472 million in the first quarter of the previous year spent only \$30 million during the same period in the current year.

Contrary to that, portfolio investment, surprisingly, showed a strong willingness to remain in the country, despite its sensitivity to hostile situations. The State Bank report said during the first quarter, portfolio investment increased to \$208 million as against a net outflow of \$173 million during the same period last year. Therefore, it is vitally important for investors not to rely solely on widely held perceptions about the nature of terrorism risk in a particular country like Pakistan. Often, a wise foreign investor would sift fact from fiction to arrive at an investment decision based on reality on the ground that is consistent with its investment objectives.

## Tourism

The countries or regions that depend heavily on tourism have been found to suffer significant economic losses due to the persistence of terrorism. That is because individuals who plan their holidays are not likely to choose a destination with a high threat of terrorist attacks. Gilgit-Baltistan and the NWFP are important destinations in

Pakistan and people living there depend on tourism. However, most parts of Pakistan's northern belt and NWFP have fallen into the terrorists' grip.

For example, Swat was an important tourist destination in Pakistan which attracted people from across the world not only to its natural beauty but also to see its rich civilisation and history. Swat is suitable for all sorts of tourism, i.e., eco-tourism, adventure tourism, spiritual tourism, culture/heritage tourism, sports and commercial tourism. It has over 400 Buddhist sites. It has also a number of snow-capped peaks, waterfalls, glaciers, springs, streams, vast grassy tracts, thick forests, natural parks, lakes and dark forests. It is an ideal place for both summer and winter tourism.

There are more than 855 hotels, including 405 restaurants, in the valley and around 40,000 people are associated with these hotels. But they have mostly remained closed during the past three years due to militancy and the subsequent military operation. According to government's own estimates, the hotel industry in Swat valley has suffered a loss of Rs. 60 billion from 2007 to 2009. The workers associated with the hotel industry have also lost their jobs due to the ongoing incidents of terrorism. Moreover, the transport industry has also faced a severe blow and both the national and international transport services have either closed down or decreased their services from Peshawar, Islamabad and Lahore. Therefore, the hotel association offered a very cheap package of 10-day free stay in hotels in the valley Swat starting with the New Year 2010.

According to the World Economic Forum, Pakistan ranked 113 out of 130 countries in 2009 as a tourist destination. The low ranking is attributed to incidents of terrorism and the lack of a tourism regulatory framework in Pakistan. Sources said that many motels in the country's restive northwest were closed down as tourists were banned from those areas and the staff had migrated to other cities for work.

### Social cost of terrorism

The impact of terrorism on a State's economy may be enormous, leading to unemployment, homelessness, poverty and other economic and social ills. According to the Ministry and Finance, Pakistan's participation in the anti-terrorism campaign has led to massive unemployment in the affected regions which has ultimately increased rural

poverty too. That reached 37.5 per cent from 23.9 per cent in 2007-2008. In addition, internally displaced persons also require humanitarian assistance, especially shelter, food, water and sanitation and the delivery of basic social services including health and education. Frequent incidents of terrorism and displacement of the local population have severely affected the socioeconomic fabric of the country, particularly in NWFP and FATA. Due to this situation of increased unrest and uncertainty, the World Bank has also blocked the lending of at least \$834 million market-based loans which may seriously increase the socioeconomic problems for the country.

According to a Swat Youth Front survey; for household incomes, 28 per cent of the respondents had a monthly income of more than Rs. 40,000, while only eight per cent had a monthly income of up to RS. 5,000 before the crisis. After the crisis, only four per cent had a monthly income of Rs. 30,000, while 35 per cent reported to have no monthly income. These 35 per cent households are mostly those of labourers, businessmen and farmers. The major causes of lack of economic opportunities are persistent curfews, destruction of agricultural land and fruit orchards due to security operation in the region.

Terrorism also has considerable implications for the future of education in Pakistan. The NWFP Department of Education reports that education for students in the province has been affected because of damaged or destroyed schools. That includes 65 per cent of the schools in Swat and 35 per cent in Buner, Upper and Lower Dir, Shangla and Malakand Districts. Swat is the most effected where female education has been prohibited by the militants. Moreover, it is not just girls' schools that have been targeted in Swat. More than 42 per cent of boys' schools were also destroyed in Swat. According to some estimates, nearly 150,000 students have been deprived of education, while 8,000 female teachers are without jobs due to the insurgency. In addition, more than 190 government schools have been burnt, and approximately 45,504 students enrolled in these schools in the war affected area of Swat have been affected.

According to the former senior vice-president of the Lahore Chamber of Commerce and Industry (LCCI), Sohail Lashari, the Swat war has displaced two million residents, increased unemployment, discontinued education of youth, badly damaged infrastructure, wiped out tourism - the main source of income for the area -, sparked violence in other parts of the country, and stopped the supply of essential raw materials from Swat like marble, gems, jewellery and furniture industries, besides fresh fruits, vegetables and other hilly food items to other parts of the country. Lashari said that frequent bombings, deteriorating law and order situation, and displacement of the local population, had taken a toll on the socio-economic fabric of the country, especially the embattled northern parts of the country.

## Human cost

The human cost of the war against terror is very high. In year 2003, total number of fatalities in terrorism-related violence amounted to just 189. By 2004, this number had risen to 863, to slide down marginally to 648 in 2005, but rose dramatically thereafter. In 2009, at least 11,585 persons, including 2,307 civilians, 1,011 security forces (SF) personnel and 8,267 terrorist/insurgents were killed in different attacks. Therefore, human miseries are on the rise as can be verified from the table below:

Table: 3 Annual fatalities in terrorist violence in Pakistan, 2003-2009

Year	Civilians	SF personnel	Terrorists/insurgents	Total
2003	140	24	25	189
2004	435	184	244	863
2005	430	81	137	648
2006	608	325	538	1,471
2007	1,523	597	1,479	3,599
2008	2,155	654	3,906	6,715
2009	2,307	1,011	8,267	11,585
2010*	119	14	126	259
Total	7,747	2,890	14,712	25,329

Source: Institute for Conflict Management (SATP)

\* Data till January 11, 2010.

The human cost of Pakistan's bold decision to become a frontline State against terrorism is very high. Pakistan has suffered more than any other country in the world in the war on terror, as shown in the table above.

The NWFP and FATA have witnessed large-scale violence and insurrections throughout the year 2009. In NWFP, there were 1,137 terrorist attacks, including 52 suicide attacks. At least 1,438 persons, including 1,005 civilians and 435 security forces personnel, were killed; and 3,616 injured, including 2,777 civilian and 828 security forces personnel. Peshawar, Swat, Dir, Charsada, Bannu and Kohat were the most affected districts. A clearer picture is shown in the following table:

Table 4: Terrorist attacks in NWFP (2009)

District	No. of attacks	Killed	Injured
Peshawar	170	445	1,520
Swat	248	223	295
D.I. Khan	90	161	441
Kohat	140	119	291
Lakki Marwat	38	8	35
Mardan	35	12	33
Dir	47	110	125
Charsada	38	70	134
Tank	32	36	93
Bannu	110	81	219

Malakand	29	17	39
Chitral2	1	1	
Hangu67	55	143	
Mansehra	15	12	26
Nowshera	32	20	120
Buner 28	14	25	
Swabi 4	2	2	
Shangla	3	47	62
Battgram	4	2	7
Karak 4	3	2	
Kohistan	1	1	3
Total	1,137	1,439	3,616

In FATA, 559 terrorist attacks, including seven suicide attacks, were reported during the year. At least 644 people, including 390 civilians and 244 security forces personnel, were killed; and 1,046 injured, including 560 civilians and 486 security forces personnel:

Table 5: Terrorist attacks in FATA (2009)

Agency	No. of Attacks		Killed	Injured
South Waziristan	89	75	152	
North Waziristan	66	139	187	
Kurram	36	28	39	

Orakzia	28	28	7
Khyber	109	183	420
Bajawar	123	66	107
Mohmand	108	125	134
Total	559	644	1,046

A shocking aspect of violence witnessed across the country is that of suicide attacks. There were 78 suicide attacks in 2009 as against 59 in 2008. This mean that, on average, every month Pakistan witnessed at least six to seven suicide attacks which cost hundreds of human lives and considerable infrastructural damage. The important point here is that in the year 2009, the number of deaths has not only increased to 11,585 but militants were also able to spread terror, attacking military convoys, destroying public properties, especially girls' schools, and kidnapping and lootings.

## **Conclusion**

The ongoing insurgency has done much damage to the country and economic conditions have worsened in almost all vital sectors. The costs of terrorism include loss of livelihood, destruction of infrastructure, capital flight, declining of growth rates, low revenues and hence the deterioration of overall economy. This has had a significant impact on FDI which fell by over 58 per cent during the first quarter of the current fiscal year due to poor law and order situation which has shattered the image of the country in foreign markets. Tourism, one of the most important sources of revenue in the northern parts of the country, has also been affected by the current war on terror. Consequently, the overall real GDP growth fell to 2.00 per cent in the financial year 2008-2009.

In addition, the ongoing anti-terrorism campaign has cost thousands of human lives including both civilian and security forces. Spreading terror, attacking military convoys, destroying public properties, especially schools, and kidnapping and looting have all been regular practices. This shows that the magnitude of the problem posed by the terrorists has increased manifold and subsequently so have the costs. The question



now arises as to how normalcy can be brought back to the instable regions of the country.

In the first stage, the government must strive to stabilize the troubled areas with the support of the local people. In the second stage, the government should start infrastructural development and later on industrialization in the troubled regions by utilizing their natural resources. As a result, people would not only get employment but would participate directly in the development of the country. Plus, their sense of economic deprivation would be reduced. The international community should also help Pakistan not only in the form of financial assistance, but also in building and investing in economic zones in these areas.

Since the troubled region of NWFP, particularly the Malakand Division, has geo-strategic importance, it can be used as a trade route for China and Central Asia. More importantly, the people of Malakand have proven their patriotism but there remains the need for political vigilance so that exploitative actors do not use them for spreading terror and destabilizing the country. Through awareness campaign the government would be able to remove any uncertainty among the people of this region.

Terrorism is the primary source of instability in Pakistan. There needs to be consensus building on the issue at the national level among the political, religious, bureaucratic and army leadership. But it should be clearly on a one-point agenda: against extremism. Moreover, it is necessary to take regional countries in confidence. Essentially, both regional and national stability are necessary if terrorism is to be tackled and if the economic cost of terrorism is to be reduced.

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