The Cost of Conflict in Pakistan
Contents

Part I:

Introduction

1: Human Cost

2: Social and Political Costs

3: Economic Cost

4: Psycho-social Cost

5: Environmental Costs

Part II:

Relegation of Pakistan to ´´AfPak´´
Foreword

This study seeks to understand the costs of conflict accrued by Pakistani state and people as a result of their participation in US-led War on Terror. Firstly, it tries to understand and diagnose the scenario in which Pakistan was linked with Afghanistan in President Obama’s new policy in the region. Secondly it underscores the cost of this conflict that Pakistan is paying and would be paying in the foreseeable future.

Several studies have been conducted on the economic costs of the US war on terror, which began in 2001. These include studies by William Nordhaus in 2002, Wallsten & Kosec in 2005 and successive studies by the US Congressional Budget Office (CBO). A majority of these reports focus on the 2003 war in Iraq but the costs also involve the Bush administration’s wider global war on terror as well.

The reports contain the cost of occupation – reconstruction & security, diplomatic and military expenditure. The findings are compared to previous US wars in Vietnam and Korea. The studies also contain other areas where this money could have been spent more efficiently.

Perhaps the most famous study is one conducted by Harvard professor Linda Bilmes and Nobel Prize winner Joseph Stiglitz. While conventional estimates mark the economic cost for the US at $400 billion in 2007, the Stiglitz study on the ‘War on Terror’ estimates the total cost by 2015 at $1 trillion. This is because the report takes into account indirect costs such as disability pensions and the price of oil. In a 2008 update, Stiglitz and his co-author Linda Bilmes published the book, The Three Trillion Dollar War: The True Cost of the Iraq Conflict, which describes additional hidden costs. Pakistan is paying a big price for its participation in the US-led war on terror. The cost of this war clearly far outweighs any benefits that might accrue to it once the war is over. Let’s see some of the recent effects of war on Pakistan.
Part I:

Introduction

While Pakistan has experienced turbulence, violence and political unrest for most of its existence since August 1947, including the break-up of its eastern wing into Bangladesh in 1971, the tragic events of September 11, 2001 have exposed it to a much graver crisis - a crisis of extremely poor governance precipitated by a crisis of security, rooted in various strategic game-plans – from Pakistan’s own flawed pursuit of influence over Afghanistan beginning in the mid 1970s to the US desire to give the Soviet Russians a taste of defeat in the early 1980s following the Soviet invasion and occupation of Afghanistan. The forces of anti-Soviet jihad – the Godzilla – eventually morphed into smaller Afghan and Pakistani godzillans, aka Taliban – inspired and guided by the Arab-dominated al-Qaeda, which itself was born out of the womb of Afghan jihad.

The year 2009 has been the bloodiest for Pakistan since it became an ally of the United States in the war on terror. It is also not a surprising coincidence that the rise in increasingly violent and daring suicide attacks, bomb and improvised explosive devices (IED) attacks comes in the same year that the Pakistan Army launched two major operations against militants in Swat and Waziristan.

Until 2001, Pakistan had not experienced a single suicide attack but by the end of 2009, the country had endured over 200 suicide attacks (including 87 in 2009 alone) and close to 500 bomb explosions and IED detonations, largely in the Northwestern Frontier Province (NWFP) and FATA regions, closing the year with a deadly attack on a Muharram procession in Karachi. The casualty figure for the last eight years has reached a staggering 25,000 (2009 alone accounting for approx. 3025 which includes militants, police, military personnel and civilians.)

The past year also witnessed a level of tactics and sophistication in the urban centres not seen before in Pakistan, starting with the commando-style attack on the Sri Lankan cricket team in Lahore in early March, followed a few weeks later by an attack on the Mananwan Police Training Academy on the outskirts of the city. In October, the militants’ message was sent loud and clear by a spectacularly tactical raid on the Army’s General Headquarters in Rawalpindi (Oct 10) and then on December 4 a surprise assault involving several terrorists on the Parade Lane Mosque where most of the roughly four dozen casualties were serving and army personnel and their children. The same technique was applied on the ISI facility in Multan less than a week later, underscoring the fact that a sophisticated and violent campaign has been underway to inflict damage on Pakistan’s security apparatus and spread terror all over the country.
Innocent civilians have also become the target of brazen attacks, with Peshawar having endured the brunt of attacks in 2009, with 20 of the 87 suicide attacks taking place in the city. One of the deadliest took place in late March at a mosque in the tribal Khyber agency when a suicide attack took place at the start of Friday prayers, killing as many as 85 people. Another attack in October in the heart of the city in one of its busiest markets, Khyber bazaar – clearly targeting women and children – took the lives of over 150 people. Another suicide strike in the crowded Meena Bazaar in Lahore claimed the lives of over 50 people only a few days later.

Pakistan’s deteriorating security situation coupled with increasing political upheaval has placed it on the travel advisory list of many countries, including the United States, Canada, Australia, England, New Zealand and most Commonwealth nations. The country is already classified as too dangerous for the dependents and children of the officers of the many foreign missions serving there, including the United States, Canada and Australia.

The United Nations is also in the process of reviewing the implications of its presence in Pakistan, having announced a partial pullout which resulted in a reduction of up to 30 per cent of its international staff. At least 11 U.N workers were killed in Pakistan in 2009, with the most surprising suicide attack on the World Food Programme office in Islamabad.

Needless to say, the current conflict situation has incurred many costs upon the state and the people of Pakistan, many of which by any standard of humanity are immeasurable. In terms of its development as a state, the constant state of conflict and tension since 2001 has severely hampered what many consider could have been effective transition to democracy and the rebuilding of significant state institutions. Many analysts are tempted to put Pakistan into the failed state category, as evidenced by President Barak Obama’s Afpak strategy in which the two countries are bundled together.
1: Human Cost

Every gun that is made, every warship launched, every rocket fired, signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. The world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children. (Dwight D. Eisenhower)

The foremost responsibility of a state is to ensure the security of its citizens. There can be no compensation for the killing of its citizens and no one can quantify the loss of human life in monetary terms. Hence, all other costs of conflict inflicted upon a nation are less significant than the human cost.

Pakistan has suffered a tragic loss of life amid raging violence and turbulence across the country. Since 2001, each year has witnessed growing number of casualties due to terrorist violence. There was a marked increase in casualties after 2006, when the Musharraf regime embarked on its strategy of making peace deals with the Taliban. The number of casualties due to terrorist violence rose from 933 civilians and security personnel killed in 2006, to 2,120 the following year.

In 2009 alone, over 500 bombings, 87 of which were suicide attacks, were reported across the country, with the majority taking place in FATA, NWFP and Peshawar. Civilian and security force fatalities as a result of terrorist violence reached 3318, and if terrorists and insurgents killed in this violence are included that figure climbs to 11,585 deaths. NWFP, FATA and particularly Peshawar have endured the most, with 112 bomb attacks taking place in FATA, 1137 in NWFP and 106 terrorism-related incidents occurring in Peshawar in 2009. According to reports, of the 80 suicide attacks reported in 2009, 20 took place in Peshawar. Casualties in Pakistan over the past nine years have surpassed 25,000 -- this includes civilians, security personnel, and insurgents.

### Annual Fatalities in Terrorist Violence in Pakistan, 2003-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Civilians</th>
<th>Security Force Personnel</th>
<th>Terrorists/Insurgents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>140</td>
<td>24</td>
<td>25</td>
<td>189</td>
</tr>
<tr>
<td>2004</td>
<td>435</td>
<td>184</td>
<td>244</td>
<td>863</td>
</tr>
<tr>
<td>2005</td>
<td>430</td>
<td>81</td>
<td>137</td>
<td>648</td>
</tr>
<tr>
<td>2006</td>
<td>608</td>
<td>325</td>
<td>538</td>
<td>1,471</td>
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<tr>
<td>2007</td>
<td>1,523</td>
<td>597</td>
<td>1,479</td>
<td>3,599</td>
</tr>
<tr>
<td>2008</td>
<td>2,155</td>
<td>654</td>
<td>3,906</td>
<td>6,715</td>
</tr>
<tr>
<td>2009</td>
<td>2,307</td>
<td>1,011</td>
<td>8,267</td>
<td>11,585</td>
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</table>
### Year 2010

<table>
<thead>
<tr>
<th></th>
<th>Civilians</th>
<th>Security Force Personnel</th>
<th>Terrorists/Insurgents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>January*</td>
<td>119</td>
<td>14</td>
<td>126</td>
<td>259</td>
</tr>
<tr>
<td>Total</td>
<td>7,717</td>
<td>2,890</td>
<td>14,722</td>
<td>25,329</td>
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</table>

* Data till January 11, 2010

Source: Figures are compiled from news reports and are provisional.

### Year 2009

<table>
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<tr>
<th></th>
<th>Civilians</th>
<th>Security Force Personnel</th>
<th>Terrorists/Insurgents</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>January</td>
<td>250</td>
<td>69</td>
<td>245</td>
<td>564</td>
</tr>
<tr>
<td>February</td>
<td>216</td>
<td>31</td>
<td>430</td>
<td>677</td>
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<tr>
<td>March</td>
<td>168</td>
<td>67</td>
<td>171</td>
<td>406</td>
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<tr>
<td>April</td>
<td>132</td>
<td>89</td>
<td>297</td>
<td>518</td>
</tr>
<tr>
<td>May</td>
<td>279</td>
<td>155</td>
<td>1590</td>
<td>2024</td>
</tr>
<tr>
<td>June</td>
<td>200</td>
<td>157</td>
<td>1397</td>
<td>1754</td>
</tr>
<tr>
<td>July</td>
<td>156</td>
<td>58</td>
<td>768</td>
<td>982</td>
</tr>
<tr>
<td>August</td>
<td>155</td>
<td>34</td>
<td>531</td>
<td>720</td>
</tr>
<tr>
<td>September</td>
<td>111</td>
<td>77</td>
<td>662</td>
<td>850</td>
</tr>
<tr>
<td>October</td>
<td>255</td>
<td>118</td>
<td>1001</td>
<td>1374</td>
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<tr>
<td>November</td>
<td>175</td>
<td>93</td>
<td>792</td>
<td>1060</td>
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<tr>
<td>December</td>
<td>227</td>
<td>43</td>
<td>505</td>
<td>775</td>
</tr>
<tr>
<td>Total</td>
<td>2307</td>
<td>1011</td>
<td>8267</td>
<td>11585</td>
</tr>
</tbody>
</table>

Source: South Asia Terrorism Portal
2: Social and Political Cost

2.1: IDP Crisis

In 2009, Pakistan suffered one of the worst Internally Displaced Persons’ (IDP) crises in the recorded history when nearly three million people from Swat and FATA left their homes in the face of increased hostilities between the military and the militants. Pakistan currently faces the long-term implications of their care, rehabilitation and reconstruction. Although the crisis peaked in the summer of 2009 after the collapse of a peace deal with the Taliban in Swat that led to an aggressive military campaign, the en masse movement of civilians began in August 2008 from Bajaur and Mohmand Agencies and FATA. Increasing military operations in these two agencies and FATA, along with the growing presence of insurgent groups forced people to flee the region into NWFP. By the end of April 2009, more than 550,000 people were registered as IDP’s in NWFP. The majority (463,000 individuals), lived with host communities, extended families or rented accommodation, with around 93,000 living in 11 camps in NWFP.

Renewed fighting in Bajaur Agency in October 2009 triggered another wave of displacement and forced more than 50,000 people to flee, some of them for the second or even third time. At the end of December 2009, altogether more than 250,000 civilians from Bajaur (old and new caseload) and 180,000 from Mohmand were registered as IDPs in Lower Dir and Nowshera.

The crisis began unfolding in April/May 2009, after the Taliban militants had taken over large parts of Swat and Malakand Division and the peace deal brokered in February 2009 government had collapsed. A full-fledged operation was launched against militants in Swat on May 6, 2009. Fearing for their lives, nearly 2.5 million people fled the area and settled either with their relatives, at government schools or in officially established camps in different cities of the NWFP. According to NWFP Information Minister Iftikhar Hussain, the total number of the internally displaced families was 344,143, which means that there were over 2.5 million IDPs. Only 15 per cent of the IDPs were living in the 35 camps that had been established, while the remaining lived with host families or in the 4,500 schools that provided shelter. By July 2009, the government declared the Malakand Division safe enough for IDPs’ to return to their homes. By the end of 2009, over 1.6 million people had returned to their place of origin, however as of December 2009, around 370,000 civilians from Malakand Division were still displaced and living in the 10 remaining camps in NWFP or with host families.

October 2009 saw the launch of a second extensive military operation against militants in South Waziristan, causing the displacement of nearly 293,000 people who fled from the intense fighting. Camps were not established due to the winter conditions and the
sensitivities of the tribal allegiances of the Mehsuds and Wazirs. Most IDPs’ settled with host families in Dera Ismail Khan and Tank.

Despite the fact that many of the families displaced from Swat have returned, ongoing military operations in FATA and the presence of militants and insurgent groups have still prevented hundreds of thousands of people from returning to their homes and the situation is volatile. By the end of 2009, humanitarian assistance was being provided to 1.1 million IDPs, host families as well as 1.6 million returnees. The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) appealed for $680 million in funds to deal with the crisis and succeeded in receiving 70 per cent of that amount from international donors and the Pakistan government.

However, Manual Bressler, head of UNOCHA, Pakistan, fears that 2010 will see the displacement of tens of thousands more Pakistanis as the military assault against the Taliban continues in FATA. In addition, over 1.2 million of those who have left their homes are unable to go back as the security situation is still too dangerous, or their homes are destroyed in the fighting, leaving nothing to return to. Continuing to provide basic relief such as shelter, food and water for the displaced as well as dealing with the needs of those returning to the conflict affected areas will remain a challenge and a struggle for Pakistan for several years to come.

It was in this context that the United Nations, Pakistan Office on Feb 09 launched an appeal for $537 million to meet immediate humanitarian needs of the vulnerable and affected people of militancy-hit areas of Pakistan.

As many as 13 UN agencies, 33 international and 22 national NGOs had put their heads together to compile this appeal – Something they had been doing for Afghanistan and its over three million refugees that had been taking refuge in Pakistan between 1979 – when the Soviet troops invaded Afghanistan, and in 1992 when Afghanistan sank into chaos following intense factional fighting.

The appeal reflected a bitter reality, an ironical twist of fate; until fighting and militancy in recent five years forced over three million people out of the tribal areas known as Fata, and until the displacement of over two million people from Swat following a massive military operation in Swat, Pakistan had served as a care-taker, as a shelter and as a facilitator as far as refugees were concerned.

But ironically, the Swat and then the October 2009 South Waziristan operation exposed the country to another bitter reality; a conflict-hit country now badly in need of external assistance and care. The conflict that had originated in Afghanistan in the early 1980s, sank that country into anarchy for two decades and extended by six years of the Taliban tyranny, had now hit Pakistan itself and threatening its own existence.

2.2: Loss of Government Writ
Until the army moved into Swat (May), and later into South Waziristan (October 2009), militants had been on a rampage and practically running their own fiefdoms in most of the tribal areas called FATA. This was a direct challenge to the writ of the government.

According to a research conducted by BBC Urdu Service published in April 2009, the civilian government no longer exercised authority over 24% areas of FATA and some volatile, poorly governed districts of the Province, where the Taliban exercised direct or indirect control. Another 38 per cent of FATA and NWFP were under government control. In many of the hard-hit districts of FATA and NWFP, girls’ schools, music shops, police stations, military convoys and government buildings remained the targets of Taliban attacks.

The July 2007 Red Mosque incident, when the Musharraf-led government had to use force to evict male and female students holed up in the mosque, catalyzed the extremists’ resentment of the military. About 150 students and some of their teachers lost their lives after they had refused to surrender and the army had to storm the compound. Many across the country, particularly in FATA and NWFP, saw this military action as “heinous and ruthless.” The general shock felt by most of the population allowed extremists to use the incident as a justification for attacking government and military targets.

According to former interior minister Aftab Ahmad Sherpao, Taliban have outclassed the government in propaganda warfare. Poverty, injustice, a deteriorating law and order situation, and widespread unemployment across the country, particularly in FATA and NWFP, have contributed to the rise of militancy and boosted militant power in Pakistan. Estimates show that militants in FATA and NWFP outnumber the total number of police and other law enforcement agencies operating in the area.

### 2.3: Surge in Crime

A fragile law and order situation - especially in FATA and NWFP – has generated grave security concerns and a general climate of fear. The independent Human Rights Commission of Pakistan (HRCP) has revealed shocking details about the increasing crime graph in the country.

One of the recent HRCP reports, compiled from newspaper accounts, states that incidents such as, robberies, ethnic riots and honor killings shot-up alarmingly by 21.34 per cent in the first six months of 2009, as compared to the same period last year.

The statistics also revealed that crimes against women and children rose steeply, with an 83 and 162 per cent increase respectively in the numbers of women and children being killed in various incidents.

### 2.4: Cost to Education Sector
Education, one of the most neglected segments of our social activity, received severe blows from Taliban. All education policies were affected by the violence. Educational policies aimed at promotion of education, construction of new schools and colleges, facilitation of education and enhancement of the network of private schools were seriously affected and significant efforts will be required to repair the colossal damage inflicted upon this foremost and vital sector of Pakistan’s social activity.

Taliban in their subversive activities burnt 409 educational institutions in the Malakand division and 64 in the federally administered tribal areas (FATA).

During the terror campaign mounted by militants in Swat as many as 190 government and around 368 private schools were either totally destroyed, or partially damaged. Moreover, it is not just girls’ schools that have been targeted in Swat. Over 42 per cent of the institutions destroyed had boys on their rolls with the consequence that nearly 150,000 students were deprived of education while 8,000 women teachers were left jobless.

Due to these subversive activities of Taliban, an alarming decline in school enrollment has been noticed in some areas of FATA and NWFP. In FATA, where the female literacy rate three per cent is likely to now have fallen to two per cent or even less, as most of girls’ schools were blown up by the Taliban militants. Those which escaped their wrath are closed because of fear of Taliban attacks.

2.5: Cost to Democracy

The dictatorial rule in Pakistan suited the United States for having Pakistan’s full cooperation in the international war on terror because the people of Pakistan at that time did not want to support the United States against the Taliban in Afghanistan. During that period, it could have been difficult for the United States to deal with a politically elected government in Pakistan on this issue. For having a favorable environment in Pakistan, the United States supported the one-man rule in Pakistan for about nine years.

General Musharraf too came up to the US expectations and fully supported it in the war on terror. Now as this war has become Pakistan’s own war after eight years of its launch, even a political government is ready to cooperate with the United States. The Pakistani nation, thus, remained deprived of democracy for nine years and one of the major reasons for it was that the United States needed a dictator in Pakistan during that crucial period of the war on terror.

3: Economic Costs of the Conflict

Since 9/11, Pakistan has received substantial foreign aid, military aid, loan write-offs and cheap loans in return for its active role in the ‘war on terror,’ but the cost far outweighs the benefit.
According to government’s rough estimates, Pakistan has suffered a total loss of $45 billion due to war on terror from September 2001 until 2009.

The negative implications for the Pakistani economy cover areas such as the devastation of military, security, social and developmental infrastructure, loss of inflow of direct foreign investment, flight of capital, closure of industries in conflict zone and its spill-over impact into the broader economy, sustenance of the IDPs, loss to tourism industry, loss of employment, etc.

In order to contextualize the economic cost inflicted upon the country with the extension of the conflict, it is necessary to review some of Pakistan’s economic indicators from 2001 to 2009.

### Economic Indicators

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</tr>
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<tbody>
<tr>
<td>Exports (Billion $)</td>
<td>9.13</td>
<td>11.16</td>
<td>12.31</td>
<td>14.39</td>
<td>16.47</td>
<td>17.01</td>
<td>19.22</td>
<td>6.1</td>
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<tr>
<td>Imports (Billion $)</td>
<td>10.34</td>
<td>12.22</td>
<td>15.59</td>
<td>20.6</td>
<td>28.58</td>
<td>30.54</td>
<td>39.96</td>
<td>10.6</td>
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<tr>
<td>Trade Balance (Billion $)</td>
<td>1.2</td>
<td>1.06</td>
<td>3.28</td>
<td>6.21</td>
<td>12.11</td>
<td>-13.53</td>
<td>-20.74</td>
<td>-4.5</td>
</tr>
<tr>
<td>FDI (Million $)</td>
<td>484.7</td>
<td>798</td>
<td>949.4</td>
<td>1524</td>
<td>3,521</td>
<td>5,125</td>
<td>5,152.80</td>
<td>621.8</td>
</tr>
<tr>
<td>Foreign Investment (Million $)</td>
<td>475</td>
<td>820</td>
<td>922</td>
<td>16677</td>
<td>3,872</td>
<td>8,417</td>
<td>5,193.00</td>
<td>910.1</td>
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<tr>
<td>Workers Remittances (Billion $)</td>
<td>2.39</td>
<td>4.24</td>
<td>3.872</td>
<td>4.17</td>
<td>4.6</td>
<td>5.49</td>
<td>6.5</td>
<td>3.09</td>
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<td>Forex Reserves (Billion $)</td>
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<td>10.72</td>
<td>12.33</td>
<td>12.61</td>
<td>13.14</td>
<td>15.18</td>
<td>10.83</td>
<td>14.27 (24th July)</td>
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<td>Exchange Rate (Rs./ US$)</td>
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<td>57.7</td>
<td>57.92</td>
<td>59.66</td>
<td>60.16</td>
<td>60.5</td>
<td>71</td>
<td>83.5</td>
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<tr>
<td>GDP Growth</td>
<td>3.60%</td>
<td>5.10%</td>
<td>6.40%</td>
<td>8.40%</td>
<td>6.60%</td>
<td>7.00%</td>
<td>5.80%</td>
<td>5.80%</td>
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<tr>
<td>Inflation</td>
<td>3.40%</td>
<td>3.30%</td>
<td>3.90%</td>
<td>9.30%</td>
<td>8%</td>
<td>7.90%</td>
<td>10.3%</td>
<td>12.5 %</td>
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</table>

Source: State Bank of Pakistan (SBP)  
Federal Bureau of Statistics (FBS)  
Federal Board of Revenue (FBR)  
www.brecorder.com

In the above table, almost all the indicators from fiscal year 2001-02 until June 2006-07 are satisfactory and encouraging except for the years 2007-08 and 2008-09. It is notable
that despite the fact that foreign reserves increased from $10.83 billion in 2007-08 to $14.75 billion in October 2009, inflation has increased alarmingly to 21 per cent in 2008-09 from 10.3 per cent in 2007-08. That is more than 100 per cent increase in inflation.

The sharp increase in foreign reserves is largely due to the IMF approved bailout loan ($11.3 billion) in November 2008, with a total of foreign loan exceeding $50 billion. On the other hand despite the war on its western front, from 2001 until 2007 Pakistan achieved a remarkable average economic growth of 6.18 per cent and by fiscal year 2007-08, exports boomed at $19.22 billion. However, it is generally considered that this upturn in Pakistan’s economy was largely pushed by US aid provided to Pakistan. In the post-9/11 period, Pakistan received generous foreign aid, thereby becoming the fourth largest borrower of the World Bank and the fifth largest recipient of American aid to foreign nations.

The downward trend in the economic indicators after 2007 coincides with the aftermath of the Red mosque operation in July of that year, when a sharp increase in the number of suicide attacks against security forces created a spill-over effect of violence across the country, particularly in FATA and NWFP. The scope of the conflict was thus broadened and all sectors of the economy began to show signs of rapid decline.

FDI plunged to 58 per cent to $463 billion in the first quarter of this financial year (2000-10), from $1.1 billion in the corresponding period last fiscal year, according to data on central bank website. Foreign direct investment fell to $3.72 billion last fiscal year ended June 30, 2009, from $5.4 billion in the financial year ended June 30, 2008.

Due to the uncertain security situation prevailing in the country, foreign importers are showing apathy towards investing in Pakistan. As a result, the export industry, particularly Pakistan's textile industry, which is considered the life-line of Pakistan’s export market and accounts for about 60 per cent of the country’s total export, is on a steady downhill slide.

Textile exports fell 11 per cent to $2.44 billion in the first three months of current financial year, according to the Federal Bureau of Statistics. Textile exports fell to $9.78 billion by last fiscal year ending June 30, 2009, down from $10.6 billion in financial year ending June 30, 2008, and $10.8 billion in the 12 months to June 30, 2007. Pakistan's total exports have remained stagnant between $17 and $18 billion in past two financial years. Exports have declined by 10 per cent to $6 billion in the first four months of this fiscal year which started on July 1st, 2009.

While it is difficult to accurately measure the economic costs of the conflict in Pakistan, the economic impact is visible in every segment of the economy. Nowhere is this more apparent than the city of Peshawar. The geo-strategic location of the city has made it gateway to the trade route into Afghanistan and central Asia for centuries. With its harsh terrain and the rich tribal culture, it has been historically difficult to bring the region under the control of the state and its security and police forces, allowing it to become the central hub for Taliban and other insurgent forces. As a result, the NWFP has been the
unprecedented level of violence and terrorism. Peshawar and Swat have been at the forefront of this conflict, bearing the brunt of the violence and destruction.

Peshawar, spread over 2257 sq kms with 3.5 million inhabitants, and the 5337 sq km Swat valley epitomize the cost that the Northwestern Frontier Province (NWFP) has paid as a consequence of the war that had originated in the early 1980s, when the city became home to countless Afghan refugees, relief organizations, mujahideen commanders and a hot-bed of intelligence activities led by the United States, supported by MI 6 and other European outfits, and facilitated by the Inter-Services Intelligence (ISI) agency. In the post 9/11 scenario the off-shoot of the Afghan jihad – the Pakistani jihadists, personified by outfits such as the Tehreeke Taliban Pakistan, attempted to enforce their will and agenda in Swat and also indirectly forced previous religio-political government in to compliance and connivance.

While the NWFP suffered about 250 incidents of terrorism in 2009, Peshawar bore the brunt of violence; as many as 20 suicide attacks took close to 300 lives, leaving behind a trail of destruction as well as socio-psychological impact on large sections of the population.
Swat on the other hand, faced a similar wave of death and destruction; suicide bombings, executions by TTP, the military operation, displacement of close to two million people. The result is that some 237 schools and 63 health facilities, 1300 houses, 1078 shops, 110 hotels totally destroyed. The life in Swat has returned to normal but the difficult phase of rehabilitation and reconstruction is currently underway. Officials reckon it would require about 50 billion rupees (650 million dollars), which the government can afford only in installments.

As for Peshawar, the slide that had begun with the Afghan jihad three decades ago, has now precipitated into an economic crisis that is threatening the social fabric of this historic and once vibrant city. Simple statistics is mind-boggling; out of 2, 254 industrial units in the province around 1,654 units – a whopping 73 per cent – have shut down between 2007 and December 2009. Only about 540 functional industrial units are currently functional, according to officials of the Sarhad Chamber of Commerce and Industry (SCCI). The industrial workforce has shrunk from 57,000 in 2008 to roughly 24,000 in late 2009. That means over 40 percent of the workers are out of jobs and have joined millions of others.

As far the resource availability, the NWPF receives a mere 0.7 per cent from the country’s total loaning expense of about Rs 32 billion annually. This underscores neglect on the one hand, absence of confidence and non-conducive environment for investment on the other.

Not only has it severely impacted the productivity and employment but has resulted in a ten-time decline in the exports. The SCCI reckons that the export potential of about $ 1.5 billion has now shrunk to about $150 million annually. SCCI estimates put NWFP’s infrastructural damages at 2870 billion rupees ($35 billion). Although the province would receive additional 17 billion rupees from this year onwards, this means little compared to the challenges resulting from the ongoing insurgency as well as the incompetence of various state institutions. The ruling alliance’s political expedience and lack of vision also add to the deterioration of the socio-economic environment and offer little hope for future. Institutional capacity is another big challenge and even if the central government were to pay out 120 billion that it owes the province, the provincial government does not have the absorption capacity to utilize that money.

3.1: Rise in Poverty

A 2.4 percent population growth, stagnating economy (exports declining from 18.5 billion dollars in 2007-8 to less than 17 billion in 2008-9), the global financial crisis, acute power shortages, wheat and sugar crisis, dwindling foreign investment – topped up by a volatile security situation - have all contributed adversely to the existing poverty levels. In 2009, poverty rose by 2.3 per cent to 36.1 per cent (from 33.8 in fiscal year 2008), putting 62 million Pakistanis below the poverty line. According to a World Bank task force, another 10 million people were expected to fall into the poverty trap during 2010.
The UN’s HDI 2007 ranking for Pakistan puts it at 141 amongst the 182 countries for which there is data. The country stands at 101 out of 135 on the Human Poverty Index, with a value of 33.4 per cent. However, some of the most disturbing data comes from the Centre for Research on Poverty and Income Distribution, which confirms that rich-poor divide in Pakistan is increasing alarmingly. According to conservative estimates, 63% of the poor in Pakistan are in the category of 'transitory poor'. The rest of the 32% and 5% of the population - subsisting below the poverty line - are 'chronic' and 'extremely poor', respectively. Chronic and extremely poor are defined as those households that are always below the poverty line, all the time during a defined period. Similarly, on the other side, 13% and 21% of the total non-poor (above the poverty-line) have been classified as 'transitory vulnerable' and 'transitory non-poor', respectively. This portrays a worrying situation as more and more people are moving from the transitory category to the chronic category, due to regressive taxation leading to inequitable distribution of income and wealth, monopoly over assets by a few, and wasteful expending by the government.

Globally, the number of chronically hungry people is expected to have soared from 960 million in 2008 to one billion in 2009. In Pakistan, the share of "severely food insecure population" was also expected to have increased from 23 per cent in FY2006 to 28 per cent in 2008.

With most of the country’s resources directed to the military and its ongoing campaigns against militants, very little is available to address chronic poverty in Pakistan. It is also interesting to note that poor populations are most vulnerable to the propaganda used by extremist groups to recruit more people to their cause. In many cases, they also provide food and shelter, making it more appealing for poor populations to turn to violence and extremism.

3.2: Agricultural Costs

Heavy losses to agriculture and crops have been inflicted in the troubled areas of NWFP and FATA due to military operations. Although reliable data is scarce, preliminary assessments indicate that agriculture has been severely affected by the conflict. Best estimates indicate that two-thirds of standing food and cash crops may have been lost in some areas. One third of the total standing wheat; a food staple and cash crop, may have been lost because it could not be harvested. There are reports of fruit trees having been cut down by the armed forces for better monitoring which also seriously affected the earning of many families, particularly in areas such as Swat.

Income of families normally derived from selling wheat (grain and straw) may not have been realized due to poor quality on account of dumping for longer period in the field, low prices, dysfunctional markets and high transaction costs. Maize, the other food staple, could not be cultivated in the kharif season (mid-July to end September) for security or infrastructure reasons. Tobacco, vegetables, rice and orchard fruit, all important cash crops, have been damaged and in some cases were abandoned, translating directly into loss of income for families.
3.3: Livestock Costs

Continuing conflict has also meant significant loss to the livestock of the people in the conflict zone. Several urgent evacuations of villages due to military operations in FATA (Waziristan and Bajaur) and the Swat Valley compelled many farmers to abandon their livestock. Many of the fleeing farmers either left their livestock unprotected or they managed to sell them out at throw-away prices.

The losses have been twofold; absolute and total loss due to death and disappearance and, absence of livestock care, resulting in a decline in health and productivity of those that survived. One in three animals (cattle, sheep and goats) might have been lost across the NWFP. Losses have also occurred among poultry and buffalo.

3.4: Costs to Tourism

Pakistan is famous for its ancient Gandhara and Indus Valley Civilization. It also has beautiful mountainous region with more than 100 peaks of above 7,000 meters (22,950 feet) in height including K-2 the second highest peak in the world after Mount Everest in Nepal and tourism is potentially one of major revenue earners for Pakistan, but persistent terror activities in the country have negatively impacted the tourism business, especially after the Marriot Hotel attack which left 60 people dead in last September. The Swat valley, once famously known as the Switzerland of Pakistan is under continuous threat of militancy and terror attacks by the Taliban militants. Pakistan's NWFP and northern Kashmir areas have been the hotspot of tourist industries but they have been severely hit by extremism and militancy.

In the latest Travel and Tourism Competitiveness Report (TTCR) 2009 released by World Economic Forum, Pakistan stands at 113 out of 133, two places down from the previous year. On the contrary, India and Sri Lanka despite a string of terrorist attacks during the same period witnessed an upward movement in the TTCR, from 65 to 62 and 78 to 73 respectively.

Domestic tourism is also being hampered by the subversive activities of Taliban. There is no data available on the website of Pakistan Tourism Ministry about the overall cost inflicted on the tourism industry, however rough estimates show that the industry has lost USD 8 billion since the onset of war on terror in Afghanistan and the western region of Pakistan. According to NWFP Minister for Tourism Syed Aqil Shah, the province has suffered a loss of $50 million annually, with the takeover of Swat valley being what he called the “final nail in the coffin for the tourist industry in NWFP.
3.5: Costs to Sports and Sportsmen

As far as international sports in Pakistan are concerned, Pakistan faced a massive loss after the tragic and shocking attack on the Sri Lankan Cricket team in Lahore in 2009. The number of sports events has rapidly decreased and the country has been deprived of billions of rupees on account of sponsorship. Pakistan lost the chance to host the following international sports events because of the prevailing deteriorated security situation:

# International Cricket Council (ICC) Cricket World Cup.
# New Zealand Cricket tour to Pakistan
# Australia Cricket tour to Pakistan
# ICC Champions Trophy Pakistan 2009
# Asia-Oceania Zone group two Davis Cup ties against Oman and Philippines
# An international squash event, a table tennis event and various other international sports events

The ICC decision to shift the Cricket World Cup from Pakistan created substantial financial loss to the professional sports industry in Pakistan. The ICC pays the host country $750,000 for each World Cup match. Pakistan was scheduled to host 14 matches including one semi-final, adding up to a loss of $10.5 million.

Furthermore, the shifting of the ICC Champions Trophy from Pakistan to South Africa coupled with India’s refusal to play a bilateral cricket series in Pakistan, resulted in a loss of more than $40 million, leaving the Pakistan Cricket Board in bad financial shape. Apart from heavy financial loss to sports industry, the refusal of countries to play in Pakistan due to the security concerns has done nothing to boost the image of Pakistan abroad.

4: Socio-Psychological Cost

The ongoing conflict in Pakistan has deeply disturbed the socio-psychological fabric of the society particularly in the NWFP and FATA where the military has been engaged with the militants. Consequently, the overall atmosphere remains smoky and fearful.

The violence has had direct psychological impact on the people of Pakistan in general and the people living in the conflict zone in particular. Their constant exposure to violence has engendered many psychological problems, in some cases in the form of serious mental illness.

The nature of violence in FATA is different from the rest of the country and so is the psychological impact. The horrific sounds of cannon shelling on Taliban hideouts by the army remains stark in the minds of people, particularly women and children in their homes. Similarly, the continuous US drone flights to hit targets in almost all the tribal
agencies is another cause of fear among the tribal people in FATA. Until mid of October 2009, eighty-two air strikes were carried out by US drones, killing 750-1000 people.

The sound of drones flying over FATA is a symbol of fear and shock to the tribesmen. They worry about drones and speculate where the drone is going and whose house will be its target. As they hear the sound, their hearts begin to throb as they worry about the possible target of the attack. For the tribesmen in FATA, the presence of the Taliban and the army in their streets is a new phenomenon to experience, as they feel trapped amidst two warring parties; they do not know how to come out of the quagmire.

Imran Ullah, a resident of North Waziristan speaks out, “We are completely confused and paralyzed in the current violence. We do not exactly know why the Army and the Taliban are fighting against each other. The troops come to our village, oust the Taliban from there, and then leave the area after making agreements with them. After some time, the Taliban militants again return to the area and start disseminating their propaganda. We have to follow them for our survival. In such a situation, we don’t know as to who we should permanently support. However, if we don’t support any of the two parties, they suspect us. We thus have to follow both of them from time to time to remain alive.”

While speaking about this issue, Dr. Khalid Mufti, former President Pakistan Psychiatrist Society, claimed that more than 54 per cent of people living in the conflict zone have shown symptoms of acute stress, post-traumatic stress disorders, depression, fear, anxiety, loss of appetite and sleep disturbance. Almost 60 per cent of the affectees are women and they are suffering from fear, panic and post-traumatic stress. The men, however, mostly suffer from depression. The total number of such psychological patients may actually be much more than 54 per cent, as many people in far-flung areas do not have access to medical centers. They thus either develop the stoic attitude to live with the disease or go to local religious figures for spiritual treatment of the illness. Herbalists available in the vicinity are also approached for the purpose.

In FATA and NWFP, play behavior of children has changed. The traditional game of tag, where the "cops" chased the "robbers," has been changed and is practiced in a new style now. In the new version, Taliban pursue the police, and the strongest boy takes pride in leading the "militant team." The children go after a symbol of power. A policeman, a soldier or a judge is a symbol of power for those in a functional state.

According to CARE, an international NGO that worked for IDPs, thousands of internally displaced people, especially women and children, are in desperate need of psychological assistance. Doctors say some 70 per cent of them suffer from post-traumatic stress disorder (PTSD). Dr. Jawad Ali of Islamic Relief says: “We have been examining about 200 patients per day. During the last two weeks we have seen 1,400 patients. Out of them, 70 per cent, mostly women and children, suffer from mental problems caused by the shelling and destruction they have seen back home.”
The intensity of fear is so high that it has become deeply ingrained into the subconsciousness of the people. Zareena Bibi of Kabal region, Swat, who lost a son and a daughter in the conflict zone, told CARE: “I dreamt last night that my two sons had fallen to army shelling in Swat. I woke up and wept but later found that my sons were sleeping beside me. Then, I thanked Allah (God).”

In the conflict zone the inspirational symbols for the children are changing. A suicide bomber, with capacity to cause maximum devastation, is emerging as a symbol of power for some children - not only those stricken by poverty and brainwashed at radical seminaries, but also those born into prosperity and who study at English-language schools.

Dimitry Ivanov, a Russian journalist, was visiting a shopping centre in an up-market neighborhood in capital Islamabad, when a 12-year-old child ran towards him shouting some noises. Ivanov recalled: “First I thought the child was going to snatch my bag, I held it fast. Later on, my friend, who got frightened when the child approached us, explained to me that the child was pretending to be a suicide bomber. Three or four friends of the child standing in one corner laughed loudly and clapped as they saw my friend, also a foreign journalist, getting frightened.”

In general, conflict has negatively impacted the national character of Pakistanis at large. The footage of frequent bomb blasts, fighting and bloodshed have left negative impact on the psyche of common viewer in the country. In response, some major TV news channels have developed a code of conduct regarding coverage of terror incidents, wherein they have made themselves committed to restrict the exposure of disturbing scenes on the screen.

A more troublesome situation for students appeared when schools and colleges across the country were closed down because of the fear that they have become targets of terrorist attacks. The decision of the closure of educational institutes was made by the government when some schools were targeted by militants including the suicide attacks on Islamic International University Islamabad which left 8 people killed. Prevailing fear, which led to the closure of schools, could affect the children badly resulting in loss of confidence, development of fear in their personality, deterioration in education and negative effects on body system.

The psychological cost cannot be exactly determined in monetary terms. However, Dr Khalid Mufti claims that at least $2 billion would be needed to recover the psychological damages so far caused to the nation as a whole due to the ongoing conflict. He believed that it is a long term process containing substantive disaster management programs and revival of Civil Defense Force to play a robust role in this regard.

5: Environmental Costs
The insurgencies of Taliban and the subsequent military operation against militants has severely affected human life, but it has also posed serious destruction and threats to biodiversity, ecosystem functioning, climate change and pollution of a once hospitable environment. Environmental destruction can be classified into two phases: Taliban phase and military operation phase.

During the Taliban’s hold of the region, the insurgents took up residence in the thick forests of oak and pines in the moist temperate mountain ranges. All the hideouts, tunnels and training camps of Taliban were located in those forests. They ruthlessly cut down important plant species like Pinus wallichiana, Picea smithiana, Abies pindrow, Aesculus indica, Quercus semicarpifolia, Pistacia integerrima, Dyospyros lotus, Acer oblongum and others, to make huts and hideouts for themselves. Moreover due to severe cold in those high altitude zones they utilized important timber plants for fuel and also provided the stock fuel wood to their supporters in the area, in this way hundreds of tons of fuel wood was extracted in just six months.

Quercus leucotrichopora (toor banj) forests located in Shawar Valley were the only community protected forests in Pakistan, these forests were destroyed by the Taliban and their local supporters. In addition these plants provide habitat for hundreds of birds and animal species including rare mammals like jackals, wolves, foxes, monkeys, langur and leopards. Birds including pheasants, sparrows, vultures, tits, humming birds, among others, are also dependent on these plant species. However, it is also a preferred fuel wood species, and the Taliban and their cohorts sold the wood from this plant at high prices. Species like Pinus wallichiana, Abies pindrow and Picea smithiana are utilized as timber and furniture plants. The Taliban took advantage of this dependence and occupied the stock depot in order to sell timber at a cost of millions of rupees.

At one time, a plantation had been carried out in Walli Swat region to preserve the area’s biodiversity and ecosystems. Populus (safedar), Aillanthus (shandai), Platanus (chinar) and Alnus (alder) trees were planted along road sides, colleges, schools, hospitals and parks. These were all ruthlessly cut down and sold in the market by the Taliban who were of the opinion that this is Government property and should be destroyed.

Major environmental destruction in this phase includes burning and destruction of bridges, schools, colleges, and other government installments with explosives and fire. With these explosions large amounts of heat, harmful gases like CO2, CO, NOX, SOX, CH4, HCN etc. are released. These gases cause many diseases like respiratory diseases, allergies, flu, skin diseases, tension, anxiety, depression, deepness, and GIT disorders and cardiac disorders in human beings. Apart from these diseases many diseases of plants and wild and domestic animals also break out.

The second phase of massive environmental destruction took place during the military operation, which involved huge artillery bombardment, jet bombardment and missile attacks through army helicopters. In this phase the destruction was much severe than the earlier phase as forests and hills where Taliban hideouts were located came under severe
attacks. It was observed by the locals of Swat that fire broke out and continued for weeks on hills, destroying large patches of indigenous vegetation.

Secondly, during this phase all the roads were patrolled by army with obstacles including large boulders, stones, trees, and fences. That caused severe land pollution. Moreover, destruction of bridges on rivers and streams resulted in their blockage leading to erosion of top fertile soil and contamination of drinking water. Continuous failure of electricity resulted in severe shortage of drinking water, and the local population was forced to drink contaminated water causing many diseases, gastrointestinal and kidney disorders being the major ones.
As an unfortunate consequence of the heavy cost Pakistan suffered after becoming a front-line ally of the United States in its war on terror, it was relegated to the status of Afghanistan by President Barack Obama in March 2009 when he announced his new strategy titled “AfPak”. Pakistan took offense to the term “AfPak” arguing that it was unfair to bracket Pakistan along with a war-torn country like Afghanistan. Most observers also agreed that “AfPak” carried a negative connotation and kept on demanding that the term Af-Pak be deconstructed for certain compelling reasons.

Just a few days before announcement of President Obama’s “AfPak” strategy, there has been a warning in the press by a US official. A top adviser to the US Central Command, David Kilcullen, warned that the Pakistani state could collapse within six months if immediate steps are not taken to remedy the situation.

David Kilcullen, who advises CENTCOM commander Gen. David H. Petraeus on the war on terror, urged US policymakers to focus their attention on Pakistan as a failure there could have devastating consequences for the entire international community.

In an interview with The Washington Post (Sunday Edition), Kilcullen, who is credited with the success of the US troop surge strategy in Iraq, warned that if Pakistan went out of control, it would ‘dwarf’ all the crises in the world today. “Pakistan hands down. No doubt,” he said when asked to name the central front in the war against terror.

Asked to explain why he thought Pakistan was so important, Kilcullen said: “Pakistan has 173 million people, 100 nuclear weapons, an army bigger than the US Army, and al-Qaeda headquarters sitting right there in the two-thirds of the country that the government doesn’t control.”

He claimed that the Pakistani military and police and intelligence service did not follow the civilian government; they were essentially a rogue state within a state. “We are now reaching the point where within one to six months we could see the collapse of the Pakistani state, also because of the global financial crisis, which just exacerbates all these problems,” he said. “The collapse of Pakistan, al-Qaeda acquiring nuclear weapons, an extremist takeover — that would dwarf everything we’ve seen in the war on terror today.”
Kilcullen, an Australian anthropologist who advises governments on Muslim militancy throughout the West, disagreed with the suggestion that it was important to kill or capture Osama bin laden. He discussed two possible scenarios for catching the al-Qaeda leader. Scenario one is, American commandos shoot their way into some valley in Pakistan and kill bin Laden. This, Kilcullen said, would not end the war on terror and would make bin Laden a martyr.

The second scenario: a tribal raiding party captures bin Laden, puts him on television and says, “You are a traitor to Islam and you have killed more Muslims than you have killed infidels, and we’re now going to deal with you.” They could either then try and execute the guy in accordance with their own laws or hand him over to the International Criminal Court. “If that happened, that would be the end of the al-Qaeda myth,” said Kilcullen. He said that three lessons learned in Iraq could also apply to Afghanistan. The first one is to protect the population. “Unless people feel safe, they won’t be willing to engage in unarmed politics,” he argued.

The second lesson is to focus on getting the population on America’s side and making them self-defending. And then a third lesson is to make a long-term commitment. Kilcullen said that the Obama administration’s policy of reaching out to moderate elements of the Taliban also had several pitfalls. “If the Taliban see that we’re negotiating for a stay of execution or to stave off defeat, that’s going to harden their resolve,” he warns. “I’m all for negotiating, but I think the chances of achieving a mass wave of people turning against the Taliban are somewhat lower in Afghanistan than they were.”

Afghans have their own history, culture and way of life, “all complicated by decades of war, internal massacres, displacement, abject poverty, and incessant meddling by foreign governments near and far – of which the United States has been the most powerful and persistent. Afghans do not think or act like Americans. Yet, Americans in power refuse to grasp that inconvenient point.”

Pakistan, on the other hand, boasts an entirely different ideological and historical context as well as a much more versatile ethno-linguistic social mix.

Let us consider – basing our consideration merely on facts- what distinguishes Pakistan from Afghanistan:

One feels that such a prognosis maybe full of good intentions but good intentions can always have unintended consequences. As the proverb goes the way to hell is paved with good intentions. When governments and powerful individuals act in ignorance their actions worsen the situation instead of ameliorating it. That is, if you don't understand an area or precarious situation of a particular region, your actions are as likely to produce more mayhem as they are to produce good. In the case of Pakistan and Afghanistan it is like robbing Peter to pay Paul.
Historical Overview of Afghanistan:

From monarchy to warlord-ism interspersed by periods of peace, this is a brief overview of Afghanistan’s history.

Afghanistan was a monarchy from 1747 to 1973, and in 1973, Sardar Mohammed Daoud, brother-in-law of King Zahir Shah, seized power in a military coup. Daoud was murdered in 1978 in a coup staged by communist People’s Democratic Party of Afghanistan [PDPA], with PDPA General Secretary Nur Muhammad Taraki taking charge of the affairs as prime minister. In 1979, a palace shootout brought former Defence Minister Hafizullah Amin into power. On 26 December 1979, Hafizullah Amin was murdered by Soviet troops who had already been on the ground there. The exiled Babrak Karmal was installed as the country’s leader. The Soviet occupation resulted in a huge exodus, with some five million Afghans leaving the country; most of them settled in Pakistan.

On 3rd July, 1979, US President Jimmy Carter signed a directive authorizing covert CIA operations against the Soviet regime in the country. In 1986, the Soviets replaced Karmal with Muhammad Najibullah, former chief of the Afghan secret police. The Soviet Union withdrew its forces from Afghanistan in February 1989. And in this vacuum created by the Soviet withdrawal, different Mujahideen factions started clashing against each other, taking the country to warlord-ism. In the mid-1990s, Afghanistan was dominated by in-fighting between rival militia groups. And, in the meanwhile, the Taliban emerged on the scene, taking Kabul under their control in 1996 and about 90 percent of the country by 1998.

After about three months of the September 11 attacks, the United States and Britain launched war on Afghanistan after the Taliban refused to hand over Osama bin Laden, and by December, the Taliban surrendered. Mulla Omar, chief of Taliban, however, remained at large and Pashtun royalist Hamid Karzai was sworn in as head of an interim power sharing government. Hamid Karzai won elections held in October 2004, and now again he has secured the victory for another term as President of Afghanistan. The US-led forces, however, continue fighting the war on terror in Afghanistan.

Social Indicators:

According to ‘the Fund for Peace’, a Washington-based organization working for sustainable security, all of Afghanistan’s social indicators either worsened or stayed the same in the FSI [Failed State Indicators] 2009. The overall social situation in Afghanistan, described by the organization, can be summarized in the following bullet points.
• The demographic pressures indicator increased from 9.1 in the FSI 2008 to 9.3 in the FSI 2009, with a high population growth rate of about 2.69% per year, a large youth bulge (44.6% of the population under the age of 15), and a high infant mortality rate of 152 deaths per 1,000 live births.
• Afghanistan has about 400,000 orphans. An estimated seven million people remain susceptible to hunger throughout the country.
• The indicator for refugees and displaced persons remained at the high score of 8.9 in the FSI 2009.
• About 132,000 people are internally displaced as a result of drought, violence and instability.
• Afghanistan’s group grievance indicator worsened from 9.5 in the FSI 2008 to 9.6 in the FSI 2009.
• The human flight indicator worsened from 7.0 in the FSI 2008 to 7.2 in the FSI 2009.
• In 2008, there were 21 migrants for every 1,000 Afghans, one of the highest outward migration rates in the world.
• Afghanistan’s public services indicator also worsened significantly from 8.3 in the FSI 2008 to 8.9 in the FSI 2009.
• An estimated 57% of men and 87% of women are still considered illiterate, reducing Afghanistan’s ability to develop economically.
• An estimated one-quarter of the population has no access to health care and there is only about one medical facility for every 27,000 Afghans. The long-standing conflict has also devastated Afghanistan’s infrastructure and transportation systems.

Source: The FfP
www.fundforpeace.org

Economic Indicators:

Afghanistan’s uneven development indicator worsened from 8.1 in the FSI 2008 to 8.4 in the FSI 2009, according to the Fund for Peace. Other economic indicators are as follows:

• 18 million Afghans still live on less than $2 a day and five million Afghans live below the poverty line.
• Afghanistan’s illicit drug industry, which comprises 60% or more of the Afghan economy, is not included in Afghanistan’s economic growth.
• In 2008, the Taliban’s income from opium trafficking alone was estimated at $100 million.
• Afghanistan’s economic indicator improved slightly from 8.5 in the FSI 2008 to 8.3 in the FSI 2009.
• Afghanistan’s GDP growth exceeded 7% in 2008. However, Afghanistan still suffers from an unemployment rate of 40%, $8.5 billion of external debt, and a GDP per capita of $800, making it one of the world’s poorest countries.
Political/military Indicators:

All of Afghanistan’s political and military indicators worsened in the FSI 2009, states the Fund for Peace. Moreover, the organization claims:

- The indicator for the legitimacy of the state worsened from 9.2 in the FSI 2008 to 9.8 in the FSI 2009 as a result of the government’s inability to combat corruption, militant violence, and drug trafficking.
- Afghanistan’s security situation deteriorated, with 2008 considered to be the bloodiest year since the end of the NATO operation in 2001.
- In November 2008, the Taliban rejected a peace offer by President Karzai, stating that no negotiations can be made until all foreign troops have left Afghanistan.
- Many individuals within the government are still corrupt and operate with impunity. Karzai’s hard line approach to combating corruption has not made significant progress, with Afghanistan still considered to be one of the most corrupt countries in the world, ranking 176th out of 180 in Transparency International’s 2008 Corruption Perception Index.
- The human rights indicator worsened from 8.4 in the FSI 2008 to 8.8 in the FSI 2009.
- Afghanistan’s National Security Directorate has been accused of operating its own prisons and torturing its detainees, and the local militias are reported to have done the same.
- Warlords in the north have used property destruction, rape, and murder to prevent displaced Pashtuns from reclaiming their homes.
- The indicator for the security apparatus worsened from 9.6 in the FSI 2008 to 9.9 in the FSI 2009.
- Afghanistan’s factionalized-elites indicator also worsened from 8.8 in the FSI 2008 to 9.1 in the FSI 2009 as a result of the extreme ethnic and political polarization within the government and among the warring factions.
- Afghanistan’s score for external influence remained at the high score of 10.0 in FSI 2009.
- In June 2008, the number of British troops in the country swelled to 8,000 and the United States deployed an additional 4,500 troops. Other NATO allies also increased their troop strength throughout 2008.
- Afghanistan’s war-torn economy is still largely dependent on foreign aid. Reconstruction aid from USAID alone in the past eight years has amounted to $32 billion.
Core Five State Institutions

The Fund for Peace has depicted the overall situation in Afghanistan in the following graph.

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<th>Leadership</th>
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Source: The FfP

www.fundforpeace.org

Afghanistan’s legacy of the last 30 years

An entire generation of Afghans has grown up knowing nothing but invasion, war, bombing, repression and insurgency. Those years of war have left a terrible legacy in Afghanistan. It has always been a poor country; today it faces huge challenges. According to UNICEF:

- Afghanistan has the second highest infant mortality rate in the world.
- One in seven children is an orphan.
- One in eight women dies during childbirth.
- Only 28% of adults are literate. Women’s literacy rate is less than a third of that of men.
- Average annual income is $US250.
- Life expectancy is 44 years.
- 30% of children aged 5 to 14 years are forced to work.
- More than 70,000 Afghans have been killed or maimed by landmines since de-mining began in 1989.iii

Historical Overview of Pakistan:

Pakistan has completely different historical perspective from that of Afghanistan. For a comparative study of the history of the two countries, a brief discussion of Pakistan’s history is being presented here, as enumerated by ‘Fund for Peace’iiii in its country profile for Pakistan.

“Pakistan declared its independence on August 14, 1947, ending nearly 100 years of direct British rule as well as economic control dating back to 1757. The country was
declared a republic in 1956 with Iskandar Mirza as president. Two years later President Mirza declared martial law amidst widespread civil unrest. Commander-in-Chief Ayub Khan used his powers as the administrator of martial law to depose Mirza in a coup d’etat on October 27, 1958 abrogating the constitution. Khan assumed the title of President and kept the country under martial law until 1962, when a new constitution was introduced. Ayub Khan illegally turned power over to General Yahya Khan following his resignation in 1969 also abrogating his own constitution. In 1970, present-day Bangladesh, then the province of East Pakistan, demanded independence from Pakistan. Bangladesh’s newly-formed government-in-exile formally declared independence in March 1971, and successfully defeated occupying Pakistani forces in December 1971 with the help of the Indian military. General Yahya Khan resigned from office four days after losing East Pakistan, leaving Zulfikar Ali Bhutto, leader of the Pakistan Peoples Party (PPP), in control of the government. In 1973, Bhutto’s government drafted a new constitution, which declared Islam the state religion and installed Bhutto as the new prime minister.

Bhutto’s nationalization efforts made him increasingly unpopular as his term progressed; in January 1977 several opposition parties formed the Pakistan National Alliance (PNA) in an effort to defeat Bhutto’s PPP in the 1977 elections. The elections, held in March 1977, were considered by both Pakistanis and outside observers to have been rigged, as evidenced by an overwhelming PPP victory. This led to massive demonstrations in several cities. Seeing that he would be forced to compromise with PNA leaders, Bhutto agreed to enter into negotiations. However, before the two parties could reach a compromise, General Muhammad Zia-ul-Haq, the Chief of Army Staff, seized control of the government in a military coup on July 5, 1977. After 10 years of virtual dictatorship, Zia promised to hold new elections in 1988; however, he was killed in a suspicious plane crash on August 17, 1988, before elections could be held. Following Zia’s death, elections took place in November 1988 and Pakistan returned to civilian rule for 11 years, seven of which were under the administration of Benazir Bhutto, the leader of the PPP. Pakistan conducted its first nuclear test in 1998 during the Prime Ministership of Nawaz Sharif.

In 1999, General Pervez Musharraf seized power from Prime Minister Nawaz Sharif in a military coup, the fourth since 1956. Though Musharraf retained vast executive powers as president, he allowed his prime ministers to control certain policy areas. In an attempt to legitimize his rule, Musharraf called for indirect presidential elections in 2007, which he won overwhelmingly amid boycotts by many opposition parties. In August 2008, the opposition began efforts to impeach Musharraf, based on his mismanagement and increasingly autocratic reign, during which time he fired a popular Supreme Court Chief Justice. Diplomatic and internal pressure forced Musharraf to resign on August 18, 2008 rather than face an impeachment trial. On September 6, 2008, Asif Ali Zardari, husband of Benazir Bhutto, the PPP leader who was assassinated during an electoral campaign, was elected president by the Pakistani Parliament.
**Economic Indicators 1999-2009**

Here is the complete story of Pakistan’s gradual economic growth depicted in figures from 1999 to 2009. Economic Pakistan, a source for Pakistan economy updates, has prepared this comparison.

| Pak Economy in 1999: $ 75 billion | GDP per Capita Income in 1999: $ 450 |
| Pak Economy in 2007: $ 160 billion | GDP per Capita Income in 2007: $ 926 |
| Pak Economy in 2008: $ 170 billion | GDP per Capita Income in 2008: $1085 |
| Pak revenue collection 1999: Rs. 305 billion | Pak Foreign reserves in 1999: $ 1.96 billion |
| Pak revenue collection 2007: Rs. 708 billion | Pak Foreign reserves in 2007: $ 16.4 billion |
| Pak revenue collection 2008: Rs. 990 billion | Pak Foreign reserves in 2008: $ 8.89 billion |
| Pak Exports in 1999: $ 8 billion | Debt servicing 1999: 65% of GDP |
| Pak Exports in 2007: $ 18.5 billion | Debt servicing 2007: 28% of GDP |
| Pak Exports in 2008: $ 19.22 billion | Debt servicing 2008: 27% of GDP |
| Poverty level in 1999: 34% | Literacy rate in 1999: 45% |
| Poverty level in 2007: 24% | Literacy rate in 2007: 53% |
| Pak Development programs 1999: Rs. 80 billion | Pak Development programs 2007: Rs. 520 billion |
| Pak Development programs 2008: Rs. 549.7 billion | |

Source: Economic Pakistan

http://economicpakistan.wordpress.com/

**Latest Economic Situation:**

Pakistan’s economy has been gradually picking up on sound footing, as reflected in the aforementioned economic indicators. The economy has shown significant advancement in different sectors during the current financial year. On September 16, 2009, Pakistan’s official news agency, APP [Associated Press of Pakistan] carried a report containing a comparison of the recent overall economic situation with that of the last year’s corresponding period. The main features of this comparison are given below.

- Inflation eased to a 20-month low in August 2009, dropping to 10.69 percent after edging up 11.2 percent in July 2009.
• Trade deficit narrowed almost by 39 percent during the first two months of financial year 2009-10 as against the same period of the last financial year. Trade deficit during July-August (2009-10) was recorded at $2.194 billion as against the deficit of $3.564 billion recorded during July-August (2008-09), according to Federal Bureau of Statistics.

• Imports witnessed negative growth of 26.32 percent by falling from $7.008 billion during July-August (2008-09) to $5.163 billion during the current financial year (2009-10).

• Exports also declined by 13.78 percent during July-August as compared to the same month of last financial year. Under ‘Strategic Trade Policy framework 2009-12, the government has set export growth target of 6 percent for the current fiscal year, 10 percent for the next fiscal, and 13 percent for the year 2011-12.

• Pakistani workers remitted a record amount of $780.53 million in August, 2009 as against $592.30 million in the same month of the last fiscal year (August 2008), showing a jump of $188.23 million or 31.78 percent, according to State Bank of Pakistan.

• During the first two months (July-August) of FY10, an amount of $1.525 billion was sent home by overseas Pakistanis, showing an impressive 25 percent rise when compared with $1.219 billion received in the same period last year.

• Reduction in imports and increasing overseas remittances led to a contraction in the current account deficit in July, which narrowed to $606 million in July from $1.18 billion deficit recorded in the last year.

• The foreign exchange reserves in the week ended on September totaled $14.24 billion which had hit a record fall $6.6 billion by November of last year.

• The revenue collections during July 2009 were also increased 2.4 percent over corresponding period of the last year as Federal Board of Revenue (FBR) collected Rs. 74.07 billion of revenues during the time.

• The atmosphere for doing business in Pakistan has also witnessed positive changes as Pakistan IFC- World Bank’s Ease of Doing Business 2010 report says that Pakistan has gained top ranking amongst its South Asian competitors.

• Pakistan is currently ranked at 85 out of 183 countries ahead of all the BRIC countries [fast-growing developing economies of Brazil, Russia, India and China].

Political/Military Indicators:

According to the Fund for Peace, the indicator for legitimacy of the state improved from 9.5 in the FSI 2008 to 9.1 in the FSI 2009, due to a reduction in tensions over Musharraf’s rule. Other indicators related to political and military issues, given by the organization, are as follows:

• The public services indicator worsened from 7.1 in the FSI 2008 to 7.5 in the FSI 2009.

• The human rights indicator improved significantly from 9.5 in the FSI 2008 to 8.9 in the FSI 2009.
• The security apparatus indicator improved from 9.6 in the FSI 2008 to 9.5 in the FSI 2009.
• The Pakistani military is among the best-equipped and best-trained in the region.
• Pakistan is also a nuclear power, having conducted successful tests in 1998.
• The Pakistan military has carried out a successful operation in Swat, restoring the writ of the state there.
• The internally displaced persons of Malakand Division, who had to leave their homes in the wake of the military operation, have safely returned to their homes. In the Northwest Frontier Province, as well as in the southwestern province of Balochistan, local militias exercise significant control over their communities.
• The factionalized-elites indicator improved from 9.8 in the FSI 2008 to 9.6 in the FSI 2009.
• The Pakistani civil service is generally well-trained and professional. However, poor salaries and benefits make it difficult to recruit new employees and make current civil servants susceptible to corruption.

Core Five State Institutions

The Fund for Peace has portrayed Pakistan in the following graph.

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Military</th>
<th>Police</th>
<th>Judiciary</th>
<th>Civil Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>Good</td>
<td>Weak</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Source: The FfP

www.fundforpeace.org

How is Pakistan different from Afghanistan

The history of Afghanistan is replete with feuds, infighting and wars. The country remained a monarchy from 1747 to 1973. Now for about eight years again, Afghanistan has been in a war—US vs Taliban. Pakistan, however, has been a parliamentary democracy. Though there had been some military adventures in the country’s history [mentioned in ‘Historical Overview of Pakistan’ above], but the people eventually brought their public representatives back to the assembly. There is a political democratic system functioning in Pakistan.

Afghanistan, a war-torn country, has no infrastructure at all in any field. Whether it is health, education or any other sector, the country lacks a system. There is no law and order in any part of the country. The warlords have established their own states wherein they have enforced their own systems. The US-backed Afghan government does not have writ in most parts of the country as, according to press reports, the Taliban have made...
their permanent presence in 80 percent of the country’s land. Afghanistan has been and is a country at war, reflecting total chaos, giving an impression of a wasteland. As it is evident from the facts and figures given above, all the indicators are showing a negative trend vis à vis Afghanistan.

The graph prepared by the Fund for Peace, a Washington-based organization promoting sustainable security, shows that performance of all of Afghanistan’s five key institutions—Leadership, Military, Police, Judiciary and Civil Service—has been poor. On the other hand, the graph about Pakistan prepared by the same organization suggests that the country’s performance in these five institutions has been good [Military], moderate [Judiciary and Civil Service], and weak [Leadership and Police]. This clearly shows a major difference between Pakistan and Afghanistan.

Pakistan is a country being run under a democratic system. Every national institution is working, taking the country ahead. Most of the indicators in the fields of economy, education, health, employment, infrastructural development etc, etc, are showing positive signals of growth.

In the perspective of the ongoing conflict in Pakistan, Mosharraf Zaidi, an eminent columnist, describes some features of the country as: “Pakistan is a country of nearly 180 million people. We speak at least eight major languages. We sustain 10 cities with more than one million people. We make telecom companies rich beyond their wildest dreams, buying up and using more than 85 million active mobile phone subscriptions. We love to watch politics on over 25 news channels. We reject violent extremism in poll after poll—both the IRI and Pew Global Attitudes Survey confirm this. We reject religious political parties in election after election—the desperate and confused religious political establishment confirms that.”

As for law and order, what Pakistan has to face today has been mainly caused by the US invasion of Afghanistan. There was no suicide attack, bomb blast, Taliban phenomenon, militancy etc before that event. Though Pakistan was dragged into the quagmire, but even then it performed well in curbing militancy on its soil. This is the country that has busted and handed over about three-fourth of the Al-Qaeda leadership to the United States. The country’s army has carried out many successful operations in FATA including Mohmand, Bajaur, Khyber and also in Swat. The militants’ hideouts were pounded by the military jets, totally destroying or displacing them in these areas.

The Swat operation can be referred to as an example in this regard, wherein the military secured a big achievement in the shortest time. The over three million Internally Displaced Persons [IDPs] have now returned home in Malakand Division and are living peacefully there. Is there any such example in Afghanistan despite presence of about 120,000 foreign forces there for about eight years? Can the Afghan army do anything like that?

On October 17, 2009, the army embarked on Rah-e Nejat operation against the Taliban in South Waziristan—the headquarters of militants in Pakistan. The army has secured some
key strongholds of the militants while successfully taking the offensive ahead. Nevertheless, the Pakistani people have to face a strong reaction of this operation by the militants as the latter have accelerated their militant activities in the entire country, with a suicide blast occurring almost every day in one or the other major city of the country. Although dozens of civilians are losing their lives in this violence, yet the people have kept up their resolve with the belief to completely eradicate militancy from their soil by supporting the military.

As for Afghan economy, agriculture is the main occupation but less than 10% of the land is cultivated, a large percentage of the arable land was damaged by warfare. Largely subsistence crops include wheat and other grains, fruits, and nuts. The opium poppy, grown mainly for the international illegal drug trade, is the most important cash crop, and the country is the world's largest producer of opium.

As a result of civil war, exports have dwindled to a minimum, except for the illegal trade in opium and hashish. The country has also become an important producer of heroin, which is derived from opium. Afghanistan is heavily dependent on international assistance.

Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care and jobs. Criminality, insecurity, and the Afghan Government's inability to extend rule of law to all parts of the country, pose challenges to future economic growth. It will probably take the remainder of the decade and continuing donor aid and attention to significantly raise Afghanistan's living standards from its current level, among the lowest in the world. Other long-term challenges include: budget sustainability, job creation, corruption, government capacity, and rebuilding war torn infrastructure.

Pakistan, however, from the time of its independence, started with a purely agricultural economy, but soon its industrial wing gathered momentum and Pakistan became the role model world over. It is one among the growing economies of the world.

An official statement claims that Pakistan’s economy is the 26th largest economy in the world in terms of purchasing power, and the 47th largest in absolute dollar terms. In 2005, it was the third fastest growing economy in Asia. Pakistan's economy mainly encompasses textiles, chemicals, food processing, agriculture and other industries.

The economic figures mentioned in the previous pages show that Pakistan’s economy has been continuously growing, suggesting that the country is moving ahead. Pakistan does not need foreign aid to pay salaries to its security personnel. The country has a big defense budget with a focus on enriching and strengthening its defense capability.

Similarly, there is no comparison between Afghanistan and Pakistan in the fields of politics and military. Afghanistan does not have any political structure since, for decades, it has been a land of infighting with drug lords occupying their own specific pieces of
land. Pakistan, however, has political parties having their own manifestos working for strengthening democracy in the country.

Pakistan also has a huge strong military—6th largest one in the world with approximately 700,000 personnel on active duty. While in Afghanistan, the active personnel are about 190,000, who too along with 120,000 foreign troops could not succeed in establishing peace there.

Since Pakistan and Afghanistan clearly emerge as two different countries in the perspective of their history, social status, economy, military and politics, the people of Pakistan are rightly worried over US attempt to bracket the two under ‘Af-Pak’ term. Some of them perhaps take it as a part of US policy to destabilize Pakistan like Afghanistan. Washington, thus, needs to de-hyphenate Pakistan and Afghanistan to remove the Pakistanis’ suspicions and apprehensions in this regard for a better and trustworthy bilateral relationship.
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Tuesday, March 24, 2009