

## US-Pakistan Counter-Terror Coalition (2001-2014): A Cost and Benefit Analysis

Manzoor Ahmad

Assistant Professor, Department of Political Science, Abdul Wali Khan University Mardan, Pakistan

Received: September 1, 2014

Accepted: November 13, 2014

---

### ABSTRACT

Pakistan on the eve of 9/11, 2001 was facing serious domestic and internal challenges in terms of politics, economy and security that jeopardized the very existence of the state. The post 9/11 US pressure and the perceived image of Pakistan further deteriorated the situation for Pakistan. Pakistan decision to join the war on terror has serious ramifications for Pakistan. This paper analyzes the benefits which Pakistan accrued from the US in terms of economic and military aid and also the political, strategic, economic and social cost of this relationship for Pakistan.

**KEY WORDS:** War on terror, US assistance, economic growth, IDPs, Legitimacy.

---

### 1. INTRODUCTION

In the post 9/11 era Pakistan was facing serious challenges to its survival and security. India was exploiting the situation against Pakistan and was blaming Pakistan for cross-border terrorism. The nuclear proliferation scandal, the undemocratic system, internal instability and Pakistan's perceived links with Taliban and Al Qaeda brought Pakistan to the position of a 'rogue state' where terrorists are bred, trained and infiltrated into the neighboring states of India and Afghanistan. The situation was also alarming for Pakistan's stance on the issue of Kashmir and the Kashmiri freedom fighters were identified with terrorists. Pakistan also felt that in case of noncompliance with the US, its nuclear assets might be attacked and Pakistan might be deprived of its vital strategic assets.

On domestic front, Pakistan political economy was at worst conditions. The continuous and prolonged periods of sanctions due to Pakistan's nuclear tests, undemocratic regime and human rights violations and debt servicing had badly hampered the smooth economic growth in the country. Foreign reserves had plummeted and the growing socio-economic inequalities had jerked the very foundations of the political economy of Pakistan. The internal crisis of weak institutions, poor governance, corruption and political instability coupled with economic disparity and social fragmentation on ethnic and sectarian grounds were concerning the US and international community.

Under these circumstances, Pakistan could not afford the rage of the US and international community and had no other option but to ally with the US in the war on terror. However, the vast knowledge of Afghan territory and intelligence due to geographical proximity with Afghanistan and its close relationship with the former Taliban regime provided Pakistan the opportunity to bargain with the US in the war on terror in Afghanistan for acquiring economic and security benefits.

Pakistan position and role as frontline state in the war on terror required Pakistan to drastically change its policies towards Afghanistan, Taliban and Kashmir. Consequently, Pakistan made considerable changes in its Afghan policy of cooperation with the Taliban and provide the US with five air bases on its territory along with logistic and intelligence support for *Operation Enduring Freedom* in Afghanistan. Pakistan also captured several hundred Al Qaeda operatives on its soil. The long hostility between Pakistan and India also took a shift as both states turned towards the process of normalization through several bilateral talks and CBMs and make efforts for the alleviation of poverty.[1]

### 2. A cost and benefit analysis

Pakistan's efforts in the war on terror were duly acknowledged by the US and international community. All sanctions against Pakistan were incrementally removed. The rescheduling of Pakistan's debt enabled Pakistan to get some of its debt written off and also repay its debts on soft terms to Paris Club and international donors. The debt rescheduling and waving resulted in a decline of total debt from 113.2 percent of GDP to 62.4 percent by the year 2008. Musharraf also took several measures to handle internal extremism and militancy. Constitutional measures like the promulgation of Anti-Terrorism Act were enacted with several amendments to check the activities of terrorists, their links, finances and weapon supply. About eight sectarian and *Jihadi* organizations were banned and military operations were carried out against the militants in tribal areas and even in Islamabad. *Madrassa* education forms a considerable portion of the education system of Pakistan. To bring

---

\* **Corresponding Author:** Manzoor Ahmad, Assistant Professor, Department of Political Science, Abdul Wali Khan University Mardan, Pakistan.

*Madrassas* education to main stream of education, modernize their curriculum and monitor the activities of *Madrassas*, several reforms like Voluntary Registration and Regulatory Ordinance were introduced. To revive the dying economy of Pakistan several economic reforms were introduced with the objective to ensure macroeconomic stability, restore working relationship with international financial institutions, propose and implement structural reforms, improve governance Domestic debt declined from 50.1 percent of GDP to 31.8 percent in 2008 and external debt fall to 29.5 percent in 2008 from the original 60.3 percent in 2001.

Pakistan received huge supplies of arms and ammunitions and considerable military assistance from the US for war on terror. Total military assistance from US to Pakistan amounted to US \$ 8394 billion during 2002-08. This assistance made Pakistan's defense capabilities almost invincible. In economic sphere, Pakistan received a total of US \$ 3451 billion including the \$ 2374 billion as Economic Support Fund enabling Pakistan to acquire stability at both macro and micro level economy. [2] The US trade also flourished during Musharraf regime. Total Pakistan's imports from the US and exports recorded during this period amounted to US \$22.18 billion and US \$10.744 billion respectively with a trade deficit of US \$ 11.436 billion. US investment in Pakistan totaled US \$ 385.1 billion in the same period. These developments had positive impacts on the political economy of Pakistan.[3]

## 2.1 Political Cost

Pakistan's efforts to maximize its own interests of acquiring economy and security related benefits from the US in return for its role in the war on terror has its worst ramifications for Pakistan's politics, security, economy and society. The coalition of the religious parties MMA got prominence in the Pakistan's political scene especially in the general election of 2002. The sweeping victory of MMA in KPK and Baluchistan is considered as a direct reaction to the pro-American and anti-Taliban and anti-*Jihadi* policies of Musharraf.[4] Once in power, the MMA posed tough resistance to the government policies and publically condemned them. The alliance also strengthened the military regime of Musharraf at the expense of further weakening the democratic institutions and undermining democratization in Pakistan.

The war on terror is not limited to Afghanistan only but has also spread to the Pakistan's soil. The US has been conducting preemptive drone strikes in the tribal areas of Pakistan in search of militants ousted from Afghanistan and their Pakistani supporters. The success of these strikes is doubtful however, they are inflicting heavy civilian casualties in tribal areas.[5]

Pakistan has repeatedly denied any involvement of its consent in these strikes and as such these attacks are against the international norms of state's sovereignty.

The US-Pakistan alliance has its impacts on Pakistan's security as well. Though, the huge supplies of arms and assistance enabled Pakistan to forge considerable deterrence against India and the international pressure forced both the states to come to the negotiation table, however, the normalization between the two states could not get due success due to the negative perceptions of each other and continuous accusations from both sides. India is blaming Pakistan for cross-border terrorism and considers that Pakistan is actively involved in the terror attacks in India. Pakistan's is also held responsible for existing unrest and chaos in Kashmir. Pakistan on the other denies such accusation and instead holds India responsible for Baloch insurgency and terrorist violence in the tribal areas of Pakistan. India's increasing influence in Afghanistan is also jeopardizing Pakistan's security interests in the region.

The alliance with the US has its negative impacts on Pakistan's western border security and its relations with Afghanistan. Christophe Jafferlot opines: When the Taliban fell, Pakistan lost its famous 'strategic depth' in Afghanistan: its rear base which, in theory, gave the country more clout in its dealings with India. This marked a complete failure of Pakistan's strategy in the region.[6]

Pakistan has been criticized for cross Durand Line incursions of militants from the tribal areas into Afghanistan and sabotaging the peace and order there.[7] The infiltration of terrorists from Afghanistan into Pakistani territory and their activities in Pakistan is a point of concern for Pakistan and is seriously challenging the internal security of Pakistan. The Afghan claim of Pashtunistan which had remained dormant during the Taliban regime also resurged once again. Moreover, despite of Pakistan's repeated denials, the Karzai government is also blaming Pakistan for injecting terrorists into Afghan territory. Similar accusations have also been made by the allied forces operating in Afghanistan. The close relationship between India and Afghanistan and close Indo-Afghan nexus in the post Taliban period is threatening Pakistan's external security milieu. Pakistan feels the threat between two hostile powers on both sides.

Pakistan's internal security also faced a serious setback. Pakistan's post 9/11 policies lead to the emergence of widespread militancy with in Pakistan, especially in the tribal areas and some settled parts of KPK. The increased militancy has resulted in distorted law and order situation in the country. Frequent suicide bombing and kidnapping has become the order of the day and hence the masses have become uncertain and resilient about the state and its authority.

The majority of Pakistan’s populace, especially the Pashtun population in KPK was against the US attack on Afghanistan. They have natural affinity with the Pashtuns of Afghanistan and the Taliban who were mostly Pashtuns and considered it an attack on Pashtuns and Islam. The alliance with the US and Pakistan’s role as frontline state give rise to popular resentment especially in the religious sector of the society. This in turn resulted in public demonstrations, chaos and violence in the country. According to a report by *South Asia Terrorism Portal (SATP)*, during 2003-2010, Pakistan faced 11512 fatalities in terrorist violence including 8404 civilian and 3108 security officials (See Table 15). In the same period 17247 terrorists were killed.[8] Pakistan army faced serious casualties in the war on terror at home. This included 2273 killed and 6512 injured persons.[9]The serious law and order situation and terror activities inflicted about 13485 casualties during 2003-08, including 5291 civilian, 1865 security persons and 6329 terrorists.

**2.2 Economic Cost:** The anti-terror policies and resultant militancy created chaotic situation for economic activities in Pakistan especially in the terror affected areas. The anti-terror operation also inferred heavy cost on Pakistan in terms of men and resources, creating import-export gap and less foreign investment due to uncertainty and chaos in the region.

**Table 1: Economic Cost of War on Terror for Pakistan (Rs. Billion)**

	2005	2006	2007	2008	2009	Total
<b>Direct Cost</b>	67.103	78.06	82.5	108.53	114.03	450.223
<b>Indirect Cost</b>	192	222.72	278.4	375.84	563.76	1632.72
<b>Total</b>	259.103	300.78	361	484.37	677.79	2082.95

Source: Finance Division, Government of Pakistan (2008)

Total cost of the war on terror during 2005-09 amounted to Rs. 2083 billions which has its negative effects on the political economy of Pakistan resulting in high inflation rates and less spending on development projects.

Pakistan could not achieve significant growth at macro and micro levels. The real GDP growth rate showed a little progress during the year 2002-2005 achieving a remarkable growth of 9 percent in 2005 and declined again to 4.1 percent in 2008. The growth in agriculture sector was mix during 2002-2008 and showed considerable progress in the year 2005 and 2006 reaching the figure of 6.5 and falling again to 1.1 percent in the year 2008 (See Table 2).

According to the reports of Economic Survey of Pakistan, the share of agriculture sector in the GDP increased during 2002-06 from 23.6 percent to 26.3 percent but declined after wards falling to 24.3 percent in the year 2008. Similarly the manufacturing sector grew gradually during 2001-05 and reached to 5.5 percent in 2005 but declined again to 4.8 percent in 2008. The services sector however remained good 6.6 percent in 2008 as compared to 4.2 in 2000. Pakistan’s monetary assets also showed a marked growth staying at 15.3 percent by 2008.

Pakistan trade deficit also increased as the import-export ratio declined sharply. However, the growth rate in exports and imports increased. The high export rate was recorded as 22.2 percent in the year 2003 declining sharply to 3.2 by 2007 and 12.2 in 2008. The imports showed a growth rate of 18.2 percent in 2003 rising to 38.8 percent in 2006 and falling again to 6.9 percent in 2007.

**Table 2: Selected Economic Growth Indicators of Pakistan (1999-2008)**  
(Percent growth)

Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Real GDP</b>	4.2	3.9	2.5	3.6	4.8	7.5	9.0	5.8	6.8	4.1
<b>Agriculture</b>	1.9	6.1	-2.6	1.4	4.1	2.4	6.5	6.3	4.1	1.1
<b>Manufacturing</b>	4.1	1.5	7.6	4.4	6.9	14.0	15.5	8.7	8.3	4.8
<b>Services</b>	5.0	4.2	4.8	5.1	5.2	5.8	8.5	6.5	7.0	6.6
<b>Monetary Assets</b>	6.2	9.4	9.0	-3.6	18.0	19.6	19.3	15.2	19.3	15.3
<b>Exports</b>	-9.8	10.1	7.4	-0.7	22.2	10.3	16.9	14.3	3.2	12.2
<b>Imports</b>	-6.8	9.3	4.1	-3.6	18.2	27.6	32.1	38.8	6.9	30.9

Source: Government of Pakistan, *Pakistan Economic Survey*, Islamabad: Ministry of Finance, Various issues (1999-2009); Government of Pakistan, State Bank of Pakistan, *Annual Report*, Karachi, Various Issues (1999-2009).

Saving and investment rate remained mixed during 2001-2008. The national savings rate rose from 16.5 percent of GDP in 2001 to 20.8 percent in 2003 and again declined to 13.4 percent in 2008. However, the total investment rate grew from 17.2 percent in 2001 to 22 percent in 2008 (See Table 3).

However, the ongoing militancy and military operation has resulted in a decline in the foreign direct investment (FDI) in Pakistan. The State Bank of Pakistan (SBP) reports that a decline of 13 percent in FDI (\$324 million) during the first seven months of the year 2009 due to the poor law and order situation in Pakistan. The period January 2008 to January 2009 recorded a decline of \$432.458 million in FDI.

**Table 3: Pakistan's Savings and Investment (2001-2008)**  
(percent of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008
<b>National Savings</b>	16.5	18.6	20.8	17.9	17.5	17.7	17.4	13.4
<b>Total Investment</b>	17.2	16.8	16.9	16.6	19.1	22.1	22.5	22.0
<b>Saving-Investment Gap</b>	-0.7	1.9	3.8	1.3	-1.6	-4.4	-5.1	-8.7

Source: Government of Pakistan, *Pakistan Economic Survey*, Islamabad: Ministry of Finance, Various issues (1999-2009); Government of Pakistan, State Bank of Pakistan, *Annual Report*, Karachi, Various Issues (1999-2009).

### 2.3 Social Cost

The post 9/11 US-Pakistan relationship could not produce a healthy effect on the social sector. The Musharraf reforms for eliminating poverty and unemployment could not succeed in getting the required objectives. The US aid in social sector also failed to produce good results. The US-Pakistan counter-terror policies and the reactionary militancy resulted in low literacy level, poor growth and social problems in the affected areas on one hand and in an increased anti-Americanism on the other.

The Ministry of Finance reports that Pakistan's role participation in the anti-terrorism has resulted in massive unemployment especially in the affected regions of Swat and FATA. This has in turn led to increased rural poverty reaching the alarming figure of 37.5 per cent from the previous 23.9 per cent in 2007-2008.[10] The literacy rate showed a slight growth from 45 percent in 1999 to 48 percent in 2002 and reached to 56 percent by 2008. Poverty rate remained stable, 22.3 percent in 2006 as compared to the original 22.54 percent in 1999; however, it remained high during 2001-2002. The unemployment rate declined from 8.3 percent in 2001 to 5.46 percent in 2008. However, the per capita income showed a gradual increase and reached US \$ 1042 by the year 2007 (See Table 4).

**Table 4: Selected Social Indicators (1999-2008)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Per capita Income (US \$)</b>	-	-	-	-	669	733	836	921	1042	-
<b>Literacy rate</b>	45	-	-	48	-	54	-	55	55	56
<b>Poverty</b>	22.54	-	27.3	26.5	-	23.1	-	22.3	-	-
<b>Unemployment</b>	7.8	-	8.3	8.27	7.69	7.69	6.20	5.20	-	5.46

Source: Government of Pakistan, *Pakistan Economic Survey*, Islamabad: Ministry of Finance, Various issues (1999-2009); Government of Pakistan, State Bank of Pakistan, *Annual Report*, Karachi, Various Issues (1999-2009).

### 3. Conclusion

The post 9/11, 2001 US-Pakistan relationship is a good example of bargaining between US and Pakistan. Both states have common interest of eliminating terrorism and bringing peace and stability in the region. Though Pakistan has some observations regarding the policies of US towards India and Afghanistan, the evolving Indo-US relationship and the changing US policy towards Afghanistan may be detrimental to Pakistan's national interests in the region. US in the post 9/11 era emerged as the most powerful hegemony manipulating world politics. Pakistan had its own perceptions of security and survival. The geo-strategic importance of Pakistan in the region influenced the US to change its hostile policy towards Pakistan and form friendly cooperation in the war on terror in Afghanistan. Pakistan on the other hand, was seeking its national interests of security and economic development. As a result of this bargain Pakistan got economic benefits from

the US. However, the costs of this relationship are more serious and long term than the short term benefits which Pakistan got from this alliance. This relationship gave rise to domestic insurgency and terrorism in Pakistan which has seriously hampered growth and development in economic and social sectors. The civil-military rift widened and ethnic nationalism rose to high levels. It also increased US influence in Pakistan domestic and foreign affairs.

#### REFERENCES

- [1] Robert Looney, "Failed Economic Take-Offs and Terrorism in Pakistan: Conceptualizing a Proper Role for U.S. Assistance", *Asian Survey*, Vol. 44, No. 6. Nov. - Dec., 2004, pp. 779-80
- [2] U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development
- [3] Alan Kronstadt, "US-Pakistan Relations", CRS, Library of Congress, 2002-2008; Embassy of Switzerland in Pakistan, "Economic Report Pakistan 2007/08", Islamabad, November 2008, p.8
- [4] Misra A., "Rise of Religious Parties in Pakistan: Causes and Prospects", *Strategic Analysis*, Vol. 27, No. 2, 2002, pp. 186-215.
- [5] New America Foundation, "The Year of the Drone: An Analysis of U.S. Drone Strikes in Pakistan, 2004–2010", February 25, 2010.
- [6] Christophe Jaffrelot, ed, *A History of Pakistan And Its Origin*, (London: Anthem Press, 2002), p. 267.
- [7] "Pakistan: The other Taliban", *The Economist*, March 18-24, 2006, p. 30.
- [8] "Pakistan Assessment 2010", *SATP report* available at <http://www.satp.org/satporgtp/countries/pakistan/> (Accessed on December 11, 2010)
- [9] "*Pak Army's Contributions in the Fight against Terrorism*", available at [http://www.centcom.mil/images//pak\\_army\\_contribution\\_in\\_fight\\_against\\_terrorism.pdf](http://www.centcom.mil/images//pak_army_contribution_in_fight_against_terrorism.pdf) (Accessed on December 11, 2010)
- [10] Arshad Ali, "Economic Cost Of Terrorism: A Case Study Of Pakistan", *Strategic Studies*, Vol. XXX, No.1 & 2, Spring & Summer, 2010, p. 157