

Free the economic effects of the war on terror term paper example

[Society](#), [Terrorism](#)



After the Great Wars that shook the status quo in the 1900s up to the late 90s, many believed that peace would no longer be threatened by worldwide conflict. However, this relief had been shattered when a group had decided to attack several key installations of the world's only superpower on September 11, 2001, returning the fear that was once felt in the time of the Great Wars. With a group known as Al Qaeda taking responsibility over the crime, the US and its allies have declared "The War on Terror" against groups such as Al Qaeda across the globe. While some support this initiative, others see that the consequences of having such global agenda would be severe for any party, especially in their economic capability. The economic effects of the war to either the raiding nation (the US) or the countries affected (Afghanistan, Pakistan, Iraq and the African and Southeast Asian countries) can be detrimental to their overall economic capability as the war can cripple all sectors of economy (especially for affected countries) and the expenses needed for recovery and sustenance of these measures can undermine the entire fight on terrorism.

The War on Terror

According to Falk (2008) the War on Terror or the "Global War on Terror" had been announced nine months after 9/11, signaling the counterattack of the international community against insurgent forces such as Al Qaeda. US President George W. Bush had announced that he would not rest until justice is served and would "not forget those who have inflicted pain and fear to the people". Under the guidelines of the "global war on terror", the operation aims to prevent terrorists such as militant Islamic groups like Al Qaeda from carrying further attacks to America and its allies while spreading democracy

and freedom to countries supporting terrorism. Afterwards, the US and its allies would concentrate on removing Taliban from Afghanistan in order to flush out Al Qaida and its leader to the removal of terrorism in other parts of the globe. The international community, as well as prominent leaders in the American force, had been divided with regards to the " War on Terror". In one such remark, American general Wesley Kanne Clarke commented that " the Bush administration was mostly concerned over winning rather than concerning itself with the possible consequences of the war to the nation, especially to the economies of all nations involved". This specific sentiment on economic effects of the War has merits considering the impact of the war during, and after the skirmishes that can paralyze its entire economy.

Economic Effects of the War in Afghanistan

Upon the announcement of the War on Terror in 2002, Afghanistan had been the first target of the US-led coalition under the banner of " Operation: Enduring Freedom". According to Jackson (2009), the country had long been in conflict prior to the announcement against the terrorists as Afghanistan had been under Soviet rule by the time of the Cold War. On October 7, 2001, the US had declared war against the Taliban government after 9/11 as the Taliban are discovered to be harboring terrorists. There were also reports that the Taliban have committed severe human rights violations, earning additional support to Operation: Enduring Freedom. The military action taken by the US is minimal as the rebels and terrorists moved to Pakistan or dissolved to the population. Nonetheless, there were several air strikes conducted by the US forces to counter all terrorist factions. The aftermath of

the operations in Afghanistan had been severe as international news agencies, from 2001 to 2003, had shown the darker side of the celebrations with the end of the Taliban. It was visible that many citizens were maltreated while crimes have been rampant throughout the region. There was also the lack of state control in the country, affecting not just the Afghan security forces but also the still growing insurgency.

As far as its economic capability is concerned, Afghanistan records as one of the poorest and least developed countries in the globe. According to Humphries (2012), since 2001, the US has sent more than \$19 billion worth of aid to Afghanistan to support the people and for the reconstruction efforts. The aid itself enabled the Afghan economy to reopen and improve even the lives of the Afghans. However, with the US finalizing the transition period for Afghanistan and lessening the funding they give to the country, there is a question on whether or not the country can sustain the expenses and spending with just their still recovering economy. According to Alex Thier of the Office of Afghanistan and Pakistan Affairs, " Ultimately, if the Afghans are going to sustain the progress, it is going to have to come from their own economy, from their own revenues, from their own private sector." Experts argue that for Afghanistan to utilize its own economy to recover, there is a need to correct the political scheme of the region, remove corruption, stand without aid and build a more effective Afghan state. Despite the removal of the Taliban, there is also a concern over the impact of the growing violence in the region that may affect Afghan economy recovery. It is also expected that the transition, which may end on 2014, may cause Afghanistan to take 10 years to fully recover from the ordeal. On the other hand, however,

Chossudovsky (2013) highlighted that there is more to the Afghan War than meets the eye as the country's resources are being targeted by the raiding forces. With the country serving as the hub of Central Asia, it is discovered that Afghanistan has high mineral wealth and natural gas reserves that can amount to \$1 trillion and can ultimately substitute the resources exported from Saudi Arabia. The report in itself is not new because the Soviet Union had already proven the same theory in the 1970s, stating that the country has the highest grade of iron, copper, chrome, uranium, zinc and gold. This would sound as a benefit to the Afghan economy's recovery given the possible investment it may bring to the country through the Western countries, and it could rekindle trading agreements with the West and other nations. However, it is said that the war would plunder Afghanistan's resources which may further hinder its complete recovery.

Economic Effects of the War in Pakistan

According to the report of the Ministry of Finance of Pakistan (2011), the War on Terror directed to Afghanistan and in Pakistan had caused several strains to the country for the past few years. Since the declaration of the War on Terror months after 9/11, Pakistan had been one of the first few nations that had expressed support to the war effort against terrorism also threatening their region. While this is said, the country had received an influx of displaced persons from Afghanistan and other neighboring territories and terrorists hiding from the alliance. It had easily disrupted Pakistan's trading activities as borders have increased security measures while companies increased their insurance coverage to ensure return of income for damaged

or stolen goods. Economic growth had also dwindled due to the lack of imports coming in the region, affecting tax collection and foreign investments as governments have released a travel alert in the region. As the start of the war sometime in 2001-2002, the Pakistani Ministry of Finance recorded the cost of \$2. 669 billion loss due to four factors: the War in Afghanistan, the resumption of trading in January 2002, the removal of the Taliban and civil war, and the increase in trading costs through freight cargo and premiums. Despite the removal of the threats in the region, Pakistan unable to regain lost investment and economic activity in the region. As the years progressed, Pakistan continued to experience heavy economic losses due to the continuing War on Terror in the region due to the increase of insurgents and other unlawful groups raising havoc in the region. As a result of the exhausted resource of the country by the war, the originally reported cost of \$2. 669 billion in 2001-2002 had ballooned to \$13. 6 billion in 2009-2010, possibly increasing to \$17. 8 billion in the following year. By the time the War on Terror had reached its 10 year mark, Pakistan lost a whopping \$67. 93 billion or Rs. 5037 billion, which could have been used to improve Pakistani economy given the numerous travel bans it has received as part of the countermeasures for the War on Terror. The lack of imports and exports, as well as tourism and demand, crippled Pakistan's privatization program and caused a massive wave of unemployment in the region. Since most of the budget goes to security, many Pakistanis opt to migrant out of the country which now adds to the growing expenditure of the government. Aside from the financial losses due to the war, the GDP of the country had took a nosedive throughout the war from 22. 5% in 2006 to 13. 4 percent in

2010. The resulting impact of this GDP decrease has ended up threatening the job flow of the country. Unless something is done to stop the current conflict in the region, Pakistan, according to the Ministry of Finance, may become paralyzed due to the continuous lack of investment that sustains the country's economy.

Economic Effects of the War in Africa

Maloka (2005) stated that Africa's position in the war on terror is "relatively insignificant if one were to use Africa's share of total global terror attacks and casualties". In the report "Patterns of Global Terrorism", Africa ranks as the fifth region that records the highest terrorist attacks. Many African countries supported the condemning of the 9/11 attacks and aided in paralyzing terrorist activity in their territories. The African region played host to several US military projects such as the Africa Contingency Operations Training Assistance (ACOTA) in 2002 to provide training for African troops. However, while Africa continues to help the system, it is visible that it is not being aided by the international community when it comes to its economic development despite its history of poverty and economic incapacity. Aside from the fact the aid packages go mostly to Iraq, or to Afghanistan, Africa's economy is affected in the extent that the West is now looking at Africa as the new sources for oil, especially in the US. With the war causing the US to have a fallout with Saudi Arabia and the growing unrest in Venezuela, the African region is now explored for its 6% oil reserves. Nigeria, Angola, Gabon and the Congo Republic are four of the largest African oil producers while Chad, Equatorial Guinea and Sudan are seen to be possible oil producers

with some investment. The pro-African oil lobby groups in the US are calling for investments to enter the region as it could aid both the US energy need and also improve the country's oil producing capability. The US had already launched the \$3.6 billion Chad-Cameroon oil pipeline project, considered to be the largest investment of the US to the region. Corporate companies such as Chevron and Shell have already announced interest in setting up a \$45 billion project to develop African oil producing capability. However, while these investments would boost the African economy, the region still remains to house the poorest Africans.

Economic Effects of the War in Southeast Asia

Terrorism had also reached its impact in Southeast Asia even before the War on Terror as stated by Narayan (2005). Southeast Asian guerrilla and terrorist groups are connected with international and regional terrorist groups such as Al-Qaeda and the Jemaah Islamiyah, possessing maritime capabilities that allows it to conduct attacks throughout the Southeast. Throughout the war on terror, it is recorded that the terrorist activity in the Southeast Asian region can result into a financial loss that can reach into billions of dollars coming from oil shipping. It is estimated by the Organization for Economic Co-operation and Development that if the terrorists hijack the oil imports entering the Southeast, it is likely to trigger oil price increase and energy shutdown. Oil tankers often traverse the straits of the region and given the contents of these tankers, it is likely to incite disrupted energy production and block the Straits that would threaten the shipping industry in the region. In addition to the possible crippling of the

shipping industry through the War on Terror, insurance firm Lloyd's and the International Institute of Strategic Studies (2008) cited several other economic impacts as seen in the notable terrorist attacks to the region. In the Bali Bombings on October 12, 2002 and October 1, 2005, tourism has suffered in Indonesia as the attacks caused tourists to dwindle. Almost 22 restaurants and several hotels have already closed down since the first attack, which was the intention of the bombers in the first place. According to one of the organizers Imam Samudra, they committed the attack because they were disgusted by "the dirty adulterous behavior of the whites there." In the Jakarta Marriot Bombing in 2003 and the Australian Embassy Bombing in 2004, the destruction caused by the attack also affected several establishments, including the Plaza Mutiara shopping mall. The attacks caused Indonesian tourists to drop, including the reduction of revenue. Finally, in the case of the Philippines due to the kidnapping of the Abu Sayyaf Group (which is attached with the Al Qaeda), businesses are threatened due to the dangers of travelling in the regions the group is known to frequent. If there would be cases of kidnapping, there is a possible demand on ransom and may cause investment to decline in the area.

Economic Effects of the War in Iraq

According to Parker and Moore (2007) the impact of the War on Terror in the Iraqi nation had been unexamined by many experts given the perception that the victory of the allies is a step ahead to succeed in stopping terrorism from continuing. Before the war, Iraq was known as a net creditor and had been one of the most advanced economies in the region. However, by the

time of the War on Terror, the country became one of the world's poorest and underdeveloped nations. The annual income of the country had also fallen to \$500 - \$600 in 2003 from its \$4. 000 income in 1980. Before the invasion, it is reported that Iraqi industries had immediately ceased operations and further fueled unemployment rates to increase to 50%. The agricultural sector of the country had also been destroyed by the invasion, leaving many children malnourished and families dependent to UN Oil for Food program incentives. Aside from the decline in economic capability, the major industries of the country had also fallen especially oil. Since the international community had also imposed embargo in the country, the US stated that the economy must be rebuilt from scratch. Adding to the problems of the Iraqi economy to recovery after the war is the destruction and blocking of the three major trading routes in the region: Highway 1, Highway 10 and Highway 6. These three routes have been dominated by the Shi'i militias and created their own markets in these regions, opening areas for sabotage and undermining the political economy of the area.

Economic Effects of the War in the United States

While all of the affected states of the War on Terror have showcased immense decline on their economic capability, the main proponent of the War on Terror, the US, also shows several economic constraints brought by the operations. In the report of Crawford (2013), the United States had spent almost \$3. 1 trillion from 2001 to 2013 for the wars in Iraq, Afghanistan, and Pakistan and in the other regions affected by terrorism. U. S spending is also divided into several categories to support a specific account. The budget for

Iraq accounts to 54% of the costs sustained by the war, while the remaining are directed to combat, reconstruction, Pentagon savings, and health and disability expenses for Veterans and soldiers. With the appropriations of the entire war effort, the country also spends a whopping \$455 billion for Homeland Security expenses to protect the country from possible terrorist attacks. It is expected that the US would continue to spend for the war effort even through 2014, however, once the country stops its war efforts, it would succumb to the difficulties in paying the interest costs accumulated throughout the war. The estimated amount of interests in overseas contingency operations are worth \$1.5 trillion, resulting to an additional \$1 trillion dollars to the growing national debt.

Conclusion

With 9/11 remained etched in the hearts of millions due to the sheer terror and paralysis it has brought throughout the globe, any action directed to eliminating such threat is a slight relief to the people but it also has its underlying costs. The War in Terror was directed to stop further spread of terrorism in the region, but the impacts it has to both the nations affected by the operations and those launching the assault especially in the economic aspect. In the case of the nations affected by the war, all aspects of economic function had been paralyzed upon the beginning of the war and by the time of the aftermath of the war, it would take years to restore the country's overall capability and to stand on its own while violence is still rampant. In the case of the African countries and Afghanistan, its economic advantage through its oil and natural resources is threatened by the

underlying intentions of the United States and its allies. On the other hand, for the United States, the economic impact of the war is mostly directed to the increasing costs of the entire war effort and may affect the country once it stops its operations. It is crucial to address these effects to each nation as the war has the capacity to cripple the entire country if not prevented.

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