

# **Terrorism and Migration: A Case Study of Pakistan**

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## **ABSTRACT**

### **Purpose:**

This paper examines the effect of terrorist incidents on the emigration from Pakistan. Pakistani emigrants are generally believed to be migrating to other countries in pursuit of higher income. However, one of the factors, peculiar to Pakistani society is the menace of terrorism that has the potential to force Pakistanis to emigrate abroad. Terrorism, not only creates problems of security and law and order but also adversely affect the economic environment. This study examines those impacts that terrorism has on emigration emanating from Pakistan.

### **Design:**

The study is based on the analysis of data on international flow of labor from Pakistan to Gulf countries including Bahrain, Kuwait, Oman, UAE, and Saudi Arabia from 1980 to 2005. We use log linear model regression techniques to estimate the migration flow model.

### **Findings:**

Results indicated that terrorism has statistically significant impact on emigration from Pakistan. Besides, other important push and pull factors that have impact on emigration from Pakistan

were also tested and were mostly found to be having statistically significant impact on emigrants outflows from Pakistan.

**Value/Originality:**

According to authors' best knowledge, this study is the first attempt in the literature that examines the role of terrorism in emigration. This study is expected to further enhance the understanding of the complex context, under which migration takes place.

## **Introduction**

Pakistan is a populous country of 180 million citizens. Like other low income developing countries, it has a tendency to export its manpower to earn foreign exchange in form of remittances. Historically, Pakistan has a higher unemployment level, for example in year 2000, unemployment rate was about eight percent (World Bank, 2005). The labor endowment along with unemployment has a natural consequence that Pakistanis tried to go abroad for better future. Pakistan has also a consistent trade deficit, which forces the government to adopt policies that increase the foreign exchange earnings. Remittances by emigrants are only second to exports in earning foreign exchange earnings, for example in year 2007-08 remittances were around 30 percent of total exports (Government of Pakistan, 2011). Government, thus to earn foreign exchange and reduce unemployment, tried to facilitate the flow of Pakistani emigrants abroad by establishing a separate ministry known as Ministry of Overseas Pakistanis.

Generally, migration takes place for various socio-economic reasons including higher income abroad, high unemployment in the home country of emigrants, famines and so forth. However, besides these reasons, there are other reasons that could increase emigration. Terrorism in the home country is one of such factors that has the potential to increase migration to other countries. Terrorism not only affects the social structure of the society, but it also has the repercussions for economic activity.

Although terrorism is not new to Pakistani society, but its effect is greatly felt after second Afghan War. It is mainly because Pakistan is a neighbor country of Afghanistan. According to Government of Pakistan (2011), during last ten years after US invaded Afghanistan, Pakistan economy has suffered around 68 billion US dollars loss. This war although have repercussions

for all economic sectors, this study will analyze its impact on emigration emanating from Pakistan.

Terrorism can directly affect migration, for example terrorists by using force or any other illegal means threaten people. Due to fear about their security and life, they tend to migrate, either internally to safe places within the country or go abroad. Secondly, terrorism affects the economic activity adversely, which could result in forcing people to go abroad in a safe environment to look for better economic opportunities. Thirdly terrorism may force people to displace internally within their native country, but those safe places may not provide enough economic opportunities, whereby they decide afterwards to go abroad.

In this context it is important to analyze the terrorism impact on migration. According to authors' best knowledge this study is the first attempt in literature that examines the role of terrorism in emigration. This study is expected to further enhance the understanding of the complex context, under which migration takes place.

The study is based on the analysis of data on international flow of labor from Pakistan to Gulf countries including Bahrain, Kuwait, UAE, Saudi Arab and Oman from 1980 to 2005. We use linear log model regression technique to estimate the migration flow model.

## **Theoretical Background**

Neoclassical theory views migration as a human capital investment. A human capital investment is an investment in human beings made by themselves or others on their behalf to improve their productivity, which in turn improves their economic well-being. Individuals move out of their home country to live in a new one to improve their well-being. Migrants are generally believed

to possess a stronger motivation than their native-born counterparts to do better in labor markets of their destination country.

Initially, the migration phenomenon was analyzed by development economists. For example, Lewis (1954) noted that in many densely populated developing economies there exist more labor as compared to their productive capacity and that these economies can just absorb them at subsistence wage rates. The abundant labor is more engaged in traditional agricultural sector. As the development process takes off in these economies, capital begins to grow at a much faster rate than the population growth and surplus labor is employed in the modern industrial sector. When the surplus labor is exhausted, wages begin to rise reaching above the level of subsistence which in turn attracts labor from adjacent countries where wages are lower. Therefore, it is the wage rate differential that results in migration.

The neoclassical theory views marginal product of labor as the main determinant of wages in labor market. Variations between marginal products of labor across countries are caused by differences in labor to capital ratios. In a country where labor to capital ratio is higher, the marginal productivity of labor is generally lower than in a country where this ratio is lower. This productivity and wage gap between countries is usually the main motivation behind migration from a lower productivity - lower wage country to a higher productivity - higher wage country (Massey et al, 1993).

Piore (1979) noted that the economic system of industrialized countries is characterized by duality in the sense that output produced, is either labor intensive or capital intensive. In case of capital intensive production, there is demand for highly skilled labor, which tends to be the original residents of the country who are usually protected by the local labor laws against any

layoffs during bad economic times. In the case of labor intensive industries, employers prefer to hire immigrant workers who are not protected by any labor laws and can be laid off easily during bad times.

Hence, within the framework of the dual labor market theory, it can be suggested that it is the labor demand in destination country that actually results in migration from developing countries to developed countries. Hence, in Piore's view the migration of labor from developing to developed countries is dependent on the "pull" factors inherent in the advanced economies.

Another strand of theories called New Economics of migration explains migration in the context of relative deprivation, a sense of combined decision making by the family, and risk spreading. Stark (1984) provided the rationale for relative deprivation as a factor in the decision to migrate. He made two basic assumptions, one was that a person's satisfaction or deprivation level depends upon the incomes of others and the other assumption was that rural to urban migration was due to a person's desire to improve his or her income relative to others.

In a rural community, where there is greater interaction among people than in urban communities, there is a greater tendency for people to compare their economic well-being with each other. Those with lower income feel deprived. Therefore, if there are not enough opportunities in their present location to improve their own well-being, they migrate to urban areas in order to find better paying jobs. These rural migrants may be at lower level of income distribution as compared to their urban counterparts, but since they compare themselves with those living in rural areas, therefore if their earnings increase as compared to their rural community they feel less deprived. When their incomes improve, others feel deprivation and also migrate and this process continues until only those are left who feel no relative deprivation.

Thus it can be seen that there is not a single theory that explains migration in totality, therefore this study will analyze different push and pull factors that affect migration.

## **Emigration from Pakistan**

Pakistan faces several economic challenges that are common in many other developing countries. Its low per capita GDP (about 1100 US dollars as of 2007-08) acts as an important “push” factor for many Pakistanis to emigrate to other countries for better income and civic opportunities. Prior to 1970’s, main destinations of emigrants from Pakistan were Europe - mainly the United Kingdom - and North America - mainly the United States. However, since the first oil embargo imposed in early 1970s by the Organization of Petroleum Exporting Countries (OPEC) which led to an economic boom in those countries, Middle Eastern countries became popular destinations among emigrants from Pakistan as they did among emigrants from many other Asian countries.

The main challenge facing migration policy planners in Pakistan is to maintain Pakistan’s position as a reliable supplier of human capital to the Middle East as many developing countries like Bangladesh, India and The Philippines, which are competing to boost their people’s flow to the Middle East (Addleton, 1984). This policy of facilitating emigration helps in the maintenance of the country’s foreign exchange reserve position as well as in ameliorating its unemployment problem. Gazdar (2003) noted that Pakistan’s unemployment problem is partly reduced by migration of unemployed Pakistanis to other countries. Hence, it is not surprising that the Government of Pakistan has taken various steps to assist Pakistanis in seeking employment in other countries (Gazdar 2003).

In 1971, the Government of Pakistan formed a Bureau of Emigration and Overseas Employment (BEOE) (Now Known as Bureau of Emigration (BE)) under Ministry of Overseas Pakistanis to look after the interests and welfare of emigrants. The Bureau processes recruitment demands of Pakistani labor through licensed Overseas Employment Promoters (OEPs) and assists in direct employment of Pakistanis in different labor importing countries in the world in general, and Middle Eastern countries in particular. The BE is governed by Emigration Ordinance of 1979. It has issued licenses to selected private overseas employment promoters who can work as an intermediary between the foreign employers and Pakistani workers to facilitate finding jobs. From 1971 to 2003, about 3.27 million Pakistani workers emigrated abroad who were registered with the “protector of emigrants” (a part of the BE).

## **Causes of Terrorist Activities in Pakistan**

Pakistan has been facing terrorism, which have many dimensions including sectarian violence, separatist movements, Afghan war and linguistic cum ethnic violence in the province of Sindh. These issues are briefly discussed below to give an overview.

Sectarian violence in Pakistan’s context refers to conflict between two major sects of Islam i.e. Shia and Sunni. Although there were sporadic clashes between the two communities over sectarian issues. However, these conflicts became eminent after President Zia’s regime, when it tried to implement Sharia in Pakistan. Since Pakistan has a dominant Sunni community, therefore implementation of Islam was perceived by Shais as implementation of Sunni version of Islam. This attempt of implementation of Islam was naturally unpopular among Shia community. Tensions increased between both communities as the problem was not solved through dialogue. Failure of dialogue resulted in violence. Both communities made militant organizations and



frequent clashes were observed between both communities. Sectarian violence was a major issue during 1980's and 90's (Nasr, 2000).

Pakistan has also been suffering from repercussions of its involvement in two afghan wars. In 1979, former Soviet Union invaded Afghanistan; Pakistan opposed the soviet aggression and helped Afghan Mujahideen to fight against Soviet Union. During the first afghan war, Pakistan faced a wave of terrorism as a result of her involvement in Afghan War. Besides, Afghan War bring to Pakistan the “kalashnikov” (AK-47 automatic rifle) culture, i.e. weapons used in afghan war became freely available in Pakistan. There is also surge in heroin production during Afghan War. Combination of easily available weapons and drugs resulted in criminal gangs who continued their wars in Pakistan which further increased the incident of terrorist activities.

After 9/11 attacks, second Afghan War was started by US and her allies by invading Afghanistan. The then Musharaf regime in Pakistan decided to become a partner of US and Allied forces and severed their relations with Taliban who came into power in Afghanistan during mid nineties. Pakistan provided the NATO forces with logistic support and air bases. Antagonism increased in Pakistani tribal people who strongly opposed the idea of Pakistan's cooperation with US and NATO forces. Tehrek-e-Taliban of Pakistan came into existence and their motive was to attack Pakistani security agencies and NATO supply routes. Pakistan started several military operations in tribal areas. US also tried to eliminate the main Al-Qaeeda and Taliban leaders, by drone (Unmanned aerial vehicles (UAV)) strikes, who were allegedly living in tribal areas of Pakistan, adjacent to Afghanistan's border. These actions further increased the Taliban's response by attacking Pakistani security forces all over Pakistan. Current wave of terrorism in Pakistan is mainly caused by those Taliban.

Another form of violence resulting from separatist activities is eminent in the province of Baluchistan. Baluchistan is Pakistan's largest province in terms of area. It has vast natural gas reserves and has great potential for new oil and gas reserves. Baluchistan was made a province of Pakistan after Pakistan's independence. However, political and ethnic problems soon started to appear after Baluchistan was annexed. Although, there were many issues, but the one of the most important economic issues was about the rights of Baluch a person on their resources. Because Baluchis wanted greater control over their natural resources; while central government was reluctant to satisfy their demands. These problems led to discontent among Baluchi people and they started militant struggle against government of Pakistan. Central government responded by use of force and violence started. First Baluch revolt which culminated in mid seventies was however crushed by central government. There was relatively calm during 1980's and 90's, but Baluchistan unrest began again in 2000's especially after the murder of Nawab Akbar Khan Bugti.

Baluchistan is although largest province in terms of area but is least populous. Historically people from other provinces including province of Punjab also migrated to Baluchistan. Due to lower population of Baluch people, Baluch separatists felt that they may become minority in their own province. They therefore forced Punjabi migrants settled in Baluchistan, to leave Baluchistan, by target killing of Punjabi migrants.

In the other province of Pakistan, i.e. Sindh, ethnic and linguistic reasons led to violence. After Indo-Pakistan partition in 1947, there was a large influx of refugees to Pakistan. These refugees are called Muhajirs. Most of the refugees were settled in Punjab province. Because of the similarity of culture and language they were easily assimilated into province of Punjab. Other refugees were settled in province of Sindh, especially two main cities i.e. Hyderabad and

Karachi. These refugees were more educated than their hosts and therefore had a larger share in the civil and military bureaucracy. Over time due to political pressure government decided to make quota system for services in government sector to alleviate Sindhis' apprehensions. However Muhajir opposed the idea.

Muhajir Qaumi Movement (MQM) was formed to safeguard the interests of Muhajirs. Karachi is the main economic hub of Pakistan where people from different provinces have migrated and are settled. During eighties ethnic riots started in Sindh, because of ethnic problems between Muhajirs and people from other ethnic backgrounds especially Sindhis and Pathans. Afterwards both the Pakistan People Party and Pakistan Muslim league governments launched operations against MQM. Both MQM and government alleged each other of committing atrocities. Due to its central role of Pakistan's economic activities, violence and unrest during 1990's forced economic activities to come to a standstill.

In short, there are various sources of terrorist activities in Pakistan and have the potential to disturb the economic and social life of Pakistan.

## **Econometric Model**

We estimate the impact of terrorist activities on emigration from Pakistan by using a linear log estimation using Pseudo Maximum Likelihood Method (PMLE). Although, our data is pooled and generally it is required that such data should be estimated using fixed or random effects model. But, estimation by those methods have a severe problem of heteroskedasticity (Silva and Tenreyro, 2005). Study showed that pooled OLS including fixed effects model results in possible bias in the presence of heteroskedasticity of unknown form where error term is not considered independent of explanatory variables. Secondly using PMLE method also gives consistent results

even if there is omitted variables bias. Thirdly, it provides better estimates even in the presence of zero values in the dependent variable. Owing to its good qualities we decided to use PMLE method of estimation for our results.

The model to be estimated is as follows:

$$E_{it} = \alpha + \beta_1 \ln(PCID)_{ijt} + \beta_2 \ln(UP)_{it} + \beta_3 \ln(T)_{jt} + \beta_4 \ln(LF)_{it} + \beta_5 \ln(U)_{jt} + \mu$$

All the independent variables are taken in natural logarithms, while the dependent variable is at levels while  $\mu$  denotes the error term.

This study will analyze the determinants of migration from Pakistan to five Middle East countries namely, Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates for the period 1980-2005.

PCID denotes per capita income difference between Pakistan and host country of its migrants. The data on relative per capita income of Pakistan with that of its host country is taken from World Bank (2008). According to Neo-Classical theory people living in low income country migrate to higher income country. Thus if Pakistan per capita income relative to other countries is lower, then emigration will take place, therefore, the expected sign is negative.

UP denotes the proportion of urban population to total population of the host country. Migration is an urban phenomenon, because people prefer to go to urban centers for employment (Todaro, 1969). It is expected that emigrants will prefer countries with higher urban population. Data on proportion of urban population to total population of host countries of Pakistani emigrants is taken from World Bank (2008). Expected sign on this variable is positive.

T shows the annual number of terrorist incidents in Pakistan. Data on terrorist incidents in Pakistan are taken from Global Terrorism Database. This database is maintained by researchers in University of Maryland<sup>1</sup>. This database contains detailed records of around 98000 terrorist incidents around the globe.

LF is the host country's ratio of labor force to its total population. Its expected sign is negative, because the higher a country's labor force ratio of total population, the less is its demand for acquiring emigrants labor. The data on this variable are obtained from World Bank (2008).

U shows the annual unemployment rate in Pakistan. Unemployment in the home country of migrants acts as an important push factor. Expected sign is ambiguous, because on one hand unemployment increases the tendency to migrate, however, on the other hand unemployment means less resources at the disposal of prospective migrant, therefore he/she cannot migrate because of less financial resources. Data on unemployment rate in Pakistan are taken from World Bank (2008).

E denotes dependent variable and is the annual migrants outflow from Pakistan to Middle East countries. Data on dependent variable i.e. annual emigrants outflows are taken from BE.

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<sup>1</sup> Detailed information of Global terrorism database can be found on their official website. <http://www.start.umd.edu/gtd/>

## Results

Dependent variable: No. of Pakistani emigrants annual outflow§	
Constant	-5.48* (1.82)
Pak per capita income/host per capita income	-1.59* (0.44)
Host country's labor force/total population	-2.21* (0.61)
Urban population/total population (Host country)	-2.74* (0.96)
Unemployment rate in Pakistan	1.08* (0.38)
No. of Terrorist incidents in Pakistan	0.20* (0.08)
No. of Observations	125

\* Significant at 1% level.

§ Results are based on GLM robust co-variances.

Results indicate that a one percent increase in ratio of per capita income of Pakistan with respect to its host countries leads to 0.016 decrease in annual number of emigrants. This result is according to New Classical theory of migration, which expects that as the relative per capita income is lower in a country then its residents tend to migrate to other countries with higher per capita income.

It is expected that an increase in host country's labor force will minimize the requirements of labor services of emigrants. Our results also confirmed this theory, as increase in ratio of host country's labor force to its total population reduces the Pakistani emigrants outflow.

Our results on variable, ratio of urban population to total population of host countries however, did not confirm the Todaro's theory (1969) of migrants' preference for urban centre. It may be because relatively large number of emigrants from Pakistan emigrate to Saudi Arabia which is comparatively less urban than other countries included in the sample.

Unemployment rate in Pakistan is also statistically significant according to our results. Results indicated that higher unemployment in Pakistan, push Pakistanis to move abroad for better economic opportunities.

Finally, the variable of interest i.e. number of terrorist incidents showed significant impact on migration from Pakistan. Any increase in terrorism also increases emigration flow from Pakistan.

## **Discussion**

Pakistan has long been suffering from terrorism. Although, it is commonly believed that traditional factors such as prospects of higher income, employment and lack of economic resources lead to emigration. But, impact of terrorism on migration has not been studied. Since, Pakistan is facing the incidence of terrorist activities for a long time, therefore we felt the need for a study that could analyze terrorism impact on migration. Besides, confirming various other theories of migration, this study has showed that terrorism affects the emigrants outflow from Pakistan.

Study has used Pakistani data on emigrants outflow and tested various push and pull factors that affect migration flow from Pakistan. According to New Classical theory of migration, it is generally believed that prospects of better income opportunities results in emigration to other countries. Our results confirmed the above theory in case of Pakistan. Host country's internal social conditions also play an important role, for example, if the host country's local labor force

are adequate for their country needs then these countries are less likely to acquire emigrant labor for their economic activities. Our results showed that increase in labor force of host Middle East countries reduces the labor demand from Pakistan.

According to Todaro's theory (1969) of internal migration within a country, a migrant from rural area will prefer to settle in urban area where his chances of getting employment are greater as compared to his home, rural area. We applied this theory to international migration of Pakistani emigrants; however, our results did not confirm this theory.

Unemployment in Pakistan can act as a push factor for Pakistani emigrants to look for a better job abroad. Our results confirmed the positive impact of unemployment on emigration from Pakistan.

This study showed various push and pull factors which are likely to have impact on migration from a developing country like Pakistan. We confirmed various push and pull factors impact on emigration from Pakistan with the exception of Todaro's theory. However, more detailed analysis would have been possible if detailed data i.e. survey data were available. A future study based on survey data may further enhance our understanding of the topic.



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