Research Title: IMPACT OF US AID, TERRORISM AND POLITICAL STABILITY ON THE ECONOMIC GROWTH OF PAKISTAN

Student: Hasan Waqas Khan

Supervisor/Co-supervisor: Dr. Iftikhar Ahmad

Abstract: The US aid is perceived as an important factor for having an impact on the economic growth of Pakistan. Owing indebted to the US for the aid, Pakistan sided with the US in the war against terrorism in 2001; a decision that brought a wave of terrorism into Pakistan. Besides US aid and terrorism, the political landscape of the country is also seen as a major factor in fostering the growth. Therefore the impact of US aid, terrorism and political stability on the economic growth of Pakistan in the long run is measured using time series data from 1966-2014. The cointegration technique ARDL is used to estimate the long run impact whereas Error Correction Model is used to ascertain the error correction term. This study is bold enough to present results that are contrary to common notions. The results show that all the three variables are insignificant in the estimation of growth in the long run in Pakistan, however US aid and political stability show a positive impact whereas terrorism shows a negative impact on the growth. In the light of this study, the policy makers can shift their alignment tendencies from aid driven priorities to region based priorities.