

# Karachi in the Twenty- First Century



# Karachi in the Twenty- First Century:

*Political, Social, Economic  
and Security Dimensions*

By

Mansoor Bin Tahnoon Al Nahyan

Cambridge  
Scholars  
Publishing



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This book first published 2016

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data  
A catalogue record for this book is available from the British Library

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ISBN (10): 1-4438-8706-4

ISBN (13): 978-1-4438-8706-9

# TABLE OF CONTENTS

List of Figures and Tables .....	vii
Preface .....	viii
List of Important Abbreviations .....	xi
Chapter One.....	1
Security Implications of Karachi: Mega City, Mega Issues	
Chapter Two .....	16
The City and its Antiquity	
Chapter Three .....	27
Modern Karachi	
Chapter Four.....	67
Crime and Terrorist Elements of the City: Karachi's Ali Baba's and Forty Thieves	
Chapter Five .....	103
Karachi: Hub of Terror Financing	
Chapter Six .....	118
Global City, Global Impact: A Global View of Karachi's Security	
Chapter Seven.....	141
Counter-Terrorism Initiatives and Response	
Chapter Eight.....	166
Karachi's Economic Potential and Future Prospects	

Appendices ..... 180

Bibliography ..... 185

Notes ..... 193

# LIST OF FIGURE AND TABLES

**See colour centrefold:**

Figure 1 Pakistan administrative areas

Figure 2 Sindh districts

Figure 3 Karachi Towns and Cantonments

Figure 4 Terrorist killings in Karachi 1994-2012

Figure 5 Killings of LEA officials in the last decades

Figure 6 Reported KFR Cases in Karachi

Figure 7 Spatial crime analysis by CPCL

Table 1 Sectarian killings in Karachi, 2001-2010 ..... 181

## PREFACE

When we were young, Karachi, not London, Paris or New York, was our favourite family summer holiday resort. UAE by then had become a wealthy state thanks to the oil revenue; hence money or the lack of it was never a consideration in our choice of holiday sites. As a youngster I have fond memories of the city where we spent our summer vacations in the 1980s. Compared to the relatively calm Gulf coastal waters, Karachi's Arabian Sea pulsated with mighty waves and its stretches of sandy beaches and topography, not very different from our native land, made us feel right at home. The city was lively, vibrant, peaceful, and free of racial prejudice. Low clouds and a cool sea breeze, hallmarks of Karachi summer months, kept the weather mild and pleasant when back home it was sizzling hot. Karachi then was considered a business-friendly city where the poor and the rich co-existed amicably, and its communication infrastructure and civic amenities were fairly adequate for its size and population. The street lights and market places were well-lit and its eateries and other venues of entertainment were open until well past midnight, thereby deservedly earning Karachi the title of "City of Lights."

Unfortunately, by the end of the twentieth century, the social and secure ambiance of Karachi had taken a turn for the worse. An uncontrolled influx of migrant workers from other parts of the country and even from neighbouring Afghanistan (the Afghan refugees) looking for jobs and sustenance overburdened the city's infrastructure while political and social rivalries led to infighting among the Karachiites, leading to a serious deterioration of the law and order in the megalopolis, which allowed criminal elements to flourish. Today, most foreigners fear Karachi; many consider it one of the most dangerous cities in the world and key foreign officials of multinational companies tend to meet their city counterparts in Dubai rather than Karachi because of security concerns.

I have often wondered why the situation has come to such a sorry pass, and why a city where we felt at home and loved to spend our vacations just over two-and-a-half decades ago deteriorated so rapidly. When I had to select a subject for my doctoral thesis, I chose to study Karachi, to dissect and analyse the factors behind the ailments it is currently suffering from. My study, titled *A Case Study of Karachi at the Turn of the 21st Century: New Security Considerations for Southwest Asian Global Cities* earned me a doctoral degree from the prestigious Tuft University in the



USA. Since the general public has limited access to the dissertation, I decided to convert and publish it in a book form, to give it a much wider circulation and availability. My minute examination of the political, social, economic, and security dimensions of modern Karachi would, I sincerely hope, promote a better understanding of Karachi's dynamics by outsiders, and aid those primarily responsible for running the affairs of the city to correct its downward slide and help regain its lost status – the one I fondly remember, that of the City of Lights.

There are several other reasons I selected Karachi as the focus of this study. First, preliminary research indicated that the geographical separation between political and financial centres in Pakistan provides a particularly clear example of a broader trend that can be found throughout Southwest Asia and the world. Second, Pakistan in general and Karachi in particular have received relatively little attention in previous academic work. This is especially true for the two main foci: the social effects of technological change and the financing of terrorism. Third, my pre-existing relationships with a number of government and financial leaders in the city provided me with unparalleled access to individuals and archives, helping me research a topic that is highly sensitive and controversial.

A substantial portion of the historical component of this research is based on archival work from official records of the city of Karachi and the national archives of Pakistan in Islamabad. Fortunately, English is the official administrative language of Pakistan, which greatly facilitated my efforts. Archival material was far easier to obtain for the government side of the study. For the financial element, I was forced to rely much more heavily on personal interviews and questionnaires.

Given the sensitive security and legal issues surrounding the financing of terrorism, most of my interviews were conducted on a not-for-attribution basis. I also preserved anonymous transcripts of the interviews, removing any identifying information contained therein so that future scholars may review and replicate my work. Here I may add that the first chapter is academic in nature and aims to establish the *raison d'être* for ascribing Karachi the status of a global city; the issues of the city are consequently viewed through this lens. Hopefully, this effort might be of some help to future scholars of the subject. The remaining chapters I hope would find equal interest among the academics and general readers concerned with the affairs of Karachi.

This book tells the story of how the forces of globalization have descended upon Karachi and exacerbated local and regional problems to the point where the city is teetering on the brink of chaos. Karachi is

geographically, politically, and culturally situated in the context of modern Pakistan, but it is a global city affected by global forces, many of which challenge the state's power and authority. The lessons of Karachi are important for its present and its future, and they can serve as a cautionary tale for other global cities.

A final admission: I am an aspiring academic, not an expert author, and English is not my mother tongue; hence the text will lack the finesse and flow one normally associates with gifted writers. My work, therefore, should be viewed as in-depth research on the law-and-order aspects of Karachi that in a book form would provide useful reference for further study.

## LIST OF IMPORTANT ABBREVIATIONS

No	Abbreviation	Explanation
1.	ANP	Awami National Party
2.	CCPO	Capital City Police Officer
3.	CIA	Central Intelligence Agency
4.	CID	Central Investigation Department (Pakistan)
5.	CPLC	Citizens-Police Liaison Committee (Pakistan)
6.	FBI	Federal Bureau of Investigation (USA)
7.	FIA	Federal Investigation Agency (Pakistan)
8.	FPCCI	Federation of Pakistan Chambers of Commerce and Industry
9.	HuJI	Harkat-ul-Jihad Islami
10.	HuM	Harkat-ul-Mujahidin
11.	HuMA	Harkat-ul-Mujahidin Alami
12.	IB	Intelligence Bureau (Pakistan)
13.	ISI	Inter-Services Intelligence (Pakistan)
14.	JeM	Jaish-e-Mohammed
15.	JI	Jamat Islami (Pakistan) also Jemaah Islamiyah (Indonesia)
16.	KPK	Khyber Pakhtunkhwa
17.	KSE	Karachi Stock Exchange
18.	LeT	Lashkar-e-Taiba
19.	LJ	Lashkar-e-Jhangvi
20.	MQM (A)	Mohajir Qaumi Movement (Altaf) (Now Muttahida Qaumi Movement)
21.	MQM (H)	Mohajir Qaumi Movement (Haqiqi)
22.	NSA	National Security Agency (USA)
23.	NWFP	North-West Frontier Province
24.	PML(N)	Pakistan Muslim League (Nawaz Sharif)
25.	PPP	Pakistan People's Party
26.	RAW	Research and Analysis Wing (India)
27.	SMP	Sipah-e-Mohammed Pakistan
28.	SSP	Sipah-e-Sahaba Pakistan
29.	TNFI	Tehreek-e-Nifaz-e-Fiqah Jafaria
30.	TTP	Tehreek-e-Taliban Pakistan



## CHAPTER ONE

# SECURITY IMPLICATIONS OF KARACHI: MEGA CITY, MEGA ISSUES

The vast economic and technological changes of the past half-century have led to seismic shifts in societies across the world, disrupting traditional social institutions and creating new ones in their stead. For Southwest Asian countries in particular, the advent of technological modernization, rapid population growth, urbanization, and economic liberalization has taken place in a very compressed timeframe. The resulting wholesale reorganization of traditional societies has had profound consequences for both the region and the world at large. Furthermore, it is widely agreed among scholars and policy-makers that Islamic fundamentalism in Southwest Asia and terrorist<sup>1</sup> organizations associated with its extreme forms have grown, at least in part, as a reaction to these social and cultural dislocations.

Terrorist organizations are more than just small bands of vigilantes with a grudge. They are institutions that grow to fill social, economic, religious, or cultural needs at a particular time and place. In order to understand and effectively combat them, it is essential to understand the social and institutional milieu in which they operate and draw their support from. It is equally important to assess how changes in that environment affect terrorist organizations. In other words, analysis is needed to determine how the broader society creates conditions that lead a very small minority to perpetrate terrorism and under what conditions society is willing to provide moral, financial and logistical support for these acts. As Karachi became the financial capital of Pakistan, it also emerged as one of the major world capitals of drug trafficking, organized crime syndicates, and terrorist financing, rendering global importance to its local developments.<sup>2</sup> This study seeks to find the answer to the question “what elements of Karachi’s development make it a locus of terrorist and criminal activity”?

Several other theories have also been offered to assess the rise of terrorism and criminal activities associated with its financing particularly in Southwest Asia. They stem from strands of sociology, sub-divisions of political science, variants of anthropology, and economic explanations. Each of these major alternative hypotheses as well as upcoming avenues of research are explored below. However, because they rely upon only one or two variables as causal factors of the development of these types of actors, they are unsatisfactory in addressing the question posed.

### **Erosion of the Commercial-Political Elite Relationship**

One important but little-studied example of how social and cultural changes can affect support for terrorism is the disintegration of the traditional relationship between commercial elites and the ruling Muslim political classes in Southwest Asia. There is a long record of cooperation among these entities, especially during stable periods, which dates back to the spread of Islam in this region. One of the most important financial events before the modern era was the organization and collection of taxes on agriculture by the political structure. Sultans also encouraged the growth of internal and external commerce wherever possible, as physical evidence in the form of numerous *serais*<sup>3</sup> for caravans indicates. Legal practices for Muslim commerce were also developed outside the direct control of the state.<sup>4</sup>

However, this pattern of political-commercial partnership seems to be changing in Southwest Asia, with profound implications for political stability. While little rigorous academic work has been done on the subject, anecdotal, journalistic, and some statistical evidence suggests that a new business elite is distancing itself in a complex fashion from the political classes in many Southwest Asian countries. In addition to this new configuration, the balance of power between these two groups has shifted, in some cases dramatically, in favour of the business elites with international financial skills. Socially, this trend is important because it represents a departure from centuries of social cooperation in the maintenance of internal stability.

This development is also important politically because as these two elites grow more distinct, they cultivate their individual sources of power – local political power and international economic success. Thus, the goals of both parties are increasingly divergent, as are their means for achieving them. This is particularly true for their respective approaches to various forms of urban disorder such as violent crime, ethnic conflict, sectarian

killings, and terrorism. As a result, a deeply problematic relationship has emerged in upper society at a time of major institutional change.

Pakistan serves as a striking example of this trend. Its social bifurcation of classes has acquired a stark geographical dimension as well. Islamabad is the political capital of Pakistan, but Karachi has emerged as its international commercial and financial capital, in which the new commercial elite is often housed in separate, gated compounds that reflect a previously unknown division in material wealth. It can be argued that the rise of the financial sector in Pakistan, largely a result of structural adjustment programmes encouraged by the World Bank and International Monetary Fund (IMF), has provided commercial elites in Karachi unprecedented access to wealth and power.

At the same time, this economic success has encouraged such a massive migration of poor workers to Karachi that it has outstripped the ability of the state to provide effective security and civic services. This occurred while leading elements in Karachi's business classes concentrated their energies on the success of international ventures. As a result, large portions of Karachi remain either permanently or sporadically lawless and outside government control while non- government elites have failed to create effective institutions for a modern civil society. This hypothesis asserts that these two trends – the rise of a divided elite and the explosive growth of an urban underclass – have created a soft underbelly that allows terrorist groups and organized crime syndicates to thrive.

In order to refute or prove this hypothesis in the case of Karachi, extensive interviews of the financial and political elites needed to be undertaken as a first step. Given the size and scope of this book, that was not possible but may serve as an avenue for future research. However, even if it were possible, there is another fundamental problem with this argument. The bifurcation of interests between the political and financial elites as urban centres develop is a reality in many Muslim and non-Muslim cities that have not concomitantly experienced an increase in terrorist activity and/or its corollary, criminal financing. Therefore, while it may be one explanatory factor, it cannot be a determinant or an independent variable.

In addition, the erosion of this relationship does not provide a clear, causal explanation for passive or active support among the population for such illicit actors or their activities in Karachi in particular, or Southwest Asia in general. Furthermore, other alternative hypotheses regarding the rise of illicit, non-state-actor activity and financing that fall in the realm of the globalization theory incorporate many elements of this strand of

inquiry with more convincing results. Nonetheless, it is an interesting and important argument and it will be considered in combination with other factors in Karachi's evolution at a subsequent stage in this study.

### **Neo-liberal Economics**

The appearance of a bifurcation in the goals of political and financial elites suggests that neo-liberal economic policies have also contributed to these dramatic social transformations. Indeed, several analyses resort primarily to economic explanations to describe the rise of criminal and terrorist activity. In essence, this view postulates that since the late 1980s, when Pakistan's fiscal and foreign exchange deficits led it to seek help of the World Bank and IMF, it has pursued ambitious privatization and deregulation policies. The liberalization of trade and capital markets, banking, infrastructure, and even health and education throughout the 1990s resulted in a greatly expanded role for the private sector in nearly every aspect of the economy.

The result of these policies was rapid growth throughout the private sector, with private assets increasing from 5 per cent of gross domestic product (GDP) in 1990 to 27 per cent in 2000, and the market capitalization of the equity market more than quadrupling over that decade.<sup>5</sup> While these policies had a moderate degree of success in spurring overall economic growth, more importantly they also represented a substantial transfer of financial power from the public sector (located mainly in Islamabad) to the private sector (located mainly in Karachi) in a very compressed timeframe. However, there are several alternative hypotheses that account for this shift of power from one city to the other. Furthermore, historical analysis demonstrates that the financial relevance of Karachi dates back thousands of years and so it is not a new phenomenon that can explain the contemporary dynamics. Finally, as with the previous hypotheses, this economic factor (even in combination with rapid changes) is not a sufficient explanation to account for either the rise of terrorists or criminal activity/financing in contemporary Karachi.

### **Decline of the State and the Rise of the Non-State Actor**

Two additional major alternative hypotheses related to this topic can be found in international relations' literature regarding the decline of the state and studies of terrorist and criminal organizations. While these two subfields explore related themes, they have traditionally done so at different levels of analysis. The theoretical literature of international



relations tends to look at the global system, occasionally venturing down to the state level, in order to find underlying structural reasons for change. Studies of terrorist and criminal organizations, on the other hand, primarily focus on the strategy, tactics and motivations of particular actors. These occasionally venture up to the state level to explain why groups or individuals resort to terrorism in some cases but not others.

Theories regarding the decline of the state provide a framework for understanding the causes of social and political change that might lead to terrorist activity, but current iterations provide little insight into how such changes actually manifest themselves on the ground in a major urban setting. Studies of terrorist and criminal actors, on the other hand, provide a detailed view of the impetus of illicit activity but often fail to capture the dynamic elements of a changing socio-political environment. The result is that neither body of literature effectively describes the landscape viewed by most policy-makers: a state-level struggle to curtail the ability of violent non-state actors to leverage global economic and political changes to achieve their goals. The main level of analysis for this study, however, is at the world-city level, where global economic changes meet individuals with a particular set of grievances and ambitions.

## **Social Science Literature**

Since the 1980s, there has been a robust theoretical effort to examine the changing role of the state in a global system affected by the rapid growth of technology coupled with the widespread acceptance of neo-liberal economic policy. Joseph Nye,<sup>6</sup> Robert Keohane,<sup>7</sup> and Jessica Matthews,<sup>8</sup> among others, have written about the central role of the information revolution in diffusing power among various non-state actors. This includes international organizations such as the United Nations (UN) and World Trade Organization (WTO), financial markets, transnational corporations (TNCs), non-governmental organizations (NGOs), as well as terrorist and criminal organizations among many others. Matthews in particular focuses on how the privatization of the ability to access and manipulate large volumes of information has challenged the state's monopoly in many sectors. Martin van Crevald emphasizes the role of neo-liberal economic policy in spurring the withdrawal of the state from many of its functions. The argument made is that the resulting vacuum of power is in turn filled by the rise of both positive and negative non-state actors.<sup>9</sup>

Mary Kaldor<sup>10</sup> combines both of these elements in her theory, which posits that the net result of the rapid rise of globalization creates a new set of elites, identified by their access to new technologies. She argues that this privileged access causes cleavages in society, making those who are not privy to such access revert back to their cultural, religious or historical identity. This form of identity politics often results in a violent reaction against the new, globalized elite within the community. While this analysis is a powerful explanatory variable regarding the wide-ranging impact of globalization in certain countries and provides possible reasons for active and passive support given by citizens to illicit actors, its unit of analysis does not lend itself to cities per se. Nor can it adequately explain why Karachi has experienced a high level of illicit activity compared to other areas with similar identity crisis dynamics caused by globalization-induced friction.

James M. Rosenau also discusses how technology and globalization empower new forms of authority at the sub or supra-national levels. However, his analysis provides little information on which elements have been responsible for the rise of violent non-state actors, illicit activities and active or passive support for such entities by the population. In addition, he presents a theory of “post-international politics,” which provides a framework and vocabulary for understanding the impact of technology on the international order and the decline of the state as the sole actor in world affairs. Rosenau argues that technological innovations and their mutual diffusion empower sub-state actors in uneven and unpredictable ways. He argues that these shifts in power lead to “role conflicts” in which the expectations of actors about how issues should be resolved within a given policy system differ from one another. In other words, shifts in power undermine social consensus about the roles different actors should play in defining the goals and policies of the community.<sup>11</sup>

Rosenau identifies three levels of interactive patterns that interlink to sustain global order. The ideational level is based on individuals’ understanding of the world order; the behavioural level is the actions that people adopt to maintain and perpetuate existing structures; while the institutional level consists of the formal arrangements that states and other actors create to further their ideational and behavioural goals.<sup>12</sup>

This scheme provides a useful framework for examining changing patterns of power at the international level, but can also be applied at the state level. While it is a very interesting theoretical tool, however, its applicability is limited for the scope of this study, which seeks to understand the dynamics that impact the growth of illicit actors and their

support in Karachi. Moreover, determining the actual versus the perceived understanding of the world order by terrorist groups and criminal organizations in Karachi is quite difficult, even when extensive interviews or access is possible.

Another important theoretical framework that has been used to understand the operational and financing activities of terrorists is Manuel Castells' concept of the "network society."<sup>13</sup>

Castells argues that industrial-age societies and organizations were hierarchical bureaucracies based on the vertical integration of resources and organized around a central power structure. Network societies, on the other hand, take the form of horizontal, interconnected nodes that are characterised by their flexibility, scalability and survivability. It assumes that terrorist, criminal and global financial networks have all developed the structure of network societies while most states remain firmly embedded in the old organizational model. As such, Castells' theory provides a useful tool to examine how technological change has impacted the organizational structure of illicit actors vis-à-vis the state, and it can be hypothesized that it has implications for understanding their behaviours and interactions. However, there are several types of networks and nodes among illicit actor groupings, even among those sharing similar ideologies and goals. Therefore, this hypothesis cannot fully answer the questions arising from this study.

The social science literature on rentier economies and their effects on the politics and society of rentier states<sup>14</sup> is another theory that has been used to examine the dynamics of this study. Of particular interest is Terry Lynn Karl's work *The Paradox of Plenty: Oil Booms and Petro-States*.<sup>15</sup> While Pakistan is not a classic rentier state in that it does not have a single natural resource upon which it is dependent, its economy does have two characteristics that produce rentier effects. First, its geostrategic importance allows it to extract rents from great powers with interests in the region. Second, the oil boom in the Gulf region employs many Pakistani workers who send remittances back to Pakistan, and this has become one of the major sources of foreign exchange earning of the country.<sup>16</sup>

In both cases, the Pakistani economy benefits from trends unrelated to local investment and economic development. In addition, Karl's work identifies two rentier effects with particular relevance to the relationship between economic and financial elites in Pakistan. First, the financial elites have to work hard to adapt to the global economy and technological innovation, while political elites simply receive rents and use those funds to maintain their power. Second, the population does not develop close

attachments to political elites who have no incentive to be responsive to their needs.

Although these authors – and many others who have contributed to this field of inquiry – differ on the relative importance of various causal factors, there seems to be a general consensus that technological and economic dynamics have been central in driving the rise of non-state actors' ability to impact the state on the whole. However, a weak point in this literature is that the authors seem to treat this change as inevitable and mono-directional. Most theorists shy away from outright technological determinism but they skirt perilously close, implying that there is little or nothing the state can do to reclaim the power that has been sapped from it by technology and networks – the technological genie is out of the bottle and cannot be put back in. At the global level of analysis, there may be some truth to this implicit assumption.

However, this does little to further our understanding of why illicit actors emerge in some areas but not in others that have similar characteristics. Nor does it address the urban centre as a unit of analysis. Even the implications of such a scenario for the state or local level, which this body of literature asserts, are limited. It says nothing regarding how the state can fight back against this trend and reassert its authority on matters of vital concern to its stability and security. Indeed, the ability of the state to control geographic and economic areas where illicit actors – who threaten its survival – thrive is one of the essential security questions of the world today. It is this struggle to control the burgeoning power of terrorist organizations and their financiers that I describe in the case of Karachi.

## **Literature on International Terrorism and Its Financing**

The study of international terrorism has produced voluminous literature over the past three decades, including thousands of books and journal articles. At the risk of oversimplifying a large and complex body of work, these studies have traditionally fallen into three major categories: the study of the tactics, strategy and motivations of terrorist organizations; analyses of the effects of terrorism on the policy and politics of targeted states; and case studies of individual terrorist actors or organizations. More recently (particularly since the terrorist attacks of 9/11), a small but rapidly growing body of literature has examined the financing of terrorism and methods for stopping it.

The subdivision that explores the tactics, strategy and motivations of terrorist organizations has been a subject of continued interest for academics. One of the important historical trends explored in this portion of the literature is the shift from geographically-based organizations to geographically dispersed, networked organizations united by a common ideological goal.<sup>17</sup> Earlier, terrorist groups such as the Front de Libération Nationale (FLN) in Algeria were locally based, both in their ends (decolonization) and in their means (financing, arms and recruits). Some contemporary terrorist organizations such as Al Qaeda, on the other hand, have global finance networks and consider certain targets to be legitimate regardless of their location or nationality.

While these observations are certainly accurate, they run the risk of obscuring the fact that localities are still critically important to terrorist networks. Although all actors have benefited from the advances in technology, it is erroneous to assert that terrorist groups as a whole are becoming more network-based. Furthermore, even Al Qaeda – the quintessential example of horizontally networked organizational structures among such illicit actors – could not have achieved what it did without having Afghanistan as a safe haven from which to conduct operations. Likewise, despite the dispersed nature of some terrorist financial networks, intelligence agencies believe that most of the money for Al Qaeda's attacks went through just two cities: Karachi and Dubai.<sup>18</sup> Therefore, the use of this analytical tool to examine contemporary dynamics in Karachi and produce generalized findings is limited.

Another important theme in the literature is that terrorism is a historical phenomenon whose motivations have shifted from political to religious. Walter Laqueur coined the term “postmodern terrorism” in an article of the same title, published in *Foreign Affairs* in 1996.<sup>19</sup> His theory, refined by James K. Campbell, defined four distinctive characteristics.

First, postmodern terrorists are inspired primarily by religious ideology. Second, they seek to conduct mass casualty attacks. Third, non-conventional weapons to perpetrate their attacks are preferred. Finally, they have political or religious demands that cannot be accommodated by the international system without fundamentally altering its character.<sup>20</sup> In a similar vein, David Rapoport argues that the current “Fourth Wave” of terrorism is fundamentally different in character than previous waves due largely to its religious character.<sup>21</sup> He posits that the motivation and strategies of each wave of terrorism reflect the political, social and economic environment in which they developed.

This contextual aspect of the study of terrorism is further developed in a wide range of books and articles that examine terrorism not as a

psychological aberration but as a strategic decision in the context of a rational choice framework.<sup>22</sup> In addition to historians and social scientists, psychologists,<sup>23</sup> economists<sup>24</sup> and game theorists<sup>25</sup> have also sought to explain the conditions under which groups or individuals might rationally resort to terrorism.

Although a wide range of case studies of terrorist groups have been written over the years, ironically relatively few of them focus specifically on Pakistan. The most comprehensive examination of terrorism in Pakistan is Muhammad Amir Rana's *A to Z of Jehadi Organizations in Pakistan*.<sup>26</sup> This work has the great advantage of examining groups other than those with the highest profiles, treating terrorist organizations almost as a sector of Pakistani society. Faisal Devji's *Landscapes of the Jihad: Militancy, Morality, Modernity*<sup>27</sup> deals with the social context of terrorism in Pakistan in some detail but spends very little time putting light on the financial infrastructure of these organizations. Finally, Pakistani journalist Ahmed Rashid's *Jihad: The Rise of Militant Islam in Central Asia*<sup>28</sup> does an excellent job of describing the historical antecedents to the current organizations that arose during the Russian occupation of Afghanistan. However, as of the completion of this study, none of the literature addressing terrorist organizations has been Karachi-centred.

Recent years have also seen a number of books and articles dedicated to examining terrorist financing. The first major work to examine the issue was Jane Adams' *The Financing of Terror*.<sup>29</sup> Written in 1986, it explores in-depth the financial networks of the Palestinian Liberation Organization (PLO) and the Irish Republican Army (IRA). After the 9/11 attacks, three books on the financing of Al Qaeda were published that are worth noting: Douglas Farah's *Blood from Stones: The Secret Financial Network of Terror*,<sup>30</sup> Loretta Napoleoni's *Modern Jihad: Tracing the Dollars behind the Terror Networks*,<sup>31</sup> and Mark Pieth's edited volume *Financing Terrorism*.<sup>32</sup>

These works, while journalistic rather than academic in orientation, provide valuable information about the links between terrorist organizations, organized crime groups, drug and gem smugglers, and wealthy individual donors. There has also been a wide range of journal articles on similar topics. Some assess the more technical aspects of terrorist financing and governmental efforts to curtail it. There are also resources available through various US government publications (including the Department of State, Department of Defence, Department of Justice, Congressional Research Service, and General Accounting Office) as well as Congressional testimony, particularly before the Senate Finance Committee.

Finally, the United Nations Office of Drugs and Crime (UNODC) prepared numerous reports and conducted studies on the level, impact and actors involved in criminal activities, drug- and human-trafficking, prostitution, money-laundering, and counterfeiting. Often they cite the impact of terrorist and other negative non-state actors on such developments in various locales that range from analyses at the state, regional and city levels. However, as of the time of writing of this book, in-depth analysis on the development of terrorist organizations is not within their mandate and therefore the link between terrorist activities and illicit financing is not present in their studies. Other NGOs and think tanks such as the International Crisis Group produce similar studies, which at times focus on illicit actors. However, to the best of my knowledge, none of their products adequately addresses the questions pursued in this work in general, or the case of Karachi in particular. The same is true for web-based subscriptions to such journals as *Jane's* or the *International Institute of Strategic Studies' Armed Groups Database*.

In addition, important gaps need to be filled in the existing terrorism-related literature. First, most recent studies by Western authors are profoundly Euro-American-centric; that is, they focus primarily on the aspects of terrorism that are perceived to be the greatest threat to the West. Particularly since 9/11, many focus on Al Qaeda (particularly the work on terrorist financing) rather than look at the broader range of terrorist organizations that operate in the world. While this is unsurprising given the devastating consequences of the 9/11 attacks, this narrow approach runs the risk of “fighting the last war” and ignoring the wide range of terrorist organizations with the potential to be the next Al Qaeda. It also ignores the threats that these organizations pose to states outside the Western world.

Second, a common shortcoming of many studies on terrorist organizations is that given the difficulty of finding inside sources for the topic, academic scholars tend to take the motivations described by terrorist organizations in their public statements at face value. Needless to say, every organization has an agenda when it issues a public statement, and this agenda may not accurately reflect the internal dynamics of that organization. The goal of this study is to use first-hand research with inside sources to peel back this veneer and better understand how these organizations and their financiers see the world, rather than how they are seen (or want to be seen) by outside journalists or intelligence organizations.

Third, most of the existing literature about the financing of terrorism approaches the issue from a technical standpoint, describing the methods used by terrorist organizations throughout the world to raise and distribute

money and specific interventions governments can take to disrupt this flow. This literature has addressed in some detail the “how” of terrorist financing, but little work has been done to describe the “why.” Missing from these studies is a detailed account of what motivates successful businesspeople to donate their money to violent causes or provide logistical assistance to these groups at great personal risk. While numerous efforts have been made to describe the strategies and motivations of terrorists themselves, virtually no effort has been made to do the same for their financiers.

Finally, very little has been written about the role of financial cities in the funding of terrorist organizations. The financing for these groups may come from a wide array of sources but they funnel through a few very narrow channels, including those in Karachi. Analysis of strategic “choke points” has long been a staple of the study of geopolitics. The lack of such analysis in the study of terrorist financing is a major omission.

### **Global or World-City Approach**

The impact of globalization has led many to argue that the power of the state has eroded and that this phenomenon is part of the overall problem in thwarting the reach and strength of illicit actors within it. The same argument has been made for the relevance of cities. It is assumed that with globalization and the spread of higher and cheaper forms of information technologies in the past thirty years, urban centres would be weakened and so would their relevance given their porous contemporary character. Some have argued that activities would disappear and a move back to rural areas would ensue. However, most levels of urbanization have grown, not diminished.

In 1900, only about 10 per cent of the world’s 1.6 billion people lived in cities. During 2000, just over 50 per cent of the world’s six billion people lived in cities. And by 2050, 67 per cent of a projected population of 10 billion people supposedly will live in cities.<sup>33</sup>

Furthermore, some of the world regions such as Europe or the United States are over 80 per cent urban.<sup>34</sup>

Hence, the need to understand “world” or “global” city characteristics is more salient than ever. This approach or methodology, coming from the field of urban sociological studies, also provides an interesting lens through which to conduct this study. Known collectively as global city or world-city literature, the evolution of this subfield is actually a methodology or approach for assessing the contemporary dynamics of



certain urban centres known either as “world cities” or “global cities.”<sup>35</sup> The term refers to urban centres that have achieved “global” status or identities as a financial, religious, diplomatic, fashion, or other type of urban centre. The space included in the terms refers to the city itself as well as its surrounding area.

Global cities may or may not be capitals of their respective countries. Because their importance is derived from their international status, which has been greatly facilitated by globalization, this approach acknowledges the key role of external actors in such locales. These may be transnational corporations, supra-national organizations, NGOs, civil society groups, religious groups or any other grouping that identifies with the character of that global city. Consequently, there is an inherent assumption that foreigners (people, businesses, and organizations) simultaneously impact and are impacted by world-city developments.

When this approach to the study of urban centres emerged, there was an inherent assumption that major cities were only those within industrialized societies that imported raw materials from the periphery. As such, Western notions of development were used to devise criteria for membership as well as the ranking of various urban centres. Aspects such as population, financial strength, presence, and size of highway or skyscrapers and other infrastructure, as well as the use of the city as a port of entry for commerce, travel or immigration, were all common elements in various typologies of capitalist urban modernization. This presupposed the primacy of national territory of the state as the means on which hierarchies and class struggles were based.<sup>36</sup> No systematic examination of supra-national or global hierarchies existed. That the character of the city could be influenced by external, non-state actors such as TNCs, NGOs, or other groups including illicit actors was not taken into account.

In the post-1970s era, however, sharp criticism from a group known as world system theorists<sup>37</sup> emerged against this state-centric approach. As a result, political economy and neo-Marxist approaches that included elements of globalization were incorporated to explain urban capitalist development. They argued that the old forms of production had been replaced by a new international division of labour in which manufacturing industries were relocated from core states to peripheral or semi-peripheral ones in search of cheaper labour. Moreover, the collusion of on-going political, economic and socio-spatial changes in urban centres was increasingly cited as an explanation for the transformations of regions as well as cities. Key among such authors are Saskia Sassen<sup>38</sup> and John Friedmann,<sup>39</sup> who laid the foundational work on global or world cities.

They are the most frequently cited authors examining the role of globalization and urban development.

Early contributions to global city theory adopted a largely structuralist point of view which emphasized the role of large-scale political-economic transformations and the consolidation of worldwide inter-urban networks. In this context, many scholars argued that globalized urbanization was reducing the capacity of local political actors and state institutions to influence socio-economic life. . . . More recent work, however, has rejected these arguments and explored more systematically the role of local social forces and political struggles in the production of globalized urban spaces. From this point of view, global city formation is indeed a political project of transnational capital, but the global city itself represents an arena and outcome of intense sociopolitical struggles among a broad range of social forces and institutions – including fragments of the internationalized working class; various cultural and territorial communities; and state institutions – which actively participate in and shape the process of world-city formation.<sup>40</sup>

Globalized forms of urbanization must be “understood as the long-term outcomes of actions taken by economic and political actors operating within a complex and changing matrix of global and national economic and political forces.”<sup>41</sup> Although world-city analysis has been used extensively in the analysis of the role of TNCs and global financial centres, it has not been extended to the arena of illicit actors – either criminal or terrorist – or to their sources of funding. This analysis therefore provides a unique lens through which to examine Karachi and other financial cities of Southwest Asia. Sassen explores how particular cities become nodes of economic globalization, creating a hyper-concentration of capital, connectivity and talent that is often vastly out of proportion to the rest of the state. This social and economic imbalance has profound implications on the relationship of these cities to the state, and to the wider world. While she does not address it directly in her work, Karachi is certainly an example of a global city, and Sassen’s work provides a valuable cross-cultural perspective to this phenomenon.

In summary, while the roots of terrorism have received a great deal of academic attention in recent years, none have approached it through the lens of global-city analysis. This book fills this lacuna through the case study of Karachi to determine the elements that have led to its rise as a capital of both illicit activities and terrorism. Chapter two explores the historical strategic relevance of Karachi to demonstrate why this city is likely to remain of major concern in the decades – if not centuries – to come. It also provides a foundation for the analysis of the societal and

economic factors that interplay with political dynamics. Chapters three and four paint the contemporary landscape of Karachi that has contributed to and in turn is being influenced by its global-city status.

The next five chapters explore the security elements of the city. An understanding of the confluence of factors that created Karachi's endemic violence is needed if it is to be countered. In addition, the actors involved also require a thorough analysis. The book concludes with the economic and future prospects of the megalopolis and provides some pertinent lessons that could apply equally to other global cities in the developing world.

## CHAPTER TWO

### THE CITY AND ITS ANTIQUITY

Tracing the history of Karachi depicts how, within a span of a few hundred years, a small fishing colony transformed itself into a sprawling commercial centre and later developed into a highly industrialized megalopolis. The history of Karachi's evolution is not just a tale of a city; rather it is the interaction of certain political, social and economic forces that characterized an era and helped shape some very important events in the subcontinent.<sup>1</sup> Karachi's beginning is easily traceable to a little over 200 years ago. The growth and development of the city can be roughly summed up into three periods: pre-colonial, colonial, and partition / post-colonial.<sup>2</sup> This chapter examines key elements of Karachi's evolution that set the stage for our understanding of its relevance as a contemporary global city and the implications of the security threats that perpetuate within it.

There are reasons to believe that the area that constitutes present-day Karachi might have had an active role as far back as the Indus Valley Civilization. From the recorded history, however, the city's importance as a natural harbour on the coast of Makran and Sindh was acknowledged as far back as Alexander but its most rapid and pronounced development occurred after the arrival of British in India. British colonization opened Karachi to global trade routes and led to investments in infrastructure and technology that propelled the city onto the world stage.

Crochey, Krotchey Bay, Caranjee, Koratchey, Currachee, Kurrachee, Kalachi, and Karachi are only a few of the present city's many appellations. Although the last designation is the official one, it has not by any means been generally adopted. The penultimate name, Kurrachee, is most frequently found in domestic, mercantile, and even in the historical official correspondence. In railway-guides, shipping-lists, mercantile and domestic correspondence, telegraph messages, and even by the Director-General of the Post-Office of India, the name is written Kurrachee.<sup>3</sup> This section details various other names also affiliated with Karachi while describing the historical relevance of this city over the past several centuries.

## The Indus Valley Civilization

Upon its discovery in the nineteenth century and subsequent scientific excavation by the British,<sup>4</sup> the Indus Valley Civilization turned out to be one of the greatest cultures of the ancient world known to us today. It is so named because many of its settlements were situated along the Indus River. What has come to light since the first excavations suggests that the Indus Valley Civilization was a contemporary of Mesopotamian and Egyptian civilizations, and was equally impressive in its character and sophistication. What little is known about the Indus Valley culture comes exclusively from archaeological evidence such as the artefacts and seals discovered in the ruins. Although experts have been as yet unsuccessful in deciphering the cryptic script found on these artefacts, archaeological findings indicate that the Indus Valley culture was established around 3300 BC and ultimately disappeared around 1400 BC<sup>5</sup> after developing and flourishing for almost two millennia.<sup>6</sup>

At the height of its economic achievements and cultural sophistication, this culture covered most of present-day Pakistan (along the river Indus) and parts of India and Afghanistan. Hundreds of sites belonging to this culture have been unearthed across the region, and dozens of these are large enough to be classified as villages or towns.<sup>7</sup> The largest and most important of these are Harappa and Mohenjo Daro. This latter is situated in the present-day Sindh province close to the city of Larkana and is about 180 miles north of Karachi. Judging by the size and exquisite planning of the excavated cities, each of them may have hosted a population of several thousand, which signifies thriving trade and peaceful times.<sup>8</sup>

The discovery of Indus Valley artefacts as far away as Mesopotamian archaeological sites suggests that trade – especially through the Indus River and the Makran coast – played a significant role in the Indus Valley economy. The discovery of numerous pre-historic sites along the Makran coast, some of which are quite close to the present city of Karachi, suggest that the natural harbour of Karachi and its outlying areas close to the mouths of the Indus River must have had some part to play in the overall trade between the great Indus and Mesopotamian civilizations.<sup>9</sup> This logical assumption is also supported by the authentic – though somewhat vague – references to the location of the Indus River's delta, its mouths, and the harbour of Karachi in the time of Alexander, which succeeded this great civilization a millennium later.

## Alexander's (the Great) Krokala

According to numerous historical accounts, Alexander the Great (356 to 323 BC) passed near present-day Karachi. After his success in northwest India, Alexander entered the province of Sindh. There are some obscure but detailed references to Karachi, its harbour and islands in books written in 325 BC by the famous Greek historian, Arrian.<sup>10</sup> Moreover, there are accounts that Nearchus, a general turned admiral in Alexander's army, rested near Karachi on his way back to his homeland. Many historians tie Alexander's presence there by claiming that Karachi was the town known as Krokola. The word *krokola* means "place of crocodiles" and during this time, people in Sindh used to worship crocodiles. Today, people still celebrate the annual fair of crocodiles at Manghopir, Karachi in a traditional manner. There is also a graveyard of reptiles near the villages of Ibrahim Hyderi and Reerhi, located on the outskirts of modern-day Karachi.<sup>11</sup>

After his victory at Jhelum and following many months on the river Indus in search of the outer ocean considered as being the edge of the world, Alexander finally arrived at its delta. Alexander viewed Indus as the eastern frontier of his empire and was keen to establish permanent links with this region for both commercial and political reasons. Thus, he ordered the strengthening of the defences of Pattala<sup>12</sup> and planned two new ports with naval yards and docks. One of these was at the western-most mouth of the Indus, close to today's Karachi. Others further posit that Morontobara, a station on the return voyage of Alexander's navy, was "about the position of Karachi harbour."<sup>13</sup>

## Debal and Mohammad bin Qasim's Darbo

The second ancient city with which Karachi has some important historical reference is Debal,<sup>14</sup> which was a major port in the large empire of King Rai Chach.<sup>15</sup> The empire's capital, however, was the city of Alor, which was situated on a mound at the foot of the Indus River and contained lofty royal buildings, villas and gardens. Karachi was also a key port and a natural stop for seafarers when Mohammad bin Qasim attacked Sindh in 712 AD. Its harbour had a natural link with the Indus Delta and cities upstream, through smaller creeks. One passage from the English translation of the Persian manuscript of *Chachnama*<sup>16</sup> is worth mentioning here:

He [bin Qasim] left Arambil, and appointed Mus'ab bin Abd al-Rahman to the advance brigade, Jahm bin Zuhr al-Jafi to the rear, Atiyah bin Sa'ad al-