

This E-Bulletin focuses on major developments in Pakistan on weekly basis and brings them to the notice of strategic analysts and policy makers in India.

EDITORIAL

The Joint Investigation Team (JIT) report has created a lot of speculation regarding the future of Prime Minister Nawaz Sharif. While there was speculation about the likely successor to Prime Minister Sharif, it appears that he would not resign without giving a fight - a stand supported by the party. The Supreme Court is hearing the Panama papers case and examining the JIT report. It has also asked Imran Khan, the Chairperson of the Pakistan Tehrik-e-Insaf, to explain the financial source of his London flat. The political uncertainty also reflected in the stock market as the market plummeted. KSE-100 index declined 885 points (1.96 per cent) and settled at the end of the week at 44,337 points. In the meanwhile, the US has blocked aid to Pakistan for the time being.

COMMENTARY

JIT Report being heard in Supreme Court: Sharifs battling it out

*Asbok Behuria**

Pakistan is passing through political effervescence following the report of the Joint Investigation Team (JIT) which looked into the Panama Leaks case as per the direction of the Supreme Court. The JIT held that there were financial irregularities in the acquisition of properties by the Sharifs. A three-judge bench of the Supreme Court of Pakistan is now hearing the Panamagate case headed by Justice Ejaz Afzal and comprising Justice Sheikh Azmat Saeed and Justice Ijazul Ahsan.

The Sharif family has rejected the JIT report and argued that the team had exceeded its mandate. Nawaz Sharif's lawyer Khawaja Haris, raised his objections in the Supreme Court on July 17 and dismissed the JIT report as "eyewash" based on "mala fide" intentions and "undertaken with a predisposed mind to malign and implicate the respondents in some wrongdoing or the other,"

The opposition, on the contrary, regards the report as an incontrovertible proof of illegal money laundering by the Sharif family and wants Nawaz to quit on moral grounds. As Nawaz refuses to resign, the opposition hopes that the Supreme Court will ultimately find Nawaz guilty which will constitutionally make it unviable for him to continue in office.

The JIT report

On July 10, the JIT, constituted by the Supreme Court (SC) of Pakistan to investigate into the Panama Papers case, submitted its 254-page report, which said that Nawaz Sharif, his sons, Hussein and Hassan, and his daughter Mariam Nawaz, could not justify their income and assets and they had violated Section 9 of the National Accountability Bureau (NAB) Ordinance, 1999.

The JIT members comprised of representatives from Federal Investigation Agency (FIA), Inter-Services Intelligence (ISI), Military Intelligence (MI), State Bank of Pakistan (SBP), Securities and Exchanges Commission of Pakistan (SECP) and National Accountability Bureau (NAB).

The Court had earlier asked the JIT to seek answers to 13 questions pertaining to establishment of companies by the Sharifs, the way they were run and sold, the way the proceeds were utilized, the source of investment in these companies as well as money for purchase of the flats in London. The legitimacy of the funds used by the Sharifs to purchase properties via offshore companies in London formed the core of the investigation.

The JIT report found the Sharifs producing “falsified/tampered” papers relating to the declaration of trusts signed by Nawaz Sharif’s son and daughter (Hussain and Mariam) in February 2006, typed in ‘Calibri’ font, which was released for commercial use only in June 2006.

The JIT report thus accused Mariam of falsifying evidence and added that Mariam was the beneficial owner of Nielsen and Nescoll. The JIT also discovered that Nawaz was the chairman of an offshore company called the FZE capital till 2014. It also held that these offshore companies were responsible for “inflow of funds into UK based companies; which not only acquired expensive properties in UK from such funds but also revolve these funds amongst their companies of UK, KSA, UAE and Pakistan.”

The JIT has also recommended reopening five cases earlier decided by the Lahore High Court (LHC), as well as eight investigations and two inquiries against Nawaz Sharif. Out of these 15 cases, 12 were taken up during the military rule by Musharraf (1999-2007) and three by PPP governments in 1994 and 2011.

Background

Earlier, in its 540-page order on April 20, 2017, the court had stated that “upon receipt of the reports, periodic or final of the JIT, as the case may be, the matter of disqualification of respondent No. 1 (read Nawaz Sharif) shall be considered.” It also implied that if necessary, Nawaz Sharif or any other person might be summoned and examined for taking final decision on the matter.

Following the release of the JIT report and its open circulation in the media there is a growing pressure on the government to respond to the conclusions arrived at by the JIT regarding the case of disproportionate assets and illegal transactions of money by the Sharifs. Even if the Sharif family has quite consistently and

perspicaciously denied any wrongdoing, the report has irreparably tarnished the image of Nawaz Sharif and his government.

Beginning of the Panama Trail

It needs to be mentioned here that the case has been going on since April 2015, when a German daily claimed that it had accessed about 11.5 million confidential papers associated with a Panama-based law-firm named Mossack Fonseca, having wide clientele (of about 300,000) around the world, infamous for helping foreign citizens circumvent local tax laws in the name of offering financial and legal corporate services.

These leaked papers, now known as “Panama Leaks”, kicked up a political storm in Pakistan, with the opposition led by Imran Khan vigorously taking up the issue of alleged money laundering by the Sharif family, which is in power both at the centre in Islamabad and in the most powerful province, Punjab.

Interestingly, the papers did not name either Nawaz Sharif or his brother, Shahbaz. However, one of the Nawaz’s two daughters, Maryam Nawaz, and his two sons, Hussein and Hassan, did find mention in the papers, as owners of four offshore companies which bought luxury estates in London with loans from, and proceeds from sales of, these companies.

Amid growing public demand for investigation into such transaction of money by the Sharifs, in April 2016, the government had ordered an inquiry by a retired judge of the SC. The opposition turned it down and demanded an impartial investigation by a neutral commission headed by a serving judge.

The tussle between the government and the opposition about the terms of reference for setting up a commission continued for almost a year with no retired judge willing to head the government-proposed commission.

As Imran upped the ante by staging sit-ins in front of Sharif’s house in Raiwind and threatening a nationwide stir, the SC finally accepted a petition filed by Imran Khan in August 2016, seeking disqualification of Nawaz Sharif as prime minister.

A five-member bench, started hearing the case since November 1, 2016 and it came out with its verdict on

April 20, 2017, ordering further investigation by a JIT. The verdict was a split one with two dissenting judges—Justice Khosa, who headed the bench and Justice Gulzar Ahmed—seeking disqualification of the prime minister on the ground that he was no longer *ameen and sadiq* (honest and truthful)! On May 6, 2017, the SC constituted the JIT and asked it to submit its report within 60 days.

Future

So far, the Supreme Court has indicated that the Sharif children might be sent to jail for tampering with the evidence produced during the JIT investigation. While the opposition is confident of indictment of the Sharifs by the top court, Nawaz has started saying that the whole process was not *ebteshab* (accountability) but *Ishtehsal* (witch-hunting or extortion). In the meanwhile, it is being rumoured that very soon there will be investigations into allegations of opposition leaders Imran Khan and Zardari holding offshore properties, which will further destabilise Pakistan in the days to come and propel the army to the forefront as the saviour and further consolidate its position in Pakistani polity.

Amid such speculations, one thing that stands out is the continuing popularity of Nawaz Sharif in Pakistan, as can be noticed from the crowd he is able to attract in his public appearances. It also remains a fact that so far there is no evidence of Nawaz's direct personal involvement in money laundering, even if his sons and daughter have been found tampering evidence, producing fictitious sale/purchase agreements and having beneficial ownership of some companies. The court may still give Nawaz some benefit of doubt while indicting his children in its final judgment. Nawaz may thus weather the Panama storm. However, it is difficult to say whether he can retain his popular appeal following such judgment lowering the image of the Sharif family ahead of the 2018 elections. The moral setback that he has suffered may damage his political prospects in the long run.

* Dr Ashok Behuria is Senior Fellow at IDSA.

THE WEEK AT A GLANCE

ECONOMY

SBP asked to start inquiry into sharp rupee fall

Finance Division has officially asked the governor of State Bank of Pakistan (SBP) to initiate an inquiry into the sharp deterioration of PKR-US\$ exchange rate in the interbank market on July 5 and to send a report within ten days. The inquiry has been recommended by Finance Minister Ishaq Dar in his capacity as the chairman of Monetary and Fiscal Policies Coordination Board. On 5th July, the US dollar surged to its 2.5-year-high against the Pakistani rupee in the interbank market, touching Rs108.25.

<http://nation.com.pk/business/10-Jul-2017/sbp-asked-to-start-inquiry-into-sharp-rupee-fall>

K-Electric announces fresh \$1-billion investment

The Karachi-based integrated power company, K-Electric (KE), unveiled a plan on Monday to develop a 900-megawatt LNG-based power plant at its Bin Qasim site at an estimated cost of \$1 billion, a project that includes simultaneous upgrade to associated transmission infrastructure. The Dubai-based Abraaj Group had earlier locked a deal to sell its majority stake (66.4%) in KE to Shanghai Electric at a price of \$1.77 billion late last year. Execution of the business deal, however, hit a roadblock after the Chinese acquirer was apparently put off by a significant cut in consumer tariff (MYT or multi-year tariff) by the power regulator (Nepra). According to a Shanghai Electric Power notification of June 22, 2017 to the Shanghai Stock Exchange, it expressed confidence in obtaining a new multi-year tariff that meets its expectations. The company, however, has also not ruled out a termination of the transaction as well. In another notification to the Pakistan Stock Exchange, Shanghai Electric recently reaffirmed its commitment to go ahead with its original plan of acquiring majority stake in KE. Earlier, the Chinese strategic investor shared a multi-billion dollar (\$9 billion) investment plan for KE with the government.

<https://tribune.com.pk/story/1454966/k-electric-announces-fresh-1-billion-investment/>

Stock market plumbs year's lowest level as political turmoil persists

Political uncertainty, submission of the JIT report, and adjournment of Supreme Court decision to next week, resulted in adding to the pervading gloom over the investor sentiments. KSE-100 index declined 885 points (1.96 per cent) and settled at the end of the week at 44,337 points. During the week, the market also saw one of the worst sessions since 2009 when the index tanked 4.7pc and also hit its calendar year to date low at 43,043 points.

<https://www.dawn.com/news/1345649/stock-market-plumbs-years-lowest-level-as-political-turmoil-persists>

Government to form committee to control trade deficit

The government on Saturday decided to constitute an inter-ministerial committee on tariff rationalization so that tariff policy could be aligned with trade policy leading to improvement in balance of trade. The committee would comprise members from Ministries of Finance and Commerce, State Bank of Pakistan (SBP) and PIDE. The Committee will submit its recommendations within four weeks time.

<http://nation.com.pk/business/16-Jul-2017/govt-to-form-committee-to-control-trade-deficit>

POLITICS

PML-N rejection of JIT report akin to attack on SC: opposition

The country's main opposition parties on Sunday denounced the threat by the ruling Pakistan Muslim League-Nawaz (PML-N) that it would not accept the joint investigation team's (JIT) report as "a direct attack on the Supreme Court". Reacting to Saturday's news conference by four federal ministers, the leaders of the two main opposition parties — the Pakistan People's Party (PPP) and the Pakistan Tehreek-i-Insaf (PTI) — said that since the former Qatari prime minister was a "defence witness", it was the responsibility of the Sharifs to produce him before the JIT.

<https://www.dawn.com/news/1344292>

SC asks Imran to prove source of money for London flat

The Supreme Court on Tuesday expressed wonder over non-provision of documents establishing the payment of 117,000 pounds by Kerry Francis Packer, the founder of the World Series Cricket, which helped Pakistan Tehreek-i-Insaf (PTI) chief Imran Khan purchase an apartment in London in 1983. A three-judge bench invited the attention of senior counsel Naeem Bokhari, representing the PTI chief, to the absence of documents to substantiate that the flat had been purchased using the money provided by the Australian media tycoon who founded the cricket series in which Mr Khan played for some time.

<https://www.dawn.com/news/1344735>

ANP slams Centre, K-P for 'neglecting Fata reforms'

Senior ANP leader Amir Haider Khan Hoti has criticised the federal and Khyber-Pakhtunkhwa (K-P) governments for "getting completely immersed" in the Panamagate case and "forgetting vital issues" including reforms in the Federally Administered Tribal Areas (Fata). "The federal and K-P governments have put reforms in Fata on the back burner. They are so immersed in the Panama leaks that no attention is being paid to the most important issues facing the country," said Hoti, who is also a former K-P chief minister, in a press conference at Bacha Khan Markaz on Tuesday.

<https://tribune.com.pk/story/1455918/misguided-priorities-anp-slams-centre-k-p-neglecting-fata-reforms/>

PM flatly rejects call for resignation

In his first direct response to the calls of opposition parties for his resignation after the release of the report of the Joint Investigation Team (JIT) in the Panama Papers case, Prime Minister Nawaz Sharif on Thursday categorically declared that he would not step down. "Should I resign at the whim of anti-democracy conspirators? Why should I resign and on what basis?" he said amid desk-thumping by his colleagues in the cabinet, including members from allied parties.

<https://www.dawn.com/news/1345200>

SECURITY

DPO among three killed in Chaman suicide blast

The District Police Officer (DPO) of Qilla Abdullah, his security guard and driver were killed and over 10 other people, including five police personnel, injured in a suicide blast in the border town of Chaman on Monday. The banned Tehreek-i-Taliban Pakistan (TTP) claimed responsibility for the attack. Sources said that DPO Sajid Khan Mohmand with his team was on an inspection of the Eidgah area of Boghara road when the suicide bomber riding a motorcycle blew himself up after hitting his vehicle.

<https://www.dawn.com/news/1344486>

Army pledges to uphold national interests

Military's top brass on Monday reviewed geo-strategic security environment with focus on evolving situation in Middle East, Afghanistan and its implications on Pakistan. Corps commanders' conference, chaired by Army Chief General Qamar Javed Bajwa, reiterated to continue supporting and enabling national efforts to play a positive role in line with the Pakistan's national interests.

<http://nation.com.pk/national/11-Jul-2017/army-pledges-to-uphold-national-interests>

Balochistan is my prime focus, says COAS

Chief of Army Staff (COAS) General Qamar Javed Bajwa on Friday reiterated his support for Balochistan and said the province was his prime focus, said a statement released by the Inter-Services Public Relations (ISPR). "Balochistan is my prime focus and prosperity of people in Balochistan at par with other provinces is the main objective," COAS said during his visit to the Quetta Garrison. General Qamar Javed Bajwa on Friday visited the garrison where he received a detailed briefing about the security situation in the province.

<http://nation.com.pk/national/15-Jul-2017/balochistan-is-my-prime-focus-says-coas>

US Defence Act tightens restrictions on aid to Pakistan

The US House of Representatives has adopted three legislative amendments seeking tougher conditions for reimbursement of defence funding to Pakistan. The amendments, moved by Congressmen Dana Rohrabacher and Ted Poe and adopted late on Friday, require Pakistan to make satisfactory progress in the fight against terrorism if it wants to continue receiving the US assistance. Both congressmen are known on Capitol Hill for their opposition to Pakistan and have also sponsored a resolution that seeks to declare the country a state sponsor of terrorism.

<https://www.dawn.com/news/1345614>

PROJECT TEAM

**Smruti Pattanaik, Ashok Behuria, Sumita Kumar, Priyanka Singh,
Yaqoob ul Hassan, Mir Ahmad Nazir, Zainab Akhter, Mohammad Eisa.**