

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

Political developments last week mainly revolved around the JIT report as Supreme Court started hearing the Panama case. The announcement by Choudhury Nisar of a press conference also added to the rumour of an imminent split in the PML-N top leadership. However, Nisar's decision to cancel the press conference laid to rest these speculations. The US report and its decision to withhold aid and its likely implications on Pakistan was debated in the media.

COMMENTARY

Caught on the wrong foot: Pakistan feels pressure to target *all* terror groups

*Nazir Ahmad Mir**

The US 'Country Report on Terrorism 2016', released in the month of July, has put Pakistan in an uncomfortable situation. While maintaining that 'Pakistan remained an important counter terrorism partner in 2016', the report stated that it 'failed to take significant action to constrain the ability of the Afghan Taliban and HQN (Haqqani Network) to operate from Pakistan-based safe havens'. These groups have been major cause of US irritability in Afghanistan as they persistently target the U.S. and the Afghan forces and are a major cause of instability and violence in Afghanistan. The report further mentioned that 'The government did not take any significant action against LeT or JeM, other than implementing an ongoing ban against media coverage of their activities.' Lashkar-e-Taiba (LeT) and Jaish-e-Mohammed (JeM) have been

spared of any major action by the Pakistani security forces. Despite the international pressure, their activities continue uninterrupted.

Critical of the Pakistan's duplicitous approach vis-à-vis terrorist groups, the report has ruffled few feathers in Pakistan. To dispose of any such notion or to avoid any impression that Pakistan backs some terrorist groups, the Foreign Office was prompt to reject the US allegation. FO spokesperson Nafees Zakaria said that 'We are fully resolved to fight terrorism and have taken strong measures to this effect. ... We have taken indiscriminate and all-out action against terrorist.' Of late Pakistan has been making an effort to demonstrate that its role in America's 'war on terror' is being underestimated. Pakistan has not suffered less than any other country at the hands of terrorists'.

This was not the first time that Pakistan got a rebuff from a country that has been the main ally in the war on terror. On 10 January 2017, when the twin suicide bomb blasts ripped the Afghan-Parliament area in Kabul, one of the US Department spokesman Mark Toner supported Kabul's claim that terrorists were able to carry out attacks in Afghanistan because they had safe havens in Fata (Pakistan). While answering the question in this regard Toner had said that 'The short answer to your ... question is yes.'

To build pressure on Pakistan for acting against the terror groups that create trouble in Afghanistan, in May 2017 the United States House of representative supported a bill seeking to increase restrictions on the military aid that the US gives to Pakistan unless the latter meets certain conditions. The major complain of the US was that Pakistan had not acted against the Haqqani network.

Since Pakistan could not meet the conditions, the fund of \$350 could not be released to Islamabad, said the Defence Department spokesperson Adam Stump on 21 July. Last month, June 2017, the US Department of State designated the Chief of United Jihad Council (UJC) Mohammad Yousuf Shah, popularly known as Syed Salahuddin, as a Specially Designated Global Terrorist (SDGT). This move was rejected by the Foreign Office by saying that ‘the designation of individuals supporting the Kashmiris right to self-determination as terrorists is completely unjustified.’ These developments have left Pakistan in a quandary. Its painstaking efforts to maintain a balance between ‘good terrorists’ and ‘bad terrorists’ appears to have no takers in the international community, particularly in the US. These legislative move, however, may not be sufficient to discourage Pakistan to support groups like Haqqani Networks, LeT or JeM considered as strategic assets. But it reflects that the US is finally willing to take punitive action even if such action may not adversely affect Pakistan.

Within Pakistan, the opinion on the US State Department report was divided. There was some criticism of the government for not doing enough to curb the movements of the groups like LeT and JeM. It was argued that though the report was a reiteration of the old complaints, there is some truth in it. Despite all its claims, ‘This government has not taken significant action against JeM or LeT and both the organisations continue to raise fund, hold rallies, and recruit and train in Pakistan,’ an editorial in the *Express Tribune* argued.

Other view on the report has been that American analysis was misplaced. After all ‘Pakistan forces are in a constant fight against Taliban since 2008.’ This was in tune with the line taken by some Pakistani analysts that all groups that are being dubbed by the US or other countries as terrorists are not actually not terrorists since some of them are fighting genuine causes.

Pakistan’s policy has been to try to maintain a distinction between what it considers as ‘Mujahidin’ who fight in Afghanistan and Kashmir and ‘terrorist’ who wage war against the Pakistani state. This policy has created problems for Pakistan within the country itself. Of late, it has been finding it difficult to control the elements like Tehrik-e-Taliban Pakistan (TTP) and others. The distinction is not accepted by international community.

Given the increasing international pressure, it remains to be seen what will be the policy of Pakistan against such groups in the future and whether the jihad policy of the Pakistani state would be sustainable.

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THE WEEK AT A GLANCE

ECONOMY

Current account deficit touches record \$12.1bn

The current account deficit widened by 148.5 per cent to an all-time high of \$12.09 billion for 2016-17, the State Bank of Pakistan (SBP) reported. The deficit was \$4.86bn in the preceding fiscal year. The balance on trade in goods jumped to a deficit of \$26.8bn compared to \$19.3bn in 2015-16. The balance on goods and services registered a deficit of \$30.5bn compared to \$22.7bn in 2015-16. The growing current account deficit has practically neutralised the positive impact of about \$19bn remittances sent by overseas Pakistanis. For the first time in more than a decade, remittances declined on a year-on-year basis in 2016-17. The weakness on the external front with a \$12.1bn current account deficit means that the government is unlikely to get a favorable rate of return.

<https://www.dawn.com/news/1346347/current-account-deficit-touches-record-121bn>

Foreign assistance prevents steep fall in development spending

Significant shortfalls in the revenue collection in 2016-17 curtailed the releases of funds for the Public Sector Development Programme (PSDP) by about Rs111.5 billion, down almost 17 per cent from the budget target. According to the final update of the Planning Commission, the federal government allocated Rs656.68bn for the PSDP as domestic financing component. Higher-than-targeted flows under foreign loans and assistance helped prevent a steeper fall. The government budgeted for receipt of Rs143.4bn as loans and assistance for the year, but received Rs199bn, up

33pc from the original estimate. Major cuts in development allocations were seen on account of funds allocated for the settlement of temporarily displaced persons of Waziristan where Rs62bn was disbursed by the government against an allocation of Rs100bn.

<https://www.dawn.com/news/1346556/foreign-assistance-prevents-steep-fall-in-development-spending>

Foreign loans in 2016-17 recorded at historic high

Pakistan obtained a record high \$10.1 billion in foreign loans during 2016-17, as it looked to repay old debt and support foreign exchange reserves after the government's failure to mobilise non-debt creating foreign inflows. About 37% or \$3.9 billion of the total external borrowing came from China alone -Islamabad's new lifeline. This includes \$2.3 billion in commercial loans and another \$1.6 billion under the bilateral economic assistance. The \$10.1-billion loans that include a record breaking \$4.4 billion short-term foreign commercial loans as well were obtained during fiscal year 2016-17 that ended on June 30, said sources in the Ministry of Finance. This is the first time in Pakistan's history that any government has taken over \$10 billion as fresh foreign loans in a single year. About \$4.4 billion of these loans were used to repay previous loans.

<https://tribune.com.pk/story/1462725/foreign-loans-2016-17-recorded-historic-high/>

POLITICS

US trims Pakistan military aid over 'Haqqani inaction'

The United States will not make the remaining military reimbursements to Pakistan for fiscal year 2016 because Defence Secretary Jim Mattis cannot certify that Islamabad has taken sufficient action against the Haqqani network, the Pentagon said on Friday. The decision will immediately affect a reimbursement of about \$50 million, as Congress had already "reprogrammed \$300m. Secretary Mattis has requested reprogramming of the funds to retain the ability to use those funds for other requirements. The 2016 US National Defence Authorisation Act required the defence secretary to certify that Pakistan had taken

sufficient action against the Haqqani network but had taken away the authority to issue a national interest waiver, previously issued to Pakistan.

<https://www.dawn.com/news/1346852/us-trims-pakistan-military-aid-over-haqqani-inaction>

PM not out of the woods as SC reserves verdict

The Supreme Court on Friday formally closed the Panama Papers case when it reserved its ruling, but the most significant facet of the hearing was an assurance on the part of the National Accountability Bureau (NAB) which wants to resurrect the Hudaibiya Paper Mills case. This case pertained to Finance Minister Ishaq Dar's confessional statement on money laundering in 2000. The second significant part of Friday's hearing was the hint of invoking Section 12 (2 a and f) of the Representation of People Act, 1976, a provision under which the intending candidate in his nomination papers had to undertake fulfilling the qualifications under Article 62 of the Constitution and that he was not subject to any disqualification under Article 63. The matter exclusively falls within the domain of the Election Commission of Pakistan.

<https://www.dawn.com/news/1346854>

SECURITY

US says Pakistan failed to act against Taliban, Haqqani Network

The United States has once again accused Pakistan of not taking significant action against the militant outfits and accusing them of operating from "Pakistan-based safe havens" to threaten the US and Afghan forces in Afghanistan. The US State Department, in its annual "Country Reports on Terrorism 2016, said Islamabad has failed to take significant action to constrain the ability of the Afghan Taliban and Haqqani Network to operate from "Pakistan-based safe havens". It mentioned the Afghan Taliban, the Haqqani Network, Lashkar-i-Tayyiba (LT), and Jaish-i-Muhammad (JM) as "groups located in Pakistan, but focused on conducting attacks outside the country".

<https://www.dawn.com/news/1346317/us-says-pakistan-failed-to-act-against-taliban-haqqani-network>

Terrorists still raising funds in Pakistan: US report

Pakistan could be in trouble for not doing enough to prevent militant groups from raising funds inside the country, warns a report of the US State Department. The report titled “Country Reports on Terrorism, 2016” recognises Pakistan as “an important counterterrorism partner” but has also listed it among countries that provide safe havens to terrorists. The Congress-mandated document acknowledges that violent terrorist attacks inside Pakistan have continued to decline but also blames Islamabad for failing to prevent cross-border attacks. The US report notes that Pakistan criminalises terrorist financing through a law known as the Anti-Terrorism Act. But it points out that “there has not been a significant number of prosecutions or convictions of terrorist financing cases reported by Pakistan in recent years due to a lack of resources and capacity within investigative and judicial bodies”.

<https://www.dawn.com/news/1346603/terrorists-still-raising-funds-in-pakistan-us-report>

Daish at the door

The State of Pakistan may have finally emerged from being in denial about the presence of Daish on its territory to at least acknowledging that it is an enemy at the gates. This week, the military started its largest known operation, *Khyber-IV*, against Daish in Rajgal Valley of Khyber Agency. Daish is the Arabic acronym for Islamic State group or ISIS. The operation, which involves up to 3,000 troops backed by the artillery, army aviation helicopters and Pakistan Air Force, would seek to cleanse an area covering roughly 17kms by 15kms of terrorists who have established hideouts there because of its extremely difficult terrain and thick forest cover. Though there have already been three operations in Khyber Agency, and one in this particular valley, as ISPR Director-General Maj Gen Asif Ghafoor said, “the pocket” was a leftover task.

<http://www.thefridaytimes.com/tft/daish-at-the-door>

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