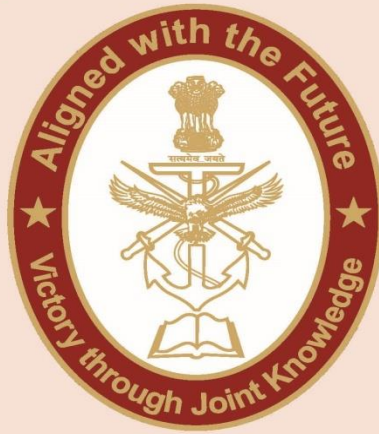


# CENTRE FOR JOINT WARFARE STUDIES



## CENJOWS

### **ECONOMIC PRESSURES ARE MORE EFFECTIVE**



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There are press reports that Chinese banks are hesitating to invest in the CPEC and other projects in Pakistan. The reasons stated include instability in the country, increased attacks by the Baluchistan Republican Army (BRA) on CPEC projects, Indian threats to retake over POK and financial viability of the projects themselves, in addition to Pak's deteriorating financial condition. It was also reported that SM Qureshi was briefed on it during his visit to China recently. Signs of this were evident when the CPEC witnessed a near stalling in the past few months. Investigations into power sector projects, implemented by Chinese companies, indicated that they had siphoned of large sums during the construction phase itself, resulting in high tariffs to users.

Saudi Arabia, the other financial backer of Pakistan, has also turned off its tap. In 2018, Pakistan had borrowed USD 3 Billion in debt relief and another 3.2 Billion under an 'oil for loan' program. The oil for loan expired two months ago and has not been renewed. Out of the 3 Billion, Saudi demanded back one billion, which was repaid by Pak borrowing from China at higher interest rates. SM Qureshi sought to cover this repayment by stating, 'Saudi Arabia is facing economic pressure due to fall in oil prices

and Pakistan is well aware of Saudi Arabia's problems and Pakistan stands by its brotherly country in this hour of need.' He was well aware that his comment was false.

The reasons for Saudi anger weretwo. Firstly, Pakistan moving closer to Turkey and Iran, seeking to create a counter group to the OIC, which is a direct attack on the House of Saud. Second was triggered by the threat issued by SM Qureshi on Kashmir to the Saudi's,with the backing of China and Turkey, both of whom seek to reduce Saudi's hold on the OIC.

In a TV interview, last week, Imran Khan warned that if Pakistan is placed on the FATF blacklist, it would suffer the same challenges as Iran, as all international organisations would stop dealing with them. He added that the impact would be that the rupee would fall leading to high inflation. He stated, 'People talk about inflation now. If we are placed on the blacklist, we will experience inflation that would ruin our economy.' Even being on the Grey List is causing an annual loss of USD 10 Billion to Pakistan. The FATF is expected to meet shortly when Pakistan's case comes under review.

As expected, Imran Khan blamed India for Pakistan's woes. He commented that if Pakistan is placed on the blacklist, the country 'would face destruction that India is working towards. 'Pakistan's total debt and liabilities at the end of Jun 2020 was Rs 44.5 Trillion, equivalent to 106.8% of their GDP. Of this 14.7 Trillion was added in the last two years by the current government. To add to misery is that its balance of payment has also worsened by over 60% as in Jul this year.

The pressure of the FATF compelled Pak to issue its Statutory Regulatory Order (SRO) acknowledging the presence of Dawood Ibrahim in the country, an act it had always avoided. Attempting to cover up, the Pakistan Foreign Ministry spokesperson stated without naming Dawood, 'the assertions made by some sections of the Indian media, as to Pakistan admitting to the presence of certain listed individuals on its territory, based on the information contained in the SRO, are baseless and misleading.' It has also led to Pakistan sentencing three members of the JuD, involved in the Mumbai attacks of terror financing.

There are reports that Pak fears Indian diplomatic onslaught in the oncoming FATF meeting. The NIA investigation into the Pulwama attack has proved Pakistan's direct hand in the incident. Data on transfer of funds, its expenditure in preparation of the suicide attack and photographs of the preparatory stage along with exchanged media messages are data which India will project. Pakistan rejected Indian investigations as it had been doing so on occasions earlier. Further, Indian agencies possess inputs to prove Pakistan's actions against terrorist groups are only an eyewash for the global community. It has evidence of Pakistan's direct support to the Taliban and Haqqani network in Afghanistan and terrorists in Kashmir, while announcing their curtailment.

The US has commenced investigating the role of Pakistani's as part of the IS in Syria. A counter terrorism official stated, 'As the Pakistani deep state is involved with the so-called Islamic State of Khorasan Province (ISKP) in Afghanistan, the interrogation will also reveal its role if any.' The investigation will bolster the Indian claim that Islamabad remains the epicentre of terrorism in the forthcoming FATF meeting.

Pakistan needs three votes to save itself from being blacklisted. It is assured of two, China and Turkey. It had previously banked on Malaysia, which post a change in government is expected to abstain. None of its other benefactors, including Saudi Arabia, have backed them in the past, sending a message of stopping support to terrorism, which Pakistan has ignored. This time it would face greater global pressure. If the nation failed to act despite being in the Grey List for two years, only placing it in the blacklist would produce results.

Economic slowdown, lack of financial support and fear of financial impact of being placed on the blacklist is compelling Pak to cut down in its open backing to terrorist groups. Threats from Iranian proxies have similarly reduced since the US imposed crippling sanctions. The harder the sanctions on Iran, the less it can fund its proxies. This proves that a nation can be compelled to change under sustained economic pressure. The greater the hardship for the populace the more the pressure on the government to act.

Diplomatic engagements may only lead to promises which are subsequently broken or ignored.

The Pakistan example adds credence to what the Indian Foreign Minister, S Jaishankar stated at the Darbari Seth Memorial Lecture last week, 'sustained pressure through international mechanisms to prevent movement of funds for terror groups and their front agencies can work. It has compelled a state (Pakistan) complicit in aiding, abetting, training and directing terror groups to grudgingly acknowledge the presence of wanted terrorists and organised crime leaders on its territory.'

Financial approach to curb terrorism should become the global norm. Nations, which refuse to adhere to requests to curtail employing terrorism as an instrument of state policy must be crippled financially compelling them to behave. The stronger the financial restrictions, the faster would the nation act. It is time for Pakistan to be pushed into the Blacklist.

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