

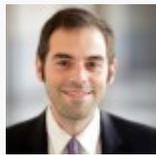
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Can Pakistan's Economy Be Fixed?



Michael Kugleman

Originally published by [Center for Global Policy](#).

Pakistan is mired in a worsening economic crisis. Foreign reserves have plunged [more than 40 percent](#) since the beginning of this year to a [nearly five-year low](#). Government debt has increased by [nearly 80 percent](#) since 2013. Prime Minister Imran Khan said candidly last month that Pakistan is "[desperate](#)" for loans.

Why the Crisis Matters

Heightening Pakistan's economic vulnerability is its presence, since June, on a watchlist of the Financial Action Task Force (FATF), a global forum that monitors terrorist financing. The longer Pakistan is listed, the more uncomfortable foreign investors will become about providing financing. And Pakistan is unlikely to be delisted anytime soon. A chief FATF concern is Pakistan's failure to curb the finances of Jamaat-ud-Dawa (JuD), a political organization and charity linked to Lashkar-e-Taiba, a U.N.-designated terror group. Last month, instead of complying with FATF's concerns about violent extremist groups operating in Pakistan, Islamabad [removed](#) JuD from its list of banned organizations.

Too, an extended crisis could spark unrest in a country prone to violent protests over [food costs](#) and [energy shortages](#). Despite effective operations against anti-state terrorists, Pakistan remains volatile. The formation last year of new hardline religious political parties that advocate

violence and can mobilize quickly and sometimes violently — as they did [last week](#)— underscores the entrenched threat of extremism. These groups, along with sectarian extremist outfits like Lashkar-e-Jhangvi, could exploit economic stress by scapegoating and threatening vulnerable communities.

Moreover, an intensifying economic crisis could undermine Washington's core interest in Pakistan: security. Additionally, if Islamabad is increasingly distracted by a currency crisis, Washington could have trouble securing its assistance in stepped-up U.S. efforts to launch peace talks with the Taliban in Afghanistan.

It's Not Just China's Fault

Pakistan's economic woes can largely be attributed to poor export performance and expensive imports. Pakistan hasn't managed to diversify its export mix away from low-value-added textiles, despite high growth potential in areas such as construction and IT. Meanwhile, Islamabad relies on pricey imports, particularly Middle East-sourced hydrocarbons, to compensate for inadequate domestic equivalents. Imports associated with the China-Pakistan Economic Corridor (CPEC) contribute to this problem, but they are the tip of the iceberg.

Similarly, CPEC loans are not the only reason for Pakistan's indebtedness. The domestic debt of Pakistan's public corporations soared by [nearly 250 percent](#) between 2013 and 2018. Continuous loans and imports from China exacerbate Pakistan's economic problems, but CPEC is not uniquely responsible.

Difficult Negotiations Ahead

Islamabad has an immediate economic recovery plan: Secure financial support from its closest friends and negotiate a bailout package with the International Monetary Fund (IMF) to cover the rest of its short-term needs. In Islamabad's mind, the more support it gets from bilateral partners, the less it has to ask from the IMF. Still, these talks, which begin this week, won't be easy.

First, Islamabad must strike a deal without appearing to capitulate to the IMF completely. Going to the IMF is never popular in Pakistan, and with the current government [vowing](#) to transform Pakistan's economy into an "Islamic welfare system," requesting a bailout from a preeminent Western financial institution looks bad. Shortly after the ruling party took power in August, a party insider told me that Islamabad viewed the IMF as a last resort. A recent \$6 billion deal with Saudi Arabia (and a [possible one](#) with China to follow), which will reduce Islamabad's ask of the Fund, should blunt public anger.

Second, Islamabad must avoid damaging its close relationship with Beijing, which has never been more important for Pakistan as ties with Washington deteriorate. The IMF will likely insist that CPEC financing terms be subjected to scrutiny — a move that might worry Beijing. However, Islamabad could persuade China that this scrutiny, and the changes in financing terms it may entail, represents an opportunity to renegotiate CPEC loans to make them more viable for Pakistan and thus more desirable for Beijing. China doesn't want prohibitive borrower debt to jeopardize CPEC, a critical Belt and Road Initiative component.

A Band-Aid at Best

Washington's core interest in Pakistan is stability. It should use its influence within the IMF — where it is the largest donor — to insist on loan conditions that help ease a potentially destabilizing currency crisis.

Above all, it should press the Fund to demand demonstrable Pakistani steps to restructure or privatize struggling public corporations, a chief source of debt. This could benefit Washington by slowing its top rival's investments in Pakistan. James Schwemlein, a former State Department senior advisor on Pakistan, has [argued](#) that transport-related CPEC projects could hit roadblocks if public corporations involved in them, such as Pakistan Railroads, are targeted for restructuring. Pressing the IMF to ensure funds aren't used to pay back CPEC loans — as Secretary of State Mike Pompeo [threatened](#) in July — would be misguided. Repayment deadlines

for many CPEC loans are [not for at least another decade](#).

Ultimately, bailouts from bilateral partners and a new IMF package amount to band-aids for Pakistan's bleeding economy. Until Pakistan makes concerted efforts to diversify its export portfolio, increase its tax base and address crippling agricultural water shortages, any economic relief will be temporary.

The Khan administration's longer-term economic plan currently consists of little more than rhetoric — vowing to recover wealth plundered overseas, calling on the diaspora to open its wallet — that plays to the ruling party's populist and anti-corruption plank. Unless the government initiates real change, Pakistan eventually will experience economic *déjà vu* all over again.

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PTI's Foreign Policy Dilemmas

Umer Farooq

October 30, 2018

Originally [published by CRSS](#).

Senior diplomats in Islamabad have said that the PTI government has started its five-year term with signs showing pragmatism towards the country's foreign policy. Jalil Abbas Jilani, Pakistan's former Foreign secretary, says the government's peace overtures towards India and Afghanistan, and its efforts to scale down its anti-American rhetoric are some of its pragmatic moves. However, the PTI government has also inherited a situation where the environment is not so favourable towards making gestures that help in normalisation of relations with the US and India.

The government recently hit a snag in its efforts to "reset" relations with Washington when the US Secretary of State, Mike Pompeo, after a brief stopover in Islamabad, landed in New Delhi and, soon after, demanded that Pakistan carry out indiscriminate military operations against all militant groups. Moreover, he also demanded that Pakistan made sure that terrorists were not

allowed to use Pakistani territory for carrying out terror attacks in the region. This was a big affront to Pakistan's military establishment, which claims that it has broken the back of militancy and terrorism, especially in the former-FATA region.

On the other hand, the PTI government had an even harder time dealing with New Delhi, which cancelled a Foreign Ministers' meeting on the sidelines of the UN General Assembly in New York after agreeing to it succumbing to pressure at home.

All these developments, since the PTI coming to power, may be the result of a visible strategic shift in the region with Islamabad developing closer relations with Moscow and Beijing. "We started to understand since the late 1990s that we don't have any strategic convergences with the United States, after Washington and New Delhi came closer to each other," says Jilani. "With China, we had a strategic convergence since the beginning but with Russia strategic convergence is a recent development", Jilani further said.

Pakistan's strategic shift towards Russia, however, predates the PTI assuming power in Islamabad. This is something the new government will inherit from the previous political set-up.

In 2012, while the situation in Syria was turning into an all-out Civil War, the governments of Saudi Arabia and Turkey each approached Pakistan's foreign ministry with a request that Pakistan support the international efforts to dislodge the Assad regime. "We received the two requests separately and rejected both of them," says Jilani, who was serving as the foreign secretary at the time. According to Jilani, Pakistan opposed the idea of regime change through external influence, "Our position was in line with the UN charter, but this position endeared us to Putin administration in Moscow, which was trying to help the Assad regime."

This was the time when Pakistan's security establishment had started negotiations for the supply of state of the art military equipment from Russia, including T-90 tanks, Su-35 fighter aircrafts and modern air defense systems. Similarly, there is also a growing convergence between Pakistani and Russian positions on Afghanistan, "We have growing defense relations with Russia and on Afghanistan the Russian position is close to our position," says Jilani.

Russians are said to be in contact with the Afghan Taliban, who are allegedly considered close to Pakistan's military establishment. The reason for Russian inclination to develop closer ties with Pakistan's military and open lines of communication with Taliban, is the threat of the rise of Daesh (ISIS) in Northern Afghanistan. This also means that the threat is adjacent to Central Asian Republics (CARs), including Tajikistan, Turkmenistan and Uzbekistan — all three considered within security parameters of Russia.

On the Afghan front, the military is calling the shots in the face of intense pressure from Washington to bring Taliban to the negotiating table with the Afghan government. The PTI government seems to have little say in this situation, according to insiders.

It is not clear how much Prime Minister Imran Khan will assert himself on this issue, though he was very vocal on talks with the Taliban during the days preceding the July parliamentary elections. In his internal party meetings, as well in his talks with some foreign journalists a few days before the elections, Imran Khan is said to have asserted that the US administration should first think about completely withdrawing militarily from Afghanistan and then give peace a chance in the country.

Pakistani officials dealing with this situation say the PTI government does not have an option of making any substantial changes in these developments. Jalil Abbas Jilani, however, is of the opinion that despite the strategic shift towards the Russian federation, Pakistan still needs to keep a certain level of goodwill towards Washington, "The PTI government appears to be making efforts to retain that goodwill towards Washington. It has toned down its rhetoric against America after coming to power", says Jilani.

The PTI government is expected to play a marginal role in foreign policy making in the foreseeable future, "The military establishment and foreign office bureaucracy represent the continuity as far as foreign policy making is concerned," says Ahmer Bilal Mehboob, President Pakistan Institute of Legislative Development and Transparency (PILDAT). "This may change in

the future but right now the civil and military bureaucracy appear to be in total control of foreign policy making,” argues Mehboob. The PTI government is also making things difficult for the Foreign Office bureaucracy with its uncanny mistakes. Three such mistakes were particularly disturbing for many in the foreign policy establishment.

The first mistake was committed after a telephonic conversation between the US Secretary of State and Prime Minister Imran Khan after the latter assumed office. After the telephonic conversation, the Pakistani Foreign Office pointed out that the State Department readout wrongly mentioned that Pompeo and Khan discussed the issue of terror groups operating from the Pakistani territory. Former diplomats say FO’s decision to raise the issue unnecessarily vitiated the first meeting between Pompeo and Khan.

The PTI government’s second foreign policy blunder was when one of its ministers asserted in an interview with a foreign newspaper that CPEC projects should be frozen for at least a year. This created some confusion about the intentions of the PTI government, both in Beijing and Islamabad, which only ended when the Army Chief, General Qamar Javed Bajwa, visited China and emphasised on the importance of CPEC for the country.

The PTI government’s third mistake was Imran Khan’s tweet in which he labelled Indian Prime Minister, Narendra Modi a “small man”. Prime Minister Khan’s tweet came after the Indian Ministry of External Affairs announced cancellation of Pak-India Foreign Ministers meeting in [New York](#) on the sidelines of UN General Assembly. A day after, the Indian Army Chief threatened Pakistan, saying India will inflict pain on the country in retaliation to terror attacks on the Indian soldiers. This statement considerably vitiated the political environment of the region. Many in Islamabad’s political and diplomatic circles believe that in the absence of Imran Khan’s tweet, the Indian Army chief would not have responded in such a manner.

Pakistan’s Foreign Office has been advocating in its internal meetings that the governments should not waste time in efforts to bring India to the negotiating table. However, the latest rejection of talks offer by the Indian government has reinforced the views of old hands in the Foreign Office, who have been arguing against making any serious efforts for resumption of talks between Pakistan and India.

In conclusion, Foreign Office officials, both serving and retired, believe that the only way to go forward for the PTI government is the rejuvenation of its Kashmir diplomacy. Only by advocating the issue on both the regional and international level can Pakistan bring India to the dialogue table.

Committee of Progressive Pakistani-Canadians

Statement on Aasia Bibi

Omar Latif | November 4, 2018

Aasia Noreen, better known as Aasia Bibi, a Christian, after spending ten years in prison, eight of them on death row, for ‘blasphemy’ has finally been acquitted and ordered released from jail by the Supreme Court of Pakistan. The five days it took from the alleged ‘blasphemy’ to the filing of the F.I.R. (First Information Report) by the police, time during which the story against her could be finessed, the contradictory statements of the witnesses and Aasia’s ‘confession’ to the police were found to be problematic by the court.

Aasia would have been the first person to be hanged for this 'crime'. The reaction, especially in the west, particularly when Pakistan, in extremely difficult financial straits, is seeking a large bail out from the IMF, might have been on the mind of this quite 'political' court when it voted for acquittal. Although, to be fair, the judges made their decision knowing full well that the fanatics would be calling for their blood if they acquitted her.

In the wake of death threats by fundamentalists, the safety of Aasia, her five children and her husband must be guaranteed by the government. They must be fully compensated financially for the agonies they have suffered over the past ten years. Her fellow farm workers, who had had a quarrel with her, the local mulla who egged them on, the police officials and any others who took part in perpetrating this gross act of injustice should be severely punished. Lower level judges who first, found her guilty and sentenced her to death and, subsequently affirmed it, less on the basis of flimsy evidence, more on their own religious biases, or fear of the wrath of fundamentalists, should also be relieved of their positions.

Over 1,400 people (50% of them from religious minorities which make up less than 3% of the population) are in prison under the 'Blasphemy Laws' imposed by the brutal, fundamentalist dictator General Ziaul Haq almost thirty years ago. 62 people have been killed for alleged blasphemy before the charges against them could be heard in court! In January 2011, the Governor of the Punjab, Salman Taseer, and a couple of months later (Clement) Shahbaz Bhatti, a Christian, and Federal Minister of Minorities, were assassinated by religious fanatics because they expressed opposition to the Blasphemy Laws.

Religion is used by ruling elites to make the masses themselves voluntarily accept their hardships and difficulties in the prevailing status quo; to make the rule of the rich easier by sowing divisions among the people; to distract their attention from the real issues facing them; to combat egalitarian, progressive and social justice oriented thinking.

Except the socialist parties, all political parties – fundamentalist like the Jamaat-e-Islami or 'centrist' like the Pakistan Muslim League, the People's Party of Pakistan and the Tehrik-e-Istiqlal have used the 'religion' card. During the election campaign, Imran Khan, with his constant reference to '*Khatum-e-Nabuwat*' (belief that Mohammad was the last prophet of God) code for being anti-Ahmadi, and religiosity made it seem that he was running to be the chief mulla of a fundamentalist religious institution rather than the prime ministership of the country.

Extremist organizations like the *Tehrik-e-Labbaik* Pakistan and others like it, serve the above functions. Think of the major problems facing Pakistan: skyrocketing inflation; massive corruption; a high level of unemployment; a bloated military budget; crippling debt servicing payments; mass illiteracy and poverty, a dire shortage of schools and hospitals, the ever growing gap between working people and the 1% and on and on.

Is anyone talking about these issues? Are people being united to tackle these problems? The TLP and others of their ilk have made sure that that does not happen. That is why these organizations – supported by powerful forces from within Pakistan and powerful patrons abroad – can publicly call for the murder of the Supreme Court judges who exonerated Aasia Bibi without being brought to account. That is why the government has cravenly given in to their demands that Aasia Bibi, justifiably fearing for her life from vigilantes, not be allowed to leave the country. Or, that all their members who were arrested causing mayhem and destruction in the protests against the acquittal be released without charges.

While the prohibition, and penalizing, of expressions injurious of people's religious beliefs – of *all* religions and sects – is justified, the Blasphemy Laws must be struck down.

What is needed is the banning of these fundamentalists and their venomous, reactionary, hatred filled views. Funding of religious seminaries and fundamentalist organizations from Saudi Arabia must be stopped. Religious madrasas should be taken over by the government and free, quality, science and rationality based education must form the basis of their curricula.

Due to constant fundamentalist propaganda over many decades by thousands of religious clerics, mass media and even governments, millions have been brainwashed into adopting backward, reactionary and intolerant beliefs. A mass, comprehensive and long-lasting re-education campaign

by the government and the mass media, schools, colleges and universities is needed to root out these harmful beliefs.

What is needed is a constitution based on secular, not theocratic, principles. State and church must be separate; People must have the right of religious belief and practice – so long as it is not injurious to society or others. There must be no discrimination based on creed, gender, nationality or ethnicity. The discrimination, persecution and violence against religious minorities - Ahmadis, Christians, Hindus, and more recently the Shia - over the seven decades of Pakistan's existence has gone on far too long and must be brought to end. Everyone's life and property must be safe and secure. All must be equal under the law.

Committee of Progressive Pakistani-Canadians
Nov 4, 2018

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