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HIGHLIGHTS

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I Overview

Pakistan: Pakistan's formal entry into the Shanghai Cooperation Forum was overshadowed by the Gulf diplomatic crisis over Qatar. Responses to the Saudi Arabia- Qatar issue framed policy discussions on Pakistan's external environment over June 2017. A fresh crisis with Afghanistan saw a Chinese mediation effort which at the very least will further amplify Chinese profile in both countries. Domestically, terrorist attacks and Panamagate were powerful reminders of Pakistan's challenges as also its lack of political coherence. Relations with India remained at a low plateau with continued clashes at the LOC.

Afghanistan: Major terrorist attacks in Kabul and Herat imparted a greater intensity to both the anti-government mood in the country and to the downturn in relations with Pakistan. India continues to figure in the few bits of good news emanating from Afghanistan with the emergence of an "air corridor".

II Developments in Pakistan

The Qatar Crisis: The Saudi led Arab concert against Qatar poses numerous issues for Pakistan. Most prominent is the burden of Saudi expectations of Pakistan support and compliance. There are domestic pulls in the opposite direction that advise against getting involved in what is essentially a Saudi Iran dispute that has many attendant problems for Pakistan including widening its own Shia-Sunni divide. Iran apart, the Qatar Saudi friction also poses obvious difficulties in itself on account of the expatriate Pakistani presence in both countries. Nevertheless, Saudi Arabia's predominance for Pakistan also has to be acknowledged. These conflicting premises molded Pakistani policy and, as is to be expected in such a conundrum, ended in offending all the players concerned. Prime Minister Nawaz Shariff (PMNS) accompanied by COAS General Qamar Bajwa was in Saudi Arabia on a day long visit on 12th June in what was described in the Pakistan media as a 'mediation effort' between Qatar and other countries. The undercurrents of Saudi displeasure over such claims was suggested by the Saudi charge d' affairs in Islamabad denying a few days later that PMNS's visit was a 'mediation' effort. In Pakistan itself the view persists that Pakistan's efforts to stay neutral in this imbroglio are undermined by Saudi Arabia's deep reach into Pakistan polity as exemplified by developments such as the former COAS Raheel Sharif heading the proposed Saudi based Islamic multinational force.

Panamagate: The Panamagate saga – involving investigations into PMNS's overseas assets – continued with charges and counter charges against and by the Joint Investigations Team (JIT) set up by the Supreme Court in April 2017. The JIT has been given 60 day period to conclude its enquiry in the source of funds invested by PMNS and his family members in an off shore investment company.

PMNS became the first incumbent Prime Minister of Pakistan to appear before an investigation when he deposed before the JIT on 15th June. Other family members, including his two sons and his daughter had also been similarly summoned. Allegations of high handedness against the JIT on the one hand and of interference from State agencies in its working by the JIT itself on the other, have flown thick and fast across the mouth. The politics surrounding this is clear enough. The PML (N)'s opposing parties- with Imran Khan and the PTI leading the pack- are determined to milk the issue to the fullest extent as a clear example of corruption at the highest level. PMNS and the ruling party, on the other hand, are playing a longer waiting game with an eye to the 2018 elections. The PML (N)'s point is that it is a victim of a vast conspiracy against the PM and the Government and its aim is to build up a sympathy wave gradually that would peak before the scheduled election. The wild card in this is the Supreme Court and what its view will be on the JIT findings.

Relations with Afghanistan: The major terrorist attacks in Herat and Kabul triggered a fresh tranche of charges and counter charges between Kabul and Islamabad leading in turn to a Chinese mediation effort. (See Afghanistan section below).

Relations with India: The situation on the LOC remained tense with frequent firings and ceasefire violations with casualties reported both of security personnel and civilians living along the LOC. Rhetoric along expected lines on Kashmir regularly punctuated the chronology of the month. PMNS and PM Modi both were in Astana for the SCO summit (and the formal admission of Pakistan and India to the SCO) but only a casual meeting (8th June) was reported between the two further underlining the low level at which the relationship is bilaterally.

India US Summit in Washington: The US state department notification, in advance of PM Modi's visit to Washington, of the Pakistan Occupied Kashmir based militant Syed Salahuddin as a global terrorist was a new development for Pakistan. The Foreign Office's statement in response did not refer to Salahuddin by name but said that "the designation of individuals supporting the Kashmiri right to self-determination as terrorists is completely unjustified" and that Pakistan would continue with its support to the Kashmiri people. The response to the Indo US joint statement was longer and it was described as being "singularly unhelpful" and "a missed opportunity to induce India to alter its policies inimical to peace". The statement dwells on expected lines on J&K, Pakistan as the primary victim of terrorism, sale of advanced military technologies to India etc. Pakistan's deep concern at the India-US summit is reflected in two other elements in the Foreign Office statement: Firstly the reference to "state based persecution of religious minorities in India" and secondly India as a sponsor of terror-"India has supported the Tehrik-Taleban as a proxy against Pakistan from across the border".

Kulbhushan Jadhav: The ISPR (Inter Services Press Relations- the media wing of the Pakistan army) released on 23rd June a video recording of further confessions of detained former navy officer Kulbhushan Jadhav. It was also reported on 23rd June that Jadhav has filed a mercy petition with the COAS against the death sentence awarded to him. In the event of this petition being turned down, the Pakistan Army Act provides for a further period of 90 days to seek clemency from the President of Pakistan. The International Court of Justice earlier had restrained Pakistan from executing Jadhav before the disposal of the petition before it filed by India.

Internal Developments: Bomb attacks in Parachinar, the third major attack in this tribal agency headquarters this year, on 23rd June (Friday) led to about 50 fatal casualties. On the same day in Quetta a suicide car bombing killed at least 7 policemen in front of the office of the Police Headquarters. The attack on the last Friday of the month of Ramzan underlined the continued threat from numerous groups and splinter groups to internal security. These latest attacks over the Eid holidays are in contrast to the

past 4 years where no major terrorist strike was reported during Eid. This was claimed to be one of the major successes of Operation Zarb e Azb and other stringent anti-terrorism exercises conducted by Pak army since 2014.

The kidnapping and killing of two Chinese nationals- possibly on a private visit and described as being missionaries- in Quetta attracted expectedly disproportionate attention. Responsibility for the killings has been claimed by the Islamic State.

Financial Action Task Force (FATF): In advance of a FATF review in July the State Bank of Pakistan is described as having revised and tightened regulatory guidelines pertaining to persons and entities listed as terrorists by the UN.

III Developments in Afghanistan

Internal: A suicide truck bomb attack on 31st May in the heart of Kabul that claimed at least 150 lives was followed by clashes between mourners and police on 2nd June with some fatalities and thereafter by a suicide attack on a funeral which killed about 20 people. The funeral itself was of a prominent Tajik killed in the 2nd June clash. Thereafter attacks in Herat on 6th June and in Kabul on the same day followed. These were only the more prominent of the numerous security related incidents in Afghanistan during the month. Afghan intelligence and senior figures in the government blamed the Haqqani network and the Pak ISI for the 31st May attack further escalating the existing tensions and frictions between Afghanistan and Pakistan. The Taliban denied its involvement without much effect. Apart from demonstrating the tattered Pak Afghan relationship, within Afghanistan the latest attacks have widened the ethnic- Tajik- Pashtu- divide in the National Unity Government (NUG). Prominent Tajik leaders have pointed to a conspiracy against them and in general the National Unity Government led by President Ghani stands further weakened.

The latest security crisis also exposed the existing structural fault lines in the NUG. Its creation was premised on the post of a Prime Minister subsequent to Parliamentary elections due in 2015. In the interim the post of Chief Executive was created for Dr Abdullah Abdullah; in part also as a means for resolving the 2014 electoral standoff between him and Ghani. The Parliamentary elections could not be held in 2015 on account of the deteriorating security situation and the status quo has continued thereafter but with a shrinking support base for the NUG and its President and CEO. Possibly the crisis triggered by the latest and massive attack in Kabul has triggered the Independent Election Commission of Afghanistan to announce (23rd June) that the Parliamentary and district council Elections would be held in July 2018. Internal security will therefore remain the engine governing all aspects of political change in Afghanistan in the coming months.

External: Chinese Mediation: The external ramifications of this latest round of terrorist attacks was equally significant. Pakistan had condemned the 31st May attack and thereafter dismissed the Afghan statements regarding ISI involvement. The consequential war of words eased a little following a meeting on 10th June in Astana between President Ghani and Prime Minister Nawaz Sharif. In this it was agreed to revive the Quadrilateral Coordination Group (QCG- US, China, Pakistan, Afghanistan) as a means to verify counter terrorism efforts of both countries. That this was hardly likely to be a successful instrument was underlined by the fact that the QCG itself has been moribund since last year after the killing of the Taliban leader Mullah Akhthar Mansour in a US drone strike in May 2016. A more determined effort for mediation was to come from the Chinese with Foreign Minister Wang Yi visiting both capitals on 24th- 25th June. The outcome was a trilateral China-Pakistan-Afghanistan statement with two principal takeaways. The first is the setting up of a Pakistan Afghanistan 'crisis management mechanism' and the second a 'China Afghanistan Pakistan Foreign Ministers Dialogue Mechanism'. The statement also makes references to the revival of the QCG to 'create an enabling environment for peace talks and for Taliban to join the Peace Talks'. The Chinese mediation effort has some novel features- most of all that it indicates the confidence to go alone in managing the interface between Afghanistan and Pakistan. Its success will be measured primarily by a reduction in terrorist violence in Afghanistan.

India: President Ghani inaugurated (20 June) an air freight corridor between India and Afghanistan as a means to improve connectivity given the existing constraints on accessing India through the Pakistan land route. Frequent border crossing point closures on the Af Pak border have, in addition to other implications, disrupted the traditional export of dried and fresh fruit from Southern and Eastern Afghanistan to India. The inaugural flight carried some 5 tons of dried fruit and other agricultural products including hing-asafetida- a traditional Afghan export to India. The return flight took pharmaceuticals, medical equipment etc.

Decline in Afghanistan Pakistan Trade: The latest bout of Afghan Pakistan friction was a replay of similar situations over the past year and earlier. Nevertheless, their frequent recurrence, often leading to border closures are now reflecting themselves in medium term trends also. One such trend is that of declining Pakistan exports to Afghanistan. Pakistan exports to Afghanistan were in at the range of \$ US 2.4 bn in 2010-11, and about U S 2.0 bn in 2011-12 and 2012-13. A steeper decline began thereafter with a figure of U.S. \$ 1.43 bn in 2015-16. In the current year it is estimated that a further decline of 20-25% may take place to bring exports to a level of U.S.\$ 1 bn or thereabouts. Deteriorating political relations and frequent border closures with all the attendant risks and losses are the principal reasons for this declining trend.

(The views expressed are personal)
