

Starting from this week, this e-bulletin from IDSA will seek to focus on major developments in Pakistan on weekly basis and bring them to the notice of strategic analysts and policy makers in India.

EDITORIAL

The developments in the Middle East and the decision of the GCC countries to snap diplomatic ties with Qatar was the major focus in the Pakistani media. The discussion mostly centred around the likely implications of the ideological and political divide in the Muslim world on Pakistan. Apart from this, the Kyber Pakhtunkhwa and Sindh provinces presented their respective budgets. Bilaterally, President Ghani was critical of Pakistan's negative role in the Kabul process. The killing of two Chinese citizens by the ISIS also points to the vulnerability of the Chinese workers working in Pakistan.

COMMENTARY

Pakistan's West-Asia Conundrum

*Yaqoob ul Hassan**

Pakistan's diplomatic turf in West-Asia turned sticky due to unfolding of the recent developments in the region. The polarization in West-Asia on ideological, sectarian and geo-political considerations unfolded by Arab spring has complicated its political dynamics. This has implications for Pakistan's relationship with the West-Asia. The sectarian dimension of the conflict of the relationship between the countries in the West-Asia have several domestic implications for Pakistan that has to do a tight rope walk to main a balance between its geo-political interest and the need to achieve energy security.

A recently held Arab-Islamic American Summit in Riyadh gave fillip to the already existing ideological battle

line in the region. During the summit, it was decided that the so called Islamic alliance of the Sunni countries will fight against terrorism and 'Iran' supported proxies. This time around Saudi Arabia succeeded in garnering support of the US against Iran. It reclaimed its politico-ideological space back in the White House which it seemed to have lost during Barack Obama's Presidency, especially during his second term when US signed historic nuclear deal with Iran and took steps to normalise its relations with Tehran.

Over the years Pakistan had succeeded in maintaining neutrality between Riyadh and Tehran but its decision to be part of the Sunni alliance led by Saudi Arabia has put it in an awkward position vis-à-vis Tehran. Pakistan initially tried to convince Iran about its intention to join the alliance. However, when Raheel Sharif was issued a NOC to lead 41-Muslim nation military alliance for security cooperation, Iran expressed its reservation. This can be gauged from the two meetings that Iran's ambassador in Islamabad had with the Pakistan Army Chief Gen. Qamar Javed Bajwa. Iran's Foreign Minister also paid visit to the GHQ and shared Tehran's discomfort regarding Islamabad's issuance of NOC to Gen Raheel Sharif. To pressurize Pakistan on the issue, Iran banned import of fruits from Pakistan. It also raised the number of items in the negative list and imposed high tariff which was increased from 90 to 200 percent. Tariffs on textiles were increased from 100 percent to 121 percent. Iran stopped importing leather, fruits, footwear, vegetables, and rice from Pakistan. On Kinnows tariff was raised from 44 to 90 percent.

Although Pakistan got an opportunity to reevaluate its decision to join the 41-nation coalition after refusing to contribute troops to the Saudi led military alliance against

Yemen, its foreign ministry said that Terms of References (ToR's) of alliance has not been finalized yet and they have drawn redlines for becoming part of the alliance. It would be interesting to see how Pakistan will maintain neutrality in the increasingly confrontational relations between its benefactor Saudi Arabia and Iran, with which it shares a border. It's over dependence- economic aid, deferred payments on oil and millions of Pakistani expatriates- on Saudi Arabia does not allow Pakistan much space to maneuver. Pakistan is not in a position to force Saudi Arabia to redefine the objectives of the Islamic alliance particularly at the time when Donald Trump is patting Saudi's back. Saudis believe that the Sunni coalition - managed and controlled by them - will be used to enforce a regional security architecture which will have the interest of the Saudi Arabia and its allies at the core.

Before Pakistan could address the dilemma regarding the nature of its participation in the 41-country led Islamic coalition, the eruption of tension in the GCC countries that decided to snap diplomatic ties with Qatar put Islamabad in a diplomatic fix. The ongoing row in the region following Saudi led diplomatic and trade sanctions against Qatar 'forced' other states to cut their diplomatic relations with Doha. Interestingly Saudi Arabia accused Qatar for supporting terrorism in the region. Qatar is also expelled from the recently established Sunni alliance. Although, these tactics are used to pressurize Qatar to cut its ties with Iran, stop Doha based Al-Jazeera news channel, extradite Muslim Brotherhood members from Qatar and stop funding to Hamas. Pakistan has stated that no intention of severing its ties with Qatar. Compared to Iran, Pakistan's relations with Qatar are very significant. Pakistan which is facing energy short fall and has a huge debt burden, upsetting Qatar is not an option. Last year, Pakistan and Qatar signed 15-year gas supply agreement to import up to 3.75 million tons of liquefied natural gas annually from Qatar. Last month Qatar also expressed its interest in \$1.5 billion Karachi-Lahore LNG pipeline project. Pakistan also recently trained 20000 of its expatriates who will be assisting Qatar for the 2022 football world cup. Qatar is also hosting Pakistani military contingent. More than that Nawaz Sharif family is relying on Qatar's royal family to bailout him in the Panama case at home.

Pakistan has difficult choices to make in the deteriorating Saudi-Qatar relationship. Both the countries are very significant partner of Pakistan and Prime Minister

Nawaz Sharif shares excellent relationship with both. Its long standing ally Turkey has openly sided with Qatar while China is closely watching the situation. While Qatar had dispatched a six member delegation to Islamabad last week, Islamabad is caught in a catch 22 situation. The impact of the crisis and the difficult choice that Pakistan has to make is evident from the fact that both Prime Minister Sharif and the Chief of Army Staff, Gen Bajwa, have left for Riyadh to broker peace that will give Islamabad some breathing space at least for the time being.

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THE WEEK AT A GLANCE

ECONOMY

KP govt unveils Rs603 billion tax free budget

The Khyber Pakhtunkhwa government unveiled Rs 603 billion tax free budget carrying development outlay of Rs208billion for the year 2017-18. The major focus on elimination of corruption and development of the social sector development besides announcing 10 percent increase in the salaries and pension of the government employees after merger of 2010 adhoc relief. The minimum wages have been enhanced from Rs14000 to Rs.15000. The province is expected to receive Rs247.876b from the Federal Divisible Pool 2017-18, Rs.107 million as one percent share of the province in war against terror from the federal divisible pool and Rs49.806 billion as straight transfers from the federation. The provincial own receipts have been pitched at Rs68.31 billion for 2017-18. The current expenditure has been pitched at Rs388billion to meet the provincial expenditure to be incurred next year. The Finance Minister informed the house that the provincial government will generate Rs126 billion from its own sources for the development programme whereas Rs 82 billion would be met through foreign donor agencies for feeding the development programmes. The province will secure Rs24.68 billion from the oil and gas royalty deposits of the southern districts which is 43 percent more than the outgoing fiscal.

<https://www.thenews.com.pk/latest/209173-KP-govt-unveils-Rs603-billion-tax-free-budget>

KP seeks 390pc hike in net hydel profit

Khyber Pakhtunkhwa Chief Minister Pervaiz Khattak sought 390 percent increase in NHP from current Rs1.10 per unit to Rs5.38 per unit which will help to yield Rs70-80 billion additional revenue for the province.

<http://nation.com.pk/business/09-Jun-2017/kp-seeks-390pc-hike-in-net-hydel-profit>

Over Rs1 trillion Sindh budget presented

The total receipts of Sindh Province for financial year 2017-18 are estimated at PKR 1.02 trillion against an estimated expenditure of PKR 1.04 trillion. Receipt estimate reflect an increase of 19.3% over budget estimate of PKR 854.5 billion for Current Financial Year. About the revised estimates 2016-17, Chief Minister Murad Shah informed the House that against an estimated budgetary amount of PKR 854.5 billion the revised receipts of the Province for Current Financial Year 2016-17 stand at PKR 873.9 billion. During ten months of this financial year against budgeted receipts of 456 billion Sindh have only received 382 billion. Based on these figures it will be facing a shortfall of 95 billion at the end of this financial year. Receipts of Federal PSDP are revised to PKR 5.9 billion from PKR 12.2 billion; whereas revised Foreign Project Assistance stands at PKR 23.04 billion. The provincial tax and non-tax receipt is revised to PKR 159.29 billion against an estimated target of PKR 166.03 billion. On the expenditure side the budget has been revised from PKR 869.11 billion to PKR 877.59 billion. The current expenditure has been revised to PKR 606.96 billion from PKR 572.76 billion. Receipts from Federal Government are 61.5 % of the total receipts of the Province. Receipts of Federal PSDP are estimated at PKR 27.3 billion. Receipts on account of Foreign Project Assistance (FPA), budgetary support loans and grants are estimated at PKR 42.7 billion. Receipts from provincial sources including tax and non-tax receipts are estimated at PKR 199 billion. Estimates of development expenditure for Financial Year 2017-18 are pitched at PKR 274 billion. This allocation is unprecedented and an all-time high.

<http://www.thenews.com.pk/latest/208755-Over-Rs1-trillion-Sindh-budget-presented>

POLITICS AND SECURITY

Pakistan waging ‘undeclared war of aggression’ against Afghanistan, Ghani tells Kabul Process

Afghan President Ashraf Ghani lashed out at Pakistan and alleged that it is waging an “undeclared war of aggression” against Afghanistan. Issuing a stinging rebuke aimed towards Pakistan before a gathering of 23 nations, the European Union, the United Nations and NATO, Ghani asked: “What will it take to convince Pakistan that a stable Afghanistan helps them and helps our region?” Ghani’s fresh criticism comes as the Kabul Process, a forum for the discussing security and political issues in the country, is underway and Pakistan has sent a two-member Pakistani delegation headed by Additional Secretary UN and Economic Cooperation Tasneem Aslam.

<https://www.dawn.com/news/1337775/pakistan-waging-undeclared-war-of-aggression-against-afghanistan-ghani-tells-kabul-process>

Curbs needed against Afghan Taliban fundraising

Reports have emerged that the Taliban and other militant groups, those fighting in Afghanistan, have recommenced raising funds in Balochistan. Media reports that leaflets have been distributed in mosques calling on fellow citizens to donate to the Jihad in Afghanistan. Ironically, this comes in the wake of Pakistan’s National Action Plan, which had called for the choking of terrorism financing as well as the monitoring of donations made to militant groups. Pakistan is under scrutiny by an inter-governmental watchdog on terrorism financing.

<http://dailytimes.com.pk/editorial/07-Jun-17/curbs-needed-against-afghan-taliban-fundraising>

Abducted Chinese nationals killed, claims IS

The militant Islamic State (IS) group has claimed it had killed two Chinese nationals who were abducted from Quetta last month. China and Pakistan both have said they are probing the IS claim that two abducted Chinese teachers have been killed. The Foreign Office, in a statement issued Friday evening, stated that the government is working to confirm the authenticity of

the reports of the killing of the Chinese nationals. “We are in constant contact with the Chinese Government,” the statement read. Amid Beijing’s growing concerns about the safety of two of its abducted nationals, the National Security Committee also reviewed the security of China-Pakistan Economic Corridor projects and Chinese nationals based in the country. Following the

abduction, 11 Chinese nationals living in the vicinity under tight security were shifted to Karachi for their departure to China.

<https://www.dawn.com/news/1338454/is-claims-2-chinese-nationals-kidnapped-from-quetta-killed>



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