

## Scenario 128

### **PML[N]'s 3rd STINT OF POWER**

#### **UNDOCUMENTED PAK-ECONOMY:**

What exactly is the black economy, or the informal or illegal economy, or even parallel economy as it is called? Not all of these terms truly define this phenomenon accurately. The black economy is not necessarily illegal. For example a cobbler who sits on the roadside peddling his trade probably pays no taxes, and keeps no records about his turnover, so he is a part of the informal economy, but he is by no means doing something illegal.

So, the parallel economy is not always a bad thing. A significant sector of the informal economy comprises entrepreneurs like the cobbler who operate out of the system but don't necessarily do it just to avoid taxes or rip off the government. This is especially true of the Third World. However, this is not to say that a very large part of the undocumented sector actually is illegal activity like drug trafficking, human smuggling and arms trade and even smuggling of non-contraband that absolutely needs to stop.

In Pakistan, one never hears of sending tax evaders to the prison for their illegal acts. This confirms extreme slackness on the part of tax administrators or their connivance with tax dodgers. Punishment of tax evaders is restricted to nominal fines or penalties, encouraging them to remain in the fold of underground economy, which is constantly expanding every day, at all levels and in all corners of Pakistan.

In a survey report ***published in 'the News' for fiscal year ending June 2012;*** the FBR estimated that the underground economy expanded at the rate of 9% from 1977 to 2000. The informal economy helped its sections make easy profits due to various reasons. ***"Black economy grows along with corruption, speed money, consultations, smuggling, narcotics, government contracts and tax evasion,"*** according to the FBR report.

The report also revealed that no government had shown nerves to tackle this problem. ***"In 2000-01, Shaukat Aziz regime had launched a campaign for documentation of the economy but abandoned in the face of resistance of unregistered traders and factory owners."***

A study conducted by the Lahore University of Management Sciences [LUMS] in 2003 showed that out of Rs:100 due tax, the government received only Rs:38 and Rs:62 was pocketed by the taxpayer, tax collector and tax practitioner. ***"It means that Rs:720 billion tax collection in 2005-06 was only 38% of around Rs:2 trillion, which should have been collected by the FBR."***

Applying the same calculation of LUMS, the expected revenue leakage in 2011-12 was Rs:3.132 trillion as the FBR collected around Rs:1,920 billion in that fiscal year against total potential of Rs:5,052 billion.

The FBR report also quoted a study prepared by the Social Policy and Development Centre (SPDC) that the black economy in Pakistan had reached its peak in the early 1960s, when the corporate income tax rate was 30% and super tax was 30%, the aggregated being 60%. This rate dropped to 40% during the late 1980s. Likewise, the maximum personal income tax rate was 75% during 1960-64, which was the reason for the black economy to remain well above 30% of the GDP in that period.

The black economy kept declining during 1965-75, until this rate came down within the 60-70% range. It was 56% in 1980-86 period and 39% in 1988 and subsequently 28% in 1993. The size of the informal economy increased from year 2000 onwards again.

***"This is, perhaps, due to the reduction of rate of return on deposits, which declined by more than 30% in 2000-03 fiscal years. Despite the fact that the black economy as a percentage of the GDP decreased, its annual compound growth rate remained more than 11%."***

Talking about the tax revenue losses stemming from the underground economy – the FBR report said that the taxpayers do not register with the tax departments. "One reason for this might be the activities they undertake, which are illegal or even criminal and another reason might be that taxpayers attempt to escape registration and interlope for the purpose of tax evasion, despite the legal nature of their businesses."

A directed consequence of tax revenue losses is a reduction in the government's fiscal targets. The fiscal deficit could be substantially lowered or even zero had the state effectively tackled growth of the underground economy. In 2012, Pakistan's tax burden level was not very high vis-à-vis tax evaders; instead they availed tax amnesty schemes frequently to get their untaxed money whitened at a nominal rate, and the critical issue remained to reform the entire tax collection system preventing tax dodgers from going underground.

#### **PAK-WOT ECONOMY IN 2010-11:**

Referring to '***the News' dated 29<sup>th</sup> October 2011***, Dr Shahid Siddiqui, Chairman of Research Institute of Islamic Banking and Finance, Karachi, said that '***Pakistan loses Rs:1,200 billion annually because of corruption and another Rs:1,900 billion because of tax evasion and non-imposition of taxes by the federal and provincial governments.***'

Also that **the large size of black economy**, lack of political will to unearth assets of billions of rupees acquired from concealed income though details of these assets were available in the government record, including bank deposits, amounts invested in National Saving Schemes, shares and stock exchange, real estate and vehicles, etc continued playing havoc with the poor populace of the country through decades.

As per details from Transparency International and World Bank, 40% of the development budget of the country was misappropriated; Rs:280 billion out of the total Rs:700 billion development expenditure. Only 1.8 million out of 180 million population were registered with income tax whereas there were innumerable corporate concerns that they earned millions but declared income of mere Rs:0.1 million. The export sector hardly contributed to the income tax revenues whereas the agriculture sector, whose share in the GDP was about Rs:3,620 billion, paid hardly a few millions as tax.

Then the stock exchange's market capitalisation was Rs:3,600 billion but had been taxed only in 2010 and that too half-heartedly. Referring to the 2007 economic survey, the official estimates disclosed that since there was no gain tax on stock exchange, so the country lost Rs:112 billion in one year. Pakistan's powerful cement, sugar and textile sectors hardly paid any income tax whereas properties and bank deposits were mostly not declared and thus no income tax. GST was paid by ordinary people but never fully deposited with the FBR by the business entities all over Pakistan.

Similarly, professionals like engineers, doctors, lawyers and architects never paid income tax on most of their income. The tax-to-GDP ratio in Pakistan remained around 9.5%, which was

the lowest in the region as compared to between 14-18% in surrounding countries. Realistically speaking:

***'.....about 25% of the total exports and imports shown in Pakistan's official documentation were fictitious. Quoting official figures, the total rise in exports recorded by the State Bank during the period 2002 to 2007 was \$7.8 billion, out of which \$5.5 bn was bogus, the subsequent detailed investigations had revealed.'***

Besides internal corruption, Pakistan's economy continuously suffered on account of so-called **War on Terror [WOT]** - a daily loss of \$33 million and an estimated monthly loss of more than \$1 billion due to country's short sighted rulers. This loss caused an accumulated defeat during the last one decade and the successive rulers never bothered because they only visited Pakistan during their terms of government otherwise remained in London, Dubai, Saudi Arabia or America to look after their businesses.

The State Bank of Pakistan had calculated on account of WOT - a total loss of \$68.9 billion till 30<sup>th</sup> June 2011 for the country's economy - escalated to \$78 billion after seven month's re-assessment in February 2012. In return, Pakistan received directly or indirectly through NGOs and US-AID only \$800 - 900 million annually.

On the whole, after November 2011's Salala incident the moneys due under the Coalition Support Fund [CSF], considered to be a disbursement of what Pakistan spent on WOT, were not paid or cleared thoroughly. ***Out of bills worth \$13 billion asked by the Pakistani government under CSF, the country received only \$8.6 billion since 9/11 terror attacks in 2001.***

Official statistics ***estimated Pakistan's economic losses caused by WOT at \$28 billion*** during about seven years post 9/11 tenure of Gen Musharraf but the cost of this war jumped to \$78 billion during 46 month's tenure of the PPP regime till early 2012. The figures showed the WOT had put increasingly heavier financial burden on Pakistan's economy besides a phenomenal increase in the number of drone attacks breaching Pakistan's sovereignty.

The Pak-Army tried to clarify it to the US many times what it called a misperception about the CSF, which was usually termed as US aid by the American officials visiting Pakistan - the army got only \$2 billion out of \$8.6 bn in fact; \$3.87 billion were deducted from the CSF by the US government for security assistance provided in kind, i.e. weapons, equipment, training, services, visits and pay of US trainers etc.

Additionally, the loss caused by the said WOT to Pakistan's economy till ending 2011 accounted for 8.5% of the country's GDP whereas the aid Pakistan received was merely 0.2 percent of its GDP. It meant that Pakistan sustained so big loss in its already meagre GDP merely to please the Americans - sufficient proof of being nationalists on the part of the successive rulers both civilians and the military Generals.

### **STREET BUSINESS ECONOMY:**

**Bloomberg Business Report dated 5<sup>th</sup> April 2012:** Pakistan's street businesses employ more than three quarters of the nation's 54 million workers and is worth as much as 50% of Pakistan's Rs:18 trillion (\$200 billion) official gross domestic product [GDP]. While the documented economy had its smallest expansion in a decade at 2.4% in the year ended June 2011, soaring demand for cars, cement for houses, and other goods had shown that the underground market was OK if not thriving.

To narrow the budget gap, PM Yousuf Raza Gilani's government during 2010-12 had cut spending on roads, bridges, and other building projects but that didn't stop Lucky Cement, Pakistan's biggest publicly traded construction company, from posting record earnings that year on demand for new houses. The population was growing and there was a lot of potential on the domestic side; domestic demand for cement went up to 30 million tons from 24 million in the previous year.

The undocumented demand from Pakistan's 179 million people meant the nation's purchasing power was more than estimated; as per evaluations made by MD Karachi Stock Exchange. Rising crop prices had pumped an extra 1 trillion rupees into the rural economy during 2008-12, most of it undocumented. He estimated agriculture might account for as much as 35% of GDP, instead of the 21% reported by the FBR.

Evidence of consumer demand could be seen everywhere as new shopping malls and restaurants in Karachi were filled to capacity. Car sales rose 14% in February 2012 from corresponding month of 2011, as more people could afford Toyota Corolla than Suzuki Mehran 800cc. More than half a million motorbikes hit the road in the eight months ended February 2012 - a 5% increase.

Prime Minister Gilani pledged to increase the tax-to-GDP ratio to 15% by 2014, by collecting more taxes on farms and property, and curbing corruption among tax officials that then accounted for Rs:500 billion in uncollected taxes a year. Ashfaq Khan, dean of NUST Business School in Islamabad correctly pointed out that:

*"Bad governance promotes the underground economy. Undocumented activity leaves workers vulnerable, as employers aren't bound by labour laws."*

Parliament's support for a crackdown has never been possible in Pakistan. Different areas of the undocumented sector normally represent the constituencies of different political parties. The rural region and agriculturists represent one party [PPP]'s constituency so they won't touch it. Traders and retailers represent another party [PML(N)]'s vote bank so they won't touch that.

Earlier attempts to capture revenue from the undocumented economy had backfired. After the government imposed the first-ever sales tax at 16% on tractors in March 2011, the purchases of the vehicles hit a record low of just 369 units in next two months, from 5,673 a year earlier. Tractor makers Fiat and Massey Ferguson had to suspend local production, forcing the government to cut the tax to 5%.

The rhythms of life in the underground economy remain largely undisturbed in Pakistan. The taxi and rickshaw drivers, part of the flourishing local transport business, don't turn on the meters. Shops selling cooking oil, wheat flour, and sugar etc are officially non-existent here. Out of about 1 million shops, about 40% are grocery stores, and most of them are not registered and don't pay taxes; though Markets Associations are there to protect their hidden interests. In the evenings, most labour watch Indian movies transmitted by local cable operators to whom a monthly fee is paid but in cash. A professor of economics held:

*"Everything from auto parts to sports goods, knitwear, clinics, and beauty salons fall into the informal economy. All these make a significant contribution to employment and income, and that's one reason why the economy is still growing. Pakistan has one of the worst tax structures in the world, one should agree."*

*Pakistan's tax-to-GDP ratio - that's taxes as a share of gross domestic product was 8.6% in June 2012, one of the world's lowest. Only 25% of the economy is taxed if the undocumented sector is taken into account. Developing economies usually have a tax-to-GDP ratio of from 13 - 18%."*

Former Finance Minister Shaukat Tarin said in 2010 that **'Pakistan loses Rs:800 billion a year in tax evasion: The government collected Rs:1.7 trillion in tax last fiscal year. That's not enough to close the budget gap, which is 6.3% of GDP.'**

A normal street shop pays Rs:400 a month to employees of the power company to overlook the illegal connection if it is there, and Rs:200 to the police to allow him to run his unregistered shop. Rs:300 rent to 'someone' is paid because the shops / *thelas* are illegally settled on the lands under his control. Then there are the occasional political contributions to local parties - protection money [*bhatta*], in other words, to keep the parties' criminal components at bay. **"We don't think paying taxes to the government would do any good to us - we are already paying taxes,"** the small shopkeepers held.

In 2012, only 1.5 million people, less than 1% of the population, filed tax returns, according to the Finance Ministry statistics - compared with 3% in India. A low tax-to-GDP ratio meant getting into a vicious cycle of high budget deficits financed by printing money or borrowing, which added to the debt burden and created inflationary pressures. Pakistan had, in 2011-12, the fastest inflation in Asia after Vietnam, and its budget gap expanded to 7% of GDP in the year ending in June 2012, according to an IMF release. In 2012, Pakistan paid about 48.5% of its revenues in debt servicing charges.

### **ECONOMY HIT BY WOT [2013]:**

Referring to **'Express Tribune' dated 20<sup>th</sup> May 2013**; needless to say, the informal sector needs to be roped into the system and documented if the economy is to grow exponentially. Again, this is even more important for Third World countries where the informal economy as a percentage of the documented sector is usually much larger.

There is not a lot of research on this because it is a difficult subject to investigate. But two researches of the recent past indicated that while on one hand documentation of the economy picked up pace, it was not possible to keep up with the growth in the undocumented trade that either originated in Pakistan or transited through Pakistan. Talking about untaxed shadow economy as a share of GDP during 2010-13; Russia was at the top with 44%; then Brazil – 39%; Pakistan – 36%; Egypt – 35%; Turkey – 31%; Greece – 28%; Italy – 22%; India – 16%; China – 13% and the US at 9%.

The research conducted by the Sustainable Development Policy Institute [SDPI] and UN Office on Drug and Crime [UNODC] estimated the size of Pakistan's illegal economy at between 20-30% of the formal economy. The following paragraphs deal mainly with the darker side of the informal economy, like human smuggling, drug trade, arms trade and other hardcore crimes. Another report generated by the Pakistan Institute of Development Economics [PIDE], released in 2012 suggested that size of the informal economy in Pakistan in 2008 ranged between 74-91% of the formal economy.

*[More citations are needed to verify the above figures as there lays much difference between the figures quoted by UNODC (20-30%) and by PIDE (74-91%); the economists should care about the diversity of figures.]*

Considering that the total size of Pakistan's GDP was about \$180 billion, the above figures indicated that the informal economy was \$160 billion; also implied that the total size of Pakistan's economy was almost \$350 billion.

**Khaleej Times dated 16<sup>th</sup> September 2013:** What used to shock foreign observers visiting Pakistan was that how economic activity of a common man resumed back to the normalcy within hours after frequent bombs blasts and suicide attacks in the markets and bazaars.

During those high days of War on Terror in Pakistan, the common man's economic survival was driven by a strong belief, which might not be fully understandable phenomenon for many economists. Mostly people linked losses to their life and properties to the **Will of Almighty Allah**, and continued their economic activities amidst all kinds of threats and fears in a country where virtually **"every day was a 9/11"** given the frequency of occurrences of terrorist attacks since late 2001.

It was hard to imagine that people in economically developed world, could demonstrate this level of resilience, flexibility and spirit - had there been even one 10<sup>th</sup> of violence of this scale in their countries. The 9/11 precipitated to expand, strengthened and camouflaged Pakistan's black and informal economies both. The economy of terrorist networks flourished with the rise in the incidents of kidnapping for ransom by the militants. The money supplied to those networks through informal channels from US, India, Saudia and Iran also expanded proportionately.

Islamabad, as per official figures, had suffered \$68 billion economic losses since 9/11. The foreign direct investment had taken the nose dive given the surge in terrorist attacks. Similarly tourism industry almost ceased to exist. The north and northwest of the country once famous for tourists became notoriously epicentre of insurgency. The economic growth in formal sector slowed down with reduced demands for export and frequent travel advisory by the western countries to its businessmen to stay away visiting an insurgency hit country.

Even then Pakistan survived – astonishing it was.

#### **PML[N] BUDGET 2013-14:**

Budget 2013-14 was made tolerable but not the whole delicious as per ambitions of the ruling party PML[N].

Once more poor Nawaz Sharif was misguided by the bureaucracy; Ishaq Dar was handed over a routinely tabulated budget file [for FY 2013-14] manufactured by the Finance Ministry's gurus which made the newly elected PM to taste the scepticism and criticism of nationalist economic experts and the mainstream media anchors.

By and large, the general populace rejected the budget proposals; the PML[N] government aimed to stabilise the country's battered economy through attempts of high growth that remained pegged at below 3% during the last five years of the PPP regime but the people got zero hope instead.

No doubt the team was charged with the nationalist approach to take Pakistan up in the air. PM Nawaz Sharif and the Finance Minister Ishaq Dar had all the aspirations to fulfil their dreams of leading the nation but in announcement of this budget they were betrayed; they were misguided by bureaucracy who had been announcing such budgets in routine since decades; all political and military regimes have been following the same practice.

However, Mr Dar's speech dealing with future plans of developing motorways, coastal ways and rail-links to Gwadar, and other plans to build the infrastructure were good – everyone appreciated it except that the maximum chunk of the development funds was earmarked to turn Lahore into Paris. The rest of the whole country was ignored as usual.

The economic wizards were doubtful about the government's capacity to achieve its proposed revenue collection target of Rs:3,420 billion – 21 % higher from the previous financial year. They went worried about meeting the fiscal deficit target of 6.3 % in 2013-14, too.

However, the following allocations were not at all needed in this budget at least. Those were '**welfare state measures**', which we did not need at that moment. At present Pakistan could be more concerned with the '**survival issue**'.

**Rs:75 billion for Benazir Income Support;** Rs:1200, given to one family as per fictitious files, brings nothing for the poor but Rs:75 billion collectively could have made a way.

*[Pl don't go after its cosmetic appeal that it was for poor people. It was for them no doubt, but in Rs:1200 what would a poor man get when 20kg Atta bag was @ Rs:750- those days.]*

*Secondly, how much actually goes to the poor persons – is a question mark. Most people believe that the whole amount is consumed between bureaucracy and the concerned political office bearers. See if any authentic audit report for distribution of Rs:95 billion annually was available for the last 5 years.]*

High Voice: **needy youth will be given small business loans OR Qarz e Hasna.**

Again it was an aspiration leading to a false target – ultimately leading to the wastage of the whole money. Basically, it was a routine bureaucratic trick of plundering the state wealth. PML(N)'s MNAs and MPAs were asked to bring up the lists of their political workers and get the money allocated to them – not the actually needy persons.

Think; what was the business environment around when there was no electricity. The existing businesses & commercial concerns were gradually closing down due to massive load shedding then how the feasibility of new business would work. Some shrewd persons would get money, eat it up and next year would declare the loss due to shortage of power. All the money would be washed out ultimately.

The loan activity could have been avoided till the 100% supply of power was not ensured; let it be postponed for two years after; the economists urged.

High voice: **the distribution of lap tops amongst the students.**

Again was not required as a necessary need for some – it was done but invited undue criticism; described to be cheap goal; Nawaz Sharif should not have gone after bureaucracy's misleading advice to get abrupt praise; total wastage of money it was. Instead basic schooling was urgently required with Pakistan's literacy rate of 46% only – shameful for the whole nation; one of the lowest in the whole world.

Instead; Mr Dar could at least announce new schools or better environments in existing schools and colleges in and around Islamabad [Rawalpindi, though provincial area but could be included] to start with, their villages, in whole FATA, in Baluchistan's hard areas as a special case, in Gilgit and Baltistan areas TO ENSURE 100% literacy rate at least in federal areas to give boost to and example for the four provinces.

High voice: **the GST increase by 1%.**

A common man was worried about the inflationary impact of 1% increase in the GST and the absence of any cogent relief for the masses. Instead it could have been lowered by 1%, the national exchequer would have earned more.

Who else knew more than the PM and Mr Dar, being the most shrewd businessmen, that how much the manufacturers actually produce and how much they show on documents. Actually

government would get only 5% more but the manufacturers would take out 95% for their own from the consumer's pocket.

It was because our tax & excise collection machinery was thoroughly corrupt. Unless the whole manufacturing and whole imports were genuinely documented, such measures like GST & VAT attack the poor consumer in streets only.

Lastly; **the power sector – the load shedding:**

17 IPPs were being paid Rs:501.23 billion within that week - capacity was again limited and the demand ever increasing.

Mr Dar could have announced for open import of GENERATORS of any size free of import duty and GST etc; it was likely to bring little more use of fuel but small units of productions would have come in operation – employment problems could have redressed, too.

The big industries could have allowed [rather forced] to generate their own electricity by whatever means [steam generation be more appreciated]; they could have been asked to distribute their excess power to the houses or commercial concerns around – let it be dealt with as a private business.

The government's aim for economic stabilisation was seen in doldrums since without boosting economic activity and growth achieving the goal of stability would remain elusive. The private sector needed incentives, confidence and encouragement to play its role, which was not possible without **Electricity First**. No new housing colony be allowed, no new industry be permitted unless they produce and consume their own generated power.

Mr Dar could have announced for more NUCLEAR GENERATED POWER plants to meet the future needs of the growing population – as in West most countries are generating their power through nuclear means or by using WINDMILLS.

Elimination of duty on hybrid vehicles up to 1200cc, soft loans for the youth and the controversial laptop scheme were the actual areas of concern. Top omissions included steps needed to expand direct taxation as the budget once more relied heavily on indirect taxes that hurt the lower and middle classes more than the higher-income group. The imposition of the much desired tax on agricultural income was completely ignored leaving it for the provinces to levy it; no word on the energy sector's reforms which raised eyebrows from many.

Restless but troubled PML(N)'s team was welcomed to the Pakistan of 2013 but without any honeymoon period. The people were not in a mood to give them any latitude as, in their opinion, they had made them believe since the beginning of the year that **'our home work is complete'**, - in fact it was not.

It was an endless subject – but that day it was enough for consumption. Everyone hoped that the new government of the PML[N] could rise up to the challenges left over by the two successive governments of the past decade.

### **ECONOMY - 100 DAY's LATER:**

Everyone knew that it was going to be a rough ride for the PML[N] government, but how soon the problems would start – no one had an idea.



The 100 days holiday period of the new PML[N] government was over; too many fronts were opened for them. The Taliban re-started their activities by ***killing a PTI MPA in Kohat***. Karachi continued with its cycle of violence as several people were killed in daily routine turf wars. Punjab got enraged over the continued load – shedding; the ***power riots in Faisalabad*** being the first trailer of difficult times to come. Faisalabad was the district where PML[N] got almost all 13 seats of National Assembly and nearly all 23 seats of Punjab Assembly – but was not given a single slot in the Federal Cabinet.

However, ***violence in Balochistan, an attack on the Quaid's Residency in Ziarat*** left every thing behind; only one casualty but jolted the psyche of the whole nation with an irreparable loss of the Quaid's personal belongings and historical pictures. Terrorist activities in Quetta killing ***14 female medical students, Deputy Commissioner Quetta, one senior doctor and four Punjabi nurses in Bolan Medical Hospital*** was a harsh reminder from Balochistan's dissident forces.

Ishaq Dar's budget was being grilled in the Parliamentary debates ***with thousands of civil servants on the streets*** outside making demands for increase in their salaries. The PML[N] government, just on the fourth day on their lively protests, had to bow their heads before them with 10% increase even before the budget was given approval by the legislature.

The Supreme Court also marked its presence, during second week of June 2013, by taking a ***suo moto notice on increase of petroleum prices*** announced in the budget. Though this increase was quite nominal in comparison with that of PPP's era but Raza Rabbani had successfully manoeuvred in the Senate to make the new government uncomfortable; for him no more friendly opposition in the new Parliament.

***MQM's Farooq Sattar*** had passed the most interesting remarks sarcastically pointing towards Nawaz Sharif:

***'Mr Prime Minister; for God's sake, Mian Sahib get out of this motorway syndrome in times of trouble. 'Yes, Sher Shah Suri is known for making G T Road, but Sher Shah did not have load - shedding in his time.***

***We are an agricultural country but why does its agriculture contribute only one percent taxes.'***

Farooq Sattar was talking about the big feudal lords who had their hostage and PML[N] continued to dish out sumptuous amounts of money to parliamentarians in the name of development schemes in the two previous terms of its rule. He had in mind that the PML[N] was indebted to the powerful lobbies of agriculture and big businesses and would not dare tax them during the new regime too.

Ishaque Dar's whole presentation of budget rested on the basic premise that the economy would pick up in a peaceful and stable environment but the Balochistan violence had tended to shatter that assumption. On the other hand only a little pressure followed by a threat of strike was enough to puncture the air out of Dar's gung-ho style. He was quick to compromise by announcing 10% increase in government employee's salaries. Additionally, almost the entire opposition, one by one, staged a walkout against 1% increase in General Sales Tax (GST) – an indirect tax on the poor populace.

Amidst the hot debate on the parliament's floor, Senator Saifullah Magsi from Balochistan raised his voice loudly but passionately urging that:

***'....the House is discussing an issue of lesser importance while Balochistan is burning right now. We were always told that there was a vacuum in the earlier***

*government; we have a new and the so-called truly representative government in place, so why can't they control the mayhem now?'*

The point raised by Senator Saif Magsi had much weight that the PML[N] had played partisan politics when it remained seated on opposition benches for five years; it never took a stronger position to combat terrorism in the whole country.

However, Senator Hasil Bizenjo was right to point out that the Balochistan government was hardly in place and could not be blamed for a decades old malaise. Balochistan's crisis was much deeper with multiple tiers - requiring a thorough analysis and action. Ch Nisar declared, *interalia*, that most *Lashkar e Jhangvi* [LeJ] miscreants targeting Hazaras were found to be Baloch; but still they were needed to be dealt with iron hand.

### **NATIONAL SECURITY POLICY [2013]:**

After taking over by the new Army Chief Gen Raheel Sharif **on 29<sup>th</sup> November 2013** the GHQ asked the newly installed PML[N]'s government to immediately formulate a national policy to fight the menace of deep rooted terrorism from the country.

**On 19<sup>th</sup> December 2013;** Prime Minister Nawaz Sharif chaired a meeting over the implementation of the decisions made by the Cabinet Committee on National Security [CCNS]. The meeting was attended by Chief of Army Staff Gen Raheel Sharif, Interior Minister Ch Nisar Ali Khan, CJCS Gen Rashid Mahmood and DG ISI Lt Gen Zaheerul Islam. Amidst other things, talks with the Taliban and ensuring the execution of a security increase on the Pak-Afghan border, went hot on the agenda.

However, ***the Taliban dismissed the idea of peace talks the same day*** saying they had information that plans were already under way for a military operation, adding that the insurgents were ready for battle.

The first meeting of the CCNS, the Cabinet Committee on Defence, turned out to be a damp squib. After months of PML(N)'s tall claims about a new national security policy - what emerged was an exercise in illusion. ***The official statement issued in that regard had ruled out military action against the Taliban and promised to pursue 'peace only through talks'***. Use of 'other options' was mentioned as the 'last resort' only. The CCNS focused on three issues:

- Formulation of a national security strategy.
- Internal security strategy.
- Good Relations with Afghanistan.

The CCNS deliberated upon the government's strategy to engage various discrete groups of the Taliban. It was confirmed that the government had already opened channels for dialogue with them. It was told that though the Tehreek e Taliban Pakistan [TTP] had immediately rejected any efforts by the government to hold talks but the things were moving headway.

Media reports had spoken about uncertain reaction from the newly appointed TTP leader, Mullah Fazlullah, who had cut short his stay in North Waziristan and returned across the border to his safe haven in Kunar province. The CCNS also seized of the security issue on the Pak-Afghan border; keeping vigilance was agreed on the expected attacks [as in the past] from Mullah Fazlullah's forces.

Despite all discussions on tactical strategies, it was generally confessed that the TTP would not negotiate and the path would thereby be cleared for a military operation. However, it was also felt that unrelenting emphasis in every statement by **the PML(N) & PTI's Imran Khan on peace through dialogue had affected the morale of the forces who were being slaughtered continuously in that region.** Here it went suspicious that if the government was serious in combating the menace of terrorism.

The Pak-Army, on the other hand, appeared to be shielding behind the contention that without political patronage, the army was not able to launch meaningful operations on the scale required against the terrorists.

***There has been a consensus in intelligentsia that the Taliban infection had travelled to within the ranks of the security services, which had made any struggle against them risky in terms of internal cohesion.*** Ponder about the ease with which two prisons of Khyber PK were broken in 2012 & 2013 and hundreds of dangerous prisoners were got released without a shot being fired. No follow up of those prisoners, no operation, no investigations into the collaborations between the jail crew and the attackers – not even remorse on the part of state administration.

In the backdrop of the given scenario of the National Security Policy, when the politicians were not willing, the military was reluctant for reasons of political patronage and internal issues, no military operation were tentatively found on cards; plans were not likely to succeed. In an arena of the TTP's vocal refusals to come to the table, the most likely situations were nothing beyond muddling through, hoping against hope, and getting bogged down in wishful thinking. Pakistanis were left to live in false anticipations.

On one side GOP was conveying instructions to the top brass of the Pak-army through the above detailed CCNS policy focussing on talks with Taliban but only a day earlier, **on 18<sup>th</sup> December 2013**, five soldiers were killed and 34 others wounded at a check post in Miranshah [Waziristan] while a girl and her mother in law died in a low intensity explosive attack near an *Imambargah* in Karachi.

*[After that suicide attack, clashes between militants and Pak-Army erupted on that military checkpoint and at least 53 people were seen dead though not clear whether the individuals who were killed in that week's clashes were civilians or militants. Those events left the whole of North Waziristan under a curfew for four days.]*

Imran Khan, allegedly having a soft corner for the militants for proposing dialogue as the only way to bring peace, was also warned of dire consequences by the TTP. His ambition to fight polio in Khyber PK was also targeted by killing three including two police constables to shun that polio campaign.

***[On 13<sup>th</sup> December 2013; unidentified gunmen shot dead two policemen named Ijaz Ali & Iftikhar Ali and a polio worker, identified as Yousuf, in two separate attacks in Swabi and Jamrud in northern Pakistan when they were on way to escort the anti-polio vaccinators. Both the cops were shot in the head; the anti-polio campaign was kicked away immediately in the two areas.]***

The TTP's attack on the praying soldiers in Miranshah was a story repeated by the militants many a times without yielding much change in the counter-terrorism strategy of the state. Check posts, the easiest targets to attack the security forces, remained as vulnerable as ever. No measures were taken to make them more secure. It was business as usual in overall Pakistani means and mechanisms to fight terrorism. The general populace were having no doubts about the Taliban's designs but the government continued selling the narrative of peace through talks; public opinion on this strategy was never measured.

Even the President of Pakistan believed that the country lacked the unity to fight terrorism. Once he addressed a tribal *jirga* in his presidency; they were the most affected people because of terrorism and were united to fight the menace. But when the president was hinting at the political discourse equivocating on the point of talks with militants, it was surely the failure of his own PML(N)'s government. The apathy, ineptness and ill will of country's intelligence agencies were adding fuel to the fire. The coordination required among the intelligence and law enforcement agencies has never been available in Pakistan; DI Khan and Bannu jail-breaks were the glaring examples of that flaw. The gulf kept on widening with the time and the political masters in succession never bothered to attend the issue.

The media continued to tell the stakeholders that the terrorists had developed their skills to the level of using rockets, mortar guns, anti-aircraft guns starting from AK47 American night vision rifles and remote controlled bombings but the police was kept confined to the use of batons and 303 mark rifles as per the Police Act of 1861 and the Police Rules of 1934. The successive rulers of the country, civil and military, could not develop acumen and insight to make new laws in their parliamentary sessions which could meet the day to day requirements for the security of the people.

The penetration of the terrorists into most parts of the country, from Khyber to Karachi, continued to gain strength. Karachi, being the most lucrative financial hub of Pakistan, provided them resources through '*bhatta*' [extortion] and kidnapping for ransom activities. Then those miscreants turned towards sectarian violence in the garb of various religious factions.

The country was engulfed in terrorism since two decades, in one form or the other, but the governments were not able to provide any cogent legislation to tackle this menace of terrorism; the businesses ruined, the innocent people massacred in suicide bombings, the army men slaughtered, doctors taken hostages and media persons gunned down but the parliaments only played blame games, walk outs, debates and resolutions – never bothered to amend their laws of 1861-88 what to speak for new legislations.

**On 21<sup>st</sup> December 2013;** just two days after the announcement of the 1<sup>st</sup> phase of National Security Policy, **the COAS Gen Raheel Sharif vowed not to tolerate any more terrorist attacks;** otherwise endorsing the ongoing PML(N) - led peace process with the Taliban. During his visit to the Corps HQ in Peshawar, he had emphasised that terrorist attacks would be responded effectively. Gen Sharif paid tribute to those five martyrs who sacrificed their lives for the country's defence. He appreciated the resolve displayed by the officers and men during fight against terrorism and bringing stability to the militancy-hit areas.

Ruling out military action against the TTP as its first preference, PM Nawaz Sharif had promised to persuade insurgents to lay down their weapons through peace negotiations while the use of force "was a last resort". The TTP, however, had dismissed the government's peace initiative saying they knew that plans were already under way for a military operation.

### **BLUE PASSPORTS SCANDAL:**

**On 23<sup>rd</sup> December 2013,** National Accountability Bureau [NAB] Board decided to take up the inquiry of scandal regarding issuance of more than 2,000 blue passports [*blue passports are issued to the government officers to travel abroad for official job or duty only*] to unauthorized persons during the PPP regime of 2008-13. Interior Minister **Ch Nisar had already given directive on 5<sup>th</sup> October 2013 for cancellation of those blue passports** issued under Rehman Malik's hand in violation of rules.

Rehman Malik had issued those passports indiscreetly and illegally to sons and daughters of his beloved politicians including his own brother, two sons, and sisters in law, nephews and

nieces; initially for ten years but then notified them valid for the whole life. However, NAB was more concerned about those government officials, who had issued fake documents to the private persons by showing them government officials after receiving hefty sums of money as bribe – opening another floodgate of corruption.

*[On 7<sup>th</sup> October 2013, the FIA Immigration arrested two persons at Islamabad Airport who were trying to proceed to Oslo on blue passports and gratis visas by using no objection certificates (NOC) of different federal ministries.*

*The two arrested persons were identified as Ahmad Ali bearing Blue Passport No: ML1808821 and Ghulam Murtaza carrying Blue Passport No: AF0973443, who were proceeding to Oslo by PIA's flight PK-771. When intercepted by the FIA on suspicion, they failed to satisfy immigration during questioning.*

*However, divulged that an agent, running a money changer shop at Blue Area, provided the Blue Passports and gratis visas against heavy amount, with the help of employees of the Passport Office and Ministry of Information as well as another ministry.*

*Later, the FIA conducted raid and detained that agent named as Abdul Qadeer, owner of Hamza Money Changer at the Blue Area, Islamabad.]*

**Blue passport has a background** – its holder can fly to 70 countries straightaway and will be given GRATIS [without visa fee whatsoever] visa at arrival on the airport along with a determined protocol and respect being considered as representative of government of Pakistan. They are normally exempted from personal searches and luggage checks, sometimes taken through special channels whereas the respectable with green passports are asked to stand in queue and sometimes are directed to get off all their clothing including shoes before passing through the immigration clearances.

The menace actually started in the last days of PM Shaukat Aziz. Some of the cabinet members requested the then Interior Minister Aftab Sherpao to issue them Blue Passports just as an honour which Mr Sherpao agreed. Consequently, **on 12<sup>th</sup> September 2007**, a notification was issued from the Ministry of Interior that **'all the federal ministers and state ministers will be issued blue passports for travel abroad.'**

Immediately after, an amendment to the said notification was released saying that **'all the FORMER federal and state ministers AND their wives will also be issued blue passports'**.

**On 19<sup>th</sup> October 2007**, on the specific instructions of the then PM Shaukat Aziz, another notification was issued that:

- **'All the RETIRED civil servants and RETIRED diplomats AND their wives will also be issued blue passports.**
- **The sons and daughters, parents of the retired civil servants and diplomats will also be issued blue passports.'**

One senior civil officer was blessed with a blue passport for his **daughter in law who was having the 'British Nationality'** – what a country, hurray. Subsequently the following people also got their names included in the lists because their wives and children upto the age of 28 years would be benefiting with that facility of blue passports for each.

- **All provincial Governors, serving and retired.**
- **The members of Council of Islamic Ideology [CII] and their families.**
- **The RETIRED JUDGES and their family members**
- **RETIRED ARMY OFFICERS**

**On 9<sup>th</sup> September 2008**, another notification was issued from the M/O Interior that ***'the sons and daughters [up to the age of 28 years] of all the federal secretaries will be entitled to get blue passports'***.

**On 15<sup>th</sup> December 2011**, the Interior Minister Rehman Malik issued an office order that:

- ***'The Interior Ministers, their wives, sons and daughters UP TO THE AGE OF 28 YEARS will be entitled for blue passports FOR THE WHOLE LIFE.***
- ***All those people will be entitled to get blue passports for whom the Interior Minister will issue directions.'***

Getting encouragement, the Federal Interior Secretary availed an opportunity to include his wife and children up to the age of 28 years AND FOR THE WHOLE LIFE.

When the news went open that the loot sale of blue passports was on in the interior ministry, first lot of 75 high ranking businessmen approached the higher echelons of the said ministry with bags full of foreign currencies as a token of respect [***approximately equivalent to Rs: 1.5 – 2 million, as the price of one blue passport was duly settled***] and got the things.

It was not at all a trade at loss for them because their blue passports were providing them the respectful landing rights at hundreds of international airports in 70 countries without searches and luggage checks. Some of them had multiplied their 'investment' in their first trip – many people might know it how.

Astonishingly, the PML(N)'s Interior Minister Ch Nisar told the media that ***'had he made those 2000 names open, many people would hold their heads AND a Pandora Box would be opened'***.

The intelligentsia held that Ch Nisar should have divulged those names, should have provided another chance to people for holding their heads but he deliberately avoided doing so. Perhaps, nothing was at stake from his side as his family and children were allegedly enjoying benefits of the American passports – they didn't need the blue Pakistani passports anyway.