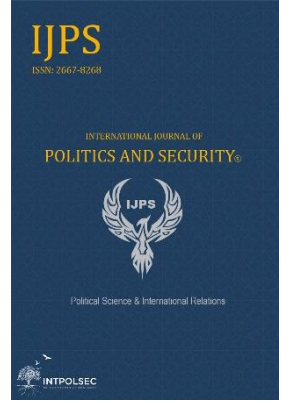


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### Terror Financing and Unregulated Economy of Pakistan: An Investigation of an Economically Failed State

**Author(s) / Yazar(lar) :** Debasish NANDY

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## Terror Financing and Unregulated Economy of Pakistan: An Investigation of an Economically Failed State

Debasish NANDY\*

### Abstract

*Sometimes it has been witnesses the allegation of state-sponsored terrorism against Pakistan because the claim of state authority has lost its relative autonomy in controlling the terrorist organizations. Therefore this essay intends to examine the claims about the connection between the terrorist groups and Pakistan and focuses on the influence of terrorism on the economic development of Pakistan. According to claims, due to governmental support, the terrorist groups in Pakistan are not only running parallel economies but also control the unregulated economy of the country. Therefore international agencies have accused Pakistan several times and taken it on the 'grey list' because the state authority has lost its relative autonomy in controlling the terrorist organizations. So, this essay focuses on the reasons for the economic backwardness of Pakistan in the context of security problems and terrorist organizations.*

**Keywords:** Economic security, failed state, national security, radicalization, terrorism.

## Terör Finansmanı İddiaları ve Pakistan'ın Düzensiz Ekonomisi: Ekonomik Olarak Başarısız Bir Devletin Soruşturması

### Özet

*Devlet otoritesinin terör örgütlerini kontrol etmedeki göreceli özerkliğini kaybetmesi nedeniyle bazen Pakistan'a yönelik devlet destekli terörizm iddialarına tanık olunmaktadır. Bu nedenle bu makale, terörist gruplar ile Pakistan arasındaki bağlantıya yönelik iddiaları incelemeyi amaçlamakta ve terörizmin Pakistan'ın ekonomik kalkınması üzerindeki etkisine odaklanmaktadır. İddialara göre Pakistan'daki terörist gruplar devlet desteği sayesinde sadece paralel ekonomiler yürütmekle kalmıyor, aynı zamanda ülkenin kontrolsüz ekonomisini de kontrol ediyor. Bu kapsamda terör örgütleri çeşitli kanallardan kara para işlemleri de yapmaktadır. Ayrıca terörist grupların şiddet eylemleri binlerce can kaybına ve mülk ve altyapıların zarar görmesine neden olmuştur. Bu nedenle uluslararası kuruluşlar Pakistan'ı birkaç kez suçlamışlar ve devlet otoritesinin terör örgütlerini kontrol etmedeki göreceli özerkliğini kaybettiği için onu 'gri listeye' almışlardır. Dolayısıyla bu makale, güvenlik sorunları ve terör örgütleri bağlamında Pakistan'ın ekonomik geri kalmışlığının nedenlerine odaklanmaktadır.*

**Anahtar Kelimeler:** Ekonomik güvenlik, başarısız devlet, ulusal güvenlik, radikalleşme, terör.

\* Assoc. Prof. Dr., Department of of Political Science, Kazi Nazrul University, Asansol, West Bengal /India, debasish.nandy@knu.ac.in, ORCID: 0000-0002-1593-4653

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## 1. Introduction

Terrorism has been a severe threat to human civilization in the contemporary world. Since the 9/11 incident, terrorism has taken to the center stage of world politics.<sup>1</sup> Terrorism is the use of violence to achieve political, ideological, ethnic, or religious ends. The deadliest ideological warfare has been shifted into terrorism. Samuel Huntington has warned about clashes of a civilization long before the 9/11 incident. In his ‘clash of civilizations’ theory fundamental source of conflict in the contemporary world is not political or economic but, rather, civilizational or cultural.<sup>2</sup> The radicalization of Islamic ideology has been manifested in the name of *Jihad*. As per Quranic interpretation, the concept of *jihad* is a struggle of an individual whereby one strives at self-purification against confusions and vacillations as to the true path of Allah.<sup>3</sup>

Mahatma Gandhi once said, “*I do not regard killing or assassination or terrorism as good in any circumstances whatsoever.*” Throughout his life, Gandhi fought for nonviolence and peace. The reckless terrorism resulted in thousands of casualties, the flow of refugees, statelessness, and damage to wealth and infrastructures across the globe. In the era of globalization, terrorism has been globalized. Terrorism has not only been financed and supported by the non-state actors, but also by some states. Some states have been tagged as ‘terrorist states’. Terrorism has been flourishing by the state authority in Pakistan over the decades. A parallel economy is run in Pakistan by different terrorist groups. Through illicit ways, the money laundering process is going on for generating funds for the terrorist groups. Terrorism is not a security threat to Pakistan, but also a threat to the national economy. Because terror financing generates corruption.

A terrorist attack is ‘the threatened or actual use of illegal force and violence by a non-state actor to attain a political, economic, religious, or social goal through fear, coercion, or intimidation. The development and economic growth of a country are immensely dependent upon the stability and peace of a country. Due to reckless terrorism and militarization, the socio-political situation of Pakistan is highly unstable. Religious extremism negatively affects

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<sup>1</sup> Nivedita Majumdar, *An Anthology of Writings on Terrorism in South Asia. The Other Side of Terror* (New Delhi: Oxford University Press, 2011): xiv

<sup>2</sup> Samuel, P. Huntington, “The Clash of Civilization?” *Foreign Affairs* 72, no.3 (Summer,1993): 22-49.

<sup>3</sup> Sekhar Ghosh, “Introduction” in *Essays on International Terrorism*, ed. Mohit Bhattacharya, Sekhar Ghosh and Rabindranath Bhattacharyya (Kolkata: Levant Books, 2006): 1-5.



economic growth.<sup>4</sup> Pakistan is considered a rogue state for restless ethnic conflicts, intra-religious clashes, terrorism, religious orthodoxy, and military intervention. Being a democratic country with a federal structure, Pakistan has not been yet to fundamental rights and human rights for the citizens nor able to ensure equal opportunity to all ethnic groups. For an underdeveloped country like Pakistan, it is essential to pull foreign direct investment (FDI) for industrialization and economic development. Due to having a tag of ‘terrorist state’ no MNCs are not showing their interest to invest in Pakistan. Moreover, due to the running of a parallel economy by the terrorist groups national economy of the country has been severely suffering. Domestic investment has also been reducing gradually due to security reasons. National investors and industrialists are being threatened by the terrorist leaders for paying a levy to terrorist organizations.

There are several reasons for terrorism in Pakistan, intra-religious violence, ethnic conflicts, uneven development, the policy of exclusion, high rate of illiteracy, economic inequality, inflation, unemployment, uncontrolled population growth political instability, poverty, and lack of social justice.<sup>5</sup> Due to terrorism, the economy of Pakistan has deteriorated gradually.<sup>6</sup> At the same time, the image of Pakistan has been negatively portrayed to the global community for the continuous support of the state authority to the extremist forces. This study aims to investigate the interconnecting factors of terror financing in Pakistan. It also intends to delineate the economic effects of terror financing on the national economy of Pakistan and its impacts on regional security.

## 2. Contextualizing Terror Financing

The foreign policy and defense policy of Pakistan are framed based on India as the foremost enemy. Conducting proxy wars in bordering areas is not a new phenomenon for Pakistan. Since its very inception, the key motto of the Pakistani military to attack India not only through military but also through militancy also. The recruitment of Mujahedeen fighters

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<sup>4</sup> Muhammad Zakaria, Wen Jun and Haseeb Ahmed, “Effect of Terrorism on Economic Growth in Pakistan: An Empirical Analysis”. *Economic Research* 32, (2019): 1794-1812. DOI: 10.1080/1331677X.2019.1638290, <https://doi.org/10.1080/1331677X.2019.1638290>.

<sup>5</sup> Alam Khan, Mario Estrada and Zarinah Yusof, “How terrorism affects the economic performance? The case of Pakistan”, *Quality and Quantity* 50, no.2 (2016): 867–883. <https://ideas.repec.org/a/spr/qualqt/v50y2016i2p867-883.html>, accessed on March 4 2021.

<sup>6</sup> Shabir Hyder, Naeem Akram, and Ihtsham Ul Haq Padda, “Impact of terrorism on economic development in Pakistan”. *Pakistan Business Review* 16, no.4 (January 2015): 704–722.



in Afghanistan by the CIA and ISI during the Cold War period led Pakistan to further employment of militancy. To attack India, Pakistan had started to sponsor and support the secessionists of Jammu and Kashmir of Indian territory. At the same time, due to over-emphasizing Islamization and pampering illegal madrasas, Pakistan subconsciously had dug its grave. From where there is no way of emancipation. The illegal madrasas are usually established by the rural youths who returned from Gulf countries after earning a lot of money. They often receive donations from the Islamic world, especially the Middle East region to foster Islamic philosophy and jihadi education. The religious leaders of Pakistan are very supportive of those madrasas. Many youngsters are joining various radical organizations after being educated by those madrasas. The leaders of terrorist organizations are being supported by the Pakistani army and the government as well. Economic corruption has been a key feature of Pakistan which has been more prominent of the unregulated economic system. Illegal monetary transactions are made by terrorist organizations across the country. Pakistan was also responsible to promote the Khalistan movement in the Punjab state of the Indian union.

The international funding agencies and donor countries have had information about Pakistan's connections with terrorist groups. The allegation of sponsoring terrorism is not a surprising thing for Pakistan. After the 9/11 incident, the US administration declared a 'global war on terror'. The US administration has rewarded Pakistan for its promise to assist the USA in fighting against Al Qaida and the Taliban. But Pakistan has failed to fulfill its promises. Pakistan's state has lost its relative autonomy due to the hegemonic decision-making power of the army and ISI. The civil government has no power to control terrorism in the country. For the sake of military interest, civil government has been a compromising agency. Now, *Lashkar-e-Taiba*, *Falah-I-Insanlat Foundation*, *Jamaat-ed Dawa*, and *Jaish-e-Mohammad* (terrorist groups of Pakistan) have been incorporated into the list of UNOs and the USA's most dangerous terrorist groups. *Jaish-e-Mohammad* is not only dangerous for India, and Bangladesh but also for the security of Pakistan. This predominant Pakistani terrorist group had initiated to kill former Pakistani President Pervez Musharraf. This organization also attacked the Naval base, PNS Mehran.<sup>7</sup> On May 22, 2011, *Jaish-e-Mohammad* destroyed three P3C Orion aircraft.<sup>8</sup>

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<sup>7</sup> Vivek Chadha, "Economic Sanctions as an Option to Fight Pakistan Sponsored Terrorism". *Journal of Defence Studies* 11, no.2 (2017): 13-35.

<sup>8</sup> Dawn. (June 17 2011). <https://www.dawn.com/news/637216>, accessed March 12, 2021



The dubious networks between the army with Jihadi groups made Pakistan a hotbed of terrorism. The military continues to build its professional skills and expands its hegemonic presence not only in legal ways but also in illegal means by using extremist forces. The civilian leadership is unable to provide a reliable alternative to military rule. The dominant presence of the military in Pakistani politics is not for only domestic causes alone, but also regional ones.<sup>9</sup> The military personnel and civilian leaders have to hold a common view about regional diplomatic and strategic affairs. Both military and civil governments want to destabilize the region through cross-border terrorism and destabilizing the democratic milieu of the South Asian region. With this common view, they used to mobilize and pamper the religious extremist groups. In 2002, Musharraf had staged a mock general election under the pressure of western powers. A pre-election coalition was made between the Pakistan People's Party of Benazir Bhutto and the Pakistan Muslim League of Nawaz Sharif. However, this coalition failed to contest the election due to the repressive policies of Musharraf. The notable point is that the alliance of Islamist parties, *Mutahhidah Majlis Amal* (MMA), received the tacit support of the military.<sup>10</sup>

### 3. Research Questions and Methodology

The present study is based on three research questions— (1) Is Pakistan very serious to stop terror financing? (2) Why should a multi-ethnic country follow a biased policy? (3) Is it possible to stop terrorism in an unregulated economic system? The content analysis method and interview method have been used to conduct this study. The present study is based on secondary data, such as reports, books, journals, newspapers, web sources, etc.

### 4. Background

Pakistan has been suffering from a democratic deficit ever since it came into being. It is a nation without nationalism. Some scholars argue that from the very beginning, it is a vulnerable and disrupted state in terms of democracy, nationalism, economy, and security. There was immense potential to convert Pakistan into a proper federal democratic state with an equal accommodative policy toward the provinces. However, the process of Islamization of politics, initiated by Pakistani leadership at the cost of development and modernization has

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<sup>9</sup> Sayeed Shafqat, "Pakistan Military: Sustaining Hegemony and Constructing Democracy?" *Journal of South Asian and Middle Eastern Studies* 42, no.2 (2019): 21.

<sup>10</sup> Husain Haqqani, "The Role of Islam in Pakistan's Future". *The Washington Quarterly* 28, no.1(2004): 5.



converted Pakistan into a 'warrior state'. Syed Abdul Alla Maududi (1903-78) was responsible for spreading fundamentalism in Pakistan. His speeches and writings were able to inject communal and narrow sectarian thought into the entire socio-political structure of Pakistan. Entire the Middle East and South-East Asia were influenced by Maududi's ideology. Maududi, while being one of the earliest Islamists in the 20th century, played a very important role in the politics of Pakistan, almost up to his death. Some scholars argue that Pakistan was also subsequently influenced by the dogmas of Syed Qutub of Egypt and Ayatollah Khomeini of Iran. Actually, in the 20th century, these two Islamic leaders have had propagated the essence of the Islamic state. Ayatollah Khomeini's political doctrine was *Islam and Revolution* (1981) and Syed Qutub's statement was known as *Milestones* (1981). According to Maududi, Islam is a universal religion but the secular leaders failed to establish Pakistan based on the assertive features of Islam. He had claimed that Pak leaders have failed to understand that Muslims are obliged to struggle for establishing an Islamic state.

Over the years, the Pakistan Muslim League (PML) has become more incentivized to claim political benefits by moving toward extremist positions<sup>11</sup> has been mentioned that in three ways PML is assisting the extremist groups-(1) giving affiliation to more extremist groups, (2) through the campaigning of essentialities of radical Islamic forces, and (3) by engaging in a violent confrontation with the incumbents and governmental forces. Political Violence is a language of politics in Pakistan. Jammāt-e-Islām (JI) is very supportive of jihadists who used to attack democratic and liberal forces. JI is very violent against the Ahmediyya community and well connected with one of the most violent terrorist organizations Tehrik-e-Nifaz-e-Shariat-e-Muhammadi. In this way, the Islamic political parties are feeling the extremist groups. The party's fund is often used by terrorist groups which resulted from undocumented money transactions.

The close ties between the Pakistani army and Islamist extremist groups began under Zia's regime in the context of the Afghan war in 1979. Aijaz Ahmed said, "*Zia himself, a close relation of Main Tufail, the present chief of the JI provided ample protection for secret cells of the JI inside the armed forces; it was the only political organization which had such opportunities*" He adds, "*Most important, however, is perhaps the fact that the JI's*

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<sup>11</sup> Haroon K. Ullah, *Vying for Allah's Vote: Understanding Islamic Parties, Political Violence, and Extremism in Pakistan* (New Delhi: Foundation Books): 131.





*propaganda among vast numbers of troops was officially sanctioned by commanding officers on the battalion level and above*".<sup>12</sup> Zia intentionally used Islam as a means of remaining in power. It was also injected into Pakistan's military system. More importantly, religious education became a part of the curriculum at the Pakistan Military academy and also for promotion examinations from lieutenant to captain and captain to major. Similarly, another significant step towards Islamization of the Pakistan Army was the official stamp that General Zia-ul- Haq gave to a book titled 'The Quranic Concept of War' authored by several Pakistan Army Brigadiers.<sup>13</sup> In the subsequent years, this collaboration was extended through the support of the extremist movement in Jammu and Kashmir in India. During Zia's regime, Afghan militants or Mujahid warriors were partially trained in Pakistan. The United States of America and Saudi Arabia supported and funded these Mujahids to fight against the Soviet forces. The global jihadist movement was started at this time.

General Zia depended on the nexus between Islamization and the state, first establishing a connection between the lay Jamaat-i-Islami and the *Ulema*, and then launching a comprehensive program of Islamic reform that paved the way for a distinctly legalistic approach to Pakistan's Muslim identity.<sup>14</sup> A nexus between military and orthodox ideologists or *Ulema* was quite responsible for the flourishing of madrassas, which become gradually, the hubs of *jihadists*. State-controlled and centralized Islamic network-based educational system had ruined the modern social structure. The triumph of Islamic fundamentalists over state authority had made an adverse effect on civil society also.

The politicization of Islam and Islamization of Politics, whatever, Zia used Islam as a means of remaining in power. His narrow power-centric interest transformed the entire society into an intolerant and communal segment. After the short death of Zia, his successors came into power through undemocratic ways. Benazir Bhutto, the daughter of Z. Bhutto, wanted to prove to Islamists that even though she was educated in the West, she could be trusted to protect and advance Pakistan's Islamic character. Nawaz Sharif was also taking a pro-Islamic policy to survive in Pakistani politics.

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<sup>12</sup> Aijaz Ahmed. "Democracy and Dictatorship in Pakistan". *Journal of Contemporary Asia* 8. no.4(1978): 477-512.

<sup>13</sup> Bidanda Chengappa, M, *Pakistan, Islamization, Army and Foreign Policy* (New Delhi: APH Publishing, 2004),1-70.

<sup>14</sup> Farzana Shaikh, *Making Sense of Pakistan* (London: Hurst and Company, 2009): 44.





## 5. Understanding the Perception of Pakistan on Terrorism

In a memoir,<sup>15</sup> has tried to justify his support for the USA in ‘the global war on terrorism in three ways. Firstly, Musharraf argued that in comparison with the US military strength Pakistan’s military strength is very weak. And the military strength of Pakistan is immensely dependent upon the USA. If Pakistan will not cooperate with the USA in operations against Al Qaida and Taliban groups in Afghanistan, then the USA may destroy Pakistani military forces. This argument implies that the Pakistan administration was not willing to fight against jihadist forces due to internal compulsion. Rather it was compelled to join with the US forces to fight against terrorism. Secondly, Musharraf argued that due to economic weakness will have to compromise with the USA. He said we cannot sustain our economy in the face of an attack by the USA. Thirdly, Pakistan is a fragmented state with ethnoreligious conflict. So it will be difficult to convince the entire nation to go for a united war against the Western forces, especially the USA. Another reason was very important to Musharraf.

Just after the 9/11 incident, India had given its consent to combat global terrorism in coordination with the USA. Looking into national interest, Pervez Musharraf that if Pakistan does not join with the USA then strategically India will get a more advantageous position. The major problem in Pakistan is the nexus with the radical groups. The policy of feeding terrorist groups to mobilize against India and destabilize the region was ultimately a boomerang for Pakistan. After the Taliban came to power in Afghanistan, Pakistan continued all types of support to them. Pervez Musharraf has confessed that due to geostrategic reasons, Pakistan will continue its support to the Taliban.<sup>16</sup> Musharraf was supported by the Gulf countries in formulating pro-radical policies. Lieven (2012) has rightly pointed out that After the 9/11 incident the Pakistani military has compelled into an alliance with the US forces. Initially, the Taliban group was a good understanding of the government of Pakistan. But since 2007-2008, the Taliban has become a security threat to Pakistan. The Pakistani Taliban group became more powerful which is why the military of Pakistan was doubtful regarding the attack on Pakistani militants. The perception of the government of Pakistan was changed towards the Taliban due

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<sup>15</sup> Pervez Musharraf, *In the Line of Fire: A Memoir* (London: Pocket Books, 2006): 202-203.

<sup>16</sup> *Ibid.*



to uncontrolled Taliban activities. In early 2010, more than 2,000 Pakistani soldiers and paramilitary forces were killed by internal terrorist groups and thousands were injured.<sup>17</sup>

### 5.1. Different Terrorist Groups in Pakistan

As per the statistics of the South Asia Terrorism Portal,<sup>18</sup> between 2000 and 2019 about 63,898 people have been killed in Pakistan due to religious extremism. Many people were wounded. On 27 December 2007, Benazir Bhutto was killed in a suicide attack and her assassination has become a crucial moment in Pakistan's history.<sup>19</sup> The Islamist political parties are immensely responsible for the radicalization of society. Just after independence, the Muslim League was not only a political party in Pakistan but also a power-mobilization factor.<sup>20</sup> However, *Jamaat-e-Islam* as a political party was established to mobilize the society in a wrong way which resulted in the emergence of several terrorist groups like *Lashkar-e-Taiba*, *Harkatul Mujahidin*, *Jaish-e-Mohammad*, etc. Pakistan has become a hub of militant organizations which resulted in enormous violent incidents across the country. State-sponsored and foreign-sponsored militant organizations are not only a threat to the native country but also dangerous to South Asia. As I have mentioned earlier, after the Soviet invasion of Afghanistan the concept of cross-border militancy was popularized in Pakistan. The jihadist movements have become multidimensional through the activities of *Harkatul Mujahideen*, *Lashkar-e-Taiba*, and *Jaish-e-Mohammed*. These organizations are closely associated with ISI and spontaneously involved in jihadist activities in the entire South Asian region. These are also interconnected with the Taliban group. Most of the militant groups propagate the aims of Islam and intend to build up a pan-Islamic world. After the 9/11 Incident, it was gradually projected as the terror of civilization. There was a close link between Al-Qaida and the Taliban group. However, after the 9/11 incident, it became internationalized. Most of these extremist groups originated from the most populated province, Punjab, and influenced by *Jamaat-Ulama-Pakistan* of the Deobandi school of thought. Taliban chief Mullah Omar and Al-Qaida chief

<sup>17</sup> Anatol Lieven, *Pakistan: A Hard Country* (New Delhi: Penguin Books, 2012):175-76.

<sup>18</sup> V.B. Sharma, "How Pakistan's Unregulated Economy Feeds the Criminal Terror Nexus". *South Asian Terrorism Portal (SATP)* (2019). <https://www.satp.org/satporgtp/countries/pakistan/database/casualties.htm>, accessed on 11 March 2021.

<sup>19</sup> Saeed Shafqat, "Praetorian and the People", in *Pakistan Beyond the Crisis State*, ed. Maleeha Lodhi, 105, (London: Rupa, 2011).

<sup>20</sup> Debasish Nandy, *Understanding Pakistan*, (New Delhi: Kunal Books, 2017), 118-119.



Osama bin Laden have jointly started the process of Islamization through armament. It caused additional irritation for India.

## 5.2. Connectivity between Terrorism and Corruption

The radical Islamic terrorist groups are not only a security threat to Pakistan, but it is also very alarming for the Pakistani economy. Due to the running of illicit terrorist activities and training, the illegal flow of money has been a common feature in Pakistan. Within Pakistan and outside of Pakistan through the evil network the different terrorist groups in Pakistan are increasing the degree of corruption in other South Asian countries also. These terrorist groups have a good network in Bangladesh, Afghanistan, and Nepal, even in the Maldives also. Through *hawala* illegal money is being transferred to South Asian countries. The geographical position of the Terai region of Southern Nepal is favorable to generating a significant flow of black capital for the Pakistani militant group Lashkar-e-Taiba. This organization was banned by the Pakistan government in 2002, but Pakistan's Inter-Services Intelligence (ISI) is promoting Lashkar-e-Taiba. This organization has operated several terrorist attacks in the Kashmir valley and is also accused of hijacking an Indian Airlines flight from Tribhuvan Airport, Kathmandu in December 1999 Lashkar-e-Taiba is transferring money and generating money through several illicit channels—(1) Through the hawala banking network, funds are being received and transferring to and from Pakistan and the Middle East. (2) Through fraud letters of credit Pakistani militant groups are doing illegal money laundering business. With the help of corrupt bank officials and customs officials, Lashkar-e-Taiba cadres are generating funds. (3) Fake Currency is a comparatively easier method of production and distribution of counterfeit currency. Trader networks in the Terai deal in fake Rs. 500 and Rs. 1000 Indian notes, trading them at a 2-1 rate on the underground market.<sup>21</sup> (4) Exchange and Extraction Once created, illicit funds are exchanged within Nepal for liquid imported goods that hold concentrated value or are otherwise difficult to trace.

## 5.3. International Reactions against Terror Financing in Pakistan

Due to strong allegations against Pakistan for connectivity between the national economy and terrorism, the Financial Action Task Force (FATF) plenary in Paris decided to

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<sup>21</sup> Jason Miklian, *Illicit Trading in Nepal: Fuelling South Asian Terrorism South Asia. Working Paper No.3* (Oslo: International Peace Research Institute, 2009): 1-16.



take action against Pakistan. Pakistan has fallen on the 'grey list' for failing the conditions of global Anti-Money Laundering/Combating Financing of Terrorism principles. Pakistan is under FATF observation for the last 13 years. The case for 'black listing' Pakistan for its deliberate violation of FATF is supported by China, Turkey, and Malaysia. Indeed, this has been a hard diplomatic struggle for India. FATF's continued categorization of Pakistan on the 'grey list' springs from the fact that it has consistently failed to implement local legislation to comply with the relevant UN Security Council (UNSC) Resolutions. There is a danger that the present downward trend in terror activities might inaccurately be perceived as a result of genuine action against terrorism by Pakistan.

India has canceled Pakistan as the most favored nation trading status. Despite having a bilateral trade volume worth 2 billion USD, Pakistan has failed to stop cross-border terrorism. After the Pulwama incident in 2019 in Jammu and Kashmir, India is no more interested to continue its trading with Pakistan. After taking this decision by the government of India, Pakistan will not only be an economic loser but will also lose its reputation. The EU is one of the biggest trading partners of Pakistan. The EU has considered Pakistan a terrorist country and is unhappy with making a mockery of the FATF actions. The EU also expressed its anxiety about supporting and sheltering the global terrorist Hafiz Saeed. The liberal, democratic, open and secular society of Europe is under attack from terrorists.<sup>22</sup>

As per several indexes by international organizations, Pakistan is ranked as one of the worst countries in the world. There are so many allegations against Pakistan that it has a grey economy, which is run by terrorist groups. Pakistan has failed to qualify to forget membership to the Egmont Group due to its unregulated economy. It is an informal network of 164 financial intelligence units. The role of Pakistan in stopping terror financing has been criticized by several international organizations including FATF and the UNO. This is an open secret that Pakistan provides shelter and support to terrorists. Pakistan is continuously motivating and supporting the secessionists of the Union Territory of Jammu and Kashmir in India. The militants of Jammu and Kashmir of Indian territory are getting financial and logistical support to continue cross-border terrorism.

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<sup>22</sup> Sunil Prasad, EU must use its moral weight to put Pakistan on the blacklist of FATF. South Asia Monitor. (November 3 2020). <https://southasiamonitor.org/spotlight/eu-must-use-its-moral-weight-put-pakistan-blacklist-fatf>, accessed on 9 March 2021.



Pakistan is continuously stating a commitment to the FATF and Asia-Pacific Group on Money Laundering to reinforce to stop anti-money laundering. Since June 2018, Pakistan has had to make statements to these international agencies about combating terror financing. But the real scenario is quite different. Pakistan is continuing terror financing and even promoting terrorism in the pandemic situation. A very funny thing is that Imran Khan, the Prime Minister of Pakistan has openly agreed on the existence of about 40,000 terrorists in the country. The Security Council of UNO has reported that approximately 6,500 Pakistani terrorists belong to *Lashkar-e-Taiba* and *Jaish-e-Mohammed*.<sup>23</sup> During the regime of Pervez Musharraf, the Taliban and Al Qaida groups in Afghanistan were fed by Pakistan. Pakistan was the only South Asian country that continued economic relations with the illegitimate Taliban government of Afghanistan.

Pakistan's role as the epicenter of terrorism has been well documented by numerous international organizations including the UN and FATF. It is not a secret that Pakistan provides shelter and support to terrorists and continues to peddle false and motivated narratives on the situation in the Union Territory of Jammu and Kashmir in India. The country seeks to portray its military, financial, and logistical support to cross-border terrorism against India as a freedom struggle.

## **6. The US threat to Pakistan to Stop Terrorism**

Since 1954, Pakistan has been financed by the USA. During the entire Cold War period, Pakistan was recovering non-stop military assistance from the USA. The US administration was well aware of the illicit activities of the Pakistan government. The Pak-sponsored militancy in Indian territory was also not unknown to the USA. But, due to strategic interest, the Pakistan government was appeased by the US administration. During the Soviet invasion of Afghanistan in 1979. In reply, the USA also took a very active role to counter the SOVIET forces in Afghanistan. During that time, the US administration had spent a huge amount of money on recruiting Afghan youngsters as militants. They had been trained by the CIA of the USA and ISI of Pakistan. The given arms to Afghan militants were not returned to the CIA or ISI. Later on, they became mujahidin and Taliban. The liquid money was reached the unemployed Baluch youngsters also. However, after the 9/11 incident, when the US president Junior Bush

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<sup>23</sup> *Ibid.*



announced to fight against global terrorism, then the President of Pakistan Nawaz Sharif promised to combat it. After being agreed to fight against international terrorism it was expected that the Pakistan government will be honest to stop terror financing. But it has not happened. There are several allegations and proven documents against Pakistan for direct involvement in terrorist acts. The government of India has given relevant documents for being involved in Pakistan in various terrorist activities in India. The US intelligence agencies have confirmed that Pakistan did not stop terror financing and backing of the terrorist group. Due to the failure of keeping its previous promises, the US administration has blocked USD 63 million in funds to fight against 70 designated terrorist groups, such as LeT and JeM in 2019.<sup>24</sup> US President Donald Trump has repeatedly threatened Pakistan to stop other financial assistance.

### **6.1. Responsibility of the USA**

As a nation-state, Pakistan is a quite failure. As a democratic state, it is crippled. As far as security is concerned, it is volatile. The question is that despite being an old ally of the US how could it adopt an extremist path? How the US government continuously had treated Pakistan as a weaker state? How Osama Bin Laden took shelter in Pakistan in presence of US forces. Every leader of Pakistan used the tram card of Islam for remaining in power. The role of the US is highly questionable, as it has taken a “zero-tolerance policy” towards terrorism. The US is using Pakistan for its strategic interest. With the American collaboration with the Pakistani ruling elites, military, bureaucratic, and political it has become hard to differentiate between the interests of US policy-makers and these domestic elites.<sup>25</sup> After signing the Defence Cooperation Agreement with the US, Pakistan gradually received a huge amount of arms aid from the US. From 1982 to 1990, Islamabad received military hardware worth about US \$ 2 billion from the US. I think the US is equally responsible for it. Today, Pakistan is considered a terrorist state. The US intelligence has sufficient evidence about Pakistan’s terrorist activities. During the resistance movement, the USA was a major player supplying

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<sup>24</sup> The Economic Times, (January 1 2021). <https://economictimes.indiatimes.com/news/defence/us-blocks-usd-63-million-funds-of-global-terrorist-groups-such-as-pakistan-based-letjem/articleshow/80058410.cms?from=mdr>, accessed on March 9, 2021.

<sup>25</sup> Saeed Shafqat, “Praetorian and the People”.



funds, arms ammunition to the fighters (Mujahidin). Most of the US aid to the Mujahedeen was channeled through Pakistan.<sup>26</sup>

Washington is well-informed about the extremist activities of Islamist organizations and ISI-Lashkar-e-Taiba-Taliban-Al-Qaida connections. Then, how the US is constantly supplying arms to Pakistan? The US has taken a dual policy about Pakistan. The US policy on South Asia, especially Pakistan was mistakable from the very beginning. I think American strategists could not understand the South Asian pulse. Washington will have to rethink its Islamabad policy; otherwise, it would raise a big question about the ‘fight against the global terrorism program. After the terrorist attack at Peshawar in Pakistan on 16th December 2014, US President Barrack Obama said, “terrorists have once again shown their depravity”. The US has approved a handsome amount of foreign aid to Pakistan in January 2015. The US already declared Pakistan a terrorist state. During his visit to India in January 2015, US President Obama strongly criticized Pakistani involvement in the Mumbai attack and cross-border terrorism. The US has taken a dual policy towards Pakistan. The US is to be taken a strong policy against Pakistan. Due to strategic interest, the US administration has not taken such kind of bold decisions.

## **7. Means of Terror Financing in Pakistan**

The most alarming thing for Pakistan is many state-owned banks and private banks, even financial companies are associated with the illegal money laundering process by the terrorist groups. Some anti-money laundering measures have been taken by some banks and the government, but these are fake initiatives. The illegal means of terror financing in Pakistan are technically diverse.

a. In Pakistan, the illegal money laundering system is an open secret and that is encouraged by the government. In Pakistan, foreign remittances and online transfers remain the harmless and most popular tools of money laundering.

b. The terrorist groups are targeting some special tax wavering schemes to transfer inward and outward illegal funds. In Pakistan, some regular tax amnesty schemes are abused by extremist groups to legalize their undocumented assets.

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<sup>26</sup> Anchita Borthakur and Angana Kotokey, “Ethno-Religious Deconstruction of the Mujahedeen Resistance Movement and its Impact on the Neighborhood”. *World Focus* 40, no.8 (August 2019): 25.





c. Some areas in Pakistan are tax-exempted. The formerly Federally Administered Tribal Area (FATA) and Provincially Administered Tribal Areas (PATA) are tax waived areas. These areas are economically backward. The government of Pakistan decided to waive the taxes of the people of these regions for relaxing the economic burden. But a huge amount of illegal business capital is rolling into the market of these areas. This amount is collectively accumulated in the hand of corrupted local businessmen and terrorist groups. Due to the annexation of these areas with Khyber Pakhtunkhwa (KP) province, the corrupted businessmen are rolling money into the local economy in association with terrorist groups. The people of these areas are exempted from paying any kind of taxes. In this way, the local economy is not only fed by terrorists, but the government of Pakistan is losing a big amount of revenue every year.

d. The terrorist groups of Pakistan and Afghanistan are jointly manipulating the Afghan transit trade. Due to having an open border between the two countries, illegal financing is done by terrorists to run illegal trade. Afghanistan is the major global manufacturer of heroin. There are at least 1.3 million heroin users in Europe and 8 million users in Pakistan. Pakis-Afghan border is 2000 K.M. long. The Northern territories reach up to China. Every year, the government of Pakistan loses \$2.6 billion of revenue for the smuggling of essential goods. Smuggling is extremely lucrative and flexible. Afghanistan produces 90% of the global supply of opium. Heroin is processed from opium. Approximately, 40 % of Afghan opium has been smuggled through the Pak-Afghan border. The opium trade is the key source of funding for the jihad led by the Al Qaida and Taliban. The government of Pakistan is well aware of “narco-jihad”.<sup>27</sup> The narco trade is running through the golden route from Afghanistan through Pakistan and into Iran.

e. A very common method of terror financing in Pakistan is donations to charitable organizations. In the name of donations, the funds are to transferring to militant groups. Many communities donate to organizations that they know are fronts for terrorists either through fear of reprisals for not contributing or because that group has influence in the community in the

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<sup>27</sup> V, F. Brown, *The Drug Economy in Afghanistan and Pakistan, and Military Conflict in the Region* (Seattle: National Bureau of Asian Research, 2009), 23-27.



absence of state support for social services or amenities. This support can also be provided by friends and family who sympathize with their cause. This is becoming increasingly common.

Since 1981 the government of Pakistan has been arresting a compulsory contribution for Zakat levy on its citizens. 2.5% of the levy is collected by the government through bank deposits and also through some organizations. The government of Pakistan used to donate the Zakat funds to the entire country through local centers for arranging food, shelters, medicines, or treatment for vulnerable sections of the society. (1) Pakistan is a Sunni majority country. As a part of Sunni Islamic culture, Zakat is an integral part. Nothing wrong with it. But in many cases, citizens used to donate mandatory zakat contributions through Islamic charitable institutions. (2) Zakat levy usually is donated on the first day of Ramadan. Many extremist organizations collect zakat levies and use radical activities. Using the Islamic religious sentiment, the extremist groups used to misuse zakat funds. In Pakistan, some local NGOs are conducting commendable social work. But many organizations are directly associated with terrorist groups. The most wanted Pakistani Terrorist Hafiz Saeed (founder of Lashkar-e-Taiba) has direct connections with these organizations. Similarly, the terrorist group Jihad bi al-Saif has been linked to the charity Tablighis Jamaat. Other radical organizations, such as Harkat-ul-Mujahedeen, and Jammāt-ul-Furqan used to raise through charitable organizations. Two other banned terrorist organizations, the Tehrik-i-Taliban terrorist group (TTP) and Al-Qaeda are also used to generate funds in the same way. These terrorist groups have formed new organizations namely Ansar-ul-Umma and Tehreek-e-Ghalba Islam to raise funds.

f. Illegal money transfers through informal value transfer systems (IVTSs) have been a common channel for money laundering in Pakistan. Most people used to transfer money through this channel. Only about 14% of people of Pakistan used to transfer money informal ways. The formal transactions of money are encouraged by a few financial institutions. That is why the black economy has been an integral part of the Pakistani system. For remittance and other foreign transactions, the majority of Pakistanis are remaining to believe in informal financial transactions through *hawala*, *hundi*, and so forth.

g. The unregulated financial structure of Pakistan is responsible for feeding the terrorist groups. Due to the nexus between criminal terrorists and illicit funding agencies, the entire financial system has been corrupted and criminalized. It is very hard to think that neither the State Bank of Pakistan nor the Securities & Exchange Commission of Pakistan has any active



regularity mechanism to control the illegal money transferring process by the terrorist agencies. Even these two prime financial institutions have proper information about the number of transactions.

h. The kidnapping of targeted persons is another source of funding. To generate funding, the extremist groups used to kidnap journalists, aid workers, and rich locals. This is a continual problem. After the kidnapping, threatening calls are made by the kidnapers to the family members of the kidnapped persons and demand a big amount of money. Often the family members are compelled to sell their properties. As per the report of Dawn Newspaper (2018), in October 2018, in Karachi, three kidnapers were arrested by Anti Violent Crime Cell (AVCC). The suspects had a connection with *Gulistan-e-Jauhar* (a terrorist group). After kidnapping a young man, they demanded 10 million US \$. For Pakistan, it is very unfortunate that many people are being kidnapped and suffering from extrajudicial tortures. As an opposition leader, Imran Khan repeatedly pledged to end the practice. But after being the Prime Minister of Pakistan in 2018 he could not fulfill his accountability in stopping.<sup>28</sup>

i. There are many areas of Pakistan, especially in tribal areas, and bordering areas, where the law and order and order situation is very fragile. Terrorist groups take this opportunity to influence the local communities. The terrorist groups used to pressurize the local businessmen or directly demand to move goods through check posts. In Peshawar, 2015, several businessmen received blackmailed demands from Afghan SIM cards to do the illicit business. Some businessmen failed to pay demands and suffered attacks with grenades.<sup>29</sup>

j. Robbery and theft by armed groups have increased in Pakistan. Terrorist groups have regularly used robbing banks to raise their funds. If they face any sort of funds crisis, then go to banks and other business houses for robbery. They often hijack costly cars.

k. The extremist groups of Pakistan also generate funds from fake goods and drug trafficking. More than 80% of counterfeit goods are imported from China. In Pakistan, 50% of pharmaceutical products are counterfeit which are coming from China. There is no documentation of these products. The government of Pakistan is losing revenue from imports. Illegal import is run by a nexus of shadow businessmen and terrorist groups.

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<sup>28</sup> Hannah Ellis Petersen, "Kidnap, torture, murder: the plight of Pakistan's thousands of disappeared" The Guardian (December 14 2020). <https://www.theguardian.com/global-development/2020/dec/14/kidnap-torture-the-plight-of-pakistans-thousands-of-disappeared>, accessed on February 3, 2021.

<sup>29</sup> United Nations Office on Drugs and Crimes (UNODC), Training Manual for LEAs: Counter Terrorism Financing, 2019.



1. Through fraud credit cards, some anonymous purchase is done by the IT skilled squads of the terrorist groups. Many terrorist organizations allow generating funds in this way.

m. Human trafficking is another source of terror financing in Pakistan. For the betterment of life, many people are moving to Gulf countries and European countries. There are so many illegal manpower agencies in Pakistan. These agencies used to promise to send people to the desired countries to get better jobs. Illegal agencies often cheat people through false travel arrangements. After taking money from the people they close down their offices. In an interview, Professor Sayed Sikandar Mehdi of the Department of International Relations has said,

*“the mushroom growth of illegal travel agencies in different cities of Pakistan made the country jeopardize. There is some terror funding in the illegal manpower agencies. They often cheat on illiterate and poor people. The culture has been developed for the last two decades. This is not only harmful to the Pakistani economy but also social security.”* <sup>iii</sup>

In an interview, Dr. Fouzia Ajmal, International Islamic University, Islamabad, Pakistan has said,

*“the most stigmatic thing for Pakistan is connections of the government with the terrorist organizations. The economy of the country has been highly affected by the feeding to terrorist groups.”* <sup>iv</sup>

In a report of the UNODC (2019), it has been mentioned that illicit money transfer in Pakistan by various terrorist groups is a common phenomenon. The terrorist groups of Pakistan have made the country's financial system corrupted. The common channels of the illegal money laundering system in Pakistan are operated by channels, such as (i) changing small bills to large ones (ii) Purchasing costly assets and luxury goods, vehicles (iii) Exchanging currency, and purchase of foreign currency from illegal money exchangers. (iv) Hawala, digital transfers, postal orders, mobile banking apps (Easypaisa, Omni UBL, etc.). (v) gambling at Casinos, (vi) capital investment in the legitimate business by the terrorists. (vi) charities and donations to the illegal madrasas and other religious and social organizations.



## 8. Baluch Secessionist Movement and Terrorist Connections

In Pakistan, apart from religious terrorism, ethnic-based terrorism is also present. The ethnic identity-based movement has been strongly found in Baluchistan on the issue of development and identity. Due to prolonged deprivation of the rational demands of the Baluch people by the federal government of Pakistan, the Baluch ethnic movement turned into terrorism to some extent. The extremist movement is also supported by external forces. However, many conflicting theories have been advanced regarding ethnic conflicts, which may be broadly categorized into two perspectives—the soft and hard perspectives. In the former view, ethnic groups are inscriptive, firmly bounded entities based on a strong sense of commonality producing considerable loyalty, persisting over time providing larger effective rewards. The groups are also prone to ethno-centralism and the desire to dominate outsiders and liable to conflict behavior based on passion. They also tend to sacrifice for collective welfare.<sup>30</sup> The relation of democracy to ethnicity and religiosity is, to say the least, both uncertain and contingent. Our understanding of democracy as politics makes it imperative on our part to appreciate the contingent nature in the South Asian context. In our form of democracy where number matters more than anything else and the opinion of the majority prevails over that of the minority, the numerically dominant ethnic The secessionist tendency is often created due to exclusion of such groups or ethnic minorities.<sup>31</sup>

The choice of identity is often political ethnic groups are concerned not only with material interests but with symbolic interests too.<sup>32</sup> Ethnic conflicts constitute the human dimension in conflict architecture. From the perspective of society, some scholars consider the concept of state-society; some scholars consider the concept of state security as harmful to the common interest of the society. Ideologies of the state are unable to concede to group demands; thus, it creates the dilemma of how the state can be effective in tackling the challenges. It also raises the pertinent question as to how the state can be secured when the communities feel

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<sup>30</sup>S.N. Nagewara Raw, “Patterns and trends of ethnic conflicts in South Asia: Security implications”, in *Peace and Cooperative security in South Asia*, ed. V.T Patil and N.K Jha.69. (Delhi: P.R. Books, 1983).

<sup>31</sup> Samir Kumar Das, “Democracy’s Three Ripples: Reflections on The State of Democracy in India’s Neighbourhood”. *World Focus* 34, no.7 (July 2013): 5.

<sup>32</sup> Hamza Alavi, “Class and State”, in *Pakistan, the Roots of Dictatorship: The Political Economy of a Praetorian State*, ed. Hassan Gardezi and Tamil Rashid, 25-26. (London: Zed Press, London, 1983).



insecure. The politics of nationalism that is state-centric accentuates a drive for more state power in the name of security.

Pakistani sociologist Hamza Alavi has presented his view from the neo-Marxist argument. He claimed that the ethnic movement for Pakistan was driven not only by religious motives but by the economic and political interests of a salary-dependent class, he maintained, that stood most to gain from Pakistan. After independence this secular-minded salaried class bounded by reference to Muslim ethnicity faced disintegration. Strong regional identities linked to Sindhis, Pashtuns, Muhajir community, and Balochis resurfaced to mount a challenge. To Alavi, their target was the Punjabi salaried class, whose 'hegemonic' powers they opposed, but whose determination not to share power ruined the prospects of common national identity.<sup>33</sup>

Some Pakistani scholars argue that the economic factor is responsible for the Baluch insurgency. Here it is a notable point is that while Baluchistan was considered a "neglected province" majority of the population lacks amenities; its ruling elite enjoyed glamorous lifestyles that provided a different perspective. Common Baluch peoples are actually, deprived economically by the Pakistan Federal Government of Pakistan as well as Baluch elites. There are some rational reasons behind the Baloch extremist movement-firstly, the Government of Pakistan neglected the Baluchistan province from the very beginning. The process of industrialization has not occurred properly. Although in recent years Pakistan government introduced a special economic package for stopping the insurgency movement, called *Aghaz-e-Haqoq-e-Baluchistan*, it was vehemently challenged by Baluch nationalist groups. This group's leader argues the benefits of these policies have not accrued to the native Baluch residents of the province. In terms of the rate of literacy, communication, transport system, jobs, and other developmental activities Baluchistan is the most underdeveloped province of Pakistan. Secondly, the movement of the Baloch people has been suppressed by the federal government of Pakistan very brutally. Many Baloch leaders have asserted and many of them have been kidnapped. In 2008, about 1102 Baloch people disappeared. The human rights violation of the Baloch people by the state forces of the federal government resulted in the extremist movement.<sup>34</sup> Thirdly, The Baluch community is tribal and socio-economically

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<sup>33</sup> Farzana Shaikh, *Making Sense of Pakistan* (London: Hurst and Company, 2009): 44.

<sup>34</sup> Debasish Nandy, "Baloch Insurgency in Pakistan: A History of Deprivation (1947-2013)", *The West Bengal Political Science Review* 15, no.16 (2014):150.



backward. Instead of being uplifted through the governmental policy, the Baluch people have been deprived by the policy of exclusion. In the 1980s, The Baluch movement was supported by the Iraqi Service, and Pakistani Sunni extremist group *Sipah-e-Sahaba* Pakistan and the *Mujahedin-e-kalq*. The Baluchistan movement of Pakistan was supported by the Baluch community in Iran to form a greater Baluch state. Fourthly, the Pakistan government earns a huge amount of revenue from gas fields in Baluchistan. The collected revenues are hardly spent on the development of Baluchistan. These reasons generated discontent among the Baluch people. Sixthly, Since the later part of 2001 thousands of Afghan people entered Baluchistan and most of them are living there for the last 19 years. Due to the illegal infiltration of Afghan people in Baluchistan, a negative impact has been imposed on Baluchistan's socio-political as well as economic sectors. Finally, the government never took a humanitarian outlook to resolve the Baluch demands. Moreover, the government tried to resolve the issue militarily.

### **8.1. Extremist Acts of Baluch Militants and Funding**

In late 2011, the Baluchistan conflict became the issue of dialogue on a new U. S South Asia strategy brought up by some U. S congressmen who said they were frustrated over Pakistan's alleged continued support to the Afghan Taliban which they said led to the continuation of the war in Afghanistan (2001-present). However, in the period from 2003 to 2012, it is estimated that 8000 people were kidnapped by Pakistani security forces in the province. In 2008 alone an estimated 1102 Baluch people disappeared. There have also been reports of torture. The Baluchistan Liberation Army has been accused by Pakistani state agencies of engaging in several domestic violence incidents when the attacks were, however, claimed by another group called *Lashkar-e-Baluchistan*. It has been designated as a terrorist group by the Government of Pakistan. In 2012, Pakistani interior minister Rehman Malik stated that Baluch Republican Party chief Brahamdagh Bugti was operating militant training camps in Afghanistan which were dismissed only after Islamabad conveyed its knowledge of these camps to Kabul. Malik said that the camps in Afghanistan were responsible for training up to 5,000 insurgents who were causing unrest in Baluchistan and Bugti had hired three large houses in Kabul.





The government of Pakistan often alleged India as the key sponsor of terrorism in Pakistan over the decades.<sup>35</sup> Since the beginning, India is supportive of the Baluchistan movement. TTP was financed, sponsored, and run by the Indian government with its proxies firmly established in Afghanistan and enjoying support from other quarters also. Pakistan's government used to blame the Indian consulates in Pakistan for funding other sub-nationalist groups also. The government of Pakistan claims that to destabilize the situation in Baluchistan, India actively plays a significant role promote some sub nationalist groups in Baluchistan. These groups are funded by India. In 2016, some Baluch leaders came to New Delhi to seek more Indian support for the Baluch movement. The Baluchistan Liberation Army (BLA) has been conducting terrorist attacks in Baluchistan. BLA has been considered a terrorist organization by Pakistan, the United Kingdom, and the United States. It is responsible for attacking numerous civilians and armed forces personnel. BRAS, BRG, and Baluch sub-nationalist groups have been created as separatist organizations from BLA. India is supportive of the Baluchistan movement in Pakistan due to a counter-attack on Pakistan for its continuous militancy in Indian territory. On 2nd January 2016 Pak-sponsored terrorist group Jaish-e-Mohammad attacked an Indian Airbase, Pathankot (Punjab). On 18th September 2016, a Pak-sponsored terrorist attacked an Army regiment in the Uri Sector of Jammu and Kashmir.<sup>36</sup> In February 2019, the Pakistani militant group *Jaish-e-Mohammad* had done the deadliest attack in Kashmir and killed about 50 Indian armies. Pakistan is not only promoting terrorism in India but also in Maldives, Afghanistan, and Bangladesh. Considering the regional security India is retaliating against Pakistan.

The Baluchistan movement of Pakistan has been linked with terrorist connections today. It has been supported by the Baloch people of Southern Afghanistan. The Afghan portion of Balochistan is situated in the Chahar Burjak district of Nimruz Province of Pakistan. There is a strong allegation against the state authority of Pakistan that it funds the various militant groups. There is little proof available on the foreign funding for Pakistani militants. Indirectly, substantial amounts of US aid and donor money are being routed through the Pakistani

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<sup>35</sup> Waquar Ahmed, "Indian state-sponsored Terrorism in Balochistan". The News, November 30, 2020. <https://www.thenews.com.pk/print/751520-indian-state-sponsored-terrorism-in-balochistan>, accessed on March 10, 2021.

<sup>36</sup> Debasish Nandy, "India's Pakistan Policy in the Post-Cold War Period: Calculus and Reality", World Focus 40, no.8 (August 2019): 16.



authorities at times. Over the last few years, the FATA of Pakistan has been a sanctuary of the Taliban and A Qaeda. The theory of conspiracy is very much applicable to Pakistan. The US forces are in Afghanistan for the long haul. They are also planning to expand their presence in Pakistan.<sup>37</sup> Some Commentators of Pakistan are arguing that the USA is financing some of the Taliban factions.

## 8.2. Taken Measures to Stop Terror Financing

As per Anti-Terrorism Act 1997, the government of Pakistan has prohibited all kinds of money laundering and charity works by terrorist organizations. But it was not done. On 13th February 2015, the Financial Action Task Force (FATF), International Cooperation Review Group presented a report on the implementation of anti-terrorist acts in Pakistan. After visiting various terrorist-porn sites, FATF has expressed its dissatisfaction regarding the success of Pakistan in restricting terror financing. The US forces had killed Osama Bin Laden and Mullah Mansoor in Pakistan.<sup>38</sup> The network between terrorists and the Pakistani administration remains very strong. This study argues that without the willingness of state authority in stopping terror financing it would be very difficult for Pakistan to remove the tag of 'terrorist state'. The current study also intends to identify the illegal ways of terror financing.

In October 2019, the mutual evaluation report (MER) of Pakistan was published. As per the report, Pakistan has made some progress in applying a risk-based approach to allocating resources and implementing measures to combat key high-risk areas of terror financing. The government of Pakistan is emphasizing stopping cash smuggling. The illegal imports through backchannels are under strong surveillance. Pakistan has formed the National FATF Coordination Committee to follow the guidelines of FATF. At the policy level, the National Task Force meets frequently to organize policy progress and to discuss information.<sup>39</sup>

The Anti-Money Laundering Act, of 2010 has been a special law to override other laws. But, in practice, there is no active coordination between previous laws and current laws. The

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<sup>37</sup> Imtiaz Gul, *The Al Qaida Connection: The Taliban and Terror in Pakistan's Tribal Areas* (New Delhi: Penguin, 2009):240.

<sup>38</sup> 'US Drone Strike in Pakistan Kills Taliban Leader Mullah Mansoor'. The Guardian. 22 May 2016, <https://www.theguardian.com/world/2016/may/21/us-airstrike-taliban-leader-mullah-akhtar-mansoor>, accessed on 12 January 2021.

<sup>39</sup> The Asia/Pacific Group on Money Laundering (APG), 1st Follow-Up Report Mutual Evaluation of Pakistan September 2020. Sydney South, <http://www.fatf-gafi.org/media/fatf/documents/reports/fur/APG-1st-Follow-Up-Report-Pakistan-2020.pdf>, accessed on 10 February 2021.



government of Pakistan has decided to prohibit the illegal transactions of terrorist groups through all banks and financial agencies. The government will keep surveillance on financial institutions, micro-finance institutions, payment system operators, and exchange companies. Pakistan has decided to construct fencing on the volatile Pak-Afghan border.<sup>40</sup> This border is the free passage for illegal transactions and transits for the terrorists of both countries. The Fencing will be built shortly due to another reason. The government of Afghanistan blames the Pakistani military and ISI for supplying money and arms through the open border. In an interaction, Dr. Asifa Jahangir, a Pakistani scholar has said, “*the Pak-Afghan border should tighten to stop illegal money transaction and illicit business by the extremist groups.*”<sup>v</sup>

## 9. Conclusion and Recommendations

Pakistan is a religious volcano. The revengeful defense policy orientation made Pakistan's socio-political milieu jeopardize. The use of militancy for narrow national interest has been very taxing for Pakistan. Today, the government of Pakistan has lost its control over extremist groups. The way the Pakistan government has given leverage to the terrorist groups is vehemently criticizable. The army and ISI of Pakistan jointly admitted radical forces into the state system. Feeding the criminals is a bit wrong. Pakistan's government has been assisted by international agencies and other donor countries for spending money on developmental activities. Instead of spending money on socio-economic development, the Pakistan government is spending the amount on armaments and militancy. Paul (2014)<sup>41</sup> has rightly pointed out that the warrior state makes its trap from which it cannot easily escape. Pakistani Taliban group effectively established its hegemonic presence in around 30% of Pakistani territory. The Pakistani military cannot remove the Taliban and fight against it. So, Pakistan's state has lost its relative autonomy. The state authority has been formulating numerous rules and regulations against illicit monetary transactions of terrorist organizations, but in practice, it is a very hard task for the government. There are two strong pressures before the government of Pakistan (i) internal pressure from civilians, and (ii) the international community. If Pakistan is failed to restrict and prevent terror financing, then it may be blacklisted for global economic transactions forever. Pakistan is not only Jeopardizing itself but also Afghanistan. In an

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<sup>40</sup> Dhruv Ashok, “Balochistan Crisis and Its Implications in the Region”. *International Journal of Research and Analytical Reviewers* 6. no.1(2019): 24-27.

<sup>41</sup> T.V. Paul, *The Warrior State: Pakistan in the Contemporary World* (Gurgaon: Random House India, Gurgaon, 2014): 184.



interview, Gulab Mir Rahmani, an Afghan scholar has said, “*During Taliban regime and after the government of Pakistan has been actively assisting the extremist forces of Afghanistan which resulted in socio-political instability in the country.*”<sup>vi</sup>

In an interview, a notable Tajik Scholar, Dr. Abdugani Mamadazinov has expressed his anxiety about the role of Pakistan in terror financing. He said, “*in the peace process of Afghanistan, the role of Pakistan is very negative. The policy and attitude of Pakistan should have to be changed for greater security interest of the region.*”<sup>vii</sup>

The Pakistan government should try to control terrorism by ensuring modern education and sensitization programs. The government of Pakistan should keep strong surveillance on illicit money laundering. The border should be restricted for trading. The voice of civilians should be given importance.

All connections with terrorist organizations should be eliminated. The punitive actions against the terrorist leaders and extremist forces are to be immediately implemented after being accused. All financial agencies and banks are to be under tight regulations regarding illegal transactions. The tax system of Pakistan is to be revised.

## Notes

- i. Refer to the government website on Zakat for an overview of the programs <http://www.zakat.gop.pk/Programs>.
- ii. Pakistan is one of the countries with the highest share of philanthropic donations in South Asia. Refer to the report by Charities Aid Foundation, <https://www.cafonline.org/about-us/publications/2015-publications/caf-world-giving-index-2015>.
- iii. An interview of Professor Sayed Sikandar Mehdi was conducted by the author on 14<sup>th</sup> January 2021 at Multimedia University, Nairobi, Kenya.
- iv. An interview with Dr. Fouzia Ajmal was conducted on 14th January 2021 at Multimedia University, Nairobi, Kenya.
- v. The opinion of Dr. Asifa Jahangir, Visiting Faculty, School of Political Science and International Relations, University of Management and Technology, Lahore, Pakistan has been received through email.
- vi. Dr. Gulab Mir Rahmany is the Assistant Professor, Department of Sociology, Baghlan University, Afghanistan.
- vii. The interview of Dr. Abdugani Mamadazimov, Associate Professor in the Department of Foreign Area Studies, National University of Tajikistan, Dushanbe was taken on 20<sup>th</sup> September 2019.

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