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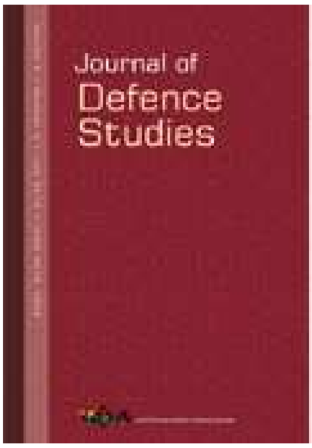
No.1, Development Enclave, Rao Tula Ram Marg
Delhi Cantonment, New Delhi-110010



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Vivek Chadha

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Economic Sanctions as an Option to Fight Pakistan Sponsored Terrorism

Vivek Chadha[*]

Nuclearisation of the Indian subcontinent limits conventional military options available to India for punishing Pakistan's employment of terrorism as a tool of state policy. While India has rightly balanced the use of diplomatic and limited military means over a period of time, even as these remain relevant, the option of economic sanctions deserves deeper analysis for its efficacy and impact. Economic measures can be undertaken both in the form of direct and indirect actions against a target country, individual or an organisation with varied degrees of impact. The US sanctions against Iran are an apt case study, which were successful to a large extent. This article discusses the reasons for the same while underlining contextual differences in the Indian scenario. It further provides options for placing economic sanctions against Pakistan, along with the challenges and potential for impact in each case, thereby providing policy alternatives that can be explored.

The use of proxy war as an instrument of state policy is not a new phenomenon. It was employed extensively during the Cold War by the two main competing powers. India's neighbourhood saw possibly its most decisive impact in Afghanistan: the erstwhile Soviet Union's misadventure in the country and the employment of Mujahideen fighters are the most potent example of proxy war during the period. The Soviets were eventually forced to withdraw from Afghanistan in 1988-89 and it also speeded up its disintegration in 1991. The end of the Cold War

* The Author is Research Fellow with the Institute for Defence Studies and Analyses, New Delhi.

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further resulted in the formal anointment of the United States (US) as the world's sole superpower, though with questions being raised in some quarters soon thereafter.[1] It also saw a reduction in the employment of terrorism as an extension of state policy. However, the experience gained by frontline states like Pakistan provided it with an opportunity to employ it for furthering its strategic objectives. Having mastered the art in Afghanistan and experimented with the same in Punjab during the 1980s and early 1990s, Pakistan jumped at the opportunity to exploit growing unrest in Jammu and Kashmir (J&K) in 1988. After a decade of international disinterest, the impact of 9/11 brought the focus back on terrorism and to its hub in the Af-Pak region. It also highlighted the larger threat emanating from Al Qaeda and Pakistan-sponsored groups such as the Lashkar-e-Taiba (LeT) and Jaish-e-Mohammad (JeM). These groups gradually found themselves on the United Nations (UN) and American list of terrorist groups. Despite this, international punitive action remained constrained given the US reliance on Pakistan, in its Global War on Terror (GWOT). Pakistan skilfully exploited its role in Afghanistan by continuing to employ state terrorism in J&K though these groups. This placed the challenge of countering the transnational threat of terrorism in J&K squarely on the Indian state, despite its international character.

The recent past has witnessed growing concerns with regard to terrorism in the US and Europe, especially in light of attacks in the latter. This has enhanced sensitivity towards victims of terrorism and hardened the resolve to support international efforts against it.[2] However, despite this subtle shift, there continues to remain a narrow focus towards groups that directly impact specific countries and regions. The willingness of countries to initiate action is also guided by parochial geopolitical interests, often at the cost of encouraging terrorism.

This reality raises fundamental challenges for countries like India and Afghanistan, which are victims of state-sponsored terrorism. In looking at the option of using economic sanctions to fight state-sponsored terrorism, this article begins by focusing on Pakistan's employment of terrorism against India. It establishes Pakistan's state-sponsorship of terrorism through authoritative sources, including admission by senior ministers serving the present government and analyses options available to counter it through targeted sanctions, along with the conditions needed for the same to succeed. It includes case studies of past successes, with specific focus on sanctions against Iran. It then discusses the options available for India in using sanctions as a deterrent to cross-border sponsorship of terrorism on its soil.

Pakistan's Complicity in State-sponsored Terrorism

A number of terrorist groups operating from within Pakistan have been listed by the United Nations Security Council (UNSC) regulations and the US, as highlighted in Table 1 below. These inclusions are based on a well-defined, structured and accepted procedure, which has the approval of member countries.[3]

In view of these listings, a fundamental contradiction exposes glaring weaknesses in the international efforts against terrorism. This stems from the continued and unhindered activity of terrorist groups and their leaders in Pakistan, despite their being listed as such. This has not only been reinforced as a result of repeated listings as indicated above, but also on the basis of findings by independent and autonomous international bodies as well as state structures within Pakistan.

An on-site visiting team of the Financial Action Task Force (FATF), International Co-operation Review Group, as part of its report of 13 February 2015 reinforced the widely-held belief that Pakistan has shied away from taking action against selective terrorist groups operating against India. It says:

Table 1 Listing of Prominent Terrorist Groups and Leaders

Group	*UN*	*USA*
LeT	Yes	Yes
Hafiz Saeed	Yes	Yes
Dawood Ibrahim	Yes	Yes
JeM	Yes	Yes
Masood Azhar	–	Yes
HuM	Yes	Yes
JuD	Yes	Yes
FiF	Yes	Yes

Source: US Department of the Treasury Office of Foreign Assets Control, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf; Consolidated United Nations Security Council Sanctions List, https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/consolidated.xsl, both accessed on 7 November 2016.

> Some RRG members are concerned that Pakistan needs to take further actions to ensure more freezing and enforcement of prohibitions of financial transactions with particular terrorist organisations openly operating in Pakistan. The concerns mainly relate to the terrorist groups of Lashkar-e-Tayyiba (LeT) [and its co-listed entities, Falah-I-Insanlat Foundation (FIF), and Jamaat-ed-Dawa (JuD)]…Despite all these efforts, it is not clear that the freeze orders are being fully implemented given that the designated entities JuD and FIF appear to continue to operate openly in Pakistan.[4]

Conviction data in cases of terrorist financing provided in the report goes on to highlight Pakistan's attempts at shielding terrorists involved in the financing of terrorism. A brief summary of the same is listed in Table 2.

The details of convictions rather than being seen merely as numbers, need to be contextualised in relation to the domestic dynamics within Pakistan and the resultant action against very specific terrorist groups (Table 3).

An assessment of terror attacks undertaken by JeM inside Pakistan clearly indicates the basis for action against the group, unlike others which have predominantly been focussed against countries like India and Afghanistan. JeM was involved in an attempt at assassinating Parvez Musharraf. It also attacked Pakistani security establishments, such as the Naval base, PNS Mehran, on May 22, 2011, leading to the destruction of three P3C Orion aircraft.[5] This clearly reflects selective actions initiated by security agencies in Pakistan. Consequently, the convictions have been masqueraded as examples of counter-terrorism measures inside the country.

The duplicity of Pakistan's claims was further reinforced based on the government's formal admission of support for JuD. On 25 March

Table 2 Cases of Terrorist Financing

Year	*Total Cases*	*Convictions*	*Acquitted*	*Remarks*
2011	12	2	5	Charges dropped in three cases and two are under trial
2012	5	1	3	One case under trial
2013	3	0	2	One case under trial
2014	6			Three at investigation stage, in two cases trial is underway and one is awaiting trial

Source: The Financial Action Task Force, International Co-operation Review Group, 13 February 2015.

Table 3 Details of Convictions for Terrorist Financing in Pakistan

District, Police Station	*Case Ref. No.*	*No. of Suspects*	*Affiliation*	*Status/Outcome*
Sahiwal, Ghalla Mandi	332/11	3	Jaish-e-Mohammad (JeM)	Convicted for 10 years rigorous imprisonment with fine
Gujrat, Alamgir	404/11	1	Undetermined	Convicted for 10 years rigorous imprisonment with fine
Faisalabad, Civil Lines	1089/12	3	Jaish-e-Mohammad (JeM) JeM and ART	One of the accused convicted and awarded 1 year rigorous imprisonment

Source: The Financial Action Task Force, International Co-operation Review Group, 13 February 2015.

2015, Farhatullah Babar, a Pakistani Senator, asked the Minister for Interior and Narcotics Control, Chaudhry Nisar Ali Khan the following during a Punjab Senate session:

1. 'whether it is a fact that banned militant outfits are not allowed to resurrect under a different name or as charity organization;
2. the names of banned organizations in the country which have been resurrected as charity organizations and the names of such charity organizations in each case;
3. the present status of Jamatu Dawah?'

Chaudhry Nisar Ali Khan's reply is as given below:

1. 'Any organization proscribed under S 11 B of the Anti Terrorism Act 1997 is prohibited from any and all activities including charity work under a different name.
2.

	Banned Organisation	*Suspect Charity*	*Status*
1	Jaish-e-Mohammad	Khuddamul Islam Jamiatul Furqan Al-Akhtar Trust Al-Rashid Trust Al-Rehmat Trust Al-Anfaal Trust	Banned Banned UNSCR listed UNSCR listed US listed US listed
2	Lashkar-e-Taiba	Jamaatud Dawa Falah-e-Insaniyat	UNSCR listed UNSCR listed

3. UNSCR has listed Jamaatud Dawa as an alias of Lashkar-e-Taiba. Supporting evidence has not been shared with Pakistan to establish such connection. Jamaatud Dawa has been on observation orders under S.11 D of the Anti Terrorism Act since 15 November 2003. Their activities are mentioned by law enforcement agencies. If report of activity that fulfills requirements of S.11 B of the ATA is presented, the organization shall be proscribed.
4. Currently JuD is placed under observation under S.11 D vide SRO no 1040(1)/2003 E. No. 7/26/2001-Pol.1(3)(iv) dated 15 November 2003 and mentioned in all provisions for any suspect activity. Between 2008 and 2010 the offices were closed, however relief was given by the Lahore High Court in WP 19705/2002. Presently, Jamaatud Dawa is engaged in charity and social work, operating hospitals, clinics, schools, ambulance service and religious institutions.'[6]

The details highlighted in this section clearly outline the unrestrained ability of UN sanctioned terrorist organisations inside Pakistan. It further reinforces Pakistan's complicity in employing them as a part of state policy. The following section explores legal options that have been established as part of the international framework and the possible employment of the same.

International Legal Framework Against Terrorism

The listing by UNSC under Chapter 7, indictment by the FATF International Co-operation Review and the admission of Pakistan's Minister for Internal and Narcotics Control that JuD openly operates within Pakistan, clearly suggests that the international consensus on the role and character of terrorist groups like the LeT and JuD and terrorist leaders like Hafiz Saeed and Maulana Masood Azhar is justified. Despite international opinion on these issues Pakistan has openly funded terrorist groups like JuD. This is illustrated by the allocation of funds by Pakistan's Punjab province to JuD from within its annual financial budget.[7]

In cases like the ones cited above, UNSC resolutions provide the mandate for initiating action in support of countering terrorism and, more specifically, the financing of terrorism. Among these, UNSC Resolution 1373 has a specific mandate in relation to countering the finance of terrorism. It was also followed thereafter by the establishment of the Counter Terrorism Committee (CTC), which was tasked with monitoring the progress of the resolution. 'Guided by the Security Council resolutions 1373 (2001) and 1624 (2005), the CTC works to bolster the ability of the United Nations Member States to prevent terrorist acts both within their borders and across regions.'[8] However, as the mandate of the body suggests, it has a mere facilitating role even when country specific expert assessment is conducted. The committee neither has the ability to verify the statements made by specific countries, nor is it mandated to contest the answers on the basis of established facts on ground that seem to be well established. UNSC Resolution 1373, which deals with the financing of terrorism, requires member states to 'prevent and suppress the financing of terrorist acts; criminalize the wilful provision or collection, by any means, directly or indirectly, of funds by their nationals or in their territories with the intention that the funds should be used, or in the knowledge that they are to be used in order to carry out terrorist acts.'[9] It further requires states to 'Deny safe haven to those who finance, plan, support, or commit terrorist acts, or provide safe havens; prevent those who finance, plan, facilitate or commit terrorist acts from using their respective territories for those purposes against other States or their citizens.'[10] This resolution, which falls under Chapter VII of the Charter, includes a direction on behalf of the UN to implement the decisions taken thereof.[11] The failure of the UNSC to even designate Masood Azhar, the leader of JeM as a UN proclaimed terrorist, as a result of the technical hold placed by China, a permanent member of the Council, indicates the ineffectiveness of the UN to take necessary action against terrorist groups, leaders and sponsor countries.

The most stringent laws aimed at constraining terrorism and its finance have been enacted by the US. These empower the government to undertake not just direct military measures against the perpetuators and supporters of terrorism but also apply wide-ranging sanctions against them. Some of the provisions for placing sanctions are illustrative of the measures in place and will be discussed in the succeeding paras.

The US Bureau of Counterterrorism functions as part of the State Department.[12] The Secretary of State designates foreign terrorist organisations under Section 219 of the Immigration and Nationality Act (INA). Based on the record maintained by the Bureau, if the Secretary of State in consultation with the Attorney General and Secretary of the Treasury feel that a group or an individual meet the criteria, the US Congress is notified and given seven days to review the same. If there is no objection received, the name is notified in the Federal Register. The organisation designated must be re-designated every two years. The legal criteria for the designation includes the following[13]:

1. It must be a *foreign organization*.
2. The organization must *engage in terrorist activity*, as defined in section 212(a)(3)(B) or *terrorism*, as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989 (22U.S.C. § 2656f(d)(2)), *or retain the capability and intent to engage in terrorist activity or terrorism*.
3. The organization's terrorist activity must threaten the security of U.S. nationals or the national security (national defense, foreign relations, or the economic interests) of the United States.

This is especially effective when countries have business or individual linkages with designated terrorist organisations. The provisions listed herein, assist in curtailing funding support and business transactions.

The 22 US Code 2371, the prohibition on assistance to governments supporting international terrorism is yet another instrument which is employed by the US Government to stop assistance to a country under the Food for Peace Act (7 U.S.C. 1691), The Peace Corps Act (22 U.S.C. 2501) or the Export-Import Bank Act of 1945 (12 U.S.C. 635), to a country that provides support for acts of international terrorism.

In light of these provisions, it would seem that terrorist groups like the LeT in Pakistan, qualify for suitable legal action under Chapter VII of the UN by the host country. Further, despite mounting proof of Pakistan's complicity with these groups, little effort has been made to hold it accountable as a member of the UN. However, events of the last decade suggest that this has not been the case. The US, despite opting for a military operation inside Pakistan to eliminate Osama Bin Laden and killing of Mullah Mansoor,[14] has walked a tight rope in its dealings with Pakistan. Despite the stringent constraints that are posed to stop assistance under the said acts, the US well realising the need for controlling the flow of aid, also includes the provisions for a waiver controlled by the President based on national security or humanitarian conditions.[15] The carrot and stick policy followed has focussed on direct threats aimed at US interests, even as others have remained at a lower priority, including those affecting India. In contrast, Pakistan's behaviour reflects on its perfunctory disregard for UN sanctioned actions.[16] It also indicates the inability of the UNSC to implement its mandate. This raises questions regarding its efficacy, especially in light of support for Pakistan from veto wielding countries like China, which have repeatedly blocked designation of Masood Azhar the leader of a UNSC designated terrorist organisation JeM.[17]

Financial Sanctions against Pakistan: An Option for India?

Most military planners learn and employ the term manoeuvre warfare. A classic on manoeuvre warfare by William Lind relates it to the ability to undertake successive 'observe, orient, decide and act (OODA)' cycles, a term coined by Colonel John Boyd, faster than an adversary. Lind says, 'Manoeuvre means Boyd Cycling the enemy, being consistently faster through however many OODA Loops it takes until the enemy loses his cohesion—until he can no longer fight as an effective, organised force.'[18] The decision to strike at terrorist launch pads along the LoC, and claim the same, should be seen as one of the successful attempts at beating Pakistan's OODA cycle in the aftermath of the Uri attack on 18 September 2016. It goes to the credit of the Indian government that they were able to seize the initiative from Pakistan and for once upset their carefully rehearsed narrative, thereby upsetting their OODA loop. However, as Lind suggests, the ultimate loss of cohesion can only come about through a consistent ability to remain ahead of the adversary.

This condition, however desirable, is difficult to achieve by military means alone against a country that retains its relevance in certain quarters owing to geopolitical realities.[19] Further, the existing military balance does not allow the creation of asymmetries that are desirable for substantial advantages. This is especially the case given the nuclear deterrence in place, which constrains the ability of the Indian state to employ military power to force compellance.[20] Finally, the creation of military instability remains fundamentally against India's core interest of building its economy. This raises the need to recognise the *Schwerpunkt* or the 'point of main effort' against the Pakistani state. All other actions must be carried out in support of this objective. It is evident from the structure and character of Pakistan that success against terrorism can come only by making the cost of undertaking it prohibitive for the Pakistani Army. There are different ways, both individual or collective, to achieve the same.

A case study of Iran in this regard is instructive. It illustrates the employment of a number of elements of hybrid warfare by the US led-effort, of which economic sanctions proved to be a vital component. An assessment of Pakistan's methods also indicates reliance on hybrid warfare, with elements ranging from the use of force on the LoC against India, employment of terrorists supported and backed by state machinery, subversion of the population in J&K through false propaganda, information warfare to include cyber attacks, funding of protests, and the introduction of fake currency notes. India's response and proactive steps in this regard have relied more on more conventional and traditional tools of statecraft.[21] This includes military responses on the LoC and diplomatic endeavours to expose Pakistan. This raises the need to assess the feasibility of leveraging India's fast growing economic influence through direct and indirect economic sanctions, in addition to the options that have been employed in the past.

The impact of economic sanctions is related to the nature of trade between two or more countries or financial institutions that can be influenced by the country that chooses to impose sanctions. This is most effective in case of nations that have a high stake or influence on the economic interests of the target country. The targeted sanctions imposed by the US in this regard presents the most potent employment of this option, as witnessed in the case of Iran. Suzan Maloney, while reinforcing the reasons for Iran sanctions to succeed, highlights, in contrast, the limitations experienced in relation to Russia.[22] Maloney indicates the relative ineffectiveness of sanctions against Iran since 1979 until certain critical factors came together to add bite to the sanctions regime. These included the long attempted and awaited support by allies of the US on the issue of nuclear proliferation; change in strategy by the US, which saw it link Iranian financial institutions with individuals, banks, companies and countries while drafting the sanction regime; inclusion of rivals like China and Russia in a bid to sanction Iran, possibly given the threat emerging from nuclear proliferation; and adverse impact on Iran's financially critical export of oil. The Iranian case study suggests that even an economic powerhouse like the US could not ensure the effectiveness of sanctions until it was able to bring to bear the combined impact of major powers on the country. And this could only be achieved on an issue that forced countries to unite, given the potential threat posed by the nuclearisation of Iran, when compared with the benefits of trading with it or the bilateral fallout in relations.

In case of Iran, the nature of sanctions are indicative of the extent of curbs placed by the US. These curbs virtually strangulated the Iranian economy, thereby having a severe financial impact on the government and its ability to effectively administer the country. As an illustration, on 25 November 2011, then US President Obama signed the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA); this was followed by executive order 13590 which aimed at constraining Iran's petroleum resources, thereby attempting to address the linkage between Iran's energy sector and nuclear programme.[23] Furthermore, Section 12 of the National Defense Authorization Act, threatened to cut 'foreign financial institutions that knowingly facilitate significantly facilitate significant financial transactions with the Central Bank of Iran (CBI), or with the Iranian financial institutions designated by Treasury', their direct access to the US financial system.[24] However, as seen with acts that deal with terrorism, this act also retained provisions for a Presidential waiver, thereby, ensuring primacy of American interests.

There is general consensus that India's strategy against Pakistan must include all elements of state power within the realm of diplomacy and military means. A section of analysts have disaggregated various options to include targeting terrorist leaders, advancing support for ongoing insurgencies within Pakistan, and reassessing the Indus Water treaty.[25] However, there is little focus on the possibility of building economic pressure on Pakistan. Two exceptions include George Perkovich and Toby Dalton's recent book, which analyses the impact of economic sanctions and Rajeev Chandrashekhar, a Rajya Sabha member's demand for declaring Pakistan a terrorist state, along with the imposition of sanctions.[26]

The need to explore the potential impact of economic sanctions beyond the existing steps enunciated stems from the linkage between the Pakistan Army's ability to fund and support terrorism against India with its generous financial outlay. Consequently, a cost on its finances could force a rethink on the cost benefit analysis of such actions. This does not imply that the focus of India's actions must solely shift towards economic options alone. On the contrary, it could potentially become the third leg of the triad, which includes diplomatic pressure, military and economic measures. The following section of the paper analyses the options available to India to employ economic constraints against Pakistan, as part of the instrumentality available to ebb the flow of terrorism from across the border. It will further indicate whether it has the potential to become the centre of gravity of ongoing efforts.

Enhancing Financial Constraints on Pakistan

Economic sanctions can be applied on a country directly as well as indirectly. Direct sanctions designate the target country, terrorist groups and/or individuals operating within and receiving support from it. The objective of these sanctions is to *directly constrain* economic viability by freezing assets, limiting trade and specific supplies that can augment the ability of a country to continue with its disruptive efforts. The focus is on creating an effective concert of nations that can target the country concerned. As an illustration, the targeting of an intelligence agency, individual state or non-state leaders or financial institutions involved in supporting and funding terrorism could be sanctioned.

In contrast, *indirect sanctions* aim to employ a country or a group of country's influence to make business dealings conditional on compliance of laid down criteria in relation to a target country. As part of indirect sanctions, a country could make business contracts conditional on the fulfilment ofspecific conditions. This could include severing financial ties with a target country, organisations or specific individuals.

The option of sanctions must be seen in light of three issues. The first is the scale of existing trade, both formal and informal, in order to understand its impact even if it were to be curtailed. The second is the willingness of major world powers to support an Indian-initiated sanction regime. The third the appropriateness of the cause that can or cannot galvanise world opinion. This paper will analyse five ways of targeting Pakistan's direct support for terrorism, both through direct and indirect sanctions. The potential impact of these sanctions will further be correlated with the challenges that are posed in implementing the same.

Direct Sanctions

Option I: Trade Sanctions by India

The formal trade between India and Pakistan for the year 2015–16 was US $2612.16 million, of which the exports accounted for $2171.14 million and imports $44.03 million. The trade volume has remained between $2–3 billion between 2012–13 and 2015–16, indicating the trajectory of trade between the two countries.[27]

In contrast, the informal trade between the two countries has generated greater volumes. An Indian Council for Research on International Economic Affairs (ICRIER) report published in 2016 attempts an assessment of informal trade between India and Pakistan.[28] Its figures for informal trade for the year 2012–13, suggests export figures of US $3,992 million and import figures of $721 million for a total trade figure of US $4.71 billion. Amongst this, over 50 per cent of Indian exports include jewellery, textiles, machinery and machine parts, and electronic appliances. In contrast, textiles, dry fruits and spices comprise 90 per cent of informal imports from Pakistan. Further, data available through the Pakistan Bureau of Statistics for major imports and exports from Pakistan from July 2014 to May 2015 indicates that exports to India list at serial 14 with a percentage of 1.71 of the total exports from Pakistan, with the USA, China, UK, Afghanistan, Germany, United Arab Emirates (UAE), Spain, Bangladesh, Italy and Netherlands forming the top 10.[29] Conversely, India lists at serial 6, in terms of imports into Pakistan, with a percentage of 3.81. China, UAE, Saudi Arabia, Indonesia and Japan form the first five.

The barter trade between India and Pakistan across the LoC stood at $164.52 million for the year 2014–15.[30] Over the years this has succeeded in establishing a resolute mechanism, which has barely been affected by either disturbances on the LoC or by the nature of bilateral relations between the two countries.

The data suggests that, first, India-Pakistan formal trade does not involve critical commodities, which can or are likely to create a serious scarcity of any essential item as a result of bilateral sanctions by India. As an illustration, the import of raw cotton cannot be considered a critical import for Pakistan. This, therefore, does not provide any substantial economic leverage to India in respect of Pakistan. Second, the balance of trade, both formal and informal remains in India's favour and is more likely to harm the interests of Indian traders. Third, the total volume of trade is so low that it is unlikely to become a cause of concern as part of Pakistan's overall trade and commerce activity. Even in the case of informal trade, where the volumes are almost double, the overall balance remains in India's favour, involves non-critical commodities, and represents a relatively low volume of overall trade. Finally, barter trade across the LoC is an even smaller percentage of trade between the two countries. Therefore, any attempt to curtain any of these is more likely to have a symbolic impact rather than a substantive one.

Option II: Multilateral Trade Sanctions

The history of multilateral trade sanctions remains chequered. There have been few examples of such sanctions and even fewer of their successful implementation. The sanctions against Iran stand out as an exception, and that too as a result of the perceived inability to access the US financial system by major economic powers rather than direct trade sanctions. However, as part of evaluating the option, the analysis of trade data provides certain indicators. The top five export markets for Pakistan include the US, China, UK, Afghanistan and Germany. With the exception of China, there is potential in creating a collective consciousness against state terrorism amongst the others. The domestic import market of these countries can further be linked to compliance on counter-terrorism measures undertaken. Since Spain, Italy, Netherlands are also included in the top 10, the European Union can be approached to legislate broader counter-terrorism compliance guidelines for all member states. Afghanistan and Bangladesh, which are directly affected due to Pakistan's actions, could also cooperate on improving its counter-terror compliance. Since this directly impacts foreign exchange earnings and the income of influential entities within Pakistan, there is a possibility of it yielding desirable results through pressure on the Pakistan state and its army. Creating these conditions, however, remains a challenge.

Option III: Sanctions on Key Individuals and Entities

The support to terrorism from key personalities, entities and organisations as well as inadequate implementation of UNSC resolutions, FATF guidelines and country-specific laws can become a basis for sanctions. The certification system followed by the US in terms of action against the Haqqani Network is a case in point, which will be analysed later in the article.

Unlike most functional democracies, the armed forces in Pakistan, either directly or through its retired fraternity, run legitimate businesses that represent a very substantial percentage of trade volume. As an illustration, on the farthest end of the spectrum this includes the Askari Bank in Pakistan, which was acquired by the Fauji Foundation in 2013.[31] The Fauji Foundation is chaired by the Secretary, Ministry of Defence and its members include the Chief of General Staff Pakistan Army, Adjutant General, Quartermaster General, Chief of Logistics Staff, Deputy Chief of Naval Staff and the Deputy Chief of Air Staff.[32] Each of these is either a retired or a serving officer from the armed forces. A similar structure can be seen with other foundations with a wide range of businesses that are run by them. Non-compliance of existing resolutions, which demand curtailment of funding and support to terrorist groups, can be linked to establishments that raise funds for the defence forces.

Indirect Sanctions

Prior to assessing the potential and possibility of indirect sanctions on Pakistan-based groups or even state institutions, it is important to reinforce that much like direct sanctions, which can be declared by one or more countries against another—or more specifically against organisations, entities and individuals—the success of indirect sanctions also depends on the ability to orchestrate the same as part of a larger group of countries. The viability of the same has to be ascertained prior to its application to ensure that the intended objective can potentially be achieved.

Option IV: Indirect Sanctions Through Domestic Provisions of Partner Countries

For sanctions to be effective, a country or a terrorist group must be financially constrained, as has been witnessed in case of groups like the Liberation Tigers of Tamil Elam (LTTE) in the past. This can be achieved by linking financial dealings that support terrorist groups with laws that prohibit the financing of terrorism, as part of domestic regulations or internationally mandated and enforced regulations. It is also critical that sanctions in place include countries that have the financial muscle to make a perceptible impact on the activities of countries or institutions that are sanctioned. As an illustration, The US National Defence Authorization Act of 2008, as amended in 2013, 2015 and 2016, places limitations on reimbursement of Pakistan-pending certification. The Act requires the US Secretary of Defense certify to the Congressional Defense Committees that:[33]

1. Pakistan continues to conduct military operations in North Waziristan that are contributing to significantly disrupting the safe haven and freedom of movement of the Haqqani Network in Pakistan;
2. Pakistan has taken steps to demonstrate its commitment to prevent the Haqqani Network from using North Waziristan as a safe haven; and
3. the Government of Pakistan actively coordinates with the Government of Afghanistan to restrict the movement of

militants, such as the Haqqani Network, along the Afghanistan-Pakistan border.

At present, a similar provision does not exist for terrorist groups funded, nurtured and supported by Pakistan and acting against India. However, an endeavour to highlight the linkages between sanctioned groups like the Haqqani Network and terror groups which operate against India, to bring them under the same law can help build pressure on Pakistan. There is, however, a critical factor that needs to be flagged even as such measures are envisaged. Any specific inclusion of India, or groups operating against India would require certifications by a senior US functionary related to adequacy of steps taken by Pakistan to continue with existing aid. If at a later date, the US finds it in its national interest to provide aid despite inadequate measures by Pakistan, it is likely to ignore ongoing support to terrorism by Pakistan. In such a case, the decision will virtually certify that Pakistan is doing enough against terrorist groups operating from its soil, which will defeat the purpose of the law from an Indian perspective. Therefore, ideally, initiation of action by the US must not specifically relate or reference India, in order to buffer Indian interests from changes in US policy.

Option V: Indirect Sanctions by Leveraging the Buyers Clout

The last option open for India includes the use of its buyer's or business clout to seek sanctions on Pakistan for funding and supporting terrorist groups. This can best be achieved by linking the purchase of equipment from major manufacturers of weapons and critical equipment, with severing links with terrorist sponsors. This would translate into creating pressure on weapon manufacturers, which are major suppliers for India, to cease supply of weapons and critical spares to Pakistan. As an illustration, the buyer's contract signed by India with a company can include a clause to desist from sales to state sponsors of terrorism. Similarly, a financial establishment that is linked with India for business, can only continue to conduct business by quarantining itself from financial institutions of terror supporting countries. India can also explore the option of buying out cash strapped weapon manufacturers, in order to control the supply of their equipment to Pakistan. Similarly, procurement of assembly lines of critical weapon platforms can be considered to further influence the supply of critical spares. This method can help bring pressure not only on supplies to Pakistan but also sever business interests with financial and business establishments owned and controlled by the Pakistani armed forces.

This option can only be successful if a careful assessment of India's influence on businesses which have substantial business stakes becomes the basis for imposing sanctions. Similarly, the grant of waiver to such sanctions must remain an exception rather then the rule when selection of entities is conducted. A country or a company is more likely to determine its decision on the basis of its national of economic interests. Therefore, the identification of economic pressure points to achieve salience remains the most important factor that can potentially help in achieving successful results through indirect sanctions.

Conclusion

The option of employing economic sanctions has a chequered history. There have been few examples of successful enforcement of a state's will. The success of the option largely depends on the influence and impact that a state can bring to bear on the target country or its entities. It is also related to the orchestration of allies for the same cause to enable widening of the net and strengthening of punitive measures applied. This orchestration could result from a common perception of the threat or the economic losses that others could incur by not agreeing to the sanction regime. In the case of Iran, both aspects came together to enhance the effectiveness of sanctions. However, in India's case the convergence of similar conditions does not exist and limits the ability to employ economic sanctions as the centre of gravity of the country's counter terrorism efforts against Pakistan. However, certain options that have been listed above, do provide options ranging from symbolic impact to a contributory one in the ongoing fight against terrorism.

Table 4 provides a summary of the same. The table is not based on a quantitative model but sums up the options analysed earlier and, based on an assessment of India's influence in each sphere, underscores challenges likely to be faced and impact that could be achieved. The assessment suggests that the least challenging option is trade sanctions imposed by India, since these remain within the country's domestic control. However, despite being the easiest to implement these would most likely have merely a symbolic impact, given the low volume and absence of critical trading goods. Similarly, multilateral trade sanctions have the potential to have the maximum impact, but will be the most difficult to implement in light of challenges involved in building consensus on

Table 4 Application Challenge and Impact of Economic Sanctions

Measures	*Partnerships Needed*	*Challenge for Application on Scale of 1-5 (ascending scale)*	*Likely Result*
Trade Sanctions by India	India specific.	1	Symbolic
Multilateral Trade Sanctions	Pakistan's major trading nations in Europe, US and Asia.	5	Will affect state and individual revenues.
Sanction of key individuals and entities	Pakistan's major trading nations in Europe, US and Asia.	4	Will affect armed force and individual revenues.
Through Domestic Provisions of Partner Countries	Major powers like the US and EU.	4	Will affect flow of aid to Pakistan.
Leveraging Buyers Clout	Will be dependent on India's ability to exploit the scale of business interests it can leverage, especially in contrast with the market provided by Pakistan to individual and state entities.	3	Likely to impact key sectors, especially defence, if leveraged effectively.

the issue. Exploitation of domestic provisions of a third country also has its set of challenges. The US has already reduced the flow of financial assistance to Pakistan under its domestic law. However, this has been linked with what it considers its core interests in terms of jihadi groups that pose a direct threat to the country. There is as yet inadequate evidence to suggest that Pakistan's unwillingness to undertake more stringent action against terror groups focusing on Kashmir could also become the basis for similar sanctions. This is also the case for select individuals and entities at present. This leaves the option of exploiting the buyer's clout by India. This is as yet an untested option. It is also an option that could strengthen in terms of its effectiveness over a period of time, as India's economic leverages increase. However, it is certainly an area that deserves greater research in terms of a feasibility study, especially when related to the defence industry. India is the largest importer of weapons in the world, which provides it with the potential leverage with exporting countries and companies. The possibility of exploiting this to control export of critical weapons and spares to Pakistan on the basis of its counter terrorism record is an option that deserves closer scrutiny. The process can best be initiated through a law that requires certification that weapons and warlike stores are not being supplied to individuals and countries that are found complicit in state sponsorship of terrorism, to provide the domestic legal basis for indirect leverage against countries like Pakistan. This will indicate India's intent and facilitate the creation of a coalition of willing amongst countries that are threatened by jihadi terrorism emanating from Pakistan.

This must be followed by immediate placement of sanctions on UN-designated terrorists under Indian law, a step which is likely to have greater acceptance internationally when compared to those groups and terrorist leaders who are yet to be placed on this list. Further, the inclusion of terrorists such as Masood Azhar here, despite not being on the UN list, given the likely support from major countries on the same, could help further isolate China's coloured stance on the issue.

International organisations like the FATF may not have powers that are sanctioned by the UNSC; at the same time, they cannot be held hostage as the UNSC has been done by China using its veto powers. India must, therefore, continue to build its intelligence dossiers on the violation of existing UNSC resolutions by Pakistan-based terrorist groups, state entities and individuals, in pursuit of countering the finance of terrorism guidelines as elucidated by FATF. Also, FATF's negative observations must further be reinforced to ensure stringent action by Pakistan against terror groups. This could, over a period of time, become a source of independent indictment of individual entities and would help build an effective sanctions regime if the Pakistani state remains stubborn in refusing to take action, as has been the case in the past.

Unlike the case of Iran, it is significant to note that similar conditions are unlikely to be created in case of Pakistan unless the threat emanating from terrorism can be presented at a global scale, as was the case with proliferation. Conversely, it can succeed when supporting countries perceive greater economic loss by not supporting India in enforcing sanctions, when compared with continuation of status quo with Pakistan. The prevailing conditions are unlikely to present circumstances that will allow behaviour changing sanctions to be applied against Pakistan. In the absence of the same, it is incumbent on India to selectively apply economic sanctions on targetted terrorist groups, leaders and complicit government and non-government organisations, in concert with other diplomatic measures and limited military means to control the flow of terrorism from Pakistan. However, before a combination of these elements is applied, the likely end state, support from partner countries, and the means at India's disposal deserve a closer analysis to ensure realistic assessment of its impact, on the basis of current and emerging realities.

The changing character of war has led to the salience of non-kinetic means in the quiver of hybrid warriors. Economic sanctions are one amongst these means. While it is important to understand its applicability and potential for employment in India's context, it is equally relevant to realistically assess its effectiveness under prevailing conditions. The growing economic influence that India is likely to wield in future, suggests that its implications should be understood on the basis of available evidence. This should further lead to necessary groundwork for employing it as and when feasible.

Notes

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