

Will Demonetisation Overshadow the Kashmir Challenge?

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ABSTRACT In an announcement that caught the nation by surprise, Prime Minister Narendra Modi ordered the demonetisation of INR 500 and INR 1000 notes of the Indian currency in November to arrest 'black money', end corruption, and choke terrorist finances. This move represents a policy departure and it has far-reaching implications. As national debate has been hijacked by the possible fallouts of demonetisation, other critical issues have been pushed to the margins—including cross-border infiltration, initiating political dialogue, and refurbishing the security architecture in Jammu and Kashmir. But the terror funding module in place in J&K is not likely to be affected to a significant degree by demonetisation, as terror outfits would only continue with their activities with some improvisations. This paper argues that the demonetisation policy has come to haunt India's security establishment in J&K as it is failing to strike effectively at terrorist organisations.

INTRODUCTION

Prime Minister Narendra Modi announced without any preamble the demonetisation of INR 500 and INR 1000 notes of the Indian currency on 8 November 2016. Since then, public opinion on the policy announcement has been sharply divided. The decision encapsulates the Modi government's newfound insistence on promoting its own doctrine of 'security'. It signals the prime minister's intention to employ all feasible means to protect India's security and internal environment. Curbing 'black money' and choking terrorists' financing channels under the new security doctrine seem to have become a means of

ensuring all security objectives. As is often the case with such major policy departures, the newly defined 'security' might well represent a remarkable redirection of India's security and strategic policy, with far-reaching implications. The biggest challenge raised against PM Modi's move is the significance of cash as a component of terrorist financing and money laundering networks in India.

The government's belief seems to be that alternative economic methods could ensure national security more effectively than traditional ones. It is true that unprecedented

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economic measures are not meant simply to facilitate economic activity, but rather to serve as a tool in advancing security goals. Unfortunately, however, the road ahead for India, even when paved by the prime minister's noble intentions and skilful tactics, is not without its potholes. The demonetisation policy has not been able to strike effectively at cash-driven terrorist operations of the Islamist jihad variety in Kashmir, or the activities of insurgents in eastern and central India.

At the same time, the political and economic confusion created by the demonetisation have come to increasingly hurt India's internal security rather than providing the government with an opportunity to achieve its stated objectives of flushing out black wealth, ending corruption, or clamping down on terrorist financing. The broader security goals of the country are getting entirely sidetracked by domestic politics and pressure. All national debate has been hijacked by the possible fallouts of demonetisation, in the process, marginalising the critical issues of cross-border infiltration, starting of political dialogue, and refurbishing the security architecture in Jammu and Kashmir.

Kashmir has become a place where achieving a successful outcome presents so many daunting problems to the government. In a region characterised by acute sensitivities and bruised egos, the central government should tread carefully to avoid stirring up fears and apprehensions among the Kashmiri people. Unfortunately, many of much-needed initiatives have been effectively thwarted by the currently polarising political environment. Moreover, the objectives of terrorists and insurgents do not seem to have been deterred.

It is a well-known fact that Kashmir insurgency is sustained by terror financing from across the border. The vast terrorist infrastructure in Pakistan provides the Kashmir-based terror groups with training, weapons and money. The *Hawala* route is mainly used as a means to ease money laundering and terror financing in Kashmir. How the terror funding module in place right now will be affected by

demonetisation is an open question. For even as the money stored with terrorist operatives in the form of big currency notes may have now become nothing more than pieces of paper, it will take them little time to collect money again. Given the challenges in converting all transactions in cashless mode following demonetisation, the terror outfits are likely to continue with their tactics, albeit with some improvisations. After some time, fake currency can also be reintroduced into India. Clearly, what this demonstrates is that any measure focused purely on the economic dimension will be needlessly handicapping, limiting and shaping both policies and outcomes.

STATE SECURITY APPARATUS

Of the 3,323 km-long India-Pakistan border, 1,225 km falls within Jammu and Kashmir (J&K), including the Line of Control (LoC) and 553 km in Punjab. The International Border (IB) runs from Paharpur on Kathua-Punjab border to Chicken's Neck area of Akhnoor, north of Jammu. While the Border Security Force (BSF) guards the IB, the Army and BSF guard the 744-km long LoC, which serves as de facto boundary between J&K and Pakistan-occupied Kashmir (PoK).

Around seven lakh security personnel are deployed in J&K. The Army's total strength is half of it. The basic policing responsibilities remain with the state police, with considerable support from the Central Reserve Police Force (CRPF), India's largest paramilitary force. The Rashtriya Rifles, which is the Army's specialised internal security and counterinsurgency force, is also designed to assist the state police. The main responsibility of countering terrorism has been with the Army and the paramilitary forces. The BSF and CRPF are stationed in large strength in cities and towns that are the hubs of insurgent and terrorist activities. They are also used for keeping the highways open.

LOCATION OF MILITARY BASES

Increasingly frequent attacks on Indian military bases situated in Punjab and J&K is a matter of

serious concern. Most of these camps are from a pre-insurgency era, leaving them vulnerable to breach and infiltration.¹ While Pathankot, for example, had a security wall, most bases only have a basic fence. This is a well-known fact that even a well-protected military base will experience slackened security measures during long periods of terrorist inactivity. During periods of high terrorist activity, security is enhanced; when the threat subsides, so does security awareness. Terrorist operatives are keen on this point.

With every incident, there is renewed focus on these vulnerabilities; however, nothing much is done to overcome them. The terrorists have now switched from Uri on the LoC to Nagrota, deeper in. The selection of a corps headquarters for a terror attack is symbolic and a clear signal that Pakistan's jihadist network has upped the ante. There has been substantial evidence of local support and sanctuary for the infiltrators in Pathankot, Uri and Nagrota. This is another disturbing aspect of India's border areas which are notorious, to begin with, for the smuggling of weapons, drugs and counterfeit currency. The border areas deserve better administration and policing than what they have at present.

ATTACK ON NAGROTA: CHANGING PATTERNS

The 16th Corps Headquarters at Nagrota and a BSF border outpost at Chamliyal near Samba in Jammu were simultaneously attacked by heavily armed terrorists on 29 November 2016, exactly two months after the Indian Army carried out 'surgical strikes' across the border. The terrorists were dressed in fatigues, and entered the officers' mess of Nagrota camp, where women and children were then present. A hostage situation was averted by the troops, but at a heavy cost.² It was the biggest terror strike since the September 18 Uri attack. The Nagrota attack has once again underlined the terrorists' readiness to inflict large-scale casualties, utterly undeterred by considerations of personal survival.

Of late, terrorists from across the border have begun to target India's vital defence installations

located along the international border in Punjab or Line of Control (LoC) in Jammu and Kashmir. The modus operandi has largely been unchanged – Gurdaspur, Pathankot, Uri, and now Nagrota—as terrorists enter camps of security forces and then fire indiscriminately to cause maximum casualties. However, the pattern of insurgency is undergoing a remarkable shift as simultaneously the police and paramilitary forces are being kept engaged in containing civilian unrest. All this provides a glimpse of an explosive ingredient being added to the hybrid nature of terrorism-driven insurgency in Kashmir.

The pattern that is emerging is dangerous: the supporters and sympathisers of the insurgents in Kashmir are keeping the police and paramilitary forces occupied with continued protests and defiance. The sleeper cells have been activated and their members instructed to keep the pot boiling. Carried out under the banner of 'protest', the acts of selective indignation and civil disobedience are aimed at damaging property, disrupting transportation systems and government operations. Insurgents are able to move rapidly within and between these 'homegrown' cells.³ The general public is being kept in an agitated mode, with more attacks on police personnel and their families. Hiding behind the shield of agitators and protesters, insurgents are free to operate with impunity.

On a second front, Pakistan-based terrorists have been attacking the camps of the Indian Army and keeping them preoccupied in self-defence. During the last year, terrorists have selected their targets and victims for their maximum shock value. This consideration was particularly evident with terrorist attacks such as those in Pathankot, Uri and Nagrota. Even though there were guards, detection devices and perimeter security in these defence installations, the element of surprise was employed to overwhelm the human factor in their security system.

Demonetisation has not deterred the insurgents in their designs. They have already given enough hints of changing their tactics. Kashmir Valley has seen a sudden spurt in the attacks on banks, coinciding with the move to

demonetise notes by the Central government. On 15 December 2016, militants looted more than INR 10 lakh from a branch of J&K Bank located in South Kashmir's Pulwama district.⁴ Only a week before that, militants looted more than INR 13 lakh from a branch of the J&K Bank in Arihal village in Pulwama, over 30 km away from Srinagar. The police have related the robbery with the demonetisation move.⁵ Earlier, on 21 November 2016, the Lashkar-e-Toiba (LeT) had robbed the J&K Bank's Malpora branch in central Kashmir's Budgam district of INR 14 lakh.⁶ An already thinly stretched police force will now have to ensure the security of banks to prevent these kinds of incidents.

IMPACT AND STATE RESPONSE

Pakistani strategists have long seen the *jihad* in Jammu and Kashmir as a means to bleed India. They have employed the new hybrid model of terrorism combined with insurgency, forcing the Indian government to commit additional military and paramilitary troops in an effort to stabilise the situation in Kashmir. The tactical shift, which has brought them a number of successes in Kashmir for a variety of reasons, appears aimed at the following objectives:

- a) immobilise the response capacity of the security forces by confining them to their military bases;
- b) reduce the vigil of security forces along the Line of Control (LoC) in order to facilitate more terrorist infiltration;
- c) prevent the combing operations carried out by security forces in the remote, hilly areas and suspected hideouts of insurgents;
- d) frustrate and dampen the morale of security forces personnel deployed in Kashmir;
- e) turn the entire Muslim population against the presence of the Indian state in Kashmir.

The Pakistan Army is now fighting not to achieve a strategic outcome but to create conditions in which that outcome can be achieved by other means. Unfortunately, all this is failing to get adequate coverage by the media.

Thrown into confusion by the advent of this hybrid nature of insurgency, visibly clueless security practitioners in Kashmir are reacting indecisively. There is no indication that this changing pattern of insurgency is being considered seriously by decisionmakers. Rather, the security establishment in Kashmir seems to be reacting in a way that is not only ineffective at preventing attacks that are regularly taking place but also dangerous both for the troops deployed and for those whom they are sent to protect. Further, no serious effort has been made to upgrade the operational and intelligence capabilities of the Jammu and Kashmir Police. According to intelligence officials, use of fake notes of the newly introduced currency would not take long.⁷ This emerging reality should be well understood across the government agencies dealing with Kashmir.

KASHMIR POLITICS IN FLUX

All this is happening in the context of the alarming speed with which the political dynamics in Jammu and Kashmir is changing. With the People's Democratic Party (PDP) fast losing credibility in the eyes of the people due to its continued association with the Bharatiya Janata Party (BJP), new political alignments have been taking place in the State. The National Conference (NC) is drawing close to the Hurriyat. The NC President Farooq Abdullah has publicly backed the separatists, urging the Hurriyat to unite in their movement and calling on his party cadre to back the Hurriyat. Abdullah had previously issued a controversial statement questioning India's stake on Pakistan-occupied Kashmir.⁸ The PDP and the BJP are finding it extremely difficult to work together in a political environment which is in flux. Recently, Chief Minister Mehbooba Mufti left a Cabinet meeting midway after a rift with a BJP minister over the issue of restructuring state police service.⁹

Notwithstanding all possible differences over the approach to be adopted to resolve the Kashmir conflict, the real challenge is about the lack of consistent and focused efforts by the central

government. These are not just idle debating points, but go into the heart of the political environment that India seeks to create in Jammu and Kashmir.

Indeed, political inertia has immobilised Kashmir. It will be highly unfortunate if the central government becomes accustomed to the notion that the use of force is the only way to defend the territory. India must defend its territory and democracy from the aggressive ambitions of jihadist forces in Kashmir. But now moral confusion seems to be reigning, as there is no longer a clearly charted path forward. A polarised perception of the Kashmir problem is an important source of indecision in India's policy-making. They reinforce – and are reinforced by – biases over identity, and predispose security actors to emphasise or downplay particular priorities and policies.

Addressing political issues, even more so than economic issues, is a crucial component of an effective counterterrorism strategy. As economists Alan Krueger and Jitka Maleckova put it, “Terrorism is more accurately viewed as a response to political conditions and long-standing feelings (either perceived or real) of indignity and frustration that have little to do with economics”.¹⁰ Time has come for some serious introspection at the highest level. Besides being able to militarily break the cycle of the terrorist attacks on Army camps, the government must address the root cause of the issue through meaningful parley with all Kashmiri leaders, not just the political representatives who have been losing credibility during the last four months.

The 'surgical strikes' have not deterred Pakistan enough and around 30 soldiers have lost their lives since. Past experience has shown that India's military retaliation has always been met with an equal measure from the Pakistani side, who rejoice at the escalation of tensions. The question that should be addressed by the policymakers, following the Nagrota attack, is whether India should further increase the ladder of escalation matrix to contain Pakistan or rather, to employ any other available options. Unfortunately, after demonetisation, the debate

on this important issue has been relegated to the margins of policy agenda.

It is clear that the Pakistan factor cannot be wished away from the Kashmir problem. Neither can Pakistan be completely annihilated using military power. Before demonetisation, the government and the media were frantically discussing various means to 'punish' Pakistan. Today there is hardly any debate on how to deal with Pakistan except for some vague references to Islamabad's diplomatic isolation. By completely cutting down all channels of communication with Pakistan, is India not creating a vacuum to be further exploited by the jihadists, and by China as well?


CONCLUSION

Prime Minister Modi came into office in 2014 with a decidedly different approach to decision-making than his predecessor. While his unconventional style has worked well on many issues, nothing highlights the downside to his approach more than the unsuccessful policy in Kashmir. This has significant implications for policy: military response should not be seen as a silver-bullet solution against terrorism-driven insurgency in Kashmir, and a set of complex challenges require a nuanced, comprehensive and political response. With demonetisation likely to keep the government busy in firefighting for another six months, the challenge in Kashmir is getting grimmer.

Such a narrow strategy is likely only to undermine India's security prospects and international standing. Killing a few suicide terrorists within India or conducting surgical strikes across the border is not the substitute to the willing support from the local population in Kashmir.

India's war against Pakistan-sponsored terrorism needs to be focused on Kashmir. However, the Indian State seems to be entirely absorbed at present by a concerted attempt to 'rehabilitate' the economy in creating a 'better' future for Indians. Economic difficulties clearly have to be resolved before the government could

think about pursuing other objectives. But only by combining evolving economic requirements with emerging security challenges can India enhance its national objectives. Surely, demonetisation is not the answer to end today's multifaceted,

interconnected and fast-changing challenges of crime, corruption and conflict. It may be a part of the process of combating the financing of terrorism, but not the all-encompassing end in itself. 

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