

DAILY PAKISTAN WATCH

26 May 2026

Security

- ◆ **US Pushes Geopolitical Reset** — Analysts say President Donald Trump’s attempt to link **Iran ceasefire talks** with expansion of the **Abraham Accords** signals a bid for a **broader US-led regional realignment**. Axios correspondent Barak Ravid noted regional leaders were “surprised” by Trump’s request, while Saudi Arabia reiterated: “There needs to be an irreversible pathway to a Palestinian state.” Journalist **Asma Shirazi** stressed Pakistan’s principled stance, and former senator **Mushahid Hussain** Syed condemned the proposal as “rewarding Israel for Gaza genocide.” Michael Kugelman added joining the Accords remains “a nonstarter for Pakistan.” (*The Express Tribune*, [26 May 2026](#))
- ◆ **Border Security Alert in Mianwali** — Police foiled a suspected **drone attack near Darra Tang check post** on the Khyber Pakhtunkhwa border late Sunday night, with grenades dropped but failing to detonate. No casualties or damage were reported. District Police Officer Waqar Azeem Kharral and RPO Sargodha Muhammad Shehzad Asif Khan inspected the site, ordering **enhanced vigilance and surveillance**. Officials praised the professionalism of deployed personnel and highlighted a “solid defensive line” preventing militant infiltration into Punjab. Recent operations in northern Hazara reportedly neutralised multiple militants. (*The Express Tribune*, [26 May 2026](#))
- ◆ **A holistic security rethink for Pakistan** — Former Punjab IG and caretaker home minister **Shaukat Javed** argues that Pakistan’s renewed surge in terrorism, particularly in KP and Balochistan, reflects a **hybrid threat combining militancy, cyber attacks, propaganda and disinformation**. He stresses that military operations alone cannot deliver lasting stability without addressing political grievances, economic deprivation and social exclusion. Javed calls for a **credible civilian-led coordination structure, effective Nacta role, and investment in human development** to build resilience. Sustainable peace, he concludes, requires justice, inclusion and constitutional governance. (*The News*, [26 May 2026](#))
- ◆ **Balochistan’s crisis demands dual response** — The **suicide attack near Quetta’s Chaman Phatak**, killing at least 14 including Frontier Corps personnel, underscores the province’s worsening security and political turmoil. Claimed by the **Balochistan Liberation Army (BLA)**, the assault highlights militants’ growing sophistication. The Editorial stresses that while **forceful action against terrorist networks is essential**, military operations alone cannot resolve Balochistan’s crisis. Decades of **political alienation, economic deprivation and enforced disappearances** must be addressed. The state must distinguish between terrorism and legitimate grievances, ensuring dialogue, justice and inclusion. (*The News*, [26 May 2026](#))
- ◆ **Pakistan’s water security beyond the IWT** — Hydrology expert **Hassan Abbas** argues that the **Indus Waters Treaty (IWT)** gave India exclusive rights over the eastern rivers while Pakistan retained only what geography made non-divertible in the west. He stresses that India already

discharges **unlimited pollution** and builds **unrestricted hydropower projects**, meaning Pakistan's water security has suffered its worst outcome under the treaty. Abbas contends that “**matters will only improve if Pakistan exits the IWT**” and reframes its case under international environmental and human rights law. (*Dawn*, [26 May 2026](#))

- ◆ **Call for Political Re-engagement After Quetta Bombing** —The editorial “Balochistan tragedy” says the suicide bombing in Quetta, which killed more than a dozen people and injured many others, cast “a pall” over Eid celebrations and exposed worsening insecurity in Balochistan. The editorial condemns the Balochistan Liberation Army for targeting civilians connected to the Jaffar Express, stressing that “**no ideology can justify the murder of innocents**”. While supporting firm action against militants, the editorial argues that alienation, weak governance and exclusion of moderate Baloch leaders have deepened unrest. It urges meaningful political engagement, cleaner democratic processes and renewed dialogue with constitutional nationalist voices. (*Dawn*, [26 May 2026](#))
- ◆ **Families Forcibly Disappeared After Quetta Train Bombing**— Reports claim that Pakistani security forces forcibly disappeared five relatives of alleged suicide bomber Bilal Shahwani after the Quetta train attack claimed by the Balochistan Liberation Army (BLA). According to the report, those detained included Bilal's mother, two brothers and other relatives following a raid on the family home in Quetta. The article says Bilal, linked to the BLA's Majeed Brigade, carried out the attack on a military shuttle train on 24 May. **It further alleges that families of militants are often targeted under Pakistan's policy of “enforced disappearance”**. Official sources confirmed 14 deaths, while the BLA claimed far higher casualties. (*Daily Sangar*, [25 May 2026](#))

Economy

- ◆ **Pakistan's Soaring External Borrowing** — Pakistan secured nearly **\$11 billion in foreign loans** during July 2025–April 2026, marking an **83% surge** compared to the same period last year. The Economic Affairs Division reported that April alone saw **\$4.5 billion inflows**—a sevenfold rise from April 2025. Non-project aid reached \$8.31 billion, with budgetary support at \$4.586 billion. Saudi Arabia extended a \$1 billion deferred oil facility, while the Islamic Development Bank lent \$480 million. Grants totalled \$120 million in ten months. IMF financing of \$2.5 billion was excluded. (*The Express Tribune*, [26 May 2026](#))
- ◆ **Government Eyes Windfall Tax** — The government is weighing a **20% windfall gain tax** on oil refineries and marketing companies, targeting an estimated **Rs130 billion profit** earned during wartime. Prime Minister Shehbaz Sharif has formed a committee, led by Finance Minister Muhammad Aurangzeb, to explore recovery of **Rs72 billion from OMCs** and address the salary freeze of foreign-qualified professors. The Petroleum Division opposes immediate recovery, citing inventory losses. Senate Finance Committee Chairman Syed Naveed Qamar criticised delays in publishing the Budget Strategy Paper, calling it a breach of legal obligations. (*The Express Tribune*, [26 May 2026](#))
- ◆ **Budget Relief Strategy** — Adviser to Prime Minister on Political and Public Affairs Senator Rana Sanaullah stated that the government is preparing a **comprehensive relief package** for inflation-hit citizens in the upcoming budget. He emphasised that **no amendment to voters' age limit is under consideration**, reaffirming the government's commitment to protecting the constitutional and

democratic rights of youth. Sanaullah assured that Prime Minister Shehbaz Sharif will soon announce the **public-friendly package**, aimed at easing financial pressures on the masses. (*The Express Tribune*, [26 May 2026](#))

- ◆ **FPCCI Unveils Shadow Budget** — The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has released four ‘**shadow**’ **policy studies** proposing reforms to achieve a **zero fiscal deficit within three years**. The Shadow Federal Budget 2026–27 projects **Rs19.6 trillion in revenues**, reduced subsidies, privatisation, and pension reforms. Public debt has surged to **Rs80 trillion in FY26**, driven by deficits and devaluation. The Shadow Economic Survey forecasts GDP growth up to **8.5% by FY31**, while the Five-Year Plan envisions **20 million jobs** and exports beyond \$100bn. (*Dawn*, [26 May 2026](#))
- ◆ **Tarbela’s \$460bn Contribution** — Wapda reported that **Tarbela Dam has delivered \$460 billion in economic benefits** since 1974, releasing over **419 million acre-feet of water** for irrigation and adding **586 billion units of low-cost electricity** to the grid. Chairman Lt Gen (retired) Muhammad Saeed reviewed progress on the **Fifth Extension Project**, which will add 1,530MW capacity with World Bank and AIIB financing. Once complete, Tarbela’s total installed capacity will rise to **6,418MW**. The Fourth Extension, operational since 2018, has already supplied 33.254bn units. (*Dawn*, [26 May 2026](#))
- ◆ **Banks Empowered to Register Foreign Shares** — The State Bank has authorised banks to **register and transfer shares to non-residents**, aiming to ease foreign investment inflows. A new **Non-Resident Shareholding Registration System (NSRS)** will streamline record-keeping and automate dividend/disinvestment repatriation. Paperwork has been simplified, with Standard Operating Procedures issued for consistency. Banks must begin monthly reporting by August 5, covering transactions from July, and submit legacy data in three phases dating back to 2006. The move is part of efforts to enhance efficiency and promote ease of doing business. (*Dawn*, [26 May 2026](#))
- ◆ **FBR in tough IMF talks over property tax** — The Federal Board of Revenue told the **National Assembly Standing Committee on Finance** it is negotiating with the IMF to reduce tax rates on property transactions under sections 236C and 236K. Officials noted valuation rates had already been cut, while committee members warned of “fragile stabilisation” amid rising debt, inflation and unemployment. Independent economist Ali Salman highlighted circular debt at **Rs5.1 trillion** and external debt at **\$137.56bn**. Chairman Syed Naveed Qamar stressed broadening the tax base instead of burdening documented sectors. (*The News*, [26 May 2026](#))
- ◆ **The two-tariff solution for Pakistan’s power sector** — Former finance minister **Dr Miftah Ismail** argues that Pakistan’s electricity system, plagued by inefficiencies and monopolistic pricing, forces consumers to pay exorbitant rates despite low production costs. He notes that middle-class households pay **Rs42–70 per unit**, far higher than regional peers, while solar power is available for under Rs25. Ismail proposes a **two-part tariff**: fixed charges based on usage capacity and lower variable rates, allowing fairer distribution of costs, boosting consumption, and supporting industry, exports and employment. (*The News*, [26 May 2026](#))
- ◆ **Oil smuggling exposes Pakistan’s energy vulnerabilities** — The editorial warns that the surge in **Iranian oil smuggling**, estimated at nearly **5,000 tonnes of diesel daily**, is disrupting refinery operations and undermining formal supply chains. Revenue losses from unpaid levies are immense,

while communities see smuggled fuel as a cushion against soaring prices. The editorial cautions that tolerating illicit inflows risks **institutionalising a shadow energy economy**, eroding investor confidence and weakening regulatory credibility. It urges urgent action: stronger enforcement, strategic reserves, and stabilising legitimate supply channels. (*Business Recorder*, [26 May 2026](#))

- ◆ **IMF projections face reality check** — Economist **Dr Hafiz A Pasha** critiques the IMF's FY27 outlook, noting its **optimistic balance of payments forecast** ignores the Middle East war's impact. While IMF expects reserves to rise to **USD 20.2bn**, Pasha warns they could fall by **USD 5bn to USD 12bn** due to higher oil prices, weaker exports, declining remittances and low investment. He finds fiscal projections more realistic, with FBR revenues up 14% and a **3.5% deficit-to-GDP ratio**, but doubts the feasibility of a **54% provincial tax revenue increase**. (*Business Recorder*, [26 May 2026](#))
- ◆ **Pakistan's liquidity trap deepens** — Analyst **Javed Hassan** highlights that the State Bank's net **OMO injections have surged to nearly Rs15 trillion**, reflecting structural dependence of banks on central bank liquidity to finance government deficits. He warns this marks "**fiscal dominance**", where monetary policy is subordinated to state borrowing needs. High interest rates widen deficits, forcing more borrowing and liquidity support, creating a damaging feedback loop. The result is **crowding out of private investment**, weakened monetary credibility, and rising macroeconomic fragility. Hassan calls for fiscal reform, stronger revenues, and revival of private-sector credit to break this cycle. (*Business Recorder*, [26 May 2026](#))

Foreign Policy

- ◆ **Xi Calls Pakistan Ties 'Unbreakable'** — During Prime Minister Shehbaz Sharif's high-profile visit to Beijing, President Xi Jinping declared that **China will always prioritise relations with Pakistan in its neighbourhood diplomacy**, stressing support for Islamabad's sovereignty and territorial integrity. Xi praised Pakistan's mediation in the Middle East and urged both nations to oppose "unilateralism and Cold War mentality." Shehbaz reaffirmed commitment to the **One-China policy** and advancing CPEC. The visit saw the signing of **15 accords** covering economy, climate, agriculture, trade, counterterrorism, and education. (*The Express Tribune*, [26 May 2026](#))
- ◆ **The Snake That Swallowed Its Own Tail** — Usman Azeem argues that Ekta Kapoor's *Naagin* series has evolved into **prime-time therapy for India's national anxieties**, especially after the Pahalgam attack and Operation Sindoor. Season 6 introduced "Chingistan" as a thinly veiled enemy, embedding **twenty 'asurs' within Indian elites** to symbolise betrayal from within. Season 7 pits the serpent goddess against a dragon, a metaphor for Chinese imperial ambition. Azeem notes that dissent is reframed as treason, with mythology weaponised into a **political instruction manual**. (*The Express Tribune*, [25 May 2026](#))
- ◆ **China reaffirms 'ironclad brotherhood' with Pakistan** — At a ceremony in Lahore marking **75 years of diplomatic ties**, Chinese Consul General Sun Yan pledged Beijing's continued support for Pakistan's **sovereignty, independence and territorial integrity**, while highlighting cooperation in counter-terrorism and regional engagement. He described the relationship as an "ironclad brotherhood" tested through crises, and noted CPEC's expansion into industry, agriculture and mining. Punjab Finance Minister Mujtaba Shuja-ur-Rehman echoed that ties are "higher than the Himalayas, deeper than the oceans," stressing mutual respect and trust. (*The News*, [26 May 2026](#))

- ◆ **Dar to Attend Key UN Security Debate in New York**— Pakistan’s Deputy Prime Minister and Foreign Minister Ishaq Dar will travel from Beijing to New York from 26 to 28 May for an official visit. He is scheduled to participate in a high-level United Nations Security Council debate on maintaining international peace and strengthening the UN-centred international system. The session, convened under China’s rotating presidency of the Security Council, will be chaired by Chinese Foreign Minister Wang Yi. **Pakistan welcomed the Chinese initiative as a timely effort to reinforce multilateralism and the UN’s central role in addressing global challenges.** Dar will also attend a Group of Friends on Global Governance meeting. (*The Express Tribune*, [26 May 2026](#))
- ◆ **Pakistan’s stance on Abraham Accords remains unchanged** — In light of US President Donald Trump’s call for Muslim nations, including Pakistan, to join the Abraham Accords, the Editorial stresses that **Pakistan’s position on Israel and Palestine has never been transactional.** Since 1948, Islamabad has consistently supported an **independent Palestinian state based on pre-1967 borders with Al-Quds Al-Sharif as its capital.** The editorial notes that this stance is embedded in political consensus, constitutional thinking and public sentiment. Any attempt at normalisation without progress on Palestine would carry **serious political costs.** (*The Nation*, [26 May 2026](#))
- ◆ **Trump’s strategic failures and their lessons** — Analyst **Oshaque Ali Buledi** argues that Donald Trump’s presidency will be remembered for the gap between “America First” rhetoric and a **diminished global standing.** His “maximum pressure” policy on Iran yielded “minimum results,” draining resources without stability or a better deal. Buledi highlights Trump’s **“childish” insistence on loyalty**, sidelining military experts, and his refusal to concede elections, culminating in the Capitol assault. He concludes that Trump’s era shows how democracy is fragile when “cunning replaces statesmanship” and “childishness replaces diplomacy.” (*The Nation*, [26 May 2026](#))

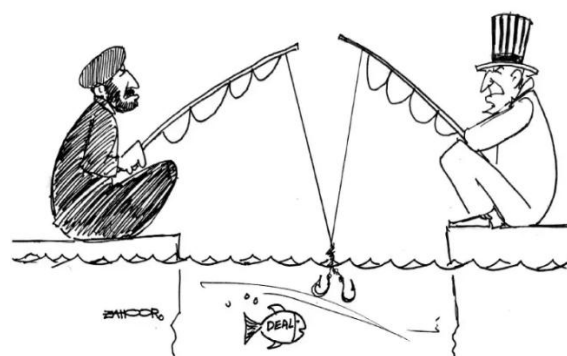
Politics, Culture, Etc.

- ◆ **Achakzai Warns of PTI Boycott** — Opposition Leader Mehmood Khan Achakzai cautioned that the **TTAP alliance may withdraw from assemblies** if what he termed harsh treatment of Imran Khan continues. He questioned the legal basis of cases against the former premier, saying: “Has he committed murders...? He has only said that his snatched mandate should be returned.” Achakzai criticised talk of military trial, arguing it undermines parliamentary functionality. He warned that if PTI exits, with **50–60 seats at stake**, the government must face the arithmetic consequences. (*The Express Tribune*, [26 May 2026](#))
- ◆ **Punjab Defers Road Renaming Plan** — The Punjab government has **put on hold its decision to restore pre-Partition names of Lahore’s roads and streets** after backlash from extremist elements who gave the move a religious colour. The Lahore Heritage Areas Revival (LAHR), chaired by Nawaz Sharif and Chief Minister Maryam Nawaz, had earlier approved the restoration. However, Deputy Commissioner Capt. (retd) Muhammad Ali Ijaz insisted “no decision has been taken as yet.” Scholars and historians largely supported the proposal, citing Lahore’s historic identity as an invaluable legacy. (*Dawn*, [26 May 2026](#))
- ◆ **NDC Proposes National Government** — Leaders of the **National Dialogue Committee (NDC)**, including Fawad Chaudhry, Muhammad Ali Durrani, and Waseem Shahzad, have called for the formation of a **national government and constitutional reforms** to address Pakistan’s crises. At a

press conference, they emphasised that political stability, free and fair elections, and strong democratic traditions were essential. They proposed a **28th Constitutional Amendment** to strengthen devolution under the 18th Amendment. The NDC also described the current setup as a *de facto* government, urging dialogue-driven consensus. (*Dawn*, [26 May 2026](#))

- ◆ **Secret meeting signals backchannel efforts** — A discreet meeting on 14 May between **Interior Minister Mohsin Naqvi**, **PTI Chairman Barrister Gohar Ali Khan**, and **KP Chief Minister Sohail Afridi** has sparked speculation. While security concerns were discussed, insiders say talks centred on **ensuring family and party access to jailed PTI founder Imran Khan** and easing political tensions. Sources described it as part of ongoing backchannel engagement to lower confrontation, stressing it was voluntary: “The purpose was simply to build understanding and improve the environment.” (*The News*, [26 May 2026](#))
- ◆ **Bilawal and Aseefa to spearhead PPP campaign in GB** — Pakistan Peoples Party Chairman **Bilawal Bhutto Zardari** and First Lady **Aseefa Bhutto Zardari** will jointly lead the party’s election campaign in Gilgit-Baltistan ahead of the **7 June polls**. Bilawal is scheduled to address rallies in Shigar (31 May), Khaplu (1 June), Skardu (2 June), Diamer (3 June), Ghizer (4 June), and Gilgit (5 June). Aseefa will campaign in Hunza (3 June) and Nagar (4 June). Their coordinated tour underscores PPP’s effort to mobilise support across GB’s key districts. (*The News*, [26 May 2026](#))
- ◆ **Sindh resists rapid sugar deregulation** — The **Sindh government has rejected immediate deregulation of the sugar sector**, opposing abolition of crop zoning and new mills, casting doubt on the federal commitment to meet the IMF’s June deadline. Provincial ministers argue regulation is a provincial matter, insisting on retaining control over **price fixation, licensing and zoning**. Sindh supports phased reform over 5–10 years, warning sudden deregulation would exploit farmers. Farmers’ bodies also criticised lack of consultation. The IMF wants liberalisation, but Sindh demands buffer stocks, consumer protection and provincial oversight. (*The Express Tribune*, [26 May 2026](#))

US OFFICIAL SAYS WASHINGTON, TEHRAN REACH PRELIMINARY DEAL TO REOPEN STRAIT OF HORMUZ: REPORTS



[Disclaimer: We do not subscribe to the views expressed by the Pakistani reporters, leaders and commentators, we are making available for perusal by our experts/analysts/policymakers every day. We put it all together in Daily Pakistan Watch (DPW) with a view to acquainting our readers with the prevalent thought process in Pakistan having its bearing on India, with the hope that such effort will help us in devising appropriate policies to deal with Pakistan in a more effective manner.]