

PAKISTAN'S POLITICAL AND ECONOMIC QUAGMIRE AND MILITARY'S INCREASING DOMINANCE

SHALINI CHAWLA

Pakistan's looming economic uncertainty and political crisis have seen some developments which have brought temporary respite in the situation. After months of negotiations and exhausting rounds of meetings, on July 12, 2023, the International Monetary Fund (IMF) approved a 9-month Stand-By Arrangement (SBA) for Pakistan for an amount of SDR 2,250 million, (about \$3 billion), in order to support the economic stabilisation programme.¹ The Pakistan military is gradually making efforts to revive its image within the country after going on an aggressive drive against the Pakistan Tehreek-e-Insaf (PTI) supporters who challenged its position, credibility and authority. The caretaker government has been set up under caretaker Prime Minister Anwaar-ul-Haq Kakar. Elections have been delayed given the announcement of the Election Commission regarding the fresh delimitation of constituencies on the basis of the latest

Dr **Shalini Chawla** is Distinguished Fellow at the Centre for Air Power Studies, New Delhi.

1. International Monetary Fund, "IMF Executive Board Approves US\$3 Billion Stand-By Arrangement for Pakistan", July 12, 2023, <https://www.imf.org/en/News/Articles/2023/07/12/pr23261-pakistan-imf-exec-board-approves-us3bil-sba>. Accessed on July 20, 2023.

consensus. The security situation continues to be challenging and the Tehreek-e-Taliban Pakistan (TTP) is offering no concession, with consistent terror attacks targeting the security personnel. The terror attacks have escalated: they increased by more than 70 per cent in the first 21 months of the Taliban takeover in Kabul. It would be interesting to assess what these developments imply and how we can see these evolving within Pakistan.

Pakistan's long struggle for IMF assistance did result in some success. The SBA-supported programme is likely to bring some relief for Pakistan and will focus on: "(1) implementation of the FY24 budget to facilitate Pakistan's needed fiscal adjustment and ensure debt sustainability, while protecting critical social spending; (2) a return to a market-determined exchange rate and proper FX market functioning to absorb external shocks and eliminate FX shortages; (3) an appropriately tight monetary policy aimed at disinflation; and (4) further progress on structural reforms, particularly with regard to energy sector viability, SOE governance, and climate resilience."²

The IMF assistance is critical for Pakistan due to multiple factors apart from the loan which is essential to stabilise the economy. The IMF assistance increases the likelihood of additional channels of funding for Pakistan. Also, the IMF programme for Pakistan reflects on its credibility as a state and is in a way symbolic of Pakistan's relationship with the US. The IMF had asked Pakistan to secure financing assurances from friendly countries as a precondition for its pending bailout programme. Pakistan received \$2 billion from Saudi Arabia and \$1 billion from the UAE as a deposit in its Central Bank to support foreign exchange reserves.³ China has provided substantive and crucial support in terms of relieving the debt repayment burden and building foreign exchange reserves. Although, the exact figures of the Chinese assistance remain unclear, on the basis of reports published in the Pakistani media, it is estimated that China has provided relief by granting a debt rollover/refinanced loans of around \$5 billion.

2. Ibid.

3. "After Saudi Arabia, Pakistan Receives \$1 bn from UAE: Ishaq Dar", *DAWN*, July 12, 2023, <https://www.dawn.com/news/1764331>. Accessed on July 14, 2023.

After the signing of the IMF SBA, Pakistan's foreign exchange reserves have increased to about \$8.7 billion, bringing some relief to the cash starved economy.⁴ The IMF assistance, the deposits from China, Saudi Arabia and the UAE, and the debt rescheduling and rollovers by China will bring temporary relief to Pakistan's economy and provide it with breathing space. The government has also constituted the Special Investment Facilitation Council (SIFC) "to serve as a 'One-Window' platform to fast-track decision-making and promote as well as facilitate Foreign Direct Investment".⁵ The members of the SIFC include federal ministers, provincial chiefs and the head of the Pakistan Army.⁶ The regime is very optimistic about the potential of the SIFC in attracting foreign investment.

However, the critical question here is that this is not the first time that Pakistan's economy has been rescued by its traditional friends and donors. Pakistan has a history of falling into an economic crisis due to the structural flaws in its economy and its tendency to spend beyond its means on non-developmental areas. It remains to be seen if this phase of economic revival will have stability or the nation will see a repeat of the crisis cycle.

On the political front, Pakistan's political crisis started after Imran Khan's dramatic exit from the Prime Minister's (PM's) office in April 2022. Khan went on a rally spree and held series of *jalsas*, pulling crowds in large numbers. The PTI government dissolved the legislative assemblies in Punjab and Khyber Pakhtunkhwa, demanded early elections, blamed the United States for conspiring against Imran Khan, and facilitating his political exit, hit the opposition parties and, most importantly, targeted the military establishment. After Imran's exit from the PM's office in April last

4. "China Agrees to Reschedule USD 2 Billion Debt to Pakistan", *The Economic Times*, July 21, 2023, <https://economictimes.indiatimes.com/news/international/world-news/china-agrees-to-reschedule-usd-2-billion-debt-of-pakistan/articleshow/102006365.cms>. Accessed on July 22, 2023.

5. Ministry of Foreign Affairs, Government of Pakistan, "Briefing Session on Special Investment Facilitation Council (SIFC) to the Heads of Missions Abroad", September 11, 2023, <https://mofa.gov.pk/briefing-session-on-special-investment-facilitation-council-sifc-to-the-heads-of-missions-abroad/>. Accessed on September 12, 2023

6. Investment Policy Hub, UNCTAD, "Pakistan – Established the Special Investment Facilitation Council", June 20, 2023, <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4366/pakistan-establishes-the-special-investment-facilitation-council-sifc->. Accessed on September 9, 2023.

year, a series of developments demonstrated the complex power dynamics and deep polarisation within the society and state institutions. The judiciary and military stand divided between the pro- and anti-Imran lobbies. The state is undergoing a constitutional challenge wherein the prime institutions are targeting each other, and their credibility is being questioned.

Imran's statements have tarnished the image of the country's prime institution: the military. Senior military officers were called corrupt and traitors by Imran Khan in public. History suggests that anti-military campaigns do not have a long shelf life in Pakistan. The military's media wing, the Inter-Services Public Relations, in a press release, repeatedly warned Imran's supporters of "severe retaliation" if the attacks on military and state installations continue.

The arrest of former Pakistan Prime Minister Imran Khan from the Islamabad High Court by the Rangers, on May 9, 2023, on the charge of corruption in connection with the Al-Qadir Trust case sparked massive protests and violence, leading to deaths, destruction of public property and attacks on military vehicles and installations. While the public outrage following the arrest of the popular leader was not unexpected, the attacks on the Lahore Corps Commander's residence and the General Headquarters (GHQ) Rawalpindi, were noteworthy, with Imran's angry supporters not only managing to break in with ease but also not facing much resistance from the armed forces, which should have anticipated such a reaction from the masses.

The Pakistan Army, reacting to the violence by the PTI workers, called it a "black chapter" in the country's history. The use of force and intimidation to curtail the opposition has been part of Pakistan's military culture. Following the May 9 events, a crackdown on PTI workers began, leading to more than 5,000 arrests. Action against Imran marked the beginning of efforts by the military to step in finally, to take control of affairs in Pakistan. Reportedly, more than 100 people are on trial in military courts. The families of the military personnel, including the wives and children of army officers, are facing trials.⁷ Three senior officers, including a lieutenant general,

7. Derek Cai, "Imran Khan: Pakistan Army Sacks Three Officers Over May Protests", BBC News, June 27, 2023, <https://www.bbc.com/news/world-south-asia-66016331>. Accessed on June 30, 2023.

have been sacked, for not being able to prevent the violent attacks on May 9 on the esteemed military institutions/assets.⁸ Also, departmental action is being taken against 15 officers including major generals and brigadiers.⁹

When the elections will actually take place remains to be seen, but the probability of Imran Khan occupying an active political space is low. The PTI stands disintegrated after the formation of the new political party the Istehkam-e-Pakistan Party, under Jahangir Tareen, in which a large number of PTI members have signed up. Looking into the history and current trends, there is a strong likelihood of a hybrid regime coming into power, with the military holding the power strings for key decision-making.

A constitutional amendment, to pave way for Nawaz Sharif's return to Pakistan, has been done and the Elections Act (Amendment) Bill, 2023, sets the period of disqualification at five years.¹⁰ The new law amended Section 232 (Qualifications and Disqualifications) of the Election Act, 2017. According to the new law, the disqualification period under Article 62 of the Constitution will not exceed five years.¹¹

On July 31 the National Assembly passed a Bill to amend the Pakistan Army Act, 1952. The Pakistan Army (Amendment) Act, 2023, brings in crucial dimensions regarding protecting the stature of the military establishment, restricting the political activities of the military personnel and expanding the role of the military:

1. "If any person, who is or has been subject to this Act, discloses or causes to be disclosed any information, ... shall be guilty of an offence, and on conviction by the court constituted under this Act, be punished with rigorous imprisonment for a term which may extend to five years."¹²

8. Asif Shahzad, "Pakistan Army General Among Three Sacked over Violence by Imran Khan's Party", *The Print*, June 27, 2023, <https://theprint.in/world/pakistan-army-general-among-three-sacked-over-violence-by-imran-khans-party/1643241/>. Accessed on June 29, 2023.

9. Ibid.

10. Waqas Ahmed, "Lifelong Disqualification Comes to an End", *The Express Tribune*, June 26, 2023, <https://tribune.com.pk/story/2423654/acting-president-signs-elections-act-amendment-bill-2023>. Accessed on June 28, 2023.

11. Ibid.

12. The Gazette of Pakistan, August 18, 2023, Pakistan Army (Amendment Act) 2023, https://na.gov.pk/uploads/documents/64e204089f786_138.pdf. Accessed on September 1, 2023.

2. "Any person, who is or has been subject to this Act, shall not engage in political activity of any kind within a period of two years from the date of his retirement, release, resignation, discharge, removal or dismissal from the service."¹³
3. "A person, who is or has been subject to this Act ... shall not take part in political activity of any kind, during a period of five years from the date of his retirement, release, resignation, discharge, removal or dismissal from the service."¹⁴
4. "A personnel who is or has been subject to this Act intentionally ridicules, scandalizes, brings into hatred or otherwise attempts to lower the Armed Forces of Pakistan or any part thereof in the estimation of others shall, on conviction by a court constituted under this Act, in the prescribed manner, be punished with imprisonment which may extend to two years or fine or with both."¹⁵
5. "The Pakistan Army may, upon the direction or with the concurrence of the relevant authorities of the appropriate government in the prescribed manner, directly or indirectly, carry out activities related to, *inter alia*, national development and advancement of national or strategic interest."¹⁶

Amendments have been made to the Official Secrets Acts of 1923 to secure the security of official documents and also military installations. The Official Secrets (Amendment) Act, 2023, says anyone who "attacks, destroys or otherwise undermines any prohibited place" will be committing an offence. The Act also declares that anyone who "obtains, collects, records or publishes or communicates to any person, any secret official code or any electronic or modern device...or other document of information ... useful to the enemy of the State" will be considered a punishable offence.¹⁷ There are speculations regarding President Alvi finally signing or declining to

13. Ibid.

14. Ibid.

15. Ibid.

16. Ibid.

17. The Gazette of Pakistan, August 18, 2023, Official Secrets (Amendment) Act 2023, [https://molaw.gov.pk/SiteImage/Downloads/Official%20Secrets%20\(Amendment\)%20Act,%202023.pdf](https://molaw.gov.pk/SiteImage/Downloads/Official%20Secrets%20(Amendment)%20Act,%202023.pdf). Accessed on September 11, 2023.

sign the Amendment Acts and there have been conflicting reports with less clarity on this front. But, the interesting part is that the amendment Acts have been included in the Gazette of Pakistan.

The security situation in Pakistan is alarming with the increasing number of terror attacks by diverse militant organisations. More than 50 people were killed and around 200 wounded in the terror attack that took place on July 30 at a gathering of the Jamiat Ulema-e-Islam Fazl (JUI-F) in Pakistan's northwestern Bajaur district. The Islamic State Khorasan Province (ISKP) claimed responsibility for the attack. In the past, the Islamic State (IS) has conducted several attacks against the JUI-F, and the prime factors behind the attacks include the JUI-F's association with the Afghan Taliban and the Islamic State's opposition to the JUI-F's support for democracy in Pakistan. The attack on the Zhob garrison, Balochistan, on July 12, where nine Pakistani soldiers were killed, prompted a severe reaction by the Pakistan military. The Tehreek-e-Jihad Pakistan (TJP), the latest player in Pakistan's terror landscape, claimed responsibility for the attack. The TJP maintains its affiliation with the Tehreek-e-Taliban Pakistan (TTP), the deadly organisation that continues to conduct a series of attacks targeting Pakistan's security forces. While Pakistan struggles to stabilise its economy and find solutions to the political crisis, the security situation in the country has worsened, with the TTP escalating the number of attacks in Khyber Pakhtunkhwa and Balochistan after the ceasefire with the government ended in November last year.

Pakistan's relationship with Afghanistan has been strained and is contrary to what Pakistan's civilian and military leadership perceived as a strategic victory after the Taliban takeover in Kabul in August 2021. Two issues have been critical in Pakistan-Afghanistan relations post the US exit. First, the Taliban's reluctance to acknowledge the Durand Line as the border and their resistance to the fencing of the border. Second, the Taliban's patronage of the TTP, despite the Pakistan military's repeated messaging to abandon the support base for the militant group. The TTP's posture has been emboldened significantly post the defeat of the representative regime in Kabul and this was predictable since the TTP does share a strong ideological (and tactical) alliance with the Taliban. The TTP is an ideological extension of the Afghan Taliban and extended support to the Taliban

during the US' war on terror. The Afghan Taliban now feel obliged to return this favour by providing assistance to the TTP. The Taliban have denied the presence of the TTP in their territory and have also warned Pakistan against any attacks on Afghan soil.

On the other hand, the Pakistan military has been firm in its acknowledgement of the Afghan Taliban's support to the TTP and has also been issuing strong statements of follow-up actions on this front. Following the Zhob attack, the Pakistan military said that it has "serious concerns on the safe havens and liberty of action available to the TTP in Afghanistan ... such attacks are intolerable and would elicit an effective response from the security forces of Pakistan."¹⁸

There is ample speculation regarding a military response targeting the group. In addition, conflicting statements have been issued by the regime regarding the state's response to the TTP. However, three options can be evaluated in this context:

1. The Pakistani government brings the TTP back to the negotiating table and attempts a ceasefire. This is less likely as previously, the talks have failed due to the non-compromising posture of the TTP.
2. Pakistan takes the Afghan Taliban into confidence, as well as the responsibility of controlling the group. This option has been explored repeatedly by the leadership.¹⁹ Strong links between the Taliban and the TTP, and the fact that the TTP draws inspiration from the Taliban and views them as role models raise questions on the efficacy of this option, but given the volatile situation in Pakistan, it seems to be the possible choice for the regime.
3. Counter-insurgency military operations targeting the TTP. The military has earlier conducted counter-terror operations, Zarb-e Azb in 2014 and Radd-ul Fasaad, in 2017. The operations did impact the TTP's numbers and ability to conduct terror attacks, but the group sustained itself and eventually flourished with the

18. Asif Shahzad, "Pakistan Army Concerned Over Afghan Militant 'Safe Havens', Threatens Response", Reuters, July 14, 2023, <https://www.reuters.com/world/asia-pacific/pakistan-army-concerned-over-afghan-militant-safe-havens-threatens-response-2023-07-14/>. Accessed on July 17, 2023.

19. Kamran Yousuf, "Pakistan Gets 'Fresh Commitment' From Afghan Taliban on TTP", *The Express Tribune*, February 20, 2023, <https://tribune.com.pk/story/2402681/pakistan-gets-fresh-commitment-from-afghan-taliban-on-ttp>. Accessed on February 22, 2023.

Taliban's support. Despite the TTP's rising number of attacks, the military response from the state has been restrained due to four factors: (i) counter-insurgency operations in the past led to significant displacement in the tribal areas; (ii) given the alarming economic crisis (and the misery caused due to the floods), any military operation will add massive financial stress on the country; (iii) military operations against the TTP have immense potential for a blowback from the Afghan Taliban; and (iv) speculations regarding a conspiracy theory suggest that it might be intentional on the part of the military to not control the group's activities and leverage the security situation for attracting the US' counter-terror aid and assistance.

Given the complexities in Pakistan's political, economic and security dimensions, the crucial trends in strengthening the military's position and stature can be estimated:

1. The current economic respite from the IMF and other channels will give some time to Pakistan's economy. Long-term economic stability seems unlikely unless Pakistan makes serious alterations to its fiscal management. However, the defence spending is not likely to be impacted with the economic crisis and Pakistan's military modernisation will continue, with Chinese assistance. Pakistan has also shown keenness to revive the security dimension in its relations with the United States.
2. In March, the army was handed over 45,000 acres of land in Punjab for "corporate agriculture farming".²⁰ The Lahore High Court's intervention has reportedly stopped the Punjab caretaker government from leasing the land, but it remains to be seen how the future unfolds.²¹ There is lack of clarity on the latest development on the issue. General Asim Munir has been very actively engaged in getting commitments of foreign direct investments. These developments indicate sustained

20. "Army Handed over 45,000 Acres for 'Corporate Farming'", *DAWN*, March 17, 2023, <https://www.dawn.com/news/1742652>. Accessed on July 10, 2023

21. Rana Bilal, "LHC Suspends Order Stopping Transfer of Land to Army for Corporate Farming", *DAWN*, July 17, 2023, <https://www.dawn.com/news/1765244>. Accessed on July 20, 2023.

engagement of the military in the economy which is a crucial factor in Pakistan's repeated cycle of financial desperation.

3. The political leadership sanctioned by the military is likely to take over after the current regime completes its term.
4. Given the deteriorating security situation, the probability of the military exploring the option of conducting counter-terror operations targeting the TTP is not unlikely.
5. Pakistan's relationship with India is unlikely to change much as its strategy vis-à-vis India remains unaltered. Pakistan has escalated its covert operations, such as arms dropping and drug dropping through drones in Punjab (India). Islamabad's narrative on Kashmir will be kept up with varying intensity by the military and (present and future) elected government. While Pakistan sails through its crisis, New Delhi cannot let its guard down and needs to carefully watch the developments.