

Pakistan in troubled waters

Set to see a period of turbulence while confronting internal challenges



G PARTHASARATHY

CHANCELLOR, JAMIA CENTRAL UNIVERSITY &
FORMER HIGH COMMISSIONER TO PAKISTAN

HAILING from one of the wealthiest families in his country, Pakistan PM Shehbaz Sharif appears destined to continue playing second fiddle to his elder brother, Nawaz Sharif, who lives comfortably in London. Nawaz faces charges in Pakistan for possessing assets disproportionate to his income. The so-called 'disproportionate assets' almost exclusively pertain to a steel mill in Saudi Arabia that his father had built, and Nawaz inherited. These charges were framed only after he lost national elections, which led to the assumption of office by Imran Khan in 2018. Imran's victory was then aided by the fact that he was the Pakistan army's favourite. The Pakistan judiciary rejected the charges regarding Sharif's luxurious properties in London, but chose to file a charge against him, primarily for the steel mill. The Sharif family has for long been, and still remains, a political favourite of the Saudi monarchy.

Pakistan's strong relations with Saudi Arabia received a serious setback when Imran appeared set to join Turkey and Malaysia to give a new dimension to the role of the Islamic world. This would have undermined Saudi influence. Imran, however, had little knowledge of the dynamics of the Islamic world. Saudi credits and supply of petroleum products at concessional rates to Pakistan would have virtually ended with the emergence of a Turkey-Malaysia-Pakistan triad.

The first important visit Shehbaz undertook after assuming office was to Saudi Arabia, for resuming his family ties with the Saudi royals. Reports after his visit indicated that



AID: PM Shehbaz had earlier secured an \$8-billion package from the Saudis. REUTERS

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he secured an \$8-billion package from the Saudis. Past Saudi assistance had involved oil supplies with liberal terms of repayment. Nevertheless, the aid package was good news for cash-strapped Pakistan. Shehbaz followed up his visit to Riyadh with a visit to the UAE, which has been a major source of employment for Pakistani expatriates. But Pakistan's economic woes have continued, together with its dwindling foreign exchange reserves. Not surprisingly, the army arranged for Imran to lose support in Parliament and bring in a new government headed by Shehbaz.

The last few weeks have been disastrous for the Shehbaz government, with rising prices provoking national discontent. Protests led by Imran were causing serious political unrest. Matters came to a head when his Tehreek-e-Insaf swept the byelection in Punjab in July 17, winning 15 of the 20 seats contested. This development was seen as Imran's triumph over army chief Gen Bajwa, who was evidently backing the Shehbaz government. The defeat was also a personal setback for Shehbaz, whose son Hamza had to relinquish the post of CM of Punjab and

make way for veteran Muslim League politician Choudhury Parvez Elahi. This is widely regarded as a turning point in the political fortunes of the Sharif family, which has now lost control of its home province.

There are significant sections of the army which admire the seemingly tough position that Imran has taken against the US. Realists, however, understand that Pakistan's economy would collapse without a bailout by the IMF. Such a bailout would hardly be forthcoming without US support. That support is being sought by the pro-US Bajwa. US support for IMF funding came through only after his telephonic conversation for IMF assistance with US Deputy Secretary of State Wendy Sherman.

While the IMF executive board has approved a 39-month \$6-billion programme to bail out Pakistan, the days ahead are going to involve politically unpopular cuts in social expenditure and other conditionalities. This will require major changes in existing plans for additional salaries and pensions. Besides enhanced taxes, there will also be a sharp rise in the price of

petroleum and other products of mass consumption. How the army gets around these measures, while maintaining its luxurious lifestyle, remains to be seen.

Saudi Arabia, the UAE, Qatar and China are, however, committed to contributing \$4 billion to the IMF programme, involving painful structural changes in Pakistan's economy. Pakistan's finance minister may sound brave, but there will be a fall-out from the hard economic realities the country faces.

Pakistan is set to see a period of turbulence while confronting a number of internal challenges in the coming year, before the national elections in 2023. It has to tighten its belt economically, as even its best friend, China, has made it clear that days of freebies are over. The months ahead, as Bajwa plays his last innings before he hangs up his boots on November 29, are going to remain tumultuous.

The Biden administration will, meanwhile, remain parsimonious on assistance to Pakistan.

While Saudi Arabia has stepped in with assistance for the Shehbaz government, it will not provide assistance for a government led by Imran. China will continue aiding CPEC, but it has chosen to proceed cautiously in bailing out Pakistan. Bajwa will propose a person of his choice as his successor. Imran's favourite, Lt Gen Faiz Hameed, is virtually out of the running. What remains to be seen is how Bajwa, his successor, and the Shehbaz government will deal with a growingly popular Imran.

Relations with India will continue to be marked by carefully calibrated ISI support for terrorism in J&K. Pakistan, however, knows that India will have no reservation in responding strongly to cross-border terrorism. Nevertheless, diplomatic and even political-level contacts should continue between the two neighbours. Channels of communication, including people-to-people contacts, should be opened after careful preparations.