
The Democratic Transition in Pakistan Under Stress

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Contents

| | |
|---|-----------|
| INTRODUCTION | 2 |
| OVERCOMING THE POLITICAL TUSSLE | 3 |
| THE CONSOLIDATION OF DEMOCRATIC INSTITUTIONS AT ISSUE..... | 5 |
| LOWERING THE TENSIONS WITHIN THE FEDERATION..... | 8 |
| A SLUGGISH ECONOMY | 11 |
| THE EXTERNAL DIMENSION | 14 |
| CONCLUSION..... | 17 |
| | |
| CENTRE ASIE IFRI..... | 19 |
| Latest publications | 19 |

Introduction

On September 6, 2008, the 53 year-old Asif Ali Zardari won the presidential election by an overwhelming majority. In donning the presidential mantle, he described his victory as “another step towards the transition to democracy”. In doing so, he fitted into the scheme of his slain wife and former Premier, Benazir Bhutto. She had justified a deal with the then president, Pervez Musharraf, in the summer of 2007 as a step towards “democratic transition”. That the daughter of the founder of the Pakistan Peoples Party who had been hanged by another general, Zia ul-Haq, came to an understanding which would allow her to return to Pakistan after eight years in exile without fear of imprisonment in spite of charges of many court cases generated a fair amount of criticism. Zardari, the eleventh president in the history of Pakistan (the first four head of state carried the title of Governor-General) succeeded Gen. (Rtd.) Musharraf who, three weeks before, had preferred to resign rather than face the prospect of proceedings in Parliament for its impeachment. A remarkable reversal in the space of few months for the man who spent several years in jail on charges of corruption, insisted after his wife’s assassination that he would rather be a power behind the scenes than a front man and finally rose to the most powerful position for a civilian in the country. Ironically his predecessor contributed to take Zardari centre-stage. First in issuing the biased National Reconciliation Ordinance (NRO) in October 2007. Second in removing the Chief of the Supreme Court, Iftikhar Chaudhry and appointing to the post, after declaring a state of emergency on November 3, 2007, Justice Abdul Hameed Dogar. The latter administered the oath of office to the new President. It is an open secret that there is no love lost between Zardari and Iftikhar Chaudhry who once threatened to invalidate Musharraf’s election for a second term as president in September 2007 and the NRO, both part of the understanding between Musharraf and Benazir Bhutto.

If the present political leadership derives its legitimacy from relatively free and fair general elections held in February 2008, it operates on dangerous ground in a country better known for its military rulers and only democratic interlude rather than a military subservient to civilian masters. Furthermore the return to a civilian government could have hardly come under more adverse circumstances as the country is confronted with an unending series of crises. If Zardari has committed himself to prove wrong the perception that Pakistan and democracy cannot go together and promised to “fix the imbalances in the system, bring peace into the country and unite all democratic forces to consolidate the political system”, the question remains open regarding the ability and the willingness of the new dispensation, beyond the declamatory rhetoric, to deliver on this front.

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Overcoming the political tussle

As said above, the legitimacy of the present government comes from the February 2008 elections in which the “king’s party” – the Pakistan Muslim League-Quaid-e-Azam (PML-Q) – suffered a crushing defeat that made it impossible for the general who ruled Pakistan for eight long years to reverse the slide started in March 2007 with the dismissal of the rebellious Chief of the Supreme Court. The Peoples Pakistan Party won the largest number of seats with a widespread representation nation-wide. It is part of the coalition government in all the four provinces. Only in Punjab, the PPP had to go as the minor partner for a power-sharing deal with the PML-N. The party of former Prime Minister Nawaf Sharif made the most remarkable recovery after he was unceremoniously sent back to Jeddah in September 2007 by the Musharraf regime without any apparent public outcry.

Co-chairman of the PPP, with his son, Bilawal, after the assassination of Benazir Bhutto, Zardari left a first imprint as a leader who would transform the party to his taste in sidelining Muhammad Amin Fahim a long-time party loyalist who after being refused the chairmanship of the party was also not nominated for the premiership. Zardari preferred Yousaf Raza Gilani who became the head of government on 25 March 2008. It was then rumored that Zardari would stand in for Gilani as soon as he would be able to win a seat in Parliament through a by-election. Whether or not Benazir’s widower had already the presidency in sight, he left no one in doubt that he would be the undisputed leader of the dominant party in power. The PPP remains basically a family affair with its shaheed (martyrs), Zulfikar Ali Bhutto and Mohtarma Benazir Bhutto, as cult figures. It is Zardari who conducted negotiations with Nawaz Sharif for getting the PML-N on board in a coalition government which lasted until the former Prime Minister got tired of the PPP co-chairman reneging time and again on the understanding that all the judges who refused to take an oath under the provisional constitutional order (PCO) of November 2007 would be reinstated. Not only he dumped Nawaz Sharif on the reinstatement of judges but he also apparently duped him on being the PPP contestant for the presidential poll whereas Nawaz Sharif still remains ineligible as he not covered by the morally wrong NRO of October 2007 (it granted amnesty to politicians, bureaucrats and political workers who faced “politically-motivated” prosecutions between 1986 and 1999), besides the fact that the 17th amendment imposed by Musharraf and still place bars him from holding the post of prime minister for a third time. Partner in the PPP-led coalition until May, the PML-N is now circumscribed to its stronghold of the Punjab with Shabaz Sharif as Chief Minister and under the watchful eye of Governor Salman Taseer, a PPP stalwart who has the constitutional power of dismissing the Chief Minister if the need arises.

That the PML-N, running short of patience left the ruling coalition on 25 August, one week after Gen. (r) Musharraf resigned, might still be a blessing in disguise if one does not go back to past practices of victimizing

the opposition. The end to the PPP-PML-N coalition was foredoomed in Zardari working right after the elections for ensuring that the PPP-led government could survive even without the support of the PML-N. He was personally involved in bringing the Muttahida Qaumi Movement (MQM) of Altaf Husain – which was associated with the Musharraf regime - to support the government even against the will of PPP politicians from Sindh who reluctantly agreed to share power with the MQM at the provincial level. Even if their constituencies differ (the MQM reign supreme over Karachi whereas the PPP is essentially influential in the rural areas), the PPP and the MQM, as the two dominant parties in the province, have often been at loggerheads, reflecting a Sindhi-Mohajir divide. They literally fought each other in the early nineties in the streets of Karachi.

A strong opposition party is better than a watered-down consensus and a PPP led-coalition with other secular-minded parties such as the Awami National Party (ANP) and the MQM at the Centre seems more ideologically homogenous without the religiously-inclined PML-N and it will be less restricted in its decision-making by the need to accommodate a strong partner. A sore point is the participation in the ruling coalition of the Jamiat Ulema-i-Islam of Maulana Fazlur Rehman (JUI-F) in spite of the defeat of a disunited MMA, the religious alliance which storm the 2002 elections in the North-West Frontier Province (NWFP), last February. A decision guided on both sides by political opportunism as the JUI-F because the party still commands a sizeable number of Senators and maintain some influence among those religious elements once brought up in Deobandi madrassas controlled by the JUI-F

Keeping its distance vis-à-vis the PPP is also a more comfortable position for the PML-N which will not have to share the responsibility of governance at particularly difficult times and can just wait for its turn to assume power. The PPP will be held fully accountable in case of poor governance now that it is in command of most of the state institutions. A survey of public opinion conducted by the US International Republican Institute in October 2008 showed that the approval ratings for the present leadership has fallen to a level fairly similar to the previous one on the eve of the February elections (Dawn, 20 December 2008). Asif Ali Zardari has shown its ability as an astute politician who would like to convince everyone that the declared end – the consolidation of democracy – justifies means not really pointing in this direction. In a sharp criticism of the President on the floor of the National Assembly on November 12, PML-N's Chaudhry Nisar Ali accused Zardari of retaining the autocratic powers of his predecessor, keeping the office of co-chairman of the PPP and going back on commitments to restore all sacked judges. Some of the sixty judges ousted by Musharraf have in fact been reinstated but Zardari has shown its determination not to budge an inch when it comes to Iftikhar Chaudhry, seen as anti-PPP, and to ignore the demand of hundred of thousands of lawyers and political activists who participated in June 2008 in a long march to the capital. For those who demonstrated, Iftikhar Chaudhry by his fierce stand vis-à-vis Musharraf has come to symbolize the independence of justice. Yet it is most likely that a new Chief Justice will take over from Chief Justice Abdul Hameed Dogar when he retires in March 2009.

The consolidation of democratic institutions at issue

Soon after his election, President Zardari reiterated that the President will be subservient to Parliament. Under Musharraf, there was a clear tendency to legislate by ordinances. The charter of democracy signed in May 2006 by Benazir Bhutto and Nawaz Sharif indeed mentioned a return to the 1973 Constitution as it existed before the military coup of October 1999. According to the constitution in its original form, Pakistan is a parliamentary form of democracy. Also the head of state should mainly be a nominal head, the Cabinet headed by the Prime Minister being the real executive power. The Cabinet itself is an upshot of the elected parliament to which it is responsible for all decisions. The president must act on the advice of the Cabinet or the Prime Minister. But every military ruler (Zia ul-Haq, Musharraf) changed the character of the Constitution by making both the Parliament and the Prime Minister subservient to the President. It is symbolized by the incorporation in the Constitution of the article 58 (2- b), first in 1985, which empower the President to dissolve the National Assembly. Until the Nawaz Sharif government had a constitutional amendment (the thirteenth) passed by Parliament in 1997 divesting the President of the power to oust the National Assembly, this discretionary power had been used four times between 1988 and 1996 to dismiss popularly elected assemblies. Musharraf reintroduced the 58 (2-b) in the Constitution with the seventeenth amendment passed by a submissive Parliament in December 2003.

Besides the article 58 (2-b), the article 90 (1), in its amended form, vest the executive authority of the federation in the President, whereas in its original form the executive authority of the federation was to be exercised in the name of the President by the federal government. The article 48 (1) also witnessed a presidential drift as it does not make anymore binding on the President to act on the advice of the Prime Minister. At his sole discretion, the President appoints the chief of the Supreme Court and the chief election commissioner. He has the authority, after or in consultation with the Prime Minister (but not on his advice), to appoint the provincial governors and the different services chiefs. The Court Supreme judges are also appointed by the President after consultation with the Chief Justice. He can also withhold assent to a bill passed by Parliament for thirty days and send a bill back to Parliament.

A return to the spirit and the letter of the 1973 Constitution would mean scrapping those powers, making obligatory for the President to act on the advice of the Cabinet or the Prime Minister and vest the executive authority of the federation in the federal government. Pakistan has a long history of powerful presidents, starting with Iskander Mirza (1956-58), and experience shows that it is not compatible with proper functioning of democratic institutions. With the sole exceptions of Fazal Ilahi (1973-78) and

Rafiq Tarar (1998-2001), these strong presidents were either military rulers or connived with the military establishment (Ghulam Ishaq Khan (1988-93), Farooq Leghari (1993-97) to dismiss elected governments. But strong prime ministers, such as Zulfikar Ali Bhutto (1973-77) or Nawaz Sharif during his second term, were also inclined to be high-handed.

In May 2008, the PPP unveiled a constitutional package (the 18th amendment bill) aimed at clipping presidential prerogatives and ensuring that the Parliament is sovereign. But when President Zardari promised a new balance of power, he inferred that he would not be a ceremonial head of state. Retaining the co-chairmanship of the PPP make sure that he remains fully in command of the largest party and the current practice is still the Prime Minister acting on the advice of the President. Regarding the replacement of the 17th amendment, Zardari has left the consideration of this issue to a parliamentary committee without a deadline. The committee may propose to repeal the 58 (2-b) but the Parliament is unlikely to disturb the powers of the president giving a decisive role in matter of appointments.

The argument that a two-third majority in both the houses of Parliament is necessary to amend the constitution is currently lacking may carry weight only till March when the renewal of half the Senate will probably make it possible to reach this threshold. To say that Zardari is the most visible face, at home and abroad, of the new political dispensation and largely eclipses the Prime Minister is stating the obvious. Policymaking seems to revolve around one man who does not have a personal rapport with the populace and his coterie of aides. The burning issues relating to terrorism and the economic crisis are placed under the charge of advisers, respectively Rehman Malik for internal security and Shaukat Tareen for finance (with the status of federal minister), who are not members of Parliament or accountable to it.

The civilian presidency can also argue that a strong President is necessary to have a hold on the army and the intelligence apparatus. Soon after the elections, in a bid to enhance the image of the army, the Chief of the Army staff, General Ashfaq Parvez Kayani, had announced the recall of army personnel from civilian departments. The political wing of the ISI has been disbanded. It had become an official entity in 1975 when an insecure Zulfikar Ali Bhutto wanted to keep a tab on its opponents. From then its involvement in monitoring and managing political activities went from strength to strength. Ironically, it turned against her daughter in 1990 when the ISI's political wing engineered the anti-PPP Islami Jamhoori Ittehad led by Nawaz Sharif. It has been used to rig elections to favour the politicians in the good books of the army establishment. In 2002, it ensured that the PML-Q would win the general elections.

Another contentious body opposed for being supra-constitutional is the National Security Council (NSC) which abolition has also been announced in November 2008. Set up by Musharraf after the October 1999 coup, the NSC had been formally established through an act of Parliament in 2004 and a parliamentary vote at a simple majority will be necessary to repeal it. The NSC was seen by the opposition as an instrument of the military establishment to perpetuate prerogatives on the decision-making process and its abolition was part of the charter of democracy agenda. Still the actual removal of the NSC, chaired de jure by the president, was not a foregone conclusion. The government burnt its fingers in June when it was forced to drop the idea of putting the Inter-Services Intelligence under control of the Interior Ministry. More recently, it did not take long for the Prime

Minister to backtrack on its promise, in response to a demand from its Indian counterpart, to send, without consulting the army before hand, the chief of Pakistan's premier intelligence service, Lt-Gen Ahmed Shuja Pasha, to New Delhi for the purpose of investigating a Pakistani link to the Mumbai terror attacks. To give to the civilians a greater say on national security policies, it has been decided to revive the defence committee of the cabinet (DCC) which has been dormant for a decade. To assess the new regional security situation following the aforementioned attacks, a DCC meeting was held attended by the top political and military leadership and presided over by the Prime Minister. The defence ministry has often played second fiddle to the military when it comes to decisions on strategy, weapons procurement and allocation of resources. An advisory board for national security open to civilian expertise, similar to the one existing in India, could also signify the willingness to gradually erode the ascendancy of the military establishment which policies often interfere with the agenda of the civilian government. This is especially true regarding the cooperation with India.

Yet the military's habit of having the upper hand when it comes to articulate and formulate the internal and external security policies will not vanish overnight. It remains a delicate balancing act for any civilian government in Pakistan to limit the power of the army. General Kayani, has also strengthened his position, changing four of the nine corps commanders and a nominating a new chief of general staff, besides placing at the head of the ISI, Shuja Pasha, previously director general of the military operations in charge of the antiterrorist operations in FATA and Swat.

The government has tried to enlist the support of the political class in an attempt to close ranks and exhibit a civilian cohesion in its face to face with the military establishment. There has been instance of meetings bringing together General Kayani and mainstream parties to discuss the war on terrorism. In a sharp departure from the past years of conflict when politicians were not involved in the war on terror, the government expanded the consultative process to the Parliament in an attempt to enlarge the ownership of this war. The in camera sitting of the National Assembly and the Senate, which saw the parliamentarians being briefed by the newly-appointed ISI director general, ended with the adoption of a unanimous resolution on 22 October (that this resolution is so broad and inclusive that it can please almost all and sundry is a different story). Following the Mumbai attacks, the government also convened an all-party conference on national security.

Lowering the tensions within the federation

Pakistan rulers have generally been weary of transferring powers to the provinces, a reflection often of their own insecurity. The consequence has been recurrent ethnicity-based insurgencies. There were expectations that a democratic dispensation at the Centre would be more accommodative in empowering the provinces. The PPP, as the only political party with a presence in each and every province, was a harbinger of hope. Prime Minister Gilani, in its speech in front of the newly elected members of the National Assembly on March 29 made some substantive announcements. The Constitution's concurrent legislative list was to be abolished within a year. Besides a federal legislative list setting forth subjects on which only the Parliament is entitled to make laws, article 142 of the Constitution provides for a concurrent legislative list composed of forty-seven subjects on which both the Parliament and the provincial legislatures can make laws. Since the concurrent list curtails the autonomy of provinces and often creates money-consuming duplications in the working of the federal and provincial governments, it was proposed to give the latter exclusive control over more subjects.

If this proposal is yet to be implemented through an amendment to the constitution, the question of distribution of resources to the provinces also remains open. The National Finance Commission (NFC) is endowed with financial responsibilities to ensure harmonious relations between the Centre and the provinces and among the provinces. If there is a point on which all provinces agree it is to get the provincial share of the federal tax pool raised to 60 per cent of the total revenue collection. In the 2006 award, Musharraf had nominally raised the provincial share and mandated an annual one per cent increase. Under that formula the provinces would have been entitled to 50 per cent of the resources in the divisible pool in 2010-11. The quantitative aspect is one side of the problem, resource-sharing is another. The present formula fixes a province's share mainly in accordance with the demography and it favours Punjab, that includes 60 per cent of the total population. Sindh considers that a fair distribution mechanism should be based on revenue collection, Balochistan on area and the NWFP on backwardness.

At the lower level, it was expected that the devolution plan of Musharraf introduced in 2001 transferring functions and resources to the district set-up and powerful nazims (heads of local government) would encounter rough weather. The provincial governments always felt that empowering non-party nazims indebted to the Centre (the elections to the local bodies in 2005 were rigged) was intended to restrict their sphere of influence. With service delivery the prerogative of nazims, the members of the provincial assemblies felt deprived of patronage. The National Reconstruction Bureau has chalked out changes in the third tier of

governance for clipping powers of nazims and delegating maximum authority to the civil bureaucracy. The next local bodies elections would be on a party-basis.

The new government raised also some hopes regarding the insurgency in Balochistan. A truth and reconciliation commission, particularly in references to excesses committed in Balochistan was announced and a three-pronged strategy of reconciliation, reconstruction of institutions, and reallocation of resources was to be implemented. The Chief Minister, Nawab Aslam Raisani, is a PPP man and a supporter of provincial autonomy. A Shaheed Benazir Bhutto Reconciliatory Committee on Balochistan was indeed set up in April with the promise of legal and constitutional amendments to ensure equitable distribution of resources among the people of the province. Over 7,000 military and paramilitary personnel deployed in towns have been replaced with civilian personnel. Politically-motivated cases against Balochi leaders have in some cases been withdrawn and more than eight hundred political activists released, starting with Sardar Akhtar Mengal, president of the Balochistan National Party and a former Chief Minister. Yet the sense of alienation has not been alleviated because of political indecision on a number of issues like the rehabilitation of the displaced persons during the last nine years and the tracing of hundreds of "disappeared" people, the province's share of the national revenues, the payment of long overdue royalties for the exploitation of the gas deposits. Development projects are still seen as bringing little benefit to the local population. Reservations have been for instance expressed regarding the agreement handing over the Gwadar port to a Singaporean company for forty years and for some mining projects in Chagai district.

If the situation in Balochistan has apparently not worsened, the same cannot be said of the Federally Administered Tribal Areas (FATA) bordering Afghanistan where the war on terror takes place. It has been said in October 2008 that, since 2001, 1368 military men died fighting Al-Qaeda and the Taliban which had 2825 militants killed, among these 581 foreigners. This tally does not include the continuous killing of tribesmen and elders who oppose extremist forces, a trend which has become even more acute after the movement started this summer of raising local tribal lashkar (militia) against the Taliban and foreigners.

In spite of military operations conducted with more conviction in a number of agencies during the last few months (Khyber, Bajaur, Mohmand) and the resumption of hostilities in the Swat valley after the breakdown of the agreement signed in May, the Taliban are far from being rolled back, consolidating their territorial control in the tribal areas and trying to expand their domain to the settled areas. The Taliban, now federated under an umbrella organisation called the Tehrik-i-Taliban headed by Baitullah Mehsud, have of late repeatedly displayed their capacity to target convoys bringing supplies to the International Security and Assistance Force (ISAF) deployment in Afghanistan. It happens in spite of the fact that the ANP-led government in Peshawar is, contrary to the previous clerical alliance, now fully supporting the military campaign against extremist elements inimical to peace. Another dimension of the military operations is the massive displacement of population often exploited by organisations like the Jamaat ud-Dawa to gather support under cover of charity.

After the five E's (Employment, Education, Energy, Environment, Equality) devised during the electoral campaign, the PPP led-government has come forward with the three Ds to root out terrorism in the FATA:

dialogue, development, and deterrence. Dialogue with elements ready to lay down arms is a non-starter. Regarding the integration of the tribal areas into the political and administrative mainstream of the country, the Prime Minister had pledged to repeal the British-era Frontier Crimes Regulation (FCR) in force in seven FATA and six frontier regions. Yet, the government has not been able to decisively break from the traditions of the past even if it plans to curb the power of the political agent whose decisions were constitutionally shielded from judicial review and also to extend the constitutional guarantee of fundamental rights to the people of those regions (the FCR gives for instance the authorities the right to raze houses of relatives of alleged criminals under the notion of collective punishment as well as to arrest minors, women and elderly). Merger of the FATA with the settled areas of the NWFP seems distant considering that the mere renaming of the North West Frontier Province as Pakhtunkhwa, which would mean a change in article 1 of the Constitution, is still passionately debated. Foreign funding, particularly American, is expected to take care of the development side. Deterrence is seen in the government fully backing the army operations in the tribal areas and in trying painfully to generate a broad-based support to that effect.

A sluggish economy

The new civilian government has also to face the predicament of proving itself in a particularly difficult economic environment. It inherited from the Musharraf-Shaukat Aziz regime an unsustainable growth rate based on import-led and credit-based consumerism favouring the service sector rather than on the diversification of the industrial and export base of the country (textiles and clothing still accounts for about 60 per cent of exports). Foreign economic assistance which followed Pakistan's decision to join the war on terror post 9/11 has certainly contributed to a sense of complacency. The last twelve months has engendered a reality check. Energy shortages and load-shedding has hit hard the industrial sector and the population which had also to cope with a sharp increase in oil prices and in other primary commodities as well as the mismanagement of wheat supplies which pushed inflation upwards (around 30 per cent). A report of Oxfam said the number of poor in the country has risen from 60 to 77 million. In absolute terms, it means that there are more poor people in Pakistan today than the total population of the "new" Pakistan in 1972.

The rupee has depreciated without really benefiting the exports notably because Pakistan depends on import of capital equipment and raw materials for its exports. Nearly two-thirds of Pakistan's imports consist of petroleum products, capital equipment, raw materials and food products for which the demand tends to be largely inelastic. The trade deficit has kept increasing. The imports in 2007-08 in fact shot up to \$ 35 billion while exports were only \$20 billion, leaving a gap of \$ 15 billion. The foreign exchange reserves which stood at \$14 billion in February had steadily declined to some \$7 billion.

The political bickering between the two major partners of the ruling coalition did not help. Most of the economic and social sector portfolios had gone to ministers from the PML-N, such as Ishaq Dar who had already been finance minister in the 1990s, but they had to resign in May after Nawaz Sharif made the participation of the PML-N to the government conditional on the restoration of judiciary. The initial uncertainty about the return of those ministers contributed to the government not taking early action in mobilising support from abroad.

By the summer, the financial situation of the country was so sensitive that an international rescue effort looked inevitable. In a piecemeal reaction, the government imposed additional customs duty on more than 370 items in September to curtail the flow of imports. With the looming prospect of not covering the trade deficit and defaulting on debt repayments, the government had no option but to turn to allies and friends. Pakistan had been anxiously trying – first during Gilani's visit to Riyadh in June - to get oil from the Saudi princes, who feel more comfortable with Nawaz Sharif, on deferred payment for a period of two years, if not restoring the special oil facility which Pakistan had enjoyed after the international sanctions

following the nuclear tests of 1998. Pakistan also wants Iran to increase the quantity and extend the deferment period for crude oil that it imports from its western neighbour.

More significantly a "Friends of Pakistan" group (sixteen nations and multilateral agencies) came into being in September but it avoided making financial pledges. Zardari went on a tour of China, Saudi Arabia, the United Arab Emirates and the United States but received only mixed responses. If China promised to give \$ 500 million to strengthen the foreign reserves, Beijing refused nevertheless to oblige Pakistan's request to make a swift payment in the name of their "special friendship". In December 1996, China had given a similar loan but with the advice that Pakistan should increase its domestic savings rate which was then around 13 per cent of the GDP. Nothing of that sort happened and this rate even declined to 12 per cent in 2007-08. All wanted to have a certificate of credit worthiness from the International Monetary Fund. Pakistan has never fully implemented an IMF programme. The last three-year poverty reduction and growth facility obtained in December 2001 was abandoned two years later with claims that Pakistan had at last broken the begging bowl. Pakistan did the same in the early 1980s as soon as the first Afghan war related dollars started flowing.

Furthermore the looming global financial crisis made potential donors tight-fisted and an economic recession will also affect the Pakistani diaspora whose remittances is an important source of capital. Workers' remittances had even increased in 2007-08 to \$ 6.5 billion from \$ 5.3 billion the year before. Yet Pakistan's geo-strategic importance once again saved the day and towards the end of November 2008, the IMF agreed to a bailout package, providing a credit of \$7.6 billion under a two-year stand-by arrangement and a first instalment of \$ 3.1 billion soon followed. The IMF announced that another \$ 20 billion would be needed from bilateral creditors, multilateral institutions and foreign direct investments to cover the current account deficit and debt repayment obligations for the current and next fiscal years running from July 2008 to June 2010. The country has got some breathing space and can expect for the short term to stabilise the reserves, the currency value and prevent capital flight, particularly from portfolio investment. Pakistan is rated among the worst credit risks in the world which make borrowing from the commercial banks an expensive proposition. The "Friends of Pakistan" could bring more external assistance following the adoption, at a meeting held on November 17, of a work plan for cooperation in broad areas covering economic development, financial stability, energy needs and institution-building.

There have been a number of conditions attached to the IMF loan prompting restrictive fiscal and monetary policies and increasing the country's revenue. Islamabad must reduce its fiscal deficit from 7.4 to 4.3 per cent of the GDP through the elimination of oil and gas subsidies (largely done) and phasing out of electricity subsidies by June 2009 and the exemptions on income and agricultural taxes. The proportion of tax to GDP has been declining over the years and is less than 10 percent. It should be gradually raised to 15 percent. A lax tax administration has allowed the rich to escape the tax net and some sectors of the economy have been undertaxed. The absence of an agricultural income tax is not unrelated to the large presence in the governments of very large landowners. Targeting the bureaucracy or the military is also a politically risky option.

The proportion of GDP spent on public administration and defence increased in the latter part of Musharraf presidency. It went up from an average of four per cent of GDP in 2000/2005 to ten per cent in 2005/2008 with practically no economic returns.

The reduction in the budget deficit will force the government to make hard choices with the risk of slowing down further the economic growth at a time when the government is also told to stop borrowing from the central bank as a source of deficit financing and to increase interest rates. The GDP growth is expected to slow down to 3.4 per cent in 2008-09 (from July 2008 to June 2009) from 5.8 per cent the previous year. A danger is to have the government reducing development expenditure rather than jeopardizing the system of patronage. Cutting down on subsidies affects the low-income sections of society whose despondency is not going to be redressed by schemes like the Benazir Income Support Programme.

In a financially delicate situation, the reshuffle of the government in early November bringing the number of ministers in the cabinet to 55 is not really akin to an austerity drive and can hardly endear the political class to the public opinion. The departure of the PML-N from the coalition government had left many ministerial slots unfilled but one did not expect the Cabinet, once all parties of the coalition are accommodated (for instance the MQM has still no presence because of differences on the portfolios) to come close to the Shaukat Aziz's government which had 70 members with ministerial status. It reflects the usual practice of patronage to satisfy political friends and coalition partners. It also makes lights of some of the early measures of the Prime Minister like a bar on the use of powerful cars by his Cabinet ministers or getting their government offices and official residences refurbished at public expense. We are far from the recommendations of the National Commission on Government Reforms, a consultative body which in 2007 suggested merging some of the ministries. The opposite happened. A ministry of textile industry has been carved out of the ministry of industries and production, a ministry of livestock and dairy development out of the ministry of food and agriculture, a ministry of zakat and ushr out of the ministry of religious affairs, etc.

The external dimension

If the objective is to complete the transition to democracy, consolidate a civilian government and to contain the influence of the army in the decision-making process, two external actors come inevitably into the picture. First is the United States upon whose support the survival of the government is at stakes, particularly considering the perilous economic situation. The government bets on a \$15 billion, 10-year aid package, known as the Biden-Lugar bill (Enhanced Partnership with Pakistan Act of 2008), in early 2009. One of the two movers of this resolution being now the vice-president elect, it may facilitate its adoption but it will be linked to Pakistan's performance in the war against terror. Zardari has manoeuvred to get the Americans on its side, saying that he will deliver better than Musharraf whose suspicions of a double-faced strategy on the war on terror was a matter of constant irritation for the US administration. The incapacity of the Pakistan army to control cross-border movements has led to frustration in the US military command and led to a significant increase in air strikes since the installation – and with the connivance according to some reports - of the new government. Admiral Michael Mullen, chairman of the US Joint Chiefs of Staff, has made no less than seventh visit to Pakistan since he took office in October 2007. From December to August 2008, when Musharraf stepped down, there were six US drone strikes. Since August, there have been over twenty strikes. On September 3, for the first time, a ground assault by helicopter-borne US commandos took place and on November 19 a drone hit a target 70 km deep inside Pakistani territory in the Bannu district in the settled area. In a country where opposition to the US policies is almost a way of life, the government is certainly losing popular appeal but on the other side knows that the army has also a vested interest in keeping a close connection with the United States.

Improving relations with India is a necessity for a civilian government who wants to limit the role of the army which has always justified its predominance as the ultimate defender of the nation vis-à-vis a hostile eastern neighbour. The Pakistani army is basically India-centric with seven army corps focusing on the eastern threat and only one in Peshawar and another one in Balochistan. Getting friendly with India is a risky affair for any civilian government. Nawaz Sharif got enmeshed in the Kargil conflict in the spring of 1999 after the path-breaking visit of Atal Behari Vajpayee to Lahore in February which upset the military leadership and its then Chief of Armed Forces, Gen. Musharraf. The latter had to comply with a dramatically changed security environment post 9/11 and returned to the composite dialogue option with India in January 2004. To its merits he opted for a flexible policy on Kashmir in the sense that progress in bilateral relations was not made anymore conditional on a Kashmir settlement. The normalisation of relations with India as such is not today a contentious issue among the mainstream parties. The charter of democracy talked about embarking on a new foreign policy paradigm in South Asia.

Yet there is a certain disappointment at the slow pace of the composite dialogue, now in its fifth round, linked to the feeling that India has not responded adequately to Pakistan's goodwill.

There were expectations that a PPP-led government would not only continue the policy of normalisation with India in place since 2004 but would also carry it further. There were a number of declarations of PPP leaders going into that direction.

From the beginning, Zardari made the right moves vis-à-vis India. He even made some statements which certainly did not go down well with the security establishment. This disposition to engage with India, notably the Indian media, helped to defuse the tension after the deadly attack on the Indian Embassy in Kabul in July for which India blamed the ISI. A Pakistani connection was also seen in the bomb explosions in different Indian cities (Jaipur, Bangalore, New Delhi). In September, he gave an interview to the Washington Post in which he declared that India has never been a threat to Pakistan which does not really match with what is written in school textbooks and taught in military academies. He caused some flutter in using the word "terrorists" for the "Islamic militants" fighting in the Indian-administered Kashmir, a terminology not appreciated by the hawks in the security establishment who think that Kashmir insurgency should be kept simmering.

He further drove the point home in a videoconference at the annual Leadership Summit organized by the Hindustan Times in New Delhi on November 22. He favoured a permit system in place of passports and visas to facilitate people-to-people contacts and looked forward to an "economic union" fitting in with the expanding movement of goods and the possibility of joint ventures. The government has been considering the possibility of including some hundred new items in the positive trade list with India to which the latter is expected to reciprocate with the suppression of non-trade barriers. Gilani declared that Pakistani ports could cater for the needs of India's northwestern states, a return to pre-partition era. The SAARC Chamber of Commerce and Industry has stressed the need for a bilateral investment treaty to foster economic cooperation. Trade volume of \$ 2 billion through legal channel and that of \$5 billion through third country was reflective of a large trade potential.

On October 21 a symbolic stage had been crossed with the reopening twice a week, after a gap of sixty years, of the trade route between Srinagar and Muzzafarabad soon to be followed by the Poonch-Rawalakot route. The government argues that it responded to the Kashmiri demand for freer interaction with the other side without recognizing the Line of Control as an international border since no customs duty will be imposed on the 21 items which have been approved for import and export. In his charm offensive, Zardari also went much beyond the pre-1998 Pakistani line of turning South Asia in a nuclear-free zone in announcing a possible no first use weapons policy contradicting the stated nuclear doctrine which says that, in the face of an overwhelming superiority of India in the conventional field, Pakistan will keep open the option of striking first. It raised a few eyebrows especially in the context of the Indo-US nuclear deal which is often interpreted in Pakistan at allowing an enhancement of India's nuclear capability.

Zardari's conciliatory moves came in spite of the fact that India has been in the line of fire over the last few months. First, India has sometimes been accused of fishing in troubled waters in Balochistan and the FATA with the objective of breaking up Pakistan. Then, in August, Kashmiri took to the

streets in the valley following a decision to allocate land to a Hindu pilgrim trust. For Pakistan, it reflected the exasperation of the local population due to the absence of any progress on their demands while the army deployment remains as heavy as ever. There was also the controversy over the Balighar dam on the Chenab river. In water-starved South Asia, Pakistan accuses India of depriving it of a large quantity of water and acting in contravention to the Indus Waters treaty of 1960 in which the Chenab river flows from India but “belongs” to Pakistan. A minimum of 55,000 cusecs is supposed to flow into Pakistan at the Marala headworks near Sialkot in peak season whereas a flow of only 22,000 cusecs was recorded this year affecting the output of the kharif crops. Still India denies compensation for the loss of water that Pakistan claims it suffered while the Balighar reservoir was filled.

Under the joint antiterrorism mechanism agreed between the two sides on the sidelines of the NAM summit in Havana coming after the Mumbai bombings of July 2006, Pakistan and India agreed to boost cooperation between their civilian investigation agencies (Pakistan's Federal Investigation Agency and India's Central bureau of Investigation) to control cross-border terrorism on the eve of the Mumbai carnage of November 26. The two sides had also agreed at this meeting to stop blaming each other for any untoward incident without evidence, but all caution was sent to the wind and mistrust resurfaces as a driving force in bilateral relations after the Mumbai tragedy. Rightly or wrongly, there was on the Pakistani side a quasi-unanimous feeling that India was busier internationally undermining their country than objectively apportioning responsibilities.

Conclusion

Pakistan's return to democracy in February 2008 after eight years of military-dominated authoritarian rule was supposed to restore hopes in a country affected by an economic slowdown, an ethnic rebellion and the escalating threat posed by terrorist activities. None of those challenges have yet been successfully addressed and public faith in the capacity of democratic institutions to deliver the goods is eroding. There is a question mark on the reality of the consolidation of democratic practices since the present civilian leadership has not so far fulfilled the promised constitutional changes. The government image is that of a centralised and personalized entity dominated by the president and reliant on distribution of state patronage and there is a loss of confidence on the part of the people in the working of the government. In the defence of the government, it inherited an unenviable situation where the military and intelligence apparatus was freely interfering in the state affairs, the religious hardliners went largely unchallenged, and the claimed economic upturn was not providing essential services and jobs. Pakistan's dependence on external assistance also limits its domestic and foreign policy options.

The recent Mumbai attacks offer a window of opportunity to convince that a civilian government can more efficiently combat terrorism and its breeding ground than a military-led political leadership. After the attacks on the Indian Parliament in December 2001, the international community led by the US pressured Pakistan to act against extremist elements. As a follow-up, Musharraf banned one month later some militant groups, among them the Lashkar-i-Taiba and the Jaish-i-Mohammad, but with the attention of the world moving elsewhere, those groups resurfaced, sometimes under different names, like the Jamaat ud-Dawa which has a widespread outreach through education and charity institutions. The government, backed by two coalition partners – the ANP and the MQM –, has to show that it will not dillydally in cracking down on Islamist militancy. It is also an opportunity for a civilian government to take on their powerful supporters aligned to state agencies. In this the interests of India and Pakistan converge whereas procrastination to convincingly act against extremist elements will take Islamabad to a dead end.

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