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I Overview

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II Developments in Pakistan

Political Situation

The Shehbaz-Sharif coalition went out of power on August 9 on the Prime Minister dissolving the National Assembly three days before it was to complete its term. The dissolution was meant to gain extra time till

the elections because the Constitution requires elections to be held within sixty days if an assembly completes its term and ninety days if it is dissolved prematurely. Anwaarul Haq Kakar from Balochistan was appointed the caretaker Prime Minister at the head of a nineteen member cabinet to oversee governance in the run up to the elections. He is reported to be the choice of the army leadership and had revolted against Nawaz Sharif in 2017 to form the army supported Balochistan Awami Party (BAP).

On being convicted and sentenced to three years' imprisonment by a trial court in the Toshakhana case involving misappropriation of gifts received by Imran Khan as Prime Minister from foreign dignitaries, he was arrested and has been lodged, reportedly in very poor conditions, in the Attock jail in an attempt to coerce him into leaving the political arena. Unlike his arrest in May this year that had occasioned violent protests by his supporters against army establishments, there was not a whimper of protest this time because of the army crackdown that followed the May arrest. His appeal against the above sentence and bail is pending in the Islamabad High Court (IHC) and the Supreme Court has said that it would await the IHC verdict before taking up the matter, though Chief Justice Umar Ata Bandial, who completes his tenure in mid-September, has observed that there are prima-facie shortcomings in the trial court verdict. However, even if he gets bail in the above case, he will most likely remain in detention in a case involving mishandling of a secret communication from the Pakistani embassy in Washington DC, which Imran Khan had used to allege an American conspiracy along with the former army chief Bajwa to oust him from power. His deputy in PTI, Shah Mahmood Qureshi and another prominent party leader Asad Umar have also been detained in the same case. There are a number of other cases against Imran Khan and the Pakistani establishment will use them to keep him out of the next election. Their task is likely to become easier when Qazi Faez Isa, who is ill-disposed towards Imran Khan, succeeds Umar Ata Bandial as the Chief Justice of the Supreme Court in mid-September.

Though Army Chief Asim Munir, PML (N) and PPP have worked together to overcome the challenge posed by Imran Khan, now that he is more or less out of the political equation, they are all likely to pursue their own interests. PML (N) would like to retain its stronghold in Punjab that holds more than half the seats in the National Assembly. For this, it badly needs its vote-getter, Nawaz Sharif, who is likely to come back to Pakistan from London, once Qazi Faez Isa takes over as Chief Justice. PPP, which has remained marginalised except for Sindh in the last two elections, would like to recover its base in Punjab and pick up a handsome number of seats, particularly in Southern Punjab, thereby giving Bilawal Bhutto a chance to stake his claim to be the chosen candidate of the army and Prime Minister.

As for the Army Chief Asim Munir, he has consolidated his position following the violent protests of May by, inter alia, dismissing three officers, including a Lieutenant General (former Corps Commander of Lahore), and taking disciplinary action against fifteen others, including three major generals and seven brigadiers, who had failed to quell the attacks against army establishments in May and were seen as sympathetic to Imran Khan. The army's position has strengthened as a result of some laws passed by the outgoing National Assembly, giving it a greater role in civilian affairs and maintenance law and order, including trial of civilians by Military Courts.

General Asim Munir and his institution would like to see a hung assembly, instead of a decisive verdict in favour of either PML (N) or PPP, in which they could use the smaller parties beholden to them to craft a majority of their choice. In addition to the existing parties in their toolkit for this purpose (MQM-P, PML-Q of Chaudhary Shujaat Hussain and Balochistan Awami Party), two more parties have been floated by politicians close to the army to accommodate those abandoning PTI. These are: 'Istehkam-i-Pakistan' of

sugar baron Jahangir Tareen, who carries influence in southern Punjab, and 'Pakistan Tehreek-e-Insaf Parliamentarians' of former Defence Minister Pervez Khattak. Though Nawaz Sharif was instrumental in the appointment of Asim Munir as the army chief, in the event of PML (N) garnering sufficient numbers in the next National Assembly, Munir is likely prefer Shehbaz Sharif over his elder brother, who had tried to impose his will on the army in each of his three tenures as Prime Minister, for the Prime Ministership.

There is no clarity on the timing of the next elections. The Shehbaz Sharif coalition had brazenly defied the constitutional norms in not holding separate elections within the stipulated period to the dissolved provincial assemblies of Punjab and Khyber-Pakhtunkhwa. Elections to the National Assembly are not likely to take place in the constitutionally mandated ninety days because in a surprise move, the outgoing Prime Minister, Shehbaz Sharif, got the results of the 2022 electronic census approved by a hurriedly convened meeting of the Council of Common Interests. This has necessitated a fresh delimitation of constituencies, which will take at least four months according to the Election Commission of Pakistan. This would mean elections taking place at the earliest around March 2024. However, now that the army has a caretaker government of its choice, an apprehension has been expressed that the elections may be delayed further on the pretext of giving the caretakers sufficient time to set things right in Pakistan. Pakistan judiciary's infamous doctrine of necessity will come in handy in such an event. In the above context, it needs to be noted that the outgoing National Assembly passed a law giving the caretaker government greater authority than merely looking after the day to day affairs, which has so far been the mandate of caretaker governments. This was done on the pretext of giving the caretaker government powers to implement the latest IMF programme.

Whatever the timing of the next elections, given the recent developments, they are likely to be a managed affair; thus leaving the next government bereft of political legitimacy.

Economy

The Economic Survey of Pakistan, presented by the Shehbaz Sharif government to the National Assembly in June painted a dismal picture, with 0.3% growth and inflation at close to 40%. The targets of increasing savings and investments were missed by a wide margin. Finance Minister Ishaq Dar blamed the global economic environment and unwise policies of the PTI government for the dismal state of affairs. Ignoring the dire need for IMF support and the Fund's demands for austerity, the government presented a budget containing populist measures with an eye on the next elections. It pegged deficit at 6.54% of GDP, with the net revenue left at the disposal of the federal government after transferring the share of provinces falling short of the provision for debt servicing alone, thereby obliging the government to borrow for its remaining expenses. This state of affairs has continued year after year. The budget envisaged no new tax and defence budget was pegged around 15% higher than the last provision at Pak Rs. 1.8 trillion. The expected growth rate next year was pegged at 3.5% and inflation at 21%. Independent observers pointed out that the targets in the budget were unrealistic. A representative of the IMF described the budget as a missed opportunity to broaden the tax base and criticised a tax amnesty scheme announced by the government.

The government finally yielded to the IMF demands by imposing additional taxes of Pak Rs. 215 billion and spending cuts of Pak Rs.85 billion. Though inadequate, these measures paved the way for a 9-month IMF Stand-By Arrangement of \$3 billion, which will last till March next year. The idea seems to be to give Pakistan a short term breather during the election period and leave the negotiation of a long term

programme to the new government. The Fund called for greater fiscal discipline, a market determined exchange rate and further progress on the energy sector reforms. Besides an immediate disbursement of \$1.2 billion from the Fund, the arrangement also brought additional relief from Pakistan's other partners in the form of rolling over of their loans/fresh deposits: \$2 billion from Saudi Arabia, \$ 1 billion from UAE and \$2.4 billion from China. The IMF deal has prevented an imminent default by Pakistan, but only postponed the day of reckoning. In view of the heavy repayment of foreign loans due in the coming years and in the absence of structural reforms of the economy, which would face strong opposition from the entrenched interests including the army, Pakistan's economy will continue to come to the breaking point periodically.

Army's Role in the Economy Reinforced

The armed forces of Pakistan, particularly the army, have all along had a vast business empire and a deep involvement in various sectors of the economy. The PDM parties that had come together, inter alia, to oppose the dominance of the army, have ended up reinforcing its role in civilian affairs, including in the economy. The Parliament passed a bill which, inter alia, authorises the army to carry out, directly or indirectly, activities related to national development. It also legalises the past actions of the armed forces in the economic sphere by providing that all such activities already undertaken shall be deemed to be and always to have been validly done. This latter provision seems to be aimed at the objections raised by superior courts from time to time on specific economic activities of the armed forces. The bill further legalises the actions of armed forces to generate proceeds for welfare of their serving and retired personnel. (This has been the rationale of the economic activities of the armed forces all along).

Weeks before the Shehbaz Sharif government laid down office, the Prime Minister and the Army Chief unveiled an economic revival plan, which was stated to be bigger than the CPEC. The plan involves setting up of a Special Investment Facilitation Council (SIFC) to remove bottlenecks in the way of foreign investment. In his speech, the Army Chief assured the army's all-out support to the plan. Most of the investment is expected to come from the Gulf countries. Subsequent media reports referred to approval of SIFC to 28 projects worth billions of dollars that would be offered to the Gulf countries for investment. Earlier, the UAE based AD Ports Group signed an agreement with the Karachi Port Trust to carry out a part of the Karachi port operations. It would be highly premature to describe SIFC as a game changer. This is not the first such initiative. Pakistan has had a Board of Investment to facilitate investments for a long time. The Imran Khan government had made the then Army Chief a member of the National Development Council, which was formed to take important economic decisions. The actual investment that Pakistan can attract would depend upon its overall economic situation, which remains highly unsatisfactory; the absorption capacity of the Pakistani economy that remains low; and law and order situation etc. Such investment as is received may end up enhancing Pakistan's debt burden like the CPEC. However, General Asim Munir has been emphasising the role of the army in the economy in his speeches, possibly with the aim to burnish his image among the people facing harsh economic conditions. In March this year, the caretaker government of Punjab had decided to give over 45000 acres of land to the army for 'corporate agriculture farming'. A stay on the move imposed by the Lahore High Court was vacated by it in July.

Terror Attacks

Pakistan continued to suffer terror attacks periodically. In two major attacks, at least 12 security personnel were killed in Balochistan in the middle of July. Yet another attack on a public meeting of JUI (F) in Bajaur at the end of the month, which was claimed by the Islamic State-Khorasan (ISK), killed over sixty persons. Militants attacked a Pakistani military convoy escorting Chinese nationals near the Gwadar port. The Chinese consulate in Karachi said that no Chinese national was harmed. The Pakistanis also claimed that there were no casualties among their security personnel.

Pakistan-India

It would be recalled that following a prolonged disagreement between India and Pakistan on whether Pakistan's complaints regarding India's Kishanganga and Ratle Hydroelectric projects be looked at by a Court of Arbitration (COA) or a neutral expert, the World Bank had set up both mechanisms. India had boycotted the proceedings of the COA, questioning the competence of the court, as it believed that the issues needed to be looked at by a neutral expert as per the Indus Waters Treaty. However, the COA has ruled that it is competent to consider and determine the disputes set forth in Pakistan's request for arbitration.

Jalil Abbas Jilani, a former diplomat and Foreign Minister in the caretaker government was quoted by the prominent Pakistani daily Express Tribune as saying that improvement in relations between India and Pakistan was contingent upon resolution of all outstanding issues, including Jammu and Kashmir. The same newspaper quoted sources to say that Jilani was in favour of exploring different options to pave the way for revival of the peace process during the Musharraf-Manmohan Singh era.

Pakistan-US

Secretary of State Blinken welcomed conclusion of the latest nine-months agreement between IMF and Pakistan, adding that the US stood with the Pakistani people during these hard times. He urged Pakistan to continue working with the IMF toward macroeconomic reforms and sustainable economic recovery. After a subsequent phone talk with Foreign Minister Bilawal Bhutto, in which Bhutto thanked the US for its support in reaching the agreement with the IMF, the Secretary said that the US supports a productive, democratic and prosperous partnership with Pakistan. A spokesman of the State Department added that the Secretary stressed that democratic principles and respect for rule of law are central to US-Pakistan relationship.

The US CENTCOM commander General Kurilla visited Pakistan and had a meeting with the army chief and other senior military leaders. As per a press release issued by CENTCOM, discussions centred around military to military relations with particular focus on counter-terrorism, military trauma combat casualty care, disaster relief and humanitarian assistance. Counter-terrorism training was also discussed. General Kurilla had last visited Pakistan in December 2022, when he had said that the US remained committed to combating shared threats to regional security and CENTCOM viewed the US-Pakistan relationship through its own bilateral merits and its potential to improve security across the region; and was committed to strengthening the military to military relationship. He had also visited the Afghanistan-Pakistan border near Peshawar on that occasion.

The Pakistani daily Express Tribune reported in early August, quoting official sources, that the Pakistani cabinet had quietly given approval to the signing of the Communication Interoperability and Security Memorandum of Agreement (CIS-MOA) with the US. The paper stated that there had been no official announcement on this from either side. It also reported that this agreement had been signed by the two sides in 2005 for 15 years and had expired in 2020.

Pakistan-China

Pakistan and China signed a \$4.8 billion deal in late June for building a 1200 megawatt nuclear power plant at Chashma, where four nuclear power plants built by China are already operational. This will be the seventh nuclear power plant to be built by China in Pakistan. Later in July, Prime Minister Shehbaz Sharif attended the groundbreaking ceremony of the Chashma-5 nuclear power plant.

The Chinese Vice Premier He Lifeng visited Pakistan for three days at the end of July to mark the 10th anniversary of the CPEC. Prime Minister Shehbaz Sharif described the CPEC as a game changer. China said that the CPEC had attracted an investment of \$25.4 billion during the last 10 years and claimed that it had created 1,92,000 jobs, set up power generation capacity of 6000 MW, built 510 kilometres of highways and expanded the national transmission network by 886 kilometres.

Pakistan-Russia

After prolonged discussions, Pakistan concluded a deal earlier this year for import of discounted oil from Russia. According a report in Nikkei Asia, Pakistan imported around 7,40,000 barrels worth of oil in two shipments in June, with plans to increase purchase to 1,00,000 barrels a day or about two-thirds of Pakistan's oil imports. The Pakistani media quoted the Minister of Petroleum as saying that the imports were paid for in the Chinese currency. Subsequently the local media reported that Pakistan had suspended the imports as the initial shipments were not found financially viable. The Pakistan Refinery Ltd. maintained, on the other hand, that the spot deal was technically and commercially feasible. However, Nikkei Asia has reported, quoting unnamed officials, that the scale of discount; higher transportation costs; and the fact that the imported crude oil yields more furnace oil than jet fuel and diesel, were a mismatch with the Pakistani needs.

III Developments in Afghanistan

Two Years of the Taliban Rule

The Taliban completed two years of their rule in Afghanistan in the middle of August. Things have proceeded largely on the expected lines.

At the end of two years, the Taliban are entrenched, with no notable force capable of toppling them. There have been periodic terror attacks claimed by the Islamic State-Khorasan (ISK), but the level of violence is nowhere close to what it was in the closing years of the Republican set up. The Taliban have claimed from time to time to have killed leaders of ISK. Such opposition as is there, notably in the form of a fighting force resisting the Taliban in the Panjshir valley, has been dealt with brutally. The annual report of the UN Analytical Support and Sanctions Monitoring Team for the UNSC Committee, released in June, accuses the Taliban of returning to the exclusionary, Pakhtun centric and autocratic policies of

the late 1990s. The same report maintains that the operations of ISK have started becoming more sophisticated and lethal in Afghanistan since August 2022. The Taliban have an all-male government, almost entirely from their Pakhtun and rural base. There have been reports of divisions within the Taliban, denied by their spokesmen, with different factions vying for greater influence and differences of opinion on issues such as girls' and women's education. However, for now the religious faction based in Kandahar remains dominant and there is no defiance of the edicts of the Supreme leader Haibatullah Akhundzada. Only time will tell whether these differences; the threat posed by ISK and sundry resistance groups; and the pitiable plight of a large segment of population, develop into a serious challenge for the Taliban.

The UN envoy for Afghanistan, Roza Otunbayeva told the UNSC that while the Afghan economy remains stable, albeit at a low equilibrium, nearly 60% of households struggle to fulfil their basic needs. She added that cash shipments, required for UN humanitarian operations, are expected to decrease as donor funding declines. The harsh policies of the Taliban are not helping the cause of garnering funding sufficient to meet Afghanistan's humanitarian needs. ICRC has reported that unemployment has damaged the lives of millions of people in Afghanistan. Widespread hunger has also been reported. The UN has reported that Afghanistan accounted for 80% of the global illicit opium production in 2022. Afghanistan is struggling with its third consecutive year of drought-like conditions.

The Taliban have failed to fulfil their commitment not to allow use of the Afghan territory by terrorist organisations. Pakistan has been complaining about heightened terror activity against it from Afghanistan (examined below in greater detail). The above mentioned report for the UNSC Committee notes that a range of terrorist groups have greater freedom of manoeuvre under the Taliban and this has heightened the threat of terrorism within Afghanistan and the region. The report further states that there are indications of Al-Qaida rebuilding its operational capability and TTP may be seeking a merger with Al-Qaida to create an umbrella organisation for various terror groups. The Foreign Minister of Iran alleged recently that leaders and fighters of IS have moved to Afghanistan from Iraq, Syria and parts of Libya. A recent UNSC report refers to information provided by some regional states regarding transfer of NATO calibre weapons, previously used by the Afghan forces under the Republic, to ISK by groups affiliated with the Taliban and Al-Qaida, such as TTP and ETIM.

The Taliban have continued to restrict the rights of women and girls, including their right to education, in various ways in spite of repeated appeals by the international community. According to a recent UNAMA report on the human rights situation in Afghanistan, arbitrary arrests and detention and extra-judicial killings of former government and military personnel continue. Under the dominance of the Kandahar faction, the Taliban have reverted to the strict implementation of Sharia law of their interpretation and punishments in accordance with that law, as was the case with their regime in the nineties. Supreme leader Haibatullah Akhundzada has been quoted as saying repeatedly that there will be no compromise with this law.

In spite of their repeated appeals, the Taliban have not realised the goal of recognition by any country because of their not meeting the demands of the international community, notably on building an inclusive structure, ensuring the human rights of all including minorities, women and girls and preventing the use of the Afghan territory by terror organisations. However, a number of countries, including India, continue to have a presence in Afghanistan and others continue to engage with the Taliban, both to address their security concerns and to provide humanitarian assistance to the Afghan people. This

reduces the pressure on the Taliban to make any compromise to achieve formal recognition of their rule by the international community.

Afghanistan-Pakistan

Frictions between the Taliban and Pakistan on the issue of TTP have continued. There were reports in the Pakistani media that the Taliban had decided to relocate TTP cadres away from the Pakistan-Afghanistan border and there was resistance from the TTP cadres to this move. The Taliban spokesman confirmed the reports of shifting, though he described those being shifted as 'Waziristan refugees' rather than TTP cadres, with an eye on the Taliban position that there are no TTP cadres in Afghanistan and it is Pakistan's internal problem. He added that not all refugees, but some who were causing concern, were being shifted. However, there was no let-up in TTP attacks in Pakistan. TTP announced three new "administrative units" for its activities: Baloch dominated Kalat and Makran region and south and north Punjab, thus bringing its "units" in Pakistan to 12- seven in Khyber-Pakhtunkhwa, one in "Gilgit-Baltistan", and two each in Balochistan and Punjab. Following the killing of 12 soldiers in Balochistan, mentioned above, Pakistan's Inter-Services Public Relations (ISPR) issued a statement, expressing serious concerns on the "safe havens and liberty of action available to TTP in Afghanistan" and involvement of Afghan nationals in acts of terrorism in Pakistan and calling upon the Taliban to prevent the use of the Afghan soil for such attacks. The Taliban, however, continued to describe TTP as Pakistan's internal problem and counselled dialogue with it. Significantly, the Taliban Interior Minister, Sirajuddin Haqqani, who has been known to be close to the Pakistan army, was quoted by Tolo News as saying that the recent incidents in Pakistan are due to its internal problems and warning that if Pakistan sought to solve the issue by force, the interests of citizens of both countries would be harmed. Pakistan had been asking for a *fatwa* by Haibatullah Akhudzada banning jihad against Pakistan and there were some reports in the Pakistani press that such a *fatwa* had been issued. However, the Taliban spokesman clarified that the Supreme leader had not issued any such decree, but the "*Darul Ifta office of the Islamic Emirate*" had issued a decree prohibiting people from going to war abroad without the orders of the Islamic Emirate.

The Taliban are highly unlikely to act against the TTP for various reasons: their ideological affinity and the fact that the TTP fought alongside them to ensure their victory; as well as the apprehension of any action pushing the TTP cadres towards ISK. Pakistan has often threatened action against safe havens in Afghanistan in case the Taliban failed to curb TTP activities from there. However, such action could unleash an even more intense wave of terror in Pakistan with the direct involvement of Taliban elements. Therefore, the best course of action open to Pakistan is to continue to work with elements within the Taliban favourable to it to curb the TTP activity to the extent possible.

UN Strategic Framework for Afghanistan 2023-25

UN issued its Strategic Framework 2023-25 for Afghanistan. It focuses on three key areas: sustained essential services; economic opportunities and resilient livelihood; and social cohesion, inclusion, gender equality, human rights and rule of law (https://afghanistan.un.org/sites/default/files/2023-07/UNSF%20Afghanistan_formatted_20230629.pdf). The framework, however, acknowledges that its implementation would depend in part on external factors, most notably the actions of the Taliban.

The previous issues of Af-Pak Digest are available here: [LINK](#)

(The views expressed are personal)

COMMENTS