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## Which Way is Pakistan Heading?-1<sup>1</sup> The Sick Man of South Asia

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‘The past is not dead. In fact it is not even past’: William Faulkner

### Abstract

Which way is Pakistan headed? The question is important not only for the citizens of Pakistan but also for the country’s immediate neighbours. It is important also for the entire world. A recent book authored by David E. Sanger, who covers the United States’ global strategic interests for The New York Times, has some interesting observations about how the administration headed by President Barack Obama viewed Pakistan as the relations between the two began to sour<sup>3</sup>. He wrote that by the end of 2011, the American President had come to the conclusion that Pakistan was the world’s most dangerous place. Not only was there a great deal of internal turmoil in the country, Pakistan also had the world’s fourth or fifth largest nuclear arsenal. If Pakistan collapsed and if internal divisions within the country’s army split it apart, the security of nuclear weapons could not be ensured. It would be catastrophic if these weapons of mass

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<sup>1</sup> This paper by Mr Shahid Javed Burki is the first in a series of three Working Papers by him on the situation in Pakistan as of mid-August 2012.

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<sup>3</sup> David E. Sanger, *Confront and Conceal: Obama’s Secret Wars and Surprising Use of American Power*, New York, Crown, 2012.

destruction fell into the wrong hands. Pakistan's security was, therefore, of interest and concern for the entire international community.

The country remained unsettled after the long rule by the military and the beginning of a new political order. There were significant changes made in the Constitution that led to the grant of greater autonomy to the provinces. There was also repeal of Basic Law that had given the president powers to dismiss the prime minister and dissolve the national and provincial assemblies. In spite of this change, President Asif Ali Zardari remained in effect the main executive authority. The economy continued to perform poorly with the 2007-12 downturn being the longest-stretching recession in the country's history. Pakistan remained dependent on external capital flows to maintain even the low level of investment in the economy. But these flows became less certain as relations with the United States deteriorated in 2010-11. And the rise of Islamic extremism remained unabated.

This paper, presented in three parts, examines how the various systems – economic, political and social – developed over time in Pakistan and how they were being shaped as 2012 draws to a close, and attempts to answer the question: Which way Pakistan appears to be headed at this time? The first part sets the stage for the analysis that follows and also analyses the development of the political order after the military left the scene in March 2008.

## **Introduction: Taking Stock of the Situation**

As Pakistan's current democratically elected government entered the fifth year in office and as it began to prepare itself and the country for the next general election, a good place to start would be to look at the situation that prevailed in 2012, the final year of the term of the coalition led by the Pakistan People's Party (PPP). These were troubled times in Pakistan. The, PPP, that leads the coalition government in Islamabad had an on-going confrontation with the judiciary. In June 2012, the Supreme Court removed Prime Minister Yusuf Raza Gilani from his position, convicting him for committing contempt of court. His offence: the refusal to write a letter, as demanded by the court, to the Swiss authorities to reopen a case against President Zardari on a charge that he and Benazir Bhutto, his late wife, had received a large kickback to grant a lucrative deal to a couple of Swiss firms. The case was dropped in 2008 at the request of the Pakistani government headed by Zardari and the Swiss authorities released US\$ 60 million worth of frozen assets. After declaring the National Reconciliation Ordinance, the NRO, passed by the Musharraf government unconstitutional, under which the government withdrew the Swiss case, the Supreme Court worked hard to get the Swiss government to walk back these steps. But the court's crusade against alleged corruption in high places did not stop with the president. It also began investigating allegations against the two sons of Gilani, the former prime minister. Having forced him out of office, it and the lower courts turned their attention towards the two PPP

leaders who were lined up by the president to succeed Gilani. The narcotics court issued an arrest warrant for Makhdoom Shahabuddin, the first nominee of President Zardari to succeed Gilani. Raja Pervez Ashraf, who finally won the National Assembly's approval to become the country's 19<sup>th</sup> prime minister, was also under investigation by the courts on charges of corruption<sup>4</sup>. The Supreme Court put him on notice that the need to write a letter to the Swiss authorities applied to him as well. These rapid developments within a few days in June and July 2012 suggested extreme political instability.

While there was considerable political turmoil, the economy slipped badly, accelerating the downward trend it had followed for nearly 50 years. With the government's attention diverted in other directions, it did not spend much time and effort on economic issues. Thus neglected, the economy continued to deteriorate. Some of the problems the economy faced will have long-term consequences. They were also hurting the citizenry. One example would serve to illustrate the short-term and long-term impacts of some of the economic difficulties the policymakers had to deal with. The serious shortages of electricity and natural gas were not only causing enormous discomfort to the people, they also changed the structure of the economy. A significant amount of defensive investment was made by enterprises and entrepreneurs to protect themselves against shortages and by the households who had the means to install generators to supplement the supply received from the utilities. The resort to secondary sources of power was an example of the reaction to the constrained and erratic supply of electricity. Installation of power generators by enterprises and households brought inefficiency to the economy. They also caused serious environmental problems. Gas shortages turned poor households towards the use of wooden stoves. This further depleted the already stressed forest cover in the country.

The country had uneasy relations with most of the world. The United States, a long-time benefactor, began to look at the country with both suspicion and puzzlement: Suspicion that the military, while promising to move against the Islamic extremists that were attacking the United States' forces in Afghanistan from the sanctuaries they had found in Pakistan, seemed, in fact, to provide them support; puzzlement that the authorities continued to be soft on extremism and were thus hurting the country's long-term prospects. At the beginning of the Obama administration, Washington promised a steady engagement with Islamabad. This was to overcome the Pakistani complaint that America had been a fair-weather friend, getting close only when it served Washington's strategic interests<sup>5</sup>. The Kerry-Lugar-Berman (K-L-B) bill, named after its three sponsors in the United States Congress, was signed into law by the president in

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<sup>4</sup> There were different counts of the number of people who served as prime minister since Pakistan gained independence. Two persons – Benazir Bhutto and Mian Nawaz Sharif – served twice while another six worked as 'care-taker' prime ministers satisfying a provision in the constitution that general elections should be held under the 'care' of a non-partisan head of government.

<sup>5</sup> For a competent analysis of Pakistan's relations with the United States, see Dennis Kux, *The United States and Pakistan, 1947-2000, Disenchanted Allies*, Baltimore, Md.: The Johns Hopkins Press, 2001.

October 2009<sup>6</sup>. It committed US\$ 7.5 billion of economic assistance to Pakistan, US\$ 1.5 billion a year for five years starting in 2009-10. There was a strong indication that the flow of aid would continue even after the five-year span of the K-L-B bill. However, very little of this amount was actually disbursed<sup>7</sup>. In 2012, unhappy with Islamabad's reluctance to provide America as much help as the latter believed it needed to successfully pull out of Afghanistan, flows of all assistance, economic as well as military, were placed in jeopardy. Following a series of incidents involving US personnel, Pakistan blocked the passage of trucks and containers that used its road network to supply the US and NATO troops operating in land-locked Afghanistan. The embargo lasted from November 2011 to July 2012. While the matter was resolved by an agreement reached on 3 July 2012 when Secretary of State Hillary Clinton issued a statement saying her government was sorry for the deaths of two dozen Pakistani soldiers in an incident involving the United States, there was no assurance that the relationship would be fully repaired<sup>8</sup>. The Americans also promised the immediate release of US\$ 1.2 billion blocked funds to Pakistan. If that happened, as discussed in greater detail in a later section, it would save the country from entering another period of great financial stress but the impact will not be all positive.

The one country with which Pakistan improved its relations was India. This was one silver lining in an otherwise dark and darkening cloud. President Zardari took a personal interest in moving forward the stalled dialogue between the two countries concerning the normalisation of relations. He agreed with India's Prime Minister Manmohan Singh that a practical approach would be to concentrate on normalising trade and economic relations rather than to keep the focus of discussions on such highly contentious issues as the dispute over the control of the state of Jammu and Kashmir<sup>9</sup>. It was expected by many analysts that the restoration of normal or near-normal economic ties would not only significantly add to Pakistan's GDP growth – perhaps as much as 2.4 per cent a year<sup>10</sup> – but would also bring about a positive change in the structure of that country's economy.

The rise of Islamic extremism was another troubling development. There was no consensus among the groups that had influence on the making of public policy as to the proper way of

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<sup>6</sup> The bill's official title was 'The Enhanced Partnership with Pakistan Act' which was 'to promote an enhanced strategic partnership with Pakistan and its people'.

<sup>7</sup> For a critique of the American aid programme in Pakistan, see a study by the Woodrow Wilson Institute of International Scholars, *Aiding without Abetting: Making Civilian Assistance Work for Both Sides*, Washington DC, July 2012.

<sup>8</sup> For a detailed analysis of the way the agreement was reached and the 3 July statement was issued, see Eric Schmitt, 'Clinton's "sorry" to Pakistan ends barrier to NATO', *The New York Times*, 4 July, 2012, pp. A1 and A10.

<sup>9</sup> In a conversation with the author in November 2008, a few months after being sworn in as Pakistan's President, Zardari said that having good relations with India was one of his top priorities. 'But it will take me time. You will notice the change when I settle down in this office', he said. By settling down he meant that he could overcome the military's opposition to improving relations with India without a settlement of the Kashmir dispute.

<sup>10</sup> One such estimate was made by the author in a book published in 2011. See Shahid Javed Burki, *South Asia in the New World Order: The Role of Regional Cooperation*, Routledge, 2011.

handling the increasing influence of conservative Islam that was not normally practiced in Pakistan and other parts of South Asia<sup>11</sup>. It was the increasing influence of Saudi Arabia that had taken Pakistan in that direction. The extremist activities cost the economy dearly. The dissidents carried out attacks on both soft and hard targets. They launched numerous suicide operations in the country's large urban areas, killing hundreds of people. They also succeeded on occasions to penetrate the defences of the military establishment and did material harm as well as considerable damage to morale in the armed forces.

The list of problems did not stop there. What was clear was that the country was passing through the most difficult period in its history, a perfect storm. Pakistan was never free of crises. At earlier times crises arrived one by one and in most cases they were dealt with successfully by those who were in power when they occurred. This time around, however, a number of them came together; their bunching created a situation that the political system did not seem well-equipped to handle. The country's ability to navigate through these troubled waters will define its future.

**Table 1: Comparative Real GDP Growth Rates (%)**

	2009	2010	2011	2012	2013 (P)
<b>India</b>	6.6	10.6	7.2	6.9	7.3
<b>Bangladesh</b>	5.9	6.4	6.1	5.9	6.4
<b>Sri Lanka</b>	3.5	8.0	8.2	7.5	7.0
<b>Pakistan</b>	1.7	3.8	2.4	3.4	3.5

**Source:** World Economic Outlook, IMF, April 2012, P: Projected

Since this work is mostly about economics, what is also clear is that all these crises were hurting the economy. Pakistan had become the sick man of South Asia. If the 2008-12 trend continued, Pakistan, after having being overtaken by Bangladesh whose GDP growth rate in 2011-12 was twice as high may well become the poorest country in the sub-continent. (See Table 1.) The democratic government's response to the weakening economy was uncertain: it appeared that Islamabad was not fully aware of the extent of the economic problems it faced and its long-term consequences. One example of it was the budget presented on 30 May 2012 covering the 2012-13 financial year. It did not address the issue of the loss in growth momentum. Nor did it promise the long over-due structural reforms needed to restore health to the economy. In the absence of serious structural reforms, the faltering economy was not likely to regain balance<sup>12</sup>. What was also serious was the low level of confidence on the part of the citizenry about their

<sup>11</sup> For a discussion of the Muslim mindset in South Asia, see Riaz Hassan, *Inside Muslim Minds*. 2008. Melbourne University Press.

<sup>12</sup> See Shahid Javed Burki, 'Pakistan's 2012-13 Budget: A Political rather than an economic document', ISAS Brief No. 244, 12 June, 2012, Institute of South Asian Studies, National University of Singapore, for an analysis of the budget.

economic future. According to a survey carried out by the Washington-based Pew Research Center in March-April 2012, '89 per cent (of the people surveyed) describe the national economic situation as bad; 85 per cent held that opinion in 2011. And overwhelming majorities rate unemployment, crime, terrorism, and corruption as very big problems'<sup>13</sup>.

Pakistan could do better. It was not much different in terms of its endowments from the countries a Goldman Sachs study in 2001 identified as the BRICs. These were Brazil, Russia, India and China, hence the acronym, the BRICs<sup>14</sup>. The acronym caught on and the BRIC nations began to hold their own annual summits, the first of which was held in Yekaterinburg, Russia in 2009 under the chairmanship of Dmitry Medvedev, then the country's President. At one of these meetings and at the urging of China, the decision was taken to have the BRICs become the BRICS, by incorporating South Africa. Including South Africa gave the group a better regional balance with all the continents in the developing world represented. As of 2012, the BRICS represented almost three billion people, with a combined nominal GDP of US\$ 3.7 trillion and an estimated US\$ 4 trillion in combined foreign reserves. Slowly the BRICS nations were attempting to carve out a distinct economic space for themselves. They began, for instance, examining the possibility of a BRICS Development Bank with its capital subscribed by the members of the group, using their large accumulated reserves.

What distinguished BRICS from the rest of the developing world was their size (population and GDP), their dominance in the region to which they belonged, their recent rates of economic growth, and their economic potential. Pakistan met three of these four criteria. It had a large population, approaching 200 million, less than that of China, India and Brazil, but more than that of Russia and South Africa. It was located in the region that had a high growth potential. Several countries in its neighbourhood had vast energy resources. Some, such as Afghanistan, had large mineral deposits that probably extend into the Pakistani province of Baluchistan and to the north-eastern parts of the tribal belt. Mineral seams don't stop at country's borders; geology follows its own patterns.

Pakistan could also become the centre of cross-country commerce between India, China, the Middle East and Afghanistan and the Central Asian states. Its rich human resources could provide what the demographers call the 'window of opportunity' that will remain open for a period much longer than that for the five BRICS. Its large diaspora located in several parts of the world and estimated at four to five per cent of the total population was the source of significant amounts of capital flows coming into the country. This diaspora of some six million to eight million people had a combined annual income of possibly between US\$ 125 billion and US\$ 150 billion, about three-fourths of the country's national product, and savings of some US\$ 30-40 billion a year. A part of these savings was sent home as remittances. Remittances, if the flows

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<sup>13</sup> Pew Research Center, Global Attitudes Project, Pakistani Public Opinion Ever More Critical of U.S., Washington DC, June 27, 2012, p 4.

<sup>14</sup> Jim O'Neill, 'The World Needs Better Economic Brics', Goldman Sachs, 2001.

continued at the level reached in 2012, and even if they didn't increase at the impressive rates registered in 2011-12, will delay the day of reckoning when Pakistan will need extraordinary amount of external capital to stay current with its foreign obligations. The diaspora was also the untapped source of other kinds of help. They could provide valuable managerial, financial and other skills for modernising the economy. The country had a rich agricultural sector supported by one of the world's largest irrigation systems developed initially by the British Indian administration during the colonial period but expanded later by Pakistan. But this resource also needed minding. Lack of public sector funding for maintenance had led to the serious deterioration of this rich asset. Diaspora, for instance, could not solve all the problems Pakistan faced on the external side. Other sources of finance had dried up largely because of the way Islamabad handled its relations with the West. As a result Pakistan no longer had the ability to pay for its large trade deficits and service its considerable debt to many foreign creditors without depleting its foreign reserves.

These were some of the endowments that could be counted upon to produce a better economic future. Compared to the BRICS, the only area where Pakistan had performed poorly was in terms of the rate of economic growth since 2007. This was not always the case. In fact the country had experienced a number of growth spurts over the last half century. In the 1960s, the 1980s, and the early 2000s, the rate of GDP growth reached between six to seven per cent a year for extended periods of time. This meant respectable increases in per capita incomes. One consequence of these growth spurts was that the country by 2012 had a sizeable middle class that numbered between 40 and 50 million people<sup>15</sup>. This was large enough to give the economy a sustained push towards higher rates of growth and economic modernisation. Jim O'Neill, the author of the original BRICs idea, expanded his analysis by adding what he called the 'new eleven' to the original notion of the BRICs. Pakistan was included in this group of countries but identified as an economy that needed better management in order to realise its large potential<sup>16</sup>.

Why has the country done poorly compared to its potential? Finding an answer to this question will be the main focus of this work. In the author's earlier writings, the importance of the link between political and economic development was emphasised to explain Pakistan's roller-coaster economic performance<sup>17</sup>. Had the country known greater political stability, it would have had a more consistent record of economic performance. The constant back-and-forth between military and civilian rules affected economic development. There was a similar yo-yo approach towards defining the economic role of the state. The government sometimes took almost total control of the economy. At other times it was shoved towards the margin with private enterprise left more

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<sup>15</sup> Some economists put the number at an even higher level. This was the contention of Mohsin Khan in a panel discussion organised by the World Bank on Pakistan's future. His estimate was 70 million. The discussion is referred to in a later section of the paper.

<sup>16</sup> Jim O'Neill, *The Growth Map: Economic Opportunity in the BRICs and Beyond*, New York, Portfolio, 2011.

<sup>17</sup> Shahid Javed Burki, *Changing Perception, Altered Reality: Pakistan's Economy Under Musharraf, 1999-2006*, Karachi: Oxford University Press, 2007.

or less to its own devices. All this produced uncertainty about the country's economic future. Economies seldom do well in an environment marked by uncertainty. The policymakers had to create greater stability without which its economy will continue to stumble and remain under stress. But poorly performing economy will produce political and social instability that would pose an existential threat to the country. A failing Pakistan would most likely also convulse the rest of the world.

While the focus of this work is on economics, it takes the view that the economic circumstances of a country – the problem it faces, its future prospects, and the public policy choices leadership groups were likely to make – cannot be understood without developing a good understanding of the structure of the society and the operating political system. Accordingly, the section that follows this introduction provides a quick – albeit not a complete – overview of the move towards the creation of a new political order after the military pulled out of politics in 2008. The third section deals with the performance of the economy from the beginning of 2008 to the summer of 2012. This, as already indicated, was a period of extreme economic turbulence that pushed the economy towards the brink of an abyss. The fourth section examines the politics of foreign capital flows, an important matter for Pakistan given its continuous and growing dependence on external finance for managing even a low level of domestic investment. The fifth section discusses what are described as the positives in the Pakistani situation: the factors that could be incorporated in a growth strategy, if one were to be formulated. The occasion for that may arrive if a new set of leaders were to emerge after the elections scheduled to be held either in the fall and winter of 2012 or in the spring of 2013. The paper's final section, the sixth, concludes the discussion by suggesting where the country may be headed if a correction is not made in the direction in which it was going in the summer of 2012 and where it might go if the right sets of public policy choices were to be made.

### **The Move towards a New Political Order, 2008-12**

Pakistan's move towards a democratic political order happened quickly, the result of a number of missteps by General Pervez Musharraf in 2007. These began with the attempted firing of Chief Justice Iftikhar Mohammad Chaudhry from the Supreme Court; the resort to 'emergency rule' in November to deal with the citizens' movement launched to protest the chief justice's removal; and the failure to provide adequate protection to Benazir Bhutto, the chairperson of the PPP, who was assassinated in Rawalpindi on 27 December. Musharraf may have wanted to postpone the elections that had been scheduled for December by longer than a couple of months in order to bring the rapidly deteriorating situation under control. However, by the time Benazir Bhutto lost her life, too much power had slipped out of his hands for him to remain an effective ruler. The military was now under the command of General Ashfaq Pervez Kayani, who had succeeded



Musharraf in November. It had begun to distance itself from the President who had become increasingly unpopular.

The parties that had relentlessly opposed rule by the military decisively won the election held in February 2008. The elections were free and fair; according to Fakhruddin G. Ebrahim, who was sworn in Chief Election Commissioner on 23 July 2012, only the third time there was no overt or covert interference by those in power. The two other occasions fair elections were held were in 1970 and 1988<sup>18</sup>. Together the PPP and the Pakistan Muslim League (Nawaz) received more than one-half of the total votes cast, winning 168 of the 270 seats contested (See Table 2). The Pakistan Muslim League (Quaid) that had supported the rule by the military received 23 per cent of the total vote and won 42 seats. In spite of this upset, the armed forces did not immediately pull back to the barracks.

The provincial election results showed that, of the three parties – the PPP, the PML (N), the PML (Q) – that won the most seats, that only one of them, the PPP, had a truly national presence. It had a significant representation in all the provinces, the most in Sindh where it captured not only the largest number of seats but also obtained a majority. Both the PML (N) and PML (Q) were essentially Punjabi parties while the MQM, the fourth largest contingent in the National Assembly, was significant only in Karachi (See Table 2).

General Musharraf tried every trick he had learnt at playing politics to stay in power. He was eventually persuaded to leave the presidency in part because the new military commander made it clear that he did not have his support. It didn't help Musharraf that General Kayani was chosen by him as his successor. This was a lesson that was visited over and over again in Pakistani politics: picking your own man to head the armed forces was no guarantee that you could retain his loyalty and thus secure your job.

**Table 2: National Assembly Results, 2008**

	<b>Votes(million)</b>	<b>%</b>	<b>Seats</b>	<b>Reserved for women</b>	<b>Reserved for Minorities</b>	<b>Total</b>
Pakistan People's Party	10.61	31	97	23	4	124
PML (N)	6.78	20	71	17	3	91
PML (Q)	7.99	23	42	10	2	54
MQM	2.51	7.4	19	5	1	25
ANP	0.7	2	10	3	0	13
JUI (F)	0.77	2.2	6	1	0	7
PML(F)			4	1	0	5

<sup>18</sup> Iftikhar A. Khan, 'Only fair polls secure future: CEC', Dawn, 24 July, 2012, p. 1.

National People's Party			1			1
PPP(Sherpao)	0.14	0.4	1	0	0	1
BNP(Awami)			1	0	0	1
Independents			18	0	0	18
Total	34.67	100	270	60	10	340

It took some clever manoeuvring by Zardari, assassinated Benazir Bhutto's widower, to get the presidency for himself. He first cultivated Nawaz Sharif, the head of the rival PML (N), to work with him to oust Musharraf. Sharif was even more opposed to the general-president, having been removed by him from office almost a decade earlier. He was passionate about sending Musharraf into political wilderness, threatening to try him for violating the Constitution in October 1999 when he assumed power from an elected government. Nawaz joined the 'grand coalition' organised by Zardari when Gilani, the latter's choice for premiership, was sworn in as Prime Minister. The PML (N) was given several important portfolios including that of finance. But the marriage did not last for very long. In May 2008, a couple of months after joining the coalition, the PML (N) quit, leaving the PPP fully in charge. By that time the PPP co-chairman had received the indication that the military would not support Musharraf's continuation in office. Musharraf, threatened with impeachment, resigned in late August and went to London on virtual exile. That is where he remained during the first term of the PPP-led coalition. He was succeeded by Zardari a month later when he was elected President.

There was an expectation that the democratically elected government will uphold the rule of law. That was the spirit behind the Charter of Democracy signed on 14 May 2006 in London by the leaders of the two main political parties. A lot of work went into the drafting of the charter. The two leaders were helped by constitutional experts from the two parties. The preamble set out the problem the parties saw with the political situation in Pakistan in 2006, more than six years after the military regime under General Musharraf had intervened in politics. The general's half-hearted attempts to give a democratic flavour to his regime and to his style of governance was not acceptable to Benazir Bhutto and Nawaz Sharif. 'We the elected leaders of Pakistan have deliberated on the political crisis in our beloved homeland, the threats to its survival, the erosion of the federation's unity, the military's subordination of all state institutions, the marginalisation of civil society, the mockery of the Constitution and representative institutions, growing poverty, unemployment and inequality, brutalisation of society, breakdown of rule of law, and the unprecedented hardships facing our people under a military dictatorship, which has pushed our beloved country to the brink of disaster,' the two leaders wrote in the charter's preamble <sup>19</sup>.

The charter's 36 proposals were presented under four headings – constitutional amendments, code of conduct, free and fair elections, and military relations. Under these categories, the main

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<sup>19</sup> For the full text of the charter, see State of Pakistan: The blog for democracy, 'Charter of Democracy: Full text' 21 February 2010, accessed on 8 July 2012.

approach was to establish or develop the several institutions essential for the working of democracy that would be free of political interference. Implicit in the suggestions made was the acknowledgement that when the two leaders held the reins of power, they too had not resisted the temptation to interfere with the working of the judiciary, the Election Commission, and the accountability apparatus. They promised better political behaviour in the future. They pledged to create the mechanisms that would ensure that the people responsible for these institutions would not be beholden to the interests of any particular political party.

In the case of constitutionality, the charter made two critically important commitments. One, that the prime minister, accountable to the elected parliament, will be the country's chief executive. Two, the provinces would be allowed much greater authority to manage their affairs than had been possible under the original constitution. The main recommendation was to remove the 'concurrent list' from the constitution that allowed both the federal and provincial governments the responsibility to manage the listed subjects. In practice, however, the role of the provincial governments, pertaining to the subjects included in the concurrent list, was marginalised.

The charter had a number of provisions to ensure that the military would stop interfering with the development of a democratic political order. The various security agencies were to be put under the charge of the ministries of defence and cabinet. The special agency responsible for managing and developing the nuclear arsenal would perform its functions directly under the prime minister. The defence budget 'shall be placed before the parliament for debate and approval' and 'all superior postings...shall be made after the approval of the government through respective ministries'. The growing economic power of the military was of special concern to the two leaders. 'Military land allotment and jurisdictions will come under the purview of Defence Ministry. A commission will be set up to review, scrutinise, and examine the legitimacy of such land allotment rules, regulations, and policies, and along with all cases of state land allotment including those of military, urban and agricultural land allotments since 12 October 1999, to hold those accountable who have indulged in malpractices, profiteering, and favouritism.' The reference to the October date was to the day General Musharraf removed Sharif from the office of Prime Minister.

Once the PPP was in power under Zardari, it became clear that some of the main commitments in the charter will not become part of public policy. In some cases the military was not prepared to surrender its control over its institutions. This was certainly the case for its intelligence agencies. The attempt to place the Inter-Services Intelligence (ISI) under the Interior Ministry was given up at the military's insistence that no change should be made and the agency should continue to remain under the control of the army. The government also did not interfere with the appointments of senior officers to various positions in the military. In the judgment delivered in the "Air Marshal Asghar Khan case" in which the former air force commander had accused the ISI of helping an Islamic coalition to win the 1990 election, the Supreme Court ordered that the

domestic wing of the intelligence agency should be closed. But some of the promises made in the charter were carried out. It was the Supreme Court that stepped in July 2012 to attempt to bring the ISI under control. The commitment to grant greater autonomy to the provinces was fulfilled by the passage of the 18<sup>th</sup> Amendment to the Constitution, a subject discussed in greater length in a later section. However, in two areas, Zardari dug in his heels – assurance of judicial autonomy and the transfer of executive authority to the prime minister from the president. He failed in the first but succeeded in the second.

Behind Zardari's reluctance to bring the judges back to the courts was his fear that an independent-minded Chief Justice of the Supreme Court who had managed to defy the military president would be hard to deal with. That turned out to be right reading, but he had incorrectly gauged the power of the street. Chief Justice Chaudhry's position that the judicial system should be fully autonomous was the reason he had defied General Musharraf and refused to leave his office when the general pressured him to do so. That confrontation in March 2007 made him a hero of the legal community and the civil society. The street began to get restive again when Zardari, as the successor to Musharraf, did not change the executive's stance towards the judiciary. He was reluctant to bring back Chaudhry to the court. By then Nawaz Sharif had concluded that Zardari needed to be openly pressured to fulfil the promises his late wife had made in the charter of democracy. He decided to join the legal community and announced that he would lead the 'long march' organised by the lawyers. When the march was on its way to Islamabad from Lahore, General Kayani forced the government's hand and in a midnight announcement made on 16 March 2009, Gilani said that the dismissed judges had been reappointed by him to their old positions. The prime minister issued an executive order to that effect which brought back the dozens of judges who were removed from their positions in the various provincial high courts.

Back on the bench, the revived judiciary did what it was expected to do – it acted independently. One of its judgments was to politically convulse the country. It held unconstitutional the National Reconciliation Ordinance, NRO, promulgated by Musharraf in late 2007 as a move to usher in a new political order by cooperating with Benazir Bhutto. The NRO withdrew hundreds of corruption cases against the former prime minister, her husband and dozens of their political and senior officials from the bureaucracy. The Supreme Court's decision implied the revival of these cases including the one pending in a Swiss court which implicated Benazir Bhutto and Zardari, her husband, in a kickback case. It was alleged that the couple had received tens of millions of dollars in return for the grant of a large contract to a firm from Switzerland. The court told the government to write to the Swiss authorities to restore the case. The government headed by Prime Minister Gilani refused to comply, maintaining that, as President, the Constitution gave Zardari immunity from prosecution. This led to the launch of contempt proceedings by the Supreme Court against the prime minister.

On 26 April 2012, the court convicted the prime minister of having committed contempt but Gilani again defied the court by not resigning his office, which was expected as the most likely outcome of their order. The court acted again on June 19 and ordered the prime minister's removal, issuing a 'short order' that instructed the Chief Election Commissioner to unseat the prime minister from the National Assembly and also instructed the president to convene the assembly to elect his successor. This time Zardari chose to comply but in a manner that further exacerbated the tension between the judiciary and the executive.

The nomination by Zardari of Raja Pervez Ashraf as the PPP's candidate for the prime minister's position on 21 June did nothing to improve the president's tarnished image or to begin the process of bringing the country out of the deep political and economic crises it faced. Ashraf went on to receive 211 votes in the National Assembly, a comfortable position in the Lower House of the national legislature. It was clear that neither President Zardari nor the PPP, the political party he led, had any interest in improving the quality of governance that had so negatively affected the country's economic performance. The opposition was generally appalled by the president's move. According to an assessment by the Financial Times, 'the former Utilities Minister whose tenure was tainted by scandal (was now part of a move) that observers said would do little to arrest the mounting political crisis in the South Asian country. Raja Ashraf stepped down last year as Water and Power Minister amid allegations of corruption and failure to end the country's chronic electricity shortages'.<sup>20</sup> The press had begun calling the new prime minister 'Raja rental'. The reference was to the rental power scam investigated first by the Asian Development Bank and subsequently by the Supreme Court in which large kickbacks were allegedly received by several policymakers, including Ashraf for hiring power units, mostly ships with electricity generation plants mounted on their decks. These ships were anchored outside Karachi. The units performed poorly. The newspaper Dawn summed up well in an editorial the reaction to the Ashraf appointment. '...the nomination of Raja Ashraf was a snub to millions of citizens who are suffering long hours of load shedding in the Pakistani summer. In the face of electricity cuts, the former Water and Power Minister was an insensitive choice – and an unwise one, in an election year – sending a signal that the PPP is unconcerned about one of the nation's most painful problems. Political considerations were obviously at stake...'<sup>21</sup>

Ashraf's elevation was received with surprise by the opposition that seemed to be gaining ground as Pakistan moved towards another general election. 'The candidature of Ashraf for PM shows the utter contempt Zardari has for the people of Pakistan', tweeted Imran Khan, the chairman of a rising political party, the Pakistan Tehrik-e-Insaf<sup>22</sup>. The opposition was inclined to show its displeasure with the president's move by contemplating to resign en masse from the National Assembly. 'This is a shameless move by President Zardari who is behind this nomination. A tainted politician has been picked to become the new prime minister,' said Ahsan Iqbal, a senior

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<sup>20</sup> Rahul Jacob and Farhan Bokhari, 'Ex-minister elected Pakistani PM', Financial Times, 24 June, 2012, p.4.

<sup>21</sup> Dawn, Editorial, 'PM election', 24 June, 2102, p.7.

<sup>22</sup> Quoted in Jon Boone, 'Pakistan's new prime minister is Raja Pervaiz Ashraf' The Guardian, 22 June, 2012.

opposition leader of the opposition PML (N). ‘It will be an insult for us to coexist in parliament with such a prime minister’<sup>23</sup>. However, the threat to quit the assemblies was not carried out. The opposition feared that such a move would only have strengthened the hands of the president and the PPP. By staying on in the assembly, the opposition was able to get such a highly respected individual as Ebrahim appointed to the important position of Chief Election Commissioner.

The Zardari government changed its legal strategy as the Supreme Court continued to press the prime minister to have the Swiss authorities reopen the case against the president. On 17 July, the National Assembly and the Senate passed the Contempt of Court Bill which exempted the ‘holders of public office’ from the purview of contempt and in ‘exercise of powers and performance of (their) functions’ and allowed the suspension of a sentence ‘during the pendency of an appeal’. The bill’s passage and approval by the president was immediately challenged as being unconstitutional while several lawyers’ associations began to protest against it. The Supreme Court, rushing into the case, began its hearing on 23 July by a five-member bench. The drama continued. On 26 July, Attorney General Irfan Qadir, the government’s chief law officer, told the court ‘your order is not implementable’ because the president enjoyed immunity under the Constitution.

The conflict between the executive and the judiciary was the subject of intense debate in the country with newspaper columns discussing both the positive and negative aspects of the situation. What was described by many analysts in Pakistan as judicial activism reflected in fact the concerns of the narrow elite about the loss of its power that will be the consequence of the series of actions taken by the judiciary. According to Moeen Cheema, a lecturer in law at the Australian National University, ‘far from being the product of personal likes or dislikes, or merely the hangover of the recent “Lawyers’ Movement” for the restoration of the Chief Justice, the Supreme Court’s jurisprudence reflects deeper ideological commitment in light of which the court sees government corruption, absence of legal accountability, and excessive amount of undue influence exercised by the elected government over state apparatus – bureaucracy, police and regulatory agencies – as the most serious malaise in Pakistan’<sup>24</sup>.

But the court’s unhappiness at the government’s refusal to reopen the Swiss case against Zardari was not the only contentious issue between the judiciary and the executive. The Lahore High Court asked Zardari to relinquish his post as the co-Chairman of the PPP or give up the presidency. The constitution did not allow the president to remain committed to a political party once elected to that office. ‘No matter what he decides, Ashraf, the country’s 25<sup>th</sup> prime minister, could become a causality of the process,’ wrote Jahanzeb Alam for the Newsweek. ‘And the government may soon be looking for prime minister number 26’<sup>25</sup>.

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<sup>23</sup> Ibid.

<sup>24</sup> Moeen Cheema, ‘Pakistan: Contempt of Court or democracy?’ Aljazeera, 20 July, 2012.

<sup>25</sup> Jahanzeb Alam, ‘Raja Pervaiz Ashraf: A newly elected loyalist faces widespread scorn’, Newsweek, 18 July, 2012, p. 8.

The summer of 2012 was particularly severe. In Islamabad, for instance, temperature hovered for days just below 50 degree centigrade. The power shortage, with load shedding in many cities for more than half a day, exacerbated the situation and the PPP government became the focus of anger. A Pew Research Center survey carried out in March-April 2012 and cited earlier found that only 15 per cent of Pakistanis held a positive view of Zardari, while 39 per cent still viewed General Musharraf favourably. The Pew survey also found that people continued to express overwhelming support for the military as an institution with 77 per cent calling it a good influence. Kayani was viewed favourably by slightly more than half of those surveyed<sup>26</sup>. Commenting on the Pew report, Richard Leiby of The Washington Post wrote ‘nobody knows how long the country can continue its slow stumble towards actual democracy: Pakistan, battling an Islamic insurgency, now faces a constitutional crisis during an economic meltdown coupled with devolving political order, as power-outage protests turn into deadly riots’<sup>27</sup>.

Even with this long list of negative developments could it be assumed that this time around Pakistan could be headed towards a functioning democratic order? The answer to this question is a qualified ‘yes’. On the positive side were a number of moves made by various powerful players in the political system that led to a consensus that no matter how defective was the present system, democracy was the only way to govern a society as fractious as Pakistan. The military seemed inclined to stay in the barracks and if need be to operate from behind the scenes. While the generals were not convinced that the civilian politicians could be fully trusted to protect the country’s strategic interests, they were not likely to overtly influence the making of public policy. Pakistan was also learning to live with coalition politics which required accommodation within a democratic framework of diverse political interests.

The rise of regional parties complicated the making of economic policies especially when regional interests could not be reconciled with national priorities. One example of this was the position taken by Mutahida Qaumi Mahaz, the MQM, with reference to the design of fiscal policy. The party’s base was confined to urban Sindh, in particular to the city of Karachi. There it represented the middle class. This class was reluctant to see its tax burden increase while the landed community was mostly spared. In 1973 when Zulfikar Ali Bhutto was engaged in the drafting of the constitution, he won the support of the powerful landed interests by excluding agricultural incomes from the tax base. This provision had serious economic consequences. For most of the time, value added in agriculture increased impressively but this growth could not be captured in tax revenues. The attempt by the IMF to increase the tax-to-GDP ratio as a part of the programme it negotiated with Islamabad in 2008 did not succeed. The Fund’s proposal to levy a tax on consumption was resisted by MQM. Its opposition resulted in the collapse of the IMF programme.

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<sup>26</sup> Pew Research Center: Pew Global Attitudes Project, 74 per cent call America an enemy: Public opinion ever more critical of U.S., Washington DC, 27 June, 2012. ,

<sup>27</sup> Richard Leiby, ‘Pakistan Stumbles’, The Washington Post, 11 July, 2012, p. A9.

There were other tensions between the federal government and the provinces. Although relations between the PPP-dominated government in Islamabad and the Punjab administration controlled by the PML (N) were strained most of the time, the level of tension was less than was the case during the time when Benazir Bhutto was the prime minister.

The other significant – perhaps also positive – development was the rise of a relatively new political party under the leadership of a person who had enormous amount of credibility among the people, particularly in the urban areas. Imran Khan, once a cricket hero, had endeared himself to large segments of the urban population by doing some extraordinary philanthropic work. The Shaukat Khanum Memorial Cancer Hospital and Research Center built in memory of his mother who was felled by the disease at a young age was the only medical institution of its kind in the country. The establishment of the hospital was not the only example of some of Khan's philanthropic activities<sup>28</sup>. In Mianwali, his father's hometown, he established a modern university in association with a British institution. According to the Pew survey already cited, Khan was by far the most popular political figure in the country with an approval rating of 70 per cent. Khan's political party, the Pakistan Tehrik-e-Insaf, the PTI, gained in popularity in part because of the erosion of people's confidence in the two established parties – the PPP and the PML (N) – that had dominated the political landscape for decades. The PTI held well-attended political rallies in Lahore in October 2011 and in Karachi on 25 December. It also attracted a number of established leaders which would help it to win seats in the next general election<sup>29</sup>. Those who joined the party included Shah Mahmood Qureshi who had served as the Foreign Minister in the PPP-led government for three years, from 2008 to 2011. While the growing popularity of this political party will crowd the field, it will make politics more competitive. It may also result in the replacement of dynastic politics (discussed later) that was the basis of governance in the two main-stream parties, the PPP and the PML (N), with greater intra-party competition.

One of the problems with the evolving political order in the country was the organisational weakness of the political parties. Real democracy will only arrive when the political parties that are supposed to reflect public opinion, begin to choose their own leaders democratically. That was not likely to happen any time soon in Pakistan – nor for that matter in India. The difference between India and Pakistan was that in the former, only one of the two major parties was following the dynastic approach to leadership selection. In Pakistan, both the PPP and the PML (N) expected that leadership will pass from one generation to the other. If the interview given by Bakhtawar and Aseefa Bhutto-Zardari, President Zardari's two daughters, to Cathy Scott-Clark, a British journalist, was any indication, the Bhutto family continued to believe that that it was legitimate for the third generation in the family to prepare itself for taking over the command of the PPP. The party founded in 1967 by Zulfikar Ali Bhutto had kept the leadership within the

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<sup>28</sup> For the story of his life, see Imran Khan, *Pakistan: A Personal History*, London, Bantam Press, 2011.

<sup>29</sup> Shahid Javed Burki, 'Imran Khan's Political Rise', ISAS Insights, No. 149, Institute of South Asian Studies, National University of Singapore, 27 December 2011.



family. The previous two transfers of leadership occurred following the premature demise of the leader, a Bhutto. Zulfikar Ali Bhutto was ordered to be executed by General Zia ul Haq after he received the sentence of death from the Lahore High Court for his alleged involvement in the murder of a political opponent. While in prison he told his wife and daughter to take over the party's leadership if he were to be executed. Accordingly, Nusrat Bhutto, the wife, and Benazir Bhutto, the daughter, became the party's co-chairpersons in 1979 after the founder's death. Benazir Bhutto was assassinated in Rawalpindi on 27 December, 2007 and Zardari produced a hand-written will to show that the PPP chairmanship was willed to him by his wife. At the time it was widely reported that he was so desperate to seize power that he had faked his wife's will but Aseefa says it was the opposite. 'He wanted to get us away from politics until we were married with children. He himself had no intention,' wrote Scott-Clark, but then duty beckoned<sup>30</sup>.

Dynastic politics went beyond the Bhutto family. PML (N), the other mainstream national party was dominated by the Sharif family. While Nawaz Sharif – the 'N' in the party's name meant Nawaz – was the main policy-maker and decision-maker in the party, his younger brother, Shahbaz Sharif, was the party's leader in Punjab and also the Chief Minister of Punjab, the country's largest province. Among the members of the younger generation, Maryam Nawaz Sharif was being groomed to hold an important position, in particular in the party's women wing. She had gained enough prominence for Newsweek to do a profile on her<sup>31</sup>. On 19 July, 2012 Abdul Qadir Gilani, the son of former Prime Minister Gilani won a by election from the seat in Multan vacated by his father on the order of the Supreme Court. However, the son won by a narrow margin of 4,096 votes in the election that attracted more than 150,000 voters. 'According to observers, the thin margin of the Gilani junior's victory showed that the voters were disgruntled with the ruling party'<sup>32</sup>. According to Zahid Hussain, a journalist and a respected analyst of Pakistani politics, 'the Gilanis are one of the 102 families holding more than 50 per cent of seats in the federal and provincial legislatures...Indeed most of Pakistan's political dynasties are rural-based with feudal origins but over the years families from urban, religious and military backgrounds have also emerged on the scene'. Hussain used the example of the Sharif families rise to underscore this point: '...despite coming from a completely different social origin and background, the Sharifs have also fallen into line, sharing a similar feudal, tribal, patrimonial, and personality based style of politics'<sup>33</sup>.

Although in the five-year period between 2007 and 2012, a number of disturbances rippled through Pakistan's political waters, jostling many boats including those of the various leadership groups, the country managed to advance towards the establishment of a durable political order. The military withdrew to the barracks convinced that another intervention in political affairs will not sit well with the civil society. The civil society, inspired in part by the 'Arab Spring', began

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<sup>30</sup> Cathy Scott-Clark, 'Dear mother, Benazir Bhutto', *The Week*, 15 July, 2012, pp. 18-23.

<sup>31</sup> Sherbano Taseer, 'The rebirth of Maryam Nawaz Sharif', *Newsweek*, 30 March and 6 April, 2012, p. 12.

<sup>32</sup> Shakeel Ahmad, 'Qadir Gilani scrapes through in neck "n" neck race', *Dawn*, 20 July, 2012, p.1.

<sup>33</sup> Zahid Hussain, 'Dynastic Politics', *Dawn*, 24 July, 2012, p. 7.

to function as a real constraint on the politically powerful groups, sending out a clear message that they will have to operate within the boundaries prescribed by the society. But the space available within these boundaries was still large enough for poor governance on the part of the holders of public office. The newly empowered judiciary began to flex its muscles to narrow the space within the boundaries so that those who wielded political authority did not step outside it. The Supreme Court began to underscore that the Constitution was the country's basic law which could not be violated even by the peoples' assemblies in spite of their broad law-making authority. The emergence of regional political parties as powerful forces within the evolving political order also acted as another constraint on the mainstream parties. The regional parties were also helped by the passage of the 18<sup>th</sup> Amendment to the Constitution that gave the provinces much greater authority to control their affairs. There was, therefore, enough progress made in this period to suggest that Pakistan was finally climbing out of the political roller-coaster it had ridden for more than 60 years, from 1947, the year of independence, to 2008, when power was finally transferred from the military to the elected representatives of the people.

*(To be continued)*

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