January 2021

NARRATIVES

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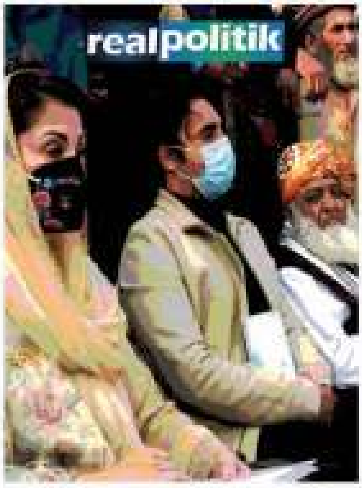
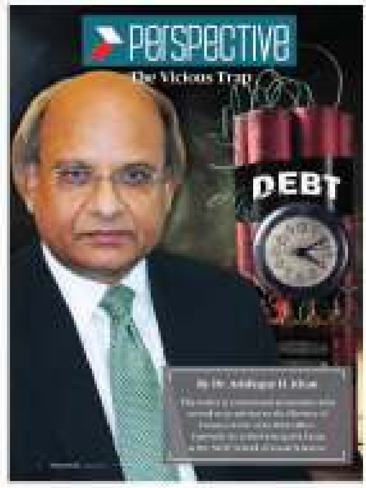
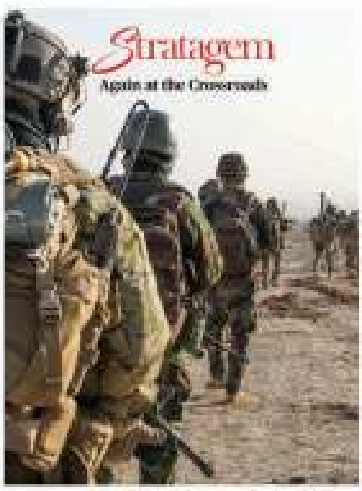
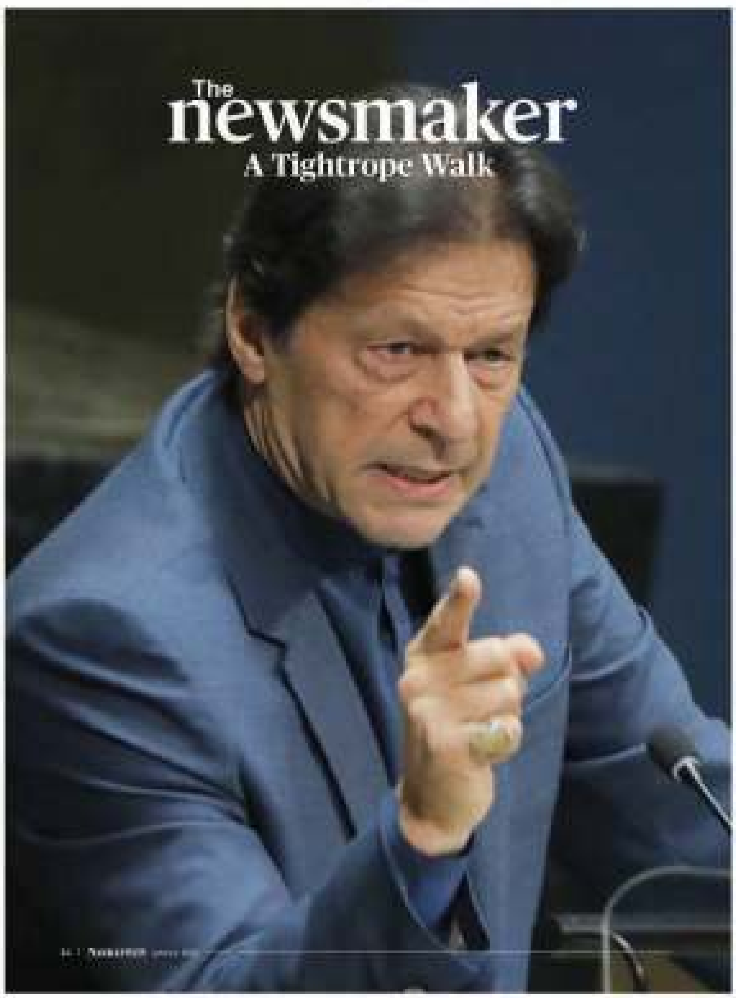
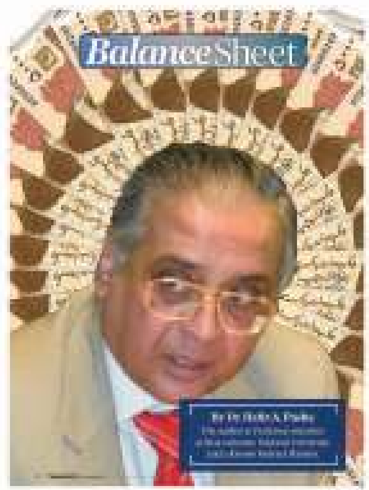
Pakistan 2021

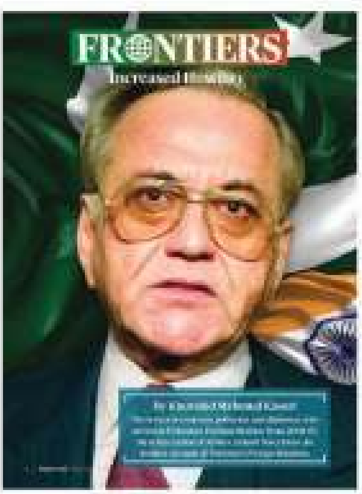


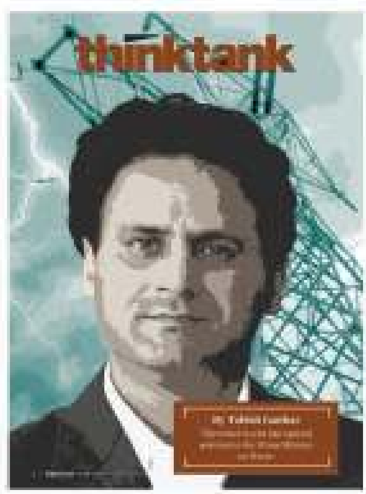












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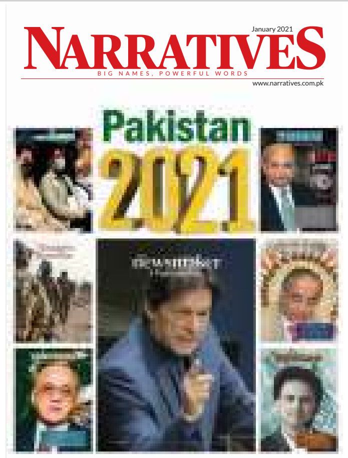

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Content

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Pakistan in 2021

Ibrahim Sajid Malick
Editor, Narratives

The beginning of 2021 fractured American democracy and closed the chapter on Western liberal triumphalism. To this day, Western triumphalism presumed that the ideal of Western-style liberal democracy would eventually be endorsed by the rest of the world, which would evolve towards it. The white extremist mob that took control of the US Congress demolished the Western empire's claim to moral superiority and the manifesto for Americanising the non-Western world. There was a tendency to assume that the world had no option but to converge on the political and economic models pioneered by the English-speaking nations, the United States and Britain. In the words of Thomas Friedman, the corporate guru of our time, "I want everyone to become an American."

Pakistan does not have to worry too much about its perception in the West anymore. But the country has to deal with plenty of internal and external challenges in 2021 and beyond. The latest spate of violence in Balochistan is a clear indication that we will continue to be the sandbox for international war games. As our esteemed contributors in this issue point out, India remains a significant threat to Pakistan's security and integrity. Debt management, energy shortages and environmental hazards continue to limit our potential. However, our rating hungry media and political leaders waste precious time and resources bickering about petty politics.

However, we are optimistic that Pakistan will turn the corner this decade. InshaAllah!

While the country is aging, high birth rates and relatively low life expectancy mean that the population will continue to be overwhelmingly young, with one of the lowest median ages in the region. Urban population growth will remain strong, and Karachi will dominate the urban landscape.

Our contributors argue that our geopolitical location at the strategically important crossroads between West and South Asia on the one hand and between Central Asia and the Arabian Sea on the other will allow Pakistan to play an essential role for inter and intra-regional trade and peace. The vision of an enlightened, robust, and secure Pakistan contributing to global and regional peace can be our guideline.

We hope and pray that Pakistan will join the ranks of middle-income countries, with a GDP per capita of around $4,000 by 2030. This growth can be realised by developing our human resources, along with physical and technological infrastructure. The growth trajectory should gain momentum by tapping the latent capacities of a sizeable middle class emerging in the development process. But the growth must be equitably distributed. Every citizen should have greater access to quality education and basic amenities like health, water, and sanitation. Freedom of enterprise and enlarged opportunities will transform the lives of the majority, but the benefit of social protection is needed to provide a buffer to the most vulnerable.

We want to leave you with a quote from our founding father.

"...My guiding principle will be justice and complete impartiality, and I am sure that with your support and cooperation, I can look forward to Pakistan becoming one of the greatest nations of the world..." Muhammad Ali Jinnah, 11th August 1947.

Your Say

Expert Opinion

Narratives is a remarkable magazine that offers a highly in-depth analysis of all important events happening in Pakistan and around the world. Even though we are constantly linked with the world through television and social media, we should still read magazines to acquaint ourselves with expert opinion.

I am glad to know that Narratives also highlights problems faced by the media industry, so I would recommend it to my media fraternity as well, besides the general public.

My best wishes to Narratives and its entire team.

Behroze Sabzwari (actor)
Karachi

Lethal Legacy

Regardless of Joseph Biden's impressive victory over President Donald Trump in the 2020 US Presidential elections, Trump's poisonous legacy will remain because its origins date back to the birth of the United States itself. White supremacy constitutes the American skeleton's bones, giving structure to our institutions, our culture, and our global power. We are a nation born from the genocide of indigenous people and the enslavement of Black people – sins which we gladly profited from, but never atoned for.

The Biden presidency is simply a return to the status quo in which the wealthy elite continues to profit off the labour of the middle and working-class people. In a country that is often touted as one of the richest and the most powerful globally, our stagnant wages, high rates of homelessness and hunger, and lack of access to healthcare are unacceptable. If Biden wants to eliminate Trump's legacy of white supremacy, xenophobia, climate change denial, lies and scandals, he needs to start by implementing tangible policy changes that improve the quality of life for the average American. For a corporate, moderate Democrat, however, this sadly seems like quite a radical stretch.

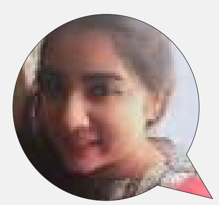
Chelsie Field
Massachusetts, United States

Rewinding the Past

In 2020, people across the nation were reminded of their origins through two amazing Turkish period dramas: Dirilis: Ertugrul (Resurrection: Ertugrul) and Yunus Emre: Askin Yolculugu (Yunus Emre: The Journey of Love).

When Pakistanis were feeling really low due to the ongoing COVID-19 pandemic, these dramas emerged as a relieving and sane distraction. Both series revive the Muslim roots in terms of tradition, culture, morals and values that have been undermined by the invasion western norms. While trying to acquaint oneself with the ambience of the 13th century, Muslims in Pakistan and beyond not only become invigorated but feel the urge to redefine and restore the pristine beauty of Islam. While Ertugrul depicts the weaponry, tactics and fighting skills used by our Muslim forefathers, Yunus Emre portrays the various aspects of human intellect and instinct, alongside spreading the message of centring our lives around the Creator. As the lives of the characters unfold and intertwine in both the series, one finds one's self reflecting on one's own way of life.

Fatima Ahmed
Karachi



Share the Workload

COVID-19 has impacted all strata of society. Labourers and the working-classes are stricken by poverty due to prolonged lockdowns, many businesses have had to close shop. Incidentally, there is one distressed segment of society that has never found an honourable mention in the list of Covid's victims. These are the working women and homemakers.

Homemakers in our country have full-time, unpaid jobs and there is no recognition of this work by their spouses. Surprisingly, it is only the men who are deemed to be the breadwinners of the family but the reality is that more and more women have taken up the challenge to support their husbands financially. However, COVID-19 has taken the maximum toll on such women, who have to manage their time effectively and efficiently by keeping their children's school schedules and fulfilling their own work commitments. They are constantly juggling everything, all at once.

And now that both the husbands and the kids are parked in the house, these women are facing a real burnout, as their workload has quadrupled.

It's time the men in our society realised this, shed their conservative views on gender-specific roles, and helped in the household chores.

Fakhra Afzal
Karachi

Alternative Narrative

Congratulations to the Narratives team for launching a quality magazine. From content to presentation and printing, everything is top-notch. Hopefully, the publication will present the readers with an alternative narrative that is missing from the mainstream media, especially the English print media. With the decline in the print media and the absence of any noteworthy monthly, Narratives will certainly make a mark very soon and establish itself as a trustworthy publication – one without any vested interest. I wish the team all the best and pray that it becomes a must-read for Pakistan's policymakers, as well as its ordinary citizens.

Faisal Aziz Khan
Executive Producer, TRT World
Istanbul, Turkey

Fanatical Mindsets

Unfortunately, the politico-religious parties of Pakistan do not have the intellect to define governance. Their mindset is such that they lack the basic understanding to gauge Pakistani society's sociological construct. Their actions reflect a herd mentality, contradicting all logical approaches to an issue. This mindset has inflicted significant damage on our country.

The radical stance of the Tehrik-e-Labbaik Ya Rasullah party's deceased leader Khadim Hussain Rizvi, on the Asia Bibi blasphemy case, was proof of his fanatical mindset. Additionally, his party's infamous Faizabad dharna (sit-in) resulted in a nationwide emergency. Then, we have before us the example of Maulana Fazlur Rehman of JUI-F who misused massive funds allocated to the Kashmir Committee of the National Assembly, when he was the committee's head honcho. He now has the gall to accuse Imran Khan of selling-out on Kashmir.

If politico-religious parties like the TLP and the JUI-F come to power, they will replace the current democratic system with totalitarianism – an antithesis to pluralist Islam. They will turn mosques and madrassahs into breeding grounds for religious extremism. In my view, they must not be given a chance to rule Pakistan.

Syed Muhammed Ali
Karachi

The Battle Rages On

Lately, a coronavirus variant, known as SARS-CoV-2 VOC 202012/01 or B.1.1.7, is the talk of the town. The mutated strain was first detected in September 2020; it is now prevalent in London and Southeast England, and is responsible for 60 percent of their recent infections. Another strain, independent of the aforementioned variant, is emerging in South Africa and Nigeria as well. With every passing day, the scenario is becoming more and more alarming not only for the people, but also the authorities. What's more, the medical staff and the scientists are not absolutely sure whether the current vaccine would work against the new strain or not.

While the world is not yet completely rid of COVID-19, another battle awaits them, in the form of B.1.1.7.

Muhammad Ahmed Khan
Karachi

One less problem

While Karachi continues to face numerous problems, there is something still encouraging and noteworthy. Lately, the electric vehicle industry in the country has started to flourish. In order to ensure the expansion of this industry, which will lead to a cleaner and greener Karachi, three electric vehicle charging stations have been established in the metropolis. The initiative is the result of a combined effort by Shell and K-Electric. It has been announced that the aforementioned companies will strategically expand the electric vehicle charging network in the next three to five years. Amidst other issues surrounding Karachi, thereby hindering its progress, this emerges as a breath of relief for Karachiites.

Ramsha Khan
Lahore

Letters should carry the writer's name, address and phone numbers.
Letters may be edited for purposes of clarity and space.
Email address: letters@narratives.com.pk

ZEROING IN

Narratives takes a look at three stories that matter for Pakistan in 2021.

Moving Beyond Mach

The Mach tragedy, once again, raises critical questions regarding the government's long-term strategy to counter terrorism in 2021 and beyond

In the line of fire yet again: Hazaras mourn their dead in Quetta.

Pakistan performed well in its internal war against terrorism in recent years, but this challenge has never been completely over for the country. Internal contradictions, coupled with the proxy war thrust on Pakistan from across the eastern and western frontiers, have kept the pot simmering. In recent months, there has been a spike in incidents of terrorism yet again, especially in southwestern Balochistan and northwestern Khyber Pakhtunkhawa.

According to the assessments and predictions made by government officials and security analysts, 2021 is likely to see an increase in the number of terrorist attacks that are directly or indirectly linked with India, which is sponsoring, aiding, financing and training various fringe ethnic, sectarian and religious terrorist groups.

2021 began on an ominous note, with the killing of 11 Hazara coalminers in Balochistan's Mach area on January 3, leading to protests in major cities like Karachi, Lahore and Quetta. Following this horrific incident, an unfortunate debate began in the country on the issue of whether Prime Minister Imran Khan should or should not have yielded to the demands of protestors, who were refusing to bury the bodies of the Mach victims until he personally visited them.

The bitter debate was fought not just on social media, but also in the traditional mainstream media. Political heavyweights, veteran media personalities and opinion-makers heaped scorn on the prime minister, the government and the state, instead of taking to task the terrorists and their sponsors.

This meaningless debate might have been good for settling political scores, but it will certainly not help in the fight against terrorism.

As the social and mainstream media ignited emotions and protestors blocked roads in the major cities, the terrorists achieved their objective of disrupting normal life, stoking fear and tension and pitting one set against the other.

While tripping over each other to knock the PM, the politicians, media veterans and opinion-makers failed to ask some very critical questions: What is the government's immediate and long-term strategy to curb and overcome the threat of terrorism? Why has the National Action Plan been put on the backburner? Why is there an undeclared moratorium on the death penalty since December 2019 when heinous crimes, from child rape and murder to terrorist attacks, are occurring regularly? What is the government doing to reform the judicial and prosecution system, which allows hardened criminals and terrorists to get away scot-free? Is there a need for military courts, which were scrapped by the honourable parliament without creating an alternative? What is the government's strategy to de-radicalise society and confront the homegrown challenges of extremism and intolerance, which often prove to be the precursors to violence and terrorism?

Prime Minister Imran Khan's performance should not be judged by how many funerals he has or has not attended. Rather than demanding symbolic and meaningless gestures of the PM, he and his government should be pushed into taking those steps that really matter.

There will always be two opinions on whether the Prime Minister did the right thing by refusing to be "blackmailed," to quote him, by politically-motivated elements within the Quetta protestors, as it would have set a wrong precedent. Yes, the government, the state and the entire nation stands in solidarity with the families of the Mach victims, who have every right to demand justice. The government, in turn, remains responsible to help them as much as possible – and that is being done, says the government. But a terrorist incident should not become a pretext to block roads and disrupt life, or be used to tarnish the image of the state and hold the government hostage.

And lastly, the government must state, loudly and clearly, that there is no "genocide" of any particular ethnic or sectarian group taking place in Pakistan; the truth is that every community, ethnic group, sect and segment of society has borne the brunt of terrorism. We have to fight this challenge together by maintaining unity and discipline in our ranks, rather than turning our guns on each other. The government, must play its due role by aggressively pursuing and punishing terrorists and, at the same time, establish its writ by ensuring that no one is allowed to disrupt the citizen's daily life, on one pretext or another. ■

The Ticking Population Time Bomb

Does the PTI government have any plan in place to meet the challenge of the country's burgeoning population in 2021?

Pakistan's ballooning population growth is the biggest challenge the country faces in 2021 and beyond. The mother of many key problems, it will push the unemployment rate higher, make water availability scarcer, threaten the country's food security with a reduction in cultivable land, and intensify the problem of malnutrition and stunted growth among children, if it remains unaddressed.

Indeed, Pakistan's population growth at 2.05 percent per annum is a proverbial ticking time bomb, which successive governments have never placed high on the priority list, merely to appease the hardline religious groups and placate conservative social and cultural attitudes. This unbridled population growth has made Pakistan the fifth most populous country in the world and has the potential to sharpen and worsen its social, economic and political chasms, further intensifying unrest, disorder and violence in society.

Pakistanis add four to five million people every year to their population, which is equal to the size of the entire population of New Zealand. There has been a six-fold increase in Pakistan's population from 34 million in 1951 to 220 million plus in 2020, according to UN estimates.

Pakistan's population growth rates are higher compared to other Muslim countries including Bangladesh, Indonesia, Iran, Morocco, Malaysia and Turkey. According to a UN statement on New Year's day, 14,161, babies were born in Pakistan as compared to 12,336 in Indonesia, 9,445 in Egypt and 9,236 in Bangladesh. The comparison with Bangladesh, in particular, should be an eye-opener. In 1971, Pakistan's population (West Pakistan at that time) was 66 million, while East Pakistan's (now Bangladesh) was 68 million. In 2020, Pakistan's population is more than 220 million while Bangladesh stands at 165 million.

According to figures compiled by the Population Council – an international NGO focused on research on population and health issues – if Pakistan's population continues to grow at two percent per annum, it will face the foremost challenge of food security, due to the shortage of cultivable land. The current availability of cultivable land at 1.3 square kilometres per 1000 rural persons will further reduce to 0.8 square kilometres by 2040.

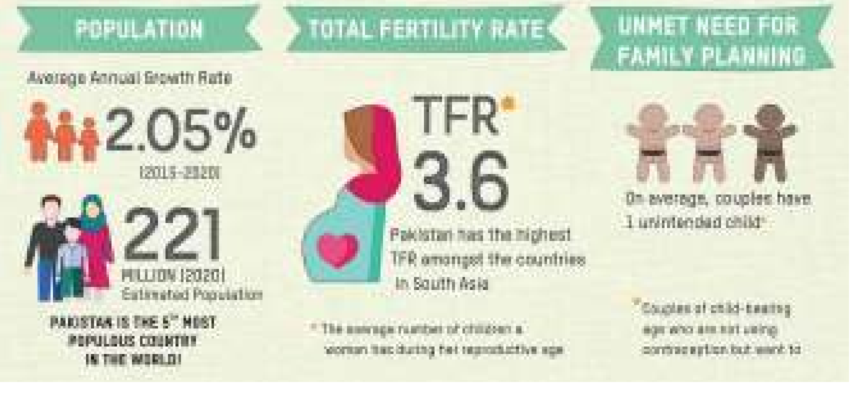
Furthermore, at the current population growth rate, the Council estimates that Pakistan will need 85,000 more primary schools, 117 million more jobs and 19 million more houses over the next 20 years.

Already Pakistan is lagging behind on all three fronts – one out of every three children aged between 5-16 is out of school, the number of unemployed is hovering at 6.65 million and the shortage of houses is roughly around 10 million units.

Even to maintain its current per capita income of around $1500, Pakistan needs to almost double the size of its GDP from $276 billion to more than $500 billion.

Water scarcity is another major area of concern as Pakistan is already ranked among the top three water-stressed countries of the world. In 1951, surface water availability per capita was 5260 cubic meters per person, which has now fallen to less than 1,000 cubic meters per person. If this situation persists, by 2030 Pakistan will fall in the category of water-scarce countries.

A rapidly growing population means an ever-increasing demand for food, water, schools and colleges, hospitals, houses, jobs and infrastructure. Can the state increase its resources to match the rapid surge in demand on its resources?



Experts maintain that access to family planning remains a major issue for the poor, especially in the rural areas. Health facilities, including those in the private sector, are located mostly in urban areas; therefore, the urban poor have better access to family planning. But according to the Population Council, the rural poor "have to travel four times the distance to access FP (family planning) facilities."

Women plagued with poverty, curtailed mobility and little decision-making power suffer the most. One of the brochures of the Population Council states that maternal deaths can be reduced to 4,900 annually from the current 12,000, if contraceptive use rises by 35 to 55 percent. But achieving this target is a tall order.

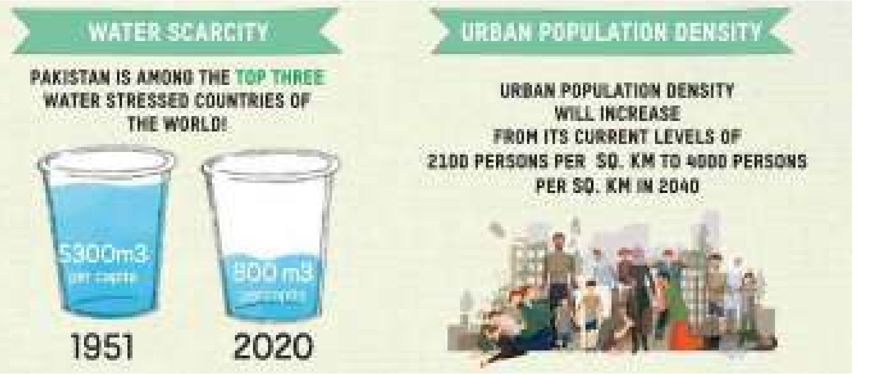
High fertility also results in malnutrition. Forty percent of the children under the age of five are stunted, 18 percent wasted and 29 percent are underweight.

What went so drastically wrong in Pakistan, which was the first country in Asia to launch a family planning programme way back in 1960?

The answer can be summed up in just two words: political expediency.

It was in General Zia-ul Haq's 11-year tenure, that family planning efforts were put on the back-burner and have remained there since, despite the on-and-off lip-service paid to the cause by successive governments, both elected and unelected.

The influence of hardline religious groups and conservative elements in society is evident from the fact that the authorities have abandoned the slogans of small families like, "Bachay, dou hee achay" or "Kum bachay, khushhaal gharana."



The influence of hardline religious groups and conservative elements in society is evident from the fact that the authorities have abandoned the slogans of small families like, "*Bachay, dou hee achay*" (Two children are better) or "*Kum bachay, khushhaal gharana*" (Few children, prosperous family) altogether. Instead, now the messaging is toned down, urging people to maintain gaps between births or asking them whether they can afford proper education, healthcare and nutrition for their children. But this tack, which the authorities say is aligned to the sensibilities of the majority of Pakistanis, does not seem to be working.

If on the one hand, religious and cultural taboos serve as a stumbling block in family planning, on the other hand it is the lack of commitment and political will on the part of successive governments, which is amply demonstrated by the absence of birth control facilities for the majority of Pakistanis, especially in the rural areas.

What the country desperately needs to curb population growth is efforts on a war-footing, which means both advocacy and on-ground facilities. Unfortunately, we are lagging behind on both these fronts. An organised, focused and aggressive national strategy is nowhere to be seen.

Pakistan needs greater political commitment and cross-party consensus to ensure that the federal and provincial governments are meeting the family planning needs of the people. Also, the policy-makers have to not only ensure that family planning is part of the national discourse but also allocate sufficient funds for it.

Will 2021 be any different from 2020 when it comes to curbing population growth? Up until now, the winds of 'Naya (New) Pakistan' do not seem to have blown this way, as the population figures continue to mount. ■

Restoring Balance

Pakistan needs to find a balance with its natural environment to overcome the climate change challenge

Both the Quran and Hadith demonstrate that environmental stewardship is an essential function of Islam. Islam conceives of a natural universe permeated with God's grace. An attendant responsibility falls to humanity to acknowledge and honour God's grace by preserving the vessels – the elements of the natural world – through which it flows.

Pakistan is the fifth most populated nation globally, endowed with a tremendous amount of natural resources and various ecological regions from the Karakorum-Himalayas in the North to the coastal zone in the South. The Himalayan and Hindu Kush ranges lie in the west, while the flood plains of the Indus and its tributaries are in the east. Each of these ecosystems has been bestowed with resources that have contributed to the country's economic development. The rangelands, which cover the bulk of the mountainous landmass, have contributed to maintaining its flourishing livestock industry. The highly productive coastal zones of Sindh, with 800 species of fish and a variety of shrimps, have sustained a thriving fishing industry. Besides a valuable source of forest products, the mountainous, riverine, and mangrove forests have provided vital ecological services, protected watersheds, and maintained soil productivity. Last but not least, River Indus's floodplains and the irrigated deserts have provided the country's breadbasket as productive farmlands.

Last year, torrential rainfall claimed more than 100 lives and caused widespread property and infrastructure damage. Residential and commercial areas of Karachi were submerged, and power outages disrupted life for days. Climate scientists say Pakistan is especially vulnerable to wild weather and other climate change effects, including sea intrusion, unusual rain patterns, glacial melting, rising temperatures, and drought.

The government in Islamabad says it plans to take action, but Pakistan's climate change challenge is formidable.

The Arabian Sea has also been heating up, with the average surface temperature increasing from 29 degrees Celsius (84.2 Fahrenheit) to 31 degrees in just two years. This temperature rise has fuelled the formation of storms that push the sea into coastal communities. "The Indus River delta has been badly affected by sea intrusion that harms people's livelihoods," said an expert in the field.

In 2018, the total rain recorded in Sindh during the Monsoon season was just one millimetre (0.039 inches). But in 2019, it was 323 millimetres (12.7 inches), and in 2020 rainfall increased to over 550 millimetres. Smog is another big problem in Punjab province, where winters in Lahore are choked with smoke. Thousands of brick kilns contribute to the problem. There are 359 industrial units in Lahore alone, contributing to pollution. The government had earlier announced "zigzag" methods of kiln production to lower smoke levels, and now claims that 33 percent of the brick kilns have already been converted to the technology, but there is to be no visible improvement.

The government also claims to be working on electric energy and mobility to reduce overall emissions and improve air quality. The government has scrapped two coal power projects and is trying to generate 30 percent of total electricity through renewable means in the coming years.

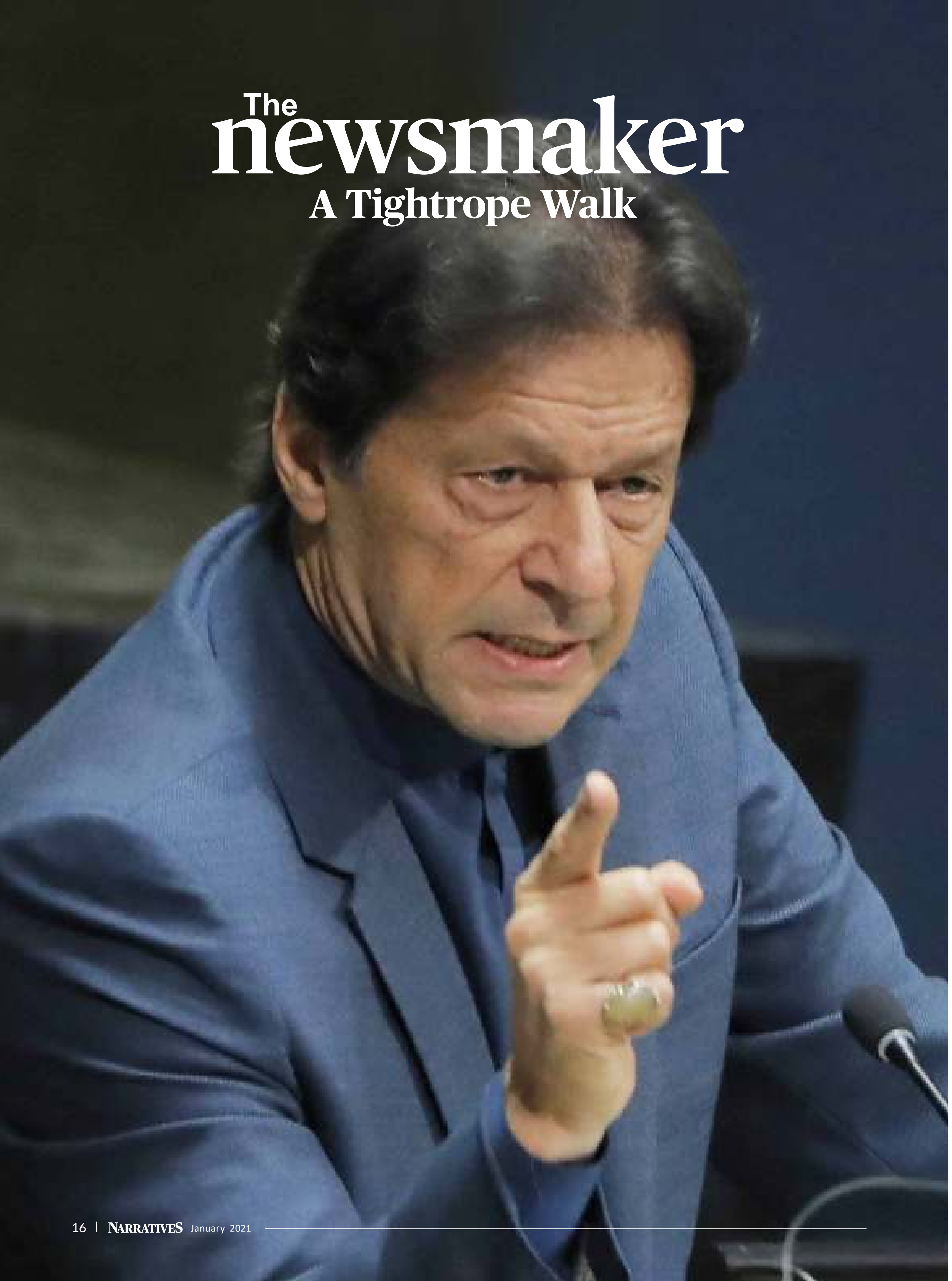
But the initiatives have missed the environmental issues that matter. There is no point in launching tree-planting drives and promoting coal simultaneously. We need to transfer entirely to wind and solar energy. Imported plants are being built without environmental impact assessments, this could harm the environment.

The Quran frequently uses words that are taken to be universal environmental doctrines and thus encompass a footing for Islamic environmental ethics in an interfaith context. For instance, it is unusual to find any handling of Islam and the environment that does not conjure al- Mizan, "the balance." It is one single note in the sura of the Qur'an known as Al- Rahman:

And the firmament He [God] raised high, and He set up the balance [mizan], in order that you would not transgress [due] balance. So establish weight with justice, and do not fall short in the balance. (Q. 55: 7- 9).

The verse relates to mizan as a "balance" that humans might violate. Both words, al-Mizan, and al-Amanah, are essential in a pluralistic context, even though we do not come across them very often in the Quran.

Will the leaders of the Islamic Republic of Pakistan pay heed to the calls for balance? ■



The newsmaker
A Tightrope Walk

...And Miles To Go

The PTI will have to get its act together in 2021 and start delivering, if Imran Khan seeks a second term in the next general elections

By Amir Zia

The writer is a senior journalist and managing editor, Narratives.

How will Prime Minister Imran Khan and his beleaguered government fare in 2021? Will the ruling Pakistan Tehreek-e-Insaaf (PTI) succeed in raising its level of performance in the remaining days of its term or will it continue to flounder in the face of mounting internal and external challenges?

These are critical questions confronting Pakistan-watchers as the New Year sets in, and the Pakistan Democratic Movement (PDM) threatens to dislodge Khan from power.

Most political analysts are now convinced that the motley alliance of the PDM does not pose a threat to the Prime Minister. The myriad internal contradictions of the PDM, the clash of interests among its key component parties – the Pakistan Muslim League (Nawaz) and the Pakistan Peoples Party – and the fact that many of its frontline leaders are suffering from a credibility crisis will not allow the united opposition to take unified, practical steps. However, the opposition will remain an irritant for Imran Khan and his team in 2021, and the war of words between the two sides will continue to dominate televisions screens and the front pages of newspapers, as it did in 2020 and earlier.

For Imran Khan, the make-or-break challenges will primarily be on the economic and governance fronts, where the perception of his government's faltering performance remains strong, despite brave efforts by PTI's army of ministers, advisors and assistants to build a counter-narrative. The pressure on the government to get its act together and deliver, is now increasingly being felt by the PM, who in his electioneering days had raised public expectations by promising to perform miracles once elected to power. Unfortunately, he has not been able to walk the talk because of both objective constraints and a series of choices he made since coming to power in August 2018.

Objectively speaking, the rot in the state of Pakistan proved to be much bigger and deeper than what Imran Khan and PTI's think tank had estimated – a fact that is being now being openly admitted by the prime minister himself. Additionally, his slim parliamentary majority does not allow him to roll out the required reforms.

The PTI's room to manoeuvre remains limited as it has to bank on its allies to stay afloat, especially in the Punjab which, by virtue of being the majority province of the country, holds the key to electoral power.

It is also a bitter fact that Imran Khan could not overhaul the system because he compromised and agreed to work within it, in his final bid for power. He had to bank on dynastic politicians, who had their constituencies and their tradition parliamentary seats –and who, unfortunately, were part of this or that government in the past. Even the class-composition of the PTI is now more or less the same as that of the PPP and the PML-N, thus preventing him from overhauling this entire decaying political edifice, which protects and promotes the interests of Pakistan's elite. As the third and the newest political force in Pakistan's power matrix, Imran Khan himself is probably the only difference between his party, the PTI, and its rivals.

His over-simplistic assertion that an honest man at the top would be able to run the government successfully and deliver under the parliamentary system has also been put to the test and proven wrong. Imran Khan's integrity was not enough to perform the miracle of transforming Pakistan as his team, mostly comprising Pakistan's tried-and-tested faces, failed to infuse new thinking and innovation in PTI's style of governance.

In terms of foreign policy, more specifically its relations with its neighbours, the escalation of tensions with India in February 2019, when enemy aircraft breached Pakistan's airspace, leading to retaliatory action from Islamabad – and then New Delhi's August 5, 2019 decision to scrap the nominal autonomous status granted to occupied Kashmir, further exacerbated relations between the nuclear-armed South Asian rivals. These developments ran contrary to Imran Khan's agenda of improving relations with its eastern neighbour. The Pakistani leadership totally misread Narendra Modi's aggressive designs and the mood in New Delhi. As tensions with India intensified, Imran Khan's reform agenda was further pushed to the backburner.

Some of Imran Khan's subjective decisions were also questionable, including the appointment of the uncharismatic and inexperienced Usman Buzdar as the chief minister of Punjab. Buzdar's abysmal record in Punjab, as compared to the impressive performance of the province's former chief minister, Shehbaz Sharif, has drawn a lot of negative publicity for the PTI government.

It is also a fact that PTI's own old guard mostly failed to impress in their

Unprepared for the magnitude of their challenge: PM Imran Khan's team being sworn-in back in 2018.

respective portfolios, paving the way for hand-picked technocrats and political immigrants to capture many of the key decision-making posts.

Also, the PTI government's decision to waste time on unimportant and frivolous acts in its initial days in power – from the much-hyped austerity drive to selling cars and buffalos – introduced an element of non-seriousness in the PTI's approach, that continues to haunt the party to this day.

However, what has drawn the most flak from critics and political commentators is Imran Khan's unyielding stance on the accountability drive against corrupt politicians which, they say, is the key factor behind the intensified political polarisation, confrontation and uncertainty in the country. Although the accountability drive has been a nominal success in terms of closure of corruption cases and conviction of the opposition's big guns, it has at least kept the opposition leaders on the ropes.

There are, of course, those who support Imran Khan's mission against corruption, which is being described as a cornerstone of PTI's politics. But they maintain that while the government must fully back and financially support various accountability and crime-fighting arms of the government, including the National Accountability Bureau (NAB), Khan and his government should distance themselves from the process and ensure that it appears as impartial and even-handed as possible. In the bitter war of narratives

> *Imran Khan's integrity was not enough to perform the miracle of transforming Pakistan as his team, mostly comprising Pakistan's tried-and-tested faces, failed to infuse new thinking and innovation in PTI's style of governance.*

perceptions matter, and can damage even a just cause, like bringing to justice those public-office holders, who plundered the national wealth and used their political clout to advance personal business and financial interests.

But despite the drawbacks and challenges faced by the PTI government, one would not say that Imran Khan is down and out. In terms of personal credibility, charisma and popularity, he still remains head and shoulders above his corruption-tainted main rivals – former premier Nawaz Sharif and former president Asif Ali Zardari. Even the next generation of these political dynasties – Maryam Nawaz and Bilawal Zardari – have a lot of ground to cover before they truly make their mark on the national scene.

Currently, PTI remains the only party which has penetration and a substantial following across Pakistan, and is nationalist in character – unlike the PML-N and the PPP, which are overwhelmingly Punjab and Sindh-centric respectively.

Imran Khan's harmonious relations with the armed forces, and the fact that both the civilian and military leadership appear to have developed a consensus on most key issues, is an added advantage, which the erstwhile PML-N and PPP governments did not enjoy. Attempts by the PDM, especially Nawaz Sharif and his close associates, to malign the military leadership and drag the Pakistan Armed Forces into controversy, have backfired and further helped Imran Khan to consolidate and secure his position. However even Khan's supporters agree that the PTI needs to up its game, improve governance in key areas and deliver on the economic front – and this must be done on a war-footing.

Post-March, Imran Khan's position is likely to strengthen following the Senate elections, which will improve the numbers of the ruling alliance's Senators in the upper house and give them a slim majority. This will allow the government to pass and enact laws, which it could not do in the first half of its term because of the higher numbers of the opposition senators.

The major opposition parties' decision to participate in the Senate elections and by-polls on the national and provincial assembly seats, will further dilute PDM's demand for the Prime Minister's removal or fresh elections. In fact, political pundits even question the unity and effectiveness of the PDM itself, as Imran Khan appears poised to complete his five-year term.

Despite its tough posturing, the PPP has already shown that it wants a continuation of the present system. In 2021 and beyond, the PPP would be more focused on how to maintain its grip on Sindh in the next elections, and create some space for itself in Punjab and Khyber Pakhtunkhawa.

Nawaz Sharif's tough talk notwithstanding, a strong faction within the PML-N as well does not want to upset the applecart and is trying for a compromise of sorts to remain in the game in the next elections. Maulana Fazlur Rehman is already facing the brunt of dissensions within his own party. He alone and the other smaller nationalist parties are in no position to launch any serious campaign to dislodge the current dispensation.

As for the sub-nationalists, the bitter fact remains that the pro-centre parties will continue to dominate both Khyber Pakhtunkhawa and Balochistan. In Balochistan, for instance, many of the JUI stalwarts wish to rethink their position as they would want to be part of any government which comes to power in the province.

So, in a nutshell, 2021 would be the most crucial and decisive year for the prime minister and his team, if they plan to remain serious contenders in the 2023 polls.

On the economic front, some of the key macro-economic numbers have started to improve. The government has taken a series of tough, belt-tightening measures in the first two years of its tenure under the International Monetary Fund programme. Now in the second-half of its term, it appears to be in a position to take some calculated risks to increase economic activity and growth. With slashed interest rates, a stable rupee, rising exports and remittances and improved domestic and foreign investments, the government is expecting an easing of economic pressure.

Imran Khan's wager on the construction sector is also being seen as a step in the right direction. It will provide work to tens of thousands of unskilled and semi-skilled labourers and help the revival of several industries affiliated with the construction sector.

While Imran Khan may have lost the support of some of the urban middle and upper middle class voters, his initiatives in the social sector, including

The choice that proved costly: PM Imran Khan with his Punjab chief minister, Buzdar.

> *Despite the drawbacks and challenges faced by the PTI government, Imran Khan is not down and out. In terms of personal credibility, charisma and popularity, he still remains head and shoulders above his corruption-tainted rivals.*

the health card scheme for all in Khyber Pakhtunkhawa, the shelter homes for the poor where they are also provided food, and the more than Rs. 200 billion Ehsaas Emergency Cash programme, under which Rs. 12,000 per family are being distributed among the daily wage-earners and low-income groups to mitigate the economic impact of COVID-19, have earned him a new following. The cash programme covers 15 million families – a huge number that has the potential of translating into votes going forward.

Imran Khan's handling of the COVID-19 challenge has been acknowledged internationally, as he rejected the advice and pleas to slap a complete lockdown from certain quarters and instead, allowed partial economic activity. This prevented panic, unlike in many other countries, and allowed people to carry on with their daily lives.

As COVID-19 is likely to remain the new normal in the world for the next three to four years, Khan's strategy appears to make sense, more and more.

Despite his vulnerability and his shortcomings, Imran Khan, has a fair chance of consolidating his power and further squeezing the space for his rivals, if he continues to stay at the crease, bats exceptionally well and delivers on the country's scorecard. Those who are close to Imran Khan argue that his tenacity, his uncompromising nature and his fighting spirit are more of an asset than a liability. The captain has the potential to surprise all his opponents and give them a run for their ill-gotten money. Whether he will succeed in his mission, given the myriad obstacles in his path, remains a million-dollar question. ■

Act Three

The PDM theatre of the absurd seems to be in its last scene, but in its third year in power, the PTI government needs to get its act together

By Shaheen Sehbai

The writer is the former Group Editor of The News International.

COVID-19 ravaged Pakistan last year, battering an already tanking economy and threatening a carefully managed civil-military coalition led by Prime Minister Imran Khan, trying to find its way in a maze of complex challenges.

Nonetheless, a motley group of politicians and wannabes, past and present, made an attempt to dislodge Khan by creating an 11-party alliance. And from its inception, that was just a hot air balloon leaking air. Given that picture, Pakistan's political scene can only be described as theatre of the absurd.

It includes a coalition government, cobbled together and kept intact by an anxiously watchful establishment that was looking to oversee and micro-manage a stable set-up, one with integrity. It found one not quite matching that description, but for want of options, had to accept it and took it for a trial run.

The new government, inexperienced and with a team made up largely of novices or former members of other political parties now in the opposition, was pleasantly surprised when it was ushered into power. It needed support, and had to do the daunting job that was required – particularly given the loose strings and slippery constituents it had to contend with – with on-the-job learning.

The PTI government began its reign with accountability as its bedrock. Since the binding glue was invisible, the government seemed to struggle every murky inch of the way, but it's power-handlers had its back, every faltering step it took.

Burdened by a dubious team whose portfolios were regularly recycled, PM Khan slowly found his feet, grew into his shoes and made his mark, locally and globally. He put his anti-corruption agenda on fast forward, in the process drawing all major opponents and past rulers including Asif Zardari, the Brothers Sharif, Maulana Fazlur Rehman into the accountability net.

As a result, the opposition found itself cornered and insecure. With little recourse, its fightback fell to proclaiming that democracy was under attack. Khan's term of office had started by the opposition calling the new set-up fake and illegal, and "selected," but that went nowhere, and halfway into the government's tenure, this slogan-mongering, even if louder, came a little too late to really register with the people. While there were pressing issues on the economic front, exacerbated by Covid, democracy was clearly not under threat. And because it had no leg to stand on, this claim did not resonate with either the masses or the khakis.

Faced with a dead-end, the Opposition then started asking for extra-constitutional intervention by the military. That was a landscape Pakistan has seen many a time in the past, and there was a consensus that it did more harm than good.

So an opposition making endless noise, aptly described in 2001 by Ronald Gearles as "The cacophony of phlegmatic and tubercular lungs punctuated here and there by a moan or a scream of someone terrified, thrashing in the throes of a nightmare."

Meanwhile, all was not well in the PTI camp either. Imran Khan wanted the accountability process to move quickly, but between the slow moving bureaucracy, lackadaisical judiciary and a lingering uncertainty among the power-handlers about giving too free a hand to Imran Khan lest he himself became some sort of problem, the accountability process was stymied. A case in point was Nawaz Sharif's great escape. Helped tacitly by embedded sympathisers in the judiciary, media and the bureaucracy, and probably in some ranks of the khakis, Sharif managed to get out of jail and then fly out of the country, leaving all, including PM Khan astounded and somewhat cheated. However, Sharif's daughter was forced to stay in the country, as were his brother and nephew, now both in jail.

Zardari, who was also caught in a web of financial frauds and well-networked scams, also started using his skills to beat the system. And his main trump card – the Sindh Government – kept him afloat. He then went on to cleverly join all the other worried opposition leaders and the alliance of the unlikely bedfellows, the Pakistan Democratic Movement (PDM), was created. Zardari banked on the PDM bolstering his blackmailing power, and analysts speculated that as in the past, when needed, he would ditch the alliance. Meanwhile, with the security provided by the alliance under his belt, and buffered by the seeming invincibility of the Sindh Government, Zardari remained ensconced in his safe Bilawal House haven, and launched his son to learn the tricks of the game: how to bully, brag, boast and blackmail – an on-the-job internship without any real decision-making powers.

Son Bilawal did well and along the way struck a warm note with Nawaz Sharif's daughter Maryam, who visibly also enjoyed the proximity with her new comrade.

Maulana Fazalur Rahman was made the titular chief of this alliance, with each member of this grouping finding strength and taking cover under the blanket of the unity it ostensibly provided, but in reality, everyone was looking after his or her own personal and political interest.

Alliance in place, a pantomime of a mass movement was launched and there followed months of sound and fury sig-

Strange bed fellows ...

> *Even before it really went on the offensive, the PDM started load shedding, as internal differences emerged within the member parties of the alliance itself.*

nifying nothing and flaunting urgently-needed Covid-induced SOPs on the streets and in drawing rooms all over the country.

Formed on the basis of a one-point agenda of removing Imran Khan, even before it really went on the offensive, the PDM started load shedding, as internal differences emerged within the member parties of the alliance itself. Meanwhile, dates, deadlines, and ultimatums for showdowns made no significant dent on the Imran Khan government, or its backers in the shadows.

And so, desperation grew among PDM ranks, with Nawaz Sharif taking on the Gods on Mount Olympus – the hitherto 'untouchable' khakis, from the safety of the British Isles. Other smaller players like Balochi nationalists and religious non-entities also stayed in the fray, making objectionable noises – just in case...

Finally Khan responded: he announced early Senate elections. And that threw the final spanner in the PDM's plans.

Zardari knew the alliance's bluster was not working and Khan would emerge as a stronger leader if they resigned from parliament, boycotted the polls or stayed away from the process – as the PDM had long been threatening to do, with assorted party leaders waving resignations from the parliamentarians of their respective parties for use when they deemed necessary. And with the PPP deciding to contest the Senate elections, and other parties uncertain about resigning their parliamentary seats, the PDM's strategy to overthrow the PTI government seemed to have whittled down to a non-starter.

This was the short history of the failed Opposition.

The biggest loser in this game has been Maulana Fazlur Rahman as he headed an incongruous alliance as a titular head with no power. In the process he invited the wrath of the power-handlers as his own corruption cases came to light and his party wing in Balochistan bolted. His base of religious students also became a target of the establishment's ire. The Maulana has been badly hurt and will be dressing his wounds for some time.

Meanwhile, Zardari may have sabotaged the declared goals of the PDM, as was expected by political analysts, but he is himself not out of the woods. The biggest threat to his Sindh safe haven will be posed if Khan wins a majority in the Upper House and legislates new laws and possible constitutional changes, including the 18th Amendment, which has given excessive powers to the provinces.

The PPP would then be compelled to make face-saving compromises and offer concessions to the Centre to secure its government in Sindh. If Zardari manages to handle his corruption cases according to the existing rules of the NAB – i.e. pay back the money, or at least part of it, and maybe even scapegoat his cronies in the process – he may manage to get a National Reconciliation Ordinance (NRO) for himself.

The biggest challenge remains for Nawaz Sharif and his party. So far in his entire career he has not demonstrated the courage and strength necessary to face adversity that real leaders demonstrate. He wants to become a Pakistani Nelson Mandela without going through the rigorous sacrifices that are needed.

His party is already in several minds. So far no major leader has broken ranks, but many second rankers are deeply worried, fearing that the Sharif family could leave them again in the middle of the storm and bolt.

Maryam Nawaz only became the leader of the PML-N because she was denied the concession by Imran Khan to join her father in exile. Had she been allowed to go, the party would now be leaderless, especially since Shahbaz Sharif is also in dire straits. PM Imran Khan says the cases against him are solid, and if so, it will be almost impossible for him to dodge the bullet.

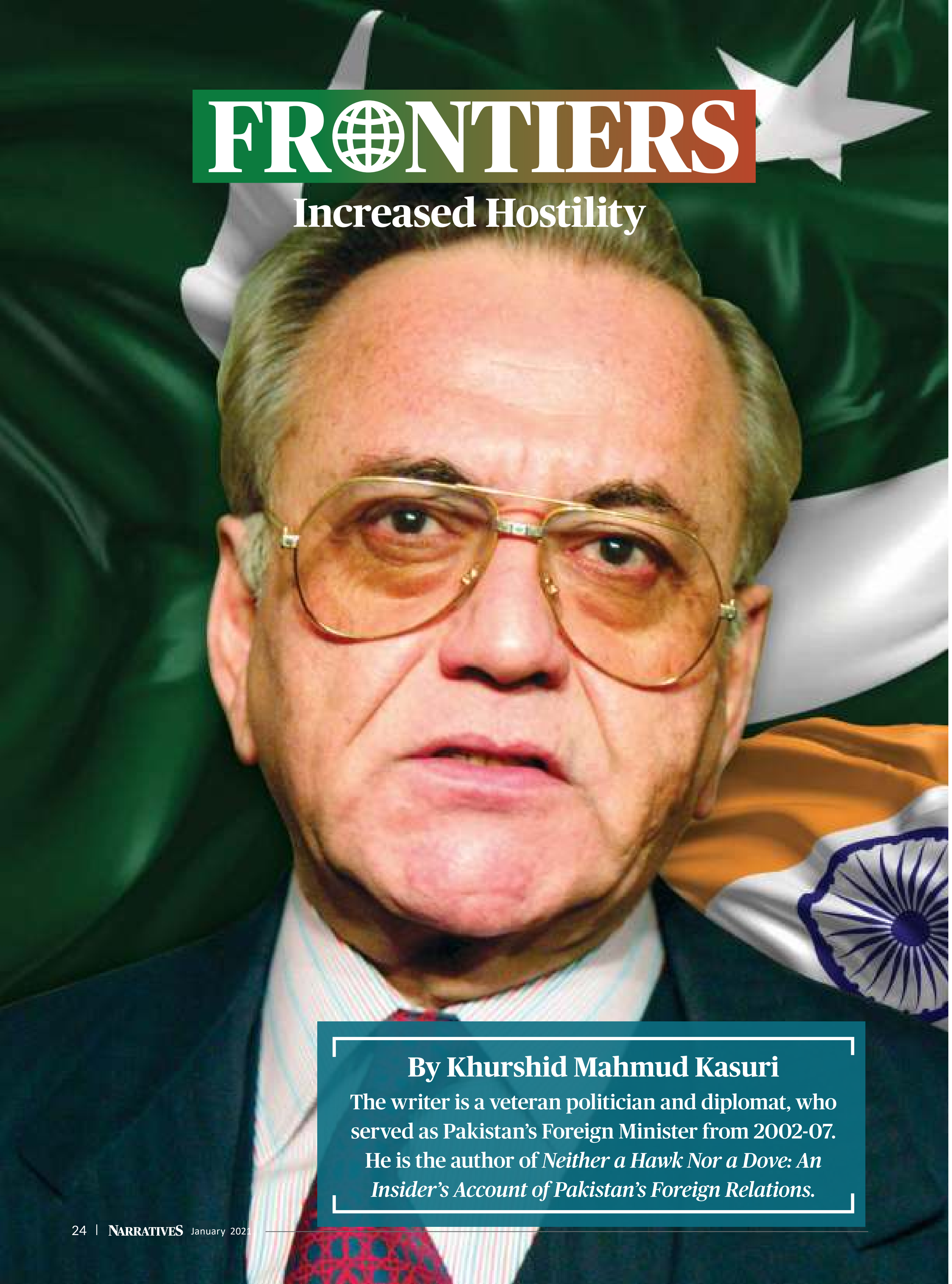
Once he crosses the Senate Rubicon, as now expected, Khan will be on a much stronger wicket. Maybe then, in the larger national interest, he might even be willing to talk to some of his PDM opponents.

The main challenge to Khan so far has come, and will increase to confront him, from within. He has to better his governance skills, do load shedding of some of the people around him who have not produced anything, and muster better human resources.

He has to push the judiciary to move on accountability. He is already saying that special courts should be created to close this never-ending chapter, and he should see this is done.

The courts, NAB and all other institutions have to call it curtains for the theatre of the corrupt. Those who need to be punished must be punished, and those who can be acquitted need to be allowed to get back to normal work.

Ruthless and shameless politicians have held Pakistan hostage for years and this baggage must be tossed overboard. More chaos and confusion will hurt everyone, benefit none. ■



FRONTIERS

Increased Hostility

By Khurshid Mahmud Kasuri

The writer is a veteran politician and diplomat, who served as Pakistan's Foreign Minister from 2002-07. He is the author of *Neither a Hawk Nor a Dove: An Insider's Account of Pakistan's Foreign Relations.*

Day of the Hawks

Modi's Hindutva-driven policy will continue to cast its long, dark shadow on Indo-Pak relations in 2021

The phrase *annus horribilis* was perhaps most famously used in 1891 in an Anglican publication to describe 1870, the year in which the Roman Catholic Church defined the dogma of papal infallibility. It was brought into prominence in modern times by Queen Elizabeth II in 1992 when the royal family faced a large number of scandals involving Princess Diana's marriage, divorces of other royal members and a fire at the Windsor Castle. Most historians of the future will agree that 2020 can be truly described as *annus horribilis* for the entire humanity. Pakistan also suffered like the rest of the world, but in some ways it got off relatively less miserably. There were fewer cases of COVID-19, as well as deaths. Its economy suffered comparatively less and declined by -0.4 percent, as against the United States which declined by -4.3 percent, the European Union (EU) by -12 percent, the United Kingdom by -9.8 percent and India by -10.3 percent.

This COVID-19-related economic decline naturally impacted international relations in different ways. Pakistan's balance of payments problems became acute, increasing our dependence on our friends who fortunately did come through; it also highlighted some of our vulnerabilities, particularly in our dealings with our closest Muslim friends. This piece, however, deals with our relations with India. The events of 2020 will cast a shadow on Pakistan's external relations in 2021.

I have indicated in my book *Neither a Hawk, nor a Dove* that, based on my experience in dealing with Prime Ministers Atal Bihari Vajpayee of the BJP and Manmohan Singh of the Congress, the only way forward for Pakistan and India is to rationalise their relationship and encourage regional cooperation. Experience has taught us that this can only happen if we solve the Kashmir dispute according to the aspirations of the people of Jammu and Kashmir (J&K), and further that it should be a win-win for all. This is possible only though a sustained dialogue. The conditions for such a dialogue do not currently exist. It is unlikely that Pakistan's relationship with India will improve in any substantial manner while Prime Minister Modi is in power, because, both he and the current BJP leadership, find that polarising India's polity pays rich political dividends. This is why we see phenomenally increased hostility towards Pakistan and Indian Muslims during election campaigns for all national or state elections.

The BJP's politics, based on its Hindutva ideology, has polarised this heterogeneous country, raising fear and tension among Muslims and even other minorities. Mob violence against Muslims, who make up about 14 percent of India's population, and lower-caste Hindus has reached alarming proportions. The Modi government has managed to subdue all state institutions including the Supreme Court, the media (with some honourable exceptions), and the bureaucracy, which is being openly used to cow down its political opponents. Ironically, one side-effect of this has been the realisation by the masses that they need to take matters into their own hands to be heard. There have been three huge displays of defiance by the public, namely, on the Citizenship Amendment Act (CAA); the lockdown call by PM Modi following COVID-19 which was flagrantly violated by migrant labourers, who continued to walk on the roads for weeks; recently we have seen unending protests by farmers, who are openly defying the writ of the government.

The use of polarising tactics (which has an impact on India's relations with Pakistan) referred to above, is compounded by the fact that under India's political system, there is a continuous series of elections in different Indian states throughout the five-year tenure of the Union government. In view of this, it is unlikely that Pakistan's relations with India

Never say die: Kashmiris refuse to give up their freedom struggle.

will improve in any meaningful manner during the dispensation of the present ruling elite. Although, there is a spate of elections to different state assemblies, in West Bengal, which adjoins Bangladesh and where 30 percent of the electorate is Muslim, the elections that are due in May 2021, are of particular significance. The BJP attaches great importance to the Bengal elections and, for this purpose, has even put its relationship with Bangladesh at stake. It has termed immigrants from that country as "termites." This has had a very negative impact on public opinion in that country and has resulted in a cooling off of its relationship with India. PM Modi will meet his match in the Chief Minister of Bengal, Mamata Banerjee of the All-India Trinamool Congress. She is a very strong leader and has a formidable reputation. If she is able to retain Bengal and stop the BJP juggernaut, there is a possibility that PM Modi may be tempted to rethink his highly polarising politics. This could have an impact on India's relations with Pakistan.

Already there are indications that PM Modi has started realising the negative consequences of his policy. This is illustrated by his recent remarks in an address delivered at the centenary celebrations of Aligarh Muslim University, which were aimed at placating the students, the faculty and Muslims generally. Compare this with the harsh treatment meted out during the agitation against the Citizenship

> *India cannot win a conventional war against Pakistan. However, we can expect different forms of hostile actions, short of war, by the Modi government against Pakistan.*

Amendment Act (CAA), where the police entered the hostels and mercilessly beat-up the students. Perhaps, PM Modi has been told that his policies have negatively impacted the Muslim world generally. At different times, India made special efforts to improve its relations with Iran, Turkey and Malaysia, which have all reacted very negatively to BJP's policies and its treatment of Muslims. India's attempts at cultivating the Gulf countries, as well as Iran, Turkey and Malaysia, were aimed at creating problems for Pakistan. There have been indications that Saudi Arabia and the UAE have conveyed to India privately, that they find it embarrassing to keep quiet at India's treatment of Muslims.

As far as Kashmir is concerned, India has realised that it had been unable to cow down the Kashmiris with its brutal tactics and if it does not mend its ways, in 2021, they may adopt a more violent course. There are indigenous Kashmiri organisations like Hizbul Mujahideen, who will be tempted to further strengthen their armed struggle for liberation. There is also, of course, the Daesh which advocates an even more violent course of action. Pakistan should keep away from any activity which can be laid at its doorstep and be used by India to delegitimise the genuine struggle for liberation being waged by Kashmiris.

For all intents and purposes, India has lost the Kashmiris. PM Modi's act of abrogating Article 370 has been widely condemned. There has never been such widespread criticism in the western media, human rights organisations, members of the EU, British parliamentarians, US Congressmen and think tanks against Indian policies in Kashmir. This criticism is all the more important because the West wishes to build up India as a bulwark against China. Furthermore, Pakistan has succeeded in raising the issue at the UN Security Council (UNSC) – albeit in closed sessions – with the help of its all-weather friend, China.

The recent District Development Council (DDC) elections in J&K which were, of course, largely boycotted by Kashmiris even without an actual boycott-call by the Hurriyet leaders, have resulted in a sweeping victory for the 'Gupkar' coalition, comprising the National Conference, the Jammu and Kashmir Peoples Democratic Party (PDP) and others. Mehbooba Mufti has commented that the results of the DDC elections have made it clear that the people of Jammu and Kashmir have rejected PM Modi's unconstitutional decision to abrogate Article 370.

We can expect that PM Modi's policy of hostility towards Pakistan will continue in 2021. Although, some military commanders in India have said that India is prepared for a 'two-and-a half front war' (against Pakistan, China and the people of Kashmir), most serious-minded defence analysts (even in India) regard this as totally impractical and foolish. Some people in Pakistan feel that because of Modi's growing economic difficulties, he might try to divert attention through a military confrontation with Pakistan. I do not think that PM Modi will commit such a blunder because Pakistan is not just a nuclear power, but it has one of the largest battle-hardened armies in the world.

The face of India's intolerance: Shiv Sena activists smear Sudheendra Kulkarni with black paint for arranging Kasuri's book launch in Mumbai in October, 2015.

Literature on the subject, including books by British, American and Indian authors, makes it abundantly clear that India cannot win a conventional war against Pakistan. For example, in December 2020, Dr. N. C. Asthana, a former officer of the Indian Police Force and author of 48 books who is regarded as an expert on security matters, in his book *National Security and Conventional Arms Race: Spectre of a Nuclear War* has concluded that "India has no clarity about its military and strategic objectives vis-à-vis its stated adversaries, Pakistan and China, and can defeat neither of them in a war." Recently, Shekhar Gupta, one of India's leading columnists, said that "the Balakot strike and the skirmish the day after was the first warning that India had allowed its edge to fray over time. In the air, for example, the Pakistan Air Force (PAF) out-ranged the Indian Air Force (IAF) in Beyond Visual Range (BVR) missiles and more than matched it in Airborne Early Warning (AEW) resources." I would also like to quote here from *Not War, Not Peace?* a book published in India and written from an Indian perspective by George Perkovich and Toby Dalton: "India and Pakistan are approaching rough symmetry at three levels of competition: subconventional, conventional and nuclear. One of the countries may be more capable in one or more of these domains to deny the other confidence that it can prevail at any level of this violent competition without suffering more costs than gains. The condition of rough balance and deterrence across the spectrum of conflict amounts to an unstable equilibrium." Similarly, Pravin Sawhney, defence analyst and former Indian Army officer in his book *Dragon on Our Doorstep*, says, "With

> *India is already using its assets in Afghanistan to destabilise Khyber Pakhtunkhwa and Balochistan... For how long will Pakistan be able to take this damage without retaliating?*

the Pakistan Army having plugged existing conventional gaps, a war between India and Pakistan is not possible. In order to meet the Indian Army's Cold Start Doctrine challenge, the Pakistan Army has taken two steps, one declaratory and the other meant to strengthen its conventional war capability. As we have seen, Pakistan has altered its nuclear doctrine from minimum deterrence to full-spectrum deterrence with the announcement of tactical nuclear weapons to stop India's purported mechanised offensive at the border itself. More relevant is its new concept of utilisation of Pakistan Army reserves..."

We can, therefore, expect different forms of hostile actions, short of war, by the Modi government against Pakistan. Firing across the Line of Control (LoC) in which Muslim Kashmiris are the prime sufferers will unfortunately continue, since PM Modi finds it politically useful to his base to give an impression of toughness in dealing with Pakistan. The Pakistan Army, does respond to the Indian firing, but it has to be careful about casualties of Kashmiri Muslims on the other side of the LoC. The efforts during my tenure in government (November 2002-2007) helped to usher in a period of ceasefire on the LoC in 2003, which lasted for almost 10 years.

India is already engaged in a very risky exercise of using its assets in Afghanistan to destabilise Khyber Pakhtunkhwa and Balochistan. The details have been disclosed in the dossier presented by the Foreign Minister and the DG ISPR to the media, which reveal that India is trying to encourage Daesh, as well as, the Tehreek-i-Taliban Pakistan (TTP), to launch attacks across the border. The frequency of such attacks has increased in the recent past, leading to the martyrdom of Pakistani soldiers. This is generally regarded as an expression of the 'Doval Doctrine,' whereby India is supposed to be responding to its difficulties in Kashmir. There is a big risk here. How long will Pakistan be able to accept this damage without retaliating? It has different means at its disposal, but it is best not to go into details. It is about the right time to present to the international community the reverse narrative of India as a state-sponsor of terrorism. India had successfully painted Pakistan into that corner for the uprising in Kashmir, tak-

Simmering tensions: Chinese Foreign Minister Wang Yi with Indian External Affairs Minister S. Jaishankar.

ing advantage of the West's antipathy to all forms of violence following the events of 9/11, even if they be for national liberation. Pakistan has a big diplomatic challenge on its hands, but the dossier can be helpful in that connection provided Pakistan makes effective use of strategic communication.

As regards Indo-China relations, we can expect tensions between India and China to continue in 2021. The Chinese army has dug in for the winter across the Ladakh border, tying down the Indian troops on the other side and providing some relief to Pakistan. Diplomatic efforts, as well as talks between military commanders of the two sides to reduce tension, have failed. Recent actions by India, following the abrogation of Article 370 and the division of Kashmir into two union territories, has in some ways made China a third party to the Jammu & Kashmir dispute. After India's recent actions, China criticised India for "unilaterally" changing the status quo in Jammu & Kashmir and asked both Pakistan and India to resolve the dispute "based on the UN Charter, relevant UN Security Council resolutions and bilateral agreements." Additionally, the Chinese Foreign Minister Wang Yi was brutally frank on Ladakh and told India's External Affairs Minister S. Jaishankar that India's action "has posed a challenge to China's sovereignty and violated the two countries' agreement on maintaining peace and stability in the border region."

The Chinese Foreign Minister Wang Yi told his Indian counterpart S. Jaishankar that India's action "posed a challenge to China's sovereignty and violated the two countries' agreement on maintaining peace and stability in the border region."

It is because of the reckless statements issued by India's top leadership that India will capture Azad J&K, Gilgit-Baltistan and Aksai Chin that India is confronted with the current situation. Clearly India has provoked China. It is noteworthy, that India has been building infrastructure right next to the Line of Actual Control (LAC) for quite some time. In the past, China had not publicly objected to this. It is India's recent actions and the statements by the Indian leadership in their meetings with the leadership of the QUAD (US, Japan, Australia and India), along with other actions and statements, that gave a clear impression that India would be a willing party in this attempt to 'contain' China that sent alarm bells ringing.

In 2021, we can expect these attempts to 'contain' China being made by the US and India's eagerness to play ball. Certain defence agreements with the US in the recent past and statements and actions following the 2+2 talks between India and the United States gave the same impression. It was the statements, followed by recent actions in J&K, followed further by the publication of a political map, which upset the leadership in Beijing. Consequently, they started regarding the development of Indian infrastructure right up to the LAC and Karakoram pass, as part of India's grand design to threaten China, Pakistan and the China-Pakistan Economic Corridor (CPEC).

How should Pakistan respond to the present situation?

Firstly, a Strategic Communications body should be set up, led by the Prime Minister himself, that should incorporate key communication officials of the state and specialists from the private sector, who have a grip on what type of narratives find traction. Media and communications is a science and it cannot be left in the hands of those who are not trained and specialised in this field. This body should comprise young people who are more adept at using the latest communication tools.

Secondly, there should be a sustained diplomatic effort on Kashmir. It needs a sustained, proactive diplomatic engagement by Pakistan. For example, the speech by the Prime Minister at the UN General Assembly session (September 2019), in which he highlighted the Kashmir issue, was not sustained subsequently through focused diplomatic efforts. Furthermore, we need to focus our attention on a few countries, instead of wasting our resources. There are three major news dissemination centres in the world: New York, London and Paris. Specialists in communication should be attached with the embassies there through their information desk, so that they bring some freshness and enthusiasm into promoting the new narrative.

Additionally, we should focus on special groups like human rights organisations, members of the EU and the British parliament, US Congressmen and think-tanks. Among these groups, we can find people who are sympathetic to the plight of the people of Kashmir. This is true even in countries, where their governments prefer to keep quiet in their perceived national interests. Simply engaging with government leaders and foreign offices in different countries is not enough.

While Pakistan must continue to provide moral, political and diplomatic support to strengthen the peaceful resistance of the Kashmiris, it must ensure that its territory is not used by anyone to engage in any activity or misadventure that could enable India to shift global attention from its own repression. There is no appetite for non-state actors in the international community. The government of Pakistan has taken certain concrete steps in this respect. Regardless of what Pakistan does or does not do, if India persists with its oppressive methods it will, most likely, meet two types of resistance inside Jammu and Kashmir anyway. Firstly, indigenous Kashmiri organisations like Hizbul Mujahideen will be tempted to further strengthen their armed struggle for liberation. Secondly, there are bound to be people who will follow a more violent course advocated by Daesh and take up arms. Pakistan has already alerted the international community that India, for its own ulterior motives, is trying to use some elements of Daesh to destabilise Pakistan.

While advocating the above, we have to be mindful of a very interesting phenomenon in occupied Jammu and Kashmir in recent times. The Indian government announced that things were back to normal and that schools ought to open. A large number of parents responded by not sending their children to school. The government then announced that it would like the shops to open; a very large number refused to do so. Ironically, a section of Kashmiris seem to be practicing Gandhi's techniques of non-violence against those who hate Gandhi, namely, the RSS and the BJP. Pakistan should highlight this aspect of the Kashmiri struggle as well. The resistance movement in Kashmir will take many shapes and forms, and those opting for violence to attain their objectives have not needed any external help; this is now generally accepted. However, the non-violent method of resistance in Kashmir should also be highlighted. This will generate sympathy and support for Kashmiris internationally.

The government, the opposition and the establishment must do all that it takes to present a united front (against an openly hostile India).

As part of the strategic communication, it is essential to maintain credibility. India's gross violations of human rights have been covered in detail by various credible human rights organisations. It has been observed that on certain occasions our top officials have given contradictory figures. This creates a very bad impression of Pakistan's interlocutors, who are, anyway, well-briefed by their own sources. In order to be credible, figures should be completely accurate and should preferably rely on foreign commentaries critical of PM Modi's policies and actions. Exaggerated figures by Pakistani sources must be avoided.

The Pakistani and Kashmiri diaspora should be mobilised more effectively. We have seen recently that they are well-represented and organised in many North American and West European capitals. Greater attention needs to be paid to such groups.

Foreign delegations sent abroad should consist of credible persons from the government, the opposition, the academia, as well as the media. Sending unqualified people on foreign junkets is counter-productive.

Last but not the least, and most importantly, we have to strengthen Pakistan's polity and economy. In the ultimate analysis, we have to strengthen Pakistan and rehabilitate its image, which has taken a huge battering during the last three to four decades for various reasons. Luckily, certain decisions have been taken by the civil and military leadership, which are beginning to slowly alter the narrative. We must all work to adopt policies that will make Pakistan economically strong again. After all, for almost four decades Pakistan's GDP growth rate was appreciably higher than that of India's. We cannot be permanently begging for money to balance our budget and hope that it will not adversely affect our international standing.

In this context, it is necessary to point out that the internal situation has a major bearing on the conduct of foreign relations. The nineteenth-century British Prime Minister William Gladstone aptly remarked, "Here is my first principle of foreign policy: good government at home." Coming to more recent times, President-elect Biden has said that, "Foreign policy is domestic policy, and domestic policy is foreign policy. They're deeply connected." In a democracy, no foreign policy can succeed unless it enjoys popular support. Therefore, it is the prime duty of a government to truthfully convey the realities to the people and galvanise national consensus around it.

It is extremely dangerous when politicians play with public sentiments in dealing with external relations. The current crisis in Pakistan's internal politics is very worrying. At a time, when PM Modi has not made any secret of his hostile intentions towards Pakistan, it is distressing to see a total breakdown of relations between the government and the opposition. It is essential that a dialogue resume as soon as possible. Since it is now generally accepted that the establishment plays a major role in certain aspects of internal polity, the government, the opposition and the establishment must do all that it takes to present a united front at a time when Pakistan is confronted with an openly hostile neighbour. I expect 2021 to be a period of tension, and all other considerations among Pakistan's political elite need to be made subservient to this factor. ■

The Long Road to Peace

Reconciliation and peace in Afghanistan will remain an elusive target in 2021

By Rustam Shah Mohmand

The writer is a former Pakistan Ambassador to Afghanistan.

Prospects for peace are no brighter as 2020 comes to a close. The year saw some gruesome attacks – both by Daesh and the Taliban as well as the government security forces in coordination with US and NATO soldiers. People in large numbers were displaced internally, and many tried to reach various European destinations in search of a better living. The economy contracted further with unemployment jumping to more than 55 percent. Opium production soared in the face of grinding poverty. Expectations for a breakthrough in peace talks were not fulfilled. Despondency grew and widespread frustration became more entrenched in the psyche of most Afghans, young and old alike.

The year 2020 started on a happy note as after months of negotiations, the US and the Taliban finally inked a landmark deal on February 29. The agreement envisaged the release of more than 5000 Taliban prisoners held by the government and some 1000 government soldiers held in custody by the Taliban. The agreement stipulated the Taliban would not allow any foreign militant groups to be deployed from or use Afghan soil in any form. The Taliban would also sever all links with outfits like Al-Qaeda etc. The time frame for the release of prisoners, as laid down in the agreement, was early March of 2020. But the process dragged on for months.

Soon in the aftermath of the deal it was apparent that the Kabul government was not keen to implement the clauses relating to the release of prisoners, and so the release of prisoners took much longer than originally planned. The Afghan government tried to prolong the status quo by a combination of measures – all aimed at creating a stalemate. Disagreements on how to prepare an 'agenda' for talks surfaced as soon as the talks got underway. It took three months to resolve the 'thorny' issue of an agreed agenda for talks!

Now that an initial consensus on the agenda for talks exists, the two sides will look forward to addressing the core issues that confront the country. Each side has a different perspective on major issues.

The position of each side on critical issues facing the country:

The Taliban believe their government was removed back in 2001 by the US invasion of the country. They believe they have a claim to regain their position as a dominant partner in a government that would be committed to peace, harmony, and the socio-economic emancipation of the people within the framework of an Islamic governance system.

The Kabul government, on the other hand, asserts they are an elected body, having the mandate of the people, operating under a constitution and being supervised by an elected Parliament. These are, on the face of, it strong credentials for any government that claims legitimacy.

There are, however, ground realities that need to be considered in an attempt to dispassionately evaluate the current scenario. The Kabul government has control over less than 50 percent of the territory. The Taliban are in control of the 'ungoverned' area. Taliban control would imply that they collect taxes, administer the criminal justice system, look after such institutions as schools, dispensaries, rural roads etc. In some cases, when they travel through Taliban-controlled areas, the government convoys even have to pay taxes!

Rank and file Afghans are living under adverse conditions. Hundreds of thousands of Afghans are internally displaced. Thousands have left the country.

Pompeo negotiates with the Taliban in Qatar as the US is forced to the table.

Unemployment has surged beyond 50 percent. Millions live below the poverty line. Attacks by the Taliban, and Daesh have seen an uptick in recent months. Government forces and the US air attacks on Taliban positions have also registered a sharp rise since the February agreement between the Taliban and the US. There is despondency all over because many have given up hope of an end to the conflict that has gone on for more than four decades since the December 1979 invasion by the former Soviet Union. In the long conflict, hundreds of thousands have perished and been wounded. Tens of thousands have become maimed, disabled for life. As many children have been orphaned. In the aftermath of the US invasion in 2002, non-depleted uranium was used by the US airforce in bombing the area. The effects of the use of such cancer-causing bombs have been very severe. Hundreds of men and women have lost their sanity; thousands have been affected with deadly afflictions like cancer, liver and kidney diseases etc.

What do the peace talks hope to deliver?

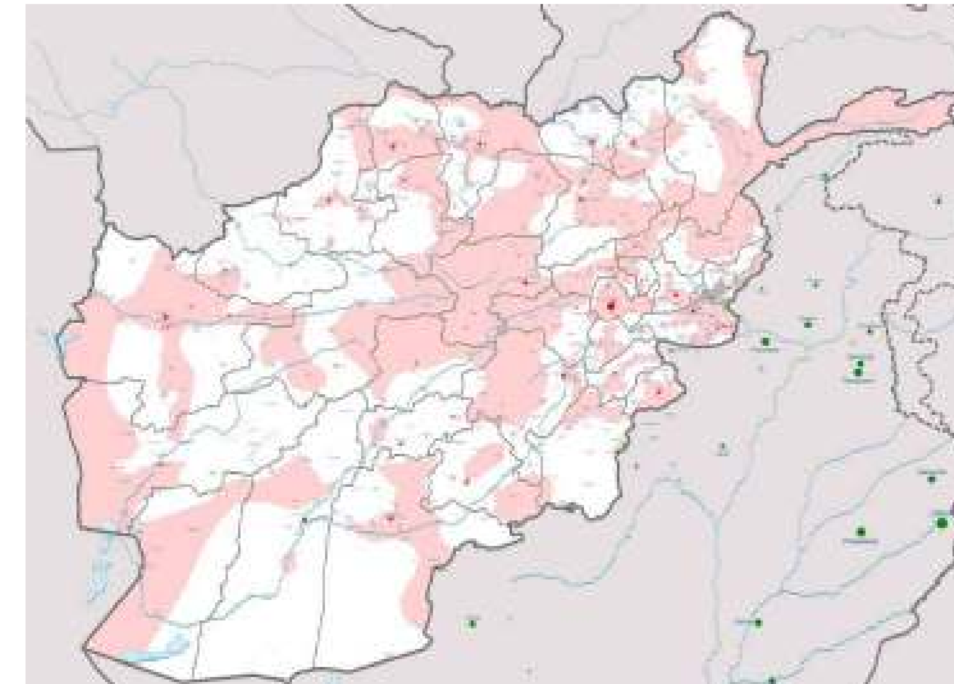
After years of fighting in a war that has no objective and no end, the Americans have realised the Taliban are a legitimate political entity that has got to be mainstreamed in the country's governance system if a sustainable peace can be ushered into the war-ravaged country. This realisation has come late in the day after terrible devastation and suffering. There is a compelling case for some soul-searching and some retribution.

In the backdrop of being recognised as a legitimate partner in any future dispensation, the Taliban today speak from a position of strength. The group is now in contact with Russia, China and Iran. All these three countries fear attacks by Daesh from their bases in Afghanistan. China is grappling with a revolt in Xinjiang which Beijing believes could be exploited by Daesh. Russia would not tolerate militancy creeping in from the Central Asian states and affecting peace and stability in the Muslim-majority areas of Russia. Iran also would like to block any Daesh incursions from Afghanistan into its eastern territory that borders Afghanistan.

All three of these countries are now convinced that only a Taliban-dominated government can defeat and annihilate a brutal outfit like Daesh, and indeed other such terrorist groups like the 'Fidai Mahaz' and the 'Turkistan Islamic movement.' Hence,

> *After years of fighting, the Americans have realised the Taliban must be mainstreamed in the country's governance system if a sustainable peace is to be achieved.*

Recently freed Taliban fighters in Kabul, a sign of the time.



A map of Afghanistan, with Taliban-controlled territory in white, shows the US-backed government's shrinking influence.

these three countries would now like to see the Taliban in the saddle as rulers if their borders are to stay safe. Not only that, Afghanistan's neighbours would benefit hugely from peace and normalcy returning to Afghanistan because they believe a massive reconstruction effort would be undertaken from which they would also benefit. For strategic considerations, these countries would like to see the US depart from the region as soon as possible. Russia and China would both celebrate the exit of US forces and would portray that as a defeat not only for the US, but a setback to its ideology as well.

The talks currently ongoing in Doha, Qatar are expected to deliver some common ground between the Taliban and the Kabul government that could be the basis for peace and reconciliation. But there is a wide gulf between the positions of the two sides. The Taliban will not agree to be mainstreamed under the existing circumstances – acknowledging the legitimacy of the current government. The group believes the current regime and those which followed the US occupation of their country are the product of a system which has been brought about by alien occupation of their country. They claim the government is a product of an illegitimate occupation and has been sustained all these years by the presence of foreign forces. These are the reasons they don't recognise the legality or legitimacy of the government in Kabul. On the other hand, the government would insist the Taliban join a unity government for ending the conflict.

The US and the Afghan government have been relentlessly stressing the need for a ceasefire. The argument they advance is that a cessation of hostilities would give them an opportunity to deliberate upon the issue of reconciliation, peace and harmony in a climate that is conducive to meaningful negotiations.

So why do the Taliban not agree to a ceasefire?

The Taliban do not accept the plea or advice for a ceasefire for two basic reasons. First, they believe their supporters are rank and file Afghans who are fighting for an ideology. If a ceasefire does not deliver and fighting is to resume, it will be nearly impossible to call such volunteers back and ask them to launch attacks. Secondly, they fear that any ceasefire acceptance would cause a split in their movement. Some believe a ceasefire offer is a stratagem to divide the Taliban movement.

> *The Taliban have deep grievances and suspicions about Pakistan's role as an honest broker.*

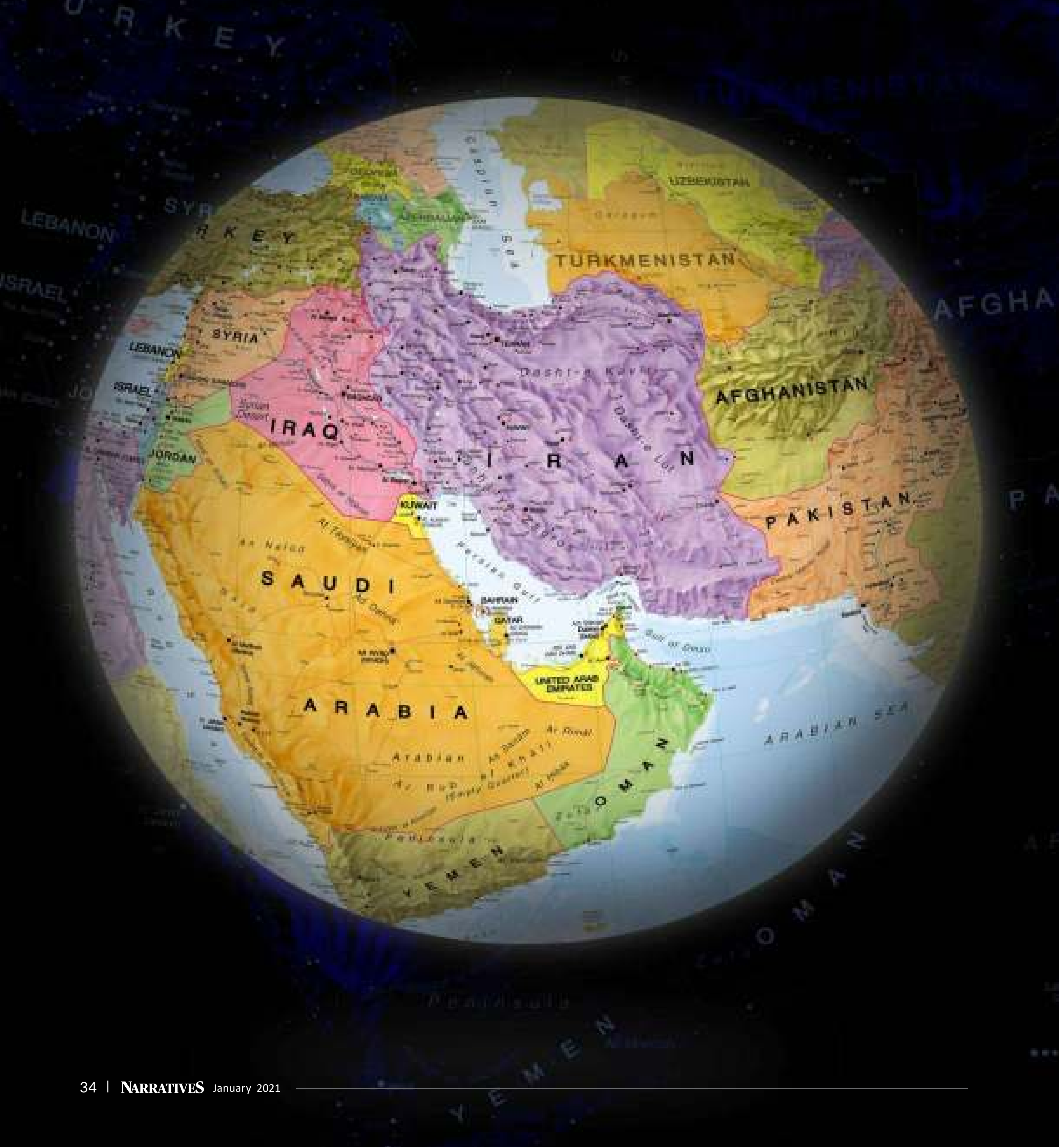
As for Pakistan's role in the Afghan imbroglio, many in the ranks of the Taliban have deep grievances and suspicions about Pakistan's role as an honest broker. They believe Islamabad was a party to the US invasion of 2001 that toppled their government. They also recount how hundreds of Taliban activists were arrested and handed over to the US forces to be incarcerated in Guantanamo and Bagram etc. True or not, an unarguable fact is that many Taliban leaders continue to reside in parts of Balochistan with their families, and Pakistan leverages influence for getting these leaders to agree to talks and at times exerts pressure on them to get concessions from them. But there are limits to such persuasion or pressure.

Perhaps the only way out of the impasse is the establishment of a transitional government that comprises the Taliban and other factions, including government representatives. It will be a Taliban-dominated government brought about by a *Loya Jirga* or Grand Assembly for a specified period of time. For this to happen the current rulers will have to abandon their positions of authority. This they will not do unless there is real, strong pressure by the US, because without US and foreign assistance, the regime would not survive. This is the reason the Kabul government would like to block any settlement that comes at their expense. The Kabul government remains the biggest hindrance to any agreement with the Taliban.

Whether Washington will use its clout and put pressure on the Kabul government to see the ground realities and agree to create a transitional government that would deliver peace and an end to the uncertainty, remains to be seen. But the alternative is grim. Continuance of the conflict would not only devastate Afghanistan, but also spread chaos in the whole region. ■

HORIZONS

Uncertain Times



Menace in the Middle East

The Middle East's fast changing scenario threatens regional peace

By Asif Durrani

The writer is a former ambassador to the UAE and Iran.

(From left) Bahrain's Foreign Minister Abdullatif Al Zayani, Israeli PM Benjamin Netanyahu, President Trump and UAE Foreign Minister Abdullah bin Zayed sign the Abraham Accords at the White House.

2020 has been a tumultuous year for the entire world, especially the Middle East, with far reaching impact on the region's politics and economy. COVID-19 has wreaked havoc on the region's economy, shrinking it on an average by 10 percent. If the intensity of the pandemic continues at the present pace, it is likely to cause massive economic losses and increase poverty. With simmering tensions between the major players in the region, including their external supporters, the situation may be aggravated further. Consequently, the year 2021 may not augur well for peace in the region, unless good sense prevails and there is a major pullback from the brink to return to the negotiating table.

In the Middle East milieu, there have been major changes: the signing of the Abraham Accords between Israel and four Arab countries (UAE, Bahrain, Sudan and Morocco) signalled a paradigm shift in the regional alignment and posed a challenge to the other major contenders – Iran and Turkey. While Iran has been accused of interfering in the Arab countries ever since its revolution, Turkey is new to the game, but has started asserting its role in the region, primarily because of the Kurdish problem. President Erdogan's pleadings for pan-Islamism, his proximity with Qatar and proactive policies in the Western Mediterranean are seen as an attempt to hijack the leadership of the Muslim Ummah, which is currently held by Saudi Arabia.

Israel, no doubt, has emerged as a strong player. After the Abraham Accords, it is positioning itself to assume a leadership role in the region due to its military and technological prowess. Meanwhile, Iran is a common factor for Israel and the Gulf monarchies, spurring them to forge an alliance.

> *The signing of the Abraham Accords between Israel and four Arab countries (UAE, Bahrain, Sudan and Morocco) signalled a paradigm shift in the regional alignment.*

It is not clear yet if the incoming Joe Biden Administration would actively involve itself in Middle Eastern politics. However, even if Biden returns to multilateral diplomacy and rejoins the 'Iran nuclear deal,' known as the Joint Comprehensive Plan of Action (JCPOA), his support for Israel is a foregone conclusion, although he may oppose the building of new settlements on Palestinian territory. He may also take on Saudi Crown Prince Mohammed bin Salman with regard to human rights issues.

On the Palestinian issue, however, the Biden administration may pay lip service to the Palestinian right to separate statehood. In any case, the Palestinian issue has received a big jolt after the signing of the Abraham Accords. It is also a setback to the Arab position and King Abdullah's two-state plan duly endorsed by the Arab League, OIC and UN. It is now becoming apparent that Israel has succeeded in causing a dent in the Islamic countries' unanimous stand on Palestine; out of the 57 members of the OIC, 33 Islamic countries now recognise Israel. Unfortunately, the Palestinian issue has become a victim of the power play between Saudi Arabia and Iran.

In the regional power struggle, a gradual build up in tensions has aggravated the situation in the Middle East throughout 2020, beginning with the assassination of Iran's Al-Quds Force Commander Qasem Soleimani in a drone attack on January 3, 2020 near Baghdad airport. It was a clear warning by the US that it would not tolerate Iranian expansionism in the region, which may harm American interests and its forces in Iraq. This was followed by President Trump's 'Deal of the Century' announcement, which in a way authorises Israel to assimilate Palestinians in 'greater Israel' and close this chapter forever. Then came the Abraham Accords to reinforce Israel's greater involvement in the region's affairs and consolidate the Saudi-led coalition's position.

However, Joe Biden's election may have been discomforting for the Saudis and Israelis who have been betting on Trump to keep Iran under pressure. It is now being inferred that the killing of Iranian nuclear scientist Mohsen Fakhrizadeh was enacted by Israel to vitiate the environment in the region and discourage Joe Biden from rejoining the JCPOA. It is possible that Joe Biden, while re-entering the JCPOA, may pressurise Iran to rein in its missile programme and renounce its interventionist policy in the Middle East. However, it would be a tough call for Biden, as Iran has rejected such demands, which it considers as out of the purview of the JCPOA. It has linked its future interaction with the major powers of the region on the condition that the Middle East is declared a Nuclear Weapons Free Zone (NWFZ), with Israel as a party to it. Obviously, Israel will not agree to this demand and the ongoing tensions may well spill over to 2021 and beyond.

On the economic front, the Middle East and North Africa (MENA) region have witnessed a steady decline in individual economies in 2020, although the Gulf Cooperation Council (GCC) countries have survived the shock. The most worrying part is the MENA region's oil revenues, which have seen a sharp decline from $1 trillion in 2014 to $300 billion in 2020. This has slowed down economic activity, even in the GCC countries, which, of late, have been diversifying their economies to the services sector, including tourism. On average, the MENA region with a population equivalent to Europe, has witnessed a rise in poverty levels during the past decade, which was estimated at 20 percent in 2011, but has increased to 31 percent in 2020. Therefore, a serious decline in GDP has been recorded which is, 2.1 percent (2020) from 2.8 percent (2019) in the MENA region, and 1.7 percent (2020) from 2.5 percent (2019) in the GCC region. It is expected to slide further in 2021. Such an enormous decline is also due to slowing Chinese energy (oil, gas, and petrochemicals) demand, declining Chinese tourism flows, disrupted supply chains of Chinese products, and falling oil prices.

Saudis and Turks jockey for power in the Middle East.

> *For the time being, the Middle East's depressing scenario offers limited choices for Pakistan, which is why it would prefer to maintain the status quo.*

The involvement of China and Russia in Middle Eastern politics is an added dimension to the ongoing tensions and may determine the future outlook. US-China and US-Russia tensions may also impact the MENA region, apart from the strong links that China and Russia have established with Iran and Turkey. While Russia, at the behest of Iran, helped President Bashar Al Assad to retrieve the situation against the US-Saudi supported opposition groups, it is China that stood by Iran in the face of severe American sanctions. China continues to be Iran's largest trading partner, although bilateral trade has declined from $18 billion in 2019 to $12 billion in 2020, partly because of the decline in oil demand in China due to COVID-19. Whether President-elect Biden after joining the JCPOA would also soften sanctions against Iran remains to be seen. However, 2021 is going to be a menacing year due to the uncompromising position adopted by the major actors in the region and their external allies.

How would Pakistan be placed in the Middle Eastern scenario in 2021, where its longtime friends Saudi Arabia and UAE have been entertaining a grouse against its neutral stance, particularly on Iran's alleged 'meddlesome' policy in the region? The signing of the Abraham Accords has further increased pressure on Pakistan to follow suit, as it would hasten the process of recognition of Israel with the remaining Arab and some Far Eastern Muslim states. However, in view of the challenges faced by Pakistan in the neighbourhood, perennial tensions with India and instability in Afghanistan, compounded by the US tilt towards India, and opposition to the China-Pakistan Economic Corridor (CPEC), Pakistan would take its own time on the decision to recognise Israel. But at the same time, Pakistan would be expecting its traditional Arab friends to be mindful of its sensitivities on Kashmir and India's brutalities against the Kashmiris. India's budding honeymoon with Saudi Arabia and the UAE would also be watched closely by Pakistan. For the time being, the Middle East's depressing scenario offers limited choices for Pakistan, which is why it would prefer to maintain the status quo and recognise Israel only when the overwhelming majority of the Muslim countries do so. ■

New Beginnings

What is it that the mercurial Trump did, which his successor Biden would not do?

By Ejaz Haider

The writer is a senior journalist and political analyst.

On January 20, Joe Biden, President-elect of the United States, will be inaugurated as the 46th President of the United States. He comes to office after a bitterly-contested and divisive election. The question on policymakers' minds is: what should we expect from the Biden administration after four years of Donald Trump?

This analysis is premised on the argument that, obvious though such a contrast might seem, it would be more pertinent to view Biden's presidency more in terms of Barack Obama's tenure when Biden was the vice president.

This is not to say that Biden is Obama; or, even, that Biden as vice president merely reflected Obama's views. He did not. But he belongs to the same tradition which can variously be referred to as neoliberal, Wilsonian or liberal-internationalist.

Secondly, Biden is demonstrably the most experienced foreign policy hand to come to the Oval Office since George H.W. Bush occupied it. Biden also dealt closely with Afghanistan and Pakistan during Obama's presidency. As he told former Afghan president, Hamid Karzai, he (Biden) considered Pakistan far more significant than Afghanistan. Yet, during the Obama presidency, US-Pakistan relations went into a nosedive.

By contrast, Trump's mercurial approach notwithstanding, the last two years of Trump's presidency actually saw Pakistan and the US working closely to cut a peace deal in Afghanistan. Relations might have improved further but for Trump's bullying approach to China and continued cosying up to India.

The Biden administration will continue to work closely with Pakistan to see through the US-Taliban peace deal. It will also demand that Pakistan make more efforts to get the Taliban to agree to a ceasefire.

This is what I wrote elsewhere in determining the contrast between Trump and the incoming Biden administration.

What is it that Trump did which Biden would not have done, or won't do? The two are as different as chalk and cheese and yet, in many areas Trump's approaches, in substance if not in style, weren't much different from traditional US policies: China, North Korea, India, the Middle East, Iran (tougher), Israel (friendlier), Afghanistan (closer to Biden's Vietnam trap argument and counterterrorism-plus approach than Obama's decision to go for a surge). Where Trump diverged sharply was on climate change, promotion of liberal values and rights and treatment of allies, especially NATO allies.

To put it differently, when Biden begins his term, he will change course on issues where Trump diverged from standard neoliberal policies, while tweaking those where Trump sailed closer to the bipartisan consensus.

Five areas will determine US-Pakistan relations in the coming years: India, China, Iran/Saudi Arabia, Afghanistan and US investments in Pakistan.

Iran: Biden will dial down the maximum-pressure policy against Iran, but he will stick to the fundamentals of the US approach to Iran. That policy looks at Iran's role in the Greater Middle East and considers it a threat to Israel. Biden has constantly declared "an ironclad commitment to Israel's security" and it is highly unlikely that he will completely ignore Israel's threat perceptions while dealing with Iran. However, while it will be difficult for Biden to walk back into the Iran nuclear deal, he could get the other parties to help Iran's economy by supporting the deal from outside. That will, however, depend on Iran's own actions with reference to the deal.

Not entirely in his former boss' mould: Biden with Obama.

Saudi Arabia: Biden has talked about "ending our support for the Saudi-led war in Yemen." But it is unlikely that he would move away from Saudi Arabia, a policy that is structurally guided, given several factors in the Middle East. However, he is unlikely to give Mohammed bin Salman, the de facto ruler of the Kingdom of Saudi Arabia, a pass on the latter's more egregious policy decisions.

China: Biden has talked about mustering the support of US allies (which Trump "kneecapped") to counter the China threat. His statements and the *Foreign Affairs* article make it clear that there is a bipartisan consensus in Washington DC on China. That said, he will be far more alive to the consequences of treating China as an adversary only. He will seek cooperation in areas of mutual benefit. China has already signed a trade agreement with the European Union and is the central plank of the Regional Comprehensive Economic Partnership, the largest free-trade bloc in the world. Trump, during his presidency, chose to opt out of the Trans-Pacific Partnership, then the largest trading bloc and which formed the core of Obama's Pivot to Asia policy. Biden comes to the job with China already ensconced comfortably as the world's leading state in terms of trade partnerships. Similarly, Biden would need China's cooperation on climate change, another area whose science and urgency Trump could never fathom.

India: India has just signed the Basic Exchange and Cooperation Agreement, the last of the four foundational agreements with the US, and there is bipartisan consensus in Washington on India as a strategic partner. Not much is going to change on that count, unless Biden decides to take note of the grave human and religious rights violations in India. Three other factors will likely impact Biden's approach to India: the rights violations in India (if the situation deteriorates); the Sino-India border dispute (if nothing untoward happens there) and Sino-US relations (if they improve). If these three factors work as listed, India could slide in the estimation of the Biden administration. That could have a salutary effect on US-Pakistan relations too.

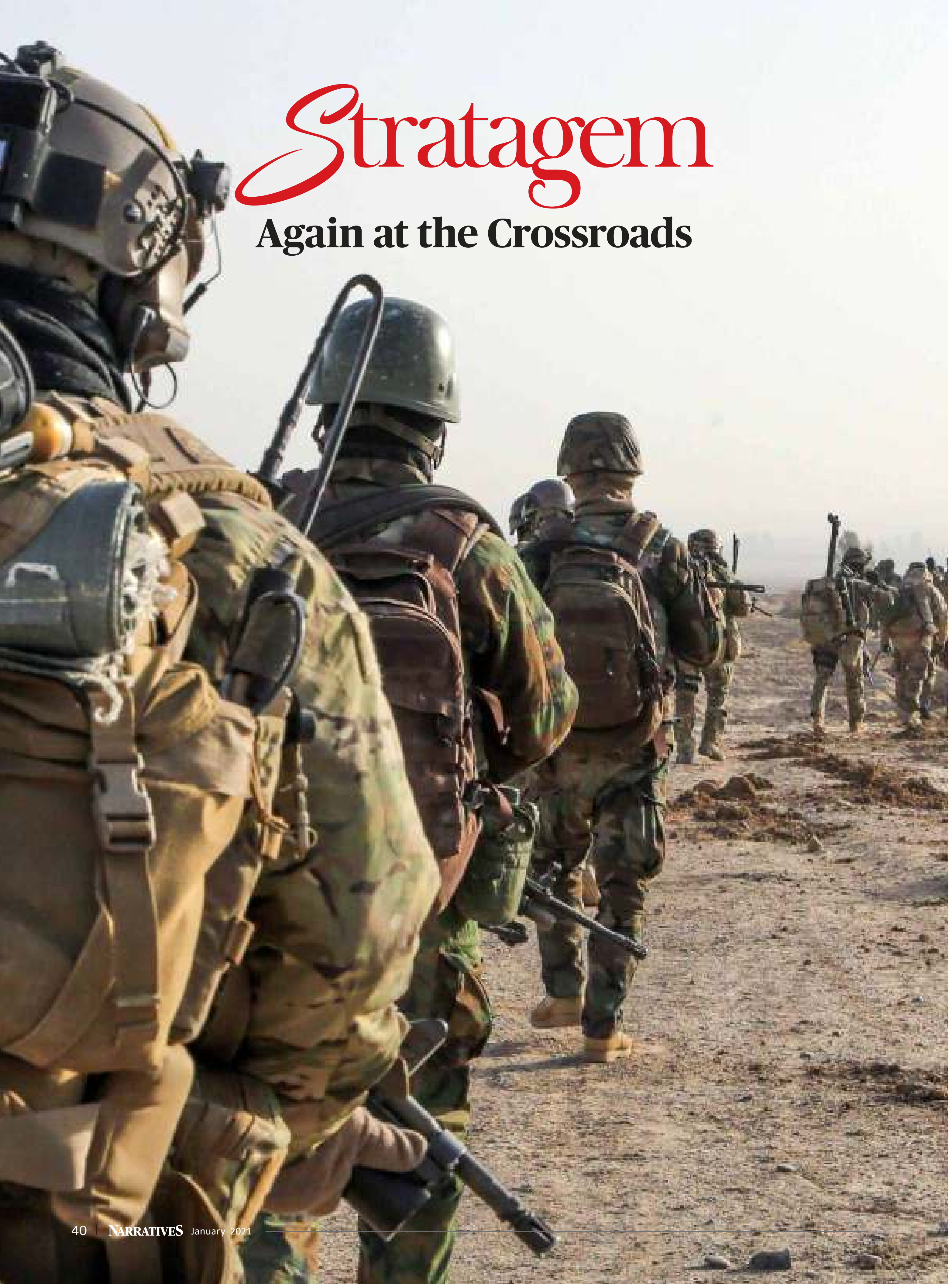
> *If tensions in the Middle East come down, Afghanistan moves towards some stability, there is improvement in Sino-US relations and a scaling down of relations with India, US-Pakistan relations could see improvement.*

Afghanistan: Biden is unlikely to depart in any major way from Trump's Afghanistan policy. Even during the Obama years, he was more interested in counter-terrorism operations than the surge. Also, the US peace deal with the Taliban has reached an advanced stage and there's limited appetite in the US for continued troop engagement in Afghanistan. The Biden administration will continue to work closely with Pakistan to see this through. It will also demand that Pakistan make more efforts to get the Taliban to agree to a ceasefire. Violence levels have seen a rise in that country and that is a major cause for concern for everyone, including Pakistan.

US investments in Pakistan: Pakistan's relations with the US, even in the supposedly halcyon days of President Ayub Khan, were transactional. The ebbs and flows have depended on when the US has needed Pakistan and how Pakistan has managed to take advantage of US needs. The last 20 years were no different and the coming four years won't be either, if Pakistan cannot market itself in the US. That policy needs to understand the significance of entrepreneurial innovation, making the Pakistani market attractive for investment, increasing the market size and so on. These factors help a state interest other state(s) and denote positive engagement.

To sum up, if tensions in the Middle East come down, Afghanistan moves towards some stability, there is improvement in Sino-US relations and a scaling down of relations with India, US-Pakistan relations could see improvement. However, as argued above, for relations to become more strategic and less transactional, both sides would have to find areas of interest and increase cooperation in those areas.

Finally, structural constraints limit a state's foreign policy options and that is as true of the powerful states as the weaker ones. Also, the conduct of foreign policy depends as much on exogenous actors and their actions, as it does on institutional thinking within the state. ■



Stratagem

Again at the Crossroads

The Writing on the Wall

Is Pakistan equipped to deal with the challenges of a developing new world order, as the US prepares to withdraw from Afghanistan

By Tariq Khan HI(M)

The writer is a retired Lt. General of the Pakistan Army. He is noted for his services as the Commander of I Strike Corps at Mangla & Inspector General of the Frontier Corps.

History is often destined to repeat itself. Hitler shadowed Napoleon into an irretrievable defeat when he invaded Russia, suffering the ignominious consequences of a scorched-earth policy. It was not that he had not read about Napoleon's disastrous campaign; it was just that he was too delusional to comprehend that it might happen to him too.

The United States (US) witnessed the Soviet debacle in Afghanistan and celebrated the consequential dissolution of the Soviet Union, but learnt nothing from the episode. Even its own humiliating retreat from Vietnam had no apparent impact on its decision-making to go to war in an insurgency-conflict in someone else's territory.

Britain, with its history of conflict in Afghanistan, not once, but thrice, tripped over itself to please the US, and boldly marched into another catastrophe. The usual suspects, quick to project their capacities in knocking down a people already knocked down, in response to a manufactured threat, congregated in search of a perceived vindication. Eager to initiate military action against a fabricated resistance, they hoped to subjugate and suppress another nation, never giving a thought to the fact they would be subjecting their own people to a war without a cause. Later, they justified their decisions by shaping perceptions with untruths and deceit as they hurriedly withdrew to their respective countries. Their departure from Afghanistan was characterised by defeat and disgrace. And their embarrassment was exceeded only by the deafening silence, as no one asked any questions. Collective culpability was never on display as it was now – the hypocrisy of democracy in its full glory.

To initiate war, one must have a reason, a casus belli, never mind if it is manufactured or real. The attack on the Twin Towers in New York offered that perception, but was it the real reason? The Tower Conspiracy remains a difficult rationale to sell; however, it does fulfil the legal requirements of the Security Council and invokes the NATO clause to come to the aid of any member state that is under attack. So armed with an engineered cause and an artificial moral basis, the world went to war against Afghanistan. Some said it was an issue of human rights; others, the emancipation of women. Better still, a modern constitution was on offer and Western Democracy was marketed to save Afghanistan from itself. Others were seized by the issue of a woeful lack of development and sent in contractors and builders to help a nation build an infrastructure and roads that were going to nowhere.

In terms of realpolitik, the US led the pack and its own interests were supreme to anyone else's. The Chinese regional and global dominance in trade and economy had to be held in check, and Afghanistan provided just the right base to conduct intelligence and subversive operations against China. Iran, of course, was also on the menu and this location was ideal to manage it. Pakistan and its intransigent position on its nuclear outlook could also be easily monitored from Afghanistan, while CPEC-specific disruptive activities could be planned and executed with the help of India. Besides this, the minerals of Afghanistan were worth trillions of dollars.

It is now being said that Afghanistan is moving forward; negotiations are underway; people are talking to each other; demands are being made; bargains are being struck. There are three parties in these talks: the United States, who invaded Afghanistan; the Afghan government that the US installed; and the Taliban who resisted both. The US cobbled together a coalition of 38 countries, including NATO, and facilitated India to set up a development programme to the tune of $3 billion. The two Afghan governments set up by the United States – first, the Karzai administration and later, the Ghani-Abdullah arrangement – were both heavily Northern

Chinese President Xi Jinping with AfghanPresident Ashraf Ghani: The new Great Game.

Alliance-oriented as well as pro-India, to the extent of aligning themselves against Pakistan to please India. As the conflict unfolded, the US –despite its air superiority, total artillery dominance and one-sided mechanised forces – found itself at the losing end. In light of the imminent defeat, the US decided to change track and begin negotiations with the Taliban. Predictably, they did this without the approval or understanding of the Kabul government, thus abandoning their allies, in a sense. Interestingly, the Taliban never asked for negotiations, nor pursued them; it was purely a US initiative. This change of heart displayed by the US was not on account of their love for peace but because the Taliban had militarily ousted all US-Kabul forces from the rural areas and were now in effective command of most of the spaces in Afghanistan. The US was losing the war and the future did not project anything favourable either, which prompted them to talk their way out. However, there was nothing really to negotiate, except that in the Doha agreement the US laid down the condition that the Taliban would not allow Afghanistan to be used for terrorist activities. Firstly, the Taliban are not the government, at least not as yet, and secondly, they were not in control of all the spaces in Afghanistan, so how could they give such a blanket commitment? And even if they did, what kind of guarantees would there be in place? This was merely a face-saving measure so that the US could say that they had actually come away from Afghanistan with something at the least. The occasional thrasonic threats flung at the Taliban by the US are merely pretensions to military relevance. The US has lost the war and is eager to pull out at any cost.

Pakistan stands at the crossroads in a developing new world order. It needs a sophisticated plan to move along with global developments as they unfold. Half-measures will not do.

So today, in Afghanistan, we have the following activities concurrently underway: negotiations, general violence, a near civil-war like situation, withdrawal of foreign forces, and the presence of Daesh or ISIS – a US insertion in Afghanistan. The Taliban and the government are both attempting to strengthen their positions. India, along with the Afghan Government, are the main spoilers in this show. However, both stand to lose after the foreign occupation ends; the former's position becomes untenable and the latter's, unsustainable. So if the present environment does not change, then the writing on the wall is clear. The United States will speed up withdrawal and leave Afghanistan by 2021; the Afghan government will collapse and the leading figures will either go into hiding or flee abroad. India will cut and run; the Taliban will form the government; civil war against the Northern Alliance will continue, and Daesh/ISIS will aggravate the situation by continuing with their violence. This last purposeless exercise will be funded and directed by CIA and RAW to destabilise Afghanistan, with the intent to not allow China a walkover. The major components of Daesh/ISIS will remain with the defeated and ousted Tehreek-e-Taliban Pakistan (TTP) and their re-location in Kunar and Nuristan will be facilitated since their services can be readily employed against Afghanistan, as well as Pakistan.

For the United States, a defeat in Afghanistan would mean being reduced to strangers in the region, thus allowing China an uncontested environment to expand its sphere of influence. This would not be acceptable to the US and they will work towards a more integrated and intimate alliance with India that serves the national interests of both powers. Israel would support any such alliance, while Saudi Arabia and the Middle East would, at best, display an artificial neutrality but in real terms would lean heavily towards an Indo-US alliance. The implications are that China would be targeted in general, but CPEC would be the focus of attention. Pakistan will be seen as a soft underbelly to get to China and will be subjected to disruptive activities. These would include separatist movements in Balochistan, Gilgit-Baltistan and Khyber Pakhtunkhwa, hostile financial regulations such as the FATF, economic and trade sanctions/embargoes, stricter IMF controls, violence in the cities, breakdown of law and order, and political turbulence leading to anarchy.

CPEC is more China's need than Pakistan's, though it remains a game-changer for Pakistan. The Chinese initiative to develop the Belt and Road Initiative (BRI) is essentially a circumvention of the Malacca Straits to secure its current $5 trillion trade that was vulnerable to an Indo-US consortium, comprising Singapore, Vietnam, Taiwan, Japan, and the Philippines etc. – all challengers to Chinese influence in the South China Sea. The Chinese initiative in cobbling together the largest ever economic bloc in the region, the Regional Comprehensive Economic Partnership (RCEP), comprising 29 percent of the global GDP, along with CPEC developing Gwadar as the world's largest trans-shipment port, could not have gone unnoticed. Consequently China, to protect its interests, may very well construct a Security Alliance with Pakistan, Turkey, Iran and Malaysia in the near future, with the possibility of Russian support. Central to both these alliances would be Pakistan, the centre of gravity, an essential component in the Chinese march to global dominance. Pakistan is the most vulnerable in this arrangement and the weakest. This scenario puts Pakistan in the way of animosity, conflict and war in the immediate future – with grave consequences. In this day and age, military conflicts or wars are not fought to occupy ground or space but to force the opponent to acquiesce to specific demands. Pakistan's future critical decisions to avoid conflict could lead to the dismantling of its nuclear capability, a re-evaluation of the Pak-China relationship, toning down of its position on Kashmir, accepting Indian hegemony as a regional leader and recognition of Israel. If Pakistan refuses to acquiesce to such demands, then it could be the next battle ground between the Chinese-led alliance and the US-led alliance.

Pakistan will be seen as a soft underbelly to get to China and will be subjected to disruptive activities. These would include separatist movements in Balochistan, KP and Gilgit-Baltistan & hostile financial regulations such as the FATF, economic & trade sanctions.... stricter IMF controls...

Pakistan needs to weigh all its options and take some of the steps as under.

It must continue to impress upon Washington the importance of becoming part of the CPEC initiative to reap the benefits of global inter-connectivity. By contributing and promoting such connectivity, not only would the United States remain relevant in the region, but could continue to wield a positive influence.

Additionally, it must try and make the United States and the European Union stakeholders in Thar and Reko Diq, with mutually-beneficial arrangements, without jeopardising Chinese interests.

It must avoid conflict, but if forced into one, it should never allow the initiative to slip into the hands of others. A Pak-Chinese collaboration should closely examine the possibility of taking the battle away from this land to elsewhere, failing which Pakistan would be the loser irrespective of who dominates in the conflict.

It must focus on its economy and re-establish its autonomy and sovereignty. This must be done as quickly as possible using the resources at Thar, Reko Diq, its agri-based potential, the Gwadar Port and its already developed trade corridors.

Keeping a foot in the door: Mike Pompeo with Mullah Baradar.

It must assist in stabilising Afghanistan. This must include development of its infrastructure, using local labour to provide gainful employment. Also, it must assist in developing the country's airline services, and its communication and energy sector. It can be a very useful contributor in organising and coordinating international assistance for mining and processing minerals in Afghanistan.

Further, it needs to develop specified, bio-metric crossing sites on the Afghan border to facilitate, regulate and manage trade.

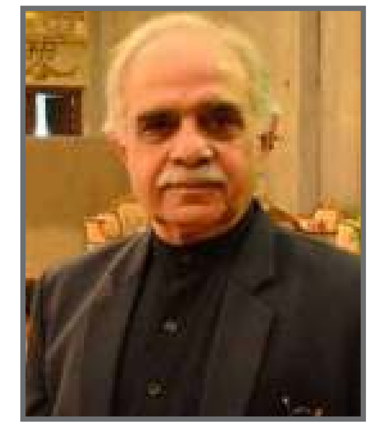
Afghan refugees must be sent back. Pakistan can assist in establishing refugee camps in Afghanistan with UN assistance. Alongside, intelligence gathering and intelligence-based operations against Daesh, ISIS and TTP must be pursued aggressively. It could initiate a joint regional intelligence system that includes China, Turkey, Iran, Afghanistan and Malaysia, with a presence in the entire region.

Finally, Pakistan must review its political structure and consider a new home-grown system, since the current one is based on conflict and confrontation that is easily exploited by outside elements. The present system facilitates intrusion and allows external powers to influence Pakistan, rather than benefit the country itself.

Pakistan stands at the crossroads in a developing new world order. In fact, it is central to it. It needs a sophisticated design and plan to move along with global developments as they unfold. Half-measures will not do. It is time the country pursued its interests aggressively. Elements that stand in the way have to be confronted and dealt with conclusively, instead of compromising in the hope that the problem will go away. A national dialogue would be a good place to start. Nevertheless, the geography of the country, the resilience of its people, the talent and the natural resources, all combined can give Pakistan the edge that it really needs to make this sovereign nation a country with autonomy, self-respect and pride. ■

A Game of Thrones

There are wheels within wheels as the Great Game is played out



By Lt. Gen (R) Ghulam Mustafa

The writer is a prominent defence analyst. During his long military career, he served in a number of command positions.

As we come to grips with COVID-19, conspiracy theorists seem to be sure that it is all a big game aimed at achieving a One World Government which has eluded power gamers so far. Who knows? It might well be true, but one thing is for sure: the Great Game never ends, that competition and conflict is natural and that peace is merely an interlude, more a Utopian thought really, than anything else. There's another, more mundane reality which doesn't find many takers; there's bound to be a fall after every rise, it can be delayed but rarely averted.

The 20th Century saw the rise of an American-led Free World, championing the cause of democracy and opposed by an equally determined Soviet-led Communist World. Neither of them could imagine the breakup of the Soviet Union and the end of Communism. Yet it happened, leaving the world at the mercy of a sole superpower, which never hesitated in unleashing its might on those who refused to fall in line with its demands. And so, in this new world, more people died and more countries suffered as compared to the mayhem caused by almost all the wars combined – all in the name of democracy and the protection of human rights.

Is it time for yet another upheaval of the same or of even greater magnitude? The rise of another great power and perhaps even World War Three? This thought is finding increasing mention as we enter the third decade of the new millennium, or shall we say, as the high and mighty of this world come to grips with changing realities around the globe. While the USA was busy stringing a ring of pearls in the Far East, picking up ever-ready India along the way, squeezing it into Afghanistan with the dual purpose of dominating the Indian Ocean on one hand, and blocking the possibility of a Eurasian land mass linking up with this

> *Strategy papers coming out of Washington would have us believe that the 'war on terror' has been won and that it is time to prepare for war against rising China and possibly China and Russia combined.*

The dragon spreads its wings: Chinese map of the OBOR.

great body of water on the other, the Great Dragon wasn't just a bystander. But the end of the Soviet Empire didn't mean that its inheritor, Russia, would just roll over. Meanwhile, the effects of the so-called Arab Spring are just beginning to show, as the US, with the willing cooperation of the Arabs, helps Israel increase its security perimeter right up to the Persian Gulf and the Indian Ocean. The stage isn't set as yet, although strategy papers coming out of Washington would have us believe so, essentially telling us that the 'war on terror' has been won and that it's time to prepare for war against rising China and possibly China and Russia combined.

The breakup of the Soviet Union found India in a strategic wilderness, but not for long. It started prepping during the latter part of the last century, and finally went to bed with the sole superpower in 2016, with the signing of the Logistics Exchange Memorandum of Agreement (LEMOA) and Basic Exchange and Cooperation Agreement (BECA) just before the recent US elections. Is it just a coincidence that India's strategic alliance with the Soviet Union in the '70s was just when communism was on the decline, and now with the US comes at a time when this superpower also seems to be on the wane? Just a wild thought, but consider...

Meanwhile China wasn't sleeping. Having bridged its differences with Russia, moving strongly in Africa, putting its boots on the ground in Eritrea and coming up with the One Belt One Road (OBOR) initiative, ostensibly aimed at building economic connectivity, but essentially a huge strategic push to expand its options within and beyond Asia. This great and ambitious project has so far manifested itself by way of their presence in Myanmar and Bangladesh, by building a port in Sri Lanka, a port city in Oman, the China-Pakistan Economic Corridor (CPEC) in Pakistan, mega trade deals with Iran, and big investments in Afghanistan. Looking at the chess board one is left in no doubt that the CPEC is central to OBOR and that progressively deepening economic ties with Russia are the rider.

> *Looking at the chess board one is left in no doubt that the CPEC is central to OBOR. Knock out Pakistan, OBOR goes with that and the American-led powers have it all to themselves.*

Now we come to the more interesting part of the Great Game which never stops. If a strong enough presence in Afghanistan and India is crucial to the American scheme of things, Pakistan is pivotal to OBOR. This is where India's calculation started going awry. It failed to read China. It also failed to fathom the depth of Russo-Chinese bondage. Spurred on by improving ties with the West, it finally committed itself to a unidirectional strategy by declaring its absorption of Illegally Occupied Jammu and Kashmir (IOJK) and passing various legislations to marginalise its already under-pressure minorities. This was a direct threat to the CPEC and in turn to OBOR. The Dragon was probably looking for this opportunity and bared its teeth during the second quarter of 2020 by heating up India's entire eastern front with a focus on Ladakh. American or the combined naval power of the Quadrilateral Security Dialogue (QUAD) is hamstrung against these moves on land, leaving India to fend for itself, unless its sponsors decide to employ their naval and/or air power to force China back. The joke is again on the US because China not only has a strong air force, but a huge flotilla of boats of various sizes to almost choke the combined strength of the QUAD navies. Admittedly, China may not win against them, but even a stalemate would do while other instruments of military power come into play.

Given this context, India is now stuck. Having failed to browbeat Pakistan through proxies and direct military actions, COVID-19 taking a heavy toll, its economy tanking, minorities up in arms and eight million unarmed, brave Kashmiris locking down around a million-strong armed force for over a year, India is left with only one way to go: stay the course and risk defeat, or back down and go bust. While the former is most likely, with a possibility of success however remote that may be, the latter appears to be its destiny. India is an unnatural state anyway, and like it's main sponsor, is on the decline in almost all spheres of human and state activity. The swastika, an expression of Hindu mythology, adopted by the RSS, the forerunner of Modi's BJP and embraced by Hitler as a symbol of his fascist thoughts, and the BJP ideology should provide the necessary proof of India today, if one is left in any doubt. That Modi-led India has adopted fascism as its state policy is not a mere coincidence.

This is where the game becomes very dangerous for Pakistan because it emerges as pivotal to both sides. Knock out Pakistan, OBOR goes with that and the American-led powers have it all to themselves. How to do that? Direct military action or efforts to force an implosion from within? Or both? Evidence suggests causing an implosion seems preferable as of now. Our weak economy, political uncertainty and less than appreciable governance provide enough grounds for it. Is it any wonder that all of it is happening at a time when the environmental matrix around us is achieving synergy directed against our very existence? Perhaps it's just my pessimism and this interpretation of events is just that – the figment of an overactive imagination. Perhaps in fact, the world is moving towards a more amicable settlement of power sharing.

This optimism is more pronounced in Pakistan due to the forthcoming change in the US Administration. Why so? We seem to think that like Pakistan, others also change when personalities are replaced at the helms of affairs. It might be happening in some third world countries but not where nations have the power to dictate terms. They rarely change their objectives or consequent strategies, only nuances. The US is one such country. China is getting there while Russia isn't far behind. Interestingly, India also considers itself part of the same club, one reason why it finds itself in a bind right now.

Yet again India hitches itself to a declining superpower.

> *India is now stuck with only one way to go: Stay the course and risk defeat, or back down and go bust. While the former is most likely, the latter appears to be its destiny.*

It forgets that there is only so much space and no more. One way or the other, it has to pay the price now. That comes with the territory.

Not that the foregoing conclusion is great news for us. It's good to know that Pakistan is pivotal in the unfolding power contest, but are we up to it? Have we been able to put together a strong enough national narrative which can help us battle out the 5th Generation War that we are in right now? Do we have even a few bare minimum denominators which won't become political football between the feuding political elite? Do we realise that things are coming to a head around us and that bringing them to a head within is actually the major assist our enemies need? Like it or not, this is the crux of the matter.

External pressures are likely to increase in the foreseeable future. America isn't leaving Afghanistan any time soon, never mind all the rhetoric about peace. What will its course of action be? India can't do much against China, its space within Afghanistan is shrinking rapidly and it isn't doing too well on the home front either. What will Modi's India do under the circumstances? Israel has physically reached the shores of the Indian Ocean and Persian Gulf, all in one small scoop, far too close for our comfort.

However, all is not lost for Pakistan. Iran seems to understand the situation and is coming down from its high horse. Turkey has been and will be with Pakistan through thick and thin. Russia, in its own laid back way, is edging closer to us. Going by the social media, it would seem that our Arab friends are moving closer to our arch enemy, but hard ground realities are against any such move. They will have to be with Pakistan if push comes to shove.

But none of this will be of any use if we fail to get our act together, politically, economically and in the field of governance. Otherwise the ongoing 5th Generation War will push us closer to instability. All elements of national power have to be geared up for this purpose, including the media, especially the media. Remember, the armed forces are just one element of national power, and not the main one either. ■

MEDIAMATTERS

Seismic Shift

Time for Omni-channels

Media Metamorphosis

Television needs state incentives to cater to the demands thrown up by a constantly evolving tech-manipulated 21st century audience

By Duraid Qureshi

The writer is the CEO and co-founder of Hum Network and a former secretary general of Pakistan Broadcasters Association.

The experimentation with the truth which began under General Musharraf's liberalisation of the media in 2000, has completed its second decade. The story of the first ten years is starkly different to that of the last ten, which had a really climactic ending in 2019.

With 169 million mobile devices (up from 114 million in 2015), representing a penetration level of over 79 percent – out of which 85 million, or about 40 percent, are 3/4G-enabled – and a broadband subscriber base of 87 million, suddenly Pakistan is witnessing a seismic shift in media usage.

Despite an estimated GDP growth of one percent, there has been a negative trend in advertising revenue on TV, with spending dropping from Rs. 38 billion (2017-18) to Rs. 28 billion (2018-19) to Rs. 26 billion in (2019-20). Yet the viewership has remained the same (around 200K Gross Rating Points (GRPs) for entertainment channels and 177K GRPs for news channels). However, there has been a 30 percent increase in the spend of digital channels.

Currently 64 percent of the nation is younger than 30 and 29 percent of Pakistanis are aged between 15 and 29 (an age group which we define as the youth). Pakistan now has more young people than it has ever had, and this is forecasted to continue to increase until at least 2050. It is the year 2000 all over again, when media consumption shifted from state-owned terrestrial channels to privately held cable/satellite channels. Once again we are in a state of metamorphosis.

Access to affordable data and devices has created a younger, more empowered audience. This fuels overall media growth, but it is also a faster moving target. One TV household has fragmented into a multiple device audience which transforms media consumption from a communal (more regimented) activity to a personal (non-linear) choice, to ultimately private viewing sessions.

The one sure thing is that there is no sure thing. Long-term deals between advertisers and media entities are being questioned. Bulk based inventory models will be replaced with more delivery-based spends. Although the metrics for measurement remain the same, the long tail of effectiveness of every rupee spent is being re-evaluated.

Consuming content on multiple devices has created opportunities for an Omni-channel revenue model. Now clunky linear TV networks cannot rely only on broadcast revenues alone. Digital sales along with licensing revenues will be the new normal in content monetisation.

There is an urgent need for subscription revenues as content cost, human resources and energy costs are increasing. Only PTV reaps the benefit of a licence fee from the electricity bill, while TV viewership is driven by private channels who get no share. Significant attention will be given by private operators to their digital media streams.

The digital distribution of content has encouraged brands to become content creators. We have seen the advent of branded shows in the shape of web series and music shows. While the repertoire of genres created by brands still remains limited, the appetite demonstrated is big. As brand-driven content grows, consumers will question the honesty of brands' intent – whether they are entertaining them or selling their product. Brands are limited in their ability to tell stories. Clients will have to distinguish content from advertising in order to maintain credibility. While clients may understand the audience better, it is the ability to understand content better that will dis-

The Number Game

Television Industry's Falling Advertising Revenues

2017-18	Rs. 38 billion
2018-19	Rs. 28 billion
2019-20	Rs. 26 billion

As digital media creates new opportunities for performers, many now charge a premium for their services.

tinguish success from failure. A genuine effort to create entertainment requires neutral content creators. A Coke Studio will always need a Rohail Hayat.

Content is King and it's not cheap to please the King. While broadcast revenues are stagnant, the cost of creating good content is rising. It is not feasible for content creators to survive on a cost plus model which is offered by broadcast. The value of creating IP (Intellectual Properties) has come into play. The opportunities on the digital platform for performers to become influencers have created a benchmark for asking higher fees from content creators. Furthermore, the pressure to create higher ratings has forced networks to invest on bankable names who in turn ask for higher remunerations. About 65 percent of every fictional television programme production cost is reserved for cast. Shooting in Karachi (where 90 percent of production takes place) has also become an expensive proposition. At times one location might charge up to Rs. 250,000 per 10 hour shift. The growth has led to talent poaching and now committed content creators are paying good creatives a premium as a retention cost in addition to the regular expense. This trend is only going to go up as the demand for good content outgrows the supply of talent.

Linear TV, however, has still not lost its charm and is not going anywhere in the near future. The bulk of eyeballs still come from TV impressions. And linear news channels remain the go- to source of information in the time of Covid. While brands have now extended their domain from media placements to content creation, they are still unable to create enough emotional moments to connect with the audience.

Consuming content on multiple devices has created opportunities for an Omni-channel revenue model, clunky linear TV networks can no longer rely only on broadcast revenues alone.

2019 saw the auction of several new TV licenses, mostly to real estate developers in Islamabad. Some of these licences were delivered in 2020 and we will see more TV channels coming into the market after March 2021. The effects of these new launches will increase the demand for experienced personnel and also bring in new blood. Since these new channels are based in Islamabad, we will see a surge of employment opportunities in the media. Hum Network might be the first one to make the move to Islamabad from Karachi. Islamabad will soon become a bigger hub of media than Lahore, second only to Karachi.

This change in the location of activity will also result in a change of scenery on the screen and a change in narrative, along with fresh talent. Karachi will remain the centre of productions, but a sizeable quantum will shift to Islamabad as the city provides a shooting-friendly environment and access to a variety of nearby scenic spots.

With all this media buzz eventually arriving so close to the seat of power, what are the few changes we should expect. PEMRA will be under pressure to deal with issues of fair play as pressure will be created on cable operators to deliver channel positioning which is limited by the laws of physics. Suddenly the antiquity of our monitoring apparatus will be exposed. The question is how long can PEMRA maintain a strong granular oversight on media matters, as its capability to regulate fast-developing technology, an expanding moral spectrum, and lacunas in the current code for emerging platforms and narratives is put to the test. The Ministry of Information will have to help PEMRA to upgrade its ambit of perusal. To enable growth, some relaxations will have to be given. Up till now only two genres in television have held their ground: entertainment and news/current affairs. There are no indigenous kids' channels, only one sports channel and regional, music and cooking are struggling. Further, the clutter in the news is at an all-time high. In the entertainment genre the top three channels hold more than 60 percent of the viewership and their share will grow further.

Another area of improvement is the Council of Complaints which should have been headed by an honourable Justice of the High Court, based on the code of ethics which were to be devised in consultation with the private media.

Regulators have to keep an eye on the prize, that is to develop the media industry in Pakistan. The original mandate of PEMRA was to stimulate growth in the industry. PEMRA continues to play the role of the FBR and show progress by the level of collections it has made through increased licence fees and slapping fines rather than the level of investments made by private parties in the media and the number of jobs created. The Prime Minister has stated his vision to grow the soft power of Pakistan internationally. This is only possible when we are able to export our culture via media products. If media houses are unable to sustain local operations in the current environment, how will be they able to create surplus revenues which can lead to exports. This goal cannot be achieved by banning content or platforms or increasing license fees or renewal fees. Media networks have invested in the sector and created jobs. They have carried the Pakistani narrative and fulfilled the gap created by the non-performance of PTV.

New platforms challenging conventional media.

The grandfather agreements of media houses should be allowed to continue. An environment should be created for public-private partnership to develop policies to keep up with the advancement in technology.

The opportunity to move away from reliance on advertising revenues and include subscription revenues has already been lost in the shape of DTH (Direct to Home). Networks are still at the mercy of the unorganised cable sector which contributes virtually no tax to the exchequer despite having revenues equal to the entire media turnover. The space given to these cable operators gives PEMRA flexibility to disturb channel distribution based on the political position of the government, and force channel narratives as it effects their revenues directly.

The digitisation of the cable access system has been in a delayed mode since the last decade, despite being on the agenda for many years. Digitising will create more opportunities for competition and provide a much-needed control on cable operators. The media needs a second round of opening up with more licences being issued to encourage a wider spectrum of genres. Given the pace at which the industry is changing, PEMRA should only issue, without bidding, two categories of licences – news and entertainment – as it does not have the infrastructure to keep up with the pace of development of new genres. Also it will give private enterprise the flexibility to adapt to the changing environment.

One TV household has fragmented into a multiple device audience which transforms media consumption from a communal (more regimented) activity to a personal (non-linear) choice, to ultimately private viewing sessions.

The government has to encourage international digital players like Facebook, Google, YouTube and TikTok to establish offices in Pakistan so precious foreign exchange is retained in Pakistan. More importantly, sizeable data on user habits is being sent out which is sold to a variety of businesses. Currently Pakistani territory is being supervised from Singapore and Dubai.

Covid has thrust Pakistan into the digital media age. The lockdown encouraged audiences to actively go beyond linear broadcasts and consume content on digital platforms. There is a lot of buzz about OTT (Over the Top) Video on Demand (VOD) platforms like Netflix and Amazon Prime. While the state is struggling with the question of allowing Indian-based OTT platforms and the relevant regulations to deal with it, little movement is seen towards developing our own. Needed are:

1 - A payment gateway approved by the State Bank.

2 - Incentive schemes from the government to encourage the industry as this is not a small wallet venture.

3 - Local server facility to reduce data latency.

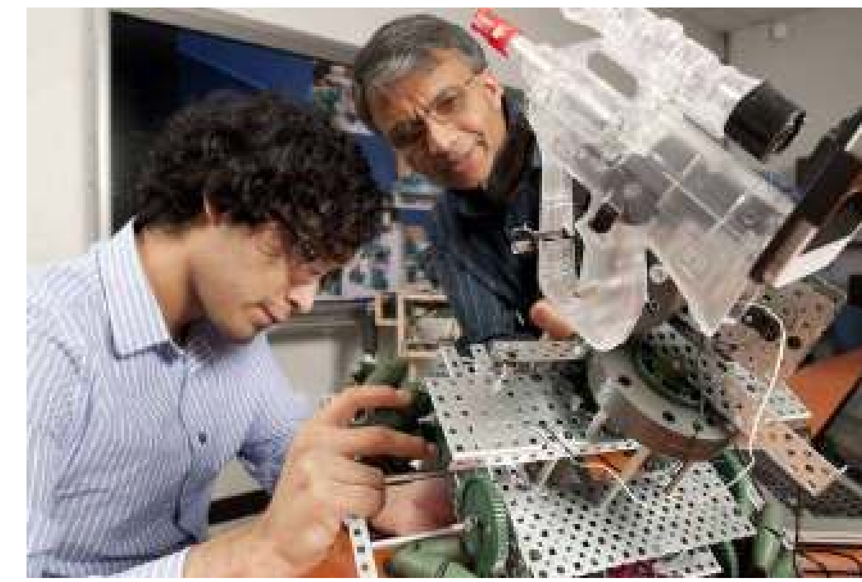
The takeaway for media entities and regulators is to have the agility to react and the ability to adapt to the rapidly changing technological environment and media consumption patterns, as the dial-to-decide choice is transferred to a younger audience who exists in a multi-device configuration having a shorter attention span where multiple influences define his/her engagement. How ironic is the old Chinese curse today: "may you live in interesting times!" ■

Passport to the New World

Pakistan's education system needs out-of-the-box, hi-tech solutions to catch up with the developed world

By Dr. Shams Hamid

The writer is the Dean of Social Sciences and Founding Director, Imagine – Institute of Futures Studies, Iqra University.



"If we teach today's students as we taught yesterday's, we rob them of tomorrow" was the educational philosophy of John Dewey (1859 -1952), one of the most prominent American scholars, philosophers, and educational reformers of the early 20th century. In its timelessness, this philosophy summarises modern technology's present-day dilemma, dated education, and the imbalanced distribution of both.

According to Dell Corporation's research, 70 percent of future jobs have not been created or even conceived yet. That being the case, how can we expect the current educational structure, based on current requirements and past cast studies, to ready the learners for future challenges? As validated throughout history, the purpose of education is to prepare the young and the eager in line with the trends of economic drivers such as agriculture, industries, or artistry. Therefore, each Industrial Revolution refined education in the past. As we approach the 5th Industrial Revolution, it becomes essential that a new model of education is introduced. However, unlike in the past, this mode of education should not be purely scholastic. It would instead require a blend of personal values, creativity, and intellectual faculties.

All futurists agree on the impending infiltration of machines and technology in our lives, much more than ever before. According to some, everyday repetitive tasks will be taken over by robots and virtual assistants. Artificial intelligence would, it is surmised, become the mind behind making decisions such as regulatory issues or handling civil disobedience cases. Smart machines would then take over millions of jobs from humans in the not-so-distant future. And if we are not suitably equipped with the required knowledge or philosophy, we will not be able to contend with this wave of disruption.

The education of the future will not be just about the fundamentals of science and humanities. Instead, it will be about understanding the whole circle of life. Future education will be about understanding human relationships – with each other, with the ecosystem, and with technology. Future education will not be provided within the confines of a specific space or a temporal boundary. Modern learning would have to be a continual learning process utilising the availability of information anywhere, anytime.

According to Malcolm X, an activist: "Education is the passport to the future, for tomorrow belongs to those who prepare for it today."

Some countries have already begun redesigning their curricula, incorporating critical thinking, modern sciences, and cognitive skills into their course content. Unfortunately, Pakistan is not one of those proactive countries and lamentably lags in its current education, let alone future education. Hence, urgently required are aggressive measures at the state level, supported by organisations and individuals, to fill the void created by the lack of proper education.

Reshaping the educational system with humanistic philosophical proposals is imperative. Only this modern model would motivate students to think for themselves and create a humane world. Humanistic Philosophy consists of a sim-


On the cusp of the 5th Industrial Revolution, education goes digital.

ple concept of human beings' welfare and believes in the value of knowledge. According to Humanistic Philosophy, we can achieve our best potential and credibility by learning science, logic, and developing balanced emotions, empathy, values, and ethics.

Pakistan is a developing country and an example of a country which is still progressing towards digitisation. Though nowhere at par with advanced Occidental countries in terms of domestic penetration and the usage of smart technology, the COVID-19 pandemic pushed Pakistan into a sudden onslaught of digital dependency.

Part of the manifesto of Prime Minister Imran Khan's government is making Pakistan a knowledge economy. The Pakistani government aims to do this through digitisation, investment in human capital, and encouraging a culture of innovation, creativity, and entrepreneurship by launching a Digital Transformation Initiative Programme. This proposed initiative would be aimed at digital infrastructure, citizen service, and other e-government programmes.

21st century technology is gradually but surely altering our skill sets and learning patterns. The computational power of cutting-edge technologies is taking over humans' natural cognitive skills. Presently smart technology is assisting us at our behest. Soon it will probably be beyond our power to curb or comprehend the intentions entangled within hyper loops of artificial intelligence.

As we approach the 5th Industrial Revolution, it becomes essential that a new model of education is introduced. Unfortunately, Pakistan lags in its current, let alone future education.

In a nutshell, we are looking at a new reality, where past narratives about life trajectories, political, social, and cultural institutions and traditions are being severely challenged. Therefore, a unified effort in the form of upgraded content and modified syllabi from all countries, either advanced, developed, or developing, is crucial to combat the future once the world comes out of the pandemic to live in the new normal.

The impact of COVID-19 will become a case in focus as to how interconnectedness and empathy enabled people to survive adversity. Hopefully we will realise that solutions to dilemmas are hidden in collaboration and participation. The pandemic has enforced a culture of joint efforts, creativity, mutual understanding, and innovation for entering new realms in the future. Many companies shared their patents with competitors to expedite the world's recovery from this pandemic, and many businesses are thriving because societies appreciate them.

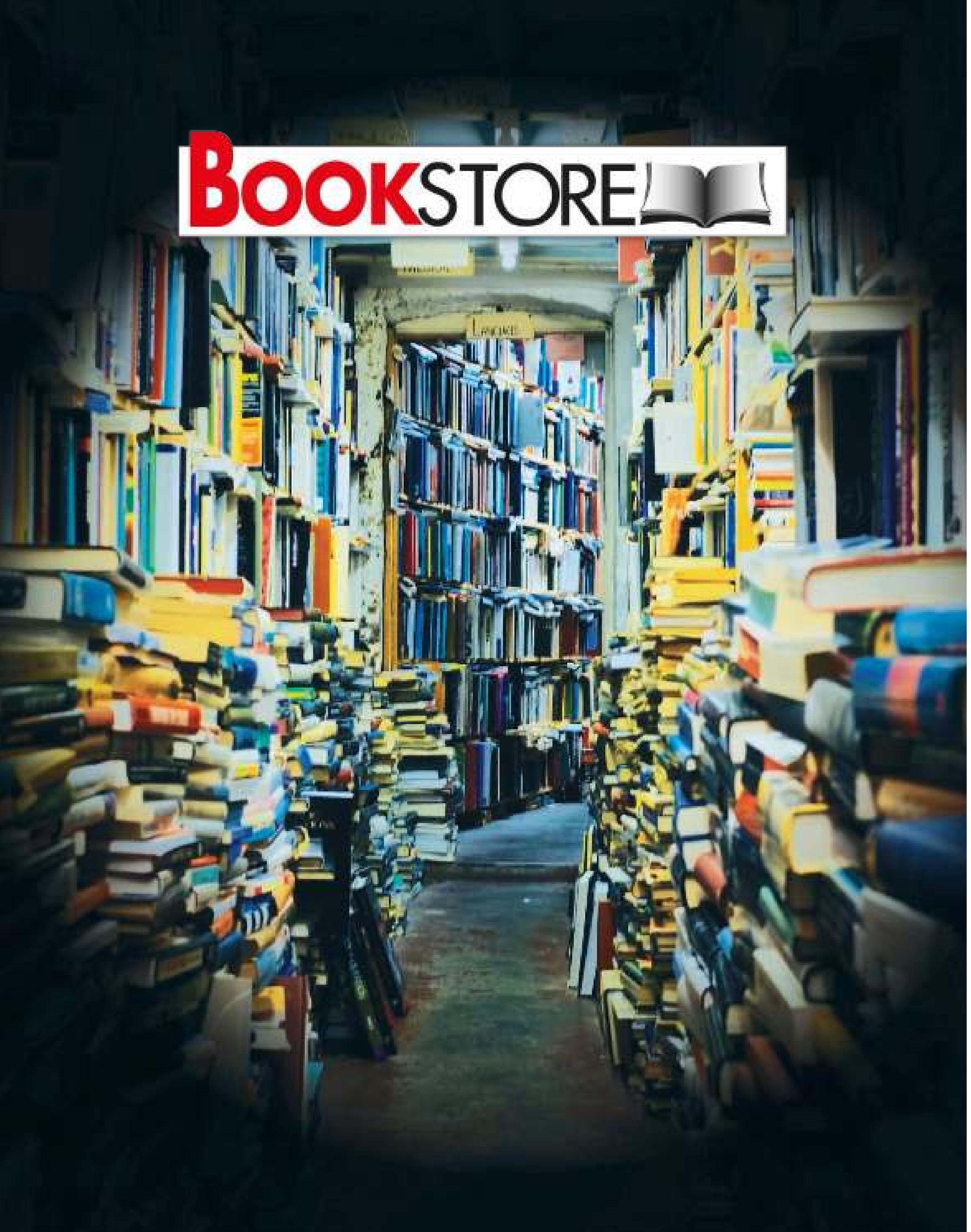
COVID-19, in itself, created an incredible upset in the rhythm of life as we knew it. It was also a rude awakening as to our limitations during modern catastrophes. The education sector took one of the harder jerks during the pandemic and had to undergo a dramatic transformation to maintain a continuity of sorts.

To remain competitive in the 21st century, humans always need to upgrade themselves. They need mental resilience and emotional intelligence for survival. So how do we keep adapting? How do we keep learning? What options do we have to stand against the whirlwinds of advancements?

The 'Imagine – Institute of Futures Studies' is one step taken by the Vice-Chancellor, Iqra University, Dr. Waseem Qazi, to develop essential future skills in Pakistani students. The aim of this institute is to nurture an open learning culture within a blended model of education. To that effect, substantial measures are being taken by the institute to take other academia, organisations, and corporate sectors on board to cultivate a holistic content worthy of upcoming requirements.

According to some scholars, the future is not fixed, not cast in stone; instead, it is what we will make it to be. So, the choices we make today will reflect the type of world we will have tomorrow; we could either choose to ignore the warnings and be sitting ducks, complacent in our fates, or we could take the bull by the horns and start preparing for an unknown tomorrow. Either way, neither will the pace of universal advancement slow down, nor will the subtle evolution of habits be curbed. The only thing that would differ in both approaches is the shape the advancement and habits will take.

The ability to change, reinvent, and learn throughout our lives is the only option left to humans. ■



The Education Challenge

Deficits in delivery and a paucity of high-quality teaching materials are challenges that may impact the execution of the SNC

By Arshad Saeed Husain

The writer is the Managing Director of Oxford University Press Pakistan.

The COVID-19 pandemic has impacted all facets of life and none more than education. School closures around the world have kept 90 percent of all students out of school, about 1.6 billion young people. This has challenged how we view and think about education. Schools in Pakistan have been sporadically open since the initial lockdown in March 2020 and there is uncertainty when students will be allowed back into education institutions. It is heartening to know that the Government is focusing on distance learning. When the pandemic hit, the Ministry of Federal Education and Professional Training launched e-Taleem: a system of distance learning for classes 1-12 via terrestrial TV. They also partnered with leading Edtech platforms to create virtual classrooms. This shift towards blended learning using modern technology is encouraging for parents and educators alike and I welcome the Government's approach to this policy.

The education community in Pakistan faces several challenges today.

The first challenge, which we have long been struggling to overcome, is the legacy of serious education deficits that stubbornly continue to inflict us. The quality of a country's education system affects all aspects of human life – employment possibilities, economic performance, quality of life, social relationships, quality of thought, even the value of leisure. It is perhaps the single most important sector of societal activity. However, there remain large and significant deficits in delivery of education. 23 million children between 5 and 16 are not enrolled in any school in Pakistan - this number increases sharply as the age level rises - showing that, not only are children not enrolling, but they are dropping out before completion. The 2018 National Education Policy Framework by the Ministry of Federal Education and Professional Training identified out-of-school-children as one of the biggest challenges facing the sector.

> *The Single National Curriculum (SNC) is a step in the right direction. Through the implementation of a single curriculum the government would be creating a level playing field for the Public, Private and Deeni Madaris students.*

Another area of priority identified in the National Education Policy was to create 'Uniformity in Education Standards'. These two priorities are also part of the Pakistan Tehreek-e-Insaf's 4-pronged strategy to create an equitable education system in Pakistan. The work the government is undertaking to address this challenge is vital and has my whole-hearted support.

The Single National Curriculum (SNC) is a significant step towards achieving this uniformity. Its stated objective is to create a level playing field for all Public, Private and Deeni Madaris students. For the first time, Deeni Madaris - who have previously been outside the ambit of our codified education system - will be inte-

The SNC will allow the government to integrate Madressas into the mainstream.

grated into the mainstream. The schism between the public and private schools will slowly be bridged. Policy changes of such magnitudes rarely deliver immediate result. In the present, it requires all stakeholders to fully commit to this single policy action and adapt to the changing education landscape.

The publishing industry is an important stakeholder in this ecosystem. Ayub Khan's nationalisation of education publishing in 1962 resulted in a period of instability that took some years to recover from and Competition between publishers was eliminated, to the detriment of the quality of textbooks, a state-centric view was imposed on children and education outcomes dropped as a result.

As a consequence, people rejected this state-centric view and there was a marked shift towards private schooling in Pakistan. This trend has only increased ever since. Coupled with a shift towards international examinations, the growing middle-class started investing in their children's education. Of the 267,955 education institutions nationwide 33% of them are private.

The publishing industry saw a revival during this period of growth. Good quality textbooks, that emphasised conceptual development over rote learning were adopted by private schools, resulting in private school pupils outperforming their public-school counterparts.

While the Single National Curriculum aims to provide all Pakistani children with the same opportunities as those who are able to attend private schools, it is clearly important to adopt a cautious approach to introducing the SNC to private schools, to ensure effective execution and implementation.

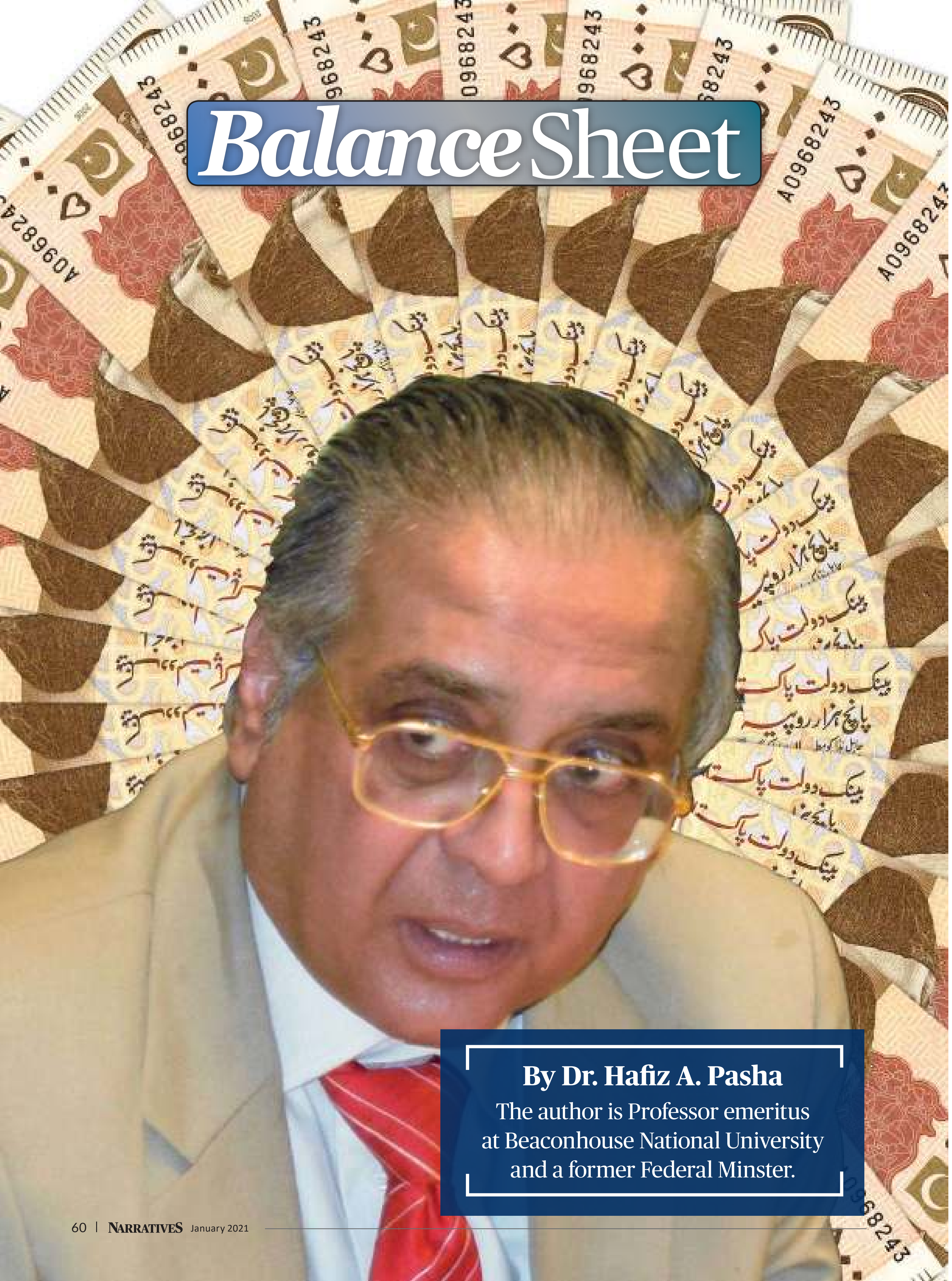
The provincial textbook boards now have the authority to approve textbooks for their respective provinces. This is a barrier for the publishers, especially those publishers that provide school textbooks to schools nationwide

Similarly, thoroughness is required when it comes to implementing the SNC. The role of Provincial governments in deciding whether to implement the SNC or not and planning and approving which textbooks will be used has the potential to hinder the impact of the SNC's objectives. While educators allude to federal policy and publishers provide resources nationally, at this critical time for education, a devolved approach to implementation causes confusion and delays.

Ambiguity creates panic in a time when COVID-19 has had a negative impact on businesses across all sectors. The government should assuage the concerns of the sector and acknowledge publishers as important stakeholders in developing textbooks for schools across our nation. The quality of education can only improve in the country when everyone pulls in the right direction.

Finally, let's train and equip our teachers to improve learning outcomes, provide equal education for all, and move us into the digital future of education. Oxford University Press is one of many organisations that has continued to provide professional development to teachers throughout the pandemic, demonstrating new opportunities for the government to partner to achieve the goals of the Education Strategy.

The multiple challenges faced by Pakistan in education and the tough, but appropriate goals this government has set itself, tackling those challenges head on, is a step in the right direction. We must take the positives from what we have learnt from Covid-19 - extending digital education to all, distanced learning and teacher training - and use them to help achieve the objectives set out as part of the Single National Curriculum. OUP Pakistan has a long and dedicated history of supporting education in Pakistan – since 1952 – now we will be part of its future. ■



BalanceSheet

By Dr. Hafiz A. Pasha

The author is Professor emeritus at Beaconhouse National University and a former Federal Minster.

Getting on Track

Despite COVID-19, Pakistan's economy is likely to pick up in 2021

The economy of Pakistan has been going through a process of structural adjustment since mid-2018. Following an agreement with the IMF on the Extended Fund Facility, the primary emphasis has been on reducing the current account deficit in the balance of payments, which had reached the unsustainable high level of $18.9 billion in 2018, while foreign exchange reserves had plummeted to $8.5 billion.

Consequently, the country witnessed a process of implementation of extraordinarily tough policies. The federal budget of 2019-20 saw the implementation of the largest ever set of taxation proposals aimed at generating additional revenues of over Rs. 700 billion. The rupee was depreciated by as much as 34 percent and the policy rate of the State Bank of Pakistan (SBP) was enhanced from 6 percent to 13.25 percent.

There was considerable success in reducing the current account by over 62 percent to $7.1 billion in 2019. However, a high price was paid in the form of 'stagflation' in the economy. The GDP growth rate, which had been moderately high at close to 4 percent in 2018, dropped to below 2 percent in 2019. The inflation rate, which had been low in 2018 at 5 percent, rose to a double-digit rate of 10.2 percent in 2019.

The IMF Programme was initially a success. Reserves rose to $11.3 billion by the end of 2019 and the first quarterly review was completed. There was growing optimism that following stabilisation of the economy on the external front, it could now move on to a trajectory of relatively high GDP growth.

Unfortunately, the completely unanticipated happened. Like the rest of the world, Pakistan was hit by the pandemic, COVID-19, in the last days of February 2020. The incidence of cases and fatalities rose exponentially, reaching a peak in June. A policy of smart lockdowns was followed to contain the spread.

The economy went into a tailspin and the first half of 2020 saw negative GDP growth of almost 4 percent, for the first time since 1951-52, when there had been a colossal crop failure. The large-scale manufacturing sector saw a drop in output of as large as 17 percent, unprecedented in the history of Pakistan. The informal sector was also disrupted and activity in sectors like wholesale and retail trade, transport and services was badly affected.

> *Pakistan's external balance of payments has held up well during this great global crisis. The current account deficit was down to below $1 billion in the first half of 2020.*

The rate of inflation remained high, at over 10 percent in the first half of 2020. Food prices rose faster at over 15 percent, due to the crop shortfall in output of wheat of over 2.5 million tons and a generalised negative impact on agriculture of heavy monsoon rainfall and locust attack.

The world economy was hit even more severely by the pandemic. According to the latest World Economic Outlook report of the IMF, global GDP is expected to fall in 2020 by almost 4.5 percent, equivalent to a decline in income of over $7 trillion. According to the report, world trade is also likely to experience a contraction in volume of 11 percent. Commodity prices are down by 10 percent, with the biggest drop of almost 40 percent in the price of oil.

Pakistan's external balance of payments has held up well during this great global crisis. Exports did fall by as much as 18 percent in the first half of 2020 but this was more than compensated for by a decline in imports of over 30 percent. Consequently, the position of the current account deficit improved substantially and was down to below $1 billion in the first half of 2020.

Following the COVID-19 outbreak, the IMF Programme has effectively been in a state of suspension. The quarterly performance criteria were no longer attainable and the reform agenda had to be postponed. Thanks are due to the IMF for providing Pakistan quick access to the Rapid Financing Facility of 50 percent of the country's Special Drawing Rights (SDR) quota, equivalent to $1.4 billion. This partly compensated for the rapid exit of 'hot money' of $3 billion from Pakistan soon after COVID-19.

The foreign exchange reserves have consequently held up relatively well due to the big contraction in the current account deficit and stand at over $13 billion on 27 November 2020. These reserves provide import cover of over three months. Following the big decline in COVID-19 cases, the economy was poised once again to go on the recovery path. In fact, the large-scale manufacturing sector had already demonstrated positive growth of almost 5 percent between June and September 2020.

The negative GDP growth and double-digit inflation, along with the COVID-19 health impact in the first half of 2020 were bound to have big negative effects on the lives and livelihoods of the people. It is estimated that almost 5 million workers lost their jobs in these six months and over 20 million more people fell below the poverty line.

The general perception about the state of the economy, which had improved significantly by October 20, has once again been dampened by the beginnings of the second wave of COVID-19. At the time of writing this article, the daily number of cases has reached 60 percent of the peak rate in June 2020 after the first phase.

This brings us to the fundamental

Table 1

Economic Projections for 2020 and 2021

Variable	Unit	2020			2021		
		1st Half (Actual)	2nd Half (Projected)	Annual (Projected)	1st Half (Projected)	2nd Half (Projected)	Annual (Projected)
GDP Growth Rate	%	-3.8	2.0	-0.9	1.0	4.0	2.5
Rate of Inflation	%	10.4	8.7	9.5	11.0	7.0	9.0
Exports Growth Rate	%	-17.8	-10.1	-14.0	2.5	7.5	5.0
Imports Growth Rate	%	-31.4	-4.0	-17.4	5.0	10.0	7.5
Current Account Deficit	(million $)	-938	1600	662	-2500	-3500	-6000
Government Budget:							
Revenues	(% of GDP)			14.8			15.2
Expenditure	(% of GDP)			22.8			22.7
Budget Deficit	(% of GDP)			-8.0			-7.5

question of what are the prospects for 2021. Will the economy recover again soon after the second COVID-19 attack? What is likely to be the state of the global economy in 2021 and what impact will this have on Pakistan? Will Pakistan be able to negotiate a resumption of the IMF Programme on feasible terms of implementation of reforms? As such, we are back once again to a period of uncertainty, added to now by the growing political confrontation between the opposition and the government.

The outlook for the world economy by the IMF is that there will be a significant recovery in 2021, especially in the second half, after the widespread use of the newly developed vaccines in the USA, UK, EU and China. The global GDP growth rate could approach 5 percent, implying full recovery of the loss in 2020. The rate of inflation is expected to remain low at 3 percent.

The prospects for world trade are also positive in 2021, with projected growth in the volume of trade of over 8 percent. Commodity prices are likely to recover and the oil price could once again reach $60 per barrel by the end of 2021.

The overall implications of these projected developments will generally be positive. The economy should get back on the recovery path in the second quarter of 2021. Exports should start growing at a relatively fast rate. However, the rise in oil prices could add almost $3 billion to the import bill by the end of 2021 and lead to more inflation.

The big question mark relates to the future of the IMF Programme. The commitments yet to be implemented relate to the quantum jump in power tariffs to restrict growth in the circular debt and a strong round of tax reforms to enable achievement of the target growth of 24 percent in FBR revenues in 2020-21. Hopefully, given the onset of the second wave of COVID-19, the IMF will agree to a more staggered process of implementation of the reforms.

The resulting projections, based on the above scenario, are presented in Table 1. These projections are summarised below:

(i) The GDP growth rate is projected at 2.5 percent in 2021, with the growth rate rising to 4 percent in the second half of the year.

(ii) The rate of inflation will persist at close to 10 percent in the first half of 2021 and fall to 7 percent in the second half of the year.

(iii) Exports could rise in value terms by over 5 percent in 2021. However, imports could increase faster by almost 8 percent, initially because of larger agricultural imports and subsequently due to the bigger oil import bill. Consequently, the current account of the balance of payments could be transferred from a surplus in the second half of 2020 to a deficit of up to $6 billion in 2021.

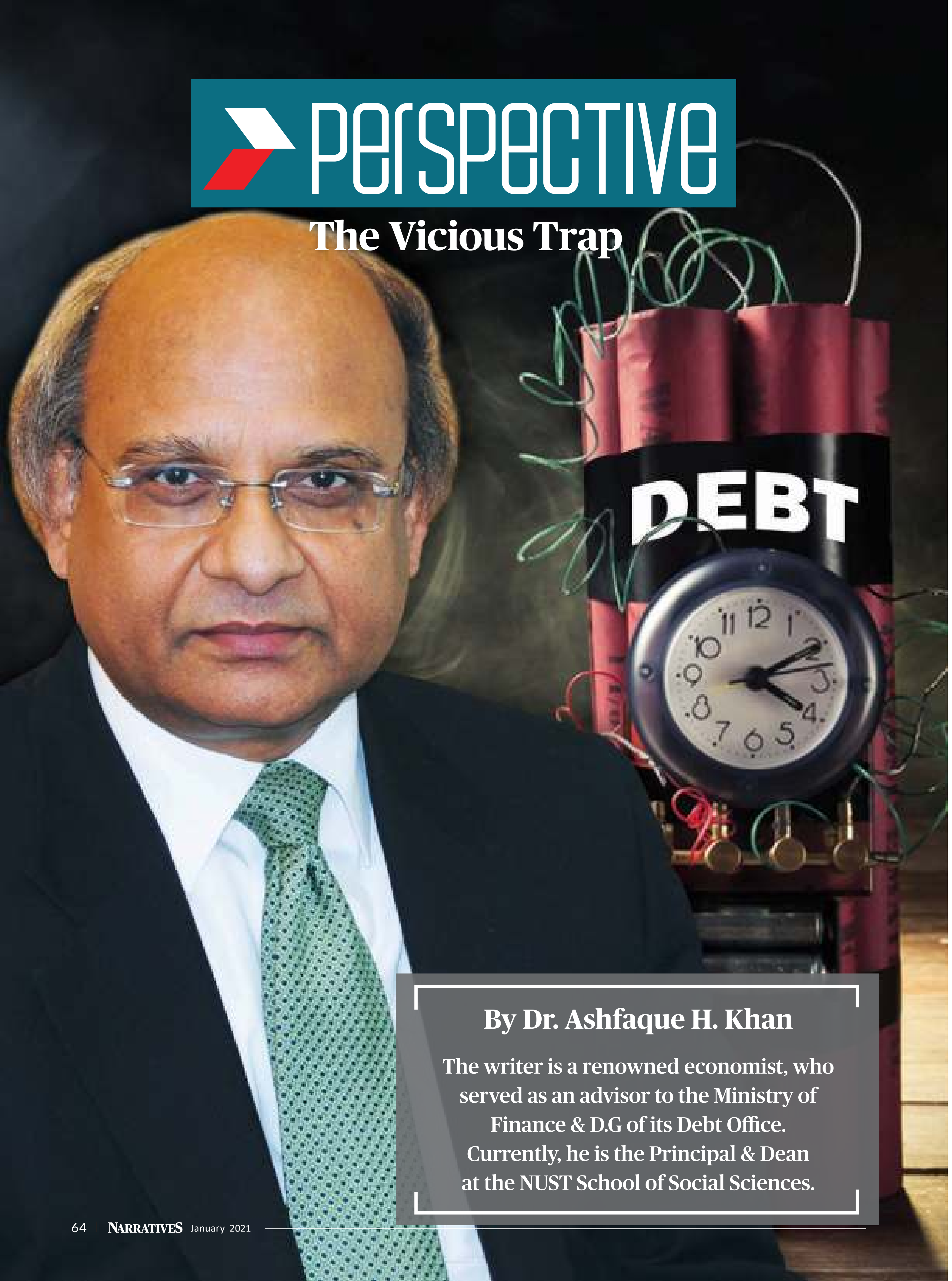
(iv) The budget deficit is estimated at 8 percent of the GDP in 2020. With somewhat faster growth in revenues it is projected to fall to 7.5 percent of the GDP in 2021.

(v) The total number of unemployed workers could reach a peak of 10.5 million by the end of the first quarter of 2021, in the aftermath of the second COVID-19 wave. It will, however, start falling thereafter. Simultaneously, the incidence of poverty should also begin to decline.

Overall, the outlook in 2021 for the economy could be somewhat better than the outcomes in 2019 and 2020. There is need for a closing caveat. If talks with the IMF fail, then Pakistan will need to seek a large debt rollover, especially from China, and pursue policies that require stronger containment of imports, leading thereby to more inflationary pressures and less growth. Also, we hope that the problem of the political conundrum will be resolved in early 2021. ■

Perspective

The Vicious Trap



By Dr. Ashfaque H. Khan

The writer is a renowned economist, who served as an advisor to the Ministry of Finance & D.G of its Debt Office. Currently, he is the Principal & Dean at the NUST School of Social Sciences.

2021 – Living in Debt

The debt relief offered so far must go further to avert a sovereign debt crisis

The world economy was already witnessing a synchronised downturn even before the outbreak of COVID-19. The outbreak has simply dealt a major blow to the $133 trillion world economy by totally devastating it with a speed which has not been experienced in nearly a century. The leading economies of the world have witnessed massive contraction, throwing many millions out of work and into poverty and hence, wiping out the gains of the last several decades that took millions out of poverty. Like the major economies, the pandemic has also severely damaged the economies of the developing countries, including the economies of low-income countries (LICs).

The pandemic has triggered unprecedented policy responses around the world. Governments in both developed and developing countries have taken extraordinary measures to prevent the spread of the virus. At the back of collapsing private sector demand, governments around the world used both fiscal and monetary stimulus to prop up aggregate demand and accordingly accumulated unprecedented debts. While developed economies have enormous capacity to afford high debt burdens, it is the developing countries and particularly the LICs that now face a rising debt burden. Most importantly, the LICs face the risk of catastrophic sovereign debt crisis with a possibility of disorderly debt default. Pakistan, being a low-income country, has also witnessed its economy contracting, revenue efforts faltering, expenditure on social protection – COVID-19-related and for the economic revival – elevating, budget deficit ballooning and both public and external debts reaching unsustainable levels.

It is important to note that the debt level of the LICs were already high and unsustainable even before the onset of COVID-19. According to an IMF study published in February 2020, half of the LICs, that is, 36 out of 76 countries, were at high risk of or already in debt distress. At the same time, sovereign debt downgrades by the major international credit rating agencies have soared in 2020 – to the highest level in 40 years. Argentina, Ecuador, Lebanon, Suriname and Zambia have already defaulted on their external debt payment and are at various stages of the debt restructuring process.

The total external debt stock of the LICs eligible for the debt relief provided by the G-20 countries stood at $744 billion in 2019, equivalent to, on average, 33 percent of their Gross National Income (GNI). Total debt owed to private creditors amounted to $102 billion and to official bilateral creditors, composed mainly of G-20 countries, at $178 billion at the end of 2019. Such a high level of debt overhang is likely to slow investment and growth for years to come in the LICs. COVID-19 has pushed the debt level of these countries to a new height because of pandemic-related expenditures; their revenues faltered because of the contraction of their economic activities, resulting in a rising budget deficit and accordingly a rise in debt. As a result, the pandemic has adversely affected both the solvency and liquidity indicators of these countries. The extent of debt distress of these countries will depend on the depth and duration of the pandemic's impact. Given the emerging post-pandemic debt situation in developing countries in general and the LICs in particular, it is highly likely that the world may witness a repeat of the disorderly defaults of the 1980s.

Pakistan's external debt and liabilities (EDL) were growing at an alarming pace even before the onslaught of Covid-19. Major factors that contributed to the surge in debt included fiscal profligacy, stagnant or declining exports, sharp depreciation of the exchange rate, keeping the discount/policy rate at an elevated level, borrowing in foreign currency to build foreign exchange reserves, and a decline in non-debt creating inflows.

COVID-19 has further aggravated the country's debt situation. Pakistan's external debt and liabilities stood at $40.3 billion in end-June 2007, and increased to $95.3 billion in 2017-18 – an increase of $55 billion in one decade or $458 million per month (See Table 1). It has further in-

Table 1

Public and External Debt & Liabilities

Year	Public Debt (Billion Rs.)	Public Debt % GDP	External Debt & Liabilities (Billion $)
2006-07	4803	52.0	40.3
2012-13	14321	64.0	60.9
2013-14	16388	65.1	65.4
2014-15	17819	64.9	65.2
2015-16	20054	69.0	73.1
2016-17	21783	68.2	83.1
2017-18	25545	73.8	95.3
2018-19	34418	90.6	106.3
2019-20	38061	91.2	112.8
2020-21(P)	41867	90.0	118.0

creased to $113.8 billion by September 2020 – that is, an addition of $18.5 billion in 27 months or $685 million per month. It is important to note that Pakistan added $72.4 billion during the two lost decades or 76 percent or over 3/4th of its EDL were accumulated in the two lost decades (See decade of the 1990s and the decade of 2008-18). The pace of debt accumulation over the last two and a quarter years is ominous (see Table 2). It is interesting to note that one thing was common in the two lost decades in which the country accumulated more than 3/4th of its EDL, that is, Pakistan remained in the IMF programme. Pakistan is again in the IMF programme and the debt is accumulating rapidly. Pakistan's EDL is projected to rise to $118 billion and public debt to Rs. 41867 billion (or 90 percent of GDP).

Against this deteriorating debt situation that COVID-19 struck Pakistan, creating a perfect storm for public finances. On the one hand it hit tax collection and on the other resulted in a sharp increase in pandemic-related expenditure, putting tremendous strain on government. Notwithstanding the perfect storm, Pakistan like many other countries around the world, undertook expansionary fiscal and monetary policies to protect the vulnerable sections of society; to prevent job losses, bankruptcies and revive the economy. While Covid-related expenditure surged, the tax efforts of the government faltered equally, causing the budget deficit to remain at an elevated level, causing public debt to increase sharply. Like other LICs, Pakistan also faced serious difficulties in honouring its debt service obligations in an orderly manner because of declining exports and other non-debt creating inflows. With increased debt vulnerabilities, fiscal pressures, and a global economic meltdown, Pakistan's capacity to absorb more debt has been weakened. Pakistan faced a serious dilemma in choosing between servicing debts to the lender and helping the vulnerable sections of society, including workers, small shopkeepers and so on. There is now a growing consensus at the global level regarding the likelihood of a protracted debt crisis in developing countries in general and LICs in particular.

Debt Relief

COVID-19 has severely damaged the economies of both rich and poor countries, more so of the LICs, hampering their debt repayment capacity. Therefore, multi-lateral institutions like the World Bank, the IMF and the G-20 countries moved forward to assist the LICs by alleviating their immediate liquidity needs. At the request of the leadership of the two multilateral institutions, the G-20 countries announced in mid-April 2020 a debt payment freeze for 77 IDA eligible countries (mostly from Africa) including Pakistan. Under the Debt Service Suspension Initiative (DSSI), debt service payments (both principal and interest) to the official bilateral creditors of the 77 eligible countries were suspended for the period May

> *At the back of collapsing private sector demand, governments around the world accumulated unprecedented debts. Many LICs face the risk of catastrophic sovereign debt crisis with a possibility of disorderly debt default.*

1 to December 31, 2020. Private creditors were simply asked to participate in this initiative on a voluntary basis. If all the eligible (77) countries participated in the DSSI, it would have freed up about $12 billion. According to the initiative, debt payment of eligible countries due during the period May 1 to December 31, 2020 was to be suspended and will be paid back in three years with a one year grace period.

The DSSI received a lukewarm response from the eligible countries, as only 46 out of 77 countries (60 percent) applied and succeeded in deferring $5.7 billion in debt service payments. Why did the DSSI attract only 60 percent of the eligible countries? There are several reasons for the lukewarm response. Firstly, the structure of the debt of eligible African countries suggests that out of the $405 billion total debt, only 20 percent ($81 billion) is owed to official bilateral creditors whose debt service payments were supposed to be suspended. Out of the total debt, 32 percent or $132 billion is owed to private creditors and bond markets and 35 percent or $144 billion is owed to multilateral institutions such as the World Bank and the IMF, with the remaining 12 percent or $48 billion owed to various other lending agencies. Thus, this initiative, according to the eligible countries, excluded multilaterals, bond holders, private creditors, and others accounting for 80 percent of the total debt or $324 billion. Therefore, 40 percent of the eligible countries did not participate in the initiative.

Secondly, the DSSI barred the eligible countries from raising resources from the international debt capital market. The rating agencies had clearly warned that if the eligible countries insisted on freezing debt payments to private creditors (bond holders), this would be treated as sovereign default and as such would attract immediate downgrading. The eligible countries did not want to sever their relations with the debt capital markets.

Thirdly, from the viewpoint of the eligible countries, the G-20 debt relief is a temporary respite and not "relief" or forgiveness. Whatever "relief" they receive from the G-20 today will be fully repaid with additional interest to compensate for the delay in payment, because this initiative is neutral in effect or in Net Present Value (NPV) terms. The risk of disorderly default is rising. Some economists believe that these eligible countries were already in debt distress and with this debt relief, debt default has been merely postponed for a few years and disorderly default is inevitable.

Fourthly, there is a condition in this initiative that the countries seeking debt relief should either already be in an IMF programme or in negotiations for such a programme. Many LICs do not want to implement a four decades old stabilisation programme. Hence, those 40 percent eligible countries did not apply for debt relief to avoid being under the IMF programme. Since Pakistan is already implementing an IMF programme, it decided to apply for the debt relief.

Taking advantage of the DSSI, Pakistan also applied to join the debt standstill initiative and secured a relief of $1.7 billion. In other words, debt payment which was due during the period May 1

Table 2

Addition to External Debt and Liabilities (Billion $)

Period	No. of Years	Debt Added	Remarks
1990-2000	10	17.4	- Pakistan added $ 17.4 billion in the decade of the 1990s (Lost decade) - Pakistan added $55 billion in the decade of 2008-18 (2nd lost decade) - Pakistan added $72.4 billion during the two lost decades, or 76 percent of external debt was accumulated in the two lost decades - Pakistan added $17.5 billion in the last two years.
2008-2013	5	20.6	
2013-18	5	34.4	
2008-18	10	55.0	
1990-2018	20	72.4	
2018-20	2	17.5	

to December 31, 2020 amounted to $1.7 billion. Pakistan will not be paying this amount and hence it was a saving made possible through the DSSI. This relief was in fact a postponement of the debt payment and not the forgiveness of debt service. Pakistan will have to repay $1.7 billion in the next few years with additional interest. Apart from the temporary debt relief, Pakistan also received $1.4 billion under the IMF's Rapid Financing Initiative to alleviate its liquidity concerns. The World Bank, the Asian Development Bank and Asian Infrastructure Investment Bank have fast-tracked their lending amounting to $1.6 billion for the same purpose.

Like the debt structure of eligible African countries, where bilateral official creditors accounted for only 20 percent of their total debt, in Pakistan too, the structure of the debt is such that only 22.5 percent or $25.6 billion external debt is owed to bilaterals while $63 billion or over 55 percent is owed to multilaterals, the IMF, commercial banks, bond holders and others (See Table 3). Accordingly, Pakistan also benefited very little from the DSSI.

Carmen Reinhart, Kenneth Rogoff, and their co-authors have recently published an article in the September 2020 issue of Finance and Development – a quarterly publication of the IMF – in which they have argued that multilateral institutions like the IMF and the World Bank have generously offered loans to developing countries in general and LICs in particular, and the G-20 offered debt payment postponement. All these loans were offered to meet pandemic-related expenditures. In the process, these institutions and the G-20 have further burdened the recipient poor countries with more debt

> *The IMF and the World Bank have generously offered loans to LICs to meet pandemic-related expenditures. In the process, these institutions have further burdened the recipient poor countries with more debt, sowing the seeds for a full-blown debt crisis.*

and simply extended the list of countries in debt distress and, accordingly, sowed the seeds for a full-blown debt crisis.

Notwithstanding the above facts, the G-20 debt relief was an excellent first step in the right direction. It provided temporary relief to the LICs including Pakistan, enhanced their fiscal space which enabled them to spend on social protection, reviving economic activities and to meet Covid-related expenditures. The pandemic has caused unparalleled devastation to the global economy in general and to the economies of developing and LICs in particular. There is a consensus among the economists that it will take a minimum of two to three years for these economies to come back to the pre-Covid level. Realising this fact, the G-20 countries have extended the debt relief to June 2021 and the repayment period has been extended to six years. There are indications that this relief can further be extended to December 2021 with a decision to be taken during the IMF-World Bank meeting in April 2021.

How much additional benefits will accrue to the LICs, including Pakistan, due to the extension of the debt standstill for six months (June 2021)? Estimates suggest that all the 46 countries that have already signed the DSSI will initially receive further relief of $6.4 billion. Estimates also suggest that Pakistan will receive additional benefits in the range of $800-900 million. The total relief for Pakistan would be $2.5-2.6 billion for the period May 1, 2020 to June 30, 2021.

Eurodad, a network of 50 European NGOs specialising in poverty reduction, has argued that the DSSI package does not go far enough and has warned that the low-income countries would face a debt repayment crisis from 2022 onwards. They have also stated the DSSI eligible countries will be paying over $9.0 billion to multilateral banks, of which, more than $2.0 billion has been paid to the World Bank alone during the May-December 2020 freeze period. The World Bank has so far received as much in debt service payments as it has given out in Covid-related grants. In other words, the debt relief provided by the official bilateral creditors has gone back to multilateral institutions like the World Bank. This is one of the reasons that the DSSI received a lukewarm response from the eligible countries. Even the extension of debt relief to June 2021 may not attract more eligible countries.

Table 3

Structure of Pakistan's External Debt + Liabilities				
	2018-19		2020-21 (end Sept.)	
Items	Billion $	Share (%)	Billion $	Share (%)
A. Public External Debt	83.9	79.0	88.9	78.1
A.1: Govt. External Debt	67.8	63.8	72.3	63.5
A.12: Bilateral Debt	23.9	22.5	25.6	22.5
A.13: Multilateral Debt	28.6	26.9	32.9	28.9
A.14: Commercial Loan & Bonds	14.8	13.9	13.0	11.4
A.15: Others	-	-	0.5	0.4
A.2: IMF Debt	5.6	5.3	7.6	6.7
A.3: FE Liabilities	10.5	9.9	9.0	7.9
B. Public Sector Enterprises (PSEs)	4.0	3.8	4.8	4.2
C. Banking Sector Debt	4.7	4.4	4.4	3.9
D. Private Sector Debt	10.4	9.8	11.4	10.0
E. Inter-Company Debt	3.3	3.1	4.3	3.8
F. Total External Debt + Liabilities	106.3	100.0	113.8	100
Source: State Bank of Pakistan				

Comprehensive Debt Relief Initiative (CDRI)

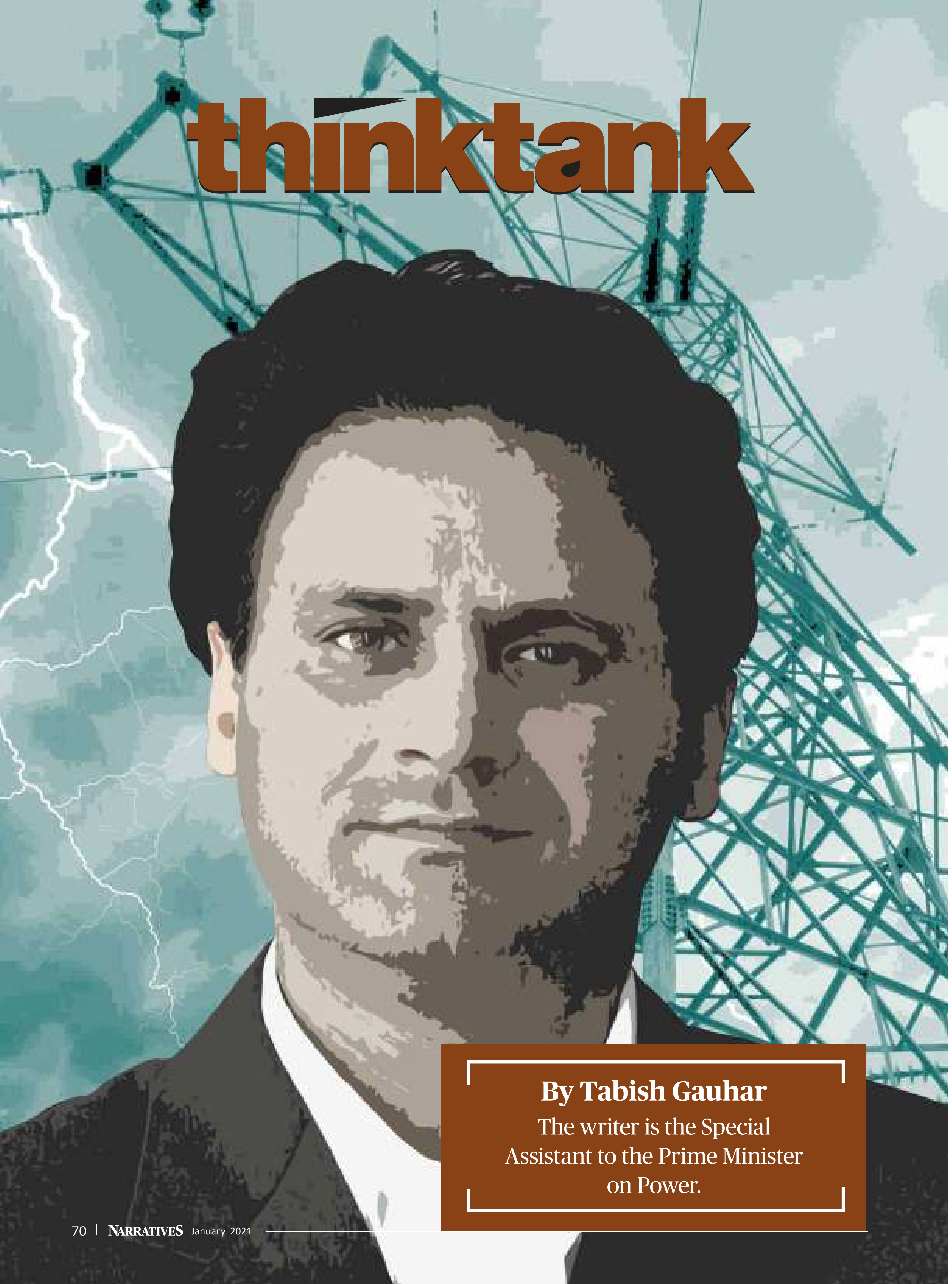
According to Carmen Reinhart, Kenneth Rogoff and their co-authors, COVID-19 is a once-in-a-century shock that merits a generous response from all the stakeholders – official bilateral creditors, multilateral institutions, and private creditors. While rich economies will emerge out of the crisis soon, LICs, already in debt distress conditions, may take a much longer time to revive their economies because of their debt overhang. If the international community does not provide generous support at this juncture of economic history, there is a danger that the developing countries as a whole may see a protracted debt crisis. A full debt standstill is an absolute necessity to prevent a full-blown debt crisis. It does not make sense that the relief provided by the official bilateral creditors is siphoned off by multilaterals and private creditors.

The debt relief provided by the official bilateral creditors has gone back to multilateral institutions like the World Bank. This is one of the reasons that the DSSI received a lukewarm response from the eligible countries.

Under the evolving deteriorating debt situation, everyone (bilaterals, multilaterals and private creditors) will have to share the burden. Firstly, the debt standstill period should be extended for another three years at least -- up to December 2023. Let the bilaterals suspend their debt repayment for another three years. Secondly, the multilaterals – knowing that they are preferred creditors, and their debts are neither forgiven nor suspended – will have to come forward and share a proportionate burden. They are preferred creditors in normal times, but these are abnormal times that require out-of-the-box solutions. The multilateral debt is far larger than the bilateral one. Their participation in the debt standstill initiative will go a long way in addressing the serious debt situation. Let the debt repayment of multilateral institutions be suspended till December 31, 2023. This will give breathing space to eligible countries to fix their economies and bring debt situation under control.

Thirdly, the most difficult and challenging part of the CDRI is to convince private creditors to suspend debt repayment. It is suggested that the private creditors may extend the life of the bond repayment. For example, if the eligible country has floated a sovereign bond in the international debt capital market for a 5-year tenure amounting to $1.0 billion and the payment schedule is prepared in such a way that the principal and the interest are to be paid back to the bond holders in 5 years' time, it is proposed that this payment schedule be extended to 10 years. This would reduce the debt repayment burden of the eligible countries to half. In other words, the bond holders will continue to receive their payments according to the schedule, but the payments will be one half because the maturity of the bond has been extended to 10 years. In my opinion, this is a compromise solution to invite private creditors to join the CDRI.

Indeed, COVID-19 has caused unprecedented damage to the global economy. The debt of the LICs had already reached unsustainable levels even prior to COVID-19. It has now further been aggravated. If no concrete action or out-of-the-box solutions are found, the world may witness disorderly debt defaults in LICs. Like the LICs, Pakistan also saw its EDL grow during the decade of 2008-18 at a speed not witnessed before. Such a threatening pace has continued over the last two and a quarter years. The G-20 debt relief is a great step in the right direction, but it has only covered the official bilateral creditors. Given the scale of damage, it is proposed that the international community should consider comprehensive debt relief including all the stakeholders, that is, official bilateral creditors, multilaterals, and private creditors. ■



By Tabish Gauhar

The writer is the Special Assistant to the Prime Minister on Power.

Powering the Power Sector

Does the government have a holistic plan to reform the power sector in the short-to-medium term?

As Prime Minister Imran Khan publicly admitted recently, the challenges facing the country's power sector gives him sleepless nights at times. The fundamental issues are well known, and the burden is now on the government to follow through on the difficult structural changes required for a sustainable and paradigm shift in this space.

One of the frequently asked questions is, how and why the circular debt in the power sector has almost doubled in the last two years to almost Rs. 2,300 billion today. Let me attempt to answer that in simple terms, before outlining some of the steps the government is undertaking to arrest the increase in overall debt and consumer price. When this government took over in 2018, it did indeed inherit a broken economy. There was a significant devaluation of the rupee as well as consumer price inflation, followed by an interest rate hike. All these factors, contributed to the need to increase electricity prices that were frozen – as is typically the case in a political economy like ours – a year before the last general elections. Consequently, the tariff had to be jacked up by 20 percent or thereabouts which, under the extremely stressed macroeconomic environment, further suppressed the electricity demand and usage.

As if the country's macroeconomic challenge wasn't enough to contend with, the sector was also hit by the COVID-19 global pandemic in early 2020, which further curtailed socio-economic activity and power consumption, along with a policy decision to freeze any further increase in consumer tariffs. That necessary decision added an extra Rs. 225 billion to the circular debt buildup in 2020. All of this, in the context of a "tsunami" of new independent power producers (IPPs) and other power projects that have come online recently, added another Rs. 250 billion of incremental take-or-pay capacity charges in the sector. On average, these recent projects are at least 25 percent more expensive than they should have been, are 40-50 percent more than our capacity requirements in the near term and are nearly all front-loaded in a manner that their initial tariffs are twice their later years' average.

Last but not least, we all know that our last mile distribution sector is broken and costs the exchequer almost Rs. 200 billion of losses per year, mainly incurred by four distribution companies (DISCOs), in addition to the Rs. 150 to 200 billion of annual tariff differential subsidies picked up by the federal government. I think the time has now come to start sharing these costs with the respective provincial governments on a 50:50 basis. Likewise, the cost of supplying agricultural tube wells in Balochistan, and subsidising the provision of electricity to AJK, adds almost Rs. 100 billion per year to the circular debt. Further, the interest payable on the power sector's "stock" of debt is Rs. 175 billion per year, out of which only about Rs. 50 billion is recovered from the consumers as a surcharge. Then we have the K-electric issue that costs the sector around Rs. 70 billion a year in unpaid bills, that is projected to further increase as we enhance the grid supply from 650 megawatts (MW) to around 2000 MW to the people of Karachi in the next two to three years.

So, what's our holistic plan to "reform" the power sector in the short-to-medium term? Let us start by acknowledging the positive fact that we now have a reasonably diversified energy mix (hydro, wind, solar, local and imported coal, local and imported gas, etc.) and a significant stake of domestic as well as foreign private sector financiers and operators in this space. However, as discussed ad nauseam, the unaffordable cost of electricity generation, the continued leakages in the distribution system and the resultant suppressed demand and circular debt build-up have made this critical pillar of our economy financially unsustainable.

The recent signing of MOUs with about 50 IPPs is an important step towards reducing the end consumer tariff, and both sides are committed to taking this initiative across the finish line in the

A barber holds an emergency light in his mouth to complete the job during a blackout in Karachi.

next few weeks. Along with the government-owned power plants, and those that came under the 2015 policy, the expected savings are in the trillions and do move the needle, especially on account of avoided currency devaluation-related tariff increases. While no government wishes to renegotiate signed contracts, the harsh reality is that our economy simply cannot afford to pay the 30 percent dollar-indexed annual Return on Equity, especially on the more recent power projects that, in hindsight, could and should have been priced less generously. In phase two, we would also be requesting the project finance lenders to extend the maturity of their debt beyond the typical 10-to-12 year tenor to smoothen the "front-loaded" profile of the tariffs and provide consequential relief to the rate-payers. Pakistan should always remain a welcoming investment destination, but the key lesson learnt is that all counterparties to such long-term contractual relationships must also consider, as a key variable, the financial sustainability, or otherwise, of the ecosystem.

We also now need to decisively move away from the single-buyer, sovereign-guaranteed, take-or-pay contractual structure that has unfortunately promoted the rent-seeking culture, that many assume to be the only option on the table. On the contrary, there should be different pockets of private capital that are willing to take a long-term market view on the overall demand/supply dynamics in the country's power sector, without the need for a State backstop on volume or price. To achieve this long overdue objective, the government and the regulator have recently approved an 18-month road map to set up a wholesale commodity exchange by early 2022 that will allow multiple buyers and sellers to trade electricity, including under a take-and-pay regime, that should help reduce the consumer tariff, improve service and share the federal government's financial burden with private sector participants, traders, and underwriters. A recently revised wheeling regime should also facilitate private business-to-business flow of electricity to increase overall economic output as the "big picture" policy outcome while also providing a reasonable, level playing field to the incumbent intermediaries to recover their legitimate, stranded cross-subsidy and other such costs.

> *The unaffordable cost of electricity generation, the continued leakages in the distribution system and the resultant suppressed demand and circular debt build-up have made this critical pillar of our economy unsustainable.*

The Pakistan Government's recent announcement to provide 25 to 50 percent tariff relief to various categories of industrial customers for their incremental power consumption, and elimination of the distinction between peak and non-peak rates, is designed to increase power demand, economic output and employment opportunities, particularly in the small-and-medium enterprise sector. We all know that our industrial tariffs are among the highest in the region (on average 25 percent higher than those in our neighbouring countries), which has resulted in gradual de-industrialisation over the years, as evidenced by the sub-optimal correlation between electricity consumption and GDP growth rate in Pakistan over the last 10 years. This pricing signal (alongside an imminently similar one for indigenous natural gas) should also incentivise a significant proportion of those captive power consumers of approximately 5000 MW to switch back to the national grid as their primary source of input power. In formulating this three-year industrial tariff relief policy, against the backdrop of IMF discussions, the government rightly and boldly opted for a measured stimulus package that should more than pay for itself over the coming months.

Much has been said and written about reforming the power distribution companies. Outright privatisation is perhaps not a feasible policy option in the near term, but a public-private partnership arrangement between the federal government, the respective provincial governments and a private sector operator should be the interim way forward. The last mile power distribution and retail segment is a "local business" that cannot and must not be centrally handled from Islamabad if we are to achieve a truly sustainable and much needed turnaround in this space. An incentive-based, 5-year management contract proposition, along with the freedom to implement a mutually agreed business and value creation plan, and real skin in the game for the provinces, is being fleshed out with various stakeholders. This will coincide with the loss of monopoly and retail supply exclusivity for power distribution companies throughout Pakistan over the next three years or so. As with the wholesale trading platform referred to earlier, the 'consumer choice' plan is a step in the right direction as we saw in the telecommunication sector, post its liberalisation. As a policy matter, we should now be rewarding efficiency, and vice versa, by doing away with the uniform pricing of electricity across Pakistan. For instance, if Islamabad Electricity Supply Company (IESCO) has the lowest transmission & distribution (T&D) loss of 8.65 percent, there is no reason why its consumers should be charged a national T&D average of 15.53 percent to compensate for the inefficiencies of other DISCOs in the country. Let the best performing company charge the lowest distribution tariff to its consumers and let the provinces choose to subsidise from their own coffers, if they wish to maintain a certain rate. Moreover, the distribution companies now need to work harder to zero in on the actual defaulters and thieves, through readily available technological and administrative solutions, instead of resorting to "collective punishment" in the name of a revenue-based, load-shedding regime on high loss feeders.

A holistic and long-term generation capacity rollout plan (on a least cost principle), including retirement of some of the older inefficient government and privately owned plants, an associated T&D infrastructure augmentation plan, and a host of other demand & supply input variables, is in the process of being fine-tuned, arguably for the first time, as an integrated planning tool for policy-makers. Given the big difference in peak power demand between the summer and winter periods, we do need to now move to a take-and-pay regime, or some hybrid form of it, to reduce the financial burden on the State. Furthermore, there is now a realisation that the scheduled financial close and commercial operation dates of the various upcoming power projects in the pipeline may need to be pushed back to align more closely with their optimal usage and the actual need of the economy. Simply put, and notwithstanding the contractual understanding, pragmatic business and common sense needs to

To reduce T&D losses, a crackdown on electricity theft is sorely needed.

> *We need to decisively move away from the single-buyer, sovereign-guaranteed, take-or-pay contractual structure that has promoted the rent-seeking culture, that many assume to be the only option on the table.*

prevail on all sides to prevent further instances of idle and unproductive generation capacity that we just cannot afford to pay for. We would also need to resist the international pressure to curtail our local coal expansion plan (albeit at a much reduced price of below $25 per ton going forward) to fuel our future "base load" power-generation needs, even as the cost of "variable" renewable energy sources (such as wind, solar, and run-of-river hydro) continues to decline. With different caps, they complement each other and should not be viewed as being mutually exclusive.

Another key issue that has bedevilled the power sector for a long time is the need for "targeted subsidies." Just to put this into perspective, 93 percent of all domestic consumers receive some form of subsidies. The top 25 percent of these consumers receive 36 percent of the total amount; however, the bottom 25 percent (where the need for financial support is the greatest) receive only 10 percent. The total annual subsidy amount in the power sector is roughly Rs. 450 billion, out of which Rs. 250 billion falls under the "cross-subsidy" category (essentially the industrial and commercial customers subsidise the domestic and agricultural ones) and the remaining Rs. 200 billion-bill is footed by the Ministry of Finance. There is also an inter-DISCO subsidy referred to above, as well as what the State budgets for under special incentive schemes from time to time, such as the fixed and subsidised rate of electricity (and gas) provided to export-oriented industries. The State should be subsidising only those people and areas that are the most deserving, and ideally through direct cash transfers. In this regard, a pilot project mapping the Islamabad Electric Supply Company (IESCO) billing with the corresponding Ehsaas database is a work in progress.

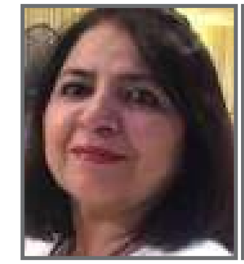
All these demand, supply and cost management initiatives, backed by a granular set of action items, are indeed meant to reduce the circular debt "flow" to an acceptable level within the next three years. ■

INFOCUS
Taxing Troubles

FBR Tax Collection		
Fiscal Year	Original Target	Tax Collected
2018-19	Rs. 4,435 billion	Rs. 3,828.5 billion
2019-20	Rs. 5,555 billion	Rs. 3,997 billion

Missing Targets

In order to progress, Pakistan must end its anti-growth, anti-business taxes



By Huzaima Bukhari & Dr Ikramul Haq

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Dr. Haq is an Advocate of the Supreme Court, and specialises in constitutional, corporate and tax laws.

On assuming power in August 2018, the Pakistan Tehreek-i-Insaf (PTI), contrary to its election promises, failed to undertake the much-needed and long-delayed structural reforms in all institutions, especially administration, where the Pakistan Administrative Service (PAS), better known as the District Management Group (DMG), controls most of the key posts, both in the federal and provincial governments. The Supreme Court has time and again pointed out the failures of successive governments in governance, including the poor justice delivery system.

The PTI Government came in with tall claims of establishing an egalitarian society and providing "justice to all." However, more than two years down the road, it has failed to provide a roadmap for the reformation of obsolete and outmoded institutions, especially the judicial system. No country can progress economically, without fixing its justice delivery system and improving all areas of governance.

The primary focus of this article is an appraisal of the PTI Government's fiscal performance from August 2018 onwards and the challenges it faces in 2021. However, one cannot review or analyse a government's fiscal policy in isolation because oppressive taxes, a narrow tax base, amnesties, money and asset-whitening schemes, a huge tax expenditure and a massive debt, poor social spending and the high cost of running an inefficient gigantic state apparatus are all interlinked in Pakistan. Foreign lenders, donors and so-called aid agencies fund Pakistan in an attempt to reform the tax system but they have never understood that this is impossible in a society where defying the rule of law is a national trait and an expression of one's power.

To begin with, by hiring a huge team of ministers, state ministers and advisers, the PTI Government has belied its promise of having a small and competent cabinet and making all the state institutions efficient. Its 100-day agenda proved to be a dead horse, much before the arrival of the COVID-19 pandemic. The claims of inclusive growth and alleviating poverty through revitalising the Benazir Income Support Programme (renamed as the Ehsaas programme) proved ineffective and the pandemic is now being used as a scapegoat to cover up failures on the fiscal front.

Firstly, the PTI Government failed to restructure the Federal Board of Revenue (FBR) and raise taxes to the tune of Rs. 8 trillion – its main election promise, which was doable. Had it fulfilled its pledge, it could have obtained the required revenue to overcome its monstrous fiscal deficit and made Pakistan self-reliant in the coming years.

Successive governments have always been very keen to make efforts – unsuccessfully – to enhance tax revenues, especially through tax collection by the FBR, but failed to address the real issue, which is the huge tax expenditure and excessively high unproductive expenses. If these two are reduced even by 30 percent, Pakistan can decrease its fiscal deficit by 40-50 percent. The cost of the unprecedented tax-free perquisites and benefits available to high-ranking state functionaries have caused losses of billions of rupees to the national exchequer [Tax exemptions and concessions worth Rs. 30 billion were given to the top civil and military officers and judges of superior courts in the tax year 2019].

The FBR, in its Statement of Estimated Tax Expenditure of the Federal Government, has admitted that out of the total tax expenditure of Rs. 1150 billion in the tax year 2019, sales tax was the highest at Rs. 519 billion (45 percent), followed by income tax at Rs. 378 billion (33 percent) and customs duty at Rs. 253 billion (22 percent). It amounted to 30 percent of the FBR's total tax collection of Rs. 3828 billion and 3 percent of the Gross Domestic Product (GDP).

Like every other government, the PTI government did not reduce its wasteful, unproductive expenditure by right-sizing and revamping or privatising the loss-bearing Public Sector Entities (PSEs). It merely resorted to patchwork measures here and there. Consequently, the fiscal year 2019-20 witnessed the government obtaining record loans, both external and internal. On the contrary, more regressive taxes were imposed and in its two-year tenure, tax exemptions/waivers/concessions amounted to Rs. 2.12 trillions.

In fiscal year (FY) 2018-19, the fiscal deficit was 8.9 percent of the GDP (Rs. 3.45 trillion) and in fiscal year 2019-20, it was 8.1 percent of the GDP (Rs. 3.37 trillion). Had the tax expenditure been curtailed by 50 percent (Rs. 500 billion) and wasteful expenses brought down by 40 percent (Rs. 400 billion), the fiscal deficit of the GDP for both the years would have been around 6 percent of GDP. It was 6.5 percent in fiscal year 2017-18.

In the pre-COVID-19 era, poor fiscal management, wrong economic policies and adoption of failed strategies pushed the country into stagflation, leading to recession, high inflation and unemployment, closing down of industries/businesses resulting in job losses, high interest rates and extremely low growth. It generated disappointment and despair in the general public.

According to the FBR Year Book 2018-19, in the PTI Government's first year in power, the total tax collection was Rs. 3828.5 billion as against the original target of Rs. 4435 billion, revised downward first to Rs. 4398 billion and finally to Rs. 4150 billion, showing minus 0.4 percent growth compared to FY 2017-18.

In its second year in power, the PTI government originally agreed to the International Monetary Fund's (IMF) tax revenue target of Rs. 5555 billion. Even prior to the outbreak of COVID-19, the FBR was far short of meeting the target, despite the appointment of a competent man from outside the government cadres as pro-bono Chairman of FBR. The target was revised to Rs. 5238 billion, after the first IMF review under the $6 billion Extended Fund Facility (EFF) programme. Later, it was further reduced to Rs. 4803 billion on the eve of an incomplete second review (held prior to the COVID-19 outbreak), and after the pandemic and lockdowns, finally to Rs. 3908 billion. According to the FBR's Year Book for 2019-20, it exceeded the third-time revised target of Rs. 3908 billion by Rs. 88.7 billion, collecting the net amount of Rs. 3997 billion – direct taxes (Rs. 1523 billion); sales tax (Rs. 1597 billion); federal excise tax (Rs. 250 billion); and customs duty (Rs. 626 billion). The refunds paid were: direct taxes (Rs. 68.6 billion), sales tax (Rs. 92.6 billion), federal excise (nil) and customs (Rs. 12.2 billion).

On September 2, 2020, FBR officials confessed before the National Assembly's Standing Committee on Finance that the actual liability of income tax and sales tax refunds as of June 30, 2020 was Rs. 710 billion (sales tax: Rs. 142 billion; income tax: Rs. 568 billion). If the admitted refunds payable are deducted from the total tax collection of the FBR for fiscal year 2019-20, the net figure comes to Rs. 3287 billion or just 7.7 percent of the GDP. However, it must be highlighted that the bulk of the refunds, nearly Rs. 600 billion, were blocked by the economic wizard of the previous PML-N government, Muhammad Ishaq Dar, now a proclaimed offender and fugitive, facing trial on a complaint filed by the National Accountability Bureau (NAB) for having assets beyond his known/declared sources of income.

> *Successive governments in Pakistan, have always been very keen to make efforts – unsuccessfully – to enhance tax revenues, especially through tax collection by the FBR, but failed to address the real issue.*

The FBR's target for the current FY 2020-21 is Rs. 4963 billion (a 27 percent increase from the previous target). It is grossly overstated, as highlighted by the Pakistan Institute of Development Economics (PIDE) in its report, *Budget 2020-21: Highlights & Commentary*, and all economic experts predict that it will not be achieved.

While announcing the budget for FY 2020-21 on June 12, 2020, amid the devastating impact of COVID-19, fixing an irrational target for the FBR attracted widespread criticism from all quarters. Interestingly, even Dr. Abdul Hafeez Shaikh, then Adviser to the Prime Minister on Finance and Revenue and now appointed Minister for six months under Article 91(9) of the Constitution, in a statement on June 13, 2020, "advised the provinces not to make their budgets on the basis of the proposed Rs. 4.963 trillion tax collection target fixed for the FBR for fiscal year 2020-21." He clearly warned that "the provinces should make their budgets while keeping in mind the Federal Board of Revenue's past performance and the difference between performance, projections and reality." It was an admission of the fact that the budget was not based on universally established norms of good fiscal management; consequently, it led to wider-than-expected fiscal deficit and further borrowing.

In the first five months of the current FY, the FBR has collected Rs. 1.69 trillion, showing a growth of around 4.2 percent. It needs a 22 percent growth in the remaining 7 months to achieve the target of Rs. 4.963 trillion. A recent report reveals that the IMF has projected a collection shortfall of over Rs. 300 billion and "is asking Pakistan to introduce a mini-budget." If the IMF prevails, additional taxes will be levied which would stymie the revival of an already ailing economy. Strangely enough, while the IMF is lauding other countries for giving tax incentives to businesses to recover from the losses incurred due to COVID-19, it is insisting that Pakistan continue with its oppressive taxes and, additionally, further impose burdensome indirect taxes, rather than pressing for the withdrawal of exemptions that were given to the privileged classes. Ironically, even after imposing multiple and higher taxes, the FBR has failed to enforce the filing of tax returns by the 7.4 million people who, according to its own admission, paid withholding taxes in billions. However, the problem on the fiscal front is not only related to the inadequate revenues, but also to the quantum of debt servicing, tax expenditure and wasteful expenses incurred on running the gigantic and inefficient government machinery.

"The FBR contributes around 80 percent of the total revenues of the federal government; therefore, any miscalculation or mistargeting can severely cripple the budget, not just of the federal but the provincial governments as well" – *Budget 2020-21: Highlights & Commentary*, PIDE.

In Annex-II appended to *Economic Survey 2019-20*, tax expenditure is shown at Rs. 1,149.95 billion. The PTI, in its first two years, incurred a tax expenditure of Rs. 2.12 trillion – an amount equal to the cost of two Mainline One (ML-I) projects of the China-Pakistan Economic Corridor (CPEC). The estimated cost of the ML-1 project is Rs. 1.1 trillion or $7.2 billion – and the government has given Rs. 2.2 trillion in tax concessions!

In fiscal year 2019-20, debt servicing by the federal government amounted to Rs. 2620 billion (domestic, Rs. 2313 billion and foreign, Rs. 307 billion) against the net revenues of Rs. 3278 billion after transfer to the provinces. Debt servicing formed 79 percent of the total net revenues of the federal government and 65 percent of the tax collection of the FBR. This is the real challenge faced by the federal government on the fiscal front.

The PTI Government is using the COVID-19 pandemic as a face-saving device, but the fact remains that from the outset its fiscal policy was a disaster. Ex-Finance Minister Asad Umar, while presenting the Finance Supplementary (Amendment) Bill 2018 on September 18, 2018 in the National Assembly, took the traditional bureaucratic approach to balance the books. He failed to include the key areas of *Theme 3: Revitalise Economic Growth*, which was part of the *First 100-Day Plan of PTI*, unveiled during the election campaign after forming the Federal Government.

The PTI Government lacked a roadmap to fulfil its election promise of collecting Rs. 8 trillion. On the contrary, the FBR's target was reduced by Rs. 169 billion – a reduction of 3.5 percent from the original target. The shortfall of Rs. 606.5 billion in collection led to a historic high fiscal deficit of 8.9 percent of the GDP, leading to unprecedented indebtedness. The PTI Government had nine months in FY 2018-19 to initiate reforms for revenue mobilisation, but its economic managers did not bother to implement even its own tax reform agenda unveiled/promised during its election campaign.

Even the PTI's own Adviser on Finance & Revenue Dr. Hafeez Shaikh, concedes that its budget for 2020-21 is unrealistic.

> *Instead of blaming FBR officials alone for their inefficiency, the PTI Government must admit its lack of will to reduce exemptions, concessions, waivers and amnesties to powerful segments of society.*

However, instead of blaming FBR officials alone for their inefficiency, the PTI Government must admit its lack of will to reduce exemptions, concessions, waivers and amnesties to powerful segments of society. If only 40 percent of the taxes waived/forgone in fiscal year 2019-20 were recouped in the Finance Act 2020, there would have been a fiscal space of Rs. 600 billion to reduce taxes. But the PTI Government, like its predecessors, showed complete apathy towards the weaker sections of society and the small and medium enterprises (SMEs), who were left to face the unbearable toll of COVID-19, by not reducing the exorbitant sales tax, withholding tax, advance tax, and the high cost of utilities as well as the oppressive 12.5 percent advance income tax from mobile-users, irrespective of their quantum of income. The latest data on the website of the Pakistan Telecommunication Authority (PTA) shows that the total number of subscribers as of August 31, 2020 were 169 million, of which 85 million were 3G/4G subscribers, 3 million basic telephone-users and 87 million broadband subscribers. All of them are also paying 19.5 percent sales tax on services to provinces and 17 percent federal excise duty, if based in Islamabad Capital Territory (ICT).

In the Finance Supplementary (Second Amendment) Bill of 2019 presented on January 23, 2019, again no steps were announced for making the FBR efficient, simplifying taxes and making them fair, low and broad-based to harness the real potential, drastically reduce wasteful expenditure and accelerate growth.

In the two budgets for FY 2019-20, presented on June 11, 2019, and for FY 2020-21, on June 12, 2020, respectively, the burden on businesses and common citizens increased manifold as indirect taxes were enhanced, while asset-whitening/amnesties/exemptions/waivers/immunities were extended to the rich and the mighty. Before coming to power, the PTI labelled tax amnesties as "immoral" and "unlawful" and a "slap on the face of honest taxpayers."

On November 7, 2019, the FBR admitted before the National Assembly's Standing Committee on Finance & Taxation that the governments of the Pakistan Muslim League (Nawaz) and the PTI, in their amnesty schemes of 2018 and 2019 respectively, extended a benefit of Rs. 61.4 billion to 191 billionaires, caught concealing undeclared/untaxed offshore assets. The FBR revealed that definite information was available against them under the Automatic Exchange of Information (AEOI), an initiative of the Organisation for Economic Cooperation and Development (OECD), yet amnesties were given to them, and their names kept "confidential." It belies Prime Minister Imran Khan's tall claims of accountability and transparency for all.

For the PTI Government, the main challenges on the fiscal front in 2021 are not only revival of the economy amidst the rising human and financial toll taken by the COVID-19 pandemic, but also management of the mounting debt burden and meeting of revenue targets fixed for the fiscal year 2020-21. According to a recent report, the PTI Government has added Rs. 397 billion more in public debt during the first four months of the current fiscal year, which is contrary to the claims allegedly made by the Prime Minister and the Finance & Revenue Minister, Dr. Abdul Hafeez Shaikh. The report states that the public debt of Rs. 35.1 trillion in June 2020 "increased to Rs. 35.5 trillion by end-October, according to the State Bank of Pakistan (SBP). There was an increase of Rs. 397 billion or 1.2 percent in the debt stock, which was lower than the pace of increase recorded in the previous months."

The PTI Government borrowed over $13 billion in foreign loans in the fiscal year 2019-20. The burden of the ever-increasing national debt during PTI's tenure is also highlighted by the Institute of Policy Reforms (IPR) in its report, *Pakistan's debt and debt servicing is cause for concern*.

When it assumed power in August 2018, the PTI Government inherited a public debt of nearly Rs. 24.2 trillion. The Pakistan Muslim League (Nawaz) Government during its five-year rule added Rs. 5.65 billion a day to public debt, but the PTI government's record is even more worrisome as it has been adding "on average, Rs. 13.2 billion a day," according to the IPR report. The federal budget deficit was Rs. 894 billion or 2 percent of the GDP in the first four months of the current fiscal year due to the double-digit growth in expenditures, despite a squeeze on both defence and development spending.

It is high time the federal and provincial governments chalked out a national plan for the long-overdue second Green Revolution in Pakistan for increasing productivity and quality, reducing costs and establishing agro-based industries capable of meeting local demands and producing value-added exportable surplus. Our emphasis should be on growth, productivity and enhancing exports through diversification and value addition.

The IT sector has been highly ignored and heavy taxation on the telecom sector is proving to be anti-growth. This needs to be rectified.

Managing a high fiscal deficit coupled with a massive debt burden is the toughest challenge faced by the country's economic managers in 2021. The obvious and undisputed solution is a substantial increase in resources and a drastic reduction in spending, but this is easier said than done. For the last many decades, Pakistan's fiscal policy has remained under immense pressure owing to the constant under-performance of the FBR, continuing security-related outlays, rise in wasteful expenditure and higher than targeted subsidies, the losses of the PSEs, and circular debt, especially in the energy sector.

> *While the IMF is lauding other countries for giving tax incentives to businesses to recover from losses incurred due to COVID-19, it is insisting that Pakistan continue with its oppressive taxes.*

In the days of global economic recession, following the pandemic, the government's first and foremost priority should have been to take measures to ensure survival, revival and growth in all sectors. However, to this day no concrete steps have been taken by the federal or provincial governments to meet this emergent situation. Resource mobilisation should be given preference in order to build infrastructure, facilitate growth of SMEs in the industrial sector and small farms in the agricultural sector for an employment-intensive and equitable economic growth process. There is a need to run PSEs with equity stakes for the poor through public-private partnerships. This would set the stage for a structural change that could help achieve economic growth for the people and by the people, which is presently restricted to the elites.

The Prime Minister has to realise that the World Bank/IMF's iniquitous prescriptions of high taxes and complicated laws will not resolve our fiscal woes. These will bring more miseries as the economy is in recession. The viable solution would be to reduce and simplify taxes, reduce the huge tax expenditure by withdrawing exemptions available to the rich and the mighty, give relief to the taxpayers as they have suffered heavily during the lockdown, and pay all outstanding refunds.

In order to progress, Pakistan must end its anti-growth/anti-business taxes, dismantle all elitist structures and empower the masses at the grass-roots level by implementing Article 140A in letter and spirit, thus ensuring social service delivery and prosperity to the masses. No other plan will work, not even the Pakistan Raises Revenue Project, for which a $400 million loan was taken by the federal government from the World Bank. Following in its footsteps, the Punjab Government also decided to borrow $304 million from the World Bank for tax reforms. Such loans, which were not needed, were taken when the debt-to-GDP ratio had reached an alarming level of 87.2 percent by June 30, 2020 – a 15 percent increase in PTI's two-year tenure. It runs contrary to the tall promises made by the Prime Minister during his election campaign, in which he stated that after coming to power his government would not take any foreign loans, but would raise revenues to the tune of Rs. 8 trillion through its own efforts.

If the PTI Government wants to put Pakistan on the path to prosperity, it must drastically cut down on expenditure, eliminate its circular debt, get rid of loss-bearing PSEs and improve efficiency and productivity in all sectors of the economy. State lands situated in the heart of the cities should be leased out for business and commercial ventures, which would generate substantial funds, ensure rapid growth and create new jobs. ■

Challenges Ahead

If certain reforms are not taken, Pakistan will remain the sick man of South Asia

By Ehsan Malik

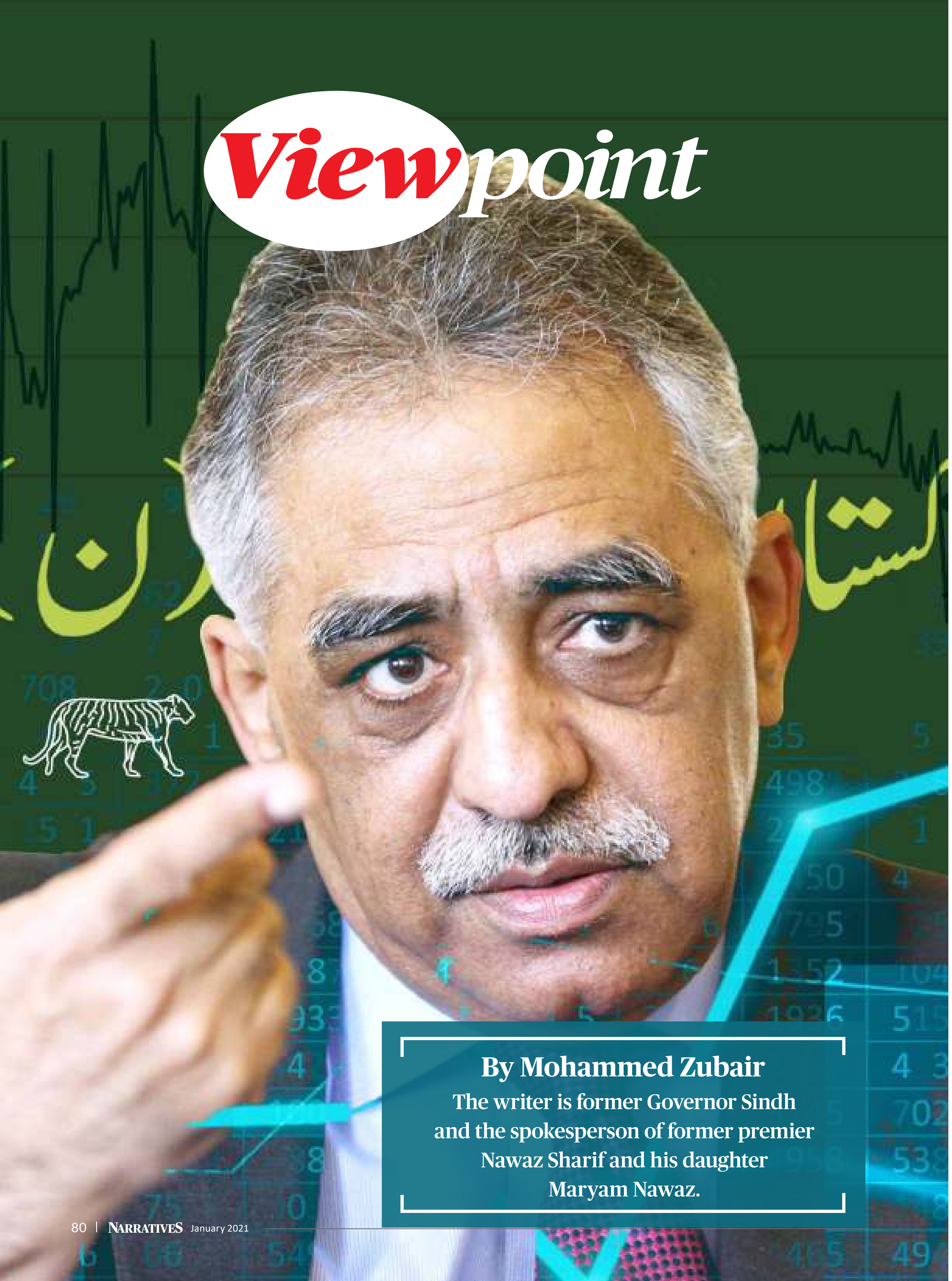
The writer is the CEO, Pakistan Business Council (PBC), which represents 83 of the country's largest private sector businesses and conglomerates, including mutlinationals.

This was a year unprecedented in living memory. COVID-19 had, and continues to have, a devastating impact on life, on the health of people, and on the economy. Tempting as it is to rejoice in the relatively more benign impact of the virus in Pakistan as opposed to elsewhere, a second wave looms. So, what does 2021 hold for Pakistan's economy?

Conventional thinking is that we have weathered the worst of the Covid storm. There is some justification for this. The State Bank's measures to protect jobs, lower the cost of borrowing, provide liquidity through deferral of principal repayments, augment concessional export financing, and open a window of ten-year fixed-term loans for investment, have kept the wheels of the economy turning. The government's infusion of liquidity by refunding taxes owed to business and a broadly neutral budget have also helped. As a result, we see exports revive, cement, steel and auto sales grow and a pickup in Large Scale Manufacturing growth. However, the largest contributor to the current account surplus is remittances, albeit not all due to earnings by overseas Pakistanis. The rupee has appreciated.

My predictions for 2021 are that Pakistan, despite the progress to date, will remain on the FATF grey list, which is good for further formalisation of the economy. I foresee that it will return to the IMF programme – as indeed it should – and that this will have a contractionary impact on the economy due to front-loaded tax targets. The tax base will remain narrow due to the weak political will of the government and poor capacity and capability of the FBR; borrowing costs will be held at the current rate; food inflation will be checked; gas outages will continue; consumers who pay their bills will have to continue to bear a higher cost of inefficiencies in power distribution and theft; energy reforms will be slow; the country will not get significantly more favourable terms of trade with the USA from the Biden administration; the EU will be more demanding on GSP Plus concessions, even if the UK, a long-term supporter, will remain positive, post-Brexit. The world economy will remain stressed for at least the first half; there will consequently be demand compression for our exports; the current account will continue to benefit from formalisation of remittances. But there are some watch-outs. Imports will start to grow once our V-shaped economic revival sets in; exports will remain vulnerable to high reliance on the USA and Europe; security conditions in Afghanistan will remain a challenge; and the Chinese private sector will be slow to start investing, partly due to delays in Special Economic Zones.

The concern about poor planning will remain if the capacity and capability of the Planning Commission is not addressed, and knee-jerk, fix-it, short-term, measures are allowed to prevail. We will see the repeated mismatch of supply and demand of electricity and gas (and its cost), as also that of misalignment in the demand and supply of food; the prioritisation of housing for an immediate economic revival over investment in agriculture for longer-term impact; the risk of mortgage defaults and the consequential impact on bank liquidity post the expiry of the government guarantees; and the unwillingness to let go of loss-making public sector enterprises. A big positive would be a stronger government after the Senate elections, able to take bolder decisions, benefiting from the lessons of nearly three years. One hopes that driving a consensus on the economy would become a government priority. The need for jobs, value-added exports and import substitution, and hence for 'Made-in-Pakistan,' should drive the government and the opposition to reverse the premature de-industrialisation of Pakistan. If not, Pakistan will remain the sick man of South Asia, lagging in virtually every socio-economic measure, unable to enjoy economic autonomy and take its proper place in global standing. ■



By Mohammed Zubair

The writer is former Governor Sindh and the spokesperson of former premier Nawaz Sharif and his daughter Maryam Nawaz.

From Bad to Worse?

Given the indicators, 2021 offers not even a glimmer of light at the end of Pakistan's economic tunnel

Forecasting the economic outlook is always a challenging task; more so for a country like Pakistan. Political stability is a key fundamental in order to ensure a sustainable economic performance. And right now, as we enter a new decade, Pakistan is in the grip of serious political uncertainty.

Therefore predicting the economic outlook in an uncertain political environment is extremely difficult – if not impossible.

So before I attempt an assessment for 2021, let's examine where we stand today in terms of the country's economic situation. Based on pure economic indicators, perhaps the last year was one of the worst in our history. There could be many reasons for failure, and politicians and economists will disagree about these reasons, but the fact is that Pakistan had negative GDP growth in the last fiscal year – for only the second time in our history. In spite of Pakistan's traumatic political history, which has seen four military interventions, several governments dismissed for various reasons, several wars and the breakup of the country, we never had negative growth. The government will inevitably attribute at least part of the negative growth to COVID-19, but that hit Pakistan towards March end 2020. So the first nine months of the fiscal year were not impacted by Covid at all. In fact, the economy has been in a downward spiral since August 2018 – as the results of the first fiscal year under the PTI government would confirm.

As we go into the next year, the economy remains in a state of depression. Inflation, poverty and unemployment continue to show negative trends. Tax collection has remained almost stagnant over the last two years. This in spite of high inflation, which helps boost tax collection regardless of economic growth. The overall size of the economy has shrunk significantly, from around 315 billion US dollars in mid-2018 to around 260 billion within two years. That has naturally resulted in a major fall of the GDP per capita, reflecting an erosion in the purchasing power of common Pakistanis.

With these macro indicators, the government faces serious challenges in order to turn the economy around in the coming year. The economic turnaround will largely depend on the following factors:

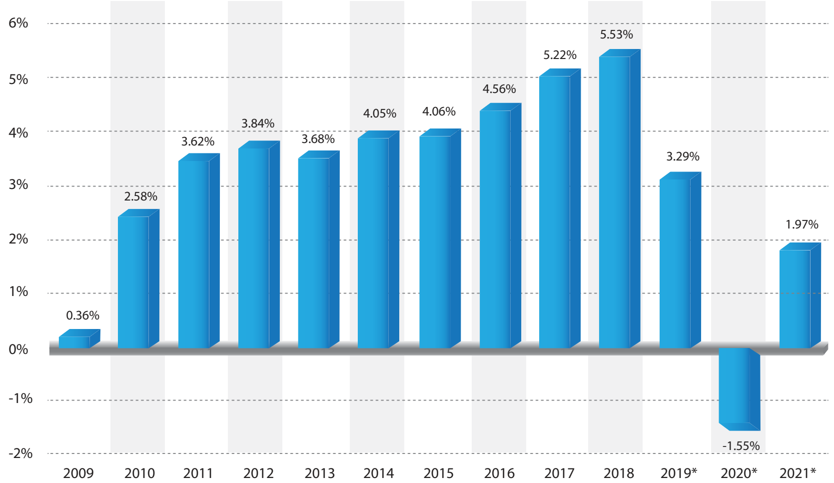
1. The economic policies and overall governance/performance of the cabinet.
2. Reactivation of the IMF programme
3. International oil prices
4. The Covid situation
5. Political stability
6. The regional security situation

All the above factors are important for economic revival, but none more than the first one – the economic policies and overall governance and performance of key ministers. This is where the present government has been lacking. The government has mostly blamed others for its own poor performance – previous governments, mafias, the bureaucracy, opposition political parties, etc. – failing to address the main issue. The government has to start looking inwards – most importantly its poor decision-making process. The sugar crisis was the result of poor decisions – or the lack of decisions – that resulted in supply constraints which then led to price escalation. The Prime Minister's acknowledgement that there was a delay in the decision to import wheat, which created supply/demand constraints, reflects poor decision-making. The oil crises was also a result of the serious lack of timely decisions, or just poor decisions.

These are just a few examples. The government has faced one crisis after another over the past two years, most of them of its own making. Two things are evident. First that the party in power had no understanding of the complex issues facing the country and that explains the poor planning before coming into power. The second was the poor composition of the PTI team. Its supporters thought PTI had the best team, who would convert the dream of Naya Pakistan into reality. Among them was the man considered a

Pakistan: Growth rate of the real gross domestic product (GDP)

(Compared to the previous year)



Statista 2020

key economic game-changer: Asad Umar. But within eight months he was shown the door.

The government has to stop looking for scapegoats, and only then would its performance have a chance to improve. Unless there is ownership of responsibilities, there can be no improvement. The PM must understand that the time is long gone to blame others for its government's failures.

Tax collection must improve, or at least match the 20 percent annual growth delivered over five years by the previous government. Inflation must be brought down and that requires an improvement in the supply chain as well as the quality of fiscal and monetary policies. Just blaming mafias won't do anymore.

In a recent interview, the PM acknowledged that his team began unprepared to handle the task that faced them, and conceded that at least for the first several months of his tenure they had no clue about the gigantic issues confronting the country. Whatever the case may be, the performance of the government will need a real uplift in order for the economy to improve in 2021.

The IMF programme has remained suspended since the outbreak of Covid. Pakistan badly needs the reactivation of the IMF programme which would bind the government to undertake structural reforms in key areas such as taxation, energy, privatisation and others. These reforms are sorely needed for long-term economic growth. So far the government's reform agenda has taken a backseat, with no improvement in sight. As a result, the state institutions are dysfunctional in most cases.

> *In 2021 inflation will continue to remain high, unemployment will continue to rise and more people will fall below the poverty line. GDP growth will not go beyond two percent, which is far below what Pakistan needs.*

The largest portion of our import bill relates to oil. Pakistan annually spends about 14-15 billion dollars on the import of oil. This year was exceptional due to the pandemic, which saw a plummeting of demand. International oil prices directly affect our economy. As such, any significant increase from the present levels would negatively impact our plans for economic revival.

COVID-19 played havoc with the economy not just in Pakistan, but around the globe. Barely had the first wave finished, we now see the second wave in full force around the country. If the second wave persists for a few more months, it will definitely affect the economy adversely during 2021.

Perhaps one of the more important factors for economic turnaround in 2021 will be the overall political situation. Economic growth will continue to suffer due to political uncertainty in the country. The opposition has announced its intention to remove the government. That will mean unrest in the country, including possible disruptions, arrests and a standoff between the law enforcement agencies and the opposition. Already the business community is nervous as the political temperature rises. Potential investors would like to wait and see and hold back their investments until the political situation becomes clear. That could take several months. Even if the government survives the present campaign of the opposition, it will certainly affect economic activity in the country negatively.

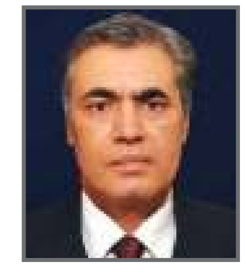
Regional peace and stability are essential for long-term economic growth. No country in the world can afford a hostile environment with its neighbours and Pakistan is no exception. What happens in Afghanistan is crucial to our economic development. The same is true for India. Relations with India have remained tense with regular border conflicts. Tense relations with Afghanistan and India will severely impact our economy. Therefore, the importance of an improved working relationship.

Based on the above cited factors, 2021 might well be even more challenging than 2020. Most economic indicators will remain under serious pressure. We might see improvement in certain areas, but inflation will continue to remain high. In addition, unemployment will continue to rise and more people will fall below the poverty line in the coming year. GDP growth will not go beyond 1.5 – 2 percent, which is far below what Pakistan needs. Exports might show some improvement, but again, a single digit growth means not much to strengthen our balance of payments situation.

Overall there isn't much to look forward to with regard to the economic standpoint in 2021. And that's far from encouraging. ■

The Rupee in 2021

External factors will determine the fate of the Pak Rupee in 2021



By Shahnawaz Akhter

The writer is a senior business journalist.

The exchange rate of the rupee may face challenges during the year 2021 due to rising import payments stemming from optimism related to the COVID-19 vaccine. Further, external payment pressures and the stalled IMF programme may put pressure on the local currency.

However, an increase in export receipts, inflow of workers' remittances and measures taken by the government to invite overseas Pakistanis to send money through the Roshan Digital Account for subsequent investment at higher rates of return may help the rupee to stabilise or make gains against the greenback.

The local currency depreciated by Rs. 4.95 or 3.1 percent against the US Dollar in 2020.

A massive decline of 8.5 percent or Rs. 13.17 in the rupee value was seen during the second-half of fiscal 2019-20. The local unit fell to Rs. 168.05 by June 30, 2020 from Rs. 154.88 to the dollar on January 2, 2020.

However, the rupee posted a growth of Rs. 8.22 or 4.89 percent during the first half (July-December) of the current fiscal 2020-21. The rupee recorded at Rs. 159.83 against the dollar on December 31, 2020.

The economy witnessed a revival during the first-half of the last fiscal, but it was offset in the second half of 2019-20 due to COVID-19.

The rupee deteriorated adversely during the second-half of the fiscal year due to external repayment pressure, lower manufacturing activities and a massive shortfall in revenue collection.

The economic condition worsened sharply during March-June 2020 as the country imposed a lockdown to rein in the pandemic. Foreign trade was also hit as global markets were affected.

The State Bank of Pakistan (SBP) in its annual report for fiscal 2019-20 highlighted two concerns on the external front due to Covid.

First, export growth tapered, as limited retail sales in advanced economies led to a fall in orders. Second, as uncertainties loomed, foreign fund managers pulled capital out from the emerging market economies. In Pakistan as well, the trend of portfolio inflows in the domestic debt market reverted during the March-June period, partially reversing the build-up in the country's foreign exchange reserves.

The SBP further said that the rupee strengthened by around four percent in the pre-Covid period (between July-February 2019-20) – in line with the improvement in the current account and financial inflows, which supported the country's reserves position and market sentiment. "This trend reversed from March onwards with the global sell-off causing a depreciation of 8.2 percent in the PKR during the March-June period."

The current fiscal year witnessed a revival in the economy from July 2020 after lifting of the lockdown. The positive outcomes strengthened the macroeconomic indicators of the country and helped the rupee to gain against the dollar.

The significance of economic improvement since July 2020 onwards is that the balance of payments posted a surplus, easing pressure on the external front.

During the first five months of fiscal year 2020-21, the country posted a surplus of $1.64 billion compared with a deficit of $1.745 billion during the same period of the last fiscal.

Meanwhile, the total balance of trade during July-November of fiscal 2020-21 remained at negative $9.538 billion as compared to negative $9.553 billion recorded in the same period last year, marginally down by 0.2 percent on a year-on-year basis. With this, the Current Account percentage of the GDP stood at 1.4 percent in the first five months of the current fiscal year as compared to negative 1.6 percent in the same period last year.

The inflow of workers' remittances is a major component of the balance of payments, which helped the country to attain a current account surplus during the first five months of the current fiscal year.

Remittances registered a sharp growth of 27 percent to $11.77 billion during the first five months of the current fiscal year as compared with $9.24 billion in the corresponding months of the last fiscal year.

However, the pandemic severely dented foreign direct investment (FDI) during the period under review. The inflows of total foreign investment into the country posted a decline of 81 percent to $389 million during the first five months of the current fiscal year as compared with $2.02 billion in the same period of the last fiscal year.

The total foreign exchange reserves of the country were at $20.313 billion by the week ending December 18, 2020 as compared with $18.88 billion by June 30, 2020.

Going forward, the rupee value may depend on the flows of foreign investment during the year 2021. Further, world oil prices have already started increasing with the release of the COVID-19 vaccine.

The country needs to import commodities such as cotton, sugar and wheat, which may also put pressure on foreign payments.

The exchange rate may get support from the recent initiative to attract overseas Pakistanis to invest in the country's stock and bond markets through the Roshan Digital Account. Overseas Pakistanis have already sent funds to the tune of $200 million in around 100 days, through the Roshan Digital Account.

The fate of the rupee in 2021 thus depends on how the above factors play out in the year to come. ■

PSX – Standing Tall

"It is but a small wonder that today Pakistan's stock market stands tall as the best performing market in Asia and the 4th best performing market in the world"

The stock market is one of the barometers of the economy of a country. The Pakistan Stock Exchange (PSX) is playing an important role in helping to extricate the economy from the challenges that it currently faces. It has the potential to aid the government's efforts to jump start the economy.

The government has taken effective measures to bring about economic recovery after the damage inflicted by lockdowns after the pandemic. However, in order to bolster this process, PSX can play a role at the corporate and industry level by aiding the process of industrialisation and helping companies raise capital for diversification of products or for expansion.

Coping with COVID-19 is a challenge for the entire world. Global markets witnessed huge upheavals due to the pandemic. However, the local bourse averted the crisis in the first phase of Covid. To discuss current developments, Narratives talked to PSX Managing Director and Chief Executive Officer, Farrukh H. Khan about PSX in the post-Covid era.

Farrukh H. Khan,
Chief Executive Officer/
Managing Director,
Pakistan Stock Exchange.

How do you see Pakistani stocks performing in 2021?

While I am not in a position to comment on the trend that will be followed by the stock market, I will say this much, that if the economy continues to perform well, in line with the path and direction that the government has adopted, then we will see further improvements in the current account deficit, trade deficit, exports, dollar-rupee parity, interest rates and other economic indicators. There is no reason why this will not be reflected in the stock market with a positive trend showing in the market. That said, of course there are issues affecting the economy such as inflation and circular debt, to name a few, which can exert pressure on the market in the upcoming year. I would also like to highlight that PSX and the Securities & Exchange Commission of Pakistan (SECP) have taken various measures to improve the liquidity, ease of operations and robustness of the market. All these should improve investor confidence and bode well for the market.

Which companies or sectors are likely to be the sentiment drivers in 2021?

The sectors which can perform better would be those which take into account and leverage the positive steps and initiatives taken by the government to improve the overall economic scenario, like those related to the construction sector. This will result in better performance of individual companies and have a positive impact on the overall sector or industry related to those companies.

What are the concerns as the country enters 2021?

I think that the economy is essentially on the right path and moving in the correct direction. However, some matters pertaining to the economy are a matter of concern for the overall wellbeing of the country. We have a high circular debt which is burdening the economy. Then there is the issue of inflation which needs to be controlled vigorously. I believe this needs to be done by taking measures on the supply side rather than on the demand side, by raising interest rates. We need to increase exports significantly to have a sustainable balance of payments. Finally, we need to enlarge our tax base considerably to make the tax system fair and generate enough revenue to reduce our budget deficits and be able to invest in necessary infrastructure development. These are major issues affecting our economy and I hope that these matters will be resolved with proactive steps taken by the government at the policy level and implemented by the private sector, including corporate sector and industry at the implementation level.

What are the economic challenges for the capital market?

One of the barometers of the economy of a country is its stock market. When the economy is doing well, it is reflected by the stock market performing well. A well-performing economy translates into good performance of the corporate sector and industry. An overall positive performance of the corporate sector and industry includes strong financial results with healthy payouts and greater shareholder value for shareholders and investors. On the other hand, when the economy is under-performing, it brings forth an overall challenging situation in the corporate sector, which in turn results in weaker performance of the stock market.

In other words, the performance of the stock market is inextricably linked to that of the economy and the corporate sector. The economic challenges faced by Pakistan on account of global and local factors such as interest rate, inflation, current account deficit, fiscal deficit, trade deficit, foreign exchange reserves, and rupee-dollar parity, amongst other factors, affect corporate and industrial activity in the country and that influences investor confidence and performance of the capital market.

It should also be kept in mind that markets are always forward looking and anticipating the future performance of the economy and the corporate sector.

What is the long-term outlook for the capital market, considering present economic challenges?

PSX aims to play an important role in helping to extricate the economy from the current challenges that it faces. Pakistan's capital markets can provide an ideal platform to the government and its economic team to utilise the potential of the stock market to accelerate the progress of the economy on a fast track. As it is, the current economic and financial team of the government has already shifted gears to steer the economy on the path of recovery; however in order to bolster this process, the PSX can play a role at not only the government level but also at the corporate and industry level by aiding the process of industrialisation and helping companies raise capital through equity or debt issuance for capital expenditure, meeting working capital needs, diversification of products or for expansion. It can also help the government to raise much needed capital through issuance of debt, for example, to address the issue of the circular debt or to meet infrastructure development expenditure. Furthermore, potential investors, whether they are high net worth individuals or corporations, pension funds, asset management companies (AMCs) and other market entities, can all work together and leverage the platform of the PSX to invest in attractive investment opportunities.

Bank Alfalah becomes the first bank to be designated as a market maker for debt securities on the PSX.

> *If we compare with a regional market such as that of India, Pakistan's capital markets have offered higher returns in USD terms over the last 10-year period, higher Earnings Per Share growth and more attractive valuations with lower Price-to-Earnings ratios.*

PSX is consistently making efforts to improve and upgrade its technological systems, operational capacities and risk management functions. It is working closely with the SECP to amend, improve and enhance its regulatory framework, to bringing in policies that are in line and synchronised with the evolving economic environment and the changing/developing requirements of the capital market.

The PSX is striving to bring in depth and liquidity in the market by increasing its outreach and by inviting the banking sector and other stakeholders such as investment banks and AMCs to work with the Exchange. One of the positive results of reaching out to these market entities is the inclusion of a bank (Bank Alfalah), which has become the first bank to be designated as market maker for debt securities on the Exchange. Moreover, banks can now actively participate in the issuer landscape through the Growth Enterprise Market (GEM) Board and can thus play their role on the equity side as well.

PSX is reaching out to different market entities such as banks, investment banks and consultants to the Issue, whereby some of these entities have already shown interest in taking part in adding depth and liquidity to the capital market. Hence, we have already seen a strong Initial Public Offering (IPO) pipeline this year.

Recently, to help increase the number of investors in the market, we have worked with the SECP to introduce regulations that will allow complete and seamless online account opening, while also making other regulations easier.

Hence, PSX is building a strong momentum on both the demand and supply side. So, Pakistan's capital market is poised for further growth, progress and prosperity for all its stakeholders, including investors and issuers.

What are the rationales for optimism related to stock market growth?

As the economic revival is underway with several steps and initiatives taken by the government in general and the Ministry of Finance in particular, the SECP, and the State Bank of Pakistan (SBP), a boost has been given to investor confidence and has raised potential issuer interest in the capital market. Especially with steps such as decreasing of policy rate by the SBP, much impetus has been provided to the market. Investor funds are now being redirected to the market with the reduction in discount rates. At the same time, listed companies and corporations which rely on a combination of equity and debt, have had their debt servicing costs reduced, which has resulted in improvement of their bottomlines. This has, in turn, added to the shareholder value. All these developments have brought about optimism and positivity in the stock market.

On the internal level, the Stock Exchange's continuous improvement on its operational, technological, regulatory and risk-management capacities has led to the Exchange emerging as an even stronger, robust and resilient marketplace which has proven itself to be continuously and successfully functioning for all its stakeholders despite all challenges faced, whether they are brought about by the economic situation or by natural calamities such as the COVID-19 pandemic or the thunderstorms that ravaged the city. While some other markets had closed down during the Covid pandemic and the ensuing lockdown, PSX continued to function without any break which helped instil investor confidence, whether they were local investors or foreign investors. Moreover, the brokerage firms and the broker member community, who are an important part of the capital market's ecosystem and who form the vital link of bringing business to the capital market, also played a key role in inspiring confidence in Pakistan's stock market. These are all significant reasons for optimism in Pakistan's stock market.

Is the stock market ready to face the second wave of COVID-19?

We are actually in the second wave of the coronavirus pandemic. The stock market has stood its ground and performed well throughout this period. While business continuity measures have been fully in place at the Exchange, the online trading facilities provided by many brokerage houses have helped to ensure the investors' continued interest and activity in the market. The SECP has recently provided online account opening facilities for those who do not have easy and ready access to physically open a brokerage account. This will also add impetus to the market and ensure further interest on the part of investors.

It is pertinent to mention that the PSX is well prepared to ride the second corona virus wave as all SOPs are being enforced at the Exchange, work from home facility has been provided to all employees and staff, footfall has been reduced, hand sanitisers installed and technological platforms tested for business continuity to take place successfully at the Exchange. So yes, we are ready.

While some other markets had closed down during the pandemic and the ensuing lockdown, PSX continued to function without any break which helped instil investor confidence.

What are the lessons learnt in the first phase of Covid?

PSX and all its staff, employees, and management put in twice the effort required to not only survive through the pandemic but to also flourish and deliver the services despite the challenge of the pandemic. PSX learnt to be steadfast and robust and face up to the challenge of the pandemic. This is the reason that all processes and systems were in place and business continuity took place successfully at the Exchange despite the COVID-19 challenge and that of the accompanying lockdown.

One of the main lessons learnt was that we can successfully face such a calamity only by close collaboration and working together. PSX, our associated companies, National Clearing Company of Pakistan (NCCPL), Central Depository Company (CDC), brokers, and SECP, all worked together to deliver success.

Is the investment climate attractive for foreign investors?

If we look at the last decade, the stock market has offered the highest returns from amongst other asset classes in Pakistan such as bank deposits, gold, National Saving Schemes (NSS) etc. Furthermore, the KSE-100 Index has offered an annual return of 7.25 percent as against a return of 2.94 percent offered by the Morgan Stanley Capital International (MSCI) Emerging Markets Index in USD terms over the last 10 years. Also, in comparison with other regional markets, PSX delivered better performance in terms of Dividend Yield over the last one year. Specifically, if we compare with a regional market such as that of India, Pakistan's capital markets have offered higher returns in USD terms over the last 10-year period, higher Earnings Per Share (EPS) growth in USD terms over the last 10 years and more attractive valuations with lower Price-to-Earnings (P/E) ratios in 10 years as compared to India's capital market. This was also quoted in the tweets by Mattias Martinsson of Tundra Fonder, the Sweden-based frontier markets AMC. It is but a small wonder that today Pakistan's stock market stands tall as the best performing market in Asia and the 4th best performing market in the world in September 2020, as rated by marketcurrentswealthnet.com, the New York-based global financial markets research firm.

More specific to PSX, with the installation of the new world class trading and surveillance system in March 2021, PSX will be able to provide an even more robust, transparent and international standard trading system for issuers and investors. This will also enable us to introduce new products like stock options and index futures, which are attractive for investors.

Is the stock market satisfied with the regulatory environment to attract investment?

Because the economic landscape and the global investment scenario is ever-evolving and in a constant state of improvement, hence our regulatory environment is also evolving with the changing requirements to facilitate all participants of the capital market such as investors, issuers and brokers etc. Working in partnership with the SECP, PSX continuously strives to upgrade and improve upon its regulatory framework to bring about policies which match the evolving requirements of the capital market and meet the expectations of all stakeholders who are there to be facilitated by PSX which has the vision to be at par with the best exchanges in the world. ■

– Shahnawaz Akhter

MOOD OF THE MOMENT

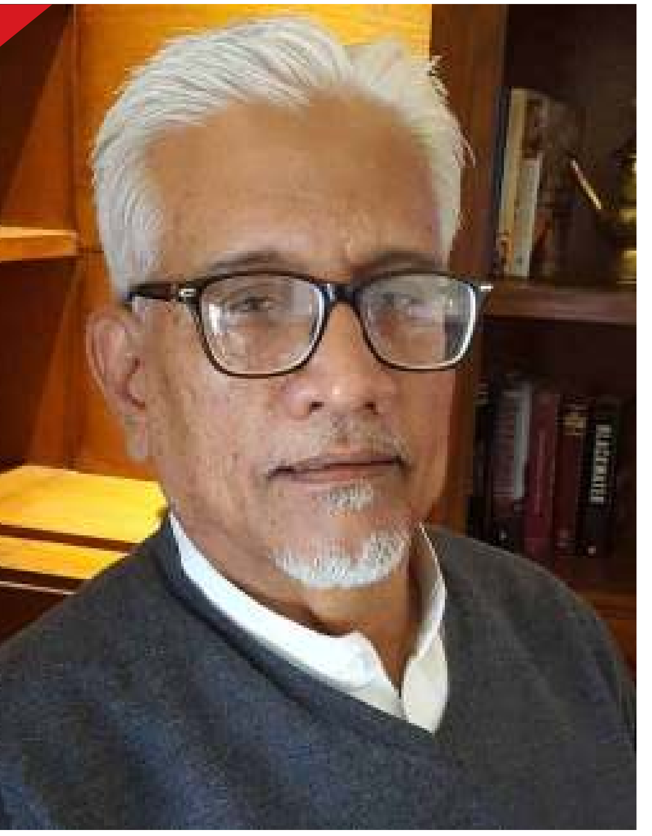
Steps in the Right Direction

It might be rough going in 2021, but the wheels of industry will continue churning

Dr. Waqar Masood

Special Assistant to the Prime Minister on Revenue

"The improvement in various economic indicators during the first quarter of fiscal 2020-21 is evidence of positive development in most economic sectors. The government has managed to give a promising performance so far."



With the backdrop of the recent surge in petroleum prices, new challenges have arisen in the country. There is pressure on food supplies as the production of important crops went down by 30-40 percent. The situation will pose a big challenge for the local industry in the coming months and severely affect the export sector as well as the country's foreign exchange. The government's main concern is the uninterrupted and low-cost provision of sugar and wheat so that the public does not have to experience a similar crisis like that of the last year. Wheat accounts for 8.9 percent of value addition in agriculture and 1.6 percent of the total GDP of Pakistan. In the last five months of 2020, the government had to import over two million tons of wheat out of a target of three million tons.

Nonetheless, overall exports have picked up in recent months while the large-scale manufacturing sector posted 6.6 percent year-on-year growth in October 2020. The country logged unprecedentedly high remittances of above $2 billion for six consecutive months, while the current account recorded a surplus for the fifth consecutive month in November 2020 at $447 million as compared to a deficit of $326m during the same month in 2019. This turnaround in the current account, together with an improvement in financial inflows, raised the State Bank of Pakistan's foreign exchange reserves by around $1 billion in November 2020. Moreover, the current fiscal year-to-date performance has helped amass a sufficient foreign exchange reserves buffer to support any rise in the trade gap.

The country logged unprecedentedly high remittances of above $2 billion for six consecutive months, while the current account recorded a surplus for the fifth consecutive month in November 2020 at $447 million as compared to a deficit of $326m during the same month in 2019.

These accomplishments are truly incredible because Pakistan achieved these milestones at a time when it is still reeling from the COVID-19 catastrophe.

The government's timely strategies to mitigate the pandemic's adverse economic impact were also notable and significantly helpful. On the one hand, the Ehsaas Programme cushioned the vulnerable segment of society; on the other, the packages for the construction sector created a prosperous ripple effect for all the associated industries like steel, cement, and so on. Production of billets and ingots, which are sold primarily to the building and construction market, increased by around 55 percent in October 2020. Cement production increased by 25.1 percent.

The improvement in various economic indicators during the first quarter of fiscal year 2020-21 is evidence of positive development in most economic sectors. The government has managed to give a promising performance so far. However, its continuation in the short-term largely depends on the trajectory of the pandemic. By contrast, sustainable growth over the medium-term would require progress on the structural reforms front. ■

Shariq Vohra

President Karachi Chamber of Commerce and Industry (KCCI)

"Pakistan's trade with its partners is likely to increase with time. The country's export businesses are already meeting their orders and getting new ones."

The adverse impact of the COVID-19 pandemic in Pakistan had already kicked in even before a lockdown was imposed in March. The restrictions in other countries meant a decline in international trade, including a sharp drop in the number of Pakistani exporters' orders. The pandemic disrupted the global supply chain so significantly that it might take certain countries years to fully recover.

History has repeatedly proven the resilience of Pakistan and its people. Whether this great nation faces poor economic conditions, terrorism, or natural disasters like devastating earthquakes, the country always bounces back stronger than before. The situation with this pandemic is no different.

After a few challenging months, the country's economic activities have already started to regain traction, and the business and industrial community is eager to get things back on track. However, the expectations for 2021 are not very optimistic. Several global and domestic factors will continue to restrict economic growth throughout the year, and businesses are expected to struggle as they navigate the new normal.

Pakistan's trade with its partners is likely to increase with time. The country's export businesses are already meeting their orders and getting new ones; the import sector is also reverting to its previous performance as domestic consumption picks up. This may lead the country to experience a worsening Balance of Payments position, but the rise in remittances will possibly soften this blow to the external sector as global economies stabilise, and the government's current policies continue to promote the usage of formal channels for transmitting funds.

The agriculture sector will also continue to grapple with maintaining a steady output since the pandemic has also hit key sectors that support farming and cultivation. Furthermore, Pakistan has accumulated considerable debt over the years – it will spend almost three trillion rupees of public money on debt repayments and interest in 2020-21. And chances are high that the government will consider implementing the more stringent demands of the International Monetary Fund (IMF) to seek further loans. In such a scenario, the tariff and taxation environment for businesses will likely worsen, leading to an upsurge in the cost of doing business.

Apart from this, the country will persistently suffer from the factors that have been consuming its resources for many decades, including tax evasion, corruption and the monumental costs incurred by certain failed State Owned Enterprises (SOEs). Their registered net losses stand over Rs. 250 billion annually as well as their burgeoning circular debt, which has swelled to a massive Rs. 2.3 billion in December 2020.

All this means that Pakistan's economy will witness a number of demand-pull and cost-push inflationary tendencies throughout the year that will create a ripple effect where inflation will impact all sectors of the economy, making the life of the common man even more difficult.

However, in the past, our nation has battled with these issues in one form or another, and stabilising conditions may lead to the positives outweighing the negatives. In time, certain sectors will undoubtedly emerge that would benefit greatly from the recovering economy, and they will be able to trigger favourable conditions for the masses. For instance, construction and its affiliated sectors are expected to benefit from recent government policies and initiatives such as the Naya Pakistan Housing Scheme.

It should not be forgotten that COVID-19 is not a thing of the past. There are still uncertainties regarding the pandemic intensifying and the effectiveness of the vaccines being developed. How these factors play out remains to be seen. For now, it seems that 2021 will be a challenging year for the country, but will put the economy on a path of recovery and growth if viable decisions are taken by providing much-needed support to businesses and industries. ■

Faisal Bangali

Director Sui Southern Gas Co. Ltd (SSGC), Director PNO Capital Ltd.

"2020 was a record-setting year in capital issuance, with a record Rs. 54 billion capital raised through primary and secondary offerings."

Looking beyond the chaos of 2020, the investment outlook for 2021 envisages recovery in the year ahead. Improving macro indicators (Current Account in surplus, foreign reserves up – $2.8bn since May 2020), inflation falling to a 21-month low, continued pick-up in demand, strong domestic liquidity courtesy low interest rates, as well as a commodity up-cycle, should drive the performance in equities. Additionally, valuations are attractive not just relative to Pakistan's own history, but also versus other markets.

2020 was a record-setting year in capital issuance, with a record Rs. 54 billion rupees capital raised through primary and secondary offerings. Four companies raised Rs. 8.4 billion via Initial Public Offerings (IPOs), while a massive Rs. 45.2 billion was raised through secondary offerings (i.e. right issuance). The recent trend is expected to continue in 2021, with at least six new companies slated to raise capital through IPOs, while the demand for secondary offerings remains strong.

From a macro standpoint, taming inflationary pressures will be one of the top challenges that the authorities will continue to contend with in the short-term. Utility adjustments to stop bleeding in the energy chain, commodity up-cycle, and potential fiscal adjustments are the key upside risks, which would make it incredibly challenging for the authorities to control inflation.

Over the medium-term, challenges revolve around structural macro issues, with a fragile fiscal position and energy chain issues being the key ones. On the fiscal side, even achieving overly ambitious full-year targets would still leave a massive fiscal deficit of 7.0 percent of GDP, which means the government has a long way to go before bringing it down to a manageable level. The energy sector is beset with its own unique and difficult-to-address challenges, with currently applicable tariffs significantly below break-even level. Tariff renegotiation with Independent Power Producers complemented by tariff adjustments are steps in the right direction, but there is still a long way to go.

COVID-19 wreaked both humanitarian and economic havoc across the globe. Pakistan, like every other country, was no exception. Besides the human toll, the outbreak has caused severe economic pain, with various official and international lending agencies' estimates suggesting an economic loss in the range of Rs. 1.6-2.5 trillion to Pakistan's economy.

However, the government's response was broadly effective, both in terms of containing the virus' spread via smart lockdowns and minimising the economic damage through timely policy responses in the form of the stimulus package (Rs. 1.2 trillion), reduction in interest rates, deferment of loan repayments (Rs. 657 billion), and restructuring of loans (Rs. 222 billion).

The government's policies have anchored a relatively swift economic recovery across major sectors of the real economy – relative to our peer group regional countries – including recovery from real estate and construction into allied sectors such as cement, steel, auto, manufacturing, and pharmaceuticals. This is a combination of macro and micro-level policy responses from government institutions, such as a the timely response from Pakistan's central bank to reduce interest rates with the introduction of the Temporary Economic Refinance Facility (TERF) to promote the setting up of new industrial units. These are complemented by the Stimulus Package of Rs. 2.3 trillion.

At the same time, various measures that are currently being undertaken will long serve in addressing Pakistan's chronic structural imbalances, such as a shift to a market-determined exchange rate regime to measures in improving formal channel reserves, improving access for Pakistani expats to the country's capital markets via the Roshan Digital Account, as well as digitising the onboarding of clients with capital market institutions. ■

Crystal Ball

New Year, New Decade, Same Old, Same Old

Narratives asks prominent figures from different walks of life how they envision Pakistan in 2021

Dr. Atta-ur-Rahman
Chief Scientific Adviser to the PM

We need to realise that our worth lies in children and in youth. In 2021, Pakistan must invest in innovation, science, technology and education in order to build a knowledge economy.

As far as COVID-19 is concerned, we need to learn to live with it. Though the vaccine will be available in the upcoming months of 2021, we need to adapt to the new, post-Covid lifestyle while following all the SOPs and guidelines set by the World Health Organization (WHO).

Moreover, I wish to see 2021 as the year of judicial reforms to bring the corrupt elements to book. This will pave our path to prosperity and human development.

Mona Alam
Journalist and anchorperson

A soaring political temperature; the opposition's PDM alliance and the PTI-led government both testing the waters; battles of nerves and defiance; and the politics of reconciliation ultimately taking centre-stage – the primary actors and acts of the year 2021 will be no different from 2020 in Pakistan's political arena. Not much will change, and this time, it is not solely due to the government's weakness or the opposition's strength. In fact, it is because Pakistan, along with the rest of the world, has a more significant challenge at hand – countering COVID-19 and its widespread variants.

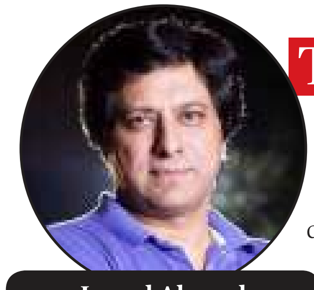
Just when the world was jubilant over the anticipated vaccine, the second wave and one of Covid's fatal variants took everyone by storm. Until the first wave, Pakistan had been one of the more fortunate countries in the globe, which had largely averted the catastrophe through wise political decisions and strategies. However, the second wave has made Pakistan vulnerable, even more so, again, wherein saving lives and livelihoods will again take precedence in 2021 over everything else. It's not over until it's over.

Dr. Qaiser Sajjad
Secretary-General of PMA

Regrettably, the country's health expenditure totalled 1.1 percent of gross domestic product (GDP) in the current financial year against the five percent recommended by the WHO. Given the government's lack of attention, health issues in 2021 may remain the same as those of the preceding year – or become even worse. The government is only working on the curative side of diseases. For effective outcomes, we need to focus more on the prevention of diseases instead of only their treatments.

If the government only plugs away at the provision of safe water in 2021, it will help eliminate 60 percent of waterborne diseases. As a result, the overall burden on the health sector will be significantly reduced.

In order to effectively combat the second wave of COVID-19 in 2021, the federal government should formulate a uniform policy by taking all provincial governments and medical bodies on-board. The coronavirus vaccine's administration will soon start in the country; nonetheless, the spike in the number of infections will take longer to decline.



Jawad Ahmed
Artist and politician

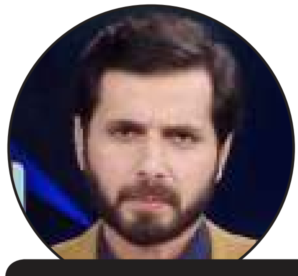
The future of Pakistan appears to be in the doldrums in 2021. Presently, we are in a chaotic situation – the political parties are busy maligning each other, holding public gatherings amid a pandemic, while corruption is rampant nationwide. No one seems to be concerned about poverty, inflation, health and education. I am not a pessimist, but a realist who is considering all the indicators. As a result, I can only conclude that Pakistan is not going anywhere in 2021.

I firmly believe that Pakistan can only progress if it comes out of the clutches of the mainstream political parties, and politicians from the middle-class get a chance to govern the country.

Fareeha Idrees
Journalist and anchorperson

2021 will in all likelihood be a year of political turmoil for Pakistan. The PDM is most likely to resort to an aggressive approach with their scheduled long march towards Islamabad or Rawalpindi.

The PTI government's honeymoon period was over long ago. Thus in 2021, Prime Minister Imran Khan has to focus all his energies on demonstrating responsible governance. Else, the opposition parties will further agitate the political environment. Stakes are high as the country is already reeling due to the COVID-19 pandemic. However, after the accessibility of the vaccine, Pakistan, along with the world, will hopefully defeat the Covid crisis.



Adil Shahzeb
Journalist and anchorperson

2021 is going to be an even more challenging and difficult year for Pakistan's political and military establishment than 2020. Economic revival and growth are imperative for Prime Minister Imran Khan to deliver on his so far unfulfilled promise of a welfare state. However, growing political instability and uncertainty will remain the biggest obstacle for the country's economic revival. And political stability is likely to further deteriorate if the establishment fails to reach an agreement with the disgruntled opposition.

Core supporters of the PTI government now expect to see the party deliver its long-overdue promises. In the months ahead, the ruling party will have to overcome its predicament of poor governance and performance. The Pakistan Democratic Movement's (PDM) proposed long march is indeed a potential threat for the current regime in the short-run. But the most far-reaching threat remains the PTI's lack of delivery and inconsistent and flawed decision making. If the government fails to address its unserious approach in dealing with criticism of its performance, it might hand the PDM a walkover in the next few months.