

U.S.-Pakistan relations: looking for new equilibrium

by Susan Maitra and Ramtanu Maitra

Following the Gulf war, U.S. relations with Pakistan have undergone a subtle change. The war, which saw Pakistani Army chief Mirza Aslam Beg taking a strong pro-Iraq stance, aggravated further the already strained relationship between the two countries. Last fall, Washington suspended \$576 million in economic and military aid to Pakistan, due to the suspicion that Pakistan is clandestinely developing a nuclear arsenal. But the total military defeat suffered by Iraq at the hands of the multinational forces, and his ambivalent position during the crisis period, have helped Pakistan Prime Minister Nawaz Sharif to bring U.S.-Pakistan relations onto a friendlier track, and at the same time, use the renewal as a trump card to score points over both the bureaucracy and the Army.

After a series of depressing signals about the two countries' relationship, the first positive statement came from U.S. Assistant Secretary of State Henry S. Rowen. "Pakistan remains an important factor in maintaining south Asian regional stability," Rowen said in his testimony before a U.S. Senate committee in early March. "Pakistan can also contribute importantly to our interests in post-crisis security arrangements for the Gulf." Indicating the role that Washington wants Pakistan to play, Rowen said that, as a conservative Muslim state with longstanding military relations with the Gulf nations, Pakistan has an important place.

On the heels of this statement, which amounts to a demand from Washington that Pakistan supply mercenaries in the Gulf to protect U.S. interests, another unexpected statement coming from the Bush administration pleased Prime Minister Sharif greatly. The news that the White House has certified that Pakistan's anti-narcotics policies are in step with the provisions of the U.S. Anti-Drug Act of 1988, made U.S. Ambassador Robert Oakley "eat crow." Oakley, who had been extremely critical of the Sharif administration's handling of the illegal heroin trade, quickly cited the exemplary efforts of the Sharif regime in curbing drug trafficking.

U.S. opposes nuclear program

These two events, no doubt, have helped to thaw the frosty U.S.-Pakistan relations. But at the same time, it would

be wrong to read too much into them. The U.S. decision to withhold the \$576 million economic and military aid for fiscal year 1991, following President Bush's inability to certify before the Senate that Pakistan is not clandestinely building nuclear weapons, and the subsequent cut of aid dollars by more than 50% for fiscal year 1992, will continue to act as thorns between the two. Besides, Washington's continued opposition to Pakistan's commercial nuclear power development program is a major irritant. In addition, the U.S. Navy's intelligence report, presented to the U.S. Congress in March, cited Pakistan as one of the nations "believed to possess" chemical weapons, while the French decision to abruptly call off the promised supply of a 900 megawatt reactor to Pakistan has been construed in Pakistan as Washington's handiwork.

Nonetheless, the conciliatory gestures by Washington have helped Prime Minister Sharif assert himself domestically. His decision to oust Maulana Abdus Sattar Khan Niazi, the minister for local government and rural development, because of his pro-Iraq stance, pleased the Americans. But more importantly for Prime Minister Sharif, Maulana Niazi was the biggest promoter of the Shariat Bill, which is still hanging fire in the National Assembly because of the prime minister's intransigence. In other words, Prime Minister Sharif "got two birds with one stone."

Sharif has also now challenged the authority of President Ghulam Ishaq Khan, the undisputed leader of the bureaucratic power in Pakistan. The prime minister's decision to rather unceremoniously oust a defense adviser and close associate of President Ishaq Khan, Ijlal Haider Zaidi, speaks of his growing clout. Zaidi, who was for many years defense secretary general before he retired during Benazir Bhutto's regime, was told to quit following the presentation of a report by the minister of works on the shoddy construction of the Lahore Airport runway. Implicated directly for taking bribes, Zaidi was accused of approving the shoddy work.

The resignation of Foreign Minister Yaqub Khan, ostensibly under pressure from the pro-Saudi Jamaat-e-Islami, an active factional group within the ruling IJI coalition party, has also created an environment in which both the President

and prime minister are seeking to put their own candidate up for the job.

Beg in a corner

In his open confrontation with the Army top brass led by Gen. Mirza Aslam Beg, the prime minister has so far come out ahead. From all indications, General Beg, who is scheduled to retire by the middle of this year, will not be asked to continue any longer. Prime Minister Sharif and General Beg were openly involved in a tiff when the prime minister took exception to Beg's statement that his government is not responding to people's wants. General Beg's open support for Iraq in its war against the multinational forces has isolated him from the mainstream and given Sharif an added advantage.

However, a key tussle is developing over who will be the successor of General Beg as the Army Chief of Staff. While Beg has lent his support to a general who, like him, is an immigrant from undivided India, Sharif is using the age-old Punjabi card to counter General Beg's moves.

There is hardly any doubt that Washington will be pleased if Prime Minister Sharif succeeds in selecting his own general as the Army Chief of Staff and, in the process, removes the influence of Beg from the top echelon. General Beg is widely considered as highly critical of the United States, and he espouses the concept of developing a security system in the region which would specifically exclude the United States and consist only of Islamic states.

The prime minister cashes in

What immediately pleases the United States is Prime Minister Sharif's unwavering promotion of the free market economy. During his five-month-old tenure, Sharif has already made a mark in ushering in privatization and an atmosphere most suitable for private investments. The prime minister has already deregulated the foreign capital market, privatized 115 state-owned businesses—which will include banks—and encouraged private investment in transport, communications, and energy. Exchange controls have been eased and Pakistanis can now operate foreign currency accounts in local banks with no questions asked.

Being the scion of one of the top industrial houses of Pakistan, Prime Minister Sharif has little love lost for the inefficient public sector units. Besides, he hopes that by selling off these units, at least a chunk of the \$30 billion in government assets sunk in the public sector enterprises, he will be able to reduce the budget deficits, a demand of the International Monetary Fund, and even help to service the massive domestic debt which now eats up almost 30% of the country's annual budget.

All the moves, otherwise known as fiscal and financial reforms, that Prime Minister Sharif has made, earned kudos from the International Monetary Fund and World Bank. However, these reforms, if implemented to the full, will create short-term as well as long-term problems. In the short term, for

example, laborers will challenge the prime minister. There are about 300,000 workers associated with the public sector enterprises, and they have already expressed their displeasure over the privatization scheme. It is likely that a period of industrial labor unrest is in the offing in Pakistan.

Moreover, the reforms that Prime Minister Sharif has hastily announced are primarily promotion of liberalization

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of market forces. This will also encourage foreign investment in large doses. But since Pakistan is already an over-indebted nation, domestically and abroad, by encouraging it to incur more debt at high interest rates, through dollar bank deposits and dollar bearer certificates, this may create massive balance of payments problems. It will, however, enable the government to use the narco-dollars which can now be deposited in Pakistani banks with no questions asked.

Besides the economic problems which the prime minister has embraced wholeheartedly under the influence of the IMF, he is also expected to continue facing dissension within the country. It is naive to assume that the power "troika" so assiduously built up in Pakistan since the 1960s, will collapse like a house of cards before the challenge of the IJI. The recent hijacking incident at Changi Airport in Singapore gives a clue of things to expect. The hijacking, blamed on the Pakistan People's Party (PPP), is a mystery, and in all likelihood, will remain so forever. The hijackers, four of them, were all killed. All the hijackers had false identification. There are reasons to believe that Pakistani intelligence was involved in it, but it is not clear who was sending what message to whom.

It is also widely stressed in Pakistan that years of friendly relations with the United States, which provide the latter opportunities to tinker with Pakistani internal politics, have done little to stabilize Pakistan's political process. The United States has used Pakistan to shore up its geopolitical interests vis-à-vis the exigencies of the Cold War. In the present context, however, it is difficult to fathom what role Pakistan can play, considering the post-Gulf war situation, when all major Islamic nations have become increasingly dependent on the United States. Notwithstanding what the U.S. assistant secretary of state told the senators, it is becoming difficult to clearly define U.S.-Pakistan relations in the present context.