



## Pakistan: At the Tipping Point?

*From Sudan to Ukraine, crises brew, calling for renewed attention and action. In her introduction to the [Watch List 2023 – Spring Update](#), Crisis Group President & CEO Comfort Ero identifies ways the EU and its member states can prevent and resolve conflict around the globe.*

**P**akistan confronts three spiralling and interconnected crises as general elections scheduled for October draw closer. Prime Minister Shehbaz Sharif's coalition government is locked in a dispute with former Prime Minister Imran Khan's Pakistan Tehreek-e-Insaf (PTI) over how to conduct the polls, differing even over the timetable for the vote. The rhetoric has become so heated that violence is possible before and during the ballot. On 9 May, authorities arrested Khan on corruption charges, prompting his supporters to take to the streets and making prospects for dialogue even slimmer. Equally worrying is Khan's clash with the country's powerful military, which could have alarming implications for political stability. Meanwhile, the economy is in dire straits, with a current accounts imbalance raising the risk that the country will default on its debt and inflation lowering living standards – all when millions of citizens have yet to recover from 2022's devastating floods. Pakistan will need to undertake major reforms to get on the path to economic stability, but in the short term it simply needs external support to avoid collapse, most urgently to shore up social safety nets for the most vulnerable. Thirdly, Islamist militancy is resurging, particularly in Khyber Pakhtunkhwa, a province

bordering Taliban-controlled Afghanistan, exacerbating tensions between Islamabad and Kabul. Militant attacks since the Taliban takeover of Kabul in 2021 have claimed the lives of hundreds of Pakistanis, mainly police. It is vital that outside powers step in to offer assistance on all three fronts.

### **The EU and its member states can help Pakistan by:**

- Providing funds to Pakistan's election commission, particularly to reduce the gender gap in voter registration, in the interest of transparent, credible contests. The EU should also maintain its plans to send an election expert mission to Pakistan for the polls, in order to convey its commitment to a stable, democratic Pakistan, for which a peaceful transfer of power is an essential prerequisite.
- Urging the Sharif government to make economic reforms paving the way for an International Monetary Fund (IMF) bailout and reminding Islamabad that future access to tariff concessions under the EU's new Generalised Scheme of Preferences (GSP+) depends on respect for democratic norms and international conventions. At the same time,

European officials should maintain close contact with Khan, which will allow for dialogue about the risks of political confrontation.

- Continuing to assist with building infrastructure more capable of withstanding climate-induced and other environmental challenges, while providing more humanitarian aid to the poorest in areas hardest hit by the 2022 floods, such as Sindh province, and particularly for women and girls.
- Pressing the Afghan Taliban's security forces to fulfil pledges to prevent militants from using Afghan havens to carry out attacks, including in Pakistan; and supporting collaboration between Pakistan and Afghanistan

in countering common threats, particularly from the Islamic State's local affiliate. The EU or member states could also offer technical assistance on border management to the Afghan de facto authorities. Those EU member states that can should give similar assistance, along with counter-insurgency training, to Khyber Pakhtunkhwa's police force to help contain militancy. The EU should also redouble humanitarian and development assistance to Khyber Pakhtunkhwa's merged tribal districts, among the poorest regions in the country and the most prone to militant expansion.

## Political Crisis in an Election Year

Political tensions have been mounting in Pakistan since Khan's ouster in a parliamentary no-trust vote in April 2022. Accusing the West of engineering the ex-premier's removal, supporters have held rallies to demand snap elections, some of which have erupted into violence. In another effort at forcing early polls, Khan dissolved the PTI-led parliaments in Punjab and Khyber Pakhtunkhwa provinces in mid-January. But Sharif's coalition government has not budged: it refuses to hold a vote ahead of the scheduled October date, and it insists that all elections, provincial and national, be held in tandem. The country's senior-most judges have become embroiled in the standoff.

The tussle between Khan and Sharif is now focused on elections in Punjab, Pakistan's most populous and politically powerful province. The controversy began in 2022, when Sharif's son Hamza won a no-trust vote against Punjab's PTI-led government with the backing of PTI dissidents. He was, however, de-seated and replaced by Khan's allies, the Pakistan Muslim League-Quaid-e-Azam (PML-Q) after the Supreme Court ruled out the party defectors' votes in verdicts that some of its judges said

amounted to rewriting the constitution. On 11 January, Punjab's chief minister won a vote of confidence but, under pressure from Khan, dissolved the legislature three days later; on 18 January, the PTI-led legislature in Khyber Pakhtunkhwa disbanded as well. Provincial assembly elections were due in 90 days, but governors in both provinces, who represent the federal government, refused to set dates citing constitutional and security constraints. The Supreme Court got involved after Chief Justice Ata Bandial took suo moto (original jurisdiction) notice of the issue. A split verdict in March ruled that elections in both provinces must be held within 90 days. On 4 April, after the election commission delayed Punjab polls until October, a three-member bench (instead of the nine judges who first heard the suo moto case), overruled the commission's decision, fixing 14 May as the date instead.

The election commission had announced the delay after the Sharif government refused to provide funds and security personnel required for polling stations. The government insists that all elections, provincial and national, be held on the same date in October, within two months of

the National Assembly completing its five-year term. The government and its allies caution that early elections in Punjab and Khyber Pakhtunkhwa would violate the constitution, as both provinces would already have new governments in place during the general elections. The national charter requires that caretaker governments oversee polls, so as to reduce the likelihood of political interference with the vote.

The chief justice's interventions have widened rifts between the government and judiciary and also within the top jurists' ranks. The government calls the 4 April verdict a minority judgment since Bandial removed or disregarded the opinions of dissenting judges, leaving only a bench of three. Many dissenting judges back this argument: under current rules, the chief justice has the authority to assemble benches in suo moto cases, but the jurists and many legal observers think Bandial abused it in this instance. Bandial and likeminded colleagues also threw out an order by the two senior-most judges calling for all suo moto cases to be put on hold pending legal decisions to reduce the chief justice's powers. Meanwhile, parliament, at Sharif's behest, refused to fund the Punjab polls. It also enacted a bill to deprive the chief justice of sole authority over suo moto cases, including the power to appoint benches to hear them. In a pre-emptive strike, the court has curbed enforcement of that law, which came into force on 20 April. The institutional clashes could extend to the military, which continues to decline the court's demands for security personnel for the Punjab vote, citing rising militant threats. The court has stuck by the 14 May date unless politicians can agree on an alternative.

In these circumstances, the election commission may not be able to oversee transparent, credible and peaceful elections. The potential for violence is high, with few signs that political contenders are willing to compromise. The government's clampdown on the former prime

minister and his supporters has further poisoned the atmosphere. The Sharif government has lodged dozens of charges against Khan, many of them serious, such as terrorism, and on 9 May, the controversial National Accountability Bureau arrested him on corruption charges. The arrest came a day after the military had debunked Khan's allegations, which he made to a PTI rally, that a major general now serving in the formidable Inter-Services Intelligence (ISI) directorate had orchestrated plans to murder him on two occasions, including in Punjab in November 2022. Khan's enraged followers began protesting across the country, attacking law enforcement personnel and destroying property. They soon turned their ire on the military, targeting the homes of high-ranking officers, such as the Lahore corps commander, and attempting to besiege army headquarters in Rawalpindi. Such incidents raise the risk of deadly confrontation between soldiers and PTI activists.

Khan's arrest has also undermined the chances of political compromise as Pakistan inches toward elections. The ex-premier is even less likely now to accept the government's preference for general elections in October; Sharif, for his part, will be even more adamant in rejecting Khan's demands as his supporters attack security personnel and institutions. Khan says the government refuses to hold polls because it fears defeat. His mix of ultra-nationalist and Islamist rhetoric appears to resonate with many voters, as do his swipes at the government for IMF-prescribed austerity measures leading to economic hardship. Khan could win at the polls, but should he fail to obtain an absolute majority, he would likely hold the election commission – and, indeed, the entire establishment, including the military – responsible, accusing it of pro-Sharif bias. A bitterly contested electoral process could spark street protests that might spin out of control.

## Closing the Gender Gap

Another problem Islamabad should address is the glaring gender gap – 10.1 million fewer women than men – in the country’s voter rolls. Authorities have made progress since the last general elections in 2018, adding around ten million women the registry, but the gap in at least two provinces, Khyber Pakhtunkhwa and Balochistan, still exceeds 10 per cent. Millions of women do not have national identity cards, a prerequisite for registration (though attempts to address this problem, including through mobile offices, have added ten million women to the civil registry). Cultural constraints play

a role, and in socially conservative parts of the country, women voters and candidates often face violence or threats thereof. The elections’ credibility hinges as much on women’s participation as it does on a level playing field for the parties. The commission should, for instance, enforce the minimum legal requirement of 10 per cent turnout among women in each constituency or else invalidate results and order fresh polls. The authorities should have a policy of zero tolerance for attempts at intimidation of women voters and candidates.

## An Economy in Freefall

Political polarisation has heightened amid an unprecedented economic crisis, which is bound to worsen – along with the danger of Pakistan defaulting on its debt – should Islamabad fail to reach agreement on an IMF bailout in the fiscal year ending in June. Even if such a deal is struck in time, it alone cannot stabilise the economy, which could require a capital infusion nearly 50 per cent larger than what the IMF would provide. Lenders are unlikely to disburse such sums amid so much political turmoil. The investment risk would be too high, especially at a time when credit markets are tightening globally.

Sharif’s government inherited an economy plagued by distortions, including unsustainably high levels of debt, a low tax base and over-reliance on external finances. Populist measures taken under Khan’s PTI government, particularly fuel and energy subsidies, had stalled a \$6.5 billion IMF Extended Fund Facility program, which began in 2019 and was due to conclude in September 2022. Though Sharif restarted negotiations, election-year calculations appear to have dictated his economic policies. Negotiations over a staff-level agreement paused for months as the government hesitated

to act on IMF recommendations, including for a market-based currency, tax increases, and an end to fuel and power subsidies, fearing – to some degree understandably – that such steps could fuel unrest and might build support for Khan. The delay was damaging, however: Pakistan could not tap other sources of external funding, and global agencies downgraded its sovereign credit rating to the lowest level in three decades.

Meanwhile, Pakistan’s foreign currency reserves have plummeted, reaching a low of \$4.3 billion, barely enough for a month of imports. The country must buy several essential commodities, such as wheat, from abroad, a dependency that deepened after the 2022 floods, which wiped out 40 per cent of its crops. The reserves have since rebounded somewhat, but only because of what economists call “import compression”: imports have dropped due to government restrictions aimed at saving precious foreign exchange. Inflation, at 35.7 per cent, is the highest since 1965; Pakistan’s local currency, the rupee, continues to weaken, exports are fast declining, and formal and informal curbs on imports have adversely affected supply chains, including in the manufacturing

sector. International financial institutions project Pakistan's economic growth at less than 1 per cent during the current fiscal year, and industries and businesses are closing down or operating under par. As the crisis deepens, millions could end up jobless, sinking into poverty.

Inflation, the 2022 floods and commodity price shocks have contributed to growing food insecurity. Women and girls, who already lack adequate nutrition, are among the worst affected. Most women work in the informal sector, which contributes close to 36 per cent of GDP and is somewhat insulated from the downturn in the formal economy. That sector is prone to gender discrimination, however, with women paid less and often working in worse conditions. Moreover, as household poverty increases,

girls are likely to be the first to be taken out of school and women deprived of access to medical care. The 2022 floods also disproportionately hurt women. In Sindh, for example, with many people living in temporary shelters, the risks of gender-based violence have increased, and hundreds of health facilities and schools serving women and girls were destroyed. The government has expanded the social safety net, particularly through the Benazir Income Support Program, which makes cash transfers to women heading households that fall below the poverty line. But as needs grow faster than available resources, external assistance is urgently needed to fill the widening gap; according to government estimates, the country requires \$16.2 billion for flood recovery.

## Resurgent Militancy and Border Tensions

Pakistan is also facing a serious security threat, particularly in Khyber Pakhtunkhwa, but also Balochistan, both of which border Afghanistan. The Tehreek-e-Taliban Pakistan (TTP, better known as the Pakistani Taliban) have gone on a killing spree since the Afghan Taliban took power in 2021. According to one estimate, within a year of that event, militant attacks in Pakistan had increased by 51 per cent, with more than 75 per cent of them taking place in Khyber Pakhtunkhwa.

The surge in militancy has soured Islamabad's relations with Kabul. Pakistan insists that the TTP's central command is based in Afghanistan and that TTP militants operate from Afghan havens. A Pakistani delegation led by the defence minister, which included an intelligence agency chief, visiting Kabul, reportedly passed detailed information to the Taliban authorities about the locations of TTP camps and leaders. Yet Kabul denies that any TTP fighters are present on Afghan soil. In the fall of 2022, the Taliban made a bid to mediate between Pakistani authorities and the TTP leadership, but the initiative appears to have backfired. The Pakistani authorities

made concessions to forward the negotiations, including allowing armed Pakistani militants to come home from Afghanistan during a ceasefire. Emboldened, the militants called off the ceasefire in late November and regrouped, particularly in Khyber Pakhtunkhwa. In April, Pakistan's defence minister warned that Pakistan might strike TTP targets in Afghanistan if the Afghan Taliban fail to bring the militants to heel. Islamabad could decide that, unconstrained, the Pakistani insurgents pose a greater threat than confrontation with Kabul.

In early April, Pakistan's civilian and military leaders opted to launch "all-out comprehensive operations" to root out the TTP from Khyber Pakhtunkhwa. Such campaigns come with risks. Past counter-insurgency efforts displaced hundreds of thousands, alienating residents and fuelling militant recruitment. Women in camps for internally displaced people were deprived of even the meagre health and other facilities available in the area, while social constraints prevented them from getting government assistance. Certainly, military operations are neither feasible nor desirable in the province's urban centres, such as the capital

Peshawar, where the TTP killed more than 80 people, mostly police, in a January bombing. Khyber Pakhtunkhwa's police force is now the TTP's prime target; since September 2022, more than 300 officers have died in militant

attacks. Holes in police defences were responsible for allowing the suicide bomber access to the highly sensitive Peshawar location. The police are too lightly armed, poorly trained and thinly dispersed to stand up to the TTP.

## What the EU and Its Member States Can Do

The EU and its member states have limited but important opportunities to lessen political polarisation in Pakistan. Khan has reached out to influential member states in hopes of fixing the harm done by his anti-Western conspiracy narratives. These governments can, at the very least, hold conversations with him about the risks associated with his confrontation with the Sharif government. In dealings with Sharif, Europe should emphasise that Pakistan's application to the new GSP+ scheme requires adherence to democratic norms, including respect for free speech and the freedom of association. The EU should also continue efforts to strengthen the capacities of civil society organisations and the media in exercising such fundamental freedoms.

EU member states can also help with the elections themselves. They should assist the election commission and other government agencies, through technical expertise and financial aid, in reducing the gender gap in voter registration. In its dialogue with political parties, the EU should also raise the importance of protecting the rights of women candidates and voters. The credibility of elections hinges as much on women's participation as it does on providing all competing parties an even playing field. Brussels should also proceed with its plans to send an election expert mission. Such expert missions are much smaller and less visible than the EU's robust Election Observation Missions, but they are nevertheless important for signalling the bloc's commitment to a stable, democratic Pakistan, for which a peaceful transfer of power is a prerequisite.

Islamabad has urged its partners, including

EU member states, to exercise their influence with the IMF to fast-track the requested bailout. While advocating with the IMF for better loan terms, including targeted subsidies that ease hardship for the poorest, the EU and member states should, in exchange, urge Islamabad to pursue the economic reforms that would put Pakistan on a path to sustainable recovery. They should likewise press Sharif to resist the temptation to roll out populist schemes in hopes of gaining votes. But they need to be realistic about how far they can push Islamabad on reforms. Removal of fuel subsidies amid widespread suffering, during a heated electoral campaign, is a recipe for more violence in the streets. In addition, the EU's future provision of GSP+ tariff concessions should not be made contingent on such reforms. Pakistan will continue to be in great need of such concessions from one of its largest trading partners.

The EU and a number of other countries pledged around \$10 billion to assist Pakistan's flood recovery efforts, mainly in project loans over a three-year period, and the EU has redirected some of its bilateral development assistance for this purpose. Such international assistance should focus on helping the country build a resilient infrastructure, one more capable of withstanding floods and other climate-induced disasters, including by helping Pakistan improve early warning systems. The EU should also work with provincial governments in Sindh and other inundated locales, providing assistance to repair damaged health and education facilities, as well as expanded aid that targets the poor, particularly women and girls. Such assistance could be channelled through

Sindh's provincial government and through UN agencies such as the World Food Programme and World Health Organization.

Finally, European actors should help address concerns about insecurity in Pakistani regions that border Afghanistan, particularly Khyber Pakhtunkhwa. In both quiet and public diplomacy, they should hold the Afghan Taliban to their pledge to prevent militants from attacking other countries, which they made in the 2020 peace agreement they signed in Qatar. Insisting that the Taliban keep the peace will also require giving them the tools for the job, such as technical assistance with border management. The EU and its member states should also encourage dialogue between Afghanistan

and Pakistan about other security concerns, such as threats posed to both countries by the Islamic State Khorasan Province, the Islamic State's local affiliate. The member states that have the means should also offer technical assistance and counter-insurgency training to Khyber Pakhtunkhwa's police. The EU and member states should continue humanitarian and development support to Pakistan's merged tribal districts. As the economy contracts, such assistance will be crucial in these regions, which are among the poorest in the country.