

Pakistan Outlook 2021

Politics, Economy & Security



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PREFACE

Islamabad Policy Institute is proud to present this year's report Pakistan Outlook 2021 – Politics, Economy & Security. The report analyzes important trends in an effort to help the readers understand the happenings in the country, and how those could affect the events in the year ahead.

We had, in our inaugural edition last year, given an in-depth analysis and forecast of the political, foreign policy, security, and economic trends in the country. New additions in this year's edition are overviews of the energy and public health sectors.

The various issues discussed in this report have been explored through both domestic and international lens by the experts, who have contributed to this report.

Year 2020 has rightly been described as the lost year because of the COVID-19 pandemic. The year has been defined by the disruptions in the routine lives, the resulting economic losses and the deaths it caused. Pakistan luckily escaped the worst partly because of younger population, climate, and some aggressive containment measures.

However, Pakistan's external security environment remained very challenging particularly because of unabated tensions with India, while domestically political polarization, and sectarian and communal strife intensified. Challenges in the energy sector, be it the June 2020 Petrol Crisis, gas shortage, or the mounting circular debt, kept reminding us of the structural reforms that are yet to be implemented in these sectors.

The path to recovery would not be easy. Shadows of 2020 would hang over 2021. The clearest and surest route out of the acute phase of the pandemic is in the availability of the vaccine, which in our assessment may not be possible on a mass scale before the second part of the year. Besides, the challenge of timely procuring the vaccine, the government would have to ensure the ability to handle the vaccine's more onerous cold chain requirements.

Economic recovery during 2021 would remain slow and prone to shocks and hidden vulnerabilities. Prospects of job growth, therefore, aren't too bright either.

Political stability in the country would remain under stress because the government and opposition have still not been able to develop a spirit of accommodation and compromise for each other. However, there is no imminent threat to the Pakistan Tehrik-e-Insaf government.

On the external front, little improvement is expected in relations with India. Meanwhile, a review of policy on Gulf and Middle East is likely after last year's developments in the region, but no largescale changes are expected. One of the major priorities for the government would be to engage with Biden administration especially with regards to preparing for a post-Afghan peace process bilateral engagement.

Digitalization was taking place at a very rapid pace even before the onset of the pandemic, but it has accelerated in an unprecedented manner because of social distancing enforced by COVID-19 including greater work from home. This phenomenon is only likely to grow further. Therefore, there would have to be greater focus on cyber-security.

We would like to acknowledge the contributions by Amb. Salman Bashir, Gen. Asif Yasin Malik, Mr. Kamran Nasir, Dr. Ilyas Fazil, Engr. Tahir Basharat Cheema, Dr Adnan Arshad, Mr. Raza Rumi, Mr Safdar Sial, and Mr Farooq Naiyer. Thank you all for your hard work and valued contributions to this report.

Finally, we would like to thank the readers for their interest in the report and we encourage you to continue to send us your invaluable feedback and ideas for further improvements in it.

Syed Muhammad Sajjad Shabbir
Executive Director

OVERVIEW

It is clichéd to state that 2020 was an extraordinary year. The year halted the life as never before. Pandemic, a once in a century event, threw up new and unprecedented challenges for societies and leaders around the world. It tested the limits of man-made systems and their ability to respond to extraordinary crises. COVID-19 pandemic challenged the ability of policy-makers to save lives while keeping the economies running. Pakistan was no exception. The policy-makers faced stark choices when it came to dealing with serious governance, public health, political, economic, diplomatic, and security challenges. Meanwhile, despite the pandemic, regional environment remained fraught and international order experienced escalating China-US strategic competition, with its attendant consequences across the globe.

This report is an attempt to look at where Pakistan, as a collective, stands in various key areas, directly relevant to our polity. It brings together essays written by experts and former policy-makers on diverse subjects such as strategic environment, foreign policy, internal security, governance, economy, public health, energy sector, and cyber security. A common theme, in all these topics, is the pre-eminence of COVID-19 complicating the pre-existing

challenges.

Pandemic has influenced the policy-landscape in ways unthinkable just a year ago. Policy choices are now being weighed in the backdrop of the pandemic. Where in 2020 the focus was on managing the onset of disease and slowing down the spread of contagion, 2021 will be about procuring and making available enough doses of vaccine to break the virus chain. While it is a public health issue, the ability to vaccinate the people is turning out to be a function of the ability to purchase the vaccine by leveraging foreign relationships of the country.

With COVID-19 dominating the policy-discourse, Adnan Arshad and Kamran Nasir have in their essays on public health and the state of economy unpacked dynamics of the pandemic and its impact on the economy. Given the origins of COVID-19 in China, Islamabad was caught between the competing pulls of evacuating students from China and extending crucial support to Beijing at a time when the West laid blame on China's door for the worldwide spread of the virus. As the government got hampered due to the policy paralysis, a rise in cases within the country was witnessed with unimpeded arrival of citizens

returning from Iran, Gulf and Europe. Then in the face of mounting public and political pressure, the federal government scrambled to respond to the raging novel coronavirus and announced imposition of a nation-wide lockdown for two months. Competing pressures from clergy were factored in to keep the mosques open, while federal government broadened the scope of emergency cash payments for the vulnerable population that was dependent on daily wages in the informal economy. In time, spread of disease slowed and number of cases and fatalities remained on the lower end as compared with other populous countries like Brazil, India, Indonesia, and the United States. In terms of human cost, Pakistan was spared the worst.

The strategic environment being faced by Pakistan, meanwhile, remained challenging during the year. Former Foreign Secretary Ambassador Salman Bashir and Former Defence Secretary Lt. Gen. (R) Asif Yasin Malik have explored the myriad of challenges confronted by the decision-makers as they navigated foreign policy and national security constraints and opportunities. Externally, tensions with India heavily influenced Pakistan's foreign policy operations. New Delhi continued its repressive measures in occupied Jammu and Kashmir, and Islamabad on the first anniversary of the illegal and

unilateral (August 5, 2019) annexation of Jammu and Kashmir sought to enlist support of fellow Muslim countries for upping diplomatic pressure on India.

In August 2020, two steps by the government influenced strategic direction of the foreign policy. A new political map asserting Pakistan's claim on Kashmir was unveiled. The move did not yield any tangible diplomatic dividend. Secondly, Foreign Minister Shah Mahmood Qureshi publicly complained of lack of effective support from Saudi Arabia and the Organization of Islamic Countries (OIC) for the Kashmir cause. The assertion immediately strained relations with the Kingdom and Riyadh subsequently brought financial pressure into play by seeking repayment of the loan given in 2018. Pakistan's Kashmir diplomacy is set to face new challenges in 2021 with India joining the United Nations Security Council as a non-permanent member.

Strategic coordination and communication with China continued throughout the year. At a time when Pakistan was looking for emergency medical supplies and paraphernalia to equip its hospitals, Beijing dispatched planeloads of masks, protective gear, and much needed ventilators. Pakistan had earlier extended diplomatic support to China when it

faced criticism from the West over its initial response to the pandemic, and promulgation of new national security laws in Hong Kong. On Kashmir, both sides continued to exchange views. Beijing declared Indian actions of August 5, 2019, as illegal. Islamabad, meanwhile, did not intervene in India – China standoff in Eastern Ladakh. It is the India – China strategic and military competition, which could in 2021 provide crucial diplomatic and strategic space to Pakistan to effectively deal with India. Besides, efforts need to be energized for accelerating the work on CPEC projects, particularly, for moving towards the realization of industrialization. In this context, visit of President Xi Jinping to Pakistan, if it happens, could be the highlight of Islamabad's 2021 diplomatic calendar.

Pakistan needs to work closely with Afghanistan for peace and security in the region. During 2020, Pakistan extended crucial support to on-going Afghan peace process, which led to the historic agreement between Taliban and the United States (US), and paved the way for intra-Afghan dialogue. Pakistan engaged with various Afghan groups during the year in a welcome departure from previous policy. This reflected the acknowledgement in Islamabad of diversity in Afghan polity. An agreement on ceasefire has,

however, remained elusive. In coming months, Islamabad could come under renewed Afghan and US pressure to lean on Taliban to announce ceasefire.

As for Iran, 2020 saw limited engagement due to novel coronavirus pandemic. Regional politics continued to direct development of trust between Islamabad and Tehran. Pakistan has, importantly, chosen not to pick a side in the escalating Saudi-Iran rivalry. Moreover, Islamabad has called for restraint in US – Iran tensions. With a new administration in Washington, Islamabad will expect a review of Iran policy and a return to the nuclear deal by US, which will induce a degree of stability in the regional environment.

Aside from regional challenges, maintaining a functional relationship with US remains a challenge for Pakistani policy-makers. A new administration in Washington will review America's engagement with Pakistan, but it is likely to prioritize India as a strategic partner in South Asia in its regional approach. This will constrict space for Pakistani decision-makers. Divergent interests in counter-terrorism, regional affairs, and strategic stability could continue to bedevil bilateral relationship. Given internal turmoil in America, the new administration will undoubtedly focus more on domestic

challenges, leaving little bandwidth for extensive engagement with countries in other regions. Despite this, it is the deepening US–China competition that will gradually spring to the forefront of Pakistan – US bilateral relationship, and test the craft of Pakistani strategic planners. Islamabad would be best served by not overtly picking a side, rather, the emphasis needs to be on maintaining relations with both sides. Pakistan’s goal should be to avoid taking the center-stage in US-China competition and keeping communication channels open with both sides.

A key accomplishment of Pakistan’s diplomacy was saving the country from falling into Financial Action Task Force’s (FATF) blacklist thus far. Pakistan enacted a slew of new laws to implement 21 out of 27 recommendations of FATF. Islamabad, now, has time till February 2021 to take concrete action on the remaining 6 recommendations to come out of the grey list. A return to the normal status will open new financial vistas for Pakistan’s banking and financial sectors while easing up the economic pressures facing the country.

Related to this is the internal security environment where improvement needs to be sustained argues Mr. Safdar Sail in his essay.

After battling militancy and terrorism for over a decade, Pakistan is now consolidating gains and striving to maintain stability. Data indicates a marked decrease of 36 percent in the number of terrorist attacks in 2020 as compared to 2019. Similarly, fatalities have lowered, with direct increase in sense of security across the country. Meanwhile, militant groups continued to target personnel of security forces and law-enforcement agencies; and minority communities. Sectarianism, on the other hand, reared its ugly head again. Moreover, ethnic and sub-nationalistic violence occurred in Balochistan and Sindh. Overall, security situation in Baluchistan remained fragile as compared to other provinces. The raging pandemic has also had an effect on the terrorism landscape. Yet, during 2020, PTI government did not move ahead with the review of existing internal security policy framework. It is imperative that during 2021, PTI government comprehensively reviews existing framework and charts a new course as Pakistan is turning a corner in its fight against terrorism.

An emerging domain that has a direct bearing on governance and national security, but is often overlooked is cyber security. Farooq Naiyer has evaluated the present state of cyber security in Pakistan in the backdrop of geo-political tensions in South Asia. India is

actively employing cyber domain and tools to propagate its narrative. Meanwhile, India-based hackers and organizations have attempted to take advantage of vulnerabilities in the cyber systems of Pakistani institutions. This highlights the present and clear risk in the cyber domain and calls for putting in place systems and a policy framework to strengthen national cyber capabilities while pushing back against Indian efforts.

On the domestic front, 2020 witnessed political instability, which complicated political, economic and governance challenges for the PTI government. Mr. Raza Rumi and Kamran Nasir have explored dynamics of domestic politics, and economic outlook of the country in their respective pieces. The year 2020 commenced with the PTI government and opposition coming on 'one-page' to enact new legislation to provide 'legal cover' for the extension of Army Chief General Qamar Bajwa. By doing so the political parties have opened the door for extensions of future services chiefs and injected an element of instability in the lopsided civil-military relationship. In future, military chiefs could lean on the civilian leadership to secure extensions, and also the Prime Minister is now equipped to leverage this possibility with military chiefs in future.

This could in the longer run undermine institutional ethos.

This government – opposition 'one page', however, did not last long. As pandemic raged, opposition demanded effective measures and imposition of a lockdown to contain the spread of COVID-19. The military attempted to streamline the pandemic related decision-making through the setting up of a new body called "National Command and Operation Centre" after a meeting of the National Security Committee (NSC), where a string of policy-measures including closure of airspace, borders, educational institutions and prohibition of large public gatherings were also approved. A lockdown was finally announced by the military spokesman following requisition of deployment of the military in aid of civil power under Article 245 by the interior ministry on March 24, 2020. An intensification in differences between PPP-led Sindh government and PTI led federal government on handling of the pandemic was visible and the matter became a subject of media debate. In the meantime, military-dominated National Disaster Management Authority (NDMA) was tasked with procurement and distribution of emergency medical supplies to hospitals across the country. Later, when novel coronavirus cases came down, as a result of

some aggressive containment measures, PTI took credit for it.

Domestic politics heated up with opposition parties coming together under the banner of the 'Pakistan Democratic Movement' (PDM) and directly challenging the military for its alleged interference in the political process. PDM vowed to drive the government out of power by forcing military to end its support to PTI government. From September till December, PDM held rallies and public events across the country, raising political tensions to a fever pitch. PDM has threatened few drastic measures such as resignations from assemblies and long-march to push for government's ouster, but a consensus strategy eludes the opposition, which is not ready to risk undermining the system. For PTI, the threat posed by PDM in its first few weeks has dissipated now. If PDM continues with its 'on again – off again' approach, then, PTI is certain to complete its term.

Despite the formation of PDM, there has been no let up in the government's accountability drive. Opposition leader Shahbaz Sharif, and other stalwarts of PML-N continue to be behind bars. A major pushback to the accountability process, however, came from the Supreme Court. PTI had to face embarrassment when the apex court quashed

Presidential Reference against Justice Qazi Faez Isa. More significantly, in another judgement, Supreme Court termed accountability drive as a tool of political engineering against political opponents. It remains to be seen, if PTI will continue with its controversial accountability drive or if it would review its current approach. Given the centrality of accountability to PTI and PM Khan's political narrative, it is increasingly looking as if the PTI government is struggling to wriggle out of the commitment trap.

On the economic front, 2020 was the year, when the pandemic dictated the economic policies. In April, Pakistan suspended the IMF program and sought debt relief from G-20 for the developing countries. Essentially, Pakistan was given a reprieve from servicing debt obligations till end December, 2020. Economic managers led by Federal Minister for Finance and Revenue Hafeez Sheikh were forced to grapple with the impact of the pandemic on the economic activity and halt in international trade while keeping the social and public sector running. Interest rates were lowered and a stimulus package was announced to financially support private firms. High inflation, however, continued to stress the working class. Remittances from the Pakistani diaspora abroad increased during the year. It happened because the overseas

Pakistanis moved their savings home to support their families that had been distressed financially by the pandemic. This phenomenon is likely to reach its peak in 2021. Subsequently, a downwards trend in remittances is expected because Pakistanis working in the Gulf are losing jobs and would not have much to send back home.

Shortages of sugar and wheat forced the government to import these two essential food items on emergency basis. Food insecurity in the agricultural country reflected badly on the performance of the bureaucratic and governance systems. These shortages caused the food inflation to skyrocket, which directly impacted the lives of millions across the country.

In view of the impact of COVID-19 on the national economy, 2021 should be the year of economic recovery through growth and cash-transfer to maximum number of vulnerable families. The government, in an effort to restart economic activity, has introduced an incentive package for the construction industry with budgeted support of Rs30 billion to provide affordable housing for the masses. Moreover, an amnesty scheme was announced whereby people investing in the construction sector were not to be inquired about their sources of income till the end of

2020. However, a push towards expanding the size of the Public Sector Development Programme (PSDP) should come from across the political spectrum. Spending on infrastructure development (an anathema to PTT's narrative), needs to be enhanced as it would stimulate long-term economic mobility, besides creating jobs and boosting consumption. It is only through public spending that wheels of economic activity can once again be made to run and a return of economic stability could be made possible.

Linked to the economy is the crucial energy sector, where mis-governance has the potential to bring economic activity to a halt and create a law and order situation for the government. Engineer Tahir Bashsrat Cheema and Dr. Ilyas Fazil have delved into detail on issues related to the power, petroleum and gas sectors in the context of energy security. They argue that it was actually the mis-governance in these sectors that was creating crises for the government and people. Efficient management of these two critical sectors can keep the economic engine of the country running. Mr. Cheema, in particular, has warned of return of power outages and a further increase in tariffs if causes of mis-governance are not addressed. Meanwhile, Dr. Fazil has proposed a comprehensive strategy to ensure energy security through intervention

at all stages from hiring right people to procurement to refining, repricing, and supply to industry and domestic consumers.

The bottomline, however, is Pakistan needs to focus on economic recovery during 2021. For this stability in domestic politics is *sine qua non*. Opposition parties cannot be targeted endlessly. As proposed in this review last year, only a ‘national dialogue’ with the goal to “ensure that all stakeholders remain confined to their ambit and constitutional roles within the system” can ‘induce political stability’ is now the focus of political discourse in the country. PTI government should take the lead in organizing such a dialogue, through the Office of the President, by bringing together stakeholders, constitutional experts, political parties, and institutional representatives. Addressing sources of chronic instability and system-wide distortion are preconditions for political stability, which in turn, will improve decision-making and implementation of national policy decisions.

FOREIGN POLICY CHALLENGES AND OPPORTUNITIES

SALMAN BASHIR

In an unsettled global and regional environment, the outlook for Pakistan in 2021 will remain uncertain. Challenges to the security and economic wellbeing of the nation are likely to persist. Societies the world over are adrift, unmoored from values, norms, and traditions, and overtaken by a new cycle of regeneration of yet uncertain dimension.

Great power competition, demolition of order in various regions, resurgence of power politics, inability of institutions to cope with the rapidity of change and consequent loss of efficacy and faith in established systems of governance with no certain and credible alternatives in sight, have brought mankind to a new point of inflection. In the meanwhile, COVID-19 pandemic continues to exact a heavy toll in terms of lives lost and severe economic repercussions.

Change offers both challenges and opportunities. What must sustain and guide the nation is a 'vision' of its future. Internal cohesion, clarity of purpose, determination, and skillful statecraft are an absolute must to navigate the troubles and turn the chain of adversities to advantage. Despite evident deficiencies Pakistani people and leaders must

not give into pessimism but seek a silver lining in the gathering dark clouds.

The mettle of the Foreign Office will be tested in the months ahead. Of critical importance will be the ability of Pakistani diplomats to read the trend lines accurately and to position themselves accordingly. Pakistan will be confronted with options and choices to make. The Foreign Office will have to weigh in with other elements of national governance to make its voice heard and taken on board in policy formulation and national decision making.

In charting a path forward, the only determinant should be the 'national interest'. Strategic choices and options exercised must flow from the requirements of national interest and translate into policies, programs, and projects. All state institutions must subscribe to a single playlist and synchronize their respective instruments with a view to achieve perfect harmony.

The nation and in particular the leadership will have to contend with great clarity to the real issues and not waste time and resources on inanities. At the conceptual plane, the

perennial question will be to strike a balance between 'idealism' and 'pragmatism'. An idealistic vision forged into reality by pragmatic measures implemented successfully and holistically by the nation requires executing statecraft of a high order.

The dichotomy between espoused 'values' and 'principles' and actual 'practice' is evident from contemporary history. The pursuit of national interests, by all means, has always been the operative norm and validated by hard and soft power, as the situation warrants. Cycles of virtue relate to interests and power. The key lesson is that 'interests' supervene other considerations.

Is Pakistan prepared to subscribe to such a viewpoint? Or should 'principles' override 'expediency'. That freedom and justice merit supreme sacrifices. That this nation that was created in the name of Islam and will forever hold high the immutable ideals and principles of humanity and humane coexistence among all peoples.

It is to this latter aspect that the people of Pakistan have wholeheartedly subscribed. But in a world rife with hypocrisy and double standards weighing in with correct choices will take a toll on the conscience of the nation. Self-critique is good but not on

accounts of failings of the world in terms of morality and principles.

For instance, is it in anyway noble to suffer privations and poverty or live on handouts no matter how loathsome they may be from international donors or friends that tend to curtail sovereignty, are humiliating, and place a crushing burden on the poor majority?

Should Pakistan continue to subscribe to a manifestly unjust international system that forsakes the oppressed people of Kashmir to vile aggressors or should Islamabad support the Kashmiri freedom struggle by all means.¹ Answers to these questions require considerable deliberation and the choices made will have consequences. These are the sort of questions that it is no longer possible to ignore. Time for half way choices may well be nigh over.

An accurate reading of the unfolding historical dynamics that are sweeping through the globe is absolutely essential. In terms of international power politics and reconfigurations of power equations, difficult decisions have to be made. Nothing is sacrosanct in this game. The mighty and

¹ "Pakistan PM Reiterates Support for Kashmiri Self-Determination," *Al Jazeera*, August 5, 2020, <https://www.aljazeera.com/news/2020/8/5/pakistan-pm-reiterates-support-for-kashmiri-self-determination>.

powerful also have erred and particularly at this point seem to suffer from a gross misreading of ground realities and societal change.

Extremism, xenophobia, tribalism, and majoritarianism have been ascendant in many societies. The heretofore political and economic models of democratic and free-market capitalist governance seem to have run their course and become aberrant. Many scholars and good-hearted souls have lamented the fading of the era of liberalism.²

President Trump had an instinctive preference for patriotism over globalism.³ His recipes for *Making America Great Again* were popular. Securing almost 70 million votes in the November 2020 elections, Trump surpassed Obama's numbers and narrowly lost to Biden. The election turned out to be, in fact, a referendum on Trump, and to be fair he was close to home.

Can Biden undo the damage that was done to the international system during the past four years? He has promised to have a 'values'

based global policy. Is it doable and will this accord with US national interests? Can the twenty-first century be shaped in the mode of the previous as far as facts of global interdependence and peaceful cooperation are concerned? These are indeed, key questions.

The world will be, definitely, on a surer footing, if Biden Administration were to actually embrace a 'values' based global policy and restore faith in multilateralism and international cooperation for the common good of mankind. This would require revisiting the tone and tenor of relations with other major powers and take into account the rest. Restoring hope and renewing commitment to the ideals, principles, and purposes of the United Nations is an urgent priority.

As noted earlier, societies have changed and are changing. Old recipes will not necessarily work. Principal factors driving change are demography, technology, and globalization. Institutions are unable to cope with the effects of change and are, therefore, in disrepute. Political systems have become dysfunctional. Inequalities and iniquities of wealth and income within and between nations have become unsustainable.

² Martin Wolf, "The Fading Light of Liberal Democracy," *Financial Times*, December 22, 2020, <https://www.ft.com/content/47144c85-519a-4e25-9035-c5f8977cf6fd>.

³ "We're Going to Make America Great Again," *BBC News*, February 10, 2016, <https://www.bbc.com/news/av/election-us-2016-35537831>.

Major power relations -US, Russia, and China- have frayed.⁴ Politics and policies of exclusivity will result in exacerbating tensions. Bloc politics had been relegated to the pages of history and attempts to revive the age of alliances and counter alliances may not be possible in a highly interconnected and interdependent world.

It is naïve to imagine that supply chains could be reoriented or protectionism is the answer to national economic woes, or that technology can be monopolized. Trying such recipes will reverse the wheel of time with cataclysmic effects. The flames of fire in various regional hotspots will be further ablaze and ambitions of regional hegemons will spell gloom and doom everywhere.

It is important that US reaches a stable equilibrium in its relations with China. Beijing awaits with patience the advent of the Biden era. Interests of both US and China converge in many areas. Besides economic interdependence, regional hotspots, and global issues such as climate change can best be addressed in a cooperative mode.

Europe considers China as a 'partner', 'competitor', and 'systemic' rival.⁵ This reflects a state of uncertainty that may be influenced by the US. On the other hand, most Asian states, notably the economically strong ASEAN countries, continue to hope that they will not be asked to make a choice. The best course is to maintain a neat balance between the two. The big determinant will be the economic interests and the capacity to benefit from cooperation. Biden administration may also moderate anti-China rhetoric and realize that mutual interdependencies do not permit a complete break.

Nonetheless, as for now, marshalling of resources – political, diplomatic, military, economic, and technological – to contain and reverse China's rise is almost a standard script of Western strategic thought. The prevalence of rage over reason is a sure recipe for unfolding of disasters of horrendous magnitude. In the obtaining scenario, most developing states would prefer to distance themselves from the global strategic competition and prefer not take sides in a rejigged Cold War.

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⁴ Mikhail Troitskiy, "The Emerging Great Power Politics and Regionalism: Structuring Effective Regional Conflict Management," *Global Policy* 10, no. S2 (2019): 14–21, <https://doi.org/10.1111/1758-5899.12677>.

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⁵ Philippe Le Corre, "The EU's New Defensive Approach to a Rising China," *The Conversation*, July 14, 2020, <http://theconversation.com/the-eus-new-defensive-approach-to-a-rising-china-142336>.

In the vast regions surrounding Pakistan, trouble brews with ever-increasing ferocity. India has to all intent and purposes metastasized into a Hindu extremist state.⁶ The question of whether Hinduism can accommodate other beliefs has been answered by Modi's India in a resounding No! The view that for centuries Hinduism accommodated or incorporated alien views and cultures is now drowned in hyper Hindu nationalism foisted on the poor people largely as a measure of BJP's political expediency.

Majoritarianism, tribalism, extremism, Islamophobia, and xenophobia have tarnished India's reputation as a secular democracy. Raging pandemic has added to India's economic woes. With shrinking economy, polarized polity and social upheavals, Indian Union is weakened.⁷ Its hegemonic and threatening posture has alienated its neighbors and given rise to anti-India sentiments in South Asia.

India has opted to ally itself with the US against China. The deepening of Indo-US defense partnership with an infusion of high

technology and advanced weapon systems is not much of a concern to China but poses a direct threat to Pakistan.⁸ Abandoning all caution, the Modi government's declared policy is to dismember Pakistan, using all means, especially through subversion and terrorism.

Its stranglehold over Jammu and Kashmir has reached a choking point. The Kashmiris are completely alienated.⁹ Huge military deployments in Jammu and Kashmir accompanied by atrocious human rights violations are grim manifestations of the illegal Indian occupation of Jammu and Kashmir.

India threatens to occupy Gilgit Baltistan and Azad Jammu and Kashmir. It is fomenting discord in the tribal regions and Baluchistan. It is using disinformation campaigns and has brainwashed its own people through a controlled media blitz against the Muslims and Pakistan. Indian military continues to violate the ceasefire on Line of Control and holds out threats of surgical strikes against Pakistan. Worsening domestic situation lends

⁶ Sudheendra Kulkarni, "The Making of a Hindu Republic of India | Politics," *India Today*, December 13, 2019, <https://www.indiatoday.in/magazine/guest-column/story/20191223-the-making-of-a-hindu-republic-of-india-politics-1627574-2019-12-13>.

⁷ Arvind Subramanian, "India's Weak State Will Not Overhaul China," *Financial Times*, August 16, 2010, <https://www.ft.com/content/abc794aa-a968-11df-a6f2-00144feabdc0>.

⁸ Adnan Aamir, "Pakistan Alarmed by US-India Information Sharing Pact," *Nikkei Asia*, November 2, 2020, <https://asia.nikkei.com/Politics/International-relations/Pakistan-alarmed-by-US-India-information-sharing-pact>.

⁹ "Indian Govt Has 'alienated' Kashmiris through Its Policy of 'Might Is Right': British Historian," *DAWN*, August 5, 2020, <https://www.dawn.com/news/1572753>.

to the view that the Modi government may contemplate a military misadventure against Pakistan.

India's relations with China are strained with periodic episodes of active hostilities along the disputed borders. India has become an enthusiastic proponent of the anti-China Quad arrangement – a budding new security architecture in the Asia-Pacific. It enjoys complete Western support but is isolated in its own region. Consequently, its bid to be regarded as an aspiring global player stands diminished.

The democratic West has not held India to account for its atrocious conduct in Jammu and Kashmir. While public opinion is more discerning and the US Congress has held hearings on human rights violations by India, the US government has not chided India publicly.

On the contrary, the Trump administration served as a public apologist for India. This may change somewhat with Biden. There is not much hope that the US will seek moderate Indian attitude towards Pakistan. However, in case of active India-Pakistan military hostilities, the US will have to step in to prevent escalation.

Despite the launching of the intra Afghan dialogue, prospects of stability and peace in Afghanistan remain uncertain.¹⁰ The Taliban blame the Ashraf Ghani government for wasting precious time and attempting to stall progress towards a political settlement. The Government apparently had hoped that the incoming Biden Administration may review President Trump's policy of a complete pullout of US forces from Afghanistan.

The Taliban link the question of ceasefire with formation of an interim government and full withdrawal of foreign forces. Meanwhile, malign actors such as the ISIS and the TTP are actively seeking to retain their hold and create more space for themselves in Afghanistan by playing the proxy for outside powers, notably India, which wants to keep Afghanistan destabilized.

Stability and peace in Afghanistan are of paramount interest to Pakistan. It has, therefore, deployed considerable efforts in support of the peace process and maintained active engagement with the Afghan Government, the Taliban, and the US. Pakistan has taken steps to enhance economic engagement with Afghanistan and to facilitate

¹⁰ Aamir Latif, "Afghan Peace Process to Face Bumpy Ride, Ups and Downs," *Anadolu Agency*, October 20, 2020, <https://www.aa.com.tr/en/asia-pacific/-afghan-peace-process-to-face-bumpy-ride-ups-and-downs-/2012458>.

Afghan trade across its territory and ports, including allowing Afghan exports to India overland via Wagah/ Atari border crossing.

Pakistan, China and Afghanistan Foreign Ministerial mechanism can continue to play an important role in promoting collaborative efforts in the economic and trade domains. CPEC's extension to Afghanistan is a logical corollary to promoting regional connectivity and could be invaluable in building a strong economic foundation for ensuring durable peace in Afghanistan.

Pakistan's relations with Iran require mutually agreed steps to ensure stability on the Pakistan-Iran border and creating mutual comfort in related domains. It is also important to enhance bilateral trade, take steps for closer economic cooperation, and resume work on the Iran-Pakistan gas pipeline project. It was unnecessary and unfair to pend this project of national importance to Pakistan for so long. The implications of US sanctions against Iran were perhaps a convenient excuse to delay the project. A rethink is warranted especially as the new the US Administration may review the policy of 'maximum pressure' against Iran.

Across the waterways, the new contours of strategic re-posturing by the Arab Gulf states are taking shape. An important facet is the

momentous decision of some Gulf states¹¹ to establish diplomatic relations with Israel. Normalization of Arab relations with Israel is a sequel of Trump's Middle East policy and may prove to be his main legacy.

The Arab arena has witnessed deep transformations over the past few decades. Established assumptions have been challenged and overturned. These were consequent to a reordering of power balance necessitated by US policies and its impact on the political geography of the Middle East and North Africa.

Some Arab states have accorded priority and preference to India over Pakistan. They would however, soon realize that their assessment of the ground realities of India was not correct. Nevertheless, Pakistan should continue to accord high priority to maintaining close and comprehensive relations with all Muslim states even if their vocal support for the Kashmir issue is not as forthcoming as is Pakistani expectation.

Pakistan's relations with South Asian states minus India are satisfactory. There is ample scope for further enhancing trade and

¹¹ Omar Rahman, "What's behind the Relationship between Israel and Arab Gulf States?," *Brookings* (blog), January 28, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/01/28/whats-behind-the-relationship-between-israel-and-arab-gulf-states/>.

economic cooperation especially with Nepal, Bangladesh, Maldives, and Sri Lanka. Regional cooperation in South Asia minus India and plus China needs to be revived, under another rubric. SAARC has been made redundant by India.¹² Meanwhile, Pakistan should continue to signal the importance it attaches to reviving this forum.

Islamabad also needs to undertake a dedicated reach out to ASEAN states and enhance dialogue and cooperation with Japan and South Korea. Australia and New Zealand also offer many opportunities for mutually beneficial cooperation in agriculture, education, marine sciences, and technology.

Africa has recently received attention and it is time that more resources are dedicated to forging closer relations with as many countries of this continent. Relations with Russia have improved significantly and there is scope for building multifaceted cooperation based on a clear recognition of increasing convergence of interests. Relations with Europe have traditionally been good. High-level dialogue needs to be deepened. The summit level dialogue with the European Union (EU) needs to be revived. Pakistan also needs to

make a reach out to South America with a view to enhancing economic, trade and cultural cooperation.¹³

Pakistan-China relations have withstood the test of time and have grown in strength and scope. All-round cooperation must be taken forward in tangible terms in 2021. Devoting full attention to completion of CPEC projects and covering new ground is essential for Pakistan's economic development. Cooperation in defense and defense industry, science and technology and in the fields of education and culture are likely to gain further momentum. China will remain a lifeline for Pakistan's security and development.

Relations with the US are also long-standing. New areas of common interests will have to be identified. There is ample scope for US to play an important role with Pakistan's collaboration in building a solid edifice of inter-regional cooperation. Pakistan will have to spell out its own geo-economic perspective to the Biden Administration and seek avenues for private sector cooperation in all sectors. The Pakistani-American expatriate community can play an important role in building bridges between the two countries. It is also necessary

¹² Muhammad Hanif, "Why India Is Undermining the Integrity of the SAARC?," *Daily Times* (blog), February 25, 2020, <https://dailytimes.com.pk/564934/why-india-is-undermining-the-integrity-of-the-saarc/>.

¹³ "South America – New Trade Horizon for Pakistan," *Business Recorder* (blog), November 16, 2011, <https://fp.brecorder.com/2011/11/201111161251557/>.

to move away from Afghanistan centric view of bilateral cooperation. a

Regional organizations such as the Shanghai Cooperation Organization provide useful avenues for mutually beneficial regional cooperation. Pakistan needs to utilize this forum more effectively. China, Russia together with Central Asian partners could make a huge contribution towards realizing the vision of greater regional connectivity with Pakistan providing the logistic routes over its land and seaports to this landlocked region.

Supporting the Kashmiri struggle for freedom will continue to preoccupy Pakistan for a long time. The sensitizing of the international community must continue but also tangible steps need to be taken to mobilize material support to strengthen Kashmiri civil societies and to provide humanitarian relief to the besieged people. While the Jammu and Kashmir issue is essentially about self-determination, it is also a territorial question to which besides the Kashmiris, Pakistan and China are also parties. This aspect also needs to be kept in view and utilized for the advantage of Kashmiris. Any future discussion on the Kashmir issue must include all concerned parties.

Managing relations with India is a big challenge. Now that the façade of secularism

has been removed, Islamabad needs to deal with the reality of a revanchist Hindu state that has not reconciled to Pakistan's existence.¹⁴ Resuming official dialogue with India, unless it comes around to accepting the disputed nature of the illegally occupied Jammu and Kashmir is not an option. This should not, however, preclude having unofficial contacts with the RSS Hindu Council to ascertain their views on a host of issues that have bedeviled relations between the two countries.

Pakistan's national strength is the surest guarantee against any Indian military miscalculation. A robust defense posture with the full array of Pakistan's capacities and a declared will to inflict unacceptable damage must remain our established policy.

Fortunately, making socio-economic advancement as a strategic priority number one is now recognized by all stakeholders within Pakistan. The vision of a developed and progressive nation, serving as an anchor of regional stability and peace, must guide all national endeavors.

¹⁴ M. R., "The Erosion of Secular India," *The Economist*, February 4, 2020, <https://www.economist.com/the-economist-explains/2020/02/04/the-erosion-of-secular-india>.

CPEC offers an invaluable tool to make this vision a reality.¹⁵ Opening up CPEC to all interested and extending its scope in all directions will enable Islamabad to optimally turn geography to its advantage and be Pakistan's greatest strength. In short, a geo-economic vision for Pakistan, unconstrained by all other considerations provides a good confluence to the streaks of idealism that the Pakistani nation embodies and pragmatism that it requires.

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¹⁵ Muhammad Akbar Notezai, "CPEC 2.0: Full Speed Ahead," *The Diplomat*, September 10, 2020, <https://thediplomat.com/2020/09/cpec-2-0-full-speed-ahead/>.

EMERGING SECURITY ENVIRONMENT IN 2021 AND CHALLENGES FOR PAKISTAN

LT. GEN. ASIF YASIN MALIK (RETD)

At the advent of the twenty-first century, many predictions were made about events and happenings of this millennium across a broad spectrum of scope and dimensions. These were based mostly on experiences of contemporary history, at best spanning over the last two centuries. Where those astrologers failed was the velocity of change and the absence of a logical transition. The world has changed in a magnitude and in dimensions that were unimaginable in those times. What has happened is that time difference between fiction and reality is reducing by the day.

Geo-politics is no exception in this context and has witnessed equally scintillating and unimaginable happenings in this century. Whereas there have been numerous micro-level changes, there is no dearth of transformation at the macro level also. Who could imagine that Russia, one of the states of the erstwhile Soviet Union would invade and capture Crimea,¹ a territory of Ukraine, member of North Atlantic Treaty

Organization (NATO) military alliance, and that NATO wouldn't even whimper? Who could imagine that a small mound of sand in the South China Sea would be converted into a full-fledged military base by China right in the backyard of pro-Western countries?² Who could imagine that UAE would recognize Israel and the Prime Minister of Israel?³ Who could imagine that killing of one black man would put whole of the United States on fire and a mass movement would engulf the globe?⁴

In this context, this paper scans the emerging international security environment, charts regional threats in South Asia, and highlights challenges and policy choices confronting policy-makers in Pakistan.

² James Griffiths, "South China Sea: Beijing's Military Bases in Disputed Waters Would Be Very Difficult to Defend, Report Claims," *CNN*, December 7, 2020, <https://edition.cnn.com/2020/12/07/china/south-china-sea-bases-military-intl-hnk/index.html>.

³ "Israel, UAE Reach 'historic Peace Agreement' - World," *DAWN*, August 14, 2020, <https://www.dawn.com/news/1574213>.

⁴ Jasmeet Sidhu, "'I Can't Breathe': The Refrain That Reignited a Movement," *Amnesty International*, June 30, 2020, <https://www.amnesty.org/en/latest/news/2020/06/i-cant-breathe-refrain-reignited-movement/>.

¹ Jon Rogers, "Why Did Russia Annex Crimea and What Happened on the Kerch Strait?," *The Sun*, April 19, 2019, <https://www.thesun.co.uk/news/7843915/russia-annex-crimea-kerch-strait-ukraine/>.

Global Security Environment

The global security environment has undergone a quantum change with numerous new dimensions and happenings. Few significant developments directly influencing international security are:

1. Exit of the United Kingdom from the European Union.⁵
2. Re-designation of Asia-Pacific as Indo-Pacific by the United States.⁶
3. *De facto* acceptance of the North Korean nuclear and strategic program. .
4. Emergence of a new security bloc involving Gulf countries, US and Israel to directly challenge Iran and indirectly Pakistan.
5. Drift of Turkey, in spite of being a NATO member, towards forming a new regional bloc.
6. Growing Chinese influence in Asia and Africa despite Western political and - economic footprint.⁷
7. Shift of India from being a historic Russian ally to strategic partner of the US.⁸

⁵ "Brexit: What You Need to Know about the UK Leaving the EU," *BBC News*, December 31, 2020, <https://www.bbc.com/news/uk-politics-32810887>.

⁶ Felix Heiduk and Gudrun Wacker, "From Asia-Pacific to Indo-Pacific: Significance, Implementation and Challenges," *SWP Research Paper*, no. 9 (July 2020), <https://doi.org/doi:10.18449/2020RP09>.

⁷ Rolinhlanhla Kudzaisho Zinyemba, "China's Influence on Africa Is Growing. Where Does It Lead?," *News Decoder* (blog), February 28, 2019, <https://news-decoder.com/africa-china-trade-loans/>.

⁸ Sumit Ganguly, "India and the United States Need Each Other Mostly Because of China," *Foreign Policy*, August 3,

8. Intensifying strategic competition between China and the US with attendant consequences for the world.⁹

9. 'Wheels Up' withdrawal of US-led NATO forces from Afghanistan.¹⁰

10. Devastating effect of COVID -19 on security potential of many leading militaries.

11. Doubtful electoral process in the US and the transition process marred by controversy, violence and predictable anarchy.¹¹

Regional Security Environment

As an obvious outcome of the global geo-strategic shift, the regional security situation has also been transformed in a meaningful way. In this context developments in India, Afghanistan, Iran, China, Gulf, and smaller South Asian states have a direct bearing on Pakistan.

2020, <https://foreignpolicy.com/2020/08/03/india-united-states-balancing-china-threat/>.

⁹ Maham S. Gilani, "On Strategic Competition between China and US," *Centre for Aerospace & Security Studies (CASS)*, November 20, 2020, <https://casstt.com/post/on-strategic-competition-between-china-and-us/273>.

¹⁰ Teri Schultz, "Afghanistan: NATO Girds for US Troop Withdrawal," *DW.Com*, November 18, 2020, <https://www.dw.com/en/afghanistan-nato-girds-for-us-troop-withdrawal/a-55654045>.

¹¹ "What Is the Electoral College and Why Is It Controversial?," *Anti-Defamation League (ADL)*, accessed December 31, 2020, <https://www.adl.org/education/resources/tools-and-strategies/what-is-the-electoral-college-and-why-is-it-controversial>.

First, India being the largest population and landmass in South Asia has great influence on events in Asia and world's approach towards the region. In recent years, India itself has undergone a major strategic realignment i.e. from an established Eastern bloc nation to a complete US strategic partner and a perceived bulwark against China. As a consequence, it has mistakenly started to feel and behave like a regional bully. It is, moreover, attempting to behave like a global power while it doesn't have the credentials of even a local force. In this pursuit, it has gone on a weaponization spree despite abysmal economic indicators. Moreover, misplaced 'super power status' cautiousness has tempted it to take aggressive actions against all its neighbors. The latest example being the Sino-Indian clash, in which the Chinese gave a thrashing to the Indian forces.¹² It was, in fact, a message to the new supporters of India i.e., the US and the West rather than a response to misplaced Indian military aggression.

As far as 2021 is concerned, India will further augment its military capabilities and redirect its defense posture from the west only to north inclusive. Meanwhile, India is in an

unprecedented state of regional isolation as all its neighbors have frictional relations with it. Indian economy will further deteriorate and internal unrest will accentuate bringing it nearer to a potentially fissiparous outcome. India is likely to exploit the new US-Arab-Israel nexus and prospects of a kinetic action against Iran and attempt some sort of 'punitive' military action like a surgical strike to avenge its embarrassment caused due to the shooting down of two fighter aircraft and taking prisoner of a pilot by Pakistan.¹³ As far as Pakistan is concerned, there is little doubt that India will massively intensify its efforts to promote internal chaos and instability along with divisive tendencies in the society.

Second, China is the most significant strategic player in the region and is likely to dominate the landscape for the foreseeable future.¹⁴ In 2021 it is likely to continue its socio-economic expansion in Asia and Africa. It is also likely to emerge as a reckonable influence on the security landscape of South Asia, particularly a visible player in the Indian Ocean. The

¹² Ankit Panda, "A Skirmish in Galwan Valley: India and China's Deadliest Clash in More Than 50 Years," *The Diplomat*, June 17, 2020, <https://thediplomat.com/2020/06/a-skirmish-in-galwan-valley-india-and-chinas-deadliest-clash-in-more-than-50-years/>.

¹³ "2 Indian Aircraft Violating Pakistani Airspace Shot down; Pilot Captured," *DAWN*, February 25, 2019, <https://www.dawn.com/news/1466347>.

¹⁴ Raymond Lee, "The Strategic Importance of Chinese-Pakistani Relations," *Al Jazeera*, August 3, 2016, <http://studies.aljazeera.net/en/reports/2016/08/strategic-importance-chinese-pakistani-relations-160803101555719.html>.

proposed Iran-China economic cooperation¹⁵ is a manifestation of its interest in the affairs of Gulf. It will try to overshadow the US-led sanctions on Iran despite reservations from other Gulf states. China is also likely to emerge as a significant factor in post US withdrawal Afghanistan. Overall, China will be a decisive player in influencing political, economic, and security dynamics in South Asia. First phase of the Belt and Road Initiative (BRI) is in its final stages¹⁶ and its design is emerging as a game-changer in the region. In 2021 BRI will expand with more visible socio-economic activity bringing direct economic dividends to the countries part of the initiative.

Third, Iran is slated to be the most happening country in 2021, and consequently, influence regional dynamics. This will primarily be driven by two factors i.e., (i) policy review, if any, by the new US administration; and (ii) Arab-Israel nexus and its designs to resort to kinetic measures against Iran. Moreover, Tehran is taking a keen interest in the outcome of Afghan Peace Process and will be

a major stakeholder in the post Peace Accord Afghanistan.¹⁷ If the US, Israel and Gulf states countries continue to escalate pressure on Iran, then Tehran would be forced to act in an unprecedented manner with its attendant consequences. A major consequence of strife will be complete chaos in the Persian Gulf causing serious turmoil in the global oil market. Hence, 2021 can potentially witness a major oil crisis, with sharp up-surge in oil prices leading to economic hardship for developing countries.

Fourth, in Afghanistan, 2021 will possibly be the most significant year as the peace accord will most likely come into effect. As a result, a new dispensation can take over the reins of the country. The constitution, policy outlook and stability of the transition and peace in Afghanistan would have a direct impact on Pakistan and the regional countries. A realistic case exists of significant improvement in Pak-Afghan relations with far-reaching consequences for the internal and external security dynamics of Pakistan.¹⁸ Several spoilers would do their best to scuttle the

¹⁵ Alam Saleh and Zakiyeh Yazdanshenas, "Iran's Pact With China Is Bad News for the West," *Foreign Policy* (blog), August 9, 2020, <https://foreignpolicy.com/2020/08/09/irans-pact-with-china-is-bad-news-for-the-west/>.

¹⁶ Lily Kuo and Niko Kommenda, "What Is China's Belt and Road Initiative?," *The Guardian*, July 30, 2018, <http://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>.

¹⁷ Inayat Ur Rehman Saqeb, "Iran's Balanced Role in Afghanistan," *Modern Diplomacy* (blog), September 14, 2020, <https://moderndiplomacy.eu/2020/09/14/irans-balanced-role-in-afghanistan/>.

¹⁸ Mehreen Naushad, "Pakistan and the Afghan Peace Process," *The News*, December 23, 2020, <https://www.thenews.com.pk/print/762800-pakistan-and-the-afghan-peace-process>.

peace process which could plunge the country into a civil warlike situation causing serious domestic unrest and regional turbulence. In this case scenario, a large number of refugees are likely to cross over into Pakistan and Iran.

Fifth, during 2021 a major policy shift in the Gulf Cooperation Council (GCC) countries external policies could be witnessed due to the new found strategic convergence with Israel. The most likely and most significant development would be direct or *de facto* recognition of Israel by the Kingdom of Saudi Arabia.¹⁹ Such an action may cause some internal instability due to negative public reaction. As a consequence, there is likely to be a paradigm shift in foreign and domestic policies of these countries with significant implications for countries abstaining from endorsing engagement with Israel and a causality would be the expatriate population from these countries. Events in the United Arab Emirates in the last few months of 2020 are already pointing to such an eventuality.

Sixth, the smaller South Asian states of Bangladesh, Sri Lanka, and Nepal are likely to exhibit major policy shifts vis a vis India and China in 2021. These countries will undertake such changes due to two major reasons. First,

China's efforts to initiate economic cooperation with these countries and second is the Indian arrogance undermining their national interests. Moreover, prospects of enhanced defense and security cooperation between these nations and China cannot be ruled out.

Challenges for Pakistan in 2021

With changing global and regional environment likely to emerge in 2021, Pakistan cannot stay oblivious of these changes and must be prepared to overcome the resulting challenges. These will not only be unprecedented but would be in innumerable dimensions and levels. Irrespective of the field or scope each of these challenges will have a serious and direct bearing on national security. Unless Pakistan is cognizant of these challenges and has the ability to meet these upfront, it will not be able to have an effective response mechanism, which is strong enough to overcome these.

Geo-politics

2021 will likely witness unprecedented turmoil in geo-politics with grave consequences for most countries at various scales. Globally the strategy of unilateralism will suffer a setback.

¹⁹ Zahid Hussain, "Recognising Israel," *DAWN*, November 25, 2020, <https://www.dawn.com/news/1592222>.

Multilateralism will start prevailing²⁰ and would create a safer environment for smaller states. The chances of being coerced through military or economic means would reduce if a country is part of a larger multilateral group. Therefore, countries will have to reduce reliance on bilateral relations and revert back to larger groupings for enhancing their security. In case of Pakistan, instead of relying on one country or the other, priority should be to deepen engagement with regional organizations such as SCO. Being just part of these groupings would not accrue the required dividends, there will have to be an active and effective participation.

In 2021 the new US administration would take charge and revisit the policies towards Pakistan particularly in the light of conclusion of Afghan dialogue and reduced significance of Pakistan for Washington. This review will importantly happen under the historic and obvious tilt of the Democratic party towards India. What particularly needs to be taken into account is the fact that several Indian-Americans are slated to be assuming key positions in the Biden Administration. Pakistan will, therefore, have to recalibrate its

US policy and work towards building a fresh relationship in view of the changed realities. Most importantly, focus of the bilateral relationship needs to be directed towards regional peace and stability from sole attention on Afghan peace process. Pakistan should pay priority attention to the impact of American support to India for propping it up as a bulwark against China and making it the local hegemon for guarding its interests.

In the Middle East, 2021 will witness the shaping of a new security architecture rooted in close collaboration between the GCC and Israel. Such an arrangement will totally negate the decades old view of Muslim unity and pro-Pakistan leaning of the Gulf states. It would also lead to a rethink of active role of Pakistani security forces in formulating and implementing the security policies of Gulf nations. The new architecture is furthermore likely to be influenced by a pro-India lobby in the GCC elite and their efforts to support the US. In response, Pakistan should, therefore, launch a strong diplomatic effort to retain its place in the Middle East in spite of Arab engagement with Israel. Moreover, Pakistan has to engage countries such as Turkey, Malaysia, and Indonesia for meaningful geo-strategic coordination and cooperation.

²⁰ Mark Owen, David Rich, and Juliette Laurain, "The Debate - The Future of Multilateralism: Covid-19, a Game Changer for International Cooperation?," *France24*, November 12, 2020, <https://www.france24.com/en/tv-shows/the-debate/20201112-the-future-of-multilateralism-covid-19-a-game-changer-for-international-cooperation>.

Pakistan- Iran relationship is likely to reach a turning point in 2021 as Iran's strategic vulnerability to Gulf-Israel-US combine will compel it to recalibrate its regional policies. In such an eventuality, Islamabad would have to tread carefully in maintaining stable relations with Tehran, while not getting embroiled in any anti-Iran conflict. This will also entail critical measures on Pak-Iran borders²¹ as well as close monitoring of situation in southern Afghanistan. Such a conflict and Islamabad's incorrect posturing would also ignite sectarian instability on the domestic scene.

Similarly, in Afghanistan a new political scenario can emerge leading to further domestic instability. Islamabad should remain focused on ensuring a successful conclusion and then implementation of the peace agreement. On its side, Pakistan must complete fencing of border at a fast pace.²² In case of turmoil in Afghanistan, Islamabad must be prepared to meet the influx of nearly one and a half to two million refugees to add to the already present two and a half million. Such a storm would cause serious socio-

economic crisis for which Pakistan's resources and capabilities would not suffice. Islamabad would then have to timely seek external assistance to meet the challenge in case of such an eventuality.

Across the eastern border, India has been seeking a face-saving after strong military responses from Pakistan and China to its adventurism. Since China is too big and powerful, India is likely to again undertake small-scale intrusive kinetic action against Pakistan.²³ Pakistan has to be prepared on the military front as well as diplomatic. Islamabad should make it absolutely clear to New Delhi and other capitals that any Indian adventure would be responded with full force and Pakistan will not be responsible for the consequences.²⁴ This, however, necessitates complementary steps towards national unity to meet such a challenge. India is already engaged in an unconventional war against Pakistan, as demonstrated through recent dossier released by Pakistan. This should compel Pakistan to take very definite measures to identify similar such efforts and neutralize them well in time.

²¹ Shahid Hussain, "Iran and Pakistan: Placing Border Problems in Context," *The Diplomat*, June 12, 2020, <https://thediplomat.com/2020/06/iran-and-pakistan-placing-border-problems-in-context/>.

²² Ayaz Gul, "Afghan Border Fencing to Be Completed by 2020, Pakistan Says," *Voice of America*, November 5, 2019, <https://www.voanews.com/south-central-asia/afghan-border-fencing-be-completed-2020-pakistan-says>.

²³ Asad Hashim, "Pakistan Alleges India Preparing for 'Surgical Strike,'" *Al Jazeera*, December 18, 2020, <https://www.aljazeera.com/news/2020/12/18/pakistan-alleges-india-preparing-for-surgical>.

²⁴ "Pakistani Troops Will Respond with 'full Force' to Indian Ceasefire Violations: COAS Gen Bajwa," *DAWN*, December 2, 2016, <http://www.dawn.com/news/1300046>.

Military Threats

As the Indo-US strategic relationship matures and the Gulf develops ties with Israel, India has been on an armament spree, including acquisition of power projection capabilities. Meanwhile, with growing conventional imbalance between India and Pakistan Islamabad's reliance on Strategic Deterrence has also increased, which itself faces limitations. Although there are constraints on employing conventional force there remains a space below the nuclear threshold. It is in this context that 2021 may witness a False Flag operation followed by a kinetic cross LoC adventure (Surgical Strike). Therefore, Pakistan has to prepare for an integrated joint service response, for which enhancing tri-service jointness is imperative. In this context, a strong and effective Joint Services Headquarters would be the answer, which Pakistan should establish as early as possible. It requires political will and the onus lies on the government in power.

Meanwhile, opposition parties' criticism of military is not conducive for a defensive response by the armed forces. It could weaken the trust of the people in the armed forces as well draw a wedge between the senior military leadership and the rest of the

force.²⁵ Both these efforts are unprecedented and have never ever been undertaken in Pakistan's history. It is, therefore, essential that this tide should be checked before it starts damaging beyond repair. For this introspection by political forces and military as an institution, needs to be undertaken. One of the immediate measures could be a reduction of media foot print of the armed forces and reduced exposure to the public at large.

Internal Security

This will be most critical challenge as Pakistan steps into the new year. Following are some of the recommended steps for improving the internal security environment:

- Serious measures have to be taken to improve the governance standards in the country so as to bring socio-economic justice to the doorstep of every Pakistani. This is the most essential requirement for the national security.
- The political unrest is likely to cross the threshold of internal stability as the opposition parties are in a state of desperation. As the government crosses its

²⁵ Frud Bezhan, "Pakistan's Powerful Military Faces Biggest Challenge In Years," *Gandhara*, October 23, 2020, <https://gandhara.rferl.org/a/pakistan-s-powerful-military-faces-biggest-challenge-in-years/30909240.html>.

mid tenure benchmark and overcomes macro-economic problems and numerous corruption cases reach their culmination, the space for its constitutional overthrow has narrowed. This political instability also creates space for foreign interests to exploit the political divisiveness directly or indirectly.

- Urgent and strong measures must be taken to reduce poverty and lower the cost of living of common man because tolerance threshold is about to be crossed. Social dissatisfaction is the most exploitable factor on the national security spectrum and is already being targeted by hostile elements and forces.
- Law and order situation require a serious effort on part of all provincial governments irrespective of political affiliation. The state must fully enforce its writ across the board and, law and order should be established at all costs. This may be the year of 'make or break' significance in this context.
- While the handling of COVID-19 has been quite satisfactory in 2020, the second wave has alarmed the country and the government seems to be lagging. Spread of this pandemic would become a source of exploitable unrest thereby affecting the overall governance system.
- While the economy has seen some recovery in 2020 yet it has not reached a level

where people can experience a stable and growing economy with guaranteed future prospects. With the national economy being an essential ingredient of national security, the government has to make 2021 as the Year of Economic Recovery setting and achieving important markers in this context.

- The biggest hazard to national security on the internal front is the loss of trust by the populace in the ability of state to safeguard their interests against foreign and domestic threats, and provide a balanced social structure for one and all.

Conclusion

2021 will be a critical year for security of Pakistan both on foreign and domestic fronts. As the global and regional landscape undergoes major changes Pakistan faces equally significant challenges to its security. If the state can face these security challenges and create internal strength and stability this year it will succeed in putting Pakistan on a path of long-term development and prosperity, which the people of Pakistan very well deserve.

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PAKISTAN'S TERRORISM LANDSCAPE: CHALLENGES AND PROJECTIONS

SAFDAR SIAL

Introduction

The year 2020 sustained the declining trend in the incidence of terrorist violence in Pakistan that has been ongoing since 2014. The statistics provided by Pakistan Security Report 2020 indicated a 36 percent decrease in the number of terrorist attacks this year, as compared to 2019; the number of people killed in these attacks also plummeted by 38 percent.¹ However, these plummeting numbers do not suggest, in any way, that the threat of terrorism has been completely eliminated. Secondly, the underlying factors of religious extremism and persecution persist in the country, which could feed into terrorist violence and/or faith-based violence by individuals and mobs. While the incidence and level of terrorist violence can be measured, it is very hard to measure extremism and extremist trends in society. Therefore, a reduction in terrorist violence should not be taken as a measure of a reduction in extremism.

The Pakistan Institute of Peace Studies' (PIPS) report expounded that the Tehreek-e-Taliban Pakistan (TTP) and its affiliates continued to regroup in parts of Khyber Pakhtunkhwa in 2020; they were believed to be involved in most of the 79 attacks reported from KP, and also claimed few attacks in Karachi, Rawalpindi, and Balochistan. The TTP leadership has also managed to bring some former splinters as well as other groups into its fold, including Hizb-ul-Ahrar and Jamaat-ul-Ahrar. The slow reforms process in erstwhile FATA has resulted in lackluster administrative, judicial, security, and economic reforms. Experts assert that any governance failures in merged tribal districts or a new war in Afghanistan in the wake of US withdrawal will likely open up new avenues for hardcore militants.²

Baloch insurgents were apparently also trying to intensify their attacks (they launched multiple high-impact attacks in 2020) and expand their areas of operations as was visible from their attack on Karachi Stock Exchange. Secondly, they have been placing more focus on south and southwestern Balochistan where Gwadar port - the lynchpin of China-Pakistan

¹ The report was prepared by Pak Institute for Peace Studies (PIPS). A summary of can be seen here: <https://www.pakpips.com/web/wp-content/uploads/2021/01/Conflict-and-Peace-Studies.pdf>

² Ibid.

Economic Corridor (CPEC), is situated. Similarly, Sindhi militant groups perpetrated at least 10 attacks in Sindh during the year.³ These groups have a history of undertaking sporadic low-intensity, low-impact attacks. But in 2020 they managed to create some impact both in terms of the number and intensity of the attacks they launched. Half of the attacks by Sindhi militants targeted security forces.

As far as the manifestation of religious extremism in the country is concerned, growing sectarian and communal tensions in the year were one indicator. While no such incident had taken place in 2019, as many as eight incidents of communal or faith-based violence were recorded in Pakistan in 2020, including six in Khyber Pakhtunkhwa and two in Punjab. Members of the Ahmadi community and blasphemy-accused were targeted in such violence. In one of these incidents, the shrine (Samadhi) of a Hindu saint was vandalized and torched in Karak, KPK. Similarly, while on the whole sectarian violence has plummeted in Pakistan in recent years, yet its underlying drivers as well as sectarian discord and the groups promoting it, continue to exist. The sectarian tensions that gripped the country during and after Moharram in 2020 once again exposed the

country's sectarian vulnerabilities and fault-lines.⁴

a

In recent years, the government has produced clergy-backed documents like the Paigham-e-Pakistan and the Code of Conduct (CoC). Its aim is to promote interfaith and intersect harmony and counter the ideologies and narratives of extremist groups. However, the effectiveness of these initiatives remains to be seen. Released in October 2020, the CoC acknowledged the right of citizens to practice their religion and religious rites and declared that any resort to violence in the name of enforcing Islam was illegal and rebellious. The government has also developed a legal draft (Paigham-e-Pakistan bill) to protect the honour of the family members and companions of the Prophet (PBUH). Experts argue that the problem of sectarianism is structural and deep-rooted and cannot be solved with legislative measures and public relations exercises. Some even argue that religious organizations, including the banned ones, use such state-led initiatives as a cover to survive and keep their networks intact. For instance, during the countrywide sectarian protests in September 2020, “the same religious leaders who had been preaching sectarian tolerance until last year [as espoused

³ Ibid.

⁴ Data is derived from Pak Institute for Peace Studies' (PIPS) digital database on security incidents: www.pakpips.com/app/database

in Paigham-e-Pakistan] suddenly took to the streets with slogans of hatred.”⁵

Many experts also see this as an indication of the faltering and inconsistent implementation of National Action Plan (NAP). They argue that the successive governments have been using NAP to flaunt their anti-terror credentials to the world, instead of using it as a meaningful framework for addressing the challenges of terrorism and extremism. There is also this perception that the incumbent government is seemingly not interested in reviewing, revising, or expanding NAP. According to a media report, the Prime Minister was briefed, in June 2020, on an “Internal National Action Plan devised during the last 20 months for internal security and for that purpose 14 high-level committees of experts had been formed to submit proposals on different issues within a month.”⁶ However, the subsequent official efforts suggested that this plan largely relates to countering terrorist financing, and the wider internal security policy or NAP did not manage to get the required policy traction.

⁵ Muhammad Amir Rana, “Perils of sectarianism,” *Dawn*, October 4, 2020.

⁶ Syed Irfan Raza, “Internal security plan prepared, PM told,” *Dawn*, June 11, 2020.

Pakistan’s Terrorism Landscape in 2020⁷

According to PIPS’ Pakistan Security Report 2020, marking a decline of over 36 percent from the year before, different militant, nationalist/insurgent, and violent sectarian groups perpetrated a total of 146 terrorist attacks across Pakistan including three suicide blasts. These attacks claimed 220 lives – a decline of 38 percent from those killed in similar attacks in 2019 – and injured another 547 people.

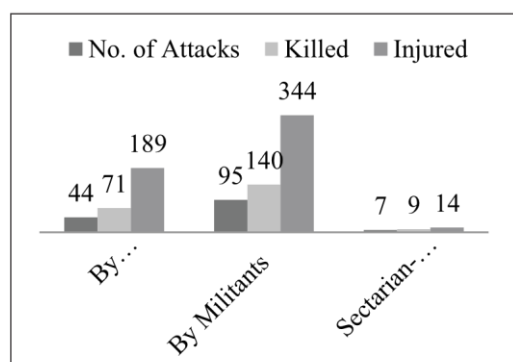


Chart 1: Classification of Terrorist Attacks in Pakistan in 2020

Khyber Pakhtunkhwa witnessed the highest number of terrorist attacks for any one region of Pakistan in 2020. A total of 79 terrorist attacks happened in the province, including 31 in the North Waziristan tribal district alone, which in all claimed 100 lives and inflicted injuries on another 206 people. After Khyber Pakhtunkhwa, Balochistan province was most affected by terrorism, in 2020, where 95 people were killed and 216 others were

⁷ Data and statistics used in this section are derived from Pakistan Security Report 2020 and PIPS digital database on security, unless otherwise described.

injured in 42 reported attacks. As many as 18 terrorist attacks happened in Sindh province – 15 in Karachi and 3 in interior Sindh – which killed a total of 20 people and injured 66 others. In all, seven (7) terrorist attacks took place in Punjab in the year 2020 which claimed five lives and injured 59 people.

Region	No. of Attacks	Killed	Injured
Khyber Pakhtunkhwa	79	100	206
Balochistan	42	95	216
Punjab	7	5	59
Karachi	15	17	65
Sindh (excluding Karachi)	3	3	1
Islamabad/AJK /GB	0	0	0
Total	146	220	547

Table 1: Terrorist Attacks in Pakistan in 2020

While in 2020, a considerable decrease was recorded in the number of terrorist attacks compared to the previous year, there has been a gradual decrease in such attacks and consequent fatalities in Pakistan since 2014; indeed terrorism had started to take a downturn from 2009 onward with the only exception of 2013. The continuous operational and surveillance campaigns by security forces and police's counter terrorism

departments (CTDs) – including military operations Zarb-e-Azb, Khyber I-IV, Karachi Operation as well as the operation Raddul Fasaad – and some counter-extremism actions taken under the NAP have apparently helped sustain that declining trend in the terrorist violence.

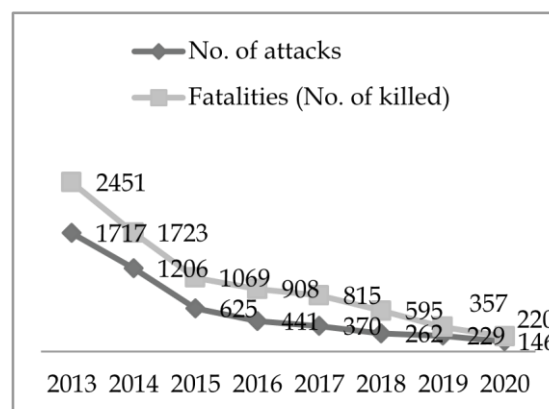


Chart 2: Comparison of Terrorist Attacks and Fatalities in Pakistan (2013-2020)

Security forces apparently stepped up anti-militant operations in 2020. Compared to 28 in the year before, security forces and law enforcement agencies conducted 47 anti-militant operational strikes, during 2020, in 22 districts and regions of Pakistan. There were 146 people fatalities in these actions, as compared to 81 in 2019, and injured 22 others. Those 146 included 129 militants killed and 17 Pakistan Army soldiers martyred. Out of the total 47 operational strikes reported, in 2020, as many as 28 were conducted in KP, 15 in Balochistan, and two

each in Punjab and Sindh. Security and law enforcement agencies ~~and~~ entered in a total of 15 armed clashes and encounters with militants – a decrease of 40 percent from such incidents in previous year – across 11 districts of the country. These armed clashes and encounters claimed 38 lives (29 militants, 7 security personnel, and 2 civilians).

While Pakistani security forces' anti-militant operations continued to weaken the militants, some important Pakistani Taliban leaders were also killed in Afghanistan. Similarly, few key Al-Qaeda leaders were killed in Afghanistan including Husam Abd al-Rauf, also known as Abu Muhsin al-Masri. Al-Qaeda has been striving to improve its relevance and alliances in the region including through the establishment of its franchise, Al-Qaeda in the Indian Subcontinent (AQIS), in 2014. While it has cemented its ties with the Afghan Taliban, according to some accounts, it has also helped the Tehreek-e-Taliban Pakistan (TTP) in recovering and regrouping in recent years; some AQ-aligned Pakistani groups even joined the TTP.⁸ The Islamic State (IS) group in Afghanistan has also suffered serious losses in recent years, including on the hands of the Afghan

government as well as the Afghan Taliban, and has undergone fragmentations including in its main ally the Islamic Movement of Uzbekistan. Yet, its surviving cells are engaging in large attacks, and analysts warn against underestimating the IS threat in the region, mainly due to its ability to exploit the conflicts such as in Afghanistan, Kashmir, or elsewhere.⁹

In February 2020, media reported that some key TTP leaders had been killed in Afghanistan including TTP deputy leader Sheikh Khalid Haqqani, and Qari Saif Younis, a military commander within the group,¹⁰ and Shehryar Mehsud, leader of a breakaway faction of the TTP.¹¹ Later in August, Assadullah Orakzai, a former Pakistani Taliban leader who later joined IS and became the head of intelligence for its Khorasan chapter, was reportedly killed in an operation by Afghan security forces. A BBC report, in April 2020, claimed the Pakistani Taliban militants who are sheltered across the border may want to relocate to their native towns in tribal districts. The report quoted the defense

⁹ Ibid.

¹⁰ Secunder Kermani & Sami Yousafzai & Ishtiaq Mehsud, "Kabul Taliban: Spies, militants and a mysterious assassination", *BBC News*, February 7, 2020, <https://www.bbc.com/news/world-asia-51356940>

¹¹ Secunder Kermani & Ishtiaq Mehsud, "Crackdown on militants as US and Afghan Taliban seek deal", *BBC News*, February 15, 2020, <https://www.bbc.com/news/world-asia-51495137>

⁸ Asfandiyar Mir, "Afghanistan's terrorism challenge: the political trajectories of Al-Qaeda, the Afghan Taliban, and the Islamic State," Middle East Institute, October 2020, <https://www.mei.edu/sites/default/files/2020-10/Afghanistan%27s%20Terrorism%20Challenge.pdf>

analyst Brigadier (Retd.) Mehmood Shah to claim that about 9,000 such Taliban militants wanted to come back to their native towns in Khyber Pakhtunkhwa after seeking forgiveness and promising to quit violence.¹² Similarly, a UN report estimated “[t]he total number of Pakistani foreign terrorist fighters in Afghanistan, posing a threat to both countries” to be between 6,000 and 6,500 and most of them with the TTP.¹³ While the UN report termed the TTP as the largest Pakistani group in Afghanistan and the main threat for Pakistan, it noted that that many former TTP members had already joined the Islamic State’s Khorasan Province or chapter, also called ISKP.¹⁴

As stated earlier, the TTP and its affiliates are continuing their effort to regroup in parts of Pakistan, which is visible from their growing presence and activities in North Waziristan, Bajaur, and other tribal districts. Moreover, they have also claimed some attacks in Karachi (Sindh), Balochistan, and Punjab’s Rawalpindi district in recent months.

On the whole, as compared to the nationalist insurgents and violent sectarian groups, the militant groups such as TTP and its ilk committed more terrorist violence in the country in the year 2020. On the whole, the TTP, its splinter groups Hizbul Ahrar and Jamaatul Ahrar – which rejoined it in August – as well as other militant groups with similar objectives such as local Taliban groups, Lashkar-e-Islam and ISIS-affiliates, etc., carried out 95 attacks in Pakistan killing 140 people and injuring 344 others. Most of these attacks (75, or about 79 percent) concentrated in Khyber Pakhtunkhwa with 31 in North Waziristan alone; another nine attacks happened in Bajaur and six each in in South Waziristan and Peshawar districts. Similarly, the TTP and similar groups perpetrated 10 attacks in Balochistan, including four attacks in each of Quetta and Qilla Abdullah districts, and carried out another four attacks in Karachi. Meanwhile, the TTP and its former splinters were believed to be involved in six attacks in Rawalpindi, the twin city of the federal capital Islamabad.

Meanwhile, Baloch and Sindhi nationalist insurgent groups carried out 43 attacks – as compared to 57 such attacks in 2019 – which claimed 71 lives and wounded another 174 people. Different Baloch insurgent groups perpetrated 33 attacks in 2020 including 31 in

¹² Azizullah Khan, “Skrimishies between Security forces and militants: Are militants regrouping in tribal areas?”, *BBC Urdu*, April 16, 2020, <https://www.bbc.com/urdu/pakistan-52305891>

¹³ Anwar Iqbal, “6,500 terrorists still active in Afghanistan: UN,” *Dawn*, July 26, 2020, <https://www.dawn.com/news/1571172/6500-terrorists-still-active-in-afghanistan-un>.

¹⁴ Ibid.

Balochistan (while 9 and 5 of such attacks, respectively, took place in Kech and Quetta, Baloch insurgents also launched few major attacks in Gwadar and Harnai districts) and one attack each in Karachi and Rahim Yar Khan (south Punjab) districts. Six Baloch insurgent groups were found active in Balochistan in 2020 but the Balochistan Liberation Army (BLA) and Baloch Liberation Front (BLF) were the two major groups that carried out most of the reported attacks from the province. The BLA even carried out two attacks outside Balochistan including the coordinated attack against Pakistan Stock Exchange, Karachi.

Although during 2020 attacks by Baloch insurgents were less frequent as compared to the previous year yet those were more high-impact strikes. Secondly, Baloch insurgents were apparently also trying to expand their areas of operations. Thirdly, they have been placing the focus more focus on south and southwestern Balochistan besides continuously showing presence in the provincial capital Quetta.

On the whole, Sindhi nationalist groups perpetrated 10 terrorist attacks in Sindh in 2020, including seven in Karachi, two in Larkana, and one in Ghotki. Sindhi insurgent groups have a history of perpetrating sporadic

low-intensity, low-impact attacks. But in 2020 they managed to create some impact both in terms of the number and intensity of the attacks they launched. Half of the attacks by Sindhi insurgents targeted security forces.

Similarly, seven reported terrorist attacks in 2020 were sectarian-related – half from the year before – which killed nine people and inflicted injuries on 14 others. While four of these attacks happened in Khyber Pakhtunkhwa, another three took place in Karachi.

In 2020, over 57 percent of the total recorded attacks in the country targeted personnel, vehicles, and posts of security forces and law enforcement agencies. That represented an increase of six percent in such attacks from the year before indicating militants' increasing focus on hitting security forces. While security forces remained the primary target of the militants in all regions of Pakistan, tribal elders, political leaders, and the Shia community also faced significant attacks in Khyber Pakhtunkhwa province, in particular. Meanwhile, the terrorists mainly employed improvised explosive devices (IEDs) of various types in 67 attacks and firing or direct shootout in another 56 attacks. Militants increasingly used vehicle-borne (motorcycle/bicycle etc.) IED blasts; around

20 attacks employed this particular tactic in Sindh, Balochistan and Rawalpindi. Few years ago, that was a pertinent attack tactic employed by the Baloch insurgents. But now it seems some other groups including the Taliban are emulating it, which is apparently easy to perpetrate and involves less reliance on suicide bombers, though it could have a similar impact. However, most vehicle-borne bombings in 2020 were of relatively low intensity; the worst of these attacks occurred in Chaman killing six and injuring 21 people. But the threat is there that militants could improvise such attacks causing a significant impact in terms of casualties.

Meanwhile, Baloch insurgents are also striving to increase the impact of their attacks, mainly to attract the international attention among other reasons, including through the selection of high-value targets and employing coordinated *fidayeen* attacks.

Challenges and Projections

• TTP's Regrouping and Reunion

TTP is feared to pose a serious security challenge in the coming weeks and months. The TTP is adding to its strength by luring small groups and commanders into it. Analysts assert that the TTP has not only successfully recovered from its internal crisis

but also “appears to be growing,” which should be a matter of real concern for the Pakistani government and security agencies.¹⁵ For one, two key TTP splinters, Jamaat-ul-Ahrar and Hizb-ul-Ahrar, declared a return to their parent group, i.e. TTP, in August 2020.¹⁶ According to another account, the militants of the Hakimullah Mehsud Group headed by commander Mukhlis Yar were the first to come back to the TTP fold in July. Moreover, in July, the TTP had announced the inclusion of Al-Qaeda-affiliated Amjad Farouqi group of the so-called Punjab Taliban in its fold, which was followed, as claimed by the TTP media cell, the inclusion of a Lashkar-e-Jhangvi faction headed by Maulvi Khush Muhammad Sindhi into the TTP in early August. Reportedly, Noor Wali Mehsud is also working to persuade Mangal Bagh and his Lashkar-e-Islam to join the TTP.¹⁷

Later in December 2020, the TTP head Mufti Noor Wali Mehsud appeared in a video released by the group's media wing. The video showed two militant commanders Maulvi

¹⁵ Abdul Sayed, “Waziristan militant leader Aleem Khan Ustad joins Tehreek-e-Taliban,” The Jamestown Foundation, January 5, 2021, <https://jamestown.org/brief/waziristan-militant-leader-aleem-khan-ustad-joins-tehreek-e-taliban>

¹⁶ “Breakaway faction, splinter group join TTP,” *Dawn*, August 18, 2020, <https://www.dawn.com/news/1575010/breakaway-faction-splinter-group-join-ttp>

¹⁷ Daud Khattak, “Whither the Pakistani Taliban: An assessment of recent trends,” *New America*, August 31, 2020, <https://www.newamerica.org/international-security/blog/whither-pakistani-taliban-assessment-recent-trends/>

Aleem Khan Ustad and Commander Umar Azzam, who headed their respective Taliban groups, declaring a merger with the TTP and taking an oath of allegiance to Mehsud. TTP had announced the merger of both groups into its ranks on November 27.¹⁸ Aleem Khan hails from North Waziristan and was once a deputy to Hafiz Gul Bahadur, who led a local Taliban group. After the 2014 military operation, Aleem Khan developed differences with the Gul Bahadur group and reportedly started to operate independently. A media report in 2015 had stated that the Aleem Khan group had announced to quit fighting against the government and promised its support for the rehabilitation of IDPs in North Waziristan. The group also vowed to work for establishing peace in the area.¹⁹ This is why experts are terming the group's merger into anti-Pakistan TTP a significant development, which they say will strengthen the latter.

Most of these groups of Pakistani Taliban are believed to be based in Nangarhar, Kunar, and Khost provinces of Afghanistan. The unification of Taliban groups has happened mainly due to the efforts of the TTP chief

Noor Wali Mehsud, who took lead in resolving all contentious issues. He had previously been associated with the Afghan Taliban but later joined the TTP. Therefore, some analysts are linking the development to the emerging situation in Afghanistan, where the Afghan Taliban are gaining ground since they concluded a peace agreement with the US.²⁰ Apparently, the Pakistani Taliban militants are realizing that factionalism has only weakened them and they would gain little even if their Afghan counterparts reach the power corridors in Afghanistan. They are apparently trying to restore the TTP as an alliance of the Pakistani Taliban and trying to bring back all the disgruntled groups.

• The FATF Challenge

During 2021, the Financial Action Task Force (FATF) pressure is likely to continue keeping Pakistan under duress. The FATF has announced that Pakistan will remain on its grey list for another four months, till February 2021. Until then, the country will have to implement the remaining six targets on the 27-points action plan on anti-money laundering and combat financing of terrorism. That means Pakistan will continue to manifest its resolve and action against terrorist

¹⁸ Abdul Sayed, "Waziristan militant leader Aleem Khan Ustad joins Tehreek-e-Taliban," The Jamestown Foundation, January 5, 2021, <https://jamestown.org/brief/waziristan-militant-leader-aleem-khan-ustad-joins-tehreek-e-taliban/>

¹⁹ Ibid; *Daily Pakistan*, March 16, 2015, <https://dailypakistan.com.pk/16-Mar-2015/203637>

²⁰ Azizullah Khan, "Jamiat Alharar and Hizb Alharar announce merger with TTP", BBC Urdu, August 17, 2020, <https://www.bbc.com/urdu/pakistan-53809415>

financing and groups. But a lot will depend, including in terms of convincing the FATF, on whether or not these actions are meant to bring some structural changes to Pakistan's policy and responses.

Pakistan took several measures to address the concerns of the FATF and move out of the grey list. The government carried out financial crackdowns on UNSC-designated terrorist entities, prosecuted persons for terror financing, and went on an eleventh-hour legislation spree to meet the FATF criteria. Discussions and debates on these legislations were mostly blocked on the ground of 'urgency'.

Similarly, another significant development has been the prosecution of Jamaat-ud-Dawa (JuD) leaders for money laundering and terror financing. On 3 July 2019, the CTD Punjab had booked thirteen JuD leaders including Hafiz Saeed in multiple cases of money laundering and terror financing.²¹ Hafiz Saeed and his associate Malik Zafar Iqbal were convicted in two cases of terror financing and handed down five-and-a-half years in prison by a Lahore anti-terrorism court in February

2020.²² On 24 December 2020, Hafiz Saeed and five others were again convicted in separate cases of terror financing and terrorism and awarded jail terms of 15 years each.²³

In Pakistan, political leaders have expressed apprehension about the alleged politicization of the FATF. In August 2020, Prime Minister Imran Khan warned that blacklisting would ruin Pakistan's economy and make it an international pariah like Iran. He accused India of mounting pressures on Pakistan through the FATF.²⁴ In October 2019, the Indian Defense Minister, Rajnath Singh, had announced that Pakistan would soon be blacklisted by the FATF, raising concerns in Pakistan that the FATF was being politicized.²⁵ However, on the other hand, Pakistan has also been provided with some cushion at the FATF forum because of strong support from China, Turkey, and Malaysia. China currently heads the Asia-Pacific Group

²¹ Nauman Wahab, "Hafiz Saeed awarded 15-year jail in terror financing case," *The News*, December 25, 2020 <https://www.thenews.com.pk/print/764051-hafiz-saeed-awarded-15-year-jail-in-terror-financing-case>

²² Rana Bilal, "Hafiz Saeed sentenced to five-and-a-half years in prison," *Dawn*, February 13, 2020 <https://www.dawn.com/news/1534025>

²³ Nauman Wahab, "Hafiz Saeed awarded 15-year jail in terror financing case," *The News*, December 25, 2020, <https://www.thenews.com.pk/print/764051-hafiz-saeed-awarded-15-year-jail-in-terror-financing-case>

²⁴ Siddhant Sibal, "FATF blacklisting will ruin Pakistan's economy, warns PM Khan," *Zee News*, August 28, 2020, <https://zeenews.india.com/world/fatf-blacklisting-will-ruin-pakistans-economy-warns-pm-imran-khan-2305976.html>

²⁵ "FATF can anytime blacklist Pakistan for terror financing: Rajnath," *Times of India*, October 1, 2019, <https://timesofindia.indiatimes.com/india/fatf-can-anytime-blacklist-pak-for-terror-financing-rajnath-singh/articleshow/71392712.cms>

of FATF which allows some breathing space to Pakistan. e

In addition, Pakistan has also been banking on the US for support at the FATF. In February 2020, while addressing a news briefing, Foreign Minister, Shah Mehmood Qureshi said that Pakistan hoped that the US would help Pakistan get off the grey list.²⁶ Some analysts believe that with Pakistan's role in facilitating the US-Taliban deal, the US might not be eager to push Pakistan hard, especially in view of Pakistan's weakening economy. Following the conviction of Hafiz Saeed in February 2020, the US chief diplomat for South Asia, Alice G. Wells, called the sentence an important step forward towards Pakistan's commitment to fighting terror financing.²⁷ Some experts are of the opinion that the US is unlikely to help Pakistan get off the grey list. The US would probably ensure that Pakistan remains on the grey list and does not fall into the blacklist.

• The Challenge of Countering Violent Extremism

As cited earlier, despite a decline in terrorist violence Pakistan continues to face the

challenge of religious extremism. This is partly because countering violent and non-violent forms of extremism has barely been a priority for a state that has traditionally focused more on the acts of terrorism and less on its drivers. Surely, other factors such as lack of political will and definitional clarity about extremism and resource constraints etc. also explain why extremism is going largely unchecked.

Quite often, in cases of extremism, the state either adopts an ambiguous stance or resorts to the tried-and-failed strategy of appeasing the radicals in order to de-escalate a standoff or situation. Such an approach, often contradicting the existing laws and policies, only emboldens the extremist lots and incentivize hostile behavior on their part. The year 2020 witnessed one of the most worrying manifestations of religious extremism in Pakistan in years as an alliance of various Sunni extremist groups rallied against the Shias in several cities including Karachi and Islamabad, calling the Shia sect 'heretical' and demanding violent action against its followers. Spearheaded by the proscribed outfit Ahle Sunnat Wal Jamaat (ASWJ), four major anti-Shia rallies were taken out in mid-September after a Shia cleric had made some controversial remarks during a *Mobarram* sermon in late August.

²⁶ Anwar Iqbal, "Pakistan wants US to get it off FATF grey list," *Dawn*, February 21, 2020, <https://www.dawn.com/news/1529245>

²⁷ Tahir Sherani, "FATF decides to keep Pakistan on its grey list, next review in Jun," *Dawn*, Feb 22, 2020, <https://www.dawn.com/news/1535808>

Similarly, the Ahmadi community came under increased attack in 2020 particularly in Peshawar where five Ahmadis were killed in separate attacks. In one of the incidents, an under-trial prisoner, Tahir Ahmed Naseem, 57, was shot dead inside a courtroom in Peshawar. The victim, an American national of Pakistani origin, was undergoing a trial for blasphemy. The teenage murderer told the police that he killed the victim because he was an Ahmadi. Apart from Khyber Pakhtunkhwa, two Ahmadi men were also killed in Khushab and Nankana Sahib districts of Punjab. In December last year, a religiously inspired mob vandalized and torched a shrine (Samadhi) of a Hindu saint in Karak district of Khyber Pakhtunkhwa.

The resurrection of extremist groups after years of hibernation does not augur well for Pakistan particularly at a time when the country is already under increased monitoring by the FATF and lingering on the threshold of sanctions. The government is apparently cognizant of this fact which is probably the reason it took some initiatives to promote interfaith and intersect harmony following the sectarian tensions. In October last year, the government and the clergy signed a 'Code of Conduct' (CoC) for sectarian harmony in the country. A month after the pronouncement of the CoC, the cabinet also approved an interior

ministry proposal for the establishment of a commission for the implementation of national narrative and development of structures against violent extremism and radicalization. The proposed commission's main objectives include, among other things, providing a legal mechanism to curb violent extremism and enforcing national narratives and policies in line with the National Action Plan.²⁸ It is unclear how this proposed commission would be any different from existing institutions with similar mandates such as NACTA. Besides, the National Internal Security Policy (NISP) has more or less identical objectives.

Similarly, the government appears hampered in its efforts to combat faith-based persecution and hate speech as well as violence by the religious pressure groups. All indicators suggest that such faith-based violence and persecution of minorities will continue until the state decides to confront these pressure groups and enforce the rule of law. Sectarian tensions will also sustain in coming months and years, though with variable intensity. Meanwhile, good-faith codes and declarations like Paigham-e-Pakistan and the CoC may have some impact on defusing the current sectarian tensions, but

²⁸ Tariq Khosa, "Countering extremism," *Dawn*, December 20, 2020, <https://www.dawn.com/news/1596792>

will eventually fail in addressing the larger problem and root causes. Secondly, implementation of such declaration is also an issue because these are just voluntary pronouncements and have no legal binding on the signatories. Some even highlight that when the state has been failing to implement available laws on curbing sectarian hatred, speech, and violence, how can it ensure to materialize the demands of such codes of conduct.

• Sub-nationalist Insurgency

In 2020, while Sindhi insurgents stepped up terrorist attacks, Baloch insurgent groups executed some major attacks in Balochistan against security forces and also launched coordinated *fidayee* attacks against Pakistan Stock Exchange, Karachi. Various Sindhi separatist outfits such as the Sindhudesh Revolutionary Army (SDRA) and the Sindhudesh Liberation Army (SDLA) perpetrated ten terrorist attacks in Sindh during the year. Seven of these attacks were carried out in Karachi, two in Larkana, and one in Ghotki. The main targets were the Rangers and an office of Ehsaas Program. The attacks came a month after the interior ministry proscribed (in May) the JSQM-A, SDRA, and SDLA under the anti-terrorism act of 1997. According to the interior

ministry, there were “reasonable grounds” to believe that these outfits were involved in terrorism in Sindh.²⁹

The insecurity in Balochistan is also projected to continue with a likelihood of increased attacks from Baloch insurgents and religiously inspired groups. Indeed, the Baloch insurgent groups have been brushing aside the traditionally-held perception that the Baloch insurgency is a low-scale insurgency. In recent years they have manifested the will and capacity to launch high-impact or major attacks and that trend apparently continues, though such attacks are only sporadic and not so frequent.

Similarly, although the federal government has recently announced the “Accelerated Development Package for South Balochistan” but it may find it difficult to implement it due to financial as well as other related constraints. Analysts believe the conflict cannot be mitigated without talking to Baloch nationalist as well as insurgent leaders.

• Implementation of National Action Plan

Actions under NAP put significant pressure on militant and extremist groups, forcing

²⁹ Azaz Syed, “Sindhi separatists JSQM-A, SRA, SLA be banned”, *The News International*, May 12, 2020, <https://www.thenews.com.pk/print/657684-sindhi-separatists-jsqm-a-sra-sla-by-banned>

them into hibernation modes, but reports suggest some of these groups made a comeback in 2020. Reports emerged of extremist elements patrolling public places in areas of ex-FATA, and sectarian outfits returning to the streets. The situation brought into focus the NAP's role as the lynchpin of the state's counterterrorism (CT) and counter-violent extremism (CVE) policies.

NAP is extremely heavy on agenda with short-term and long-term goals haphazardly placed with one another. Some goals are very broad and vague with no strategy as to how they would be achieved. Very limited attention has been given to the non-kinetic side of the NAP. The *Tehreek Labbaik Pakistan* (TLP) – an extremist outfit – was born in the post-NAP period which is extremely worrying as it raises questions over the effectiveness of NAP as a CVE tool. To make matters worse, the government sought to appease the TLP in 2017 which emboldened the latter to assert itself with greater confidence. Similarly, as mentioned earlier, the NAP has failed to initiate reconciliation in Balochistan to end the deadly insurgency. The *Pur Aman Balochistan* (Peaceful Balochistan) project failed to open up the dialogue process with the indignant tribal leaders. The government claims thousands of insurgents have surrendered under the *Peaceful Balochistan* project, but

observers doubt if they were genuine militants. Overall, the state has lacked the capacity or will to implement the NAP in letter and spirit.

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DOMESTIC POLITICS: INSTABILITY IS PERMANENT

RAZA RUMI

The year 2020 started on an optimistic note for the PTI-led government as it straddled the multiple challenges faced by Pakistan. A major threat in the shape of Maulana Fazal-ur-Rehman's sit-in at the end of 2019 had subsided and was 'managed', ostensibly with the intervention of the military establishment. The economy was finally in the hands of an experienced team led by former officials of international financial institutions, and signs of a mild recovery were becoming visible. The opposition was disunited and directionless, while the military was clearly backing the Imran Khan administration¹. However, things changed quickly – not just for Pakistan, but across the globe due to the outbreak of the novel and lethal coronavirus, COVID-19. The digital age compounded the fear of the virus as real-time updates overwhelmed public consciousness and media spaces. Within a few months, it was clear that COVID-19 was going to change the workings of the global economy, international trade and the way the role of state had been envisioned by the

dominant neo-liberal world order. Pakistan was no exception.

Response to COVID-19 exposed the fault lines of governance

The on-set of COVID-19 and its spread in the first quarter of 2020 exposed the dysfunctional public health systems in Pakistan (like it did in many other countries).² It also laid bare the limits of central decision-making processes, especially in the post-18th Amendment context of Pakistan. The immediate challenge was to arrive at a unified national response to arrest the spread of the virus and mitigate its potential repercussions to lives and livelihoods. The Sindh government, led by the opposition party at the center, Pakistan People's Party (PPP), took immediate steps such as imposing partial lockdowns, preparing for emergencies especially in the populous city of Karachi, and urged the federal government to devise a central policy so that a nation-wide response could be garnered. The PTI administration in

¹ "Army Supports Govt Policies," *The News International*, September 4, 2020, <https://www.thenews.com.pk/print/709568-army-supports-govt-policies>.

² "Pakistan's Drive to Restore Essential Health Services during COVID-19," *World Health Organization* (WHO), August 28, 2020, <https://www.who.int/news-room/feature-stories/detail/pakistan-s-drive-to-restore-essential-health-services-during-covid-19>.

Islamabad was hesitant to impose a national lockdown, fearing consequences to the economy and public unrest.³ The Prime Minister made several statements to this effect. But his ministers and advisors politicized this important debate in an attempt to undermine the Sindh Government which had been receiving praise on media for its proactive policies.⁴

Interestingly, this was perhaps the first time in recent years when the PPP in Sindh Government received positive media coverage since the overall reporting on Sindh and the PPP in the mainstream media almost always remains negative. Ultimately, the military intervened to tackle the increasing number of COVID-19 infections in the country and the administrative deadlock. Major General Babar Iftikhar, Director General of the Inter-Services Public Relations – the media wing of the armed forces – announced the decision of a lockdown on March 23, 2020, even though the Prime Minister had previously asserted with force that there wouldn't be one. This was a clear signal regarding the power

distribution in Islamabad,⁵ as well as the wavering attitude of the ruling party towards a public health crisis that had the potential to choke hospital facilities and cause massive chaos.

Later, however, the Prime Minister changed his policy, and the government followed a 'smart lockdown' strategy wherein total lockdowns were avoided. After the public display of conflicting views on dealing with COVID-19, the government, encouraged by the military, formed the National Command and Operations Centre (NCOC) in April to help articulate a unified national effort and implement the decisions of the National Core Committee (NCC).⁶ Representatives of provincial governments and other key stakeholders were also included in the process, thereby filling the void at the center and making up for the government's inability to engage with the opposition parties. Whilst the NCOC has served a useful purpose since

³ Mansoor Malik, "Imran Again Opposes Complete Lockdown," *DAWN*, June 14, 2020, <https://www.dawn.com/news/1563381>.

⁴ "PTI Slams Sindh Govt for Reducing Market Hours as Eight More Die from Covid-19," *The News International*, November 26, 2020, <https://www.thenews.com.pk/print/749167-pti-slams-sindh-govt-for-reducing-market-hours-as-eight-more-die-from-covid-19>.

⁵ Stephanie Findlay and Farhan Bokhari, "Pakistan's Imran Khan Sidelined by Military during Coronavirus Outbreak," *Financial Times*, April 25, 2020, <https://www.ft.com/content/686714d7-ae05-431d-a13d-1966153be151>.

⁶ "Coronavirus Pakistan Cases: Pakistan Army to Oversee Coordination between Federal, Provincial Govts, Cases Cross 2,200 - The Economic Times," *The Economic Times*, April 2, 2020, <https://economictimes.indiatimes.com/news/defence/pakistan-army-to-oversee-coordination-between-federal-provincial-govts-cases-cross-2200/articleshow/74948030.cms?from=mdr>.

its creation, it has also raised a larger question on the existing state of constitutionalism in Pakistan. There were numerous constitutional bodies that already exist, however, they have been kept inactive or dysfunctional by design. One such forum is the Council of Common Interests (CCI) which is a constitutional mechanism to create a consensus between the provinces and the federal government on key policy issues. Bypassing the CCI is simply not a problem for the current government. Even the previous government (PML-N) failed to make effective use of this forum. The newly formed NCOC is clearly led by the military and its various branches, notwithstanding the fact that its spokesperson is a trusted minister of the federal cabinet. It is a clear and concrete manifestation of the hybrid model of governance at the center, which has increasingly come under discussion over the previous year. The jury is still out on whether the NCOC is delivering any good to the large, restive population.

Luckily, Pakistan survived the first wave of the novel coronavirus and, unlike other countries in the neighborhood, experienced a relatively lower death rate. It is still unclear why such mass immunity was experienced. However, the excessive media coverage of the virus and the debate on lockdowns from February to May sensitized the public about it,

while some of the steps taken by the federal and provincial governments also proved to be effective in keeping a widespread outbreak of the lethal virus in check. Schools, universities, and colleges were shut down and public gatherings, especially theatres etc. were closed. A major problem that emerged during this time had to do with the continuous appeasement of religious lobbies by the government as attempts to limit Friday congregations and such religious gatherings were not accepted by the clerics across the spectrum of the Islamic faith. Yet, people took precautions, and just like the rest of the globe, online communications increased manifold. There were complaints against sections of the media for underreporting the extent of COVID-19's outbreak. The BBC reported how the number of deaths and data from cemeteries in Karachi were at variance. But these were minor glitches. Overall, the world praised Pakistan's efforts,⁷ and this reversed the fortunes of the federal government in Islamabad which was quick to take credit for the low impact of COVID-19. This was a major boon for the otherwise fledgling government that received unprecedented flak from the national media as

⁷ "WHO Chief Lauds Pakistan for Suppressing Covid-19 While Keeping Economy Afloat," *Dawn*, September 29, 2020, <https://www.dawn.com/news/1582311>.

well as the opposition in the earlier months of the year.

To give due credit to PTI government, it expanded⁸ the cash support to poor families under the Ehsaas program (a repackaging of Benazir Income Support Program instituted in 2009). During the summer, the scaling up of cash transfers enabled the inclusion of 7.5 million additional vulnerable families. The annual budget allocated for cash transfers was increased by about 85 percent during the crisis and this partially mitigated the economic effects of the pandemic.

Economic decline continued through the year

However, accidental success on one front was offset by the state of the economy. The economy had already nosedived in 2019, but COVID-19 debilitated it still further, with growth estimates falling way beneath earlier projections.⁹ To make matters worse, the mismanagement in procurement and distribution of key food items, such as wheat and sugar, created an embarrassing situation

for the PTI government.¹⁰ The latter had come into power promising transparency and anticorruption, but these claims fell flat as the sugar cartel – well represented in the federal and the provincial governments – not only received massive subsidies but manipulated prices to earn windfall profits. The prices of sugar were at their historic high in the first quarter and an inquiry report by a multi-agency investigation confirmed how cartels had played the system. Its damning report issued in April named political and corporate groups across the spectrum. The government did not take any major steps against those who had indulged in hoarding and its political consequences were certainly most unsavory for the government.

The second major scandal pertained to the excessively high price of wheat, which was felt across different regions of Pakistan. Once again, wheat imports were first sanctioned, leading to shortages and then wheat was imported at much higher rates to meet the domestic demand. The net result of these two developments was an all-time high food inflation, visible in the government's own statistics. According to the official records, food inflation during January was recorded at

⁸ Bakhtawar Mian, "Ehsaas Bringing Positive Change to Pakistan: Report," *DAWN*, December 11, 2020, <https://www.dawn.com/news/1595098>.

⁹ Aasim Saleem, "How the COVID-19 Crisis Is Affecting Pakistan's Economy," *DW*, July 23, 2020, <https://www.dw.com/en/how-the-covid-19-crisis-is-affecting-pakistans-economy/a-54292705>.

¹⁰ Mohiuddin Aazim, "Beneath Wheat and Sugar Crises," *DAWN*, November 9, 2020, <https://www.dawn.com/news/1589273>.

23.7%. Food Inflation in Pakistan averaged 6.33 percent from 2011 until 2020, and a record low of -1.06 percent in September of 2015. This alarming trend, with some variations, continued throughout the year.

The flawed accountability drive

Perhaps the greatest promise of PTI to punish the corrupt and end corruption in the country foundered on the rocks of Pakistan's creaky justice system and the embedded corporate interests. A major blow was delivered to the ruling party's narrative by the Supreme Court.

In July a two-member Supreme Court bench in its verdict stated that the National Accountability Bureau (NAB) was an instrument of political engineering and its bias was all too evident thus raising questions on its credibility. In their judgement concerning an opposition politician and his brother the court noted: "The bureau seems reluctant in proceeding against people on one side of the political divide even in respect of financial scams of massive proportion while those on the other side are being arrested and incarcerated for months and years without providing any sufficient cause even when the law mandates investigations to be concluded expeditiously and trial to be concluded within 30 days."

The court reminded the executive, which continued to use NAB prosecutions against the opposition politicians during the year, that the "concept of the presumption of innocence is imperative, not only to protect an accused on trial, but to secure and maintain public confidence in the fairness, impartiality, integrity and security of the criminal justice system."

But these reminders had little effect. The leader of the opposition Shehbaz Sharif was once again arrested by NAB at the end of September¹¹ and was kept in custody for the rest of the year. Later, the provincial anti-corruption departments were also employed against members of the provincial assembly in Punjab.

In October, the Pakistan Information Commission refused to release the asset details of the National Accountability Bureau (NAB) Chairman Justice (r) Javed Iqbal and its directors, stating that it might violate their privacy. This attitude was in stark contradiction to the policy on politicians. The NAB chairman did not appear before a Senate

¹¹ "NAB Arrests Shahbaz Sharif from LHC," *The News International*, September 28, 2020, <https://www.thenews.com.pk/latest/721545-nab-arrests-shahbaz-sharif-from-lhc>.

committee¹² when he was summoned to explain the workings of the body. n

Little or no progress was made with respect to the corruption inquiries against members of the ruling party. For instance, the case of BRT Peshawar was not investigated, and the government approached the Supreme Court to stop the Federal Investigation Agency (FIA) from probing into the misspending of public funds. Perhaps the most glaring example of selective accountability relates to the ‘foreign funding case’ against the ruling party that has been pending with the Election Commission of Pakistan. The allegations against PTI are serious; the sources of its funds have still not been duly accounted for.

The most damning part of the Supreme Court verdict announced in July, authored by Justice Baqar, was its observance that pygmies were selected, nurtured, promoted and brought to prominence and power, adding that people with notorious backgrounds and criminal credentials were thrust to “rule us in various capacities with predictable results. Similarly, those who caused death, destruction and mayhem in our society, were trained, financed, protected, promoted and eulogized, thus, turning them into Frankensteins”.

¹² Amjad Mahmood, “NAB Chief Warned of Action If He Skips Senate Panel Hearing,” *DAWN*, December 21, 2020, <https://www.dawn.com/news/1596976>.

These words made temporary headlines but were largely ignored by the hybrid regime in Islamabad.

Democracy deficits widened during the year

The evolution of democracy has faced multiple setbacks over the past few years and in 2020 this trend continued. The government mostly used Ordinances to run the business of the state. The notable exceptions were two bills on extending the tenure of the current Chief of the Army Staff, Gen Qamar Javed Bajwa, and improving the legal and institutional requirements to comply with the conditions set by the Financial Action Task Force to prevent money laundering and financing of terrorism. In all other areas, the parliament remained dysfunctional. The prime minister and the leader of the opposition did not meet even once to discuss national affairs. Critics of the PTI government termed such developments as the intent of the government to make the country a one-party, authoritarian state. The ruling party has a different view of the situation as it considers most opposition figures corrupt and, until the end of the year, the PM insisted that he would not grant an NRO (pardon or concessions in prosecuting corruption cases). This deadlock contributed

to the emergence of a multi-party alliance detailed in the section below.

Media freedoms by all independent accounts also shrunk during the year and arbitrary rules to ‘control’ social media were enacted. The chief editor and publisher of the country’s largest private media outlet – Jang Group – remained imprisoned for months. Another prominent journalist Matiullah Jan¹³ was picked up by the law enforcement agencies. Crackdown on international NGOs continued, though some relaxations were made to allow assistive work against COVID-19.

A positive development was the conclusion of elections in Gilgit-Baltistan (GB) that were peaceful and were keenly contested by all parties. The ruling PTI was able to form the government amid the usual charges of meddling by the opposition parties. Historically, the party in power at the centre wins the elections in federally administered territories such as the GB.

Through the year, the case of a sitting judge of the Supreme Court, Justice Qazi Faez Isa, made headlines. While the Supreme Court

threw out the reference against the judge,¹⁴ his family continues to be scrutinized for their financial dealings. The weakening of the parliament, judiciary, the media and civil society further dwindled checks on the executive.

The Opposition Unites

Economic downturn, high inflation and a government under immense pressure from public opinion provided an ideal opportunity for the opposition parties to re-organize and mount pressure on the government and the military establishment. The formation of Pakistan Democratic Movement (PDM)¹⁵ in September was a major development of the year that is likely to result in a changed political scenario during 2021. The PDM is a motley alliance of 13 parties – comprising national to regional parties, and from left-of-center to right-wing Islamist parties – and is led by Maulana Fazl-ur-Rehman¹⁶ of Jamiat e

¹³ M Ilyas Khan, “Matiullah Jan: Pakistan Anger as Video Shows Reporter’s Abduction,” *BBC News*, July 22, 2020, sec. Asia, <https://www.bbc.com/news/world-asia-53495426>.

¹⁴ Haseeb Bhatti, “SC Throws out Presidential Reference against Justice Qazi Faez Isa, Terms It ‘Invalid,’” *DAWN*, June 19, 2020, <https://www.dawn.com/news/1564513>.

¹⁵ “Explained Ideas: What Is the Pakistan Democratic Movement, and What Is It Trying to Achieve?,” *The Indian Express* (blog), October 29, 2020, <https://indianexpress.com/article/explained/pakistan-democratic-movement-imran-khan-nawaz-sharif-maryam-army-6894820/>.

¹⁶ “Fazlur Rehman Named Head Of Pakistan Democratic Movement,” *Naya Daur* (blog), October 3, 2020, <https://nayadaur.tv/amp/2020/10/fazlur-rehman-named-head-of-pakistan-democratic-movement/>.

Ulema Islam (JUI). Although the JUI is a party with considerable street force, its regional base needs the support of the two national parties, the PPP and the PML-N, that are not only well-versed in the power game but also have the necessary credentials to act as a political alternative to the ruling PTI.

Between October and December, the PDM held successful rallies in different parts of the country, rallying its supporters and attacking PM Khan and his government. But a major difference this time was that the military leadership has been the alliance's target. This attack has been led by former prime minister Nawaz Sharif who, in his hard-hitting speeches broadcast from London, accused the current military leadership of meddling in 2018 elections, 'selecting' the current PM and ushering in an era of mis-governance and instability.¹⁷ Sharif's strategy is obviously a gamble as it presupposes that the establishment under pressure would relent some concessions or take a backseat.

The major problem with the PDM is its internal disunity. Its constituents have different objectives and therefore, by the end of 2020 and despite rising political pressures,

it is unclear if they can follow a uniform strategy that can lead to meaningful political change. While Maulana Fazal-ur-Rehman wants Imran Khan's government to fall, the PPP wants assurances that it would not be on the receiving end of an 'accountability' process, and the PML-N wants a systemic rearrangement of the power-sharing formula between the elected and the unelected institutions.

The change that may occur in the months to come can vary between accommodating the opposition's concerns and an outright regime change. The early months of 2021 will determine the outcome of the current political mobilization. During the last week of December, political parleys between the establishment and the PML-N were reported as one of the politicians considered close to the military met the former PM's brother in jail and discussed options for 'dialogue'. Former PM Sharif and his daughter rejected the dialogue option, although that might just be a public posture as the Sharifs have always opted for negotiated settlements in the past. The PDM intends to undertake a long march towards the capital at the end of January and has announced resignations from the current assemblies to effect a regime change.

¹⁷ Mubasher Bukhari, "Nawaz Sharif Accuses Pakistan's Army Chief of Toppling His Government," *Reuters*, October 17, 2020, <https://www.reuters.com/article/pakistan-politics-protests-speech-idUSKBN272030>.

The rise of Maryam Nawaz

During the second half of the year 2020, Maryam Nawaz Sharif, former PM Sharif's daughter, entered the political arena with full force.¹⁸ After the unsuccessful efforts of Shehbaz Sharif to negotiate with the establishment, the father-daughter duo took full charge of the party and its policy to deal with the government. For political mobilization as well as to keep his full control over the party, former PM's daughter emerged as a central force within the party and later of the opposition alliance PDM. While there are many critics of dynastic politics, especially in the urban areas of Pakistan, Maryam Nawaz has proved to be a popular figure for the support base of the party, especially in the Punjab. However, her political path will not be that smooth or clear-cut, since the party's organizational structures are not fully in her control; also, since being a firebrand speaker or a social media star is altogether different from politics in the field.

Maryam's mettle will be tested in 2021 when the PDM enters into a full-scale collision with the government and/or enter into parleys with the government and the establishment.

¹⁸ "Who Is Maryam Nawaz, the Face of Pakistan's Anti-Government Movement?," DW, October 25, 2020, <https://www.dw.com/en/who-is-maryam-nawaz-the-face-of-pakistans-anti-government-movement/a-55387342>.

Scenarios for 2021

Given the political turbulence, inflation, and the slow recovery of economic activity and jobs, the year 2021 will be a challenging one for the current government. There are three major scenarios for the coming year.

First, the PDM cracks due to internal discord and meddling by external powers-that-be, and fails to exert public pressure. This may save the current government, but it would be weakened enough to cede more space to the establishment with serious implications for policy process in key areas. This situation will not be all too different from the post-2014 Sharif government that survived Imran Khan's agitational politics but was seriously weakened in the process. At present, this seems to be the most likely scenario. The only difference this time is that the military establishment will come under attack too and it would either assuage the situation or respond to the attacks by Sharif and the PDM. This is what leads to the second option which, according to informed sources, is already being debated in public view as well as in the power circles.

The second scenario assumes that there is a willingness in Rawalpindi to allay the tensions by steering the country towards a 'national government' which can then lead the country

into the next general elections scheduled for early to mid-2023. The groundwork for this option may already be in the offing. A number of columnists have argued for a grand national dialogue between the institutions of the state to achieve some kind of reconciliation. Two think tanks – one private and the other in the public sector – organized debates on the contours and objects of this dialogue. The supporters say this would address the polarization and perhaps lead to course correction. The realist school says that dialogue takes place between equals but, in this case, the unelected are far more powerful than the elected. The naysayers argue that dialogue may just be a ruse to create a Bangladesh-type situation, whereby another proxy government may be installed to bypass the fundamental issue, i.e. the civil-military imbalance in the governance arrangement. But a national government will address some of the key issues which the country has faced during 2020 – consensus on economic policy, critical foreign affairs-related problems, the anti-corruption drive, and above all, how the next election will be held.

The third and most unlikely scenario is that the PDM succeeds in building pressure with street force, blocking the capital for days and leading to a change in government through the resignation of the prime minister and the

announcement of fresh elections. For this to happen, the establishment will have to withdraw its support and perhaps intervene at some level. Nawaz Sharif and sections within the PDM have targeted the military leaders mainly to achieve this outcome. But there are no signs that this will happen. And even if, for the sake of argument, this were to happen, the ensuing changes will only happen with the explicit involvement of the establishment, thereby defeating the radical demands laid down in the PDM charter.

The Senate elections are scheduled to take place in March 2021 and the PDM is attempting to change the political course before that. It is difficult to predict what might actually happen given the fluid circumstances. If Imran Khan survives the spring putsch by the opposition, then the PTI government is likely to complete its term with the support of the powers-that-be. Regardless of who rules Islamabad, the governance crisis will only deepen if constitutionalism continues to be undermined by transgressions of the executive arm of the state. Pakistan's democratic development has received serious setbacks and, just like the economy, it would take years to address and fix the democratic deficits.

Five areas of reform await consensus among the political elites: i) reforming public owned enterprises, ii) restoring parliamentary oversight over the executive, iii) legal and judicial reform, iv) strengthening federalism, and v) transferring powers and resources to local governments. Lack of adequate and meaningful action in these areas is making the country ungovernable and damaging the citizen-state relationship. During 2021, these trends are likely to intensify, unless a political settlement is reached between the opposition, the government, and the establishment.

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COVID-19 PAST AND FUTURE—HISTORY REPEATS ITSELF UNTIL THE LESSON IS LEARNT

DR. ADNAN ARSHAD

The world is under the chaos of a pandemic that is unfolding as one of the greatest public health challenges of the 21st century. The new disease emerged in December 2019 in Wuhan, China, and was initially associated with a local fish and live animal market.¹ This new coronavirus was a spillover event, and it not only selectively kills the older people and the ones with underlying chronic conditions but is also capable of efficient person-to-person transmission. Respiratory features which predominate in infected persons are pneumonia and acute respiratory distress syndrome. These symptoms resemble those of the severe acute respiratory syndrome (SARS) coronavirus of 2002–2003, which, leads the scientists to believe that a virus of zoonotic origins is responsible. On December 31, 2019, the Chinese health ministry informed the World Health Organization (WHO) of the outbreak, putting the organization on emergency alert. The WHO subsequently issued warnings and technical advice to all the countries on how to detect, test, and manage this infection based on previous experience

with SARS and the Middle East Respiratory Syndrome (MERS) outbreak of 2012.² In mid-January, Chinese scientists extracted the virus and did genome sequencing of the virus. Later on, they announced that this was a new coronavirus with genetic structure similar to SARS (80%) that had origins in bats.³ The virus was then officially named the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and the disease the Coronavirus Disease 2019, or COVID-19.⁴

In the first few months of the outbreak, majority of the infected persons did not show any symptoms. The person-to-person transmission that took place through asymptomatic carriers of COVID-19 infection

² “Listings of WHO’s Response to COVID-19,” *World Health Organization*, June 29, 2020, <https://www.who.int/news/item/29-06-2020-covidtimeline>.

³ Peng Zhou et al., “Discovery of a Novel Coronavirus Associated with the Recent Pneumonia Outbreak in Humans and Its Potential Bat Origin,” *BioRxiv*, January 23, 2020, <https://doi.org/10.1101/2020.01.22.914952>.

⁴ “SARS-CoV-2 Genetics,” Fact Sheet (Johns Hopkins Center for Health Security, April 16, 2020), <https://www.centerforhealthsecurity.org/resources/COVID-19/COVID-19-fact-sheets/200128-nCoV-whitepaper.pdf>; Zunyou Wu and Jennifer M. McGoogan, “Characteristics of and Important Lessons From the Coronavirus Disease 2019 (COVID-19) Outbreak in China: Summary of a Report of 72 314 Cases From the Chinese Center for Disease Control and Prevention,” *JAMA* 323, no. 13 (April 7, 2020): 1239–42, <https://doi.org/10.1001/jama.2020.2648>.

¹ “Novel Coronavirus (2019-nCoV),” Situation Report - 1 (World Health Organization, January 21, 2020), <https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200121-sitrep-1-2019-ncov.pdf>.

accounted for 79% of the documented infections.⁵ In less than two months, SARS-CoV-2 went from an outbreak to a disease of pandemic status, as declared by WHO on March 11, 2020.⁶ At that time, there were 118,000 cases and 4291 deaths worldwide. Over 90% of cases then were in four countries only: China (80,955 cases and 3162 deaths), Italy (10,149 cases and 631 deaths), Iran (8042 cases and 291 deaths), and South Korea (7755 cases and 60 deaths).⁷ The virus spread rapidly affecting the population with no immunity, claiming lives, and collapsing the unprepared health-care systems. Although, less lethal than the influenza pandemic of 1917 (mortality risk of 2%) and SARS (case fatality rate of 10%), the COVID-19 appeared to be more deadly than seasonal influenza (0.1% mortality risk).⁸ Scientists estimated that the mortality rate for COVID-19 was substantially higher for people above 60 years

(6.38%) as compared with those under 60 years (0.318%). The highest case death rates were seen in people in their 70s (8.61%) and 80s (13.4%).⁹ However, a number of other factors such as chronic debilitating diseases such as obesity, diabetes, respiratory and cardio vascular disease, and hypertension, emerged as risk factors for COVID-19 infectivity and mortality.¹⁰

Since its emergence, the new coronavirus has resulted in 81.2 million infections and over 1.77 million deaths as of December 28, 2020, globally. Of these, 20% of deaths are in the United States followed by Brazil (14%), India (10%), Russia (7.8%), and France (4%). Whereas, in Pakistan total cases till the end of December 2020, were 475000 with 425000 recovered and approximately 10 thousand deaths.¹¹

The health and economic consequences of the new disease were far more complex than initially understood. It would be appropriate to assume that COVID-19 would become the

⁵ Ruiyun Li et al., "Substantial Undocumented Infection Facilitates the Rapid Dissemination of Novel Coronavirus (SARS-CoV-2)," *Science* 368, no. 6490 (May 1, 2020): 489, <https://doi.org/10.1126/science.abb3221>.

⁶ "WHO Director-General's Opening Remarks at the Media Briefing on COVID-19," *World Health Organization* (WHO), August 10, 2020, <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---10-august-2020>.

⁷ "Coronavirus Disease 2019 (COVID-19)," Situation Report - 51 (World Health Organization, March 11, 2020), <https://apps.who.int/iris/handle/10665/331475>.

⁸ Eskild Petersen et al., "Comparing SARS-CoV-2 with SARS-CoV and Influenza Pandemics," *The Lancet Infectious Diseases* 20, no. 9 (September 1, 2020): 238–44, [https://doi.org/10.1016/S1473-3099\(20\)30484-9](https://doi.org/10.1016/S1473-3099(20)30484-9).

⁹ Robert Verity et al., "Estimates of the Severity of Coronavirus Disease 2019: A Model-Based Analysis," *The Lancet Infectious Diseases* 20, no. 6 (June 1, 2020): 669–77, [https://doi.org/10.1016/S1473-3099\(20\)30243-7](https://doi.org/10.1016/S1473-3099(20)30243-7).

¹⁰ Fei Zhou et al., "Clinical Course and Risk Factors for Mortality of Adult Inpatients with COVID-19 in Wuhan, China: A Retrospective Cohort Study," *The Lancet* 395, no. 10229 (March 28, 2020): 1054–62, [https://doi.org/10.1016/S0140-6736\(20\)30566-3](https://doi.org/10.1016/S0140-6736(20)30566-3).

¹¹ "COVID-19 Map," Johns Hopkins Coronavirus Resource Center, <https://coronavirus.jhu.edu/map.html>.

greatest global public health challenge since World War II.¹²

Spanish Flu-A Pandemic revisited

The Spanish Flu occurred in 1918 and is considered as one of the most powerful examples of a global pandemic.¹³ During its brief occurrence, it infected 500 million people and claimed an estimated 50 million lives. A unique feature of that pandemic was the mortality rate, which was high in people younger than 5 years, those between 20 and 40 years, and also among those above 65 years. The virus behaved notoriously and had waves between February 1918 and April 1920. The first wave commenced in March 1918 and spread across the world because of immunologically incompetent population, overcrowding, intercity travel of people, poor hygiene and sanitary conditions, and soldiers traveling to and from the battlefields. In the first wave, the disease was mild with relatively few symptoms, but as significant number of soldiers fell sick, it led to the disruption of war

efforts. In August 1918, the virus mutated, and the second wave of the disease left a far deadlier outcome. The disease pattern followed a perfect transmission design with soldiers bringing back more virulent versions to their countries from battlefields and causing otherwise healthy persons to suffer from lethal pneumonia. Later analysis showed that the deaths were not a result of the mutated virus but the “cytokine storm” (a protective measure by the body designed to promote healthy inflammation).

The Influenza Pandemic of 1918–1919 occurred at a time when very little was known about the microbiology of diseases as the science to see microbial world was still evolving. Presumptively, the human-to-human transmission took place through respiratory droplets. There was no treatment of any kind available either at that time since antivirals or antibiotics such as penicillin were not discovered until 1928. The physicians found out that the use of convalescent sera reduced the risk of death and utilized it judiciously. Community extenuation strategies depended on the nonpharmaceutical interventions which included improved hygiene measures, wearing of face masks, isolation or quarantine orders, school closures and bans on public

¹² Chaolin Huang et al., “Clinical Features of Patients Infected with 2019 Novel Coronavirus in Wuhan, China,” *The Lancet* 395, no. 10223 (February 15, 2020): 497–506, [https://doi.org/10.1016/S0140-6736\(20\)30183-5](https://doi.org/10.1016/S0140-6736(20)30183-5).

¹³ “Pandemic Influenza—Past, Present, Future: Communicating Today Based on the Lessons from the 1918–1919 Influenza Pandemic,” Workshop Proceedings (Washington, D.C., USA: U.S. Department of Health and Human Services Centers for Disease Control and Prevention, October 17, 2006), <https://espanol.cdc.gov/flu/pandemic-resources/pdf/workshop.pdf>.

gatherings.¹⁴ With these measures in place to stop the spread of the virus the pandemic ended by 1920.

The horrible story of the 1918 Influenza Pandemic holds a few lessons for the current COVID-19 pandemic which include: Understanding pathways of transmission, implementing control measures, and eliminating the virus. Knowing the etiology and pathophysiology is critical for treating the disease. Moreover, protecting the high-risk vulnerable populations versus those that are relatively safe, and recognizing that any measures described are probably insufficient is also essential. The current COVID-19 pandemic is, moreover, a pointer to what might happen in the future. It would have long-term consequences for public health, health services delivery, social policies, global economy, and international politics. It has already affected the social security of people, besides having a deep sociological and psychological impact. This pandemic is not likely to remain a unique entity, and there is a strong prediction of more waves of pandemic diseases battering the world. For example, a new G4 virus, genetically modified form of H1N1 swine flu, has all the essential hallmarks

of a pandemic virus. Given the fascinating ability of evolution in genetics and immense variability of nature, it is clear that there will be other viral attacks. These viruses will have more dramatic and devastating impacts on society. The challenge for health professionals, therefore, is to ensure that all elements of international health systems are solicited so that these systems have the ability to swiftly identify and classify the nature of the disease. This will help in developing and reinforcing prevention and treatment strategies for the protection of the most vulnerable.

An effective response to COVID-19 is required to slow down the spread of the disease and prevent health systems from becoming saturated. Countries enforced travel restrictions in addition to enforcing full, partial, and selected lockdowns,¹⁵ which had devastating socioeconomic consequences leading to a global recession but slowed down the transmission.¹⁶ Other basic public health measures such as testing, tracing, isolation and

¹⁴ Howard Markel et al., "Nonpharmaceutical Interventions Implemented by US Cities During the 1918-1919 Influenza Pandemic," *JAMA* 298, no. 6 (August 8, 2007): 644–54, <https://doi.org/10.1001/jama.298.6.644>.

¹⁵ Juliana Kaplan, Lauren Frias, and Morgan McFall-Johnsen, "Our Ongoing List of How Countries Are Reopening, and Which Ones Remain under Lockdown," *Business Insider* (blog), September 23, 2020, <https://www.businessinsider.com/countries-on-lockdown-coronavirus-italy-2020-3>.

¹⁶ "COVID-19 to Plunge Global Economy into Worst Recession since World War II," Press Release, *World Bank*, June 8, 2020, <https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii>.

quarantining; practicing good hand hygiene and respiratory etiquettes; and wearing facemasks were important interventions for reducing transmission and mortality.¹⁷ Over the past 6 months, existing and new antiviral drugs, their combinations, and the development of promising new vaccines have collectively helped manage the disease.¹⁸

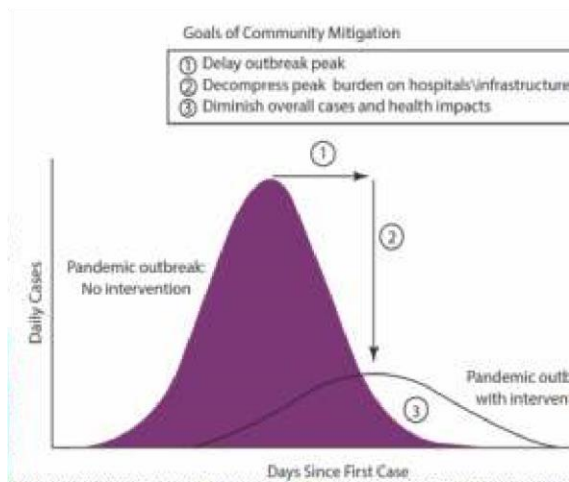


Figure: Flatten the curve: the goal is to reduce the incidence of cases. Center for Disease Control and Prevention, 2007.¹⁹

¹⁷ Emeline Han et al., “Lessons Learnt from Easing COVID-19 Restrictions: An Analysis of Countries and Regions in Asia Pacific and Europe,” *The Lancet* 396, no. 10261 (November 7, 2020): 1525–34, [https://doi.org/10.1016/S0140-6736\(20\)32007-9](https://doi.org/10.1016/S0140-6736(20)32007-9).

¹⁸ “COVID-19 Therapies and Vaccine Landscape,” *Nature Materials* 19, no. 8 (July 23, 2020): 809; Jennifer Tran, “COVID-19 Treatments: An Updated List of Drugs and Medications in Development,” *The GoodRx* (blog), December 22, 2020, <https://www.goodrx.com/blog/coronavirus-treatments-on-the-way/>.

¹⁹ Kaplan, Frias, and McFall-Johnsen, “Our Ongoing List of How Countries Are Reopening, and Which Ones Remain under Lockdown,” *Business Insider*, September 23, 2020,

COVID-19 pandemic has taken on the countries by surprise, forced people to sequester in their homes, and brought economies to a standstill. With no effective treatments available and many of the vaccines still in trial phases, efforts thus far have largely focused on nonpharmaceutical methods along with PCR testing, contact tracing, and quarantine. Some developed countries have managed to successfully control the SARS-CoV-2 transmission, and have implemented strategies to minimize the possibility of the re-emergence of infections. Other developing nations such as Pakistan are passing through the second wave of the pandemic.

Theoretically, there are three probable scenarios characterizing how the coronavirus pandemic might end: **The first scenario** is based on building up herd immunity. This means that most people will become infected with a few protective measures in place. Those who get infected and recover will begin to make up the immune population until the virus will find no more viable hosts. Herd immunity would only be possible if 70–90% of the population became permanently immune. However, it remains to be determined whether immunity with COVID-19 is long term. Such a proposition will be

<https://www.businessinsider.com/countries-on-lockdown-coronavirus-italy-2020-3>

disastrous for the health systems worldwide and many people would die.

The second scenario is to control the spread of the virus through precise and aggressive containment measures. Widespread testing would be required in order to identify all cases. A requirement to allow for this level of containment is strong cooperation between leadership, full compliance by the public, and availability of adequate resources. Finally, **the third route** is biological risk mitigation until a vaccine is produced. The disease will, therefore, remain among us as long as containment measures are imperfect and till the time a vaccine is produced and distributed.

What the future holds for COVID-19 Pandemic

Every day of the pandemic is a new learning curve as countries learn through the process of trial and error, and build upon experiences of other nations. It is important that new knowledge and accurate information must be shared with the public and scientific communities including health experts and public officials in a timely manner. It is worth emphasizing that now bio-risk mitigation strategies are actually proving to work due to persistent concerns about some of these measures. Both researchers and health officials agree that an extended period of

quarantine may not be reasonable. Multiple studies have concluded that a workable strategy can focus on intermittent social distancing with increased critical care capacity.²⁰ Economy can be balanced without burdening health-care capacities.²¹ At the same time, the development of vaccines and other new interventions is an urgent priority. Serological research would be helpful for understanding the long-term immunology and spread of the virus. The capacity of testing to identify asymptomatic carriers for breaking the chain needs to be enhanced. Moreover, tests should be performed at subsidized rates to incentivize general populace. This might involve the implementation of systems in

²⁰ Volodymyr V. Oberemok et al., “SARS-CoV-2 Will Continue to Circulate in the Human Population: An Opinion from the Point of View of the Virus-Host Relationship,” *Inflammation Research* 69, no. 7 (April 30, 2020): 635–40, <https://doi.org/10.1007/s00011-020-01352-y>; Calistus N. Ngonghala et al., “Mathematical Assessment of the Impact of Non-Pharmaceutical Interventions on Curtailing the 2019 Novel Coronavirus,” *Mathematical Biosciences* 325 (July 1, 2020): 108364, <https://doi.org/10.1016/j.mbs.2020.108364>; Laura Matrajt and Tiffany Leung, “Evaluating the Effectiveness of Social Distancing Interventions to Delay or Flatten the Epidemic Curve of Coronavirus Disease,” *Emerging Infectious Diseases Journal* 26, no. 8 (August 2020), https://wwwnc.cdc.gov/eid/article/26/8/20-1093_article; Alberto Aleta et al., “Modeling the Impact of Social Distancing, Testing, Contact Tracing and Household Quarantine on Second-Wave Scenarios of the COVID-19 Epidemic,” *MedRxiv* 1 (May 18, 2020), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7273304/>.

²¹ Stephen M. Kissler et al., “Projecting the Transmission Dynamics of SARS-CoV-2 through the Postpandemic Period,” *Science* 368, no. 6493 (May 22, 2020): 860–68, <https://doi.org/10.1126/science.abb5793>.

communities to streamline testing and periodic reopening and restriction of activities along with mass awareness campaigns.

Dealing with the Outcomes

The Govt should keep following the actions recommended by the WHO for addressing the long-term health and social impact of the pandemic. The government strategy must be multifaceted to include planning and coordination with continuous situation monitoring and assessment. This may help in reducing the spread of the disease.

Continuity of health-care provision is of utmost importance even after the pandemic ends. Moreover, public acknowledgement of the contributions made by communities and health care professionals is desirable. Lessons learnt must be communicated and incorporated into future healthcare policy planning for better preparation to handle the major public health crisis.

WHO chief Tedros Adhanom Ghebreyesus condemned the "dangerously shortsighted" cycle of throwing cash at outbreaks but doing nothing to prepare for the next one. For too long, the world has operated on a cycle of panic and neglect. The Global Preparedness Monitoring Board's first annual report on world readiness for health emergencies, which

was published in September 2019 a few months before the novel coronavirus broke out, had noted that the planet was woefully unprepared for potentially devastating pandemics. "History tells us that this will not be the last pandemic, and epidemics are a fact of life," said Ghebreyesus. "The pandemic has highlighted the intimate links between the health of humans, animals, and planet," he added. "Any efforts to improve human health are doomed unless they address the critical interface between humans and animals, and the existential threat of climate change that's making our earth less habitable," he said.

The COVID-19 pandemic is ill-fated, but its occurrence stipulates an opportunity to set up a different kind of world where health care can be delivered to all in a cost-effective manner.

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LESSONS LEARNED FROM 2020 AND CYBERSECURITY OUTLOOK FOR PAKISTAN IN 2021

FAROOQ NAIYER

What a momentous and “eventful” year 2020 has turned out to be. On top of the cyclical changes in technology and threats, a global pandemic has turned life upside down for businesses, governments, and consumers around the world.¹

Anchored in changing reality societies strived for ‘normalcy’ via entire families logging in remotely, trying to keep school and work going. This tested the limits of what a home office could sustain. The privacy and security of a fully remote world was put front and center. With this in perspective, this paper dissects few cybersecurity highlights that had an impact across various sectors in Pakistan and looks at what potentially lies ahead in 2021.

There has been a noticeable uptick in cybercrime towards healthcare, education, municipal, and utilities sectors and other chronically understaffed and overburdened public institutions.² This is different from targeting large government entities and

corporations, many of whom have resigned themselves to being targeted by state and non-state actors and can try to protect themselves from that onslaught. It is a different matter entirely when the targets are schoolchildren, or just ordinary people trying to go about their daily lives. Therefore, ransomware epidemic will continue during 2021, as the practice remains lucrative, relatively easy, and risk-free.

While cyber criminals are relatively predictable in their tendency to always choose the path of least resistance, the activities of nation-states are frequently more relentless and sophisticated — and as a result, more challenging for incident responders. More importantly cyber-attacks and covert use of cyber capabilities by nation-states have the potential to spark a major international incident. If there is one thing, nation-states and their policy-makers have learned from the exponential increase in cyber threats is that there has never been a better time to get involved in cybersecurity. The stakes are high and rising every day. Cyber defence is not a matter of choice for nations any more, it rather has to be an essential part of the national defence strategy.

¹ Irfan Mahar, “Impact of Covid-19 on Global Economy Structure,” *Modern Diplomacy* (blog), April 22, 2020, <https://moderndiplomacy.eu/2020/04/22/impact-of-covid-19-on-global-economy-structure/>.

² Imran Mukhtar, “Pakistan Witnesses Rise in Cyber, Online Crimes,” *The Nation*, October 29, 2020, sec. National, <https://nation.com.pk/29-Oct-2020/pakistan-witnesses-rise-in-cyber-online-crimes>.

Pakistan's Cybersecurity Readiness

The Global Cybersecurity Index (GCI)³ measures the commitment of countries across the world to cyber security. The GCI was released in the first quarter of 2020 by the UN telecommunications agency International Telecommunication Union (ITU). The ranking was based on countries' legal, technical and organisational institutions, their educational and research capabilities, and their cooperation in information-sharing networks.

Meanwhile, the National Cyber Security Index (NCSI) is a global index,⁴ which measures the preparedness of countries to prevent cyber threats and manage cyber incidents. The NCSI is also a database with publicly available evidence materials and a tool for national cyber security capacity building. The indicators of the NCSI have been developed according to the national cyber security framework. The fundamental cyber threats are:

1. Denial of e-services – services are not accessible
2. Data integrity breach – unauthorized modification

3. Data confidentiality breach – secrecy is exposed

These threats directly affect the normal functioning of national information and communication systems and, through the ICT systems, electronic services (including critical e-services). To manage these cyber threats, a country must have appropriate capacities for baseline cyber security, incident management, and general cyber security development.

Out of the 160 countries assessed, Pakistan was ranked 66th with a national cybersecurity index of 42.86.⁵ An Asian country to grab the highest rank was Singapore at 15th place. It is important to note that Pakistan had scored high in the areas of education and professional development, e-Identification and trust services, protection of personal data and fight against cybercrime. This can be attributed to the role that academia has played in offering certifications, diplomas, graduate and post-graduate programs in cybersecurity and the work done by National Centre for Cyber Security (NCCS)⁶ in the area of research and product development in cyber security. The role of Federal Investigation Agency's National Response Centre for Cyber

³ "Global Cybersecurity Index," ITU, October 4, 2019, <https://www.itu.int/en/ITU-D/Cybersecurity/Pages/global-cybersecurity-index.aspx>.

⁴ "National Cyber Security Index", *e-Governance Academy Foundation*, n.d. <https://ncsi.ega.ce/ncsi-index/>

⁵ "National Cyber Security Index: Pakistan's Rank," NSCI, accessed January 4, 2021, <https://ncsi.ega.ce/country/pk/>.

⁶ "National Center for Cyber Security | Pakistan," NCCS, accessed January 4, 2021, <https://www.nccs.pk/>.

Crime (N3C) and Pakistan Telecommunications Authority (PTA) has been key in countering cyber-crime in Pakistan. Last but not the least the role of the National Database Registration Authority (NADRA) and FIA in e-identification and trust services has to be acknowledged.

The weak areas were cybersecurity policy development, cyberthreat analysis and information, protection of digital services and military cyber operations. This is tied in with the absence of a cybersecurity directorate/national Computer Emergency Response Team (CERT) in Pakistan.

Geopolitical Situation in South Asia

On August 5, 2019, India's Modi government revoked Article 370 of the nation's constitution,⁷ thereby stripping the relative political autonomy that the occupied region of Jammu and Kashmir was exercising for seven decades. This action, assessed to be a significant deviation from the status quo, immediately preceded an increase in targeted intrusion activity from adversaries linked to India and Pakistan.

Next, in August 2020, Pakistani intelligence agencies tracked a major security breach by Indian hackers whereby phones and other gadgets of government officials and military personnel were targeted.⁸ According to a statement by the Inter-Services Public Relations (ISPR), the cyber-attack by Indian intelligence agencies involved "a range of cybercrimes including deceitful fabrication by hacking personal mobiles and technical gadgets". Military's media wing stated that "various targets of hostile intelligence agencies are being investigated", while "Pakistan Army has further enhanced necessary measures to thwart such activities including action against violators of standing operating procedures (SOPs) on cybersecurity."

India happens to be the largest buyer of Israeli weapons and the current government of India is committed to consolidate the relationship further.⁹ In 2020 India and Israel signed a Memorandum of Understanding to expand cooperation in cyber security to counter the challenges that might arise due to rapid digitization amid COVID-19. This

⁷ "Article 370: What Happened with Kashmir and Why It Matters," *BBC News*, August 5, 2019, 370, <https://www.bbc.com/news/world-asia-india-49234708>.

⁸ Naveed Siddiqui, "Indian Cyber Attack Targeting Gadgets of Govt Officials, Military Personnel Identified: ISPR," *DAWN* (blog), August 12, 2020, <https://www.dawn.com/news/1574034>.

⁹ Zen Read, "Israel's Largest Arms Clients: India, Azerbaijan and Vietnam," *Haaretz*, March 15, 2018, <https://www.haaretz.com/israel-news/israel-s-largest-arms-clients-india-azerbaijan-and-vietnam-1.5909811>.

cooperation in cyber field has a high probability of developing into a strategic partnership in cyberspace as Israel is an established leader in international cyber landscape and India has much to gain from its advanced cyber capabilities. Similarly, the initiation of a new cold war between United States and China may push the United States (which again is a cyber-security partner of India) to support India as a counterweight to China in cyberspace.¹⁰ The on-going military crisis between India and China has also opened avenues for cyber war between the 2 nations. A recent investigation by an Indian English language newspaper *The Indian Express* revealed that China is monitoring the online activities of at least 1,350 Indians, including key politicians and some high-profile individuals in the country. The list includes former presidents, prime ministers, and key businessmen.

Significant Cybersecurity Events in Pakistan in 2020

2020 was the year when record number of data breaches were reported. Though many countries that are ranked high on the national cybersecurity index also fell victim to them,

¹⁰ Cheena Kapoor, "Military Standoff Apart, India, China Brace up for Cyber-Warfare," Anadolu Agency, September 18, 2020, <https://www.aa.com.tr/en/asia-pacific/military-standoff-apart-india-china-brace-up-for-cyber-warfare-/1977635>.

Pakistan also had its share, though there are disputes on the currency and authenticity of the data.

Given the steep increase in phishing attacks by 600% globally; Pakistan also saw a dramatic increase in phishing campaigns posing to be from banks, NADRA, and other national and provincial organisations for harvesting personal identifiable information or duping users to send funds transfers or mobile top-ups.

In April 2020, a leading cybersecurity firm in Pakistan reported that it had discovered a data dump of 115 million Pakistani mobile users' data that had shown up for sale on the dark web.¹¹ The cyber-criminal behind this data breach had demanded 300 BTC (USD2.1 million) for the data. This indicated that financially motivated threat actors are active in Pakistan and organizations are becoming a victim of these cyber-attacks. The firm also mentioned that their team had analyzed the samples of the data dump that has been released on a popular dark web forum. The stolen data included users' personal details, such as full name, complete address, mobile numbers as well as national identification numbers. This claim was later investigated by

¹¹ Iftekhar A. Khan, "FIA Asked to Probe 'Data Breach of 115m Mobile Users,'" DAWN, April 12, 2020, <https://www.dawn.com/news/1548536>.

PTA and FIA, however, no conclusive report was published in the public domain.

In September, 2020 K-Electric Pakistan's largest private power company suffered a Netwalker ransomware attack that disrupted online billing services, but not the supply of power. Soon afterwards, a leading cyber security company managed to obtain access to the Tor ransom payment page for K-Electric's attack, where ransomware operators demanded a USD 3,850,000 payment. The attackers also stated that they would release files stolen during the attack if the ransom was not paid. The Netwalker gang went ahead and released the data after their ransom demands were not met. A Pakistani cybersecurity firm which examined the archive contents, reported that it contained sensitive information like financial data, customer information, engineering reports, maintenance logs, and more. However, this breach was denied by K-Electric.

In November, 2020 access to Pakistan International Airlines' (PIA) internal network and customer database was up for sale on the dark web.¹² This information was confirmed

by multiple cyber security news feeds. The hackers who were from Russia had offered to sell access to the internal network and customer database of PIA. The cybercriminals advertised domain admin access to PIA's internal network for USD 4000, while its customer database was listed for USD500. The purported hacker posted the advert for initial network access to PIA's systems on Russian and English dark web marketplace forums. A week later the airline's customer database went up for sale. The hacker's post in the forums stated that the database included customers' full names, phone numbers, and passport information. The airline has not acknowledged the breach incident, so far.

Disinformation Campaign by India and 5th Generation Warfare

In December 2020 a Europe based non-governmental organization, EU-DisinfoLab, released its second report on the goldmine of India's vast disinformation network. It, inter alia, revealed that a dead human-rights professor Louis Sohno, who died in 2006, and numerous defunct organisations were resurrected. They were used alongside at least 750 fake media outlets in a vast 15-year long

¹² Soumik Ghosh, "Pakistan International Airlines Data Breach Underscores Sharp Rise in Illicit Sales of Access Credentials," *CSO Online* (blog), November 20, 2020, <https://www.csoonline.com/article/3598012/pakistan-international-airlines-data-breach-underscores-sharp-rise-in-illicit-sales-of-access-crede.html>.

global disinformation campaign to advance Indian interests.¹³

Upon further investigation, the disinformation watchdog found that they had suspicious links to a large network of think tanks, Non-Governmental Organisations, and fake news websites in over 65 countries. The network worked round-the-clock to create a ‘mirage’ of anti-Pakistan perceptions by influencing thought-leaders, policy-makers, international organisation, as well as the public at large. Srivastava Group of India sponsored this fake, dis-information network in 65 countries, including the US, Canada, Belgium, and Switzerland. The Group published *New Delhi Times* and *Times of Geneva Online* besides running a website “4newsagency.com”.

The fake think tanks include, International Institute for Non-Aligned Studies, Women are Economic and Social Think Tank, the South Asia Democracy Forum, and Friends of Gilgit-Baltistan. Made Sharma ran outfits with just two administrative full-timers with no experts on South Asia actually ever employed by the network. Ms. Sharma, who posed as a self-styled ‘international business broker’, paid for the travel and accommodation of an

unofficial far-right delegation of 23 European Union parliamentarians to Srinagar, on October 30, 2013. She was photographed with PM Modi along with other EU Parliamentarians who made the trip to Indian occupied Kashmir.

A fake Canadian think-tank

Think tanks and journalists of doubtful credentials spearhead India’s worldwide disinformation campaign against Pakistan and China. For instance, Macdonald-Laurier Institute, a registered Canadian charity, is in the forefront. It published a Pakistan-bashing report ‘Khalistan—A project of Pakistan’¹⁴ which found mention in almost all leading Indian newspapers. The social-democratic Broadbent Institute (a think-tank on the political left) referred to the MacDonald-Laurier Institute as a ‘right-wing charity’. The institute was established in 2010 as a registered charity funded by corporate and individual donors, including disguised pro-Indian lobbyists. Its political orientation is evident from the fact that it is named after two Canadian Prime ministers Sir John A. Macdonald and Sir Wilfrid Laurier.

¹³ Zahoor Khan Marwat, “Indian Disinformation Campaign against Pakistan,” *The News*, December 14, 2020, <https://www.thenews.com.pk/print/758216-indian-disinformation-campaign-against-pakistan>.

¹⁴ “Statement on Criticism Regarding “Khalistan: A Project of Pakistan,”” Macdonald-Laurier Institute, September 25, 2020, <https://www.macdonaldlaurier.ca/statement-criticism-regarding-khalistan-project-pakistan/>.

Another pro-India “think-tank” is the “International Terrorism Observatory” chaired by Roland Jacquard. Prestigious French newspaper *Le Monde* (The World) pointed out in 2015, ‘he is the only member “without publications, without a website, without postal address, and without any legal existence”’.¹⁵ He runs a bookstore stacked with books on ‘Networks of Islamist terrorism’.

Future outlook and changing geopolitical situation

The changing geopolitical situation in the Middle East with various Arab nations now recognising Israel and developing better relations with it may have a trickle-down effect on Pakistan. As recently as May 2020, Israel claimed that they thwarted an attempted cyberattack on its water facilities,¹⁶ with Iran believed to be the origin point. Israel responded with a substantial cyberattack on Iranian port facilities, causing chaos, malfunction, and limited infrastructural damage.

On the southeast Asia front, the geo-political situation has evolved a lot given the fact that China now has hostilities with India which did result in armed clashes in the Ladakh region. Moreover, the increased hostilities between China and certain Western countries have resulted in China being accused of targeting the defense and healthcare sectors of North America and South Asia.

Given the fact that the CPEC projects have taken off in Pakistan; this has led to adversaries planning to cause all kinds of hurdles and disruptions in the cyberspace and beyond.¹⁷ China’s plan to develop a ‘Digital Silk Road’ will also attract the attention of various adversaries. This initiative aims to broaden and deepen digital connections to other nations via the construction of cross-border and submarine optical cables, communication trunks and satellite information passageways, and the development of 5G networks.

For the 5G two aspects are important for policy-makers: First, is the understanding about who is providing the equipment for the rollout; and secondly, if there are any risks that must be mitigated against during the

¹⁵ Amjed Jaaved, “India’s Disinformation Campaign,” *The Nation* (blog), October 11, 2020, <https://nation.com.pk/12-Oct-2020/india-s-disinformation-campaign>.

¹⁶ “Cyber Attack Targets Israel’s Water Supply – Analysis & Mitigation | Radiflow,” Radiflow, accessed January 4, 2021, <https://radiflow.com/blog/cyber-attack-targets-israels-water-supply/>.

¹⁷ Irteza Hassham and Priyanka Essrani, “Stimulation Of Cyber Security And CPEC,” *Technology Times*, August 30, 2020, <https://www.technologytimes.pk/2020/08/30/stimulation-of-cyber-security-and-cpec/>.

rollout. Meanwhile, there are five ways in which 5G networks are more vulnerable to cyberattacks than their predecessors:

1. The networks have moved away from centralized, hardware-based switching to distributed, software-defined digital routing. Previous networks were hub-and-spoke designs in which everything came to hardware choke points where cyber safety and security could be practiced. However, in the 5G software defined networks that activity has been pushed outwards to a web of digital routers throughout the network, thus denying the potential for choke point inspection and control.
2. 5G further complicates its cyber vulnerability by virtualizing in software higher-level network functions formerly performed by physical appliances. These activities are based on the common language of Internet Protocol and well-known operating systems. Whether used by nation-states or criminal actors, these standardized building block protocols and systems have proven to be valuable tools for those seeking to harm others.
3. Even if it were possible to lock down the software vulnerabilities within the network, 5G networks are also being managed by software—often early

generation artificial intelligence—which itself can be vulnerable. An attacker that gains control of the software managing the networks can also control it.

4. The dramatic expansion of bandwidth that makes 5G possible, creates additional avenues of attack.¹⁸ Physically, low-cost, short-range, small-cell antennas deployed throughout urban areas become new hard targets. Functionally, these cell sites will use 5G's Dynamic Spectrum Sharing capability in which multiple streams of information share the bandwidth in so-called "slices"—each slice with its own varying degree of cyber risk. When software allows the functions of the network to shift dynamically, cyber protection must also be dynamic rather than relying on a uniform lowest common denominator solution.

5. Finally, of course, is the vulnerability created by attaching tens of billions of hackable smart devices (actually, little computers) to the network colloquially referred to as IoT. Plans are underway for a diverse and seemingly inexhaustible list of IoT-enabled activities, ranging from public safety things, to battlefield things,

¹⁸ David Simpson and Tom Wheeler, "Why 5G Requires New Approaches to Cybersecurity," *Brookings* (blog), September 3, 2019, <https://www.brookings.edu/research/why-5g-requires-new-approaches-to-cybersecurity/>.

to medical things, to transportation things—all of which are both wonderful and uniquely vulnerable. In July, for instance, Microsoft reported that Russian hackers had penetrated run-of-the-mill IoT devices to gain access to networks. From there, hackers discovered further insecure IoT devices into which they could plant exploitation software.

Next Steps for the Government in Cybersecurity ECO System

- **Treat cyber security as a National Security issue**

Cybersecurity is not just an IT issue.¹⁹ It affects everyone working in government and beyond. In the best examples from the private sector, leaders champion education and awareness of cyber security, and present the risks in real-life terms, so that everyone understands what's at stake and how it affects their daily jobs.

Similarly, in the oil and gas industry, companies have tried to make cyber security an equally central part of their culture – alongside safety, and not just a 'compliance' issue. Employees are

encouraged to think about what kinds of assets are at risk, and how they can prevent attacks and spot threats.

The governments need to adopt a similar mindset and make cyber security part of 'the national security strategy.

- **Embed more security into supply chain**

Governments everywhere are often heavily dependent upon a wide and complex web of service providers and contractors. With so many parties processing confidential information, the chances for leaks or theft are much higher. The best way to counter this challenge is by tightening up procurement processes. Contracts should embed cyber security. Ideally, suppliers should all be certified to an industry standard. Regular monitoring and independent audits can reassure the government that standards are being maintained, to avoid weak links in the chain. Most importantly, to make sure contractors drive the right behaviors when responding to a cyber security incident ensuring openness, transparency, and a willingness to work together when the worst happens.

¹⁹ Muhammad Abdul Qadeer, "The Cyber Threat Facing Pakistan," The Diplomat, June 6, 2020, <https://thediplomat.com/2020/06/the-cyber-threat-facing-pakistan/>.

- **Collaborate with the private sector**

Given the success of other industries in combatting cyber threats (especially the financial sector), the government should consider harnessing some of this expertise. Collaboration can bring in fresh, external thinking as well as providing challenge, benchmarking, and peer comparisons.

Being prepared to share intelligence on actual and potential attacks also matters. After all, the kind of information floating around the criminal groups is often stolen from and used against a combination of public and private organizations, so it's in everybody's interests to work together.

- **Plan talent needs carefully**

Cyber crime is a growing phenomenon, and people with the skills to combat this threat are in high demand.²⁰ Today's governments cannot compete with private sector salaries, so it is hard to keep hold of the best talent. Workforce planning should assume that specialists may only stay for a few years, and look to create a

production line of new, young talent to succeed them.

In future, government should widen its collaboration with private companies to include talent sharing. Cyber security specialists could rotate roles between the public and private sectors, as part of their natural career development. It would not just help the government; it would also give these individuals a higher professional profile.

In future, government employees should all see themselves as on the front line of identifying and responding to cyber crime.

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²⁰ Louis Columbus, "What Are The Fastest Growing Cybersecurity Skills In 2021?," *Forbes* (blog), November 1, 2020, <https://www.forbes.com/sites/louis columbus/2020/11/01/what-are-the-fastest-growing-cybersecurity-skills-in-2021/>.

ECONOMIC LANDSCAPE AMID PANDEMIC

KAMRAN NASIR

The year 2020 has been unequivocally unique, for obvious reasons. During the global storm, Pakistan remained relatively sunny, all considered. Yes, the economy suffered, jobs and even lives were lost. But looking back, the fears that had gripped the nation in the earlier part of the year thankfully remained shy of reality. Here, the Government's bold step of not opting for a blanket curfew despite criticism from a number of groups turned out to be a well-calculated call – one that went on to receive international acclaim.

This article aims to provide an economic recap of the year from various lens and present an outlook for 2021 along with shedding light on the broader issues at hand. This year is expected to be friendlier than the last, assuming that the pandemic is reined in, even if not completely eliminated. However, a mutating virus remains a lurking threat to a smooth journey back to the old normal. Hence, the pandemic could continue to be the pivot for major decisions in 2021.

For Pakistan, a key barrier to sustainable growth has been the tendency to get tangled up in treating short term symptoms, leaving little to no room for addressing the structural weaknesses that cause them. While neither can be ignored, it is imperative that the short- and long-term barriers be removed in tandem. It

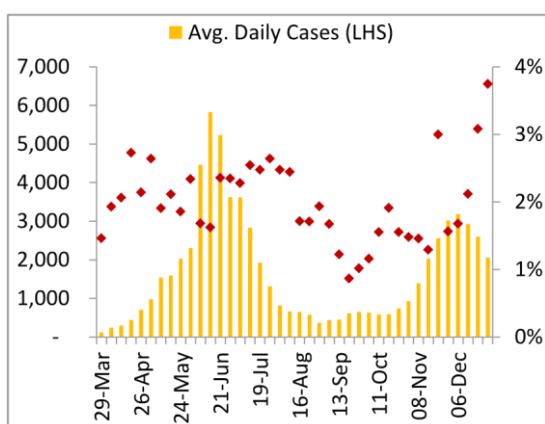
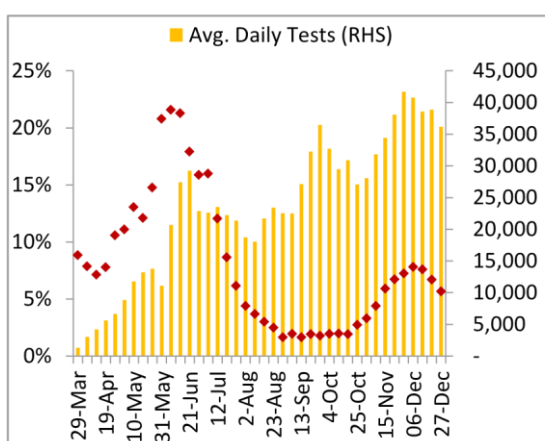
goes without saying that treating the broader issues should automatically eliminate the symptoms. Hence, it is time to take a step back and reflect upon what has been done so far and what needs to be done going forward. A long-term outlook beyond 2021 is solely contingent upon removal of the structural weaknesses that have plagued the country for decades. That should be the resolution for 2021!

The Corona effect

The year 2020 is surely not one to be forgotten. After all, who could have thought that a handful of infections could escalate to a full-blown pandemic in a matter of weeks? Today, even as global active infections have breached the 23 million mark (total of over 80 million cases recorded) and total deaths head towards a catastrophic 1.8 million, there is no scientific evidence to suggest that the virus might relent. Instead, infection curves that had flattened out by the middle of the year are climbing even more mercilessly in the second wave that coincides with the colder weather. Some countries have been more unfortunate than others. For instance, the two hardest-hit countries (in terms of total cases) account for 37% of global infections and 27% of total deaths. Epidemiologists believe this wildfire to have been sparked by rapid irresponsible

urbanisation that has disturbed ecosystems. This was perhaps a less-talked-about risk embedded in the concept of a global village. In light of the eerily prescient warnings of such a threat, to term this as a Black Swan event would be erroneous at best. Even as some countries have started administering vaccines (that have been developed in record time), new strains of the virus are slowly emerging. It seems then the longer the virus prevails, the bigger a threat it will become.

Pakistan Covid-19 Cases: Weekly Trend



Obviously the economic fallouts of such a crisis cannot be ignored. The Great Lockdown, as it has been aptly termed, has dwarfed even the Financial Crisis of 2008; some have found it to be more comparable to the Great Depression of the 1920s and 1930s. Experts at the World Bank are of the view that despite the unprecedented fiscal and monetary support offered globally, the world's economy could contract by as much as 5.2% in 2020 while per capita income could see the largest contraction since 1870! Similarly, the IMF projects the world economy to shrink by 4.4% in 2020. However, given that these projections were made before the second wave gained traction, one can expect revisions in growth forecasts. Notwithstanding, the recently approved US stimulus package speaks volumes of what is still to come. An immediate impact of the pandemic was seen relatively early when US oil futures plunged into uncharted territory in April. However briefly the prices remained negative, they served as a stern indication of the broader repercussions that we see today.

The Real Sector

In a world engulfed in the chaos of Coronavirus-resultant casualties, lockdowns, and a complete paralysis of business activity, it was inevitable that Pakistan too would face

the ramifications of this unforgiving virus. GDP contracted marginally by 0.4% during FY20 against pre-Covid expectations of 2.4% growth. One might argue that this was an impressive performance given the detrimental impact on other economies in the region and beyond. Pakistan has been relatively fortunate in terms of the breakout than most. Smart lockdowns despite vociferous criticism helped cushion the blow on the economy as did government support and Central bank incentives.

Looking at sector-wise data, agriculture was the saviour with 2.7% growth recorded in FY20, mainly on the back of higher wheat and rice output. Industrial activity plunged by 2.6% in FY20, largely due to a 7.8% decline in large-scale manufacturing. Automobiles, textiles and electronics were the largest contributors to the reduction in LSM. The services sector, which constitutes slightly over 60% of GDP, shrank by 0.6% during FY20, with (1) transport, storage & communication, and (2) wholesale and retail trade contributing most significantly to the decline.

Measures taken in Pakistan

The fiscal and monetary support provided within Pakistan is well documented – not to say impressive – given that the timing of the virus could not have been worse from the

perspective of the country's economic health. Efforts by the SBP and the government to support growth, income and employment have paralleled the unprecedented nature of the crisis.

Measures taken by the State Bank of Pakistan (SBP)

Within a short span of just over three months, the State Bank of Pakistan slashed the Policy Rate by almost half, from 13.25% in March-2020 to 7.00% by June-2020. While monetary easing had become widely-discussed with global peers having taken similar steps to support the slowdown in their respective economies, Pakistan's Covid-19 induced monetary easing spree was very timely.

As a matter of fact, the efforts of the SBP during the pandemic went far beyond interest rate cuts. Support extended to existing borrowers under the Debt Relief Scheme not only offered existing borrowers an opportunity to defer their scheduled loans, but also provided troubled borrowers the option to apply for loan restructuring. The response from the banking sector has been generous, as it accepted more than 95% of applications under this scheme, which amount to loans worth nearly Rs875 billion (approximately 11% of the sector's gross loans).

In order to promote investment and offer opportunities to industry, the SBP introduced a Temporary Economic Refinance Facility (TERF), where Greenfield projects, Balancing, Modernization and Replacement (BMR) and expansion on existing projects would be offered refinancing at a concessionary 5% rate. So far, more than Rs250 billion worth of loans have been approved under TERF through various banks.

To minimize the pandemic's impact on employment, the SBP Rozgar Scheme was introduced. Under this scheme, private corporates and businesses were given the option to finance the salaries for a period of six months at a cost of 3%-5%, depending on whether the business appears on the Active Taxpayers' List. The scheme was not only affordable, but also completely transparent as SBP would credit salaries directly to the respective employees'/wagers' bank accounts, simultaneously promoting financial inclusion. This scheme saved jobs for more than 1.8 million employees, as per SBP data.

SBP also played a key role in supporting importers and exporters through various measures such as providing time leniency in settlement of foreign currency loans, enhancing credit limits and further reducing rates under the Long Term Financing Facility.

Furthermore, all fees on digital banking transactions were waived to promote greater financial inclusion. To facilitate the healthcare sector, the SBP introduced another refinance facility aimed at enhancing the overall infrastructure which included but was not limited to procurement of protective gear and kits, hospital beds and ventilators.

Fiscal Stimulus in Pakistan

Similarly, the Government of Pakistan provided support on the fiscal side as it announced a Rs1.2 trillion stimulus package in March-2020. This included steps to support industries, businesses, farmers and low-income earners. A particular feature of the package (that received international acclaim) was the disbursement of Rs225 billion in cash to daily wage workers and low-income families. This step lent crucial support to more than 6 million daily wagers, while keeping afloat more than 12 million low-income families.

To ensure availability of affordable groceries Rs50 billion were earmarked for the Utility Stores Corporation (USC) while an amount of Rs280 billion was also set aside for wheat procurement. Meanwhile, tax refunds worth Rs100 billion were released to exporters to support working capital requirements and SMEs were offered relief in electricity bills

and tax incentives. The healthcare sector too received support from the Government through abolishment of import duties on a number of health equipment.

Relief measures that have not been implemented thus far have been carried forward till end of FY21. The Government also made COVID relief measures a part of Budget FY21, increasing focus on healthcare and other social sectors through further reduction in various custom duties.

The Government further announced a construction package to boost economic activity. This has so far proven to be rewarding with a number of construction projects availing the amnesty.

Growth to return in FY21

Looking ahead at the remainder of FY21, it would not be wrong to say that we are still encumbered with a fair amount of uncertainty as we plough ahead. For instance, our best performing sector in FY20, i.e. agriculture, is proving to be a challenge in FY21. Overall output has plunged owing to a multitude of unfortunate occurrences, such as pest attacks, water shortage and unfortunate timing of monsoon rains. And with no serious planning measures to turnaround the situation, it appears that the agriculture sector will

continue to struggle for the remainder of the fiscal year. While official figures estimate the sector's contribution to overall GDP at about 20%, this number could be much higher, considering the many forward and backward linkages to other industries., not to mention that a bulk of the labour force is employed in agriculture. Yet it has not received attention worthy of its weight in the national economy.

Industrial growth is expected to be the outperformer this year. While this is being widely celebrated, one should keep in mind the severe low base effect that will come into play in the last quarter of FY21 owing to the pandemic. In fact, absolute numbers are expected to remain in the shadows of pre-pandemic levels. Similarly, since services are also interconnected with manufacturing, some improvement can be expected, but with caution due to the pandemic situation.

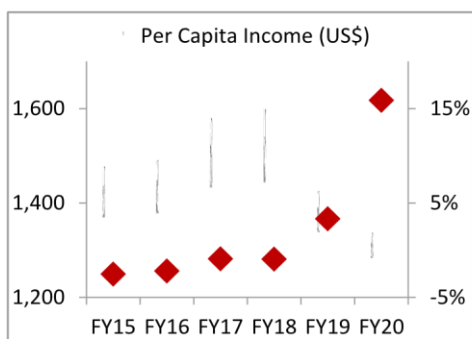
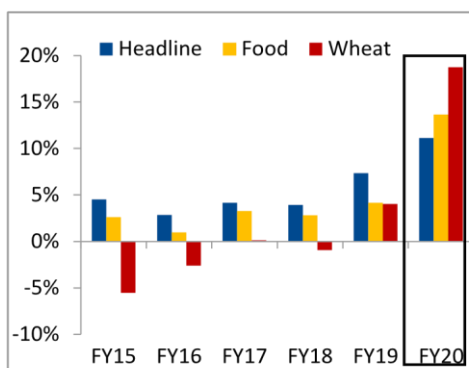
Overall GDP growth for FY21 would most likely remain low, close to 0.5% and 1.5% forecasted by World Bank and IMF, whereas the Government's official target is 2.1%. With positive developments on the vaccine, GDP growth close to 2% is not unachievable.

Inflation to taper off, eventually

During FY20, inflation remained a sore point for the incumbent Government (and

continues to be so in FY21), rising by 10.74% compared to last year when it averaged 6.74%. Dissecting the inflation data, the trend was worse for the more vulnerable segment, as seen by a higher increase in Rural-CPI (11.62%), when compared to 10.17% in Urban-CPI. In terms of contribution, food-related inflation accounted for more than half of overall headline inflation, with house rent, utilities, motor fuel, and clothing cumulatively contributing more than 30%.

Inflation in Pakistan



In FY20, food inflation actually surpassed headline inflation. And given food's high weight in the lower and middle income

segments' consumption baskets, backlash was writing on the wall. What is tragic is that the rise in prices of some of the commodities, such as wheat and sugar was avoidable and could have been managed better, to say the least. Rising food prices becomes even more frustrating when one considers that despite primarily being an agrarian economy, Pakistan had to resort to imports of key commodities to avoid further escalation of prices.

In FY21, high food inflation has persisted so far and it remains to be seen how the situation unfolds in the coming months. Notwithstanding, some respite in headline inflation during Jan-Mar21 can be expected owing to a high base effect, whereas, inflation is expected to average around 8.2%-8.5% in FY21. In the political backdrop, it can be said that controlling inflation will remain at the top of the pecking order of the Government's to-do list. If external factors (such as oil prices) remain at manageable levels, national inflation could converge to its historical average of ~7% in FY22. The same can also be inferred from the Central bank's recent discussions that ~7% is an acceptable level of inflation for Pakistan. And quite interestingly, this view gets credence from none other than IMF in its recent long term economic forecasts on Pakistan. But this scenario will materialize only with unerring focus from the

Government on controlling prices (food in particular) and minimizing administrative mishaps of the recent past.

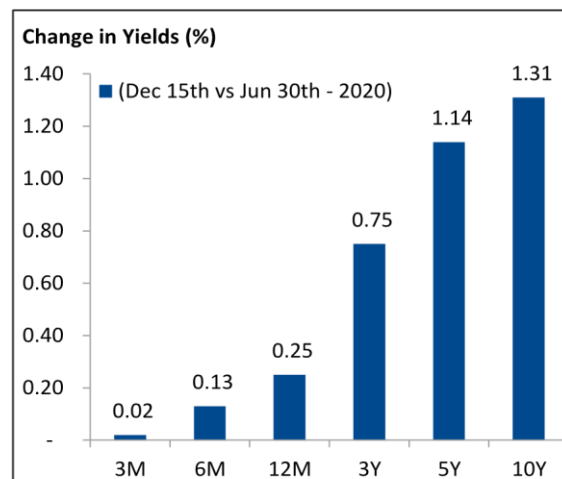
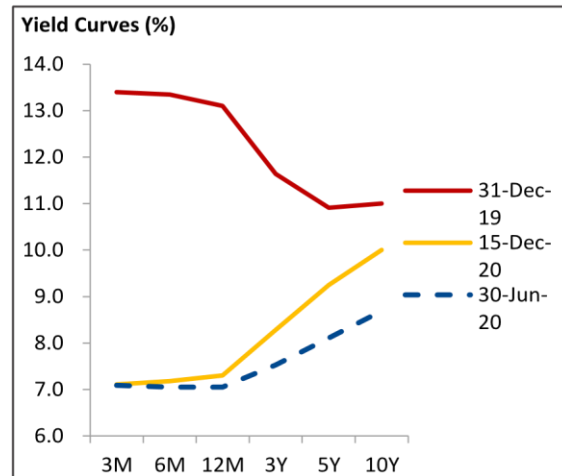
Monetary Policy has played its part

Having already discussed the drastic steps taken by the SBP to mitigate the impact of the pandemic, it is fair to say that the policy rate has been sufficiently brought down. In fact, one may even go as far as to say that monetary policy has been stretched to its limit, at least with regards to the policy rate. However, in a recent meeting of the Monetary and Fiscal Policies Coordination Board, media reports claim that arguments were made in favour of further reductions.

On the other hand, the bond market seems to be betting on – almost yearning for – a 50-100 bps rate hike sometime during 2021. This hope is reflected not only in the now normalised yield curve, but also in the bidding behaviour observed in bond auctions where most of the financing being raised is in the shorter tenors. However, one should pause and deliberate on the consequences of *‘earlier than warranted’* monetary tightening. With economic growth still frail, would it be wise to raise interest rates and risk undoing the efforts made so far? Considering the inflationary outlook and the fact that the SBP employs a

forward looking view, status quo on the policy rate should prevail in 2021.

Yield Curves Journey



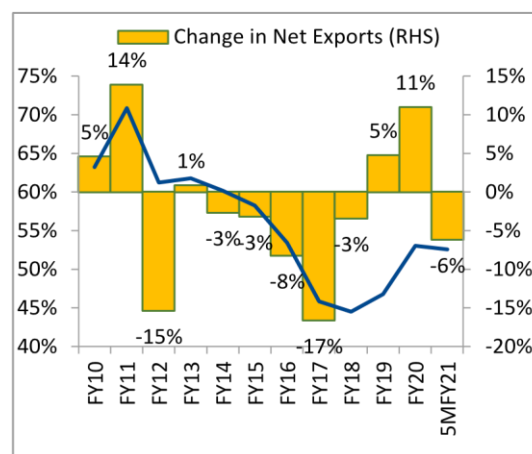
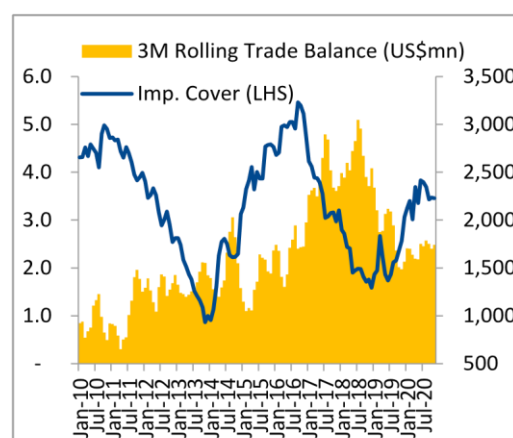
Source: Bloomberg

External Account to remain in check

For FY20, probably the silver lining for Pakistan's economy – on face value – was the country's external account situation, with the Current Account Deficit (CAD) shrinking by US\$10.5 billion to US\$2.97 billion compared

to US\$13.43 billion in FY19. Delving deeper, the improvement comes solely from a US\$9.5 billion decline in import of goods, whereas exports of goods contracted by US\$1.8 billion during the year. Combined, the two culminated in a US\$7.7 billion reduction in the trade deficit. Moreover, a pickup in remittances (growth of US\$1.4 billion) during the year also contributed to the lower CAD in FY20. While the decline in the trade deficit is indeed commendable, bear in mind that import of goods during FY18 and FY19 stood at US\$56 billion and US\$52 billion, respectively, i.e. at highly unsustainable levels and there really was only one direction for both imports and the trade deficit to go – downwards. In fact, the lowest CAD in absolute terms surfaced in 4QFY20, which coincided with the pandemic, and led to record high remittances. This trend of higher remittances, by the Central bank's own admission was possibly due to pandemic-related assistance by overseas Pakistanis to their families in Pakistan, coupled with higher inflows through official banking channels as travel restrictions did not allow most other means of funds transfers.

Pakistan Balance of Trade



Source: SBP

Looking at the financial account, there was a reduction in inflows in FY20 as disbursements from bilateral and multilateral lenders slowed down in wake of the pandemic. While foreign investment inflows improved in sum, they remained inconsequential in terms of the overall balance. Nevertheless, despite a weaker performance in the financial account, the massive reduction in CAD ensured a US\$4.8 billion increase in SBP FX reserves in FY20

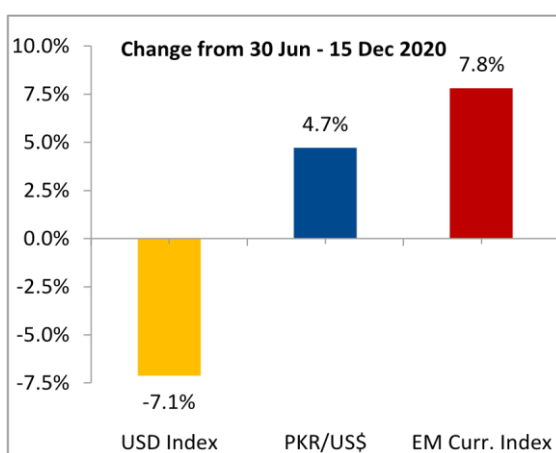
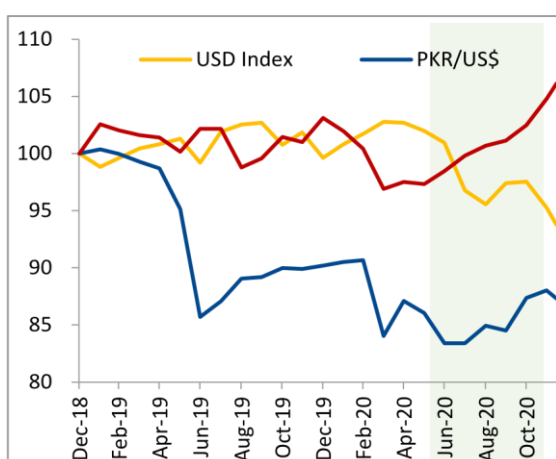
versus a decline of US\$2.5 billion in FY19. As a result, the import cover also doubled from a precariously low level in FY19.

So far during FY21, there has been further improvement in the current account, with surpluses in each of 5 months so far, amounting to a cumulative surplus of US\$1.6 billion vs. a deficit of US\$1.7 billion in FY20. Most of this is attributable higher remittances in the current period, with some support from an improved services' trade balance. On the other hand, financial account inflows continued to remain soft in the period.

Now looking ahead, the Central bank's FX reserves should not change materially by the end of FY21 and should stay at safer levels above US\$13-14 billion. This is based on the assumption that even if a suitable vaccine is found soon, the situation in both current and financial accounts will reverse, or more aptly, normalize. Higher demand will create import pressure and this coupled with lower remittances could see the country returning to a deficit in the Current Account. Simultaneously, higher inflows in the financial account might resume.

With regards to the IMF program, the US\$6 billion Extended Fund Facility (EFF) that Pakistan secured in 2019 went on hold just ahead of the virus being elevated to pandemic

status. By this time Pakistan had already received nearly US\$1.5 billion in two tranches. However, under the new emergency circumstances, the IMF released nearly US\$1.4 billion to the country under the Rapid Financing Instrument (RFI) banner – funding that came with no strings attached. The key takeaway here is that the IMF has maintained an empathetic view. Given that the EFF is meant to work in a normal, non-chaotic global environment, the impressions of meeting pre-conditions may not be reflect the entire picture. In fact, the Government is already in contact with the IMF and the resumption of the EFF can be expected as the world reverts to its old normal and the program becomes more relevant. It must be kept in mind that the lag has significantly altered economic dynamics. Hence it should be safe to say that the IMF would employ a lenient approach.

FX performance

Source: SBP, Bloomberg

As far as the exchange rate is concerned, the recent unexpected appreciation has been particularly noticeable. It would not be wrong to assume that the Covid-19 scenario has been a blessing in disguise, at least for our exchange rate. While a weakening US Dollar has provided due support, further proof can be found in the strengthening Emerging Markets currency index of late. To sum up, keeping in

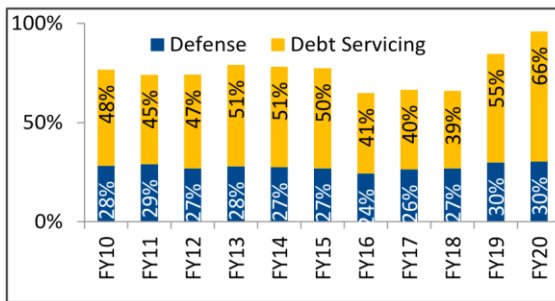
view the external account situation discussed above, the PKR could remain in the range of 160 to 165 during 2021.

Fiscal policy expected to lead

Virtually everywhere one looks, focus seems to have drastically shifted from monetary to fiscal policy, given that monetary policies have been completely exhausted in many countries/economic blocs with zero or even sub-zero interest rates. To provide further stimulus, massive fiscal packages have been announced in wake of the pandemic and Pakistan has not been an exception to this trend. Effective administration of fiscal policy in developing countries like Pakistan becomes even more critical given gaps or inefficiencies in the institutional framework. Looking at expenditures, one needs to realise that as a country with the tendency to fall short even on vital spending, Pakistan should consider detailed audits (perhaps every five years) to identify and cut down on unproductive spending. For instance, fiscal space may be created by increasing efficiency through eliminating overlapping functions. On the other hand, revenue generation is without a shadow of doubt an area where significant progress should be made. In that vein, just like IMF can be expected to remain supportive in the pandemic climate on

resumption of EFF, it is equally plausible that the lender remains steadfast in demanding implementation of progressive taxation. Moreover, documentation of the economy would become more significant to achieve the aforesaid objective and while there have been some commendable measures taken in this aspect there is ample room for further improvement.

Debt & Defense Defence Expenditure as % of FBR revenues

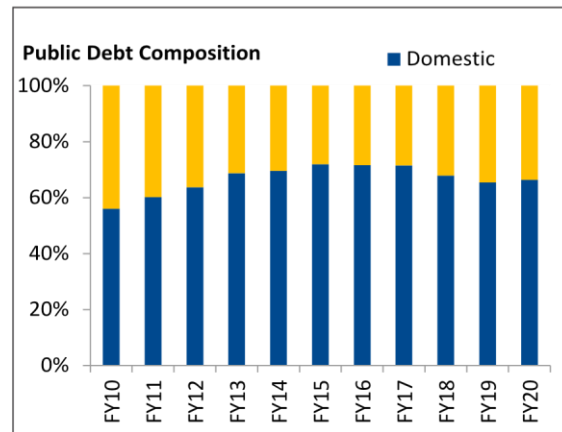
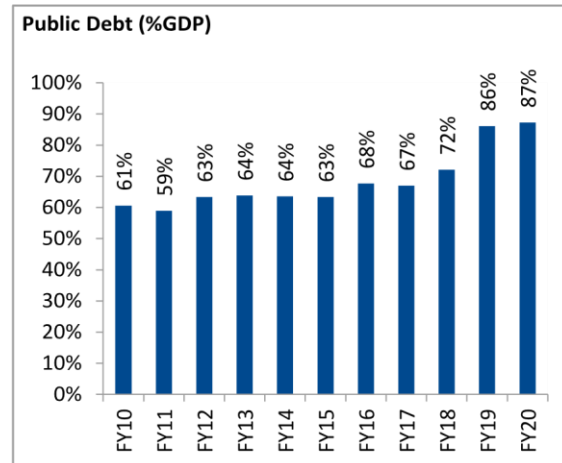


Source: Ministry of Finance

One hotly contested debate in recent times has been our national debt which has reached new highs. Debt is in fact a global issue, with many countries (both developing and developed) facing high debt to GDP ratio. However, it is undeniable that in Pakistan there has been sharp acceleration in debt of late. Total public debt as a percentage of GDP has shot up to 87% by end of FY20, as compared to 72% by end of FY18. Historically, higher debt levels in Pakistan have coincided with a slowdown in the

economy, peaking when economic growth hits a trough in its typical boom-bust cycle and declining once growth begins to pick up.

Pakistan Government Debt



Source: SBP

Looking at the composition of the country's public debt, there has been a notable increase in the domestic portion over the years. One obvious reason for this trend has simply been that domestic funding is more conveniently accessible. However a sharp depreciation in the Pak rupee vis-à-vis the Dollar has led to

external debt (in rupee terms) shooting up sharply during the last few years. In the current situation, raising funds in international markets has become difficult given the pandemic. And with the IMF's program on hold, dependency on domestic funding has soared once more. Domestically, a higher interest rate in recent years had made debt servicing quite painful for the Government. Now, with a lower rate, while servicing the debt has become cheaper, a new challenge has emerged in the form of considerably lower investor interest in longer tenor bonds. Hence, floating rate bonds have recently been introduced by the Finance ministry, which have definitely encouraged greater participation but still remain in infancy.

Going forward, once economic growth picks up in 2021 and beyond, debt levels are expected to recede. Recent economic projections for Pakistan by the IMF also support this view of manageable debt levels.

The big picture

Entering the New Year, some key events merit special attention. First and foremost, the political landscape has become heated just ahead of the Senate elections. Yet, one can expect the government to sustain the pressures of the politics of 'sit-ins' and 'long marches' that have now become a norm in

Pakistan. Secondly, there has been much talk of the IMF program which has been on hold throughout the pandemic-ridden year. As mentioned above, the program's resumption is based more upon the right (non-Covid) environment materialising than anything else; after all, was Pakistan not among the initial few countries to receive IMF financing during the first wave of the virus? Another key event is the FY22 federal budget which is expected to be critical both on the revenue and expenditure side. With two happening years in power, the sitting government is now more experienced with regards to the country's financial needs and one can expect this experience to reflect in the federal budget. Last, but not the least, given recent geopolitical developments particularly with regards to the Middle East, Pakistan's foreign policy could remain in the limelight in 2021. Here, a perception of change of blocs and a tendency by countries to take relatively unconcealed stances warrant a constant watch.

Recently three broad areas of concern that have been in the spotlight include food inflation, the circular debt and the gas crisis. Needless to say, each of these has been debated at every fora countless times and libraries of literature are available on each. With the problems identified and the solutions common knowledge, the only

missing ingredient to rid us of these evils, by simple process of elimination, is execution. If this is an unfortunate casualty of lack of direction setting, it is perhaps time to re-evaluate priorities. After all, there is no dearth of examples where effective implementation of policy is needed.

Food inflation for instance is one such example. And this links back to agriculture; the sector that was once hailed as a saviour is swiftly becoming a challenge this year. Not only can agriculture play a key role in keeping food prices in check, it is a crucial means to the goal of poverty alleviation. Yet, as mentioned above, the sector has hardly received the treatment that it demands.

The ever-rising circular debt, now reportedly at a new high of Rs2.3 trillion, is another major cause for concern. And even this has started to mutate, much like the Coronavirus. Lately, a new 'strain' of the debt has emerged in the LNG segment. Pakistan neither has enough pipelines to meet domestic demand nor does it have the terminal capacity to compensate for the domestic shortfall. While the Government has recently approved two new LNG terminals and work on various pipelines is expected to commence shortly, the effects of these are not expected to materialise in the short term.

While the above are clear symptoms of an ineffective policy framework, one needs just glance at State Owned Enterprises (SOEs) and public infrastructure – where transport is a prime example – to understand that the problem is deeply rooted.

It appears then that policymaking in Pakistan has for decades been reigned by a reactionary approach that panders to short-term solutions – an approach that is known to subdue symptoms while leaving the root causes untouched. One cannot rationally expect the country to unshackle itself from the chains of frequent boom-bust economic cycles without an effective policymaking and implementation framework in place. Until such steps are taken, menaces such as food inflation and circular debt will continue to threaten sustainable growth.

It goes without saying that the vision of a prosperous Pakistan cannot be attained without education and Pakistan's demographics make this a particularly crucial area. Serious efforts need to be made at the highest levels to ensure no child is deprived of the right to quality education. And education is not defined here as simply routine school education. Training courses on foreign languages and Information Technology should be made accessible to all and sundry.

Then and only then can one expect the nation to truly prosper.

Obviously, widespread education will open floodgates of innovation and this disruptive wave will require funding. Institutions that specialize in tailored financing such as Venture Capital firms, DFIs and microfinance solutions should be rejuvenated to deliver on this front. The Pakistani diaspora can also play a crucial role through the recently launched Roshan Digital Account. This would not only create employment opportunities but ensure growth in the real sector. Furthermore, vocational training in collaboration with international firms is a low hanging fruit waiting to be plucked. Needless to say, a trained workforce will attract Foreign Direct Investment that will have beneficial spill-over effects in the form of technology transfer.

Of course, Pakistan is blessed with a diverse topography like perhaps no other country in the world. In the south, there is a pristine coastline at, in the North there are some of the highest peaks of the planet, and in between we find numerous architectural masterpieces, rivers, deserts and numerous vibrant cultures, to name a few. This creates a conducive environment to build on the tourism industry which could grow into a sustainable source of valuable foreign

exchange for the country. Here, accessibility from Central Asia and Europe makes Pakistan's strategic location of vital importance. Moreover, investing in the Blue Economy alone offers immense potential.

In reality, Pakistan is still miles from its potential. To truly develop into a strong economy, what is most needed is a change in perspective. After all, this is a debt that we owe to our flag.

Kamran Nasir is the Chief Executive Officer at JS Global Capital Ltd.

POWER SECTOR IN 2021

ENGR. TAHIR BASHSRAT CHEEMA

Year 2020 ended with a whimper for the Power Sector. It has sadly burdened all – both, the national economy and individual wealth. And the onerous happenings of the sector seem to have constricted all else – so much so, that the Honourable Prime Minister was forced to proclaim the power sector as a nightmare.¹

What exactly were the issues? Were these issues continuing as a legacy or were they created distinctly in 2020? Issue of availability of power somehow remained off-radar for most of the customers (mostly clustered in the Punjab), but did raise its ugly head in rest of the provinces including Khyber-Pakhtunkhwa, Sindh and Baluchistan. K-Electric's jurisdictional areas in Karachi Metropolitan area had ups and downs and again Baluchistan towns of Bola, Uthal, Hub, and Winder were left to the elements. These towns and their denizens were probably not considered important enough. As these towns were subject to the revenue based load shedding² (a term invented by K-electric and

accepted by the national regulator) hence higher-ups were not invested in a thorough audit of state of affairs.

At best, such constriction of supplies could have been considered for a short duration during which the non-compliant could be main-streamed (in other words to be cajoled/forced to start paying-for and to not illegally abstract electricity being supplied to such areas), has been ignored and the situation has continues as such. Meanwhile, the fact that such a course results in lowering of demand, compatible less drawl of available generation capacity, bloating of capacity charges leading to increased electricity tariff for the complaint customers, skewed planning for new generation, transmission and distribution infrastructure, compromised planning and future assessments, loss of investor interest etc., has unfortunately been ignored. Besides, the discontent in the three provinces of KPK, Sindh and Baluchistan too has been ignored, which may impact the federation. Strangely enough Tabish Gohar, who once headed KESC and resigned as the Special Assistant to the Prime Minister on Power at the start of the year, in his last days in office agreed that the above policy was only

¹ "PM Imran Stresses Need for Reforming Power Sector Immediately," *The News*, August 17, 2020, <https://www.thenews.com.pk/latest/701863-pm-imran-stresses-need-for-reforming-power-sector-immediately>.

² Salman Siddiqui, "Karachi and K-Electric - a Flickering Bond," *The Express Tribune*, July 9, 2020, sec. Business, <http://tribune.com.pk/story/2254121/karachi-and-k-electric-a-flickerin-bond>.

good a decade ago and has no place in the present environment.

Similarly, in terms of affordability, 2020 was as disastrous as were the three earlier years – with myriad increase in the consumer end electricity tariff. The strange part is that the increases during the last two and a half years are being touted as just an effort to catch up with the non-increase in tariff during the period 2017-18. This was on the face of the various proclamations that steadily the power tariff would reduce. Meanwhile, the Government was able to somewhat blunt the increase by notifying special tariff dispensation for the industry through a budgeted subsidy for the current financial year. Whether it can be sustained in the long run remains uncertain.

The onerous burden of the ever-increasing circular debt too reached its zenith to a staggering Rs.2.3 trillion³ and continues to add-up with no respite. It was because of the fact that none of the reasons for its resurgence were tackled during 2020 – rather, more of the negatives were added to the fray. Unfortunately, the sectoral managers are not equipped enough to tackle such issues.

³ Mushtaq Ghuman, “Circular Debt Soars to Rs2.3 Trillion,” *Business Recorder*, December 5, 2020, <https://www.brecorder.com/news/40037724>.

Governing Power Sector

At present, governance of the power sector, squarely lies with the Power Division (just a part of the earlier Water & Power Ministry) of the Energy Ministry⁴. As the Power Division is devoid of related technical expertise, it could not graduate from being just a drag for the Power Sector. Consequently, the sector has been reduced to the level of meter reading and supply issues only. Even the focus on issues of losses and recovery is being undertaken in a very sterile manner. The rest of the few hundred other facets of operations have been relegated to the distress of the sector. Consequently, neither losses have reduced nor recovery has improved. The very fact that the circular debt is increasing by the day proves this. Additionally, now the defaulters owe upwards of Rs. 1.5 Trillion to the distribution companies up from Rs. 1.2 Trillion at the end of December 2019.

About the so-called reform process, 2020 saw a clear stalemate as even the meaning or direction of such an activity has been lost in the rigmarole of the below-par governance of the sector. Instead of addressing issues like

⁴ Farooq Tirmizi, “Govt Wants the PTCL Model to Fix the Power Sector. But Can It Work?,” *Profit by Pakistan Today*, August 30, 2020, <https://profit.pakistantoday.com.pk/2020/08/30/govt-wants-the-ptcl-model-to-fix-the-power-sector-but-can-it-work/>.

empowering the management of the Power Sector Corporatized Entities (PSCEs) through permanent CEOs, replacing the non-professional BoDs, deciding where exactly the official management company vs PEPCO stands, deciding what would be the law under which the PSCEs are to operate and where would the GoP stand when the above entities had been corporatized long ago, how could the provincial Governments be made to support, especially, the DISCO operations , more direct control by the Power Division has been seen. On the intellectual plane expectedly, instead of approving B2B sale of power arrangements, the same has been stifled and new scheme called “Competitive Trading Bilateral Contract Market” (CTBCM) is being touted as the new panacea of all ills. Thus, the year 2020 has ended-up with more confusion, senseless prancing by a plethora of so-called advisors and special assistants, and a sleepless Prime Minister (as per his own admission). The only silver lining was the performance contract that has been got signed by the hapless Minister of Energy. That the Minister has since resigned from chairs of the PPIB, AEDB and, NEECA BoDs is disturbing, but as per expectations.

Outlook for 2021

Based on the development of 2020, the future state of affairs is predictable. For any

improvements, immediate focus should be on governance of the sector instead of obsessing with availability of power, as this aspect alone can assure success or defeat of any operation.; For a decade, governance of the sector has been taken over by the Power Division (after the Ministry of Water and Power morphed into the Power and Petroleum Divisions and the Ministry of Water Resources). By the looks of it, no change seems to be evident in the scheme of things, and the Division is destined to retain its stranglehold on the GENCOs, the NTDC and DISCOs and as long as the mis-management stays, it becomes next to impossible for any change to manifest itself for the better. The shenanigans at the K-Electric would stay with more blackmail and misery for the Karachites and whatever SSGC or the NTDC would claim.

As long as governance modules remain the same, as there are no chances for the present managers to ever cede space to the professionals, no new agenda will be in the offing and thus, the continuing issues in proper billing and receipt of full payments by DISCOs would preclude any chance of relegation of the most unjust and callous revenue based load shedding clustered mostly in three provinces. Consequently, the Revenue requirement based on projected usage as

stipulated by the Regulator (after due petitions by the GENCOs, the NTDC and the DISCOs) will not be collected. The ensuing gap would further add on to the circular debt, which in turn would reduce the sector's capacity to pay for its generation bills. This would result in reduced generation, while capacity payments would increase in relation to the energy charges – again, requiring an increase in consumer end tariff. Here, the IMF's conditionalities for continuation of the Fund's program would come into play requiring further increase in tariffs as otherwise the gap could not be ever bridged. IMF, meanwhile, only focuses on balancing the books, and choice is to be determined by the government: either through full recovery of cost of service or by compatible increase in the consumer end tariff – incidentally, this is what is happening at the moment. Here another road seems to have been built and laid down in the shape of the up-coming National Electricity Policy 2020⁵. This document only plans to assure full recovery of the cost of supply (not service) coupled with the burden of the cross-tariff subsidy amounts. Meaning thereby, that the consumer-end electricity tariff would be further jacked-up to the detriment of the poor

hapless people and would also result in ensuing reduction in recovery by the DISCOs.

In view of the continuation of 2020 policies, management modules (including the non-professional stewardship of the sector), same policies and the merry go around amongst the special assistants/advisors at the Power Division and the lackluster BoDs (down the whole chain of utility companies), the Power Sector would remain in the same position as in 2020.

Thus, no change is envisaged. There would be increase in tariff; constricted supplies would result in load shedding in much of the country - especially during the period May to September, 2021 and serious consumer discontent will be seen; embedding of professionals/experts in the Power Division would remain a dream, placement of permanent CEOs in the PSCEs would not be possible and temporary appointees would carry on obeying the directives issued by Power Division, and lastly the Pakistani customers would remain at the receiving end.

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⁵ Dr Shahid Rahim, "National Electricity Policy 2020: High in Intent but Low in Content," *Daily Times*, February 14, 2020, <https://dailytimes.com.pk/558147/national-electricity-policy-2020-high-in-intent-but-low-in-content/>.

ENSURING ENERGY SECURITY FOR PAKISTAN

DR. ILYAS FAZIL

Background

The current situation at the country's borders requires a national strategy that ensures timely and disruption-free Petroleum Oil Liquids (POL) supplies especially for the armed forces.

The continued and sustained supply of POL is important even during business-as-usual (peace-time) in order to keep the engines of the economy operating smoothly.

This, however, becomes even more critical when the situation at the borders dictates the supplies mainly for our armed forces: the Army, Navy and Air Force.

Our country faces multiple challenges: IMF pressure, recent crises in availability of essential commodities (sugar, wheat, cooking oil) at affordable prices, the June 2020 petroleum product crisis, the gas crisis, ongoing LNG availability crisis. All these challenges provide an opportunity not only to learn from them but also to chart a course based on the lessons learnt that could help avoid their recurrence, besides leading to a stable and sustainable future.

In this report, we discuss proposals for ensuring energy security in the short, medium and long term.

1. THE NATIONAL SCENARIO

- Pakistan's indigenous sources of energy are oil, gas, hydel, coal, nuclear, and renewable (solar/wind). The contribution of various sources to the primary energy supplies in 2018-19 was oil 25.7%, gas 35.0%, imported LNG 10.6%, hydroelectricity 7.8%, coal 15.4%, nuclear power, 1.3%, LPG 1.1%, renewable 1.3%, and imported electricity 0.1%.
- Gas has witnessed a NEGATIVE Annual Compound Growth Rate (ACGR) of $\sim 1\%$, i.e. minus 1.1 % over the last 6 years.
- As of June 30, 2019, the figures for gas were:
 - Original Recoverable Natural Gas (NG) Reserves 57.44 Trillion Cubic Feet (TCF)
 - Cumulative Production 39.75 TCF
 - Balance Recoverable Reserves 21.45 TCF
 - In other words, we have already used up $\sim 69\%$ of our natural gas (NG) reserves.
 - The usage of gas in various sectors is as under:

Power Sector	$\sim 35\%$ of NG Use
General Industry	$\sim 17\%$
Fertilizer	$\sim 16\%$

The remaining is consumed by cement, commercial, domestic and transport sectors.

A number of projects and investments are being touted in all the areas of energy supplies, but most of them are either on the drawing board or have long gestation periods, made more uncertain because of lack of clarity or government policy. The additional energy resources arising out of these projects cannot be a quick-fix for our problems as they would come to fruition at least 3-4 years after the commencement of the respective projects.

Downstream Oil Sector

It is important to understand the structure of the Downstream Oil Sector for a fuller comprehension of the challenges faced by it.

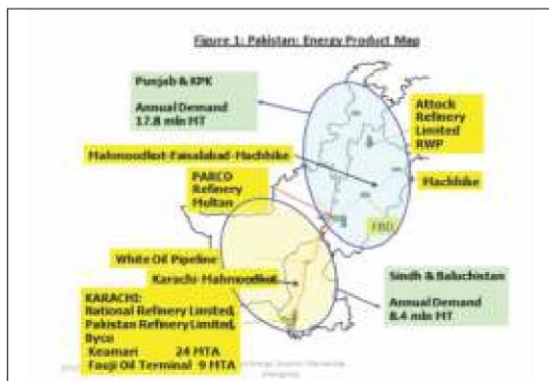


Figure 1 depicts Pakistan's Energy Map of 2017-18

Our annual refined product demand was around 26 Million Tons per annum in 2017-18. Of this, Punjab and KPK account for 68%, with the balance consumed by the other provinces. This demand saw a decline of 23% in 2018-19, reducing to ~ 20 Million Tons.

In 2017-18 Pakistan spent over US\$ 10 Billion on the import of Crude (processed by the local refineries) and Petroleum Product (primarily Gasoline, High Speed Diesel and Furnace Oil).

The oil import bill during 2018-19 was US\$ 9.6 Billion during July 18 – Feb 19, triggered, despite fall in international prices, primarily by the fragile rupee.

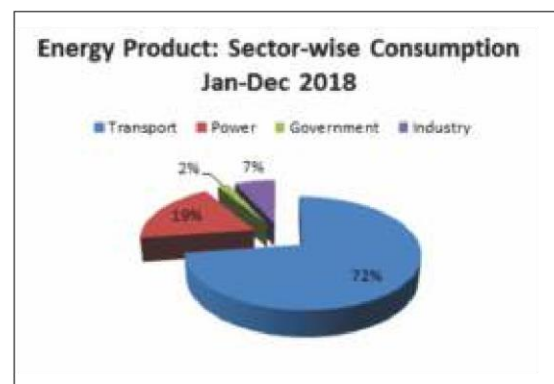


Figure 2 gives consumption of POL

Refined product consumption has been mainly concentrated in three sectors, namely transportation, power generation and industry, with smaller volumes being consumed by the domestic sector, the agricultural sector and the government.

Transportation and power together account for almost 90% of POL usage of the country.

We have five domestic refineries, with National Refinery Limited (NRL), Pakistan Refinery Limited (PRL) and Byco located at

Karachi, Pak Arab Refining Company (PARCO)'s Refinery located mid-country at Mahmoodkot near Multan, and Attock Refinery Limited (ARL) located at Morgah Rawalpindi.

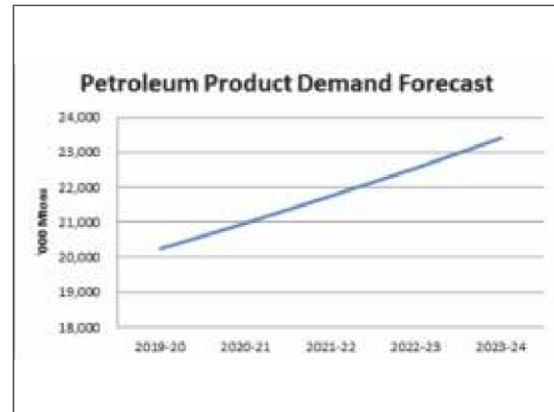
Whilst all other refineries are primarily dependent on imported crude, ARL is totally dependent on local crude, and in fact also processes all the heavy crudes of Pakistan.

The domestic refining capacity stands at 19 Million Tons per annum. In 2018-19, the local refineries' capacity utilization stood at only 12.4 Million Tons (or 65%).

As far as the crude diet of our refineries is concerned, we imported almost 78% of our domestic crude needs. Therefore, the sustained availability of imported crude is essential to the operation of the majority of our refiners.

Demand Forecast

In order to plan a strategy, it is necessary to also recognize what the expected growth in POL consumption is going to be.



Major portion of demand will be of transport sector, driven by the demand for PMG and HSD.

Power sector consumption will show a negative growth owing to elimination of old furnace oil plants and no addition of new plants. This assumption is supported by the recent developments and the impressive influx of RLNG, which has resulted in stoppage of any further HSFO/LSFO imports.

2. FACTORS IMPACTING OUR ENERGY SECURITY

We face the following challenges:

1. We are not self-sufficient in product availability.

We import almost 40% of our Gasoline and 50% of our HSD requirements

2. Our refining capacity is not 100% utilized.

Our capacity utilization falls short by 30-40%.

3. We have a refining shortfall i.e. not enough refining capacity.

Given the anticipated demand growth, we are in dire need of more refineries.

Having more refining capacity and importing crude makes more strategic sense.

4. We are highly dependent on imports.
This alone is overloading our ports and causing severe congestion.

5. Our infrastructure is not adequately utilized.

Our pipeline infrastructure is under-utilized and we are more dependent on transportation of fuels by road (unsafe and insecure)

6. We do not have strategic storages.

This, in our opinion, is a very critical drawback and is long overdue for resolution.

7. Our Downstream Petroleum Policy is not suited to the Sector's current dynamics.

Although the Downstream Sector has undergone a sea change since 1997, there has been no change in the Downstream Petroleum Policy which, in its present form, falls way short vis-à-vis ground realities and challenges.

Having listed the factors impacting our energy security, we will now

attempt to suggest how to address each one of them.

3. DEALING WITH CONSTRAINTS

3.1 Ports

Our Ports suffer from congestion as well as under-utilization

• Present Ports and their utilization is as follows in Million Metric Tons per Year

Port	Capacity	Utilization
KPT (Keamari)	24	50%
FOTCO (PQA)	9	100%

Pakistan: Port Infrastructure for POL and Non-POL Imports

Port	Throughput Capacity (Million Tonnes Per Month)
A. Karachi (Mainland Port, Karachi South)	
Qatar	8
Oil 10	8
Oil 20	8
Oil 30	8
Total A1	24
B. Port Qasim (Mainland Port, Karachi South)	
Qatar	9
Oil 10	9
Oil 20	9
Total B1	27
C. Port Qasim (Mainland Port, Karachi South)	
Qatar	12
Oil 10	12
Oil 20	12
Total C1	36

The existing port infrastructure is not adequate to handle the projected crude and product volumes. Although Keamari's three piers are called 'Oil Piers', their use by non-POL tankers has led to serious import constraints.

Recommendations:

Proposed measures include:

A. Dedicate two of the Oil Piers at Keamari to oil only. This had already been discussed by the Industry with Chairman KPT in October 2018 but yet needs to be implemented.

B. Debottlenecking of the existing jetties

The present Byco Single Point Mooring (SPM) also needs to be better utilized to shift some of the volume from Keamari to the SPM and reduce the load on KPT. Due to the drastic fall /ban in Furnace Oil imports, a second jetty at Port Qasim may not be required.

C. Ensure and fast-track Keamari-Port Qasim Connectivity Project.

The implementation of this connectivity has been pending since over a decade and must be fast-tracked in order to fully utilize the KPT's Keamari Port.

These measures will help utilize existing national assets to their full potential.

Crude Imports In case of Blockade of the Strait of Hormuz

Another critical factor that needs to be addressed urgently is to develop a contingency in case of a blockade of the Strait of Hormuz, due to any conflict in the Middle East. This

has the potential to not only impact our refineries but also the imports reaching our shores.

The oil exports of the Kingdom of Saudi Arabia (KSA) are the domain of Saudi Aramco. Saudi Arabia is located near two of the world's busiest chokepoints, and most of its crude oil and petroleum liquid exports travel through them.

The Strait of Hormuz, which connects the Persian Gulf with the Gulf of Oman and the Arabian Sea, is the world's most important chokepoint. The oil flow through this strait accounts for about 30% of all annual seaborne-traded crude oil and other liquids. In 2016, a record 18.5 Million BPD flowed through the Strait. This Strait is also an important route for the Persian Gulf countries for oil and liquefied natural gas exports.

Another regional chokepoint, Bab el Mandeb, links the Gulf of Aden and the Red Sea. This waterway is a strategic link between the Mediterranean Sea and the Indian Ocean. An estimated 4.8 Million BPD of crude oil and refined petroleum products flowed through this waterway in 2016.

KSA's total crude oil export and loading capacity is over 13 Million BPD. The three primary export terminals are:

Ras Tanura

It is the world's largest offshore oil exporting port and has a combined handling capacity of 6.5 Million BPD. It can handle 500,000 dead weight tons (dwt) and KSA's crude oil grades are loaded here.

Ras al-Juaymah

Having an average handling crude oil capacity of about 3.1 Million BPD, and because of the availability of six single-point mooring buoys, this terminal can handle some of the largest tankers (700,000 dwt) for crude loadings. KSA's crude grades are loaded at this terminal, along with bunker fuel (at a maximum loading capacity of 120,000 BPD).

Yanbu King Fahd Terminal

Located on the Red Sea, it has a loading capacity of 6.6 Million BPD. Most remaining volumes are exported from here. It has seven loading berths and can accommodate tankers up to 500,000 dwt. Total crude storage capacity at the terminal is 12.5 Million Barrels. Only Arab Light crude oil grade is loaded at the Yanbu terminal.

KSA also planned to begin exports from the overhauled Muajjiz oil terminal on the Red Sea by end 2017. This would raise KSA's total

loading and export capacity to over 16 Million Tons per annum.

Muajjiz will be integrated into the Yanbu crude oil terminal. Before the Iraqi Pipeline in Saudi Arabia (IPSA) was converted to a natural gas line, Muajjiz was used as an export terminal for the Iraqi crude oil that flowed through the IPSA.

KSA operates more than 90 pipelines and 12,000 miles of crude oil and petroleum product pipelines throughout the country, all of which link production areas to processing facilities, export terminals, and consumption centers.

The 746-mile Petroline, also known as the East-West Pipeline, runs across Saudi Arabia from its Abqaiq complex to the Red Sea and consists of two pipelines with a total nameplate (installed) capacity of 4.8 Million BPD. One pipeline of 56-inch diameter has a capacity of 3 Million BPD, while the second of 48-inch with a capacity of 1.0 million BPD to 2.8 Million BPD. This latter pipeline (which previously operated as a natural gas pipeline) provided KSA with spare oil capacity that bypasses the Strait of Hormuz.

In 2016, Saudi Aramco announced plans to expand the capacity of the Petroline to 7

Million BPD. This was targeting end of 2018, but the fate of the expansion is not known.

The 1.6 Million BPD 48-inch Iraqi Pipeline in Saudi Arabia (IPSA), runs parallel to the Petroline from pump station #3 (11 pumping stations run along the Petroline) to the port of Muajjiz, just south of Yanbu. The pipeline was built in 1989 to carry Iraqi crude oil to the Red Sea. The pipeline closed indefinitely following the August 1990 Iraqi invasion of Kuwait. In June 2001, however, KSA seized ownership of IPSA as compensation for debts Iraq owed and converted it to transport natural gas to power plants. Saudi Arabia pumped test volumes of crude oil through the pipeline in response to Iranian threats to close the Strait of Hormuz in 2012.

The IPSA Line is the one that Pakistan needs to discuss and have as a fallback for crude supplies in case of the blockade of the Strait of Hormuz. Please refer to the red line in the map below. The next map shows the onward route from UAE to Karachi.



Please also refer to both reproduced on one map.



3.2 Refining

The present Refining capacity is given in the Table 1 below:

Table 1: Pakistan's Present Refineries

Refineries:-	BP/D	Million Metric Tons Per Annum
Attock Refinery Limited (ARL)	55,400	3.45
Pakistan Refinery Limited (PRL)	48,000	2.18
National Refinery Limited (NRL)	54,000	3.89
Pak-Arab Refinery Limited (PARCO)	600,000	4.36
WPCO Oil & Refs.	175,000	7.15
EPRI	7,500	0.30
Total	1,339,900	11.29

The refining capacity of Pakistan falls considerably short in comparison to the national needs. We have

traditionally preferred depending on imported product rather than enhancing our own capabilities. The future lies in planning new refineries which will give Pakistan the energy security it needs. The forthcoming Parco Coastal Refinery (PCR) of 300,000 BPD capacity is a step in the right direction. It is of Deep-Conversion configuration with Euro IV/V specification target for Gasoline and HSD. It is expected to be on-stream in 2023-24 as per reports.

In the short-term, conditions must be ensured to allow the existing refineries to operate at 100% capacity. Moreover, there should be fuller utilization of the locally produced Furnace Oil and the refiners may be given a minimum 3 years to upgrade their facilities to deep-conversion, yielding more transportation fuels.

For the medium term, it is recommended to plan and implement another Deep-Conversion 300,000 BPD refinery with Euro IV/V transportation fuels (Gasoline and HSD), with commissioning targeted in 2026-27.

For the long-term, planning another refinery of the same size, configuration and specification target is recommended for 2029-30.

Each refinery must have its own Single Point Mooring (SPM) to allow large tankers to bring in the crude raw material, thereby reducing crude landed cost.

This planned addition of refineries will also help considerably reduce or even eliminate by the year 2029-30 the product deficit and remove the chokehold that current imports have on our ports infrastructure.

The foregoing steps will be a big stride in ensuring energy security for the Country.

3.2 Pipelines

Pipelines are the safest, most secure and environment-friendly mode for POL transportation. Ensuring their optimum utilization not only ensures safe and secure supplies of transportation fuels, it also replaces transportation by road tankers, whose devastating accident potential was

witnessed at Bahawalpur few years ago.

The White Oil Pipeline (WOPP) is part of the supply backbone for ensuring timely POL supplies to the country. However, it is not fully utilized relative to its potential. Moreover, it is incomplete: the Mach hike to the North portion is missing

FWO has recently been given permission to complete the remaining section all the way to Taru Jabba (Peshawar). This is a step towards completing the backbone.

Further recommendations are:

Short-Term

- Ensure better utilization of Byco's SPM in order to transfer some of the load at the existing two ports to the SPM.
- Address outstanding issues hindering the OMCs from its utilization (approach roads, storages, customs related matters) on a fast-track basis.
- Explore also the possibility to reverse the flow of APL pipeline by transporting imported diesel from Byco's SPM to Zulfiqarabad Oil Terminal (ZOT) for onward transfer to WOPP. The Furnace

Oil requirement of Hubco Power Plant can be met from Furnace Oil Imports by PSO utilizing Byco's SPM or Byco Refinery.

Medium-Term

- Expedite the Keamari-PQA connectivity Project.
- Complete the conversion of WOPP to dual fuel use i.e. HSD and PMG.

Long-Term

- Urgently complete the pipeline project from Faisalabad to Peshawar, thereby completing the supply backbone.
- While it needs to be done in a phased manner, it is recommended that, given the strategic link to national energy security, the OMCs be given a maximum of one year to move from 20 to 30 and another one year to move from 30 to 45 days' cover, respectively.

3.3 Strategic Storages

Strategic Storages are permanent petroleum reserves held for non-commercial reasons. These safeguard against:

- External blockades (e.g. in times of war)

- Internal impediments to product movement (e.g. floods, other disasters)
- Oil industry disruptions (e.g. refinery outages, pipeline break down)

Strategic reserves are separate from commercial stocks, but these can be utilized by oil industry in times of need. Owing to the vulnerability of our sea lines, sufficient stocks of crude and imported refined product must be maintained. Strategic reserves vary as per government policy:

- EU requirement for net importing countries is 90 days.
- Germany Maintains 90 days through a federal body with refineries, OMCs, government as members.
- Netherlands 90 Days through an independent non-profit body.
- UK 67.5 Days (net exporter of crude) where the OMCs manage strategic storage.
- In every case, the responsibility and ownership for maintaining strategic stocks resides with the governments, with the Industry cooperating in the implementation of the policy.

In all the above international models, the cost of strategic storage is recovered as a

charge/levy passed on to the end-consumer on all inland sales.

Based on a Pakistan Study conducted some years back, 45 days strategic stock requirement for the country had been proposed by the authorities. It was also proposed that these storages should be built across the country. Locations to be determined from strategic and defense point of view with proximity to demand centers.

However, development will entail:

- Infrastructure development costs
- Additional bi-annual costs of logistics will be incurred to recycle reserves (Product quality of stocks is susceptible after 6 months)

The same study had recommended that a policy in this regard may be prepared. The fact remains that there is still no defined national policy on strategic storages for the country. Optimum utilization of existing resources of the Oil Industry needs to be ensured. Guaranteed availability to the Armed Forces at specified places must be ensured. We, therefore, recommend as follows:

- The earlier study needs to be revisited and policy defined in consultation with the Downstream Industry to meet the future

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needs on the basis of the evaluation of the strategic storages/stocks requirements, requirement of reserves for the armed forces, and review of the number of depots

- It is proposed that a Working Group be constituted at the earliest with Ministry of Defense (MOD) and Ministry Of Energy Petroleum Division (MOEPD) as members to evaluate detailed options for strategic storage for Pakistan, which may develop future course of action, with all stakeholders (Industry, Defense, Ports & Shipping) participating. MOD to take the lead role and MOEPD could provide the technical support.

3.4 Revised Downstream Petroleum Policy

Most of the shortcomings highlighted in the previous sections of this paper can be traced to the lack of a clear Downstream Policy. This must be rectified. The Policy regarding the downstream sector has the following history:

- After the 1991 and 1993 petroleum policies, the first comprehensive petroleum policy was announced in 1994. Thereafter, the petroleum policy 1997 also addressed this sector but only perfunctorily.

- After 1997 all revised petroleum policies have addressed the Upstream Sector (Exploration & Production) only, totally ignoring the midstream/downstream sector.

In the meantime, the dynamics of the Sector have undergone a sea change. There is, therefore, a very urgent need for a revised Petroleum Policy 2018 which not only affects changes to address the present but also the foreseeable future. A successful policy in must achieve the following objectives:

1. Attract private sector investment. The international investment climate is highly competitive and this sector's projects are all very capital-intensive
2. Be practical, viable and sustainable.
3. Address the short, medium and long-term actions needed to overcome the challenges i.e. A Road Map for the actions with timelines.
4. 'Sweat' existing assets to their fullest.
5. Strengthen the regulatory framework to ensure the emergence of a truly competitive market structure while providing investors with greater legal certainty and more regulatory oversight and arbitration.
6. Ensure consistency: consistency of policy is the single most important ingredient to attract investment.

7. Have a road map to deregulation with clear timelines.
8. Have a clear road map with timelines for product specification improvements. Improve Fuel specifications in a phased approach as done globally, allowing a minimum needed time to the refineries and the OMCs to calibrate their systems to move to the next level from the current one. Learn from the experience of developed countries with regard to reasonable timelines.
9. Policy guidelines and framework to be in place for the energy mix on a long-term horizon to enable strategic capital investment for the appropriate energy sourcing in line with the business model of the respective OMC/Refinery.
10. Till deregulation, revision of OMC margins should be done annually and automatically based on CPI/inflation.
11. There should be no ban on retail outlet development and a level playing field must be available for all players. Established players should not be penalized with different yardsticks for retail/storage development parameters.
12. Revise criteria for new and existing OMCs to ensure genuine players to enter the market: discourage 'fly-by-nights' and 'briefcase companies'.
13. Introduce anti-adulteration law for strict quality control and enforcement.
14. Product Pricing for New and Existing Refineries should be no less favorable than the prevailing mechanism.
15. Incentives/facilitations to new refinery projects be also made available to existing refineries which upgrade and meet the country's target product specifications.
16. There should be consistency in present and future petroleum policy including tariffs and incentives given which should be ratified by the parliament for a period of 15 years.

The MOE-PD should finalize all the paperwork related to Petroleum Policy 2018 based on the document already prepared and to take it to the relevant authority for implementation. The Downstream Oil Sector has been clamoring for a revised petroleum Policy since 2013 and after considerable effort we have arrived at the last goal post.

Meeting the challenge of sustained energy supplies is of critical importance to Pakistan's growth. GOP must facilitate the huge investments involved by providing government land at concessionary rates, providing the needed Utilities (Electricity, Gas, Water), waiver of customs duties and withholding tax as well as other charges and levies, and offering other fiscal incentives

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including tax holidays. The Petroleum Policy 2018 should align with this Road Map.

3.5 June 2020 Petrol Crisis

The Petrol Crisis of June 2020, which was the second major one in a little over five years, not only underscored the fragility of the country's oil supply chain but more importantly highlighted lapses in managing the situation, on the part of all stakeholders who have been entrusted with the task of ensuring uninterrupted supplies of petroleum product to the consumers in the country.

The expectations from the Inquiry Commission's Report, which was issued in December 2020, were to look at the various dimensions of the crisis objectively, neutrally, and dispassionately so that the right conclusions could be reached and course correction could be taken. However, that unfortunately did not happen. It has unleashed a blame-game which was not the purpose.

The Inquiry Commission Report has discussed the role of each stakeholder in the responsibility matrix (the Ministry of Energy – Petroleum Division, OGRA, OMCs, Oil Refineries, OCAC, and Department of Explosives); however, pipelines that play a very crucial role in the supply chain could

hardly find a mention in the report. The delay in conversion of the White Oil Pipeline (WOP) between Karachi and Machhike merited special mention as transporting petrol through WOP could have precluded the crisis.

A close reading of the Report re-establishes certain main contributors to what happened during June 2020: the price movements in the international market (remember, the country imports 70% of its Petrol requirement), the impact of Covid-19 on global and domestic consumption, the lockdowns and shutdown of tanker transport between Karachi and up-country, and the widening demand-supply gap due to declining local availability, to name a few.

The shortcomings in the capacity to move the product out of Karachi import storages to upcountry depots and the role of the transporters did not either find a mention. The non-lifting of Furnace Oil from the local refineries was the major factor contributing to very low throughput/closure of some of them leading to low availability of locally produced/refined Petrol. This fact has also been missed.

Whilst the price movements in the international market did have an impact, as they always do on the local consumer prices, it needs to be remembered that the prices had

been drastically reduced on May 1, 2020 by Rs 15 per liter. Therefore, another drastic reduction of prices on June 1, 2020 was an ill-advised action.

What impact did that particular decision have on market behavior? In our opinion this factor needs to be examined also to see if the crisis could have been averted by not changing the price on June 1, 2020. This aspect merits consideration also.

Some of the conclusions of the Report do merit consideration. However, in our opinion, the recommendations regarding taking drastic actions against individuals as well as organizations (OGRA, OCAC, MoEPD) are, to say the least, very harsh, uncalled for and unrealistic. These, if implemented, tantamount to impacting the domestic industry very adversely. Not only the Downstream Petroleum Sector, but all other sectors involving investors would be hard put to accept such actions if taken.

To reiterate, the purpose of the Report was to identify the main causes of the Petrol Crisis of June 2020, which involved knee-jerk actions/reactions to begin with, namely the embargo on import of petroleum product and crude taken by the MoEPD on March 25, 2020, which was the trigger for the crisis.

The Investigation Report has identified a number of areas for the future. Let us, however, not compound the mistakes already made by implementing the drastic punitive actions proposed by the Commission. Let us plan ahead and have the right (and better) supply chain monitoring in place, address any anomalies that need to be rectified and bring the required changes to address the dynamics of today's Downstream Sector which continues to rely on an outdated Petroleum Policy that is more than two-decade old.

Without an updated policy matching today's dynamics, firing shots-in-the-dark will continue to be our modus operandi!

Going forward, it is suggested as follows:

1. Hire/place the right people in positions of authority within the government agencies, who understand the dynamics of the downstream oil sector.
2. Plan ahead for a minimum of 3 months and then strictly adhere to it.
3. Develop a Planning Model which meets the requirements of the underlying intricacies (not an Excel based spreadsheet that does not and cannot account for covering all expected impact scenarios for smooth supply of petroleum products).
4. Address any anomalies in the Rules dictating the performance of the

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Downstream Oil Sector. You cannot have multiple Rules and expect it to work.

5. The most sensible solution for addressing such hiccups, in our humble opinion, is Deregulation. It has been under discussion for many years, but without any progress because of paralysis through analysis. All importing OMCs obtain product through varied sources and it is to their advantage to always keep import cost as low as possible. Vagaries of the international market notwithstanding, linking the pricing to a single importer (government-controlled) is questionable and downright uncompetitive behavior. OGRA can still play a watchdog role in a deregulated environment! Fear of the unknown' is no excuse for not taking the only right course of action to protect the Pakistani consumer.

3.6 The Way Forward to tackle the Gas Crisis

Natural gas is predominantly the major energy source in Pakistan contributing for about 38 percent of the total primary energy supply mix of the country, according to Pakistan Economic Survey 2019-20.

Natural Gas is used in a wide range of sectors and by the end of FY2018-19 there were 9.8

million gas consumers in the country. The number of gas consumers has been growing by about 0.3 million per annum for the past five years.

In 2018-19, 4,319 MMCFD of gas was supplied to consumers against a total demand of 5,759 MMCFD. Therefore, there was a deficit of 1,440 MMCFD.

The natural gas shortage has been growing for several years now. The situation happened because we have been consuming more natural gas than we could have used. It has been the preferred fuel because of its low cost, and clean-burning quality. However, as the consumption increased rapidly, warnings that supplies were diminishing, at a rate of 9 percent per annum and were soon likely to be outrun by demand, were conveniently ignored.

This represents a serious situation and there are no signs of it improving any time soon.

Reasons for Gas shortage:

1. High usage of gas, but more importantly the resource is being inefficiently utilized.
2. High losses and poor operational efficiency of SSGC and SNGPL. UFG for the two utilities was 17.83% and 11.45% respectively in July 2020.

3. There has been a greater focus on network expansion, because of political reasons, than maintenance of the existing infrastructure. Therefore, little has been done to plug UFG and losses continue unabated.
4. No new gas fields have been found or developed for nearly two decades. The gas reserves are believed to be much more than what has been tapped so far.
5. Poor government policies especially the promotion of CNG in the past.
6. Highly monopolized sector.
7. Poor regulation of the sector.

In view of the prevailing situation, it is necessary for the Government of Pakistan to determine the right Energy Mix for the Country and to maximize the rational use of its indigenous resources, with only the balance being imported fuel.

Suggestions are:

1. Put an Embargo on CNG Stations: It is a no-brainer that CNG has been consuming a resource that is limited. CNG-driven vehicles have reached their saturation point. The NG thus saved can find better use in the industry and domestic sectors.
2. Lift the embargo on the use of Furnace Oil: The Country is importing higher and higher volumes of LNG at prohibitive

costs due to non-utilization of locally produced Furnace Oil by the local refineries. Historical Sales of Furnace Oil have been as follows (M.Tons):

2014-15	9,262,531
2015-16	8,999,823
2016-17	9,599,254
2017-18	7,393,917
2018-19	3,536,119

Notice the very sharp decline in 2018-19, which was almost equal to the local refineries' FO production (however, at an average 72% of Refinery capacity utilization). The below-par capacity utilization was caused primarily by non-use of FO. When a Refinery operates, it must also produce FO, the volume produced being dependent upon the crude processed and the refinery's configuration. Imports of FO are net of local production and are shown below:

Local Production	Imports Total*
2014-15	2,928,140
6,243,226	9,171,366
2015-16	2,859,110
6,228,427	9,087,537

2016-17	3,014,330
6,593,614	9,607,944
2017-18	3,262,800
4,358,322	7,621,122
2018-19	2,873,745
552,239	3,425,984

* includes HSFO as well as LSFO

From 30+% share of FO in the Energy Mix for Power Generation, 2018-19 saw the share decline drastically to 8%. To reiterate, this was the primary cause of low refinery throughput and consequently lower production of PMG and HSD, and higher imports of these transportation fuels at an increasing cost to the national exchequer.

During the same period, the Import of LNG grew from 472,503 TOE in 2014-15 to 7,492,597 TOE. Import cost of LNG in USD was 2,452 Million USD (2.5 Billion USD) in 2017-18.

With LNG, a number of problems are persisting, compromising its availability at a reasonable cost due to various factors including but not limited to the Qatar Gas Deal factor.

In the past, too, whenever the Government faced gas availability issues, it has always been

Furnace Oil that came to the rescue. It is a locally available resource that the refineries must produce when they operate. Its full disposal also helps the refineries to maximize the full range of refined product, especially PMG, HSD and Jet Fuel (JP-1 for Commercial Airlines and JP-8 for the Air Force), thereby acting also to protect our National Energy Security.

In light of the above facts, the Government should ask the local refineries to operate at maximum capacity, produce maximum Furnace Oil. Maximum production of transport fuels PMG and HSD will also be an obvious outcome.

The generation capacity of all RFO based plants is ~ 3,500 MW. This would require ~ 20,000 MTD of FO. The refineries can cumulatively produce ~ 3 Million Tons of RFO per year, or ~ 8,300 MTD.

Power plants based on RFO must be directed to operate so that maximum RFO based generation equivalent to the local FO production takes place to start with. We may set aside the merit order and environmental concerns for the time being. We are fighting for our survival here. If environmental concerns were such a big issue, then why has coal been promoted, which is an even dirtier

fuel and a larger contributor to particulate matter than Furnace Oil.

This will tide us over the immediate shortage, saving ~ 41 M cft of gas per ton of FO consumed per day. The gas savings would total around 115 BCF and could be used for supplies to the domestic consumer for heating and cooking.

The use of Furnace Oil in the manner proposed must continue even beyond the winter season so that the local refineries continue to operate at full capacity and produce additional volumes of transportation fuels PMG and HSD, thereby saving precious foreign exchange.

Based on 2018 average prices,

- Each MTon of locally produced PMG saves USD 622
- Each MTon of locally produced HSD saves USD 553
- Each Ton of Imported Crude Oil costs USD 475

Therefore, net of Crude Import cost, each Ton of local PMG would save USD 223 and each Ton of local HSD would save USD 259.

3. The government should prioritize gas exploration to discover new reserves.

4. Urgently cut down UFG to bring it to acceptable limits.

5. Improve the supply chain by separating the pipelines from supplying to consumers.

6. Improve the regulatory framework.

Conclusion

To summarize, the following urgent steps are recommended for ensuring national energy security:

1. Ports:

A Dedicate two of the Oil Piers at Keamari to oil only.

B Debottlenecking of the existing jetties.

The present Byco SPM also needs to be utilized to shift some of the volume from Keamari to the SPM and reduce the load on KPT. Due to the drastic fall /ban in Furnace Oil imports, a second jetty at Port Qasim may not be required.

B Ensure and fast-track Keamari-Port Qasim Connectivity Project.

The implementation of this connectivity has been pending since over a decade and must be fast-

tracked in order to fully utilize the KPT's Keamari Port.

2. In case of Blockade of the Strait of Hormuz:

Discuss with the Saudi Arabian authorities the possibility of using the Iraqi Pipeline in Saudi Arabia (IPSA), which is owned by the Kingdom of Saudi Arabia (KSA) and is the potential rescuer for Pakistan as a fallback for crude supplies in case of the blockade of the Strait of Hormuz.

3. Refining

In the short-term, i.e. immediately, conditions must be ensured to allow the existing refineries to operate at 100% capacity.

For the medium term, the Parco Coastal Refinery (PCR) may be fast tracked, followed by planning and construction of another Deep-Conversion 300,000 BPD refinery with Euro IV/V transportation fuels (Gasoline and HSD), with commissioning targeted in 2026-27.

For the Long-term, another refinery of the same size, configuration and specification target is recommended for 2029-30.

4. Strategic Storages

A National Policy on Strategic Storages should be urgently developed.

Ministry of Energy Petroleum Division (MOEPD) and Ministry of Defense (MOD) should urgently constitute a Working Group to evaluate detailed options for strategic storages for

Pakistan and develop future course of action, with all stakeholders (Industry, Defense, Ports & Shipping) participating. MOD may take the lead role, including budgeting, with MOEPD providing the technical support and inputs.

Pipelines

Short-Term: Ensure better utilization of Byco's SPM in order to transfer some of the load at the existing two Ports to the SPM.

Medium-Term: Expedite the Keamari-PQA connectivity Project and expedite the conversion of WOPP to dual fuel use i.e. HSD and PMG.

Long-Term: Expedite the completion of the Pipeline Project from Faisalabad to Peshawar, thereby completing the supply backbone.

5. Petroleum Policy

In order to facilitate national energy security plans, the Downstream Petroleum Policy 2019 should align with this Road Map and be urgently notified.

6. Gas

Use all locally-produced Furnace Oil to keep the local refineries at 100% capacity thereby freeing gas from power production to be utilized for the industrial and the domestic sector.

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