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Special Report

# **A STRATEGIC ASSESSMENT OF IMRAN KHAN'S PAKISTAN**

**STRATEGIC**

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**SPECIAL REPORT**

**Global Risk Intelligence**

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## Summary

This Special Report examines the economic and security outlook for Pakistan. It examines the outreach that Prime Minister Imran Khan has made to other countries in the South Asia and Middle East regions and places these actions in the context of Pakistan's broader strategic goals. It highlights the difficulties that Khan faces as he seeks to ameliorate Pakistan's debt situation and it provides a particular emphasis on the competing forces and entities that he must balance. Then, it gives an overview of the future issues that will also pose challenges to Pakistan's strategic outlook. Finally, it summarizes the key positives and negatives for Pakistan's strategic situation.

**TAGS: AFGHANISTAN, BALUCHISTAN, BELT AND ROAD INITIATIVE, ONE BELT ONE ROAD, CHINA, CHINA-PAKISTAN ECONOMIC CORRIDOR, ECONOMICS, IMRAN KHAN, INDIA, INTERNATIONAL MONETARY FUND, ISLAMIC REVOLUTIONARY GUARD CORPS, PAKISTAN, PASHTUN TAHAFUZ MOVEMENT, SAUDI ARABIA, SECURITY, UNITED ARAB EMIRATES**

## List of Abbreviations:

<b>BRI</b>	<b>Belt and Road Initiative (One Belt One Road Initiative)</b>
<b>CENTCOM</b>	<b>Central Command</b>
<b>COAS</b>	<b>Chief of Army Staff</b>
<b>CPEC</b>	<b>China-Pakistan Economic Corridor</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>IRGC</b>	<b>Islamic Revolutionary Guard Corps</b>
<b>PML-N</b>	<b>Pakistan Muslim League Nawuz</b>
<b>PPP</b>	<b>Pakistan Peoples Party</b>
<b>PTM</b>	<b>Pashtun Tahafuz Movement</b>
<b>UAE</b>	<b>United Arab Emirates</b>

## Introduction

The ascension of Imran Khan to the office of Prime Minister of Pakistan suggested to some observers that Pakistan was about to undergo a notable political shift. Khan had brought his party to power on ambitious promises to create millions of new jobs, to restore Pakistan's global image, and to aggressively root out corruption. Since taking power, however, his tenure has been defined by his efforts at combatting Pakistan's debt crisis. He has made outreach to China, Saudi Arabia, and other regional powers in order to secure investment for economic development, and he has been holding talks with the IMF to secure a multi-billion dollar bailout package. These actions are taking place across a greater backdrop of regional dynamics that Khan must balance if he is to remain in power and manifest his vision for Pakistan.

## Critical Context

### Imran Khan and the Pakistani Military

Since taking his oath of office on the 18<sup>th</sup> August 2018, Pakistan's Prime Minister Imran Khan has enjoyed the full support of the Pakistani Military. Having coupled this backing with genuine support amongst the urban elite in Punjab and the Pashtun population at large, Mr. Khan has not had to contend with some of the initial friction amongst civilian and military power centers



that have typically plagued the first few months of new Prime Ministers. This lack of domestic friction has allowed Khan to concentrate on shuttle diplomacy abroad and focus on securing economic support from key allies.

Key to addressing Pakistan's economic woes, including the balance of payments deficit, has been Khan's engagement with the rulers of Saudi Arabia and the United Arab Emirates (UAE), as well as China and Turkey. To a degree, Khan has attempted to secure economic assistance from the



United States indirectly, through the pursuit of another bail out from the International Monetary Fund (IMF).

According Bilal Khan, a senior economist at Standard Chartered Plc., quoted in a Bloomberg article published before the G20 summit, in October 2018, "securing U.S. approval on the IMF Executive Board will require Pakistan to strike a fine geopolitical balance between the Trump administration's concerns over China's growing economic engagement in Pakistan and the country's bilateral commitments." U.S. Secretary of State Mike Pompeo also warned, as early as July 2018 that Washington would require assurances that Pakistan would not use the bailout to pay off the opaque Chinese loans. Mr. Khan has to walk a fine line of leveraging the economic growth potential of the China-Pakistan Economic Corridor (CPEC) while growing foreign direct investment from non-Chinese sources, thus avoiding the debt trap of relying entirely on Beijing.

## **Major Moves – Saudi Arabia & the UAE**

Khan has focused his initial engagements on trips to Riyadh and Abu Dhabi in order to repair somewhat strained relations, which were a result of Pakistan's refusal to participate in the Yemen war in 2015. UAE Crown Prince Mohammed Bin Zayed's visit to Islamabad, \$3 billion donations from both the UAE and Saudi Arabia for Pakistan's State Bank to boost foreign reserves, and a further \$3 billion in deferred oil payments all constitute reflect a great wins for Khan. He has also managed to



secure a \$10 billion investment commitment from the Saudis to develop the Reko Diq mine as well as an oil refinery in Gwadar port.

Islamabad has recently hosted at least half a dozen senior UAE and Saudi business delegations that have notably included the presence of

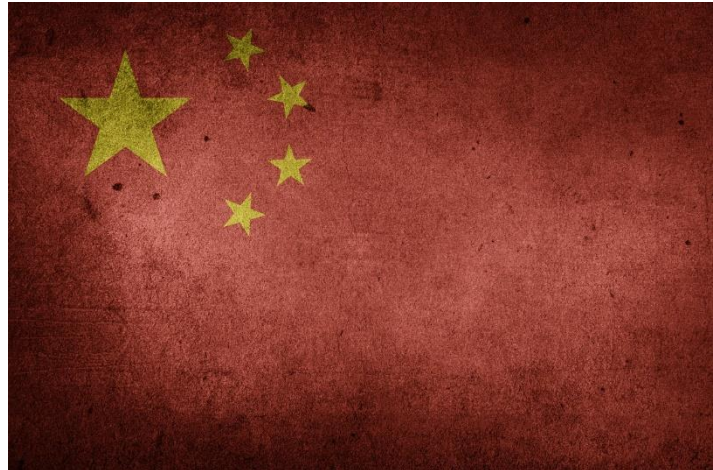
Finance and Energy Ministers. There is a tangible focus on state-to-state relations. This provides a refreshing change to decades of corrupt practices under Asif Ali Zardari and Nawaz Sharif, both of whom tried to line their pockets to the detriment of the state economy. The new Saudi and UAE

funding is a sign of renewed confidence in Khan. The push for funding from the Gulf States also reflects lessons learned from the impact of the Chinese loans on the Sri Lankan economy; they do not want to repeat the mistakes that Sri Lanka made in the Hambantota port development project.

## **Whither China?**

Beijing is concerned not only that Pakistan is over-relying on CPEC to drive its economic growth, but also that senior officials are not treating the project with due seriousness. Razak Dawood, Khan's most influential advisor, set off alarm bells in Beijing when he stated that some of the CPEC projects might need to be renegotiated or might warrant a second examination. This follows a year of unease in Pakistan over the terms of CPEC negotiated by the previous government and the lack of transparency on what actually Pakistan gains from the arrangement.

Faced with skeptical economic advisors in Prime Minister Khan's office, Beijing has turned to the Pakistani Army to help preserve the prioritization of the CPEC and gain support in the settlement of provincial-level disputes such as the preferred CPEC route to the sea and the equitable distribution of projects. The fact that the Chief of Army Staff (COAS)



General Qamar Javed Bajwa visited Beijing whilst Khan was in the Persian Gulf suggests that the military is trying to retain control of the China portfolio and reassure Beijing of Pakistan's commitment to CPEC. The Chinese confirmed during Bajwa's visit that military ties form the bedrock of the two countries' alliance.

## **Civil-Military Harmony**

Although the Army wants to retain the primary role in preserving Pakistan's relationship with China, it has also given full support to Prime Minister Khan's pursuit of investment from Saudi Arabia, the UAE, Turkey and Malaysia. The Army has also helped Khan solidify his political position by weakening most of the Pakistan Muslim League Nawaz (PML-N) leaders by holding them to account on corruption charges. The Army has also supported similar investigations into the

Pakistan Peoples Party (PPP), led by Bilawal Bhutto Zardari. These actions have effectively given Khan's government greater room to maneuver by limiting the capacity of rival parties to engage in the political process.

Khan has not shown much interest in Afghanistan and has been happy to let the Army take the lead in dealing with Kabul. The Army is also keen to support Khan's desire for talks with India, something which precedes Khan coming to power. General Bajwa has also called for talks with India for over a year now.

In conclusion, Khan's first 6 months have been about addressing economic challenges by procuring aid and investment from the Gulf States and by minimizing Pakistan's reliance on China loans. His visits to Turkey and Malaysia reaffirmed campaign statements that Turkish President Recep Erdogan & Malaysian Prime Minister Mahatir Mohamed are the two models of Islamic democracy that he wishes to emulate. This is something that the Army appears to have been assessing over the two-year tenure of General Bajwa. It seems that in their view, it is more important to strengthen ties with regional partners rather than concentrate on gaining more U.S. support.

## Future Concerns

### Security Risks – Baluchistan

April started with a series of attacks in the Western province of Baluchistan. This comprised a string of suicide attacks in Quetta on the 12<sup>th</sup> April, an attack in the border town of Chaman the same day, and another deadly attack on 18<sup>th</sup> April at a passenger bus on the Makran Coastal Highway from Karachi to Gwadar. This came as the Pakistan Army Chief General Qamar Javed Bajwa, declared that the country had defeated terrorism. While overall attacks are down in major cities and no major attack has taken place in Karachi, Lahore, Rawalpindi, or Islamabad in the last six months, Baluchistan could be the Achilles heel of the CPEC project. Pakistan is using Chinese investment as a pivot to bring in further foreign investment and has also now successfully roped in the Saudis to be a major investor in the region, particularly in the disputed concession of Reqodik.

On the same day that Saudi Crown Prince Mohammed Bin Salman arrived in Islamabad for a two day official visit in February, the then-head of the Islamic Revolutionary Guards Corps (IRGC),

Mohammad Ali Jafari, threatened Pakistan and warned it against fostering Saudi involvement in Baluchistan. He also blamed Pakistan for a string of attacks on IRGC forces in Sistan-Baluchistan, the neighboring Iranian-province to Pakistan's own Baluchistan.

Pakistan is facing two major problems in Baluchistan. One is an indigenous separatist movement that Pakistan alleges is supported by India, and the second issue is a border-management problem with Iran. Over the last twelve months the Iranians and Pakistanis have traded cross-border gunfire that has led to casualties on both sides. However since the ascension of Imran Khan, tensions have cooled with Iran, and he made a scheduled visit to the country on April 21<sup>st</sup>. One of the key priorities during this visit was to discuss the Baluch problem, as both countries face internal separatist movements supported by outside powers. The Iranians blame the Saudis, while the Pakistanis blame the Indians. However, the root cause of Iranian-Pakistani tensions is the mismanagement of the border and the drugs and commodity smugglers that operate in the vast, rugged landscape. The Iranians are also cautious of Saudi investment in areas which might have unforeseen consequences beyond just financial gain. Pakistan never lived up to promises it had made regarding a gas pipeline between Iran and Pakistan. The pipeline agreement was signed back in 2008, yet has never been acted upon due to American and Saudi pressure on Islamabad not to move forward with the project.

The Chinese have not outwardly shown any great concern about the attacks or troubles of Baluchistan. They are forging ahead in Baluchistan and they aim to stabilize the area through their



investments in Gwadar and other coastal areas. The groundwork for the international airport in Gwadar was launched in April, and the Chinese will aim to finish that in two years. The Prime Minister also announced a soon-to-be-made public discovery off the coast of Baluchistan and Sindh of huge energy deposits which could rival those of Saudi

Arabia and Qatar. This could be a game changer for Pakistan given that the Chinese presence in the Arabian Sea seems permanent. Khan said he would shape Pakistan into a new economic power,

but realities on the ground reality could affect that goal. The Pakistanis will face an uphill struggle to contain potential disruptions from local and intra-provincial politics which could frustrate Chinese progress.

## **Indo-Pakistani Tensions**

Despite the India-Pakistan clash in February and March and the shooting down of planes and other claims and counter-claims on both sides, Imran Khan is in the best position to make peace talks with India. He has a personal connection with the Indian Prime Minister Narendra Modi, as the two met before Khan became Prime Minister. Despite the tensions, Modi and Khan praised each other and said that they should remember the promises they made to each other in their meetings.

Khan enjoys a high degree of popularity in India because of his cricket background and his extensive philanthropic work. He is close friends with the social and sporting elite that have influence over Indian politics. This adds a level of hope to promise of India-Pakistan trade. The Pakistani Army has also publicly said that they would like to trade with India and see both countries progress. Despite recent tensions, it seems that India and Pakistan will talk. This is most likely to occur after the Indian elections finish.



China has also urged both countries to come to the table and this could be the deciding factor in the months and years ahead. China needs to trade with both countries and also use their links with Central Asian countries to make the Belt and Road Initiative (BRI) successful.

## **Consequences of Reconciliation in Afghanistan**

2019 has seen unprecedented progress in the Afghani peace talks. For the first time the US is talking directly to the Taliban in Doha, and the Pakistani security services have provided much-needed support in bringing the group to the negotiating table. American senior officials have been

praising Pakistan publicly for the first time in over a decade and US Senator Lindsey Graham travelled to Islamabad with the US Central Command (CENTCOM) Chief to thank the Pakistanis for helping the US in Afghanistan. This was a historic first that came after decades of US accusations of Pakistani meddling in Afghanistan. The Russian, Chinese and Iranian military and security chiefs also met in Islamabad to discuss the future of Afghanistan. This constituted another historic first given previous Russian rivalry with Pakistan for influence in Afghanistan.

Despite positive signs, the Afghan government remains hostile to Pakistan and accuse it of hijacking the peace process. The Afghan government has also accused the Americans of playing into the interests of the Pakistanis. The worst-case scenario could be if President Trump loses patience with the peace talks and reverts to accusing Pakistan of hindrance. This could result in a Taliban backlash against Pakistan. The situations in Baluchistan and the newly stabilized Afghan-Pakistan border regions remain fragile and any hike in violence would impact Pakistan negatively. The Taliban accused Pakistan of abandoning them when previous talks failed, and would likely do the same if the latest talks also break down.

There is also some concern in Kabul as to whether President Trump would unilaterally announce a US withdrawal from Afghanistan before the next US Presidential elections.

The Pashtun Tahafuz Movement (PTM) is also creating troubles for Pakistan in the former Tribal Areas such as North and South Waziristan, Khyber and Orakzai agencies. The displaced peoples of the border areas are accusing the Pakistani government of neglect and of using the Pashtuns as cannon fodder in the War on Terror. The movement has been attracting international coverage for its amassing of huge, non-violent rallies in all the major cities. The Afghan government has also weighed in on the affair and used the historically-disputed Durand Line border issue to claim that the Afghans and Pashtuns in Pakistan are one and cannot be ignored on either side of the border. Afghanistan could seek to take revenge on Pakistan by interfering in local issues. This has been a historic tit-for-tat since 1947 and something that could cause huge tensions.



## **Potential for Trouble**

Despite Khan's positive start, there are a number of hurdles he must manage in the near future to ensure continued foreign investment and continued support by the Chinese, UAE and Saudi Arabia. Although these countries do not care too much about the threats to Pakistan given their historic ties with Islamabad – there is always the threat of strategic repercussions if Pakistan finds itself with three hostile neighbors. At the moment Iran, India and Afghanistan all charge Pakistan with giving safe passage to groups hostile to the three countries' national interests. Pakistan is already on the grey list of The Financial Action Task Force (FATF) for banking irregularities, terror financing, and the links between organized crime and terrorist outfits within the country. China did not support Pakistan at the FATF hearing last year in Paris for fear of being associated with a banking system that harbors terrorists. However at the UN, China vetoed any resolutions aimed at Pakistan. Pakistan shall have to carefully consider how it will improve relations with Iran and Afghanistan in particular, given that its historical rivalry with India makes a repairing of that relationship a more difficult and complicated challenge.



## **Strategic Summary**

### **Positives**

- Pakistan is getting unprecedented diplomatic and economic support from China, Saudi Arabia, Turkey, Malaysia and the UAE while the US and EU might be moving towards a permanent isolation of Pakistan. Pakistan is looking both regionally and eastward for not just economic progress but also military sales.
- The Afghan Peace talks have bought respite from American criticism and for now the Trump administration is warming to Khan despite having implemented a complete freeze on military aid to Pakistan.

- The personal connection between Khan and Modi could pave the way for the first meaningful peace talks in over a decade.

## **Negatives**

- Relations with Iran are at an all-time low and border tensions could spiral out of control. Given the context of Saudi-UAE proxy wars in the Middle East, Pakistan could get sucked into an unavoidable proxy battle in Baluchistan.
- If the Afghan Peace Talks fail, the US and NATO would likely revert to their default positions of blaming Pakistan for the mess. They might then impose sanctions or other punitive measures.
- Potential economic blacklisting by the FATF, the IMF, or even the UN would hamper Pakistan's capacity to form economic partnerships with regional partners.

## **Conclusion**

In his first months as Prime Minister, Imran Khan has taken strong steps to address Pakistan's debt burden. He has sought to balance Pakistan's reliance on Chinese investment with partnership and aid from other regional powers. These efforts seem to be resulting in some success. Furthermore, his broad support among key Pakistani power bases grants him a strong mandate. This mandate will prove useful if Khan attempts to take advantage of a unique opportunity to assuage the historic tensions between Pakistan and India.

Despite positive signs, Pakistan still faces key challenges moving forward. Border tensions with neighboring countries could escalate at any time and threaten to negatively impact Pakistan's relationship with other countries in the region. Security hazards still pose an ongoing concern in key areas for foreign investment such as Baluchistan, and infrastructural development will require a deft handling of local politics. None of these difficulties are insurmountable, but all of them will require thoughtful action and political skill. Khan will need to balance all of these factors if he is to accomplish his goals and guide Pakistan through its current strategic context.



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