

OVERVIEW

Year 2019 was a crises driven eventful year for Pakistan. The country faced political, economic, and diplomatic challenges while dealing with a troubled neighbourhood. The shifting international order added to the complexity of the situation. Externally, Pakistan was caught in renewed tensions with India, but at the same time played a much larger role in the U.S. -Taliban peace talks and pushed to reset bilateral relationship with Washington. Pakistan also steered ties with China and Russia steadily and managed relations with key Muslim countries. Internally, the government tackled balance of payment crisis and internal security issues amidst deepening political polarization.

This report attempts to assess Pakistan's performance in various areas, which are directly relevant to our polity and projects the likely future direction of events and the potential challenges that could be encountered. It brings together essays written by experts and former policy-makers on diverse subjects such as strategic environment, foreign policy, internal security, economy, and cyber security.

Pakistan's strategic environment evolved during 2019. Former Foreign Secretary Amb. Salman Bashir and Former Defence Secretary Lt. Gen. (R) Asif Yasin Malik have contended in their articles that new challenges surfaced as the government dealt with issues in the internal and external spheres. On the external front, Kashmir and relations with India consumed much of the strategic and diplomatic bandwidth. After forty years, Indian and Pakistan Air Forces engaged in an aerial dog-fight during the post-Pulwama military stand-off and set in stone a new military normal. India lost two of its fighter jets and one of the pilots was captured. Pakistan released the Indian pilot on the intervention of other countries leading to de-escalation of the crisis. But months later, Kashmir again dominated strategic agenda in a way not experienced since the Kargil War.

First few months of Prime Minister Narendra Modi's second term in office have fundamentally altered underlying dynamics of India-Pakistan conflict and relations. New Delhi posed a formidable challenge to Pakistan by revoking Article 35A and 370 of Indian Constitution, which gave a special status to Occupied Kashmir in the Indian Constitutional scheme. This created an unprecedented situation, wherein India integrated the Occupied territory that it was holding, and its leaders threatened to capture Azad Kashmir. India's brinkmanship in a nuclear environment posed grave risks to both countries and the world at large. Notwithstanding the high running tensions, both countries fulfilled the pledge to open Kartarpur Corridor for Sikh pilgrims in November, 2019.

Strategic uncertainty prevailed throughout the year on the western border with Afghanistan. Given its geographic proximity and social linkages, Pakistan's role remains crucial for peace and security in Afghanistan. Islamabad at the same time also faces constraints on how far it is willing to or can go. Pakistan facilitated direct negotiations between the Taliban and the United States during 2019. Islamabad is wary of losing its leverages in Afghan peace process, and therefore, it avoids putting too much pressure on the Taliban. Afghan peace process has, meanwhile, also come to greatly influence Pakistan - U.S. engagement as Washington increasingly looks at Islamabad through this prism.

In the absence of a headway in the US – Taliban negotiations, there was no progress towards ceasefire and the resumption of the intra-Afghan process for a political settlement of the Afghanistan dispute. Violence in Afghanistan remained high during Year 2019 and the Taliban continued to launch major attacks across the country and made territorial gains. The Islamic State-Khorasan Province, also known as ISIS-KP, meanwhile, expanded its footprint in several eastern Afghan provinces. ISIS-KP too executed high profile attacks in Afghanistan. Occasional border skirmishes between Pakistani and Afghan forces were reported as Pakistan pressed ahead with the border fencing project to prevent unauthorized crossing. As the situation in Afghanistan remained fraught, it is believed that only a regional approach with full participation of all neighbors of Afghanistan can be constructive in the long-run.

Challenges in ties with Iran persisted. A bomb attack on a Revolutionary Guards bus in Iran's Sistan and Baluchestan Province in February 2019, carried out by elements allegedly based in Pakistan, and the Ormara attack in April 2019, by the newly formed alliance of Baloch insurgents – BRAS – alleged to be having sanctuaries on Iranian side of the border, in which Navy and Coast Guard personnel were martyred after being offloaded from a bus, threatened to undermine bilateral ties. However, both sides continued their cooperation on improving border security through coordination and consultations. Regional geopolitics, meanwhile, remained a major impediment to trust-building despite the two sides intensifying their high-level bilateral engagement - PM Imran Khan twice visited Tehran and Army chief Gen Bajwa went there once. Iranian Foreign Minister Javad Zarif also visited Islamabad. Navigating Saudi-Iran rivalry, therefore, remains a challenge for Pakistan, but opportunities for cooperation also exist. Notably, Tehran has extended all-out support to Pakistan's stance on Kashmir after India imposed a lockdown in the Valley in the aftermath of its annexation and carried out human rights abuses.

Strategic relationship with China remains a key pillar of Pakistan's foreign and security policy. In recent years, China Pakistan Economic Corridor (CPEC) has come to symbolize bilateral relationship with China, but ties with Beijing, marked by convergence of interests on key regional and international issues, are much broader than CPEC. During February China played a key role in managing the post-Pulwama crisis between Pakistan and India. In May, China withdrew its decade-long hold over backlisting of Jaish-e-Mohammed (JeM) leader Masood Azhar at the 1267 Sanctions committee. Indian actions after the revocation of Article 370, however, changed the dynamics and Beijing and Islamabad closely coordinated their response. China was instrumental in calling a special consultative session of the UN Security Council on Kashmir dispute. Invitation to PM Khan for visiting Beijing days before President Xi's summit meeting with PM Modi in Chennai was a strategic signaling to New Delhi.

As CPEC entered into second phase, it faced a slow-down due to Pakistan's economic crisis and governance issues. It is vital for Islamabad to address the issues constraining CPEC's progress. Islamabad has set up a new CPEC Authority to resolve the impediments and ensure smooth coordination between various provincial and federal departments. Meanwhile, Islamabad should work to insulate CPEC from emerging great-power competition between China and the U.S. In November, 2019, Washington directly criticized CPEC and raised questions on Pakistan-China cooperation. Beijing and Islamabad pushed back in an effective manner. In 2020, CPEC will test the strength of China-Pakistan relations in

the face of stronger Western backlash against China. Yet, Pakistan needs to press ahead with CPEC and ensure that it remains free from controversies.

Aside from neighbours, relations with U.S. remain a challenge for Pakistan's policy-makers. It is a relationship, which cannot be wished away as Washington remains the pre-eminent great power with military presence in Afghanistan and deepening strategic ties with India. Logjam persisted in bilateral Pak-US relations over divergent interests and approaches on key issues such as China, regional security, terrorism, and strategic stability in South Asia. An attempt to reset ties was made when PM Khan visited Washington. Afghanistan remained the focus of Trump-Khan parleys. President Donald Trump, meanwhile, offered to mediate India-Pakistan dispute over Kashmir in return. Although the Americans didn't directly link it, but it was clearly a reciprocation for Pakistan facilitating an orderly withdrawal of U.S. troops from Afghanistan after a peace agreement with the Taliban. Pakistan has pledged to facilitate the talks with insurgents. However, divergent interests and deep mistrust have hampered any progress. A crucial question for next year is: which way would Pakistan-U.S. relationship head in the medium term? An unpredictable President, and that too in an election year in US, makes any prognosis difficult, but it is a near certainty that bilateral engagement will remain limited to the minimum agenda of Afghanistan for foreseeable future and transactional nature of the relationship will continue.

Navigating China-U.S. competition will test craft of Pakistani policy-makers in near term. It will strain Pakistan-U.S. ties while complicating regional environment from Pakistan's perspective, as Islamabad has long-standing concerns on closer India-U.S. strategic cooperation ostensibly to counter China's growing influence in South Asia and Indian Ocean Region. The way Pakistan makes itself relevant to evolving regional dynamics and balances ties between Washington and Beijing will provide strategic space for Islamabad to pursue its regional interests. It is, however, imperative that Pakistan does not become another battleground for growing China-U.S. competition.

Beyond these important relations, Pakistan, during 2019, remained actively engaged with the Middle East and the Muslim world. Early in the year, Pakistan secured financial assistance from Saudi Arabia and the United Arab Emirates (UAE) to stave-off an imminent economic collapse. Both countries, in return, sought Pakistan's support for their geopolitical interests in the Gulf Region. Islamabad initially tried to project its neutrality and even attempted to mediate between Iran and Saudi Arabia after the attack on Saudi oil facilities in 2019. Moreover, PM Khan, in his address at United Nations General Assembly (UNGA), rallied against Islamophobia and called for cooperation between key Muslim countries. Later developments, however, highlighted limits of Pakistan's approach. Islamabad had to pull-out from Kuala Lumpur Summit at the last moment due to Saudi reservations. This exposed Pakistan's compromised ability to chart a neutral role in the Gulf region and on wider issues concerning Muslim countries. These restrictions were also vividly at display in Pakistan's tongue tied reaction to Gen Qassem Soleimani's assassination in a U.S. airstrike in Baghdad on January 3, 2020. Islamabad is in a difficult and complex situation vis-à-vis its ties with Turkey, Malaysia and Iran on one hand, and the Saudi led Arab bloc on the other. This challenge will remain on top of diplomatic agenda during 2020.

Finally, the threat of being blacklisted by Financial Action Task Force (FATF) persisted throughout 2019 and will continue into 2020, as next review of Pakistan's status is scheduled for February. Pakistan undertook extensive administrative and regulatory reforms in the financial sector. But, it's a well known fact that FATF is much more than the technical weaknesses in the financial system and is closely linked with geo-political environment. Avoiding the blacklist and getting the normal status restored requires persistent diplomatic efforts for gaining support from key friendly nations. Navigating the FATF maze and handling relations with countries having a crucial role in deciding Pakistan's case will remain on the diplomatic agenda in near future.

On the domestic front, Pakistan, in 2019, witnessed a multitude of political and economic challenges, and governance issues. The role of military in domestic politics, meanwhile, became more pronounced. Mr. Farhan Bokhari, Syed Baqir Sajjad, Ms. Asma Khalid, Syed Hussain Haider, and Syed Ali Hashim Zaidi have looked at these issues in their respective pieces. 2019 was the first full year of Imran Khan led Pakistan Tehreek- e-Insaaf (PTI) government. PTI has been unable to deliver on its key electoral promise of change due to inexperienced leadership, inappropriate priorities, and excessive focus on opposition bashing on the pretext of fighting corruption. This resulted in deeper polarization in the country. PTI government and the military establishment appeared to be on the proverbial same page on most of the issues, whereas the opposition continued to rattle politics through constant protests against government policies. Although, the protests had little impact on the government, its own mistakes hurt it more and undermined the democratic space in the country. PM Khan faces an uphill task of restoring the trust of people in democratic institutions and nation-building. He needs to take opposition parties onboard on key issues without compromising his commitment to accountability.

The cooperation extended by the Opposition for legislating on the extension of tenures of the services chiefs and Chairman Joint Chiefs of Staff Committee pointed towards the misgivings between the military and the opposition parties being removed and a new accommodation being worked out. It should be recalled that the Supreme Court, while deciding the petition against a second tenure for Army Chief Gen Qamar Bajwa, had asked the Parliament to undertake necessary legislation and formulate rules and regulations to address legal lacunae in the process.

The army, meanwhile, played an outsized role in running affairs of the government. In a notable intervention, Gen Bajwa held a direct meeting with leadership of business community to address their concerns arising out of government's economic policies and the economic stagnation. PM Khan, in an unprecedented move in June, made the army chief a member of newly established National Development Council (NDC), formalizing his role in economic decision-making. In 2020 this role is set to expand after necessary legal cover is provided to extension. Increasingly, military has stated that security and economy are linked in many ways, and consequently, security cannot be ensured with a weak economy.

For economic development improved internal security environment is paramount. Pakistan has battled militancy and terrorism for over one and half decade. Internal Security has significantly improved after multiple largescale military operations in recent years. Statistics for 2019 indicate a decline in the

number and lethality of terrorist incidents as compared to 2018. Terrorist groups continued targeting security personnel, law-enforcement agencies, and minority communities using improvised explosive devices and firearms. Majority of terrorist acts took place in Baluchistan and Khyber-Pakhtunkhwa, while sectarian incidents were confined to Sindh and Baluchistan. Ethnic and sub-nationalistic violence occurred mostly in Baluchistan. Overall, security situation in Baluchistan remained fragile despite the province reporting greater decrease in incidence of terrorist acts as compared to other provinces. Military and law-enforcement continued with Intelligence-based Operations (IBOs) against terrorist groups. A challenge for policy-makers in near term is to rehash the counter-terrorism strategy in a way that it prevents the terrorism phenomenon from morphing into a long-term threat through new recruitment and alliances between terrorist groups. Pakistan Muslim League- Nawaz (PML-N) government put forward Pakistan's first ever National Internal Security Policy (NISP) in 2014 and then its second 2018 edition, PTI government is yet to review the internal security strategy and update the policy-framework. It is imperative that in 2020, PTI government undertakes swift review of existing policies and chart a new course, as it enjoys unparalleled support of military, for dealing with internal security challenges in a comprehensive manner.

On the economic front, 2019 was the year, when PTI government entered into a stringent International Monetary Fund (IMF) program after a shake-up of its economic team. The year started with the then Finance Minister Asad Umar boasting about resolving the fiscal crisis without resorting to IMF, through support from domestic sources and borrowing from friendly countries. A mini-budget was presented in January, 2019. That strategy failed to infuse confidence in the economy. Markets remained stagnated due to increase in interest rates and rupee depreciation. Inflation and unemployment rate, meanwhile, increased. A new economic team was then brought in April, 2019.

The new team led by Advisor to Prime Minister on Finance and Revenue Mr. Hafeez Sheikh moved at a quick pace. An agreement with IMF was finalized for a bailout package. Interest rates, in the meantime, hit all-time high of 13.25 percent and economy contracted. Despite economic slow-down, the government in the budget for fiscal year 2019-20 announced an ambitious revenue collection target. Under IMF program, Pakistan has linked interest rates to inflation without taking into account the impact on economic growth and for the first time in national history, a 'market determined' exchange rate regime has been put in place.

After the budget, government moved to document the economy for boosting tax collection. Traders across the country went on strike refusing to comply with the new condition of keeping identity records of all sales and purchases forcing the government to twice postpone the implementation of the condition. The traders were unrelenting and refused to comply if the government reintroduced that condition. This in a way gives the taste of what's to come in 2020. New economic challenges are expected to surface. Under stabilization program agreed with IMF, Islamabad has to move towards structural reforms, cut power-sector loses, expand tax base and privatize state-owned enterprises. The government needs to stay firm by not buckling under pressure, while addressing concerns of the domestic constituencies and dealing with the consequences of its difficult decisions, if it were to successfully

implement the reforms agenda. Year 2020 will test decisiveness of PTI government and PM Khan on the economic front unlike anything in 2019.

This would in turn require political stability in the country. Opposition parties cannot be targeted and maligned for ever. This can be achieved through a national dialogue, which could ensure greater tolerance for others' political views and keep all stakeholders confined to their ambit and constitutional roles within the system. It will also strengthen decision-making at the top, a necessary pre-condition for effective coordination and implementation of crucial economic decisions.

Pakistan is undergoing a digital transformation. Mr. Farooq Naiyer has captured the state of cyber governance in Pakistan. Internet penetration is increasing at a faster pace than many other developing countries and according to studies, Pakistan ranks among top five countries where number of mobile internet users are increasing. A comprehensive cyber security strategy, however, remains to be formulated. Government and other stakeholders are using internet-based communications platforms for communication and governance related initiatives. PTI government has proposed setting up a Pakistan Media Regulatory Authority (PMRA), which among other things would be mandated to regulate the internet and deal with the menace of fake news and disinformation, but fears of harassment and censorship abound. Therefore, ensuring that cyber space remains secure for people to communicate, do business, and access information would be a major policy challenge for the government in coming year. The government has to act fast to prevent crime, protect public data and ensure privacy.

A review of the events of the previous year always serves as the starting point for next year's forecast. The foremost challenge for the government in 2020 would, therefore, be to bring stability to the political system. Uncertainty on the political landscape could impede governance and economic reforms. Certainly there's no gainsaying that economic stability would flow from political stability. During 2019, Pakistan's economy was put on stabilization. Year 2020 should be one of growth and development. The government's focus should remain on development, job creation and providing relief. Economy also needs to be insulated from external shocks.

At present, external environment is challenging. Relations with India are tense, and are likely to remain so during 2020. Kashmir and plight of Muslims in India will guide Pakistan's engagement with India. Chances of limited conflict between India and Pakistan would remain high. Meanwhile, in Afghanistan a fragile peace process continues and a Taliban-US accord is expected soon. Islamabad should pursue a regional approach to safeguard the peace process from other disruptions in the region. The defining foreign policy challenge will come from the Middle East. Pakistan professes neutrality in dealing with the Middle Eastern nations. It isn't enough, however. The neutrality needs to be put in practice, if ever that is the real intent. Islamabad needs to chart a course that enhances Pakistan's ability to independently manage its relations with key capitals in the Middle East without undermining relations with other Muslim nations. As for engagement with China and the United States, 2020 will see Pakistan cautiously navigating the growing strategic competition between Beijing and Washington for safeguarding and advancing CPEC. Managing relations with Washington is also crucial for avoiding FATF blacklist, which, nevertheless would also require improvements in internal security and financial

regulatory regime especially the prosecution of terrorism financing and money laundering cases.

Terrorism by religiously motivated and ethno-nationalist groups would continue to pose a serious threat to internal security in 2020. The other major challenge for the LEAs would come from the cyberspace. Use of social media by terrorists and extremist groups for propaganda has added a new dimension to the fight against terrorism. Meanwhile, forces inimical to Pakistan would continue to exploit external vulnerabilities and internal discord and weaknesses, what is also referred to as fifth generation warfare, to undermine stability.