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NOTE FROM HEAD CS3

Dear All,

In this edition of the South Asia monitor, we have focused on Pakistan's economic crisis and how it is stuck between receiving loans from IMF and China for the analysis. It is then followed by news, where we focus on the continuing atrocities against women in Afghanistan, the laws by the military junta in Myanmar, arrest of former Prime Minister Imran Khan's aid in Pakistan. The month proved positive for countries like Bangladesh, which received an IMF loan.

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NEIGHBOURHOOD WATCH

Analysis

Pakistan's Economic Crisis

Pakistan is in a dire economic situation and needs assistance from abroad. Numerous factors contribute to Pakistan's economic turmoil. Political instability and poor administration have played a significant role in undermining investor trust in the nation and fostering corruption and backroom deals that harm the nation's fiscal health. Pakistan is also heavily dependent on imports, particularly in energy, making it particularly sensitive to increases in the price of oil and gas throughout the world. Pakistan's strained relations with India still prevent it from having a commercial and investment partner that could be transformative.

The official foreign exchange reserves of the nation have fallen to a dangerously low level of only \$3.2 billion, or less than three weeks' worth of imports. Even if the IMF delegation and Pakistan are able to come to an agreement, it could be some time before Pakistan receives any funding. Pakistan has already received \$3.9 billion under the \$6.5 billion IMF programme, which was started in 2019 and extended to June 2023 last year.

With anticipated losses of approximately \$30 billion, Pakistan's economic problems were worsened by the unexpected heavy rains and floods that occurred last year. Massive crops and villages are still underwater, according to the United Nations, months after Pakistan was devastated by massive floods. \$9 billion has been committed by international donors, but 90 per cent of this 'help' is in the form of loans and cannot be used to maintain the balance of payments right away.

There are worries that Pakistan might be the next emerging market to experience a default due to the sharp decline in its currency. As the nation abandoned restrictions on its currency exchange rate, Pakistan's currency fell 9.6 per cent against the US dollar on 26 January to an all-time low, the most remarkable one-day plunge in at least two decades.

On 29 January, the government also increased the price of gasoline by almost 16 per cent. A national power outage in Pakistan earlier in January rendered roughly 220 million people without energy. The government stated that technical errors were to blame for the power outage, but many questioned this and connected it to gasoline shortages. A growing wheat shortage in Pakistan has allegedly resulted in street violence over flour sacks, with at least one person being crushed to death.

An IMF delegation is presently in Pakistan to discuss a bailout for Pakistan. Since November of last year, the IMF's programme has essentially been suspended in the country, mainly due to Finance Minister Ishaq Dar's failure to comply with IMF demands to maintain a market-determined currency rate and take steps to decrease the expanding budget deficit. The planned income for Pakistan's current fiscal year is Rs 7.4 trillion, of which 52 per cent was earmarked for debt repayment and 33 per cent for defence, including pensions.

In order to address the IMF's worries about the budget deficit, which might exceed the objective of 4.9 per cent of the GDP due to a rapid increase in debt servicing costs and a shortfall in tax collection, the government is allegedly considering imposing new taxes totalling Rs 200 billion. According to some sources, combining a rise in electricity and gas rates and spending cutbacks, the IMF is unlikely to consent to a more significant budget deficit and is more likely to demand higher revenue collections - as high as Rs 800 billion. Even if the IMF programme is immediately restarted, the following payment of around \$1.1 billion and the remaining sum could not be sufficient to boost Pakistan's foreign exchange reserves to a safe level. China, Saudi Arabia, and the United Arab Emirates have given Pakistan financial support in deposits and credits, totalling about \$10 billion. China is the country's largest bilateral creditor, with a total debt of \$30 billion, or around 30 per cent of Pakistan's total foreign government debt. Pakistan also owes Chinese IPPs \$1.1 billion for power purchases.¹

¹ <https://indianexpress.com/article/opinion/columns/pakistan-economy-imf-8417486/>

News

Female Afghan students not permitted to take university entrance exams

Underscoring its goal to exclude women from postsecondary education, the Taliban-run Ministry of Higher Education in Afghanistan has instructed private universities not to allow female students to sit university admission examinations. Institutions in Afghanistan's northern regions received a letter from the government, including Kabul, where examinations are scheduled to begin at the end of February. According to the letter, any institutions breaking the restrictions will be subject to legal action.

Universities were instructed to stop accepting female students by the Higher Education Ministry in December 'until further notice'. Days afterwards, the government forbade most female NGO employees from working. The authorities have also shut down most high schools for girls.²

New law on elections passed by Myanmar's government

A new rule limiting the registration of political parties has been passed by Myanmar's military-controlled government, making it more difficult for opposition organisations to mount a significant challenge to candidates favoured by the army in a general election scheduled for later this year. The new electoral legislation, published in the official newspaper Myanma Alinn, establishes minimum financial and membership requirements for parties running in the elections. The participation of parties or candidates deemed illegal or connected to groups designated by the military government as terrorist organisations are likewise prohibited.³

Parties that wish to run for office nationally must amass a membership of at least 100,000 within three months of registering, which is 100 times greater than the bare minimum required under the statute in effect for the 2020 election. According to the law, parties must also be able to run candidates in half of all seats and operate

² <https://www.reuters.com/world/asia-pacific/afghan-female-students-not-allowed-sit-university-entrance-exam-taliban-ministry-2023-01-28/>

³ <https://www.dailypioneer.com/2023/world/myanmar---s-military-government-enacts-new-political-party-law.html>

offices in at least half the 330 townships around the nation within six months.⁴ The members of the previous leading party, which was ousted by the military, the National League for Democracy party led by Aung San Suu Kyi, have mostly been arrested. As a result, it will be nearly impossible to come to even fight in the elections.

Bangladesh receives IMF loan

A \$ 4.7 billion assistance loan package approved by the IMF would assist Bangladesh in coping with rising energy and food prices that have provoked widespread demonstrations. The energy grid had nationwide outages of up to thirteen hours per day last year, and the government provided food assistance to people unable to purchase rice and other necessities. Bangladesh will use the IMF loan to bolster its foreign exchange reserves, which have fallen from \$ 46 billion to \$ 34 billion.

Since last May, the local currency has lost almost 25 per cent of its value against the US dollar, increasing the cost of selling gasoline and providing electricity, impacting the rest of the economy. Independent analysts claim that while Bangladesh's official inflation rate is about 8.7 per cent, the actual rate is far higher.⁵ While Bangladesh has received IMF loans, other South-Asian cash-strapped countries like Sri Lanka and Pakistan continue to suffer.

Maldives' President Ibrahim Mohamed Solih wins the presidential primary

Ibrahim Mohamed Solih, the president of the Maldives, has been named the victor of the presidential primary. The Maldivian Democratic Party (MDP), which is currently in power, reported that Solih received 61 per cent of the vote, while Mohamed Nasheed received 38 per cent. Nasheed is the first democratically elected president of the Maldives who presided from 2008 to 2012.

⁴ <https://timesofindia.indiatimes.com/world/south-asia/myanmars-military-government-enacts-new-political-party-law/articleshow/97382661.cms>

⁵ <https://www.ndtv.com/world-news/bangladesh-gets-4-7-billion-imf-loan-pakistan-sri-lanka-still-waiting-3738862>

Nasheed's replacement, Solih, who had won the 2018 election, called for harmony in the nation. The 60-year-old remarked, "our rivalry is finally finished," while addressing a group of ecstatic fans in Male', the nation's capital. He declared, "Now is the moment to come together and cooperate in order to win the forthcoming presidential election for the MDP". September is the tentative month for the presidential election.⁶

Imran Khan's top aide arrested

After his detention on suspicion of threatening the Head of the Elections Oversight Agency and other government officials, a top associate of former Pakistani Prime Minister Imran Khan was sentenced to two weeks in prison by a Pakistani court on Friday. Fawad Chaudhry was detained in Lahore on Wednesday due to a complaint from the Pakistani Election Commission, which claims he threatened Sikandar Sultan Raja, the head of the commission, and other officials. Chaudhry has served as the senior vice president of Khan's Pakistan Tehreek-e-Insaf party.

A parliamentary no-confidence vote removed Imran Khan in April. However, he has refused to recognise the decision and has continued to seek early elections, which has put him in a standoff with Prime Minister Shahbaz Sharif's administration. The court ordered Chaudhry to be held in jail for two weeks while investigators formally submit charges against him before his formal trial begins. Chaudhry's legal team says it is seeking bail for him from another court.⁷

⁶ <https://www.aljazeera.com/news/2023/1/29/maldives-on-edge-after-bitterly-fought-presidential-primary>

⁷ <https://www.scmp.com/news/asia/south-asia/article/3208243/treated-terrorist-says-wife-imran-khan-ally-jailed-ahead-trial-pakistan>

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