forces chiefs. His PML has control of two of the four provincial assemblies, Punjab and the Northwest Frontier, and shares power in Sindh with the MQM, which formerly acted as extra-parliamentary opposition in Sindh.

With his domination of nearly two-thirds of the seats (133 out of 217) in the National Assembly, Mr. Sharif has the power to transform the political culture in Pakistan. It remains to be seen whether he and his party also have the capacity and the will to do so.

A crisis in relations between the Prime Minister and the Chief Justice/Supreme Court developed in 1997 over appointments to the Supreme Court and a charge against the Prime Minister of contempt against the Supreme Court. The ensuing power struggle culminated in the removal of the Chief Justice and the resignation of the President. Only two centres of power now remain, the Prime Minister backed by the National Assembly, and the Chief of Army Staff.

III. The Economy and Reforms

During its first four decades, Pakistan's economy was relatively closed, and after the nationalizations under Zulfiqar Bhutto in the 1970s, was also largely state directed. During the 1970s and 1980s economic growth averaged 6 percent per annum but during the 1990s the economy has performed somewhat erratically, with GDP growth ranging from 2 to 7 percent. Agriculture remains the backbone of the economy, particularly cotton. Pakistan is not food self-sufficient and cereal imports (mainly wheat) average 2.25 million tonnes per annum.

Since the return to democracy in 1988, successive govemments of Pakistan have introduced economic reform programs designed to address structural imbalances within the country. Pakistan has incrementally begun to open up its economy: in recent years it has privatized a few parastatals, encouraged foreign direct investment in areas such as power, and reduced tariff levels to an average of 40 percent (still among the highest in Asia). Current Government of Pakistan (GOP) plans call for an accelerated pace to privatization as well as broad reforms to the taxation system and further tariff reforms. The tariff reforms are particularly important given that the current regime is replete with multiple exemptions and special deals that seriously distort the domestic market. Revenues from customs duties form a significant share of total government revenues.

Pakistan's economy was in recession during 1996-97: a poor cotton crop combined with depressed industrial production reduced export growth to zero and overall GDP growth to 3 percent. This poor growth performance exacerbated pressure on other macro-economic problems including a 14 percent inflation rate, and Pakistan struggled to meet its international obligations. A new economic reform package constructed by the current government addresses many of the outstanding problems. Broad reforms in the areas of parastatal management, taxation, the financial system, subsidy reduction, state regulation and good govemance have been enacted. This package is the basis of an October 1997 ESAF (Enhanced Structural Adjustment Facility) agreement reached with the IMF after protracted negotiations. This agreement, combined with additional World Bank projects, could result in over $2.5 billion in new credits. ESAF approval is a significant boost for Pakistan's mid-term economic prospects, though immediate prospects are likely to be dampened by the need for severe budget cuts and food/energy price increases.