

A.

THE CANADA-PAKISTAN ENVIRONMENT

I. Political Background

Pakistan was created in 1947 on the partition of British India as an Islamic state for Muslims on the sub-continent. In 1971 East Pakistan seceded to become Bangladesh. Pakistan's world-view is dominated by its historical (since independence) confrontation with India, prolonged in large measure by the continuing dispute over divided Kashmir.

Pakistan is still a fledgling democracy. It has alternated between authoritarian, military and unstable civilian governments; 28 of its years since independence have been spent under martial law (1958-1973 and 1977-1988). The last military regime ended with the death of President Zia in August 1988. Since then the government has been led either by Benazir Bhutto of the Pakistan People's Party (PPP) or Nawaz Sharif of the Muslim League. Acting under the Constitution's eighth amendment, governments were dismissed by Pakistani Presidents on charges of corruption and misrule in 1990, 1993 and 1996. On each occasion caretaker governments were appointed and fresh elections held within three months of dismissal.

The caretaker government appointed in November 1996 set itself an ambitious agenda of timely elections, attacking institutionalized corruption through an impartial accountability process, and the implementation of widespread economic reforms. Among its economic priorities were the stabilization of the economy and rectification of state finances; redesign of the tax system and of federal-provincial revenue-sharing; dealing with the near insolvency of state banks; and reaching an agreement with the International Monetary Fund (IMF). The caretakers also had the unenviable task of restoring the credibility of political institutions among an increasingly cynical and disillusioned populace.

For the first time in years the government provided accurate data: financial, social and economic, and, through difficult negotiations, reached a Standby Agreement with the IMF. They unexpectedly achieved a federal-provincial revenue-sharing agreement, which may well be their most lasting accomplishment. The caretakers held free elections February 3, 1997 as promised. On the other hand, the economy did not improve; taxation was not extended to the protected agricultural sector nor was tax collection improved; the fiscal and current account deficits widened, and the "accountability" or anti-corruption campaign made little headway.

II. The Current Political Landscape

The political landscape in Pakistan has changed with the overwhelming electoral victory of Nawaz Sharif and his Pakistan Muslim League (PML-N) party in February 1997. Prime Minister Sharif obtained the unanimous support of both houses of Parliament in April to abolish those sections of the Constitution's eighth amendment which gave the President the power to dismiss governments and federal and provincial assemblies, and to appoint unilaterally provincial governors and armed