

Pakistan avoids the abyss – for now

A humiliating backdown by President Asif Zardari has temporarily halted Pakistan's slide into chaos, writes **Claude Rakisits**.

Something surreal has been happening in Pakistan these past few days. While the country is having to deal with a spreading Taliban insurgency in the west, which is threatening the very survival of the state, the country's lawyers were engaged in a nationwide "Long March" to Islamabad to demand the reinstatement of the former Supreme Court chief justice, Iftikhar Chaudhry, who had been sacked by then president Pervez Musharraf in 2007.

Thousands of political opponents and lawyers intended to have a sit-in in front of parliament until the government agreed to their demand. Hundreds had already been arrested, roadblocks had been set up in Islamabad and the protest was turning ugly. Thankfully, it ended peacefully on Monday after the government agreed to reinstate Chaudhry later this month. The Long March was a luxury the country could ill afford.

Deeply compounding this protest was the involvement of Nawaz Sharif, the leader of the opposition Pakistan Muslim League and a former prime minister who was toppled by Musharraf in 1999. Sharif has never forgiven President Asif Zardari (Benazir Bhutto's widower) for reneging on an earlier agreement to reinstate Chaudhry. But more importantly, Chaudhry had made clear that once reinstated he intended to revisit the deal Musharraf cut with Zardari to drop the corruption charges against Zardari. Little wonder Zardari was not keen to see Chaudhry back on the bench. All this has reinforced Nawaz and Zardari's deep dislike and mistrust of each other.

Complicating matters further had



Lawyers and opposition activists celebrate outside the Chaudhry residence in Islamabad.

Photo: AFP

been the Supreme Court's decision on February 25 to disqualify on corruption charges Shahbaz Sharif, Nawaz's brother and chief minister of the Punjab, and Nawaz from running for elected office. Shahbaz was sacked and the Punjab governor, a Zardari nominee, now directly rules the Punjab. While this was legal, no one is under any illusion that Zardari had not given the Supreme Court judges their orders.

So Nawaz felt he was on a winner by associating himself with the Long March. In any case, he had nothing to lose. The government tried to put him under house arrest but that backfired and instead it made the protesters even more determined to continue the fight.

Critically important in the political equation is that Zardari is not popular in Pakistan. Not only is he seen as a corrupt politician who's out to get all he can from the system, but Pakistanis also see him as a tool of the Americans. And in a country with deeply ingrained anti-American

sentiments, this is not good news for Zardari. Importantly, Nawaz is from the Punjab, Pakistan's most populous province and heartland of the country. He has shown that he can easily mobilise thousands of supporters onto the streets. And this worries Zardari. That's why this protest was much more than about Chaudhry; it was about who is going to be on top politically at a national level.

And this is where the US came in. Washington was very worried that this political showdown was distracting Pakistan from the main game: hunting down the Afghan Taliban and al-Qaeda in the tribal areas and stopping the eastern march of the Pakistani Taliban. Accordingly, US Secretary of State Hillary Clinton made calls to Zardari and Nawaz (presumably with a few financial incentives involved) urging them to agree to a compromise. Significantly, General Ashfaq Kiyani, Chief of Army Staff, is understood to have passed on that same message to Zardari.

But Zardari was in no mood to cut a deal with Nawaz, certainly not under duress. He said this repeatedly and publicly. He knew that if he were to show any sign of weakness now, it would be the beginning of the end for him. And this is precisely what has happened. This is a humiliating defeat for Zardari and a big win for Nawaz. And ironically, while the reinstatement of Chaudhry is a good outcome, Zardari's backdown following US pressure reinforces the perception that he simply does what Washington tells him to do. Either way, he could not win this one.

So while the Long March ended peacefully, this is only a temporary suspension of the titanic struggle between these two political leaders, who fiddle while Pakistan is burning.

■ *Claude Rakisits, head of Geopolitical Assessments, is an independent Australian consultant based in Geneva.*

scale reducing to zero at age 65.

These vehicles could transform savings into the two major capital categories that our present system fails to adequately provide for: residential and business.

An expenditure tax leaves all free to choose their tax bill.

Fiscal stimulus packages assume that debt-inducing expenditure is the royal road to recovery. And when consumers hoard rather than spend income, and when businesses either can't or won't invest, savings can produce results that shower ridicule on deferred gratification (the paradox of thrift). But when savings are both encouraged and automatically transformed into capital without being trapped by dysfunctional intermediaries, thrift reacquires a solid foundation in both prudence and economics.

A progressive expenditure tax should have an additional appeal to social democratic parties such as the Australian Labor Party. Visceral politics is driven by exploitation anxiety. As the human capital revolution suggested that workers received compensation in accordance with their skills (thus undermining the appeal of working-class politics), so an expenditure tax can undermine the suspicion that drives many self-employed people to see taxation as theft. An expenditure tax leaves all free to choose their tax bill: spending \$20,000 a year may avoid taxation, but every dollar earned over, say, \$100,000, must either be saved or taxed at the highest marginal rate.

We must design a financial system that costs less as a proportion of national income and avoids the hideously predictable value-subtraction associated with bubbles and their prickings. The Henry tax review must evaluate all options in the light of these long-term considerations.

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