



Center for
Research &
Security
Studies

*Pakistan-focused, Independent Questions,
Independent Answers*

Discussion Forum

Debate on Security & Governance



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Centre for Research and security studies [CRSS]

CRSS: An Introduction

Centre for Research and Security Studies [CRSS] is Pakistan's first think-tank of its kind founded by civil society activists committed to the cause of independent research and nonpartisan analysis.

We analyze, produce and disseminate ideas as well as facts to enable members of civil society within and outside of Pakistan better understand the nation, the state of Pakistan and the region.

We think, write and speak in order to encourage all segments of the Pakistani society including intelligentsia, academia and the government to join their strengths for a freer, more democratic and a tolerant Pakistan. We undertake research and carry out analysis to enable stakeholders understand and influence Pakistan's domestic as well as foreign policy paradigms.

CRSS stands for democratic governance, trias politica, civil liberty and rule of law. The Centre acts as an agent of change on environmental challenges that stare Pakistan in the face.

We strive for a Pakistan where all citizens have an array of choices and opportunities. A Pakistan where all citizens are able to go as far as their talent can take them.

In 2008, CRSS produced 52 weekly chronicles on regional political and security issues, held the first ever national-level consultations commemorating the World Day for Water and also produced a report titled 'Curriculum of Hate'. The Centre conducted a non-scientific, personal-intercept survey in order to collect quantitative information from residents of FATA. The Centre also produced an 80-page report titled 'Militant Movements in the Federally Administered Tribal Areas [FATA]'.

In October 2008, CRSS started holding monthly 'Discussion Forums' on current important national issues, and the practice continued in 2009 as well.

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Introduction

The Centre for Research and Security Studies [CRSS] arranged seven Discussion Forums on the prevailing social, political, economic and defense issues from December 2008 to December 2009. Eminent experts in various fields participated in the seminars as speakers while a selected gathering belonging to different vistas of life attended the sessions. Every seminar contained an open debate based on question-answer session after the formal addresses of the speakers.

The objective of the exercise was to enlighten the civil society about the prevailing issues through the published press reports of the seminars, besides feeding the government with valuable views of the distinguished experts on the burning issues for better decisions. An open debate in the seminars, by raising questions from the side of the participants, brought different aspects of the issue to the fore for better understanding and solution of the problem.

On December 31, 2008, the CRSS conducted a seminar on “The Sub-Continent: Peace in Peril” to discuss the tense Pak-India relationship after the November 26 attacks in Mumbai. The seminar stressed the need for Pakistan to be open, cooperative and credible for its own long term social and political stability. “It cannot afford to be phony any more”, a noted speaker said, emphasizing “both countries must realize that a war can be economically disastrous for them and extremely beneficial for the terrorists”.

The seminar titled 'Swat-Paradise Lost', held on January 31, 2009, discussed in detail the militants' control in Swat and the security forces' efforts for re-establishing writ of the state there. The penalists called upon the civil and military leadership to jointly make concerted efforts for regaining control of Swat. They suggested that the government should adopt a new and different strategy as the present one had already failed.

On February 15, 2009, Pakistan government struck a deal with Tehrik-e Nifaz-e Shariat-e Muhammadi Chief Maulana Sufi Muhammad to accept a legal system compatible with Shariah law in the violent Swat region in return for peace. The CRSS held a discussion forum on this major development. Majority of the speakers in the seminar titled 'Swat Deal Implications for the rest of Pakistan', held on February 27, 2009, were of the view that the Swat deal was inescapable because the military operation had failed to bring about desirable results even after one and a half year. There were, however, some others who believed that it was a surrender and that the government should rather fight against the militants and win the war.

The CRSS arranged a discussion session on the aftermath of restoration of the deposed judiciary. The conference which was held on March 28, 2009 with a title of “Justice Restored What Next” stressed upon the people to get together to support and strengthen

the Chief Justice as some conspiring elements like Sharifuddin Pirzada and Malik Qayyum had become active against the restored independent judges.

The seminar titled “Is Pakistan's Economy in or out of Woods”, held on May 11, 2009, noted that Pakistan's economy has been facing a lot of problems, which could, however, be resolved through a consensus policy. The speakers believed that the country could overcome its financial crisis by exploiting its strategic location in the form of increasing trade with India, China and Central Asia.

On 13th July, 2009, the CRSS conducted a discussion forum on 'Pak-US Relations: The Element of Mistrust’. The speakers were of the view that most of the Pakistani political leaders failed in making good bargains with the United States, and Washington, too, pursued the self-serving foreign policy objectives; and that is why, the two countries have mutual mistrust. They emphasized upon the two countries to remove their disagreement on the critical issue, like definition of good and bad Taliban, to come close to each other.

The Sub-Continent: Peace in Peril

Executive Summary:

The Centre for Research and Security Studies [CRSS] conducted a seminar on “The Sub-Continent: Peace in Peril” on December 31, 2008. The main speakers included Lt General (Retd) Talat Masood, renowned defence analyst; Nirupama Subramaniam, correspondent of 'The Hindu' in Islamabad, and Waqar Sheikh, a business consultant formerly associated with SAARC Chambers of Commerce and Industries. Other participants of the seminar also spoke in the question-answer session.

The seminar stressed that Pakistan needs to be open, cooperative and credible for its own long term social and political stability. “It cannot afford to be phony any more”, a noted speaker said, emphasizing, “Both countries must realize that a war can be economically disastrous for them and extremely beneficial for the terrorists.”

A view emerged out of the discussion that Pakistanis must acknowledge that the post 1979 policies that produced Jihadi organizations was a mistake and had proved damaging for Pakistan itself. It was noted by the seminar participants that the terror incidents like Mumbai attacks adversely impacted the private business contacts on both sides.

Welcome Address by Dr Farrukh Saleem:

Ever since the partition of the sub-continent in 1947, India and Pakistan have been arch rivals. India and Pakistan first went to war in October 1947 after Pakistan supported the Muslim insurgency in Kashmir. The two countries went to war again after Pakistan launched the October offensive across the ceasefire line in the Indian administered Kashmir. Pakistan descended into a civil war after East Pakistan demanded autonomy and later independence. We jump on to 1998. Fears of a nuclear confrontation grew after both sides combated nuclear fess. Conflict again erupted after India launched air strikes against Pakistani backed forces that had infiltrated Indian administrated Kashmir. Tension along the ceasefire line continued. Now we go over 2001 onwards. [This is something we [CRSS] have done]. On December 13, 2001, the parliament was attacked, and India claimed that Pakistan was behind it. The Indian army and the Pakistan army were eye-ball to eye-ball following the attack. In January 2002, President Musharraf made a pledge that terrorists would not be allowed to operate from Pakistani soil. In May, Sheraton in Karachi was attacked. In June, the UK urged its citizens both in India and Pakistan to leave. The United States did the same. In November 2003, Pakistan declared ceasefire in Kashmir, and India



reciprocated. In December 2003, air links were established first time in the past 60 years and Muafferabad-Srinagar bus service commenced. In 2006, Akbar Bugti was killed. In February 2007, Samjhota Express was derailed - 68 were killed and 50 injured. In July 2007, the Red Mosque incident occurred in Islamabad and then the assassination of the former Prime Minister [Benazir Bhutto]. On September 20, 2008, Marriott bombing occurred. Then it was November 26, when Mumbai was attacked. On December 2, Mukherjee said Pakistan should extradite suspects. On December 7, FIA and IB began raids in Pakistan. On December 13, Indian Air Force violated Pakistan's airspace. From December 10-13, three forward Indian airbases were activated by the South-Western Air Command. On December 22, India explored other options. On December 23, Prime Minister Singh rejected war hysteria. On December 28, DGMOs [Director General Military Operations] held a phone conversation.

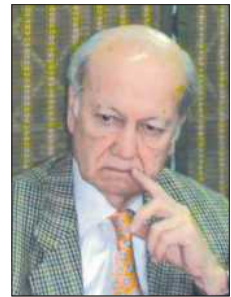
I would like to present a brief overview of what a war costs. India has had a parliamentary debate, and some academics' papers have come out. During the Kargil operation, just one single sortie was costing \$1.1million, and there were total 350 air sorties. So there were similar expenses on the Pakistani side. There is a research report which says that if a 'Roti' in Islamabad costs Rs 10, taking it all the way to Siachin to feed our soldiers, the same costs Rs 85; the high altitude warfare uniform by a 100 thousand each.

Pakistan and India were both born in violence, I think there is no reason that violence should continue. There was a war

in 1947, another one in 1965 and another one in 1971 and yet another one in 1999, eye-ball to eye-ball in 2002; peace is once again in peril in the sub-continent. Look at the facts: 75 per cent of Indians earn less than 2 dollars a day, 74 per cent Pakistanis earn less than 2 dollars a day, 40 per cent of the world poor live in South Asia and 50 per cent population of the sub-continent lives on less than one dollar a day.

Lt General (Retd) Talat Masood said:

Well, I want to give some context or background of the present situation so that we can relate how things developed during the past few years. What we have to understand is that Indo-Pak peace process slowed down in



the last two and half years, and there were reasons for that. One was that Pakistan was going through very difficult period facing many problems inside the country. At the same time, India too had certain serious domestic problems. Its coalition was going through difficult period and it had serious problems on Indo-US nuclear deal. Being a global player, it shifted its attention from the peace process with Pakistan. Kashmir issue does have effect on the Pak-India relationship. The Indian government had been supporting the Musharraf government. However, it showed hesitation in extending a hand of cooperation with the civilian government having uncertainties about its future. President Zardari came out with friendly statements like: "We can leave Kashmir behind". These were good signs for India

but India did not reciprocate. They did not know whether these statements would be backed by the intelligence agencies or not.

The Mumbai incident surprised both India and Pakistan. India was in a severe rage. There were nationalist and military impulses visible in India at that time. Pakistan was defensive. Indians, on the other hand, launched a massive diplomatic campaign. It kept the diplomatic pressure on Pakistan. There were two choices with India either to isolate Pakistan through diplomatic pressure or to use military force. In India, there were two schools of thought regarding these two options one thought that Pakistan should be punished as this is a great opportunity because Pakistan is the weakest at this moment. Others said, 'No', this should not be done as the things are very serious. They say, "There is democracy in Pakistan, we are getting good gestures from there, and if we do it, it will have very serious consequences".

I will try to conclude by saying two or three things; One, what are the factors that can prevent an attack. If anyone goes for a limited attack, there is a reason to believe that it will always escalate to a full-fledged war having unlimited consequences. Both Pakistan and India want economic development. I have no hesitation in saying that Pakistan has no desire to go offensive. An offensive will probably come from India. Pakistan is always on the receiving end. Economic development is a very major factor. India's economy will be adversely affected if India attacks Pakistan. Investment will not be there, militancy will grow like anything, terrorists will be the greatest beneficiaries and there could be

many Mumbais and many Marriotts in South Asia; and instead of fighting the common enemy of terrorism, we will be fighting each other. Nuclear factor is also very important. Two, nuclear countries cannot afford a war. Even if they have a limited strike, it can always escalate into a nuclear war. It is not a kind of trying to blackmail a country, but the fact is, the whole nuclear deterrence will fail, if the two countries go to war. It is in our doctrine that Pakistan could use it when the red lines are crossed. That is why, Pakistan has not yet abandoned the policy of 'no first use'. Pakistan's rationale in 'no first use' is that the nuclear capability can be used, if the red lines are crossed (and the red lines are ambiguous). The foreign factor is also very important. The strategic shift from the west (Pak border) to the east for America and the Western countries is also highly important to take away the emphasis from the Western border to give huge space to the Taliban and militants and Al-Qaeda. And not only that, the whole logistic supply system of the NATO will be greatly disturbed. All these factors combine.

In the end, I would say at this point of time that the real emphasis should be on crisis management, de-escalation of the conflict and to genuinely cooperate with each other.

If Pakistanis are involved in it, they should be punished. Pakistan's credibility, Pakistan's prestige and Pakistan's future really lay in trying to be as honest as possible. If there are people from Pakistan, I do not think Pakistan should cover them. If Pakistan covers them then Pakistan has no future whatsoever as far as its credibility

and its cooperation with the international community are concerned. This brings me to the question: is Pakistan prepared to change its policy viz a viz using militants as a proxy? Is it prepared for a strategic paradigm shift in the sense that it should rely essentially on its military and essentially on its state forces rather in use of any non-state actors for the purposes of pursuing any foreign policy? Answer to the question will have to be found.

Nirupama Subramaniam said:

Since the Mumbai attacks, a big question is whether the worst is over. My answer to this question is, 'yes'; in terms of military escalation the worst is over. Now two or three months later, it is no time to strike. However, I do not think the worst is over in many other things. Mumbai has changed the way India views Pakistan. There was a time when India and Pakistan had extraordinary romance. Now that is



over. Mumbai now has really changed. Now we think of Pakistan as a big-bad wolf at the dog that is going to strike it at any time through these non-state actors. It is okay that the escalation is over but the main thing is how to avoid another Mumbai. If another Mumbai happens, what international diplomats will be able to achieve? The war which they were able to prevent may not be possible to prevent.

Is it mere coincidence that there were 41 violations of ceasefire on the LoC from March to November 2008? This gained an impression that there is somebody who did not want the civilian ruler in Pakistan to move on the issue of national security. Democracy in Pakistan and its relationship with India are two sides of the same coin. They are linked very much. The survival of democracy in Pakistan and supremacy of its elected leaders over its non-elected stake holders is dependent on entirely how people see their relations with India. Everybody who is interested in democracy is to reexamine what General Talat just so eloquently said, 'Should Pakistan



reexamine its role of proxies in India'? All the other questions can be answered, but the real elephant in the room is this. When Zardari says it is a cancer, we applaud it, but as long as Pakistanis do not give him political strength to act against it, he cannot do anything. I know Kashmir is an issue between the two countries, but it cannot be sorted out through Jihad or proxy war. It, however, can be solved through dialogue. All these years, militancy was on the rise. It did not really touch Indians that much. For the last two months, there is no violence, people come out to the streets, they protest. Some people were killed in police action, but by and large, it was not a kind of militant thing. That touched the Indians much more than 20 years of insurgency. We know the Kashmiris have a problem with India. As for having a blind spot about Kashmir, I would say that idea of India is workable. The idea of India is multi-cultural, multi-ethnic, multi-linguistic and above all multi-religious peace. If Kashmiris want independence on the basis of ethnicity, I could still live with that, although I think that too is ought to be negotiated. But if

Pakistan has a claim to them on the basis of religion, I could desist that. If somebody wants to join another nation on the basis of religion, there is something in me to desist. To me, the solution lies in bringing the Kashmiris together as much as possible without changing the LoC.

What will it take for us to make peace a reality and to live as decent, civilized neighbours? I have two ideas. Both steps need confronting history. Other countries like Japan and Germany have done it.

First, we need to confront 1947, not partition, we are two countries and it is over; but the number of the people we killed after the partition is not something two civilized nations do. We need to acknowledge that we killed each other; about a million people and displaced 10 million people. Unless we confront our barbarity and apologize as countries and as two nations to each other, we are not going to ever get over our past, which is such a big ghost. And the second is for Pakistan to do. As a state, Pakistan needs to acknowledge that 1979, the whole Afghan Jihad and thereafter, I mean using Jihad as an instrument of foreign policy, was a mistake. Once we do these two things first step for India and Pakistan and the second for Pakistan, we will come close to each other to move forward jointly.

Waqar Ahmed Sheikh commented:

P a k i s t a n - I n d i a relationship can be described as one-step forward and two-step back. Looking at the trade figures, there is recent surge in India-Pakistan trade, rising from \$800 million to \$2 billion. At the same time, there is unofficial trade about \$ 4 to 5 billion, which is happening through either smuggled items or through a third country like Dubai, Hong Kong or Singapore. The picture which we see in 2012, looking at both formal and informal trade is about \$10 to \$12 billion between India and Pakistan. It is almost very nice.



The current Pak-India tension is likely to affect the bilateral trade. We have already seen delay in opening up of new L/Cs from the Indian side for cement. The number of people who were traveling from Pakistan to India or from India to Pakistan has greatly slowed down. The Indian government has asked its citizens not to visit Pakistan.

You can imagine its impact on the business. It is very sad news that India is changing visa rules especially for business visitors. When people talk about Pakistan's business visa policy, it has always been very restricted and stringent. A single [untoward] incident on either side makes bilateral economic and trade relations hostage like what really happened in Mumbai. Now we are going to face the music on both sides.

For the continuity of business activity between Pakistan and India, it is very important that we resolve all our outstanding issues including Kashmir. Otherwise, we will keep on coming back to the situation. It is very important that we resolve these disputes, if we really want business with each other.

Question Answer Session

Question 1:

Mrs Yakut Rehman (Political Activist): The main issue, to me, is acceptance of Pakistan. They cannot accept Pakistan as a broken part of India. My second question is about Kashmir. I had been among Musharraf's entourage in Agra. The whole India was very positive and there were very

good feelings till that breakfast meeting took place. After that the whole scene changed. Nirupuma, people of Pakistan have accepted India as a big brother. Have Indians too accepted us as a country?

Nirupuma: The feeling is more here that India does not accept Pakistan. Pakistanis should get over it. I studied in India, but there was nothing in my education that remotely suggested that we should take over Pakistan because it was once part of us. I was not taught that we should not accept Pakistan. As for Kashmir, we are dealing with it. The short-term solution is to accept what President Musharraf was talking about.

Question: 2

Dr Zafar Moeen Nasir (Pakistan Institute of Development Studies): Whenever something bad happens in India or Pakistan, they blame each other, suggesting that they do not have any trust. Why could we not so far develop this trust? Now in this episode of Mumbai attacks, India was about to attack Pakistan. Why are we so far unable to create trust between us?

Lt General (retd) Talat Masood: It is due to the poor legacy of the past. The two countries would first have to get foothold. They are on such a fragile footings that the moment something happens, they go back to the previous step. First, you have to change your policy. Pakistan should change its policy to which I referred earlier that will help India build trust about Pakistan. As far as Pakistan is concerned, India can never be trusted until it genuinely

goes about solving the Kashmir problem. I am not saying that it should be solved according to the desires of Pakistan, but it should be resolved between what Pakistan desires, what India desires and what Kashmiries desire. Then it has to solve other problems like Siachin, Sir Creek etc. India should be more generous and more responsible to Pakistan being larger country than Pakistan.

Nirupuma:

From Indian point of view, I would say that the use of proxies should be stopped. If this happens, a lot of things would improve from the Indian side. I agree with General Sahib that if you work on Kashmir, you can get rid of the smaller issues like Siachin, Sir Creek.

Question: 3

Dr. Shaheen Akhter (Institute for Regional Studies): General Sahib, what prospects do you see of the CBMs between the armies of the two countries?

Lt General (Retd) Talat Masood: Let us try to understand how we can reconstitute and reconstruct the whole peace process. At the moment, what I feel is that the peace process has to be on hold. It cannot move forward till a certain level of trust is restored between India and Pakistan. And for that, what measures to be taken from both sides? The international community and India have put the blame on Pakistan. **Now Pakistan has to prove that it is innocent. We have to be as open, as transparent and as genuinely cooperative. We cannot play phony now. We cannot play fraud. Either we do this or we as a matter of policy say 'these strategic assets are ours, are going to stay and are a matter of our national and defence policy and we will not abandon them till the time the Kashmir problem is resolved, and we will face the consequences.'** A firm line from Pakistan needs to be adopted. You cannot fool the people and say, 'No, we do not have any proxies'. India is using its proxies in Afghanistan, Balochistan and elsewhere, but nobody is blaming them.



Have you heard anyone saying 'why are you [India] doing this', although some of them know they are interfering in Balochistan, because the Indians say that it is tit for tat, as you are doing it in Kashmir. As far as the armies of the two countries are concerned, that will come later. When the peace process was moving forward, I thought the time was coming when two Chiefs and the Intelligence Chiefs would soon meet, but before that, this happened.

It is not just Mumbai, for the last six to eight months, our relations with India had been going down. There is no static thing. You either move up or move down. In the last one and half years, both the countries neglected each other, and because of that we have to see this.

Note of Thanks by

Imtiaz Gul: First of all, I thank General Sahib, Nirupuma and Waqar Sahib for expressing their views on the topic. Nirupuma meant to say in her speech that the army in Pakistan does not want to give up the traditional security paradigm. General Sahib also says that Pakistan needs to give up using its strategic assets. Waqar basically said that one incident happened and the entire flow of goods and people from both sides came to a halt. It basically suggests that the bilateral relationship is still beholden to the establishment of the two countries, and this brings us to the question of trust deficit. So basically, the establishment has to come clean on both sides.



Swat – Paradise Lost

Executive Summary:

On January 30, 2009, the Centre for Research and Security Studies (CRSS) organized a seminar on 'Swat – Paradise Lost'. Brig (Retd) Amanullah Khan, Managing Director, Pakistan Tourism Development Corporation (PTDC), Brig (Retd) Asad Munir, defence analyst and Air Marshal (Retd) Masood Akhter, defence analyst, were the main speakers.

All the panelists were unanimous in their opinion that the civil and military leadership should jointly make concerted efforts to regain control of Swat. They said the present strategy had failed and called on the government to change the policy and tactics.

Most of the panelists as well as participants sounded skeptical of the role of the army and the intelligence agencies. They said in the past strong contacts had existed between the military and the militants and people in Swat as well as in FATA believe that this nexus remains intact even today. The army leadership must come clean on these suspicions and work to remove the doubts, if it has nothing to do with the militants.

The participants agreed that lack of fair and inexpensive justice led to the calls for Islamic justice system in Swat. There was also consensus that the Army and paramilitary forces should secure and stay in Swat. Politicians were urged to come forward and play their due role to bring peace to the scenic valley.

Welcome Address by Dr Farrukh Saleem:

Dr Farrukh Saleem, Executive Director CRSS, delivered the welcome address. He demonstrated an



informative presentation focusing on the history of Swat. The welcome address set the tone of the discussion forum refreshing the audience's knowledge about Swat. Dr Farrukh Saleem introduced Swat as under:

Swat gets a mention in 'Reg Veda' dating some 2000 years ago. In 327BC, Alexander the Great crossed the Swat River. Swat and Chakdara museums still have footprints of Budha. In 2nd century BC, Swat is known to be the birthplace of Vajrayana Buddhist. In 1023, Mahmood of Ghazni came to Swat. In 1849, Islamic state of Swat was declared, ruled by the Akhund of Swat. And in 1969, the issue of Princely State was resolved.

At present, Swat is in turmoil. The roots of the current unrest in Swat have been found in formation of Tehreek-e-Nifaz-e-Shariat-e-Muhammadi (TNSM). Violence erupted in Swat much before September 11th.

Dr Farrukh Salim told the audience:

Sufi Muhammad was the founder of TNSM. This happened much before September 11th. In November 1994, a noted armed rebellion was launched by the

TNSM in Malakand; 40 people were killed, 12 of them were security personnel.

In 1995, the TNSM actually occupied government offices. Another important day to note is 1998 when Tehreek-e-Tulba was founded in the neighbouring Orakzai Agency. And that is the beginning of restrictions on women. Taliban started executions, and banned TV usage as well as cinema theatres. Again this is at least three years prior to September 11th.

Shria enforcement in Swat was the slogan of the TNSM. And to achieve this objective, the organization resorted to violence. They started carrying out anti-state activities there. The main events, which took place in Swat during the past few years are the following:

In April 2001, Sufi Muhammad came out with the demand of imposition of Shariah. From January to September, 2001, prior to September 11th, there were 45 bomb blasts all the way between Swat and Karachi. Then there was September 11th. In October 2001, Sufi Muhammad took an estimated 10,500 people to fight against the US forces in Afghanistan. On January 12, 2002, the government of Pakistan banned TNSM along with five or six other militant organizations. And on January 15, 2002, Sufi Muhammad was arrested by the government; Maulana Fazlullah takes over.

In February 2006, the authorities blocked down at least five illegal FM stations run by Maulana Fazlullah. On November 8, 2006, an army base in Dargai was attacked; 42 soldiers were killed. On January 13, 2007, Malik Bakht Bedar Habibi of the ANP

[Awami National Party] was killed. People gathered in Mingora, Saidu Sharif and Matta, and burnt the electronic products.

Girls schools were bombed. At least 150 hotels were shut down in Mingora alone; and 300 others in Sadda and Kalam. In November 2007, operation Rah-e-Haq was launched. In December 2007, Tehreek-i-Taliban Pakistan (TTP) was founded. Sufi Muhammad was released on April 21, 2008. And incidentally, the kidnappers of Tariq Azizuddin, Pakistan Ambassador to Afghanistan, also demanded release of Sufi Muhammad. In August 2008, FC moved in, the army joined it later. On January 25, just a few days earlier, Fazlullah summons the 47 wanted people to his courts.

Brig (Retd) Amanullah Khan:

Brig (Retd) Amanullah Khan, Managing Director Pakistan Tourism Development Corporation (PTDC), informed the audience about the overall condition of tourism in



Swat and the lot of the PTDC resorts there. He said:

There are four PTDC resorts in Swat Malam Jabba, Saidu Sharif, Miandam and Kalam. Except that of Saidu Sharif, all the three places have been under the terrorists' control. The most beautiful one, Malam Jabba, was taken over by the Taliban in 2008 when they attacked the motel, destroying a major part of the building. The motel at Saidu Sharif is still safe and

operating. However, there too is only two-to-three-room occupancy in a day. In addition to these four motels, the PTDC has also constructed a training institute there. It too was attacked by the Taliban in 2007. They did not destroy its building but looted the equipment from there. It also remains closed today. The current unrest in Swat has dealt a severe blow to the tourism industry there. PTDC has to suffer loss in millions of rupees, and there is no more tourism in the valley at all. **The losses suffered are about Rs 100 million in terms of loss to property and equipment and the PTDC lost earnings of Rs 33 million per annum. The local staff was laid off due to shortage of funds. However, the regular staff is being paid. We have to pay them Rs two lacs in terms of salaries per month.** There are 600 hotels in Swat and 20,000 to 30,000 people were employed in those hotels. They are now jobless. Almost all the hotels are closed now. There is no international as well as domestic tourism in this area. The impact of terrorism in this area has also left an impact on the Northern Areas. The flow of tourists there is also almost none.

Brig (Retd) Asad Munir:

In his speech, renowned defence analyst Brig (Retd) Asad Munir focused on the factors leading to the prevailing situation in Swat, strategy of Taliban and steps which can normalize the situation there. He said:



It has historically been proven that the religious people in Pushtoon areas want to have their say in day to day life. They want a clear cut role in the social system while becoming part of the decision making process. And to me, this is the first factor causing the prevalent unrest in Swat and the other tribal areas. Secondly, I believe that events taking place in Afghanistan always affect the NWFP and FATA as the tribesmen are settled on both sides of the Durand Line and they cross it routinely without having any documents.

While giving historical perspective of the TNSM demand of Nizam-e-Adl in Swat, Brig Asad Munir said:

There were two types of courts there in the days of Wali of Swat Qazi Courts and Tehsildar Courts. The Qazi Courts dealt with minor cases related to inheritance, divorce and some other problems. Tehsildar was the real judge over there. The people could then appeal to the Hakim (the Ruler) and ultimately to the Wali (the Custodian). The whole process would take just one month for decision of a case.

Brig Asad Munir believes that Sufi Muhammad is a peaceful person. He says:

Sufi Muhammad himself is a peaceful person. He can fight against foreigners, infidels and non-Muslims, but not against his own army. As he had limited capability, his movement was taken over by other people. I have been preaching since 2001 that Sufi Muhammad should be released because, I know, he can never go to violence.

Speaking on the strategy of the Taliban, Brig Asad Munir said:

Taliban want a war against the NATO forces. They believe that they would tire them out in Afghanistan forcing them to leave as they did with Russia. Secondly, they want that a Taliban state should be created as it existed before 9/11. They also want to discredit the NATO forces by developing an impression that they are fighting against all the Muslims of the world.

Brig Asad Munir also proposed some measures for bringing peace in Swat, saying:.

Sufi Muhammad is asking for an appellate court as Qazi courts are already functioning there. I personally think that if this demand is accepted, Maulvi Fazlullah can be isolated to some extent. And there are people in the TNSM who want to leave Maulvi Fazlullah. Swat Scouts should be headquartered back in Swat. The army should conduct targeted operations based on accurate intelligence, avoiding collateral damage. The army should be stationed at the place which

it secures, and that the Frontier Corps should be established there. If these steps are taken and the compensation is paid, I think the situation can improve in Swat.

Air Marshal (Retd) Masood Akhter:



Defence analyst Air Marshal (Retd) Masood Akhter proposed some solutions to the issue at tactical level, operational level and strategic level. He said:

If we make the strategic level right, the operational and tactical levels will gradually correct themselves. Brigadier Asad Munir is right to say that Army and Air Force need to do exactly top of the line intelligence. Americans do not trust us. We need to remove this trust deficit. We need to have more precise and smaller weapons, which the Americans should share with us. They should give us top of the line reconnaissance system. I believe that the army can fill the void till the writ is established. Faith and belief of the people in the writ of the state should be established by these agencies. Then we need to immediately do capacity building. All these things can proceed simultaneously.



At the operational level, I think, we should recommend that the army must be given some clear mission. The government claims that it has developed huge consensus over the issue in support of it, but I say **why should the public support the government on the issue, if the public is not informed as to what is the purpose of the war, what is the mission being assigned to the army, what are our national interests at stake, what are the political and military objectives; and the most important, who is responsible for the war. I think the overall responsibility to fight this war and win it for us should be of the Prime Minister. Do we know our exit strategy? And the last, what should be the end state of the war? All these things need to be defined.**

The mission of this war should be given to the army. There are a few options which can be considered in this regard. First, we remove the Taliban in the way the Americans want. Second option is to neutralize them, and the third option is to force them to come to the dialogue table. I believe the armed forces should be told to carry out precise operations so that they can force those people to come to the

dialogue table, and the Al-Qaeda and Afghan Taliban can be driven out.

An environment should be shaped under which simultaneous political and socio-economic offensive can be launched.

We have to build a national consensus over the issue. The consensus in the parliament must be converted into a national security policy. What I propose is a universal paradigm for nation building, which can proceed simultaneously. In this paradigm, we must know (a) our founding father's vision (b) the purpose of Islam (c) Iqbal's Allahabad lecture, (d) the Lahore Resolution, and (e) the Objectives Resolution. Out of this must come out common identity for the nation and common purpose for the nation. After this we must define our vital national interest. Thereafter, we must bring out a national security policy, out of this must come out national security strategy, out of this must come out national defense policy and out of this must come out the joint strategic directive, and then should come out operational policy for the army, the air force and the navy. This can proceed simultaneously. I think if we do this, we can save Swat.

Question Answer Session

Question 1:

Rashid Khalid [The News correspondent]:

Are there still some elements in our intelligence agencies, who are sympathetic to the Taliban?

Brig Asad Munir:

Till September 2003, there was no contact of the ISI with the Taliban. There was no link of the ISI with the Taliban after 9/11. At that time, we were after them but we could not get hold of them.

Brig Amanullah Khan:

The ISI follows a policy given by the President or the Prime Minister. The ISI was involved in the Afghan war. Once 9/11 happened, the ISI had no links with the Taliban. As far as retired army officers' alleged link with the Taliban is concerned, I would say it is not possible. Once you are retired or out of the service, you do not have any powers. A retired person can have no official information.

Air Marshal Masood Akhter said:

There may be some renegade elements with previous knowledge who may be involved in such activities but, as a policy today, there is firm directive of not to do any thing like that. **The only thing that can be said is yes, these people [Taliban] were groomed under the state policy, but this happened in 1960s, 1970s and 1980s. Today,**

nothing like that is happening. As far as responsibility of those activities is concerned, I think we should posthumously try Ayub, Zia and all other people, but today, Kayani Sahib has many a time said to the government: 'Let me wage my war and you own your responsibility'. I think the overall responsibility of the war should be taken by the Prime Minister and the Defence Minister.

Question 2:

[Talimand Khan, SDPI]

I belong to Swat. I have myself observed that the government did not take effective steps to overcome the problem in the beginning. I felt many a time that the government was facilitating the militants to flourish. And today, the security agencies are carrying out operation without any strategy. They do not act in time. I believe that the way the operation is being carried out cannot bring any success to the security agencies.

Brig Asad Munir:

Talibanization of Pakistan's tribal areas started much before 9/11. On September 27, 1996, Taliban captured Kabul. And in 1997, the movement started in North Waziristan. Then it spread over to Orakzai agency. In 1999, there was a campaign against NGOs. Taliban had arrived in North Waziristan in 1997. In 1999, they had control over there and they used to visit Mirali daily. It is right to say that the government did not take action which it should have taken at that time. When we were saying that it was a threat, many others did not agree with us.

Question 3:

Haroon Rashid [BBC Bureau Chief Islamabad]:

I believe that the Swatis' demand of easy justice has been hijacked by the most extremist elements of the Tehreek-e-Taliban. Maulana Sufi Muhammad is no more in the chemistry of that area. He is a peaceful person. He wants a non-violent movement. But I believe that his movement has been highjacked by the miscreants. They have reached the stage where we cannot call them 'our own people'. The point which I want to make here is that even the DGMO was telling the newsmen in a briefing that the federal and the provincial governments had decided to get rid of the problem once for all. **If the political government is giving the army green signal to go after the militants, what is keeping it away from it? That is the point which is creating suspicions in the people's minds about this operation.**

The Taliban's demand in Swat is very simple, i.e.; Sharia. But I believe that even if we give them Shariah and full Shariah courts, the problem will still persist there. I have a few suggestions to deal with the issue. First, go after the hard core elements with good intelligence and good operational tactics as you cannot convince them, and second, get engaged with the people who want to leave the hard core elements.

Shakoor Rahim [VOG correspondent]:

There is a strong perception among the people of the area that the army does not act at the right time. Locals say that the person who informs the security agencies of the presence of Taliban in an area is himself found killed the next morning and the Taliban flee from the site. Swat's MNA Muzaffarul Mulk who had been invited in this session today but did not turn up once told us that he had got information that his house was going to be destroyed but when he sought help from the security agencies by calling almost all the responsible army officers, he found no one there at the site to protect his house. When the Taliban go away after carrying out an activity, the army reaches there. Why is it so?

Asma Sherazi [ARY One World TV Correspondent, Analyst]:



All the representative people of the area including political leadership, correspondents and civil society with whom we have been in contact, have told us that the army has been playing the role of silent spectator there. **People are hanged after having been killed at different places before the eyes of the troops, but the army is not allowed to fire a bullet. Why is it happening? Secondly, Swat is surrounded by settled areas. Why is the Pakistan army failing there? There are only 15,000 elements in the area and you have sent 50,000 troops to**

deal with them. What are the troops doing there? Have they gone to see the scene as to how that part of Pakistan gets separated from the country? What is this great game wherein we are becoming a part?

Brig Asad Munir:

I believe that the army must not have got correct intelligence in such incidents. Secondly, it must have prepared a strategy, which has failed now. It is not a difficult task for the Pakistan army to clear Swat in 1 or 1.25 years. I believe that they will succeed when they change their strategy by stationing their troops in the areas which they secure.

Air Marshal Masood Akhter:

In reply to this question, I would mention the example of Kargil. I was commanding a fighter base at that time, which was fully involved in the fight. **Kargil was lost at the strategic level because the government had no policy. At tactical and operational levels, we had won it. No body could dare to bring us down from the height, if the Americans had not interfered in it. When Musharraf blew it upon the nation, all the instruments of state said they would not support him. Today again, I think we have no policy in the war in Swat.** The government has never ever told us what is the purpose of the war and what is its end? It is repeatedly said that wars are won and lost by nations, not by armies. That is why, there is a confusion at the

operational level. We agree what you have said but if there is no clear political direction by the government, the army can do nothing.

Asma Sherazi:

General Musharraf shed off his uniform in 2007. Till then, there had been one man show. There was no political leadership on the scene. Thus, the whole responsibility lies on Pakistan military. If you get aid, where has it gone? On which project you have spent it? You could not bring even a radio jammer.

Air Marshal Masood Akhter:

You are absolutely right, but how to use the equipment is to be told by the government.

Haroon Rashid:

A top official of the secret agency has told us that they have been in contact with Mulla Nazir and Baitullah Mehsud and they have asked them to remain peaceful for the time being and as the right time comes, they would collectively beat America in Afghanistan.

Air Marshal Masood Akhter:

I want to ask one counter question from all of you. When we say our successive governments have worked to defend the interests of America, who on earth is asking us to defy our own national interest and tell it to the public. Can anyone enumerate our vital national interest? We never knew it.

Question 4:**Arafat Majeed [National Rural Support Programme]**

I belong to National Rural Support Programme. We organize community organization. Our community organization network had been functioning in Mardan, Charsadda, Malakand and Swat. I myself had been working there. But we had to close our operation about one and half years ago because our staff had been under threat. Our office was twice hit by bombs in Malakand. Our staff in Mardan was given threats. I want to say that we should not see this thing in the context of Swat only as it is spreading over other areas also. Unless we educate the people and run a counter-movement, it will disturb other settled areas of the country also.

Brig Asad Munir:

No operation conducted after 9/11 was taken to its logical conclusion. As soon as the first phase of the operation ends, they sit down for negotiations, and these negotiations are held on the militants' terms. During this process of negotiations, the militants reorganize themselves. If Bajaur remains secured, I believe it would have impact on other areas also.

Question 5:**Samina Imtiaz**

We are also working in the NWFP. We also received threats, but we neither stopped our working nor did we pull out from the area. When you combat a situation like that, no institution can do it individually.

For that, you need to have a consolidated effort involving the civil society and religious leaders. Unfortunately, religious leadership is doing nothing in this regard. The politicians of that area are unable to go there and hold jirgas there. The objective of the militants is to create fear in the society, and unfortunately, we all have become their victims. They are in a small number who are frightening us and we being in crores are fleeing from them. The reason is that we have some weaknesses within ourselves. When we find a suspected person in our neighbourhood, we should inform the security agencies about him, but we do not do it. The army alone can do nothing to deal with the issue. The army cannot protect every house, every road or every locality. We, civil society, religious leadership and the politicians, have a major role in it, which is not being played by any of them. The media, however, is playing its role, but the media alone cannot win this war.

Brig Amanullah Khan:

It is a difficult war that you fight against your own people. The militant elements merge with the civil society. Your intelligence cannot differentiate between the Taliban and the common people. We faced the same situation in Bangladesh. The army thus had to be very careful.

Note of thanks by Imtiaz Gul:

I have to apologize for having turned the meeting into one of retired army officers. This was not done by design because we had invited two members of the National Assembly, and they both did not come on

different pretexts. So again is the same dilemma that the political leadership is missing from the field. The army leadership is there. We all have agreed that the army cannot win in vacuum.

The war in Swat and FATA is going to be very difficult because people have melted into the local population. We must understand that it is not struggle for Shariah as such any more, but a war mounted on Pakistan. The army and the political leadership

have to act in unison to take on that challenge. Without that, none of the institutions can succeed or hope to succeed in isolation. The army, political leadership, civil society and the media need to act jointly. We have tried better as media and civil society, but those who matter in this war should also act. Big onus lies on the political leadership to back the military in the war. The political leadership also has to send a signal to the people as did General Kayani by visiting Swat a couple of days ago.



Swat Deal: Implications for the rest of Pakistan

Executive Summary:

The Centre for Research and Security Studies (CRSS) held its monthly discussion forum on 'Swat Deal: Implications for the rest of Pakistan' on February 27, 2009.

The main speakers included Syed Muhib Hassan Shah, former Director General, Federal Investigation Agency (FIA), and former Inspector General of Police, Sindh; Col (Retd) Khalid Munir, defence analyst; Maria Sultan, Director, South Asia Strategic Security Institute; Ather Minallah, lawyer, and Masood Sharif Khan Khattak, former Director General, Intelligence Bureau (IB).

Most of the speakers agreed that the Swat deal was inescapable because the military operation had failed to bring about desired results even after a year and half. They believed that the government had no other way out to bring peace to Swat. However, some speakers termed the deal “a surrender of the state”. They stressed the government to fight the war against the militants and win it.

The Swat peace deal offers a good opportunity for re-establishing the government's writ in the area but it can also spell disaster if the state fails to capitalize on this window of opportunity, opined the speakers.

Most of the speakers as well as several participants also cautioned that without a comprehensive follow up and resurrection of the civil administration, the Swat deal

could give the militants more time to regroup and regain strength, encouraging them to ask for more space.

Welcome Address by Dr Farrukh Saleem:

In his introductory remarks, Dr Farrukh Saleem, Executive Director CRSS gave a timeline of the events that led to peace deal in Swat.



Dr. Saleem said:

On February 16, the government went to negotiations with Maulana Sufi Muhammad, the head of outlawed Tehreek-e Nifaz-e Sharifat-e Muhammadi [TNSM]. The government declared that Sharia would be enforced after establishment of peace in the area. A temporary ceasefire was declared. On February 17, Sufi went to Swat for peace talks. Pak army declared that it would refrain from firing. On February 18, Taliban leadership in North Waziristan declared ceasefire from March the 5th. Unfortunately, journalist Musa Khankhel was killed on 18th February. On February 20, a suicide attack in Dera Ismail Khan killed 30 persons. The same day, Maulana Fazlullah expressed his reservations regarding the peace deal but on February 21, Fazlullah reached an agreement for a permanent ceasefire. On February 22,

Swat's District Coordination Officer (DCO) was kidnapped when he was moving from Malakand to Saidu Sharif. On February 23, Taliban leadership in Bajaur also declared ceasefire, and army announced that it would halt its operations in Swat. On February 24, the Swat Taliban extended their ceasefire indefinitely. They also released four security officials the same day. On February 25th, the Taliban removed check posts in their areas.

Dr Farrukh Saleem questioned as to what kind of legal pluralism is being created in Pakistan through peace deals with militants. He pointed out:

The FATA area has FCR [Frontier Crimes Regulations]. They are going to introduce Nizam-e-Adl in Swat. The most popular province (Punjab) has governor's rule. We also have Shariat courts, (special) National Accountability Bureau ordinances (to prosecute cases of corruption) as well as special courts under Anti-Terrorism Act to try cases of terrorism. So there is a hotchpotch of different laws in different parts of Pakistan.

Syed Muhib Hassan Shah:

Syed Muhib Hassan Shah, former Director General of Federal Investigation Agency and former Inspector General Police Sindh, gave an historical run-down of the factors that led to the peace agreement between Sufi Muhammad and the NWFP government.



He pointed out that there had been civil unrest in Swat for the past over two years as fascist groups had taken over control of the scenic valley. The whole country was fed up with the prolonged uncertain conditions in Swat.

There was vast public and media pressure on the government to go for negotiations with the Taliban. The people of Swat were also fed up with the war in Swat and they revolted for peace. Secondly, the international actors and stakeholders in this area, who are very powerful, found this to be one of the very impracticable situations, which if not resolved must be put away. And thirdly, Taliban movement had turned weak. They found themselves uncomfortable to keep on holding this situation. Today, Taliban in Bajaur, Mohmand and Waziristan are not as strong as they had been in the past.

Syed Muhib Hassan Shah supported the Swat agreement by saying:

“I think it was a good idea as we needed to bring back some sanity to the situation in Swat. Majority of the people inside as well as outside the country have welcomed it. However, there are some elements who have spoken against it, but they do not have in-depth knowledge of the situation. I believe that carrot and stick policy in the NWFP can bring the situation to normalcy there.”

**Col (Retd) Khalid Munir,
Defence Analyst**



In his speech, defence analyst Col (Retd) Khalid Munir defined the Taliban as, “A group of people or groups of people trying to enforce their views through guns”. He said that people generally say that the problem in FATA and Swat remains irresolvable due to the US forces' presence in Afghanistan but, he added, he remembered that there had been local Taliban in Bannu in 1997, long before 9/11. In 2001, Col Munir further said, the people in Pakistani tribal areas, of course, had sympathy for the bombing of Kabul and Tora Bora. While giving the reasons of Pakistan army's failure in its military operations in FATA and Swat, Col Munir said:

“Our army had the policy of 'strategic depth' after the fall of Russia. And even today, there are some officers in our army, who believe that the Soviet Union had been defeated by the Pak army, and thus,

the army should go beyond that. Five years were given to the Taliban to gain strength. Secondly, there is support for the Taliban in Punjab. The middle class of Punjab still has soft corner for the Taliban. There is resentment about drone attacks in Punjab, but in the affected areas, there is no such thing. Thirdly, there are some anchorpersons in our TV channels, who unnecessarily stress on negotiations with the Taliban without knowing the groundRealities there. Fourthly, army lacked knowledge about Swat because it had never been deployed there. It did not have credible intelligence. The strategy to carry out operation in phases was wrong because it gave Taliban enough time to regroup and regain their strength”.

Col Munir was of the view that the problem could not be solved through agreements or peace deals. He said:

Have we got rid of the problem by making this deal? No, we have not. Peace agreements will not stop the militants from their activities. They would rather gain more strength.



Col Munir said that there were 5000 to 7000 non-Swati fighters in Swat, and they had been fighting against the Pakistan army. He added that the Taliban had started their activities in Mianwali while entering the city through Lakki Marawat, a doorway to Punjab from the South. This is an alarming development for the Pakistan government as Mianwalai houses nuclear power plant, he said. While expressing his regret over non-presence of a clear policy on the issue, Col Munir said:

“We are still confused over the issue and have not yet decided whether it is our war or that of others. I would say that it is our war because we have lost our 1400 soldiers and thousands of other people in this war. We have to fight and win it”.

**Maria Sultan,
Director South Asia
Strategic Security
Institute**



Maria Sultan said that strategic culture of Pakistan is religious in nature but it is characteristically different from the Islamic version introduced by the Taliban. While sharing the findings of her organization's recent study on 'Strategic Culture of Pakistan', she said:

The strategic culture of Pakistan is Islamic by nature. The mass empathy which we find for the Taliban is due to this strategic culture, which is Islamic by nature. However, it is characteristically different from the religious orthodoxy represented by the Taliban group or other such groups.

Hence, there is a divide between these two groups moderating elite vs religious orthodoxy. This nonetheless is not representative because essentially Islam has come out as a dominant factor. It, however, needs to be redefined if you have to win this war.

The local extremist elements have succeeded in creating an impression that it is a faith versus the US battle and “this kind of situation needs high moral ground for those who oppose extremist elements”, she added.

Maria further said that if the local administration still fails to understand the cultural psyche of people, it is likely to lose its battle against extremists. She said that concerted efforts are needed to separate the peace deal from the war in Afghanistan and the greater regional political game to fully benefit from this accord, adding that the peace deal should be capitalized fully.

**Ather Minallah,
eminent lawyer,
spokesman for
deposed Chief
Justice of Pakistan:**



Ather Minallah described the Swat deal as surrender of the State. While rejecting Maria Sultan's argument that cultural psyche of Pakistan is very much Islamic, he said that cultural psyche of Pakistan changed the moment the Pakistanis forgot the inaugural address of the Quaid-e-Azam to the first Constituent Assembly. He said:

Mr Muhib Hassan has termed the peace deal as political sagacity but I do not know whether to call it political sagacity, expediency, or surrender". Maria Sultan referred to cultural psyche. If this [Islamic] was the cultural psyche of Pakistan, then I have to go back to the time when Pakistan came into existence. It was the Quaid-e-Azam Muhammad Ali Jinnah who never prayed openly but led the movement for creation of this country. The most popular leader Zulfikar Ali Bhutto had the courage to say in a public meeting, 'yes, I do drink alcohol'. That did not make him unpopular but rather made him even more popular. We changed our cultural psyche the moment we forgot inaugural address of the Quaid-e-Azam to the first Constituent Assembly. That has not been made a part of the syllabi of the children of this country, and the children have been deliberately kept ignorant to it. Again, we have forgotten that the Quaid-e-Azam Muhammad Ali Jinnah made it clear in his address to the armed forces of Pakistan that the role of the armed forces is not to make policies, but to serve the state. After 1951, the very purpose for which this country had been established was lost. The ideology of a state to be a welfare state was converted into a security state.

While criticizing Pakistan army's interference in civilian matters, Ather Minallah said that professional capability of the army has weakened. He said:

The policy has never been the realm of the chosen people of this country. It has been in the hands of an institution that used religion to rule the country. It is an unfortunate reality that a non-Muslim has

to raise the slogan of Allah-o-Akbar when he joins Pakistan Army, Air Force or Navy. He has to acknowledge that he would be the first non-Muslim to be a Shaheed. And this is where the contradiction starts. The Hamoodur Rehman Commission report, which has not been made public, points out that when armed forces remain engaged in civilian matters for a long time, they lose their professional capabilities. Article 243 of the constitution says that the function of Pakistan armed forces is to save Pakistan from external aggression.

Ather Minallah said that the state institutions have completely failed in Pakistan, which resulted into anarchy and chaos in the society. While stressing on certain fundamentals of a society, he said:

In every country, there are certain fundamentals. The will of the people is always its constitution. For good governance, decisions have to be transparent and taken by the institutions as provided in the constitution. There has to be an element of accountability and also rule of law. This all has been missing in Pakistan for the past 60 years. And it has resulted into complete erosion of state institutions. The complete erosion of institutions created anarchy and chaos in the country.

Ather Minallah complained that the government by entering into a deal with the Taliban has recognized them as a political entity. While terming the deal as an aggression against the state, he said:

My only question is that before entering into deals we as a nation and a state have to

make one very clear distinction whether they [government] are entering into negotiations with a political entity to recognize them as a political entity or by entering into a peace deal, the state will make them a political entity. **To me, the state has today entered into a peace deal out of expediency and as surrender. It is a deal with terrorists and criminals and a deal with those who challenge the writ of the state, which to me, is aggression against the state.**

Ather Minallah stressed institution building. He warned that the deal may encourage other anti-state elements. He said:

In the end, I would say that we need very serious reforms. We have to put our house in order. We have to build our institutions. There is no quick-fix solution to this. We also have to build the army, which has probably lost or is not trained for this purpose. Such surrenders are going to bring about very serious consequences. It is going to embolden other forces who are sitting on the fence and waiting for the State to collapse completely. The state has to act and the state has to fulfill its obligations and functions.”

Masood Sharif Khan Khattak, Former DG Intelligence Bureau



Masood Sharif Khan Khattak was of the view that the situation in Swat had aggravated to the extent that the government had to take some bold steps to normalize the situation

there. He added that peace deal was direly needed in Swat in the prevalent volatile situation there. He said:

Swat has been in the news due to the unrest there for a long time. It had become imperative to establish peace there that was not coming through military means. It was also necessary to see as to how eventually a base could be created for a lasting peace. Thousands of people were displaced from their homes during the military operation and were living in very pathetic conditions elsewhere in the Frontier province. The situation in Swat aggravated to the extent that a break up point had to be reached.

The writ of the state had thoroughly eroded. In spite of the presence of a large number of troops in Swat, the local militants ruled effectively. The locals were taking their litigations to the Taliban instead of regular courts. We all know how bad the situation really was. In such a situation, the deal was probably inescapable.

Masood Sharif Khattak said that the Taliban had joined hands and it became difficult to be dealt with by the Army. He argued that since the army could not produce the desired results in over one year there, the peace deal became essential. He said:

The Taliban have grown more organized and now function in a coordinated form. These coordinated efforts become more difficult for the army to deal with. The peace deal of Nizam-e-Adl is a correct step in the given circumstances. You may name

it as out of compulsion or expediency, but I guess there was not really any way out. We know that the military operation did not bear result in one and half years. Masood Sharif said that the government had become totally helpless before the Taliban, adding that it had completely failed to provide protection to the life and property of the people there. He said that unavoidable situation pushed the government to strike the deal. He said:

I would like to look at what the government probably could have done in a different way. Had the government kept the initiative in its own hand without bringing any broker into it, the people would have followed it and the credit could have gone to the government. It is unfortunate that the government absolved itself from its responsibility and sat back in Peshawar waiting for things to happen. In over one year of extreme violence in Swat, we really witnessed how helpless the government of Pakistan and that of the NWFP were in handling the violence in this beautiful valley. This situation had pushed the government to strike a deal. The deal has happened due to certain conditions which were insurmountable. If you look at the situation in Swat, you would find that there was no other way out.

Masood Sharif stressed that the Swat situation should be looked in the regional perspective. He said:

We should look at the Swat situation in the context of the regional situation. I would say that the Swat situation would have never aggravated to the point where it actually did, had there not been this regional situation. While speaking about the world's reaction towards the peace deal, Masood Sharif Khattak said:

US envoy for Pakistan and Afghanistan, Richard Hoolbrook and the US Defence Secretary issued contradictory statements over the peace deal, which showed that it was not the official response of the United States.

However, the US and some other Western powers are of the perception that the peace deal in Swat may just be an exercise by the Taliban to gain time in order to regroup or relocate for operations in another part of Pakistan and even in Afghanistan. But we in Pakistan have to keep abreast with all these developments and ensure that we do address these fears and the peace arrangements proceed according to the pact.

Pakistan can certainly be not oblivion to the world opinion and it must be kept in mind that it cannot afford to keep the Pakistan army engaged in a perpetual battle on its own soil in a manner wherein collateral damage has become common.

Question & Answer Session/Observations By the participants:

Observation by Adnan Aurangzeb, former MNA from Swat



Adnan Aurangzeb, former Member of the National Assembly from Swat said that Pakistan is a reactive state, not proactive state and its leaders are unable to foresee what lies ahead. He said:

The State of Pakistan is too complacent to govern this country. It is a national psyche that issues, which need attention and redressal, are somehow never brought up for discussion. A news item reads that the federal cabinet is meeting today to take stock of the current political situation of Pakistan. I would say that we have been taking stock of the situation in Pakistan for sixty years, and will continue to do it for another 60 years. By nature, we are a reactive state and reactive government. We are not proactive. We do not have foresight to see what lies ahead.

Adnan Aurangzeb informed the audience that the Pushtoons are culturally religious people and their leaders are big religious personalities like Akhund of Swat. He said:

“Pathans embrace Islam in totality. There is no such thing in the world as non-Muslim Pathan. When the Muslims embraced Islam, they embraced it not as a religion but as a way of life, and our [Pushtoon] society started living in that norm. Over a period of

time, the Mullah, the mosque and the Imam became powerful there because they tell us how we should lead our lives. The Mullahs got political strength because they were religious entities. The population of Swat gravitated around Saidu Baba or Akhund of Swat, who was a religious personality. He became a leader by virtue of the fact that he was a religious man. The leaders of the NWFP had been religious people. Our mind is still living culturally. We will not change.

While referring to the enforcement of Nizam-e-Adle in 1999, he said that the military intervention halted the political efforts to bring peace in Swat. He said: In 1999, we had very delicately negotiated Sharia package for Swat. Mr Nawaz Sharif was Prime Minister and I happened to be a Member of National Assembly from Swat. In a very political manner, we introduced Nizam-e-Adl in April 1999, but with no compromises with a third party. But unfortunately, the military intervention of October 1999 put a halt to that endeavour. Our people are not fundamentalists. They do not want Sharia in its orthodox form, but good governance. They want their daily lives to be handled by the state in an expeditious, inexpensive, swift and just manner. But if somebody comes and exploits such sentiments, then the result is very much before us.

Former MNA from Swat described the peace deal as a too little step taken too late. He said:

“You can blame us, Swatis, to be emotional. We are religious and Zealots. We are orthodox and also fundamentalists. But is it not responsibility of the state to see where there is a problem and what solutions are required. What the government has done now [deal] is too little and too late. But I hope that we become able to go back to our homes.”

Muhib Hassan Shah:

This [peace deal] has been a very sagacious move because the state institutions have failed throughout Pakistan. This deal will hopefully work, and the government will have to stick to it, otherwise the opportunity will be lost.

**Q 1: Sher Baz Khan,
Dawn correspondent.**

I want to ask from Mr Aurangzeb as to what kind of damage this Swat deal has inflicted on the nationalists in the province.

Adnan Aurangzeb:

By mentioning nationalists, perhaps you are referring to the Awami National Party (ANP). It has been a leftist party in the history. But we must keep in mind that it is a political party and will go with the tide. Although Shariat had never been part of its manifesto and its political culture but expediency now demands to enter into such a deal. The ANP leaders were unable to go to their districts. Mr Asfandyar Wali himself was facing a threat. Thus, they have to give to the people what the latter had demanded. It, however, is no more a

political issue, but a security matter involving life and death.

**Q 2: Zakir M Johar,
International Islamic University**

We have witnessed in Swat that if somebody's demands are not met, he picks up guns, forcing the authorities to meet them. By making a deal with such elements, are we not sending a wrong signal to other parts of the country?

Masood Sharif Khattak:

I am a firm believer that any state has the capability to handle such kind of situation. We too have it. If this has not happened, it is due to incompetent handling of the issue. It does not mean that the things cannot be put right. To me, Pakistan can do it within days and weeks if somebody really wants to do it. But regrettably, we lack the will to do something.

Col Khalid Munir:

We must understand that the Taliban are not doing all this to bring Nizam-e-Adle or speedy justice. They have some other objectives.

Ather Minallah:

By making this deal, the government has started recognizing them as a political entity. The Taliban are carrying out violent activities only to get power. They are using Islam for this purpose. In Pakistan, we need to change the mindset of the institutions.

Adnan Aurangzeb:

We are misunderstanding the deal. It is an open deal. The NWFP government has told Sufi Muhammad that he will bring peace and then it would introduce Nizam-e-Adl there. If peace is not achieved and the violence again erupts, it would be ten times worse than the original violence.

Note of Thanks by Imtiaz Gul:

In his concluding remarks Imtiaz Gul, Chairman CRSS, said that the state lacks



political will and vision about the Swat issue, which can bring about some serious implications. He said:

There is probably consensus among the speakers that the deal was inevitable to normalize the situation in Swat. But I think a big challenge has aroused now. If you look at the indicators including governance and security parameters, you will find that the state does not have the capacity. Mr Masood Khattak says that it has the capacity, but to me, the political will and vision are absent. That is the inherent danger or implication of the deal struck in Swat.



Justice Restored: What Next?

Executive Summary:

On March 28, 2009, the Centre for Research and Security Studies [CRSS] held a discussion session on “Justice Restored: What Next?” Renowned law expert and the prominent leader of the lawyers' movement for restoration of the deposed judiciary, Barrister Aitzaz Ahsan was the speaker on the occasion. The participants comprising representatives of different sections in the society took part in the discussion during the Question & Answer session by raising various questions to the speaker about the lawyers' movement and its culmination.

The conference observed that some elements like Sharifuddin Pirzada and Malik Qayyum had become active against the restored independent judges, and thus there was need for the people to get together to support and strengthen the Chief Justice. A legal battle in the Supreme Court was expected by the speaker of the seminar, but he was sure that the court itself would handle the situation successfully.

A fair trial of General [Retd] Musharraf was demanded in the seminar. But it was clarified that the court could not go for the trial until it declares the famous Tikka Iqbal judgement as invalid. General Musharraf's amnesty through the court was also ruled out with the argument that Chief Justice Iftikhar Muhammad Chaudhry had been restored through an executive order.

Dr Farrukh Saleem, Executive Director CRSS



In his opening remarks, Dr Farrukh Saleem, Executive Director CRSS, gave a brief overview of the checkered history of judicial subservience to the dictators in Pakistan in the following manner:

Field Marshal Muhammad Ayub Khan usurped all executive authority and powers in 1958. Our second Chief Justice of Pakistan gave us the Doctrine of Necessity. In 1969, our fifth Chief of the Army Staff, General Agha Muhammad Yahya Khan declared martial law, and our seventh Chief Justice of Pakistan did not declare him a usurper for as long as Gen Yahya remained the Chief of the Army Staff and the President. In 1978, our eighth Chief of the Army Staff took over, and our ninth Chief Justice of Pakistan declared that illegality legalized, or legalized that illegality. Our 13th Chief of the Army Staff took over and declared himself the Chief Executive. Justice Saeeduz Zaman Siddiqi who was our 15th Chief Justice said, “Taking oath under the PCO, in my opinion, will be a deviation from the oath I had taken to defend the constitution of 1973”. And our 16th Chief Justice of Pakistan Justice Irshad declared Musharraf's coup as legitimate.

Dr Saleem presented a brief assessment prepared by the Asian Development Bank [ADB] on the judicial system in Pakistan. He quoted the assessment as saying, "Pakistan's courts suffer from massive backlog of cases, causing long delays in litigation and severe dissatisfaction among litigants. Courts are understaffed and lack trained administrators, and their physical infrastructure is grossly inadequate, and of poor quality. The legal system is technologically backward and inefficient, and laws are outdated".

According to the CRSS Executive Director, a recent publication by the International Crisis Group, [ICG], in a report titled 'Building Judicial Independence in Pakistan', has recommended curtailing the powers of the Chief Justice in the following manner:

1. Institute Administrative Reforms that curtail Chief Justice's powers over the assignment of cases and of judges.
2. Establish professional, managerial divisions within the courts to fulfill the task of assignment of cases.

Dr Saleem said that the CRSS had identified five of the most critical issues that needed to be resolved:

1. Judicial organ of the state is severely under-financed
2. Corruption is endemic
3. Public lacks trust
4. Adjournments last a life time
5. There are parallel judicial structures like the 1901 Federal Crimes Regulations [FCR], 1997 Anti-Terrorism Courts,

1997 Ehtesab [Accountability] Courts, and the entire Northern Areas [some 72,000 sq kilometers] fall outside the constitution.

Barrister Aitzaz Ahsan, renowned lawyer and prominent/key leader of judges' restoration movement



Barrister Aitzaz Ahsan described the judges' reinstatement as 'undiluted people's victory'. Rejecting the impression of any complicit understanding with AA [Aitzaz Ahsan] on the restoration, he complained that some publications were trying to belittle their victory. He said:

The implications of this restoration are beyond the ambit of simple restoration. The first aspect of this restoration is that it is an undiluted people's victory. There are, however, some publications, which are trying to belittle our victory while talking of conspiracy with AA or some complicit conduct with AA. **The Americans were pitching in with those who opposed the reinstatement like General Musharraf and President Zardari. But at the critical point, they did not matter and the lesson to be drawn from this movement is that the people can decide and events can be moulded without any role of the Americans and the army. Anybody alleging a conspiracy or a complicit conduct is neither serving Pakistan nor its people".**

Aitzaz Ahsan said that the state started to think seriously to restore the judges when the police began to resign and lay down their batons while coming under pressure of the people's movement and the energy that had been unleashed in Lahore. Mr Ahsan said, "Since I am not privy, I do not know whether General Kayani was consulted and he persuaded, but some people must have persuaded the President definitely that the whole house of guards will fall if this march comes to anywhere near Islamabad. There was nervousness when the government had blockaded Islamabad Parade Ground with a China Wall of containers. But I went to the press and threatened that we would march the day the containers are removed and will continue the protest until the Chief Justice is restored.

According to Aitzaz Ahsan, it is a new beginning. He said that the people had attached high expectations with the restoration. "I believe that this restoration has contributed to the empowerment of the people. I find people feeling empowered. They have won and reached the conclusion that they can do it not just without the Army and the United States, but even against the Army and the United States", observed Mr Ahsan.

While referring to some prickly issues, Barrister Aitzaz Ahsan said that the court would be under pressure to resolve them. He said: "The missing persons' case is very cut and dry cutting clear case. Some people in Pakistan went disappeared. The court will be justified to seek information about their locations and whereabouts, and it can order their release if they are illegally

detained. The relatives of the missing persons including wives, mothers, children, fathers, brothers etc stage protest demonstrations in front of the Supreme Court regularly. And any sensitive and compassionate judge will certainly be moved by this spectacle and will try to seek at least information about those who had disappeared".

Mr Ahsan was of the view that the issue of General Musharraf might be a little more complicated. The court will have to first clear the deck of some superficially but importantly constitutional issues. "The legitimization of General Musharraf's emergency by the Dogar court in the famous Tikka Iqbal Khan case in November 2007 is superficially a legitimate judgment, but if you scratch the surface and examine the November 3 action, you will find it a judgment 'per incuriam', a judgment that is not a judgment. **The court can go for the trial only if it comes to the conclusion that the Tikka Iqbal judgement, which validated the 2007 emergency and all actions taken there under, was an invalid judgement. I hope the will court do so. I don't believe that there should be an unfair trial, if Musharraf is brought to trial.** However, more important than that is clearing the taboo of judicial precedents that have validated military dictators.

The parliament would have to intervene for amnesty to General Musharraf, said Mr Ahsan, adding that it would be difficult for the court to justify the amnesty particularly after restoration of the Chief Justice and the remaining independent judges through an executive order, implying that the action of November 3, 2007 was unlawful, and had

not been recognized as valid by the Prime Minister and the President.

While suggesting the way forward, Aitzaz Ahsan said, “We have to bear with the court. We need to cooperate with the court and submit to the jurisdiction of the court.”

Barrister Ahsan urged the nation to be watchful over the issue of various categories of the judges in the Supreme Court as, according to him, the Executive may try to put its foot in the door to initiate a new set of measures to destabilize the court. He said, “There are four categories of judges in the Supreme Court today: a) the judges who took PCO oath including Mr Dogar, Mr Khokhar, Mr Buttar and their like; b) the judges who were appointed during the period the PCO was in operation; c) the judges who were reappointed and restored through a fresh oath; and d) the judges who have been restored with the Chief Justice through an executive order.”

Aitzaz Ahsan said that the restoration of the Chief Justice and the independent judges through an executive order suggested that “the state accepts that the oath the Chief Justice took on June 30, 2005 continues to

govern his appointment and his incumbency of that office. The Chief Justice had been physically prevented from performing the functions of the Chief Justice and he has now been allowed to perform the functions of the Chief Justice.”

While proposing solution to the issue of four categories of the judges in the Supreme Court, Aitzaz Ahsan referred to four precedents in the recent Pakistani judicial history. He said: “The matter of the judges who took oath under the PCO can be addressed by the proceedings under the Article 209. They cannot be removed summarily. The allegation against them is of misconduct. They will be tried. For the judges appointed without consultations of the de jure Chief Justice, Iftikhar Muhammad Chaudhry in this period, there is precedent of Al-Jehad Trust case of 1996 also known as the judges' case. At that time, all those appointments were reviewed. Out of 42 judges, thirty-two or thirty-three were laid off. If it was done then, why can't it be done today? And finally, for any gap between the Article 209 and the judges' case, and that if the case is not addressed by this or that, we have two precedents. One is the judgement of 10 judges and the second is the judgement of 13 judges.



There is Malik Asad Ali's case where the Supreme Court removed its Chief Justice by a bench of ten judges. And there is another case of Chief Justice Iftikhar Muhammad Chaudhry vs General Musharraf, President of Pakistan, where 13 judges addressed similar issue concerning appointment and removal and discussed the law. So these categories can be covered.”

In his concluding remarks, Aitzaz Ahsan stressed the people to let the Chief Justice and the judges resolve these issues, without subverting the process and the Chief Justice.. **“I think his position should be strengthened. We should remain beware, resist and condemn all conspiracies. And there are conspiracies afoot. Mr Sharifuddin Pirzada and Mr Malik Qayyum are not resting. But we have to stand with the Chief Justice”, said Mr Ahsan.**

Question Answer Session

Q No: 1

**Mir Jamilur Rehman,
senior analyst**

Aitzaz Sahib, what is the philosophy of amnesty?



Aitzaz Ahsan:

Amnesty means pardoning those criminals who benefit from it as well those who impart it..Secondly, the term implies that there is a higher necessity, which on grounds of public good and state benefit impels the state to discard the normal

process and grant pardon to the person who is criminal. Parliament knows no bounds. If it adopts amnesty bill with two-thirds majority, it will prevail.

Q No: 2

Babar Sattar, law expert



Is there any moral and legal distinction between the Provisional Constitutional Order [PCO] of 2000 and that of 2007? Secondly, how should the bar reform itself?

Aitzaz Ahsan:

To me, there is no moral distinction between the PCO of 2000 and that of 2007. But legally, there is a distinction. Legally, the 2000 PCO was validated by 17th amendment, which has not so far been done by the parliament in the case of 2007 PCO. And secondly, there was no restraint order from the Supreme Court in 2000, whereas there was an order prohibiting the judges to take oath in 2007. As for reforms in the bar, I think the problem is not in the law, but in the practice. Somehow, disciplinary tribunals do not proactively intervene in disciplining and regulating processes and procedures. We would have to become more conscientious as lawyers. We should try to enforce the law upon ourselves and upon our colleagues. But unfortunately, we believe in letting things go. It is attitudinal problem, which we have to redress in the bar associations.

Q No 3:

Imtiaz Gul, Chairman CRSS

How can the lower courts be reformed?

Aitzaz Ahsan:

For law reforms, parliament will have to take initiative. Legislation has to be made. The courts cannot amend the law. There is no reasonable way to repeal the old procedural laws of the 19th century through a judicial initiative. Law reform is the ambit of the parliament. But unfortunately, our parliament is zero multiplied by 342. They have done no legislation in the entire one year. The executive is thoroughly corrupt. Therefore, more expectations are tied up with the judiciary. It is, thus, necessary for the state to have an active judiciary particularly when the parliament is inactive and the executive is not delivering in governance or justice.

Q No 4:

**Ejaz Shafi Gilani,
Chief of Gallup
Survey of Pakistan**



You say that the people have been empowered after restoration of the deposed judiciary. What should be the future course so that the individual's empowerment can be carried forward or may be channeled into some positive direction? Do you see any spill over of what the judicial community has gone through on the other aspects of civil society?

Aitzaz Ahsan:

The civil society has no nation-wide bodies or organizations. There are concerned people in every city, but they are not organized. The engine of change, to my mind, is political party. The bar associations were exceptional because (a),



they have a country-wide network, (b) that country-wide network is structured on democratic principles, and (c) all lawyers of all persuasions converged on this issue. The lawyers of the PPP were by and large with me, suggesting a dichotomy in the party. It was very difficult to keep the whole flock of plural diversity of the lawyers engaged in an intense battle for two years. I do not think the bar associations are going to commune on any other issue very easily in the coming days. The other civil society bodies are too weak and too limited to be able to drive any movement for improvement on any legal, political, social, and economic issue. At the moment, the only thing that is staring us in the face is Swat. I personally think that the war is not being fought from the side of the state as it should be. That is the issue which is going to confront the civil society, the political parties and the state in the near future, and we do not seem to have any solutions for it because of the fact that the state itself seems to be conceding space very rapidly.

Q No 5:

A journalist

What sorts of conspiracies are being hatched by Sharifuddin Pirzada and Malik Qayyum?

Aitzaz Ahsan

First, I would like to clarify that I mentioned Sharifuddin Pirzada and Malik Qayyum allegorically. Almost five applications have been filed to the Supreme Court against the restoration of the judiciary. I do not know

the purpose of creating confusions in these issues by filing such applications. Let the Chief Justice and the restored judges consolidate their positions before we go into such exchange of fire. I am sure the court will be able to handle these issues provided the nation remains aware that the Chief Justice was not re-inducted by the powers that be and there could be some resistance to his functioning and impediments in the way of implementing his orders.

Q No 6:

John L Summers, The Asia Foundation

As you know there will be frankly huge resources coming into the country to work on the justice sector. Will the resources be used in the right way to do the right things?

Aitzaz Ahsan:

Reportedly, the Americans pumped in about \$11 billion during the Musharraf years, and nothing has been accounted for. You need a justice system for that also. Judicial auditing may appear odd to the Americans, but according to our and Indian jurisdiction, we move to a point where the judiciary can seek and does seek accounts of broad disbursements. What has happened with the money pumped in to reform the judicial system like access to justice is precisely the defect that would come about in any disbursement in this country. And that is it came through the law ministry and from there it was disbursed. If you do not like the Chief Justice, you do

not give him the money. It is a brilliant idea that the people like Babar Sattar and Dr Farrukh Saleem are assigned to propose the best heads of expenditures. But the engine for that is the judiciary. **We should strengthen judiciary as well as the man who is proven to have had zero tolerance for corruption. A lot can be done. The Taliban do not give schools, roads, bridges to the people, but a hope of quick and may be brutal justice, which to me is injustice. The Taliban won territory by brutal demonstration of justice, but they also won territory with the promise of justice.**

**Note of thanks by
Imtiaz Gul:**

I thank the media and the civil society for attending this discussion session. I am extremely thankful to Mr Aitzaz Ahsan for



sharing his valuable views on 'Justice Restored-What Next' with us. He has made a forecast of unraveling constitutional battle going to take place in the Supreme Court. It was indeed a momentous moment for the nation when the Chief Justice was restored. Mr Ahsan has alarmed us of thorny and arduous journey lying ahead of us. He has spoken about running a case against Musahrraf under article 6, which to me, is necessary to discourage the future military takeovers. He has rightly pointed out that the legal reforms are the domain of the parliament. But what the people lose is that the parliament is inactive and the executive is thoroughly corrupt. The last hope in such a situation may be a coup. Thus the people have to be extra forceful and proactive, and that would be achieved when we are moving towards judicial activism.



Is Pakistan's Economy in or out of Woods?

Executive Summary:

On May 11, 2009, the Centre for Research and Security Studies [CRSS] conducted a seminar titled 'Is Pakistan's Economy in or out of Woods'.

Distinguished personalities belonging to various fields of economy spoke in the seminar. They included Dr Ashfaq Hassan Khan, former Economic Advisor to the Ministry of Finance; Dr Qaisar Bengali, former National Coordinator of Benazir Income Support Programme [BISP]; Dr Zafar Altaf, Chairman Pakistan Agricultural Research Council; Ghalib Nishter, President and Chief Executive Officer, Khushhali Bank; Dr Salman Shah, former Finance Minister; Ather Minallah, eminent lawyer; and Naeem Zimindar, Vice President, Broadband Business at Mobilink.

The speakers were of the opinion that Pakistan's ability to utilise its strategic location by increasing trade with India, China and Central Asian States could take the country out of the current financial crisis. They proposed that politicians and armed forces should evolve a consensus on how to address problems obstructing the economic growth.

“The money policy should be relaxed, and interest rate should be reduced to single digit”, a distinguished speaker stressed. However, there also emerged another viewpoint in the seminar that the tight fiscal

policy should be continued for one more year.

The seminar emphasized that the tax net should not be broadened further at the moment, and the government should rather improve the compliance rate in the already existing tax net.

“The BISP is very good on the paper, but it could be corrupted if MNAs and Senators, who distribute forms among the needy, are not formally held accountable”, the conference observed.

Dr Farrukh Saleem, Executive Director CRSS



In his welcome address, Dr Farrukh Saleem, Executive Director CRSS, introduced his organization highlighting its functions and objectives. He said:

We are a think-tank. We analyze, we produce, and we disseminate ideas as well as facts. We do all these things in order to enable members of the civil society within and outside Pakistan to better understand Pakistan, our region and the issues Pakistan is faced with.

We are a think-tank. We think, we write and we speak. We do all these things in order to

encourage each and every segment of the Pakistani society to put together their strengths for a freer, more democratic, a tolerant and a forward-looking Pakistan.

We are a think-tank. We undertake research, and we carry out analysis. We do all those things in order to enable stakeholders understand and influence Pakistan's domestic as well as foreign policy paradigms.

We are a think-tank. We want Pakistan to be safe, secure and democratic. We strive for rule of law. And, we strive for a Pakistan where every citizen has an opportunity to progress as far as his or her talent can take him or her.

This seminar is all about Pakistan's economy. Is Pakistan's economy in or out of woods?

We have a diverse panel; a combination of intellectuals, economists and business leaders. Our desire is that each and every one of us leaves this seminar with a more informed Pakistani.

Dr Ashfaq Hassan Khan, Former Economic Advisor to Ministry of Finance



While describing the current economic challenges being faced by Pakistan, Dr Ashfaq Hassan Khan claimed that 2007-08 had been one of the most difficult years in the economic history of Pakistan. He gave a detailed review of some unusual happenings of the past few years to make

the audience understand the prevailing economic situation of the country. He said:

Pakistan is currently facing many economic challenges including large budget and current account deficit, causing depletion of foreign exchange reserves. And this leaves an enormous pressure on exchange rate. The exchange rate of Pakistan has depreciated by 25 to 26 per cent. There is high inflation and high interest rate. All these challenges are linked with each other.

In order to discuss these challenges, we have to understand what happened last year; otherwise, we will not be able to appreciate what is happening currently. **The year 2007-2008 has been one of the most difficult years in Pakistan's economic history. Many epoch-making economic and political events took place in that period. There was disturbed political condition, unstable law and order situation, three governments, election year, government in transition, policy inaction, unprecedented surge in oil and commodity prices in international market and turmoil in international financial market.**

As a result of this, we had higher food prices, higher oil prices and also rise in oil import bill. As there was no adequate policy response, we witnessed pressure on budget and balance of payment. And resultantly, we lost foreign exchange reserves substantially almost one billion dollars every month. That cast pressure on exchange rate, which moved from 61 dollars to over 84 dollars in such a short period of time.

There are many reasons for surge of oil prices in international market; however, one of them is that oil prices are directly linked with the exchange rate between euro and dollar. As dollar depreciates against euro, oil prices go up. However, when dollar appreciates vis a vis euro, oil prices start going down.

As for commodity prices, until July, the international price of wheat was around \$200 per ton, but after that it shot to \$750 per ton in such a short period of time. And from there, it collapsed. However, in Pakistan, prices remain high even after the collapse of prices in international market. When international prices rise, our domestic prices will go up. However, when international prices fall, we do not bring down our prices. Thus, in Pakistan, commodity prices work unidirectionally. And it is done at the behest of a strong group.

At the time of preparing the budget for 2007-2008, the oil prices were somewhere around \$60 per barrel. In August 2007, it was \$69 per barrel. And by July 2008, it reached \$129 per barrel. And then it collapsed moving around \$42 per barrel. But now it has started increasing again.

As for oil subsidy, it was planned that we will provide the subsidy worth Rs15 billion. But oil prices surged at such an unprecedented pace that the government could not pass on the high oil prices, and thus, the subsidy went as high as Rs 175 billion. So there was slippage of Rs 160 billion on only single item. In budget, WAPDA subsidy was Rs 53 billion, and it ended up at Rs 107 billionslippage of Rs 54

billion. And in this way, there are many slippages. At the end, we witnessed budge deficit 7.4 per cent of GDP as against the target of 4 per centslippages of 3.4 per cent. That disturbed many macro-economic variables.

Our oil import was \$30 billion in 2006-2007, and in 2007-2008, it was close to \$40 billion. We did not increase the quantity of oil import, but because of the surge of oil prices, Pakistan had to pay additional \$4 billion only on account of oil, another \$800 million on account of wheat and \$762 million on account of palm oil, raw cotton and fertilizers. If you add these five items, we paid extra \$6.7 billion.

The current account deficit ballooned in 2007-2008 just because of the oil and commodity price increase. In the first quarter of the year, the current account deficit remained close to \$4 billion. In the second quarter, it was \$3.5 billion. And when we entered into the third quarter, the world had changed. It was only \$318 million dollarsmore than 12 times improvement in one quarter because of the collapse in oil and commodity prices. So Pakistan is, in fact, one of the major beneficiaries of the collapse of the global economy.

There was a pressure on balance of payment. We started losing our foreign exchange reserves and by October, we were at the lowest, \$6.8 billionthis includes State Bank reserves as well as commercial banks reserves with the State Bank. The State Bank reserves were more or less \$3 billion, which was very very dangerous because Pakistan had to pay in February

2009 \$500 million from Euro bonds. And there was a view that Pakistan might not be able to pay this \$500 million. But then came the IMF bailout, and things changed in Pakistan. Had the IMF not intervened at that time, Pakistan would have faced very serious problems by November and December. The bailout from the IMF thus saved Pakistan from global bankruptcy.

As a result of these developments on the country's economic front, the international rating agencies started degrading Pakistan at an unprecedented fast pace. Our rating moved down from B1 to B3, and the standard was poor from B+ to CCC. **In 2007, Pakistan's rating was B1 and B+, and we had plan that in 10 years time, we will move to industrial status. But instead of moving upward, we went down to bottom. In other words, if Pakistan goes to the international market to raise funds, it is simply impossible.**

For a long period of time, budget deficit in Pakistan remained 3-4 percent of GDP, but in 2007-2008, it surged to 7.4 percent of GDP. This year, the deficit is 4.2 percent of GDP. The target is going to be achieved. And this will be a major achievement of the government to reduce budget deficit to such an extent in one year. The Current Account Deficit reached to 8.4 percent of GDP. In the start of this year, it was 5.9 percent, but my forecast is that it will be less than 5.9 percent. This is again a major achievement, and mostly contributed by economic global meltdown.”

At the end, Dr Ashfaq Hassan enumerated some proposals to bring the economy out

of the crisis. While emphasizing increase in tax compliance rate, he voiced against broadening the existing tax net at the moment. He said:

We should continue to maintain tight fiscal and monetary policy for at least one more year, because I am witnessing rising oil prices. And as global economy starts improving, the oil prices will start surging. We should prepare ourselves for it from now. Fiscal and current account deficit should be further reduced. And when we maintain tight fiscal policy, this will happen. Unnecessary borrowing should be avoided, because we have accumulated Rs 1367 billion of debt in just nine months of this fiscal year, and by the end of this year, this might cross Rs 15-16 billion. Tax bases should not be broadened for the time being. The compliance rate today is only 44 per cent. Considering the existing capacity of the Federal Board of Revenue [FBR], I will suggest that at the moment tax bases should not be expanded. If we broaden the tax net, it will hurt the tax collection effort. In phase I, we should take the compliance rate 44 per cent to 85 per cent in the next three years, and then in phase II, we should broaden the tax base. There should be moderation in increase in administration prices. Increase in support price raises inflation. Ten percent increase in support price of wheat will increase overall inflation by 3.00 percent. And the same is the finding of the IMF that wheat support price is highly inflationary. And I believe that conservation of power/energy is vital for economy. As the oil prices are going to rise

again, energy shortage can become a problem for us.”

Dr Qaisar Bengali, former National Coordinator BISP and distinguished economist



Dr Qaisar Bengali, eminent economist and designer of the BISP, briefed the audience about the process of framing the programme. While highlighting objectives of the BISP he explained in detail every feature of the programme. He said:

I will explain to you as to how we started Benazir Income Support Programme [BISP] and where we are now. Before designing the programme, several social protection schemes were discussed, which had been tried in the country during the past 40 to 50 years. These schemes consumed a lot of resources of the government, but did not have any macro-economic impact. Thus, there was a need for quick disbursing mechanism. We spent eight months working on this project making research on its various aspects. We looked at the selection criteria and the kind of data which was available. We established that those getting Rs 6000 per month salary are not poorest of the poor. We established that those who have passport are also not poorest of the poor. We looked at the verification methods and also disbursement modes. Two options were considered disbursement through banks or through post offices. The option of banks was not feasible, and we switched to post offices.

The objective of the BISP was to compensate vulnerable families and to protect nutrition intake of the vulnerable population. Poverty alleviation was not an objective of this programme. Each family was to be given Rs 1000/ per month, which would work as supplement to their earning. As many as Rs 34 billion had been allocated for the programme, which is the third largest allocation in the current budget and constitutes .3 percent of GDP. The programme covered up to 12-14 per cent of the population in low income brackets in the entire country, including FATA, Northern Areas, and Azad Jammu and Kashmir. The payments are to be made to only female heads of family. And this will have an impact on women empowerment.

It was decided that the selection of the deserving people will be made by the members of the parliament. Of course, it was a political decision. However, it strengthens the writ of the parliament, having a positive impact on democracy. By allowing MNAs and Senators to make the selection, we have made them formally accountable for every recommendation that they make.

In order to ensure transparency in the programme, the programme was divided into four parts. They are: a) programme management done by the BISP office; b) recipients' selection done by MNAs and Senators; c) verification done by NADRA; and, d) disbursement done by Pakistan Post Office. The BISP had no role in recipients' selection. I was head of the BISP programme, but had no quota to

recommend the recipients. MNAs and Senators recommend, but they cannot select. Once they submit the form, they lose the control. The NADRA independently verifies it. The first person to touch the money is postman. No one has influence over flow of the funds. Neither MNAs nor NADRA have control over the funds, which are transferred electronically. There is minimum intermediary involvement in the programme.”

While commenting on the current position of the programme, Dr Bengali feared that the programme is going to be corrupted as no body will be held formally accountable under the newly proposed changes by the World Bank. He said:

“Coming to today, there is a need to protect social protection. The programme has been criticized because the MNAs and Senators have been given the right to select the people who will receive the money. We assume that all the MNAs and Senators are corrupt and they cannot make honest

decision. And secondly, we also assume that the civil society is absolutely honest. I think both these assumptions are incorrect. **The MNAs and Senators had been formally made accountable in the originally structured scheme. However, in the new scheme which is being proposed, no body will be held accountable. Many of these MNAs and Senators are powerful local politicians. They will control the process. They will determine which house will get the money. The data will be doctored, as it has been doctored in the case of Baitul Mall. .** There are Nazims and bank managers who are getting money out of Baitul Mall. The World Bank is trumpeting a lot what we achieved in earthquake areas, but there is a difference that in the earthquake, every body was a recipient. However, even in the earthquake area, the direction of money distribution was determined by the landlord. And this will happen again, but no body will be formally held accountable. And I am afraid that this process will be corrupted.”



Question & Answer

Q No 1:

You have advocated that the tax net should not be broadened for one year. Pakistan is already overburdened with percentages of tax. If we do not broaden the tax base, the percentages will further go up. What would you say about it?

Dr Ashfaq Hassan:

Pakistan is one of the under-taxed countries of the world. There are areas that contribute enormously in GDP but very little in taxes, and there are areas that contribute to GDP 20-26 percent, but pay heavy taxes. So, some sectors are over-taxed and some sectors are under-taxed. At the moment, we should try to collect as much as possible from the existing tax base because the tax compliance rate is only 44 percent. So, 56 percent is still untouched within the existing tax base. We should improve collection from the existing tax net. And when we reach a certain stage, which can be done within three years, we can broaden the tax base. If you bring more area under your tax net, you will have to stretch your existing resources to collect taxes from the newly-entered people. And in such a situation, the current collection will suffer.

Q No 2:

The industrial sector is heavily burdened by taxes. However, there are many other sectors which still remain out of the tax net.

Don't you think that every sector should be taxed to equalize sharing of the burden?

Dr Ashfaq Hassan:

There cannot be two opinions on broadening tax base because everybody has to share the burden. You have rightly pointed out that currently this burden is proportionately towards industry. I agree with you that we should reduce the burden on the industry and bring some other sectors into the tax net. My only argument is that if Federal Board of Revenue [FBR] is ready to undertake new areas that are either untaxed or under-taxed to bring them into the tax net? If FBR goes for it, what will happen to the existing tax net? We will have to divert resources to collect taxes from the people newly brought to the tax net. I want to say that the current tax collection may suffer if we go for bringing some other areas under the tax net.

Q No 3:

We have been hearing for so many years that the World Bank is funding FBR to raise its capacity. If FBR is still not able to bring more areas under the tax net, where has that funding gone? Secondly, you said in your speech that the government in 2007-2008 had been under transition, and therefore, the country's economy was not working well. I would ask you what was the bureaucracy doing during that period? Thirdly, you said that the oil prices surged at an unprecedented pace, I would ask you why did the Finance Ministry not forecast for such a surge in the oil prices to get ourselves ready for it?

Dr Ashfaq Hassan:

I will answer the third question first. The Ministry of Finance does not have capacity to forecast. In July 2007, the oil prices were \$147 a barrel. Everybody on this earth was predicting that this will go to \$200 a barrel. But in just two months, the oil prices fell to less than \$40 a barrel. If Finance Ministry could not forecast it, what happened to the rest of the world? The experts around the world failed to predict it.

As for your second question, I would say that you do not have idea what the bureaucracy was doing at that time. I do not want to share here what happened in different meetings, and in what language the Ministry of Finance spoke to the government on this issue. The people sitting in the Finance Ministry were saying in so many words to the higher authorities of the country that they were following a wrong approach and they would have to pay a price for it. So a decision is not always based on economics, but it is based on political economics. That is why, the bureaucracy and all other experts failed.

As for FBR reforms, I would tell you that I had been supporter of broadening the tax base. But I changed my viewpoint seeing the capacity of the FBR. The FBR has not yet improved its capacity to undertake new areas into the tax base. My view is based on the existing capacity of the FBR. I also believe in broadening the base. But the question is should we go now or after two to three years? I think first we should increase the compliance rate and then broaden the tax net.

Q No 4:

You have said that prices in Pakistan increase when there is a surge of prices in the international market. However, when prices go down in international market, the prices in Pakistan remain high. Why?

Dr Ashfaq Hassan:

In Pakistan, market works unidirectionally. Pakistan's inflation is in the range of 19 to 20 per cent while in India, inflation is just 3 per cent, because their market works both ways. The wheat support price has been increased from Rs 625 per 40 kg to Rs 950 per 40 kg. At that time, the wheat price was \$650 to \$700 per ton in the international market. I was the only person in Economic Coordination Committee [ECC] meeting to say that this price should not be taken as benchmark price, because it was not going to last. When Pakistan announced the support price of Rs 950 per 40 kg, the wheat price in the international market collapsed. You are going to have bumper wheat crop, what will you do with it? Can you export it? We cannot do it because our domestic price is 36-37 per cent higher than the international market.

Q No 5:

It has been observed that GPO [General Post Office] officials deduct money when they pay it to the recipient under the BISP.

Dr Qaisar Bengali:

Such things can happen. However, we have been continuously running campaign on Radio and TV that people are not

supposed to give even a single rupee to any official. However, this is not pervasive. The system is working, though there are some problems in it. One postman was suspended in Sindh on perhaps similar charges.

Q No 6:

There are some families which are receiving two cheques every month. And secondly, I would ask you what measures have been adopted by the BISP to avoid duplicity as the Punjab government has also launched a similar scheme and people are getting payments from the provincial government also. And thirdly, I know a person who is having two National Identity Cards, and hence, receives the payment on both the cards.

Dr Qaiser Bengali:

We frequently received complaint that one house receives two to three payments. This is possible because one house may consist of two to three families, and BISP payment is made on family basis. Thus, the same address may receive two to three cheques. As for Punjab government's scheme, I would say that the BISP has made an agreement with the Punjab government that the latter will provide the former a list of the recipients of the payment so that duplicity can be avoided. As for two identity cards, I would like to tell you that I went through the whole of the NADRA process, and found it very sophisticated. It is simply not possible for a person to have two identity cards. If it is true, then this person is so clever that he has passed all NADRA checks. I was very impressed by the NADRA system.

Q No 7:

Do you have any number of the people who have not been recommended or selected by the MNAs or Senators? Secondly, you said that it is an assumption that all the MNAs and Senators are corrupt. I would say that it is not an assumption. The system was corrupted when General Ziaul Haq got MNAs involved in development work. Instead of MNAs, why did you not give this role to local governments' representatives who can have better idea of the poorest of the poor? And thirdly, does NADRA have any system in the poorest area in southern Punjab, Sindh or Balochistan?

Dr Qaiser Bengali:

The rejection rate varies in different constituencies from 8 percent to 18 percent. When an MNA submits form to the NADRA, he loses control over it. The NADRA verifies the case. To give this responsibility to MNAs was a political choice, which the government had made. I agree with you that MNAs are not supposed to do such work and they have to make legislation, but it was a political decision. In original designing of the programme, MNAs were not to be involved. It was the Punjab government that first started this while giving 5000 forms to every MPA. And that is where the issue started because the Punjab MNAs went to the Prime Minister and the President saying that it were MPAs who are now having crowds at their offices and houses, and nobody was paying any attention to them. So it was the political pressure from the parliament that forced us

to involve the MNAs in it. Otherwise, we had designed a very different system of selecting the needy. As for NADRA coverage, we visited district to district to know this, and found that coverage in districts was very low about 30 percent. In many far flung areas, women do not have identity cards. However, after the launch of this programme, the women are getting themselves registered.

Q No 8:

If someone fails to get recommendation of an MNA or a Senator, where should he go?

Dr Qaisar Bengali:

If someone does not get an MNA or a Senator's recommendation, he cannot get the payment. As many as Rs 34 billion have been allocated in the programme, covering 14 percent of the population, which is one third of the population below the poverty line. Two thirds of the population below the poverty line will not be covered. And this is deficiency of the programme due to shortage of resources.

Q No 9:

Are MNAs well-versed in selecting the right person?

Dr Qaisar Bengali:

They are very well versed in it. Every MNA was given 8000 forms and there is not a single MNA who is submitted all the 8000 forms, because they are much cautious in selecting the people. Punjab has been the most efficient province for having the lowest rejection rate, while Sindh has higher rejection rate.

Q No 10:

Do you think the BISP will help increase women employment in Pakistan?

Dr Qaisar Bengali:

Benazir Income Support Programme is not an important programme. All it does is that it provides financial support at the rate of Rs 1000 per month. The amount is sent in the name of woman head of a family. It is



not an employment programme. Women employment is a problem here. The average labour force participation rate is 26 per cent, but for women, it is just nine percent. However, this nine per cent is paid employment, where women receive salaries. In agricultural areas in Punjab and Sindh, women do a lot of unpaid work at farms, which is not accounted for.

Q No 11:

You said that the BISP could be corrupted. Would you please explain as to from which corridors you have fear? Are MNAs and Senators going to corrupt the programme?

Dr Qaisar Bengali:

Once an MNA or a Senator makes the recommendation, he becomes formally responsible for it. Anyone from the media can go to any area and find if the house receiving money really deserves it or not. If a media person finds that the recipient is not deserving, he can flash it in his newspaper or TV channel, and the concerned MNA or the Senator will be asked about it. But **as for the recently proposed system of the BISP, no body is going to be held formally accountable, and the data will be doctored as happened in the case of "Baitul Mal" or in earthquake areas.**

Ghalib Nishtar, President and Chief Executive Officer Khushhali Bank

Ghalib Nishar, President Khushhali Bank, described sustainability of development process and governance as the two biggest economic challenges of Pakistan. In his

address, he shed light on the launch of microfinance in Pakistan and the present development in this sector. He said:

“Pakistan's economy is currently facing two serious challengesustainability of development process and governance. There was economic development in 60s, 80s and 2001 onwards in the country, but it did not prove sustainable.

If reforms are well-planned and well-sequenced, they can take us to the next part of development. However, if we are not prudent, we will have to face certain challenges.

Microfinance has been spotlighted both in Pakistan and globally. We bankers believe in financial inclusionevery citizen should be productive, have some kind of skill and also have access to financial services. As far as financial penetration is concerned, we have a large banking system in Pakistan, but the penetration is very low. We also have a robust banking system, but there is also a dark side that their ability to serve the household is diminished, as their focus is on the up-market.

This was the scene in 2001 when microfinance initiative was launched. Microfinance is a part of the BISP. The BISP has several windows including Baitul Mal; however, this [microfinance] was the only window in which private sector was involved. If you look at the global frameworks, microfinance is very much there.

The challenge that we face at the moment is low outreach of the

banking system, especially to low income people. Secondly, their capacity to deliver services; and thirdly, microfinance should be very much part of financial system of the country. It should be governed by a policy of the government of Pakistan, and it should be regulated by the central bank.

With this in mind, we started the journey of microfinance reforms in Pakistan. Microfinance policy was formed. And in the second phase, we worked with the central bank. We realized that the existing system of the central bank was not much supportive of access to the people. The entire central bank framework had to be changed. And the third initiative was of Khushhali Bank, which was the first bank under the framework. The idea was if we are able to plan our reforms correctly, this process will move forward. And to move forward, the private sector will be invited to invest in microfinance banks. And then Khushhali will probably not be the only microfinance bank.

I would like to tell you that we considerably progressed in this field. Khushhali Bank is not the only microfinance bank today. After the Khushhali Bank in 2001, the Agha Khan came in and set up the second microfinance bank. Today, there are eight microfinance banks operating in the country. Microfinance banks along with Islamic banks are the fastest moving segments providing financial services. Secondly, outreach has been increased. Today, almost every district of Pakistan has

banks or institutions which are providing microfinance services to the households. Thus, access has been provided across Pakistan.

This entire paradigm was driven by private sector. It was a public-private partnership. And it was based on sustainability. It was decided that this sector will fund itself and there will be no budgetary support. We have been able to deliver on most, although the market is huge, and we are still at the beginning of the curve.”

According to Ghalib Nishtar, microfinance is also facing some challenges today. While explaining the challenges, he described the microfinance objectives in the days to come.

“Microfinance is today facing two challenges. First, there is security problem, and second is the stress level of the household due to inflation and other factors.

Going forward in the field of microfinance, we hope that the outreach will increase. We have set the goal of 3 million households by the end of 2010, and there is a target of 10 million households in 2015. We believe that the low income households are as important clients as other clients, and they have the right to have all the financial services. Hopefully, we will be hundred percent sustainable. The new challenge is to combine microfinance with the strength of telecom. When microfinance and telecom work together, the outreach will further increase.”

**Dr Salman Shah,
former Federal
Finance Minister**



Dr Salman Shah, former Finance Minister, said that Pakistan enjoys the advantage of having more young people and less senior citizens, creating an opportunity for the country to grow by employing these young men. He was of the view that middle class is emerging in Pakistan, which is a positive dynamic regarding increase in supply and demands. He said:

“The demographics of Pakistan have impacts on the country's economy. Pakistan is full of young people and we do not have too many senior citizens. As many as 63 percent people of the total population are under 25. This shows that the number of the people who would be entering the workforce is very large. To fully employ these people, we need 3-4 million new jobs every year. And that means that Pakistan is to grow at 7 to 10 percent in GDP to create these jobs. And if you do not create these jobs, the same advantage can become a serious disadvantage. The current extremism in Pakistan can be fueled by a large number of young people with no jobs.

Another advantage is that the dependency ratio is going down. This means that wage earners can spend more and save more, which can also help improve economy of the country.

The income distribution is changing with time in the society. In 1990, the top 20 percent was taking 50 per cent of the

income, and the bottom 20 percent was taking only 6 per cent of the income, and the 60 percent in the middle was taking 45 percent of the income. So, there is emergence of middle class in Pakistan. However, over the passage of time up to 2004 data, the top 20 percent's share has come down to 36 percent and the middle has come up to 52 percent. So, there is emergence of middle class, and this middle class needs all kinds of goods and services. And when there is strong demand of goods and services, somebody has to come to meet these demands. And in this way, supply of goods and demand increase. This dynamic is extremely positive for Pakistan.”

In his speech, Dr Salman Shah presented an overview of the economic policy being followed by the government when he was looking after the economic matters during Musharraf regime.

“The strategy which we were following was labeled as consumerism an important factor in development of the country. Consumerism in Pakistan is a dirty word, whereas the world is driven by consumerism. If you look at the current global situation, the consumption in the United States has gone down by 6 percent, and the entire world is facing recession. Everybody is trying to revive that consumption so that the world economy starts functioning again. The six percent decline in consumption is equivalent to \$2 trillion, but the revival packages are only of \$750 billion. So, the package which is being designed by Obama, Europe and China is aimed at creating demands for goods and services, because the consumer

has stopped spending. Thus, consumption is very very important driver of growth. In this way, you are actually trying to create demand for goods and services.

When Pakistan's disposable income was going up, it was taking more and more young people into the workforce, and was also getting this middle class and remittances into the economy. Thus, the asset value was going up, and then Pakistan started attracting foreign investment. This led to the growth in various sectors like engineering industry, housing, electronics etc. And this was something new in Pakistan in that kind of scale. When the world saw that Pakistan has this kind of demand pattern, we started attracting foreign investment in various sectors including finance, engineering, telecom, oil and gas, refineries etc. So when you create an environment for investment, investment starts flowing to you.

The third stage of this strategy was that once you start having economies of scale within your domestic market, you start becoming more competitive on the global sphere. For this, we did try to create some institutions where we could improve the competitiveness of the Pakistani economy. Being the sixth largest country of the world, you have to have access to the global markets. And given our security situation, we had handicap in that sense. In the third phase, you turn from local strength to global penetration. It was our brand which we created for Pakistan, apart from India and China, which are mega states. The next states after China and India were countries like Pakistan and Indonesia. So

we are also a mega state. The mega states have double advantage they have a domestic economy, which can drive their growth and they can go on the global scale as well.

The strategic location of this region carries great importance in economy, as the world is focusing on this area. As the last 50 years belonged to South East Asia, I firmly believe that the next 50 years will be of the Western Asia. And Pakistan secures very good position in that context. This whole area is very rich in people. We have two of the world's largest markets India and China next door. We have Western Asia and Central Asia having lots of energy; and also Middle East having lots of capital, in our neighborhood. Over the next 15 years, apart from our demographic engine, the other advantage will be of the location; and these two advantages will come together as we move forward. We have strategic relationship with China, the United States and Europe. We also have a convergence of interest worldwide that Pakistan has to be a stable country and that the country has to be integrated into the global market.

This strategy was working very well for us; and I think, it can work for the future as well. We created a number of jobs, which was linked with the growth rate. The economy started growing very rapidly. About 2-2.5 million jobs were created every year. So the linkage between jobs and economic growth is very important. And similarly, linkage between jobs and poverty alleviation is also very important.”

Dr Shah stressed on increasing growth rate. He, however, expressed satisfaction over

economic distribution pattern in Pakistan. While giving some proposals at the end of his speech, he said that the monetary policy should be relaxed and the interest rate should be reduced to single digit. He said:

So for Pakistan, the imperative is to grow, and the current situation wherein we are going at 2 percent or 1 percent or 3 percent [growth rate] is really not promising for Pakistan. It is not something on which basis we can survive for too long in terms of growth rate. Thus, we have to revive growth in our economy.

Pakistan's record in terms of economic equality compared to other developing countries is not bad. We can, however, further improve it. When the economy is rising, everybody should be benefited. The distribution pattern is moving in the right direction. If we maintain growth over the next couple of decades, we should be very well even in terms of income inequality.

A lot has been said about FBR's ability to collect taxes. In fact, they have done a very decent job. They have kept up with the growth of the economy. There were \$5 billion collections in early 1990s, which

have now touched 17 billion dollars in a year. The FBR is the biggest generator of national resources. When the economy grows, you have more tax avenues, and you can spend more on the infrastructure also.

The tsunami of high fuel and commodity prices in the international market has gone, but we are still fighting the tsunami. I will disagree with Ashfaq that we should continue tight monetary policy. I think the time has come to relax it. The time is also ripe for cutting the interest rates. They should be brought down to single digit.

Thus, we have to have low interest rates. Because of our market, we have to get everything going. It is not just agriculture which is going to save us. It is industry, manufacturing, services etc. We have to harness the potential of the people. But the critical thing is Pakistan's vulnerability to the energy crisis. Pakistan has no other option, other than developing hydle power.

For Neelum-Jhelum project, which is a 1000-MW and highly complicated project with lots of tunneling and very expensive,



the price is Rs 1.90 per unit; for Kalabagh Dam, it is Rs 1.60 per unit; for Bhasha Dam it will be less than Rs 2.00 per unit; and for Thar Coal, the price will be Rs 8 per unit; for wind power, the price will be Rs 12 per unit and for oil, the price will be Rs 10 to 20 per unit depending on the global oil prices. I think if we can get unity in this country, and really exploit the River Indus, the energy problem can be overcome.”

**Ather Minallah,
eminent lawyer and
former spokesman for
Chief Justice of
Pakistan**



In his speech, Mr Ather Minallah said that sustainable economic growth cannot be attained without having rule of law and good governance. He, thus, emphasized the need for having supremacy of the constitution to attract foreign investment. He said:

“I am not an economist and would not go into the details of economy. However, I want to say that whatever investment came to Pakistan during the past five to six years, was not accounted for. It could have changed the course of the history.

There is need to understand economic growth. When we talk about economic growth, we must remember that we should be talking more in terms of sustainable economic growth. Economic growth means well-being of citizens, process through which nations improve economic, political and social well-being of its people, improving the quality of life of the citizens,

creating employments, supporting incomes and the tax base. However, economic growth cannot be taken in isolation; we have to take it in terms of governance. The World Bank has described good governance as 'the exercise of political authority and the use of institutional resources to resolve society's problems'.

The World Bank's good governance indicators have identified six dimensions of governance. And in all these six dimensions, I believe that rule of law is the most fundamental one. There also has to be accountability. Political stability is also related to rule of law. Another dimension of control of corruption is directly linked with rule of law. If you do not have these six dimensions, you can only have figures for some years and you cannot have sustainable economic development.

Pakistan needs investment, and the real investor will come when there is rule of law in the country. Why would an investor come to Pakistan when the top most level judge of the country along with his children and other judges are put under detention? However, those two years of struggle opened my eyes to the reality that we all have been part of the mess that has been created in this country. I found out during the course of this two-year movement that there is a small minority, which is beneficiary of the lawlessness, disorder and chaos in the country. It is that small minority which wants to maintain this status quo, and does not want to see rule of law and foreign investors in the country. Even democracy which is essential for sustainable economic growth cannot survive without rule of law.

I am convinced that if we have to survive, **we cannot fool people by giving only advertisements, as was done by the NWFP government to encourage people for tourism in Pakistan. We have to be realistic. I belong to the majority that is not the beneficiary of lawlessness or disorder, and wants a change in the country. The real investors will come to Pakistan only if we have rule of law, and then economic growth will be sustainable.**”

Question & Answer

Q No 12:

How would you define the term 'middle class'? And how many people in Pakistan belong to this middle class?

Dr Salman Shah:

I tried to look at the definition of middle class, but I was not able to find it. While reading an article about Brazil, I learnt that middle class is that part of population, which has a mechanized transport. To me, income levels are very receptive in that sense. In Pakistan, there would be 20 to 30 per cent people belonging to the middle class, if you define the term as having mechanized transport.

Q No 13:

Why is foreign investment needed? And secondly, do you think foreign countries like to invest in Pakistan during dictatorial regimes?

Dr Salman Shah:

Foreign investment is needed when your own savings are not enough. In Pakistan, we have a lot of human capital and not enough financial capital, and therefore, if you have foreign investment in the country and utilize the human resources, you can become richer. In order to have investment, you need to create a competitive environment. You need to have a structure and a very strong legal framework for it. As for non-democratic kind of set up, I would say that whichever government can give the assurance that it will be able to deliver to the investor what is promised, I think this starts to work. If you look at Far East, there are a lot of countries which did not have democracies, but they had strongman ruling; they were able to attract the investment. At one point in time, it was said that Pakistan cannot attract investment, but I think if you create an image for it, you can succeed in it.

Q No 14:

Pakistan has been in war against India for the last 60 years. And presently, Pakistan is fighting war against terror. Is it possible to run economy normally when you are in a state of war?

Dr Salman Shah:

Of course, economy has to run regardless whether you are in war or not. You need to limit the war to a limited area. Lebanon was growing rapidly when they were in civil

war. At the moment, a perception has been developed in Pakistan that investment might not be safe, and that is why, flow of investment has slowed down. However, when the environment turns conducive, investment starts coming to Pakistan. I do not think there is black and white kind of situation, as there are many grey areas. And you can attract investment even in the worst of the situation.

Q No 15:

Do you think the incumbent regime can reduce discount rate?

Dr Salman Shah:

We reduced it by 1.00 percent and it could have been reduced more. What they need to do is that they should talk to the IMF with facts and figures. I expect them to reduce it quickly because credit to the private sector is negative. Growth of large-scale manufacturing is negative. And people are not investing. You have to kick start the economy. The economy has to start functioning and the monetary policy has to play the role now.

Naeem Zimindar, Vice President, Broadband Business at Mobilink

Naeem Zimindar, a representative of telecom industry, said that the telecom industry is fast growing in Pakistan. He, however, mentioned some challenges being faced by the telecom industry. He said:

“As we have already heard that demographics of Pakistan are very good. The country has large population and very young population, and that the country is moving from low income to middle income. There are a lot of opportunities. Pakistan is a very attractive place for investment to come.

Pakistan is well developed in telecom industry. Pakistan has been valued as one of the most competitive markets of the world in terms of telecom industry. There are 91 million mobile users in Pakistan. Approximately, sixty per cent of Pakistanis have mobile phone. There used to be only 133,000 internet users in Pakistan, but now they are 17.5 million.

Telecom industry is also facing many challenges including economic environment, law and order situation and inflation. But I think that most important thing which is affecting us is credit rate. The industry is under a lot of pressure.

During the last seven to eight years, the industry had very stable regulatory environment. There was a clear policy. Pakistan won Global GSM Award of 2007. According to The Economist, the telecom industry has six percent effect on GDP of Pakistan. In 1999, there were 100,000 mobile users, and today, we are close to 100 million, which is thousand times growth in ten years. This is possible in lot of other fields. The growth may not be one thousand times, but it can be ten times in ten years. And this revolution is about to happen.

Q No 16

The common man has been facing the problem of injustice. The recent phenomenon of Taliban is also a consequence of injustice in the society. What will you propose to ensure provision of justice to the common people of Pakistan?

Ather Minallah:

Taliban issue is not a phenomenon. This is a consequence of there being no rule of law or supremacy of the constitution in the country. These Taliban were once considered to be as assets. You have a parliament, but the parliament is not making the policies. When you talk about judiciary, it is in a mess. It will take lot of efforts and lot of time for having an independent judiciary. It is now politicians coming on television channels suggesting that why do the lawyers not march towards Swat and face Taliban there. If the state cannot face Taliban, how can lawyers do that as they have pens in their hands, instead of guns? We cannot fight if the state

cannot fight. Yes, we can at least point out that the sovereignty of the state is lost. The issue is of governance. The Taliban can be faced and fought, if we have the fundamentals of governance and the rule of law.

Note of thanks by Imtiaz Gul, Chairman CRSS:



A consensus has emerged in the conference that the problems we face today have arisen out of political expediency, lack of will and absence of respect for rule of law. On the bureaucratic side, there is absence of finance management and also lack of real financial accountability. Fund utilization capacity is also very low. What we need in Pakistan is perhaps consensus between the ruling elite and the General Headquarters in favour of technocratizing our policy planning implementation guided by the parliament and the ruling elite in deference to the national interest and the needs of the people of this country.



Pak-US Relations: The Element of Mistrust

Executive Summary:

On 13th July, 2009, the Center for Research and Security Studies [CRSS] conducted a seminar titled 'Pak-US Relations: The Element of Mistrust'.

The main speakers included Senator Mushahid Hussain Syed, former Chairman, Senate's Foreign Relations Committee and Secretary General, Pakistan Muslim League-Quaid [PML-Q]; Kamran Bukhari, Director Middle East Analysis for STRATFORT; and Khalid Aziz, former Chief Secretary NWFP.

The seminar observed that the mistrust between Pak-US relations stems from the self-serving US foreign policy objectives as well as the failure of most of the Pakistani leaders to secure good bargains for the state beyond pleasing Washington.

The speakers were of the view that there is a mistrust between the two countries because: a) the United States proved an unreliable ally of Pakistan; b) it wants to establish Indian dominance in the region; and, c) it threatened Pakistan after 9/11 warning it 'either you are with us or against us',

They stressed the need for both the countries to move from their disagreement over the definition of 'good and bad Taliban' into a long-term strategic and purposeful relationship.

Dr Farrukh Saleem, Executive Director CRSS:



In his opening words, Dr Farrukh Saleem presented a timeline of 60-year relationship between Pakistan and the United States to refresh audience's memories on the topic. The timeline, which was prepared by the CRSS, contained detail of major landmarks in the two-way relationship. Dr Saleem said:

“In 1950, Prime Minister Liaquat Ali Khan turned down an invitation from Moscow and went to Washington. In 1954, Pakistan joined SEATO [Southeast Asia Treaty Organization] and CENTO [Central Treaty Organization]. In 1954, Pakistan and the United States signed Mutual Defence Assistance Agreement. In 1955, Pakistan joined Baghdad Pact. In 1959, the United States established intelligence facilities to spy over the Soviet Union. In 1959, there was a bilateral security agreement against communist aggression. In 1960, there was U-2 episode. In 1961, Kennedy gave \$1 billion to India and a mere \$150 million to Pakistan. In 1961, Ayub visited the United States and met Kennedy. In 1961, President Johnson was perturbed over growing Pak-China ties. In 1965, President Johnson imposed freeze. In 1965, the

United States suspended military and economic aid. In 1971, Kissinger paid a secret visit to Chinacourtesy to General Yahya. In 1971, the United States suspended Pakistan's aid. In 1973, Nixon restored arms supplies. In 1975, Gerald Ford lifted arms embargos. In 1977, Carter imposed Glenn Sanctions. In 1979, Pakistan withdrew from CENTO. In 1979, Symington Amendment Sanctions were imposed on Pakistan and the US embassy in Islamabad was set on fire. In 1979, Soviets invaded Afghanistan and Carter Renewed 1959 Bilateral Security Agreement. In 1981, Reagan waived sanctions and promised \$3.2 billion. In 1986, Reagan certified Pakistan did not possess nuclear device. In 1989, Soviets withdrew from Afghanistan. In 1990, Bush invoked Pressler Amendment, froze aid, blocked supply of F16s and asked for nuclear rollback. In 1993, Clinton warned Pakistan of sponsoring terrorism. In 1998, the United States imposed sanctions. In 2001, George W Bush attacked Afghanistan. In 2002, congress lifted sanctions incrementally. In 2003, Bush waived coup-related sanctions. In 2004, Pakistan became major Non-NATO ally. In 2007, emergency was imposed in Pakistan. In 2008, Pakistan had elections. And in 2009, Obama promised to triple non-military aid to Pakistan.”

While giving details of the US aid to Pakistan in the recent years, especially after the launch of US-led war on terror, Dr Farrukh Saleem said, “There was direct overt US aid and military reimbursements to Pakistan from financial year 2002-2010.

A total of \$15 billion have been disbursed-- \$10 billion of which were given in security matters, while in economic terms, the total aid was \$4.5 billion.”

Dr Farrukh Saleem summed up his speech giving a brief description of love affairs between the US and the Pakistani rulers. He said:

“The Republican presidents have had peculiar love affairs with most of our military dictators. President Eisenhower had special things going with General Ayub, Nixon with General Yahya, Reagan with General Zia and Bush with General Musharraf. Our first love affair with the United States began in 1950 and lasted till 1965. The second one started in 1973 and lasted till 1977. Then there was a divorce. The third love affair began in 1979 and lasted till 1999, and then again there was divorce. And the current ‘Nikah’ [matrimonial knot] was performed on September 11, 2001.”

Kamran Bukhari,
defence analyst



While describing Pak-US relationship as unnatural one, Kamran Bukhari, Director Middle East Analysis for STRATFORT, said in his speech that the two countries work together on the basis of one side's perception about the other, which is based on intelligence and analysis. According to Dr Bukhari, it is a difficult and complex exercise to gather this intelligence and

analysis because Washington has a complex set of institutions, and Islamabad is a mystery where nobody knows who is calling the shots. He said:

“Pakistan and the United States are two state entities in a relationship with each side having its own specific foreign policy perspectives as well as objectives. It is not a sort of natural alliance. One cannot compare US-Pakistan relationship with US-Saudi relations or US-Egyptian relations. The dynamics, nature and geo-political realities in Middle East are very different from South Asia. Having said this, how both sides work with each other? What is the mechanics that has allowed their working relationship followed by uneasiness, and sometimes it is working relationship and uneasiness running in parallel.

A lot of this has to do with the perception of the other side. And perception of the other side is generated by intelligence and analysis. Both sides are trying to understand where the other side is in relationship to it. It is the overall perception of the other and the interest which is linking the two together.

And this process of gathering intelligence and analysis, which are building parts of any foreign policy making process, is marked by complexities. Washington is a complex set of institutions including foreign policy making apparatus, the White House, National Security Council, State Department, Defence Department, intelligence community, etc, etc. And

outside this central circle, there is think-tank circle, providing intellectual output that shapes perceptions in foreign policy making process. At the end of the day, we say that Washington does have a specific policy but it is the outcome of a complex policy making process.

In Pakistan, a policy may not be so well-planned. There is always a mystery as to who is calling the shots. There are some people who believe that the GHQ [General Headquarters] is in the real command in the country, but they have no answer about the balance or understanding between different institutions in the country. Even if the GHQ is directly ruling the country, it is in need of input from other actors. Thus, the policy making process in Islamabad is not as neat and organized as it is in Washington. It is, in fact, a messy affair.”

According to Dr Kamran Bukhari, there has been mistrust in Pak-US relations at different times for different reasons. Giving a historical description of this element of mistrust in the bilateral relationship, Dr Bukhari said:

As there are complex systems in Washington and Islamabad, shaping the view or perceptions of what the other side wants, it is natural that the two countries will have a certain element of uneasiness or mistrust. Until 9/11, there was extension of foreign assistance particularly in military and economic fields. Then 9/11 occurred,

and 9/11 is pretty significant in Pak-US relations. Since the end of war in Afghanistan in 1980s, the United States felt that the mission was accomplished and they left in 1989. But owing to geographical reasons, Pakistan could not adopt the same posture over Afghanistan.

There is one view that Pakistan wanted to project power into Afghanistan. Obviously, being a neighbour, Pakistan had to take some position. All this while from 1989 to 9/11, Pakistan was trying to establish a pro-Islamabad or friendly government in the western neighbor. This policy continued, though Pakistan could not achieve its objectives. However, after Taliban's coming into power in Afghanistan, things seemed to be settling in. But 9/11 disrupted it, and the United States which had left Afghanistan had to come back. This placed Pakistan in a very difficult situation. On one hand, it had to fulfill the obligations of being an ally in the war on terror while on the other, it could not give up its relationship with the former Taliban regime. This was a difficult balance to maintain and thus it exacerbated the mistrust in Pakistan-US relations.

About four years ago, a breakdown happened in cooperation at the level of electronic and signal intelligence provided by the US intelligence officials to the Pakistani counterparts. The US intelligence community had the view that Pakistanis were going ahead and conducting operation, but at some level, there was a systematic leak of intelligence that allowed the bad guys to get away. And this was the fundamental basis of the US mistrust of Pakistan in the post 9/11 situation.

As for the recent past, there was a concern in Washington that Pakistan both at the level of intent and capability is unprepared to take a tough stance against the Taliban and the Al-Qaeda. As for the Swat operation, the US administration is acknowledging that they [Pakistanis] have intent to deal with the problem. **However, the perception within the US intelligence community and the official circles in Washington is that even now Pakistanis are willing to go after only those who are causing pain to Islamabad. Whereas the Taliban who are not fighting against the Pakistani state; Islamabad is either**



turning blind eye to them or it is actually encouraging them. Pakistan army is after Baitullah Mehsud but there is no such type of cooperation against Sirajuddin Haqqani and his likes.”

Dr Kamran Bukhari said that it is confusing or unclear as to what the both sides want from each other. He said that at present, Pakistan seems to have a desire of developing strategic ties with the United States, while the latter does not have any such intention. According to Dr Bukhari, the current mistrust between the two countries rests in the very definition of good and bad Taliban. Referring to the complexity of the bilateral relationship, he said:

Going back to the argument of complexity, it is unclear, to me at least, if both sides actually understand what they really want of this relationship. **Clearly, it is a tactical level relationship in the context of the US war on terror. Pakistan would obviously like to have strategic relationship with the United States, but at this point, Washington is not interested in enhancing the level of ties.** It is unclear as to what the both sides want; however, it seems clear that the two sides have been unwilling to publicly say that they need each other beyond just the fight because ultimately the United States is not going to impose military solution on Afghanistan.

The definition of reconcilable and irreconcilable Taliban or good and

bad Taliban is where the dispute is between Washington and Islamabad. Sirajuddin Haqqani works nicely for Islamabad because he does not attack in Pakistan. However, from the US point of view, Sirajudin Haqqani is not only causing a lot of grief and pain to NATO and ISAF forces in Afghanistan but he also has links with Al-Qaeda. The minimum criterion of the United States to talk to the Taliban is that they get divorce from the Al-Qaeda.”

Dr Bukhari believes that the two countries can move away from this mistrust if they go back to the idea of negotiating with the Taliban. And for this purpose, Pakistan can play a key role. It can become a mediator between the United States and the Taliban for bringing a solution to the issue. He stressed:

There is a window of opportunity for Pakistan and the United States to move away from this mistrust. They need to go back to the idea of negotiating with the Taliban. We know that the Saudis were involved in these negotiations and Iran is also being brought into the frame. However, ultimately, the United States understands that the best intelligence on the Taliban and the most influence on the Taliban comes from Pakistan. Thus, Pakistani role will be critical in any negotiations. **According to the CNN, the Pakistan army has an influence to arrange a political arrangement between the Taliban and the United States. That is one potential way of moving away from mistrust.** . But even

before we step into that kind of arrangement wherein Pakistan plays a middle man role between Washington and the Taliban, Washington and Islamabad have to move away from some aspect of the mistrust and that has to do with their respective views on Taliban and their disagreement on what constitutes an acceptable Taliban.”

Senator Mushahid Hussain Syed, former Chairman Senate's Foreign Relations Committee



Senator Mushahid Hussain Syed, former Chairman Senate's Foreign Relations Committee and Secretary General Pakistan Muslim League-Quaid-e-Azam [PML-Q], has described Pak-US relations as tactical level relationship. He said Pakistan's role in this region had been extremely strategic due to its geographical location during the past 50-60 years. He, however, started his speech with three quotations from American policy makers in order to put before the audience the real perspective of the element of mistrust. Mushahid Hussain said:

“Dr Zbigniew Brzezinski had been National Security Advisor for Jimmy Carter. He was the one who initiated CIA covert operation in support of the Afghan Mujahideen in July 1979, which later on became the biggest CIA's covert operation after World War II, totaling \$2.1 billion in a span of ten years. He gave an interview to French

newspaper *Le Nouvel Observateur* in January 1998. The interviewer asked him, “Do you regret supporting Islamic fundamentalism, having given arms and advice to future terrorists [in Afghanistan]?” Dr Brzezinski replied, “What is most important for the history of the World? The Taliban or the collapse of the Soviet Empire? Some stirred up Muslims or the liberation of Central Europe or end of the Cold War.” This quotation suggests how pivotal was Pakistan's role in the most important events in the closure of the 20th century in reshaping the map of the world especially in Europe.

The second quotation is from Richard Armitage who was then Deputy Secretary of State. The statement was delivered just 90 days before 9/11. In an interview to 'The Hindu' on June 15, 2001, he says, “For years, we had an unbalanced policy in South Asia and people would look at it superficially and say we had a great relationship with Pakistan, but it was in a way a false relationship because in the first instance it was built against the India-Soviet Union axis and latterly, it was against the Soviet occupation of Afghanistan.”

The third quotation is one from President George W Bush in his private telephonic conversation with British Prime Minister Tony Blair just six weeks before the Iraq war, on January 30, 2003, which was quoted by Douglas Jehl in *The New York Times* of October 14, 2005. Bush says to Blair, “We will have to go beyond Iraq in dealing with WMD [Weapons of Mass

Destruction] proliferation with focus in particular on Saudi Arabia, Iran, North Korea and Pakistan.”

The Pak-US relationship has essentially been a tactical level relationship. It has been an abiding relationship between the GHQ [General Headquarters] and the Pentagon. And it has been a relationship that has been linked essentially to a geopolitical event or a situation whether it is the cold war in 1950s and 1960, the opening to China in 1971, Soviet occupation of Afghanistan or it is now American invasion of Afghanistan. Thus, Pakistan's role in this region has been extremely strategic due to its location during the past 50 to 60 years.”

In order to understand the element of mistrust, Mushahid said, the bilateral relationship will have to be seen from the American side as well as the Pakistani side. He explained these two perspectives separately in detail, saying:.

There is a corporate Pakistani perspective of Pak-US relations, which is based on three to four solid facts. And the first of them is the US track record. The US track record is of unreliability. The United States has been perceived in most Pakistani circles as a country having short memories and shifting alliances, and a country that has been discarding Pakistan and ditching it after the purposes were achieved. And nothing exemplifies this more than that of the Afghan Jihad. When their mission was accomplished, they packed up and moved

out. And within a year, Pakistan was slapped with Pressler sanctions, which continued for 11 years.

The second element is India factor. There was a cold war. There was a choice. We exercised a certain choice. We went with the United States. We had CENTO, SEATO Bilateral Security Agreement, etc, etc, with the United States. While our Indian friends said that they were ostensibly Non Aligned and would thus go with the Soviet Union. However, when the time came, the Indians were smart enough to get something also from the other side, or at least to utilize both sides. And nothing exemplifies more than the India-China war in 1962 when they did the same for what they had been accusing Pakistan of doing for all those years. They sought military assistance from America against China. At the same time, Pakistan was also pressured to start negotiations with India over Kashmir so that the second front for India could not be opened. Then there was 1965 war. Sanctions were imposed on Pakistan, while India continued receiving arms from the Soviet Union. And then in 1971, there was a feeling that the United States might have a certain tilt, but in de facto terms, it was neutral because there was India-Soviet axis to get away with the partition of Pakistan. And today, it is Indo-US nuclear deal to counter China as well as neutralize Pakistan. So India has been abiding factor of mistrust in Pak-US relations. When Holbrooke says that there is no problem with India while Pakistan says there is a problem with Indian consulates in Afghanistan, this suggests that there is a

yawning chasm between Islamabad and Washington.

The post 9/11 situation is another important element in Pak-US relations. And this situation developed with the issuance of the US threat, “Whether you are with us or against us?” After 9/11, Pakistan supported the United States, joined its campaign against terrorism, made contributions and also suffered in the process. And now Pakistan is being blamed for the inaptitude and the mistakes of the United States and NATO in Afghanistan, because the United States, as seen from the Pakistan side, instead of stabilizing and strengthening post-Taliban Afghanistan walked away from Afghanistan and walked into Iraq, which had nothing to do with 9/11 or the war on terror. And then Afghanistan was allowed to unravel. In fact, Afghanistan was outsourced to the British and NATO forces which neither had stomach for a sustained fight nor the will to win. The drug-lords who have become warlords were allowed to get themselves strengthened.

Thus, all these issues were on the table and the distrust widened. People in Pakistan feel that their concerns on India and regarding Afghanistan have not been met. And this has aggravated the problem. However, I will not blame entirely the US side because the US side has to represent its own interests. On Pakistani side, there are two to three major problems. When it comes to mistrust, we should also accept our own failings. **Why is it that the Pakistani leadership over time,**

whether civil or military, has seen itself in a role that they feel that the road to Islamabad lies through Washington? Because of this perceived need to require American approval for their [leaders] political survival at home, our side often has been bad bargainers. We have not bargained effectively where it was necessary. **When it comes to national interest, the Americans have to do their things and we have to do our things. And from our side, there have been failings. And this should be accepted. This happened in 1980s also.** The strategic objectives of the United States and Pakistan could be different because Pakistan's General Ziaul Haq wanted Islamic Republic of Afghanistan while the United States wanted just to return the favors of Soviets on Vietnam.

There is another important issue. Often, on the vital national interests, our leaders have lied to the Pakistani public opinion. When we are talking of situations in Pakistan, we have to be upfront with our own people. Privately, we are asking the United States to go ahead with the drone attacks while publicly we say that we are offended. This is very dangerous gap created by the Pakistani leadership.”

While referring to the US ongoing war in Afghanistan, Mushahid Hussain said that the United States has been following a failed policy in Afghanistan, which is actually a reminiscent of Vietnam. He said:

“As for the ongoing war in Afghanistan, I would say that these are two key summers.

The summer of 2009 and the summer of 2010 will be decisive. Right now, Obama has given his military command a free hand; however, a lot of people in Pakistan feel that the strategy they [Americans] are following is a failed strategy and it is also reminiscent of Vietnam. They ended up there [in Vietnam] by escalating the war. The war was escalated from Vietnam into Cambodia. And similarly, the war is now being escalated from Afghanistan into FATA. There are drone attacks, which have killed hundreds of innocent people.

The biggest flaw in the US foreign policy in the region is that after 9/11 instead of pursuing a very clear counter terrorist strategy, they had an ideological foreign policy. When going to Iraq, there was ideological foreign policy because of Israel as well as Neocons. And then Iran which had supported the United States against the Taliban and also for ouster of Saddam Hussain was suddenly slapped with the label of Axis of Evil again for ideological reasons. I hope that Barack Obama will have more realistic foreign policy.

Right now, the assessment in Islamabad is that many of the American policy makers including Holbrooke and Patreaus have been quite clueless in understanding the Pukhtoon problem on both sides of the Durand Line, and which is not being handled with expertise, wisdom and deftness that it deserves.”

Khalid Aziz, Former Chief Secretary of the NWFP



Khalid Aziz, former Chief Secretary NWFP, spoke on three points in his speech: US core goals in the region, friendship between Pakistan and the United States, and the areas which are causing present difficulties. He was of the view that there are two caveats, which need to be understood. First, compulsions of geo-politics transcend US-Pak friendship; and secondly, mistrust ends when there is convergence of interest. He said:



“As for the US core goals in the region, they have been clearly described in Intra-agency Review ordered by President Obama. He stated, “The core goal of the U.S. must be to disrupt, dismantle, and defeat Al-Qaeda and its safe havens in Pakistan, and to prevent their return to Pakistan or Afghanistan. The ability of extremists in Pakistan to undermine Afghanistan is proven, while insurgency in Afghanistan feeds instability in Pakistan. The threat that Al-Qaeda poses to the United States and our allies in Pakistan - including the possibility of extremists obtaining fissile material - is all too real. Without more effective action against these groups in Pakistan, Afghanistan will face continuing instability.”

This is changing the whole paradigm and is rereading history because it was Afghanistan where the problem began, and according to this definition; the war is being shifted to Pakistan. The current operations which are taking place indicate that the spoiling action will degrade capability of militants and also prevent them from launching any strikes against the United States or the West.”

According to Mr Aziz, Pakistan has gained substantially as well, if it has suffered losses in its relationship with the United States. While giving a brief description of losses and gains, he said:

“Pakistan took enmity of the USSR in the cold war. Institutionally, Pak-US friendship created many distortions that continue even today and cause

many social, political and economic problems in Pakistani society. The Pakistani state was shifted from a people state to a security state. Development of the people was only of marginal importance. When the military entered Pakistani politics, it automatically got support from the United States. And this is the very basis of mistrust. Is the US friendship with Pakistan limited to the institutions of military and the elites or is it with the people of Pakistan? This whole paradigm has to be redesigned.

As for the plus side of the friendship, The United States has made substantial contributions to the welfare of Pakistan. The development arising out of the Indus Basin Treaty, the help that the US made in getting rid of this problem with India and also the agricultural development through 40 million acres feet of additional water can be referred in this regard. During General Zia and General Musharraf eras, the transfers were mostly into the military field and the Americans did not focus on economic growth and development. The United States has also helped Pakistan in modernizing itself in education, health and some other areas. Although we criticize the United States on other counts yet it is a fact that it has contributed to Pakistan's growth and development.”

According to Khalid Aziz, one of the major causes of the present difficulties in Pak-US relationship is that the US policy makers assume that India and Pakistan have given up their differences while helping

Washington in its war on terror. Mr Aziz said this is not the case, as geo-politics transcends everything else. Enumerating Pakistan's certain important geo-strategic goals, he said:

“Pakistan has some strategic goals. They are: a) an ability to place most of its military on Indo-Pakistani border, b) acquisition of nuclear deterrence which was accomplished in 1998, and c) maintenance of the Western border with Afghanistan to give Pakistan a kind of strategic depth so that it could not face two-front war. These requirements were met until September 11, 2001; however, after that, only nuclear deterrence remained. I would conclude by saying as long as it is believed that India has a role in Pakistan, we are not going to have an alliance which is whole-hearted and we are going to face problems.”

Question & Answer

Q No. 1:

Khalid Hassan Khan, Regional Representative of Emergency Marketing Group, USA:

The United States has so far given substantial amount of monetary assistance to Pakistan in respect of the ongoing war on terror. Pakistan, on the other side, has not shown any concrete results through that money. I do not see any plan on the government part to effectively use these resources for achieving some substantial results to be shown to the United States in

order to win their trust. Mushahid Sahib, don't you think we must have a concrete plan to use the US funds in the war on war so that the relationship could get stronger?

Mushahid Hussain Syed:

This is very valid point and well taken. The capacity of state apparatus to utilize this pledged amount of \$10.5 billion needs to be enhanced. The funds have to be utilized where people feel certain difference. The United States has spent \$200 billion on the Afghan war, \$700 billion on the Iraq war, and they are spending \$4 billion a week on the two wars in Iraq and Afghanistan. The \$10.5 billion dollars in the next five years to Pakistan means that it is three weeks worth of war money.

Q No 2:

B A Malik, Former Ambassador, Political Analyst:

What is the type of Pak-US relationship? Is it a relationship of husband and wife who don't trust each other? Can we get something out of this forced marriage without developing cordial relationship with our neighbors including India?

Mushahid Hussain Syed:

A lot of Muslims are every emotional. Either, we have a policy of capitulation or we develop confrontation. There has to be a hard-nose assessment of national interest of both sides. The Doctrine of Necessary may have been buried for the Supreme

Court, but it is still relevant in foreign policy as well as in Pakistan's politics. There is a mutual need. The Taliban in Afghanistan and Pakistan are different to each other, and this must be accepted by the United States. We have not so far enunciated our position. We must do it. We should remain on track. **The United States enjoys a strong position in Kabul, Delhi and Islamabad, and it can play a role in resolving the Kashmir issue. If they [Americans] can force the Indians to vote against Iran in the IAEA, something could have been done on the Kashmir issue also by them, had they had serious intentions. I always say there is a linkage between Kabul, Kashmir and Quetta and unless this proxy war ends in the region, we will not see any lasting peace here.**

Q No 3:

Salma Malik, Quaid-e-Azam University

I have a question for Mr Bukhari. What is the performance of Pakistani lobbyists in the United States and Canada? And from Senator Mushahid, I want to ask if Pakistan has any foreign policy at all?

Kamran Bukhari:

There are some Pakistani lobbyists in the United State and Canada, but they are too weak in their position as well as performance. They are not able to project or defend Pakistan effectively.

Mushahid Hussain Syed:

Yes, certainly, we have a foreign policy. We are proud of our Foreign Ministers like Sir Zafarullah Khan, Zulfikar Ali Bhutto and Agha Shahi. Despite having relationship with the United States, we went to China and also developed our nuclear program. We have red lining in our foreign policy, and we also know how to protect our interests.

Q No 4:

M A Johar, Director at International Islamic University, Islamabad

How far our relations with China have affected our foreign policy towards the United States?

Mushahid Hussain Syed:

The opening to China in 1963 by Field Marshal Ayub Khan and Zulfikar Ali Bhutto was the smartest thing in our foreign policy.. **The relationship with China gave us additional leverage against India and also the United States. From 1964 to 1980, all the Chinese arms to Pakistan were absolutely free of charge. So our relationship with China strengthened our armed forces and gave us self-confidence as well as leverage in the region and in our foreign policy.**

Q No: 5

Prof Zhou Rond, Daily Guang Ming correspondent in Islamabad

How much influence the United States does have on the foreign policy of Pakistan and India?

Mushahid Hussain Syed:

The Americans knew that we are building the bomb, but they looked the other way. So we continued with that, otherwise we could not have done it. After the 9/11, we became a partner of the United States in the war on terror, and India was unhappy over it. I think the issue is that the United States has more influence on Pakistan's domestic politics than they have on the Indian politics, but the United States has more influence on Indian foreign policy than they have on Pakistan's foreign policy.

Q No 6:

Fakhar Jamil, Regional Business Head North, HSBC Bank.

I want to ask Mr Kamran Bukhari as to who is funding the Taliban? Is this the drug lords or some governments financing the Taliban?

Kamran Bukhari:

It is certainly drug money. Then there

Are neighboring countries like India and Russia who have foreign policy objectives. They are backing the Taliban. There is a pool of money in which actors like India and Russia are contributing. It is a regional problem and must be resolved accordingly. Pakistan must ascertain who is financing the Taliban.

Concluding remarks by Imtiaz Gul, Chairman CRSS:



In his concluding remarks, Imtiaz Gul, Chairman CRSS, said that the element of mistrust will continue to shadow the Pak-US relationship for quite some time. He said:

As long as the US establishment remains wary of Pakistani nuclear weapons; as long as it suspects the Pakistan army as a rogue supporter of the Jihadi forces; as long as Washington accepts the Indian predominance in the region; the distrust in the bilateral relationship between Pakistan and the United States will remain and thrive”.





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