



PAKISTAN: INTERNAL AND EXTERNAL CHALLENGES

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Professor Victor Bulmer-Thomas: Well good afternoon everyone, and welcome to this general meeting on Pakistan: internal and external challenges. September 11 changed the world in many ways, but few countries have been more affected than Pakistan. This has compounded the internal and external difficulties the country already faced. And to help us understand how Pakistan is meeting these challenges we are very fortunate to have as our speaker today Dr Maleeha Lodhi. She is the High Commissioner of Pakistan here in the United Kingdom, and is also a member of the United Nations Secretary General's advisory board on disarmament affairs. She has also been ambassador of Pakistan to the United States. She is also no stranger to London. She has been a lecturer in political science and public administration at the LSE, and also at Quaid-e-Azam University in Islamabad. In addition she has worked as editor of *The News*, Pakistan's leading English daily, and is the author of two essay collections, *Pakistan's encounter with democracy* and *The external challenge*.

HE Dr Maleeha Lodhi: Thank you, Victor. This is a great privilege for me to be here, it's a great honour. I'm glad you said something that I was going to say, which is that this is not new to me, Chatham House, I have been a frequent visitor and I have been a member of the institute for many many years. I believe my membership has lapsed now, and when I reapplied they said, well you're an official now, so we'll have to check the rules on this one. So I'm still waiting for that, but I've been here as a journalist, I've been here as an academic, I've been here as a student before. Today I come as my country's representative. And I really want to talk about the challenges that Pakistan has faced in the last several years, as continues to face, although we like to call these challenges problems because we believe that when you are addressing challenges then they are no longer challenges, they become problems that need to be addressed.

So what I have done is to divide my talk into three parts. First to briefly say something about our vision, Pakistan's vision, and the strategy that we have to implement this vision. Second, to talk about the challenges on the domestic front and how we are addressing them. And third of course the final part, deal with challenges on the external front – foreign policy challenges. And though of course I will be discussing these separately, internal and external challenges, of course in practice the two are inextricably linked. They cannot be separated any more, that is if they ever could. And certainly our policy responses not only recognise this reality, but also factors this reality into our strategic decision making.

Let me start by saying that we agree with the characterisation that many scholars have made as a pivotal state. A pivotal state is one whose future is poised at a critical turning point, and whose fate would significantly effect both regional and global stability. We agree with this depiction, and let me explain why. Pakistan is situated as you all know at the intersection of South Asia, Central Asia, and the adjacent Middle East, sometimes called South West Asia. So its fortunes will be decisive to the fate of all the regions that it straddles. Its dual strategic location poses multiple and complex security challenges for obvious reasons. Because this is a region of great volatility. But it is also a region which offers much promise and opportunity for the future. And I will be returning to this theme later.

Our vision of Pakistan is one of a country that is modern, moderate, progressive, democratic, and of course Muslim. That is committed to peace within its frontiers and of course peace on its borders. A Pakistan that is integrated into the global and the regional economy, a Pakistan that has good governance, an educated citizenry, genuinely participatory democracy with effective checks and balances, and of course the capacity to empower and enfranchise the disadvantaged. A vision we know from our own experience can become an empty dream, or a utopian dream if it is not implemented. Or if there is to strategy or political will to implement it or to enforce it. And that sadly has been our experience for parts of our political history, where a huge disconnect appeared between this vision, a vision that was outlined by our founding fathers, and the reality on the ground. But in the last five years we have sought to put the country back on track, in the direction of pursuing this vision. This was not an easy task, it was a formidable, imposing, daunting task. Because we were confronted with five years ago with a systemic challenge, a challenge that existed on multiple fronts – political, economic, social, institutional, you name it. And that’s the challenge that we confronted. And this crisis, if one can call it that, five years ago, embraced the economy, the polity and society. We could see the links between the three. The economy as you all know was on the verge of collapse in terms of a debt crisis that was overwhelming us. We didn’t know if we would have enough money to make our repayments on our external debt. The, our experience with democracy during the nineties sadly had degenerated into a form of kleptocracy. And that had shaken peoples’ faith in the political system. It did not shake their faith in democracy, but it did shake their faith in the practitioners, as it were. Of our version of democracy, of the nineties. Our society meanwhile was riven by ethnic and sectarian violence, in an environment where armed groups and militias were challenging the writ of the state.

So this systemic challenge was an enormous one. And it was the outcome, at least I like to believe, of the interplay between four factors. And here we can see the connection between the internal and the external. The four factors that I identify – and you know we could identify more, this is by no means an exhaustive list – was first, blow-back from Pakistan’s protracted Cold War engagements, particularly our involvement in the long Afghan war, at that time directed against the then Soviet Union. And what we inherited as a consequence was a legacy of drugs, guns, and of course an enormous number of refugees on our soil. Over three million and one point, and there are still over two million Afghan refugees in Pakistan today. The second factor was our own fault. Poor governance and postponed reforms and postponed decisions. As well as the phenomenon of what I like to call too much government and too little governance. The state abdicating in key areas where it ought not to have been abdicating, namely providing education to its citizens. But at the same time the state getting into business where it had no business to be. In other words being involved in large sectors of the economy where frankly the government should have had no role. The third factor was of course prolonged political instability, and our elusive

quest for a stable democratic order that would deliver on the social contract with the people. Not a political order that was there to enrich only a narrow elite, but a political order and a democratic political order that was there to provide the essential services that its citizens wanted. And the fourth factor is the fact that we can't change, which is that we happen to be situated, we happen to live in a dangerous, volatile neighbourhood. This has obvious implications for our security, for our defence requirements, and our need therefore to allocate a certain amount of resources to defence.

Now as I said, our challenges really grew from the interplay of these factors. But to address the challenge that we faced five years ago of course entailed a process of vigorous reform and rectification. It was clear to us at that time that there were no quick fixes and there were no band-aid solutions. We could only apply such cosmetic solutions at our own peril, and we chose not to do so. We were also conscious that we were at a defining moment in our history. We were convinced that we were not going to let this moment define us, and that we had to get to grips with the situation. We also knew that we had to effectively negotiate the most critical transition in our history, and we had to do so at a time, that Victor has also alluded to, when the world itself was confronting new challenges. Twenty first century threats to security, including those posed by terrorism emanating from our neighbourhood. We chose the path of reform and revival. Because the choice before us was reform or perish. We decided to put an end to the years of drift and denial. And the agenda of modernisation that we followed in the past five years was determined by four overriding priorities. And these remain our overwhelming goals today, let me list these. First, economic revival and growth, while addressing the long neglected social sector. To have an economic agenda minus a social agenda we thought made no sense. Second, to ensure the success and sustainability of our democratic transition. We knew that the military intervention of '99 was something that was propelled or impelled by circumstances, but it could never substitute for the real thing. And the real thing is obviously a return to democracy. Our third overriding goal was to counter the dark forces of intolerance and extremism in our society. Not an easy task, but an important goal. And fourth to pursue peace within as we pursued peace without.

Let me try to detail these efforts in the time that has been allocated to me (because I have been told we need to keep more time for the Q&A session). But let me quickly flag what we have been trying to do on these fronts. Because I have said before, we have been aware, we have been conscious of the fact that we have to pursue these goals simultaneously. We cannot hope to achieve one of these goals in isolation to the others. We need, in other words, an integrated strategy to deal with all dimensions of this challenge. For example, it is only in an environment of a growing economy in which public policy is also addressing issues of poverty, can we really hope to see and eliminate the end of extremism. Extremism obviously grows in a certain environment, it is encouraged by a certain environment. So the two are closely connected. At the same time, we are also conscious that only if the writ of the state could be fully restored could there be enabling circumstances for economic growth and for investment, both domestically and foreign direct investment. So the challenge has been to reverse the vicious cycle of economic decay, social frustration and violence. And turn this into a virtuous cycle.

On the economy, as I said, let me flag some of the things we have been doing. We were on the brink of default as I said before, and our country was mired in a huge crisis of confidence five years ago. We have come a long way since then. We are out of the crisis mode of economic management. We are today pre-paying our expensive foreign debt. And

only recently the Asian development bank named Pakistan as among the top five growth performers in Asia. Now all of this, our ability to come to this point, has meant that we've had to undertake necessary, urgent structural economic reform of our economy. These were painful measures, they were classic IMF prescribed reform measures that we had to undertake. Painful, but urgent, and none were more urgent than putting public finances back in order, and putting an end to the haemorrhaging that was taking place in terms of runaway fiscal deficit. And the fact that on the external side our current accounts deficit was confronted with also a huge deficit. Now the results of the reforms that we have undertaken has been that the debt crisis is behind us. Debt servicing used to account for two thirds of entire revenue in Pakistan, today it is 26%. Growth is picking up, the Asian development bank is forecasting growth of 5.5% this current year. We, our own target is about 5.3%. Corporate profits are up. Reserves, foreign reserves are at a record high. Exports are up. Overseas remittances have reached also a record level, signifying a growing confidence in our economy. And also, most importantly, the reverse flow of capital. Inflation is under control, interest rates are at a record low. And the growing confidence in our economy was demonstrated by the recent response to our eurobond issue. This was four times oversubscribed, and the revenue that we will raise from this will be used to pay off our most expensive foreign debt.

Now, the question that this raises is that is this enough? And our answer is of course not, this is only a beginning. But we have started at least addressing some of the key issues, and we are back on the track of macro-economic stabilisation. Having achieved that, macro-economic stability, we know that the next phase is even more challenging, because the next phase is one of consolidating the various structural reforms on the one hand, and on the other hand promoting private investment, domestic as well as foreign. And also robustly advancing our social agenda. Because we are not convinced that growth in itself will bring about the positive outcomes that we seek, it is the quality and type of economic growth, which will have to be pro-poor growth and growth with distributive justice. Which is why we have also unveiled a poverty alleviation strategy for the first time in our history, a poverty alleviation strategy paper has been articulated, which sets out our approach to reducing and hopefully down the road eventually eliminating poverty. This rests on four key pillars, which are accelerated and broad-based economic growth, improved governance, investing in human capital, and targeted programmes with emphasis on social inclusion. So we are seeking now to address our long-neglected social sectors. We see education as the key to economic modernisation and progress. But we also know that Pakistan on its own cannot achieve this social agenda. We need the constructive engagement of our development partners, be they multilateral institutions, or donor governments. And of course we need the vigorous participation of the private sector. Because we do believe that on a sustainable basis, reducing poverty really comes through the expansion of trade.

Quickly on the political front, let me say that our goal which is a functioning democracy with checks and balances. That is our goal, and what we have put in place after general elections that were held over a year ago, there are of course elected parliaments at the federal level and at the four regional or provincial levels, we have a record number of women in our parliament – 74 in our lower house or a national assembly of 342 members. We are proud of this achievement because it signifies and signals the state and the government's belief that unless women are equal partners in the march towards progress, that progress one – will never be achieved and two – it will not be worth its name. At the local level, we have 41,000 elected women councillors. This is part of our programme of devolution at the local level, at the regional level, and empowering women at the grass-

roots level we believe is the way to go, and will provide the foundation or the building blocks for the kind of democracy which we hope will be sustainable in the long run. The transition to democracy will be complete in December 2004, when President Musharraf will take off his military hat. As you know, he wears two hats, he is President as well as chief of the army staff. And we hope that all of this will proceed smoothly.

Now I come quickly to the steps that Pakistan has been taking to counter extremism and violence within our society. Extremism we see as primarily a product, not entirely but primarily, a product of our involvement in the long Afghan war of the 70s and 80s. But we knew five years ago that we had to deal with this head-on if we were to make progress. We see extremism and tolerance as out of sync not only with the essence of Pakistan and with majority opinion in Pakistan, because Pakistan or the majority of Pakistanis are quintessentially moderate people, but we see extremism as out of sync with the basics of Islam itself. The jihad in Afghanistan when the Soviets had intervened in that period had produced a proliferation of Madrassas in Pakistan. In fact, if you look at the number of Madrassas that existed in Pakistan between 1947, which is when Pakistan was created, and 1979 when the Soviets intervened in Afghanistan, the numbers are not as large as they became post-1979. So this is really a phenomenon that comes in at a time when there is all sorts of external and foreign funding unregulated by the state for these Madrassas in our country. But at that time we were partners with the free world in rolling back Soviet expansionism, and therefore all of this went, in a way unnoticed, unattended. But we were left with the legacy, obviously, and the responsibility of dealing with this.

We have sought to institute Madrassa reform. This has not been easy, it's tough because when you allow these Madrassas unregulated functioning for such a long period of time, it's hard for the state to come down and begin to institute rules and regulations by which they must function. So in our first phase we have sought voluntary registration by these Madrassas. We have sought also to encourage them to change their curriculum so that modern subjects are introduced in these Madrassas, and also to offer incentives to those Madrassas that are willing to undertake these curriculum changes. In other words, computers and teaching facilities are being offered to those Madrassas that are prepared to offer these subjects to its students. Because we know that the students that these Madrassas produce, they may not be terrorists, but they are certainly people with a tunnel vision of Islam. And that is not what we would wish to see happening in Pakistan. But Madrassa reform is only one prong of a two prong approach. The other prong has to be, and is the state living up to its obligation of providing education and making sure that primary education is available down the road to all its citizens. So, education sector reform is part of it.

Now a lot of people, particularly in the media, turn around and constantly say, well not enough, it hasn't worked as quickly as possible. Well our answer to that is, you're right, but it was never meant to. Because it cannot work faster than it is at the moment, simply because to do it any faster would mean that we are trying to apply band-aid solutions where none really, I mean the situation is not amenable to the kind of solutions that sometimes people think can be applied. Now the one point I do want to make is that our efforts to counter extremism and for Madrassa reform pre-dated 9/11. So did our measures to ban certain militant political organisations that had been engaged in violence directed against innocent civilians. So our efforts have obviously intensified in the post 9/11 period, but they actually started much before that. One of our improvisations in this sector, (which is the sector of, I mean the social sector) has been the establishment of what we call the National

Commission for Human Development, which was set up in 2002 by President Musharraf. And it was really set up to try and address the gaps in the line ministries and departments in the delivery of social services, mainly primary education and basic healthcare. And this commission has already created a national volunteer corps of 100,000 people to extend support to social sector interventions by community participation. This is a novel approach, this is uncharted territory, but the very fact that the community has been mobilised in numerous districts of Pakistan by a public private partnership concept, we think is very encouraging.

We have also sought to increase the writ of the state by banning several extremist and militant organisations, and also making sure that they do not resurface under new names. Let me now move to the war on terrorism, because that is something that is (yes, I will try to flag it as quickly as possible). Pakistan as you know from the newspapers and from television only in the last few days, continues to be on the front lines. And the recent assassination attempts on our President show how serious the ramifications are for Pakistan as a frontline state. But this has not deterred us. It has not deterred our commitment and our resolve to continue to prosecute this war. Since 9/11 Pakistan has arrested more than 500 terrorists, and in the recent operation which is still going on in our tribal areas another 149 people have been arrested. We have been trying to determine their identities, we don't know exactly who they are they're a mix of Arabs, locals, Chechens and Uzbeks, but again, we are trying to determine exactly who they are. We make no distinction in the prosecution of this war on terror between Al Qaeda and the Taliban. We have deployed 70,000 troops and paramilitary forces on our long and porous border with Afghanistan. Far more, I may point out, than are deployed on the other side of our Afghan border. The total number of forces on the other side, I would imagine is not more than 16,000, if that. So we have, on our side, 60 to 70,000 troops at any given moment in time deployed to ensure effective interdiction of any cross-border movement of terrorists.

We have of course needed, as indeed every nation of the world has needed, to develop our capacity to fight this menace as we went along. And in this regard we have been improving our ability to collect intelligence as well as the mobility and flexibility of our forces. We've set up a quick reaction task force to deal with some of the more difficult territory we've gone into now. And this was most successfully used for the first time last October, our quick reaction task force. We've gone into previously n-go areas, the seven tribal areas of Pakistan where nobody had been into because these enjoyed a form of autonomy that simply was out of sync with a state in the twenty first century. Our strategy in the tribal areas is two pronged, it has one prong which is intelligence and the army special forces being used, and the other prong is a political one, which is involving political and economic, I would say. That involves development work in the tribal areas, the battle for hearts and minds, as well as political dialogue with the tribes and the tribal leaders to elicit their co-operation in identifying where the terrorists are so that we can go after them.

There is still need, and I think this is one of the most critical and the most difficult factors in the war on terrorism – and if those of you who have been following the 9/11 commission on television, I think most of us have been riveted, something that comes out in those hearings as well – the need for real time, actionable intelligence. And that remains our difficulty in the border region where we are prosecuting this war. Whenever we've had the actionable intelligence, we've acted. So many times when questions are raised 'why didn't Pakistan do this before', the answer is very simple, we didn't have the intelligence. When we do have the intelligence, we strike. Questions are also raised that sometimes when very prominent

American visitors are in the region, a certain operation takes place. Not true. Certainly in one or two occasions this has coincided. But for instance the present operation that's been underway has been underway since January, and I don't think Mr Colin Powell was visiting the region in January. So again, the critical factor is intelligence – when we have it, we act.

We do believe (and I'll end here, because I think on the external front I'd be happy to do this in the form of an interactive session), we are clear that our vision for what we seek to do domestically to attain our strategic goals of economic recovery and good governance cannot be achieved without peace on our frontiers. Instability on our frontiers, be it the Eastern frontier with India or our Western frontier with Afghanistan, affects our ability to achieve our domestic goals. And that is why we have sought negotiated, peaceful settlement of outstanding disputes with India, and have been playing a pivotal role in helping to stabilise Afghanistan.

Now I'll just end by saying that the news on Indo-Pak relations is good. We've come a long way from just two years ago when the world was holding its breath and wondering whether the two countries are going to be headed towards some kind of an unintended conflict, or perhaps even intended. We've come a long way, because at the moment several confidence building measures are being implemented. The cease-fire on the line of control is holding. Travel links have been restored. People to people contact is being promoted. And sporting links, for those who have been watching cricket, have been also re-established. But I think also we should be clear that peace and the peace process ahead is not a one-day international cricket match. It will require very patient diplomacy on both sides. To come to grips and to deal with, in as flexible a manner as possible, the substance of the Kashmir dispute. I think that's where we are right now. I think at the moment the two sides have drawn up what we call a road map for peace in terms of a six month schedule of meetings. But a great deal will hinge on the ability of the two countries to go the extra mile, and to make the necessary, or show the necessary flexibility to achieve a peaceful settlement of Kashmir. And I would say that in the interim, we are agreed, all sides are agreed that violence must end in our region to provide the atmosphere that is needed for peace talks to succeed. And in this regard we do believe that in the interim India needs to take the initiative on a number of fronts. We call for example for the cantonisation of Indian troops in Indian occupied Kashmir, which means withdraw the troops to the cantonments or to the barracks as an interim measure. To stop the crackdowns, to stop the search and arrest operations, to ensure that those youth who are held without charge or without trial are released, political prisoners are released. We believe that taking these steps and these measures will create the right atmosphere and the right circumstances for the peace process to get under way.

Let me conclude here, I had more to say on Afghanistan, but maybe we can pick that up in the question and answers. Thank you so much.