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Pakistan: Perspectives, Challenges and Opportunities

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This is my first visit to Perth and, indeed, I owe thanks to Curtin School of Business for providing the opportunity. It is also a privilege to have been invited by Future Directions International – an institution that has launched Indian Ocean Dialogue earlier this year. The planned holding of an Indian Ocean Conference coinciding with CHOGM in the second half of 2011, underscores the increasing importance being attached to its Western flank by Australia. Western Australia's proximity to the regions of the Indian Ocean makes Perth an ideal location for such a venture. I complement Future Directions for this timely initiative and wish them well in their endeavours.

I am here today to share with you my thoughts on Pakistan: Perspectives, Challenges and Opportunities and in that context speak about Pakistan-Australia relations.

In the historical perspective, Pakistan's creation and its journey through the last six decades or so is a story of challenges and opportunities. Challenges that were managed in a regional environment predicated on the Cold War paradigm. Opportunities that were advanced on the basis of astute diplomacy, political will and robust economic and development credentials. However the burden of shifting security environments beset initially by a polarised and later by a fluid world order overwhelmed the nation. Even a cursory study of distinct phases of Pakistan's history would betray the spillovers of outside developments on internal situations. Pakistan's geography has therefore played a determining role in the evolution of various policies, but it is more so in the case of foreign and security policies.

Pakistan's view of security environment has undoubtedly been shaped by its geographical proximity to strategically important and volatile regions of the world. The region of South Asia, bedevilled by tensions, houses over 1.5 billion population out of which over 30 percent live below the poverty line. The region of West Asia is afflicted with conflicts and marred by

complexities that remain a constant source of concern for major powers. Central Asian region which is resource rich is mired by tensions of ethnicity, ideological wavering and challenges of modernity. In the south perched on the Indian Ocean and adjacent to the Persian Gulf Pakistan shares responsibility of protecting SLOCs which are the life line for energy supply to the Far East. The longitudinal territorial depth of Pakistan separates at least two distinct civilisations of the world. It is for these reasons that major powers, including Australia, regard Pakistan of vital importance for international peace and security.

It would be pertinent for me to also highlight that the watershed regional political-security developments of the 1970s set in new dynamics for Pakistan. These apocalyptic waves of change on the western side necessitated essential adjustments. Consequently, Pakistan's response in concert with the international community made it a frontline state in the hostilities of the Cold War. Since then, Pakistan has provided hospitality to over two-and-a-half million refugees whose presence continues to have bearings on the social fabric of the society and consequences for the economic and social stability of Pakistan. Compounded by the phenomenon of the terrorism situation, Afghanistan has posed a daunting challenge for Pakistan. Additionally, since 9/11, the US and other major powers have deepened global stakes in the security of the region. Under these circumstances Pakistan's policy responses, both domestically and externally, have acquired complexity.

Let me briefly allude to the contemporary international environment that naturally impacts the region and sub-regions of Asia. The 21st Century is witnessing power shifts in the global system. Notwithstanding the primacy of the US, power in terms of capacity to influence has become defused. The international system seems to be moving towards a tiered structure stratified by the Group of 8, Group of 20 and Group of 77. Since it is hard to separate political-economic and political-security interests, there is a limit to what can be collectively achieved by these groups. Moreover, the sheer intensity of globalisation has made the role of non state actors more significant. In a world characterised by Facebook and Twitter, public participation and empowerment have induced its own dynamics. The revolutionised mass communication has made it virtually impossible to isolate communities and societies. Hence, informal contacts among societies and people globally have generated a momentum of their own. This phenomenon is becoming increasingly challenging for the state authorities.

In the world of global economy and finance, the role of non-state actors or transnational corporations and conglomerates assumes greater proportion and magnitude. Their ability to move finances and relocate and outsource their business interests can have far-reaching implications for the way transformational changes occur in the global system. This is where the role of Asian countries is increasingly coming into focus. Low labour costs and abundant skilled and semi-skilled manpower in Asia add to the advantages of Western and other advanced economies. Call centres and manufacturing units, as well as business centres of transnational companies, in a relatively inexpensive environment have created a deeper

interdependence syndrome. The nature of stocks and securities investments has bound diverse economies in a mutually dependent knot. These dimensions add new dynamics to relationships.

Consequently, with huge resources of manpower and natural wealth, different Asian regions present different sets of variables. Underdevelopment, poverty, conflicts, dissent and ideological challenges have caused great strain on what is realistically attainable. The enormous potential for progress is constrained by development issues and other tensions. Rich energy resources and the scramble for securing fossil fuel supplies are urgent dimensions to the evolving scenarios tightening policy parameters for promoting self interest by outside powers. Inherently Asian regions constitute a mix of large economies, medium-sized economies and the least developed economies. This variation in itself influences inter-state and inter- and intra-regional relations.

Almost centrally located in Asia, Pakistan enjoys the neighbourhood of Russia which is a G-8 country and China that is an economic giant. Both are permanent members of the UN Security Council and are nuclear powers. Since 9/11 the US and other major powers have come to be stationed in the vicinity of Pakistan thereby putting the region as a whole on international priority. At one level, the way these powers interact with each other and define their interests and priorities in the region has both an immediate and far-reaching impact on Pakistan. It is worth pondering on the dividends of US-China concert and of a degree of consensus between the US and Russia on the regional dynamics of Asia. From our perspective, a prudently crafted approach empathetic of Pakistan and its concerns could have a salutary effect on the stability of the region. In the India-Pakistan equation, what is important for the two countries is to normalise their relations by resuming a full-fledged Composite Dialogue. Stability, security and economic well being of the people of South Asia are intertwined. It would be far more advantageous for India as well to have prosperous and stable periphery around it.

With the foregoing background, I would now like to talk about the challenges faced by Pakistan. The uppermost is that of militancy and terrorism coinciding closely with economic and social stability, sustainable development and internal cohesion in a democratic dispensation. The dilemma of crafting an external policy that would bring these dividends to the people of Pakistan can only be resolved in a congenial regional environment. Creating that environment is imperative for all the stake holders and players. Inability to come to terms with intractable issues becomes more overwhelming in the face of climate change. The unprecedented floods in Pakistan this monsoon season, also experienced by India though not to the scale of Pakistan, calls for a regional scientific and collaborative approach.

The geopolitical ramifications of neglect will become the single most retarding feature of South Asia. The welcome augury though is the focus on climate change as demonstrated in the last SAARC summit held in Bhutan in April this year. By adopting climate change as the

theme, the SAARC summit was able to accord priority to a number of areas of common challenge to the region. Future orientated approach included establishing an intergovernmental expert group on climate change, commissioning a study to address social, economic and environmental challenges of climate change, setting up of the SAARC Meteorological Research Centre and SAARC Disaster Management Centre. Earlier in 2008, the Colombo SAARC summit had included food security in the final declaration. The future of South Asia is heavily dependent on adequate policies and measures on climate change, infrastructure and energy and food security. The ideas evolved on these issues should not simply remain on paper. The time is of essence and we need to act now.

As I speak with you today, I think the challenge of devastation caused by floods in Pakistan is immediate with far-reaching and long-term consequences. It has been compared by the Pakistan Prime Minister to the challenge faced by Pakistan at its inception in 1947. The US Special Envoy on Afghanistan and Pakistan has also described the challenge as more urgent than the fight against militancy and terrorism. The extent of damage and displacement of people as well as fear of hunger and disease among the 20 million shelterless and homeless people confront the authorities, state machinery and society with a daunting task and mission. It will also disrupt Government's various budget assumptions on which economic recovery, development and stabilisations programmes were built. Resources will have to be diverted towards early and long-term recovery as reconstruction and rehabilitation will get underway. The global financial institutions are not oblivious of these fiscal and economic pressures.

In this scenario narrative, the challenge for Pakistan would be to also juxtapose two parallel priorities: i) to deal with the flood situation efficiently and effectively; and ii) to continue implementation of policy, programmes and agenda formulated by the Government, albeit with adjustments. It is hence incumbent upon me to very succinctly allude to the external and internal policy framework of the Government. Pakistan recognises that strategic transformation is taking place at the global level leading to reconfiguration of power equations. Pakistan is striving for peace, prosperity and stability in the region and globally. Our desire is to transform challenges into opportunities with the end objective of achieving economic development that benefits the people of Pakistan. Our priority therefore is development and foreign policy that has been moulded to provide the requisite space and conditions to achieve socio-economic development.

The Friends of Democratic Pakistan (FODP) was accordingly launched in September 2008. It represents a group of friends who want to support Pakistan bilaterally and collectively in overcoming the challenges posed by violent extremism. Complementing the military operations started in 2009 with political ownership and consensus, the Pakistan Trust Fund with the World Bank has been established for the "build and transfer" phase of these operations. In a corresponding move public-private partnership is being encouraged by FODP to attract investment in priority areas of infrastructure; agriculture; energy; education

and health. Since most of the areas that were to be focused for these initiatives have been affected by floods, the urgency would be to assess damage, make necessary adjustments and fast track delivery. The World Bank and Asian Development Bank have already undertaken Damage Needs Assessment of floods in Pakistan. In my view an overall master development plan would be necessary that should encompass a while range of sectors for maximising gain for the people of Pakistan.

In relation to the UN development agenda, how the floods will impact on the Millennium Development Goals will have to be taken into consideration. Undoubtedly it will pose a gigantic challenge for all concerned, but a focused management incorporating flood zoning, an improved early warning system and enhanced monitoring of water flows could help in turning the calamity into an opportunity. Also recovery and revival of livelihoods in a manner that would provide better output and yield can show a silver lining to the victims of the floods. I believe sustaining hope and generating optimism will be the best way of strengthening resilience and shunning hopelessness that breeds undesirable consequences. It is gratifying that in response to the flash appeal launched by the UN for floods in Pakistan pledges amounting roughly US\$1 billion have been made for early recovery. The OIC countries have matched this amount. The considerate involvement of financial institutions and the UN in facilitating Pakistani authorities in various recovery phases will go a long way in promoting overall peace and stability.

Cognisant of its global responsibilities and own security imperatives, Australia has enhanced its engagement with Pakistan in the last decade or so. To safe guard its vital interest of ensuring defence, Australia has sought to foster security of its immediate neighbourhood. The strategic stability of wider Asia-Pacific region is underpinned by close co-operation with allies and, in this equation, the centrality of the US is vital. Protection of sea lanes and maritime security also assumes greater significance, as two oceans touch Australia's shores. The urgency to tackle the terrorist threat has also been accorded priority since the Bali bombings. Australia's widening interest in other parts of Asia, including Afghanistan, reflects this paradigm focus. The prompt Australian response to floods in Pakistan underscores the depth of the strategic engagement with Pakistan, which has progressively deepened in the last few years.

A graduated up-turn started after 9/11. The 2005 visit of the then President General Musharraf became precursor to tangible co-operation covering extensive areas. Since then, relations have consistently improved. When the Labour government took over in 2008, it continued with the general thrust while adjusting to the new political realities in Pakistan. The Rudd Government's up-gradation of relations was inter alia premised on support for democracy and fight against terrorism as well as Pakistan's role in the stabilisation of Afghanistan. I am of the view that this feature of the relationship enjoys wider political consensus in Australia. The broad spectrum of bilateral relations includes the perception that Pakistan is the lynchpin of strategic contours both in the regional and global context.

Recognition of Pakistan as “one of the most strategically important countries of the world” has been elaborated in terms of Pakistan a) having a direct effect on Australia’s security; b) as a country with 170 million Muslim population; and c) having recently returned to democracy.

Political contacts have been sustained through a regular flow of visitors and interaction on the sidelines of various conferences and meetings. Afghanistan and the interlinked “staring down international terrorism” being crucial foreign and security policy issue, in all the bilateral exchanges, the interlocutors of the two sides have dwelt on their respective perspectives. The overarching political commitment to ties with Pakistan, initiated by former Prime Minister Rudd within the framework of the FODP, has now seen reflection in the response provided by the Gillard Government in the face of the devastating floods in Pakistan. Though in a caretaker mode, it has been a deliberate policy decision, with the Coalition being kept in the loop. This broad understanding is a source of great strength for the Pakistan-Australia relationship. The generous contribution of A\$35 million by the Federal Government and A\$500,000 each by the Governments of NSW and Queensland manifests the softer side of Australian society as well as the strategic nature of bilateral ties.

The government’s attention to tackling the flood situation has not seen any diminution in the on-going campaign against militancy and terrorism. Having recognised de-Talibanisation as one of the priorities, and having built political consensus and ownership around its three DDD strategy, military operations have continued in the last 18 months. The achievements have come at a huge cost to the civilians and with military casualties have been acknowledged by all concerned. Pakistan’s losses to terrorist attacks include the killing of former Prime Minister Benazir Bhutto which galvanised a stronger commitment to fight the menace. Even before the PPP government took over in 2008, a Pakistan National Security Council document of 4 June 2007 indicated “Talibanisation as a potential threat to national security.” In the campaign against the militants, Pakistan has suffered 30,475 casualties so far, out of which 8,785 by the military and 21,672 by civilians. The financial loss of \$43 billion and additional cost of opportunities lost remains unquantifiable but huge. A very large number IDPs of Swat and Malakand districts were resettled within a span of three months. A semblance of normal life that returned to the area has been washed away by the floods, putting serious strains on the capacity to “build and transfer” phase of the counter insurgency strategy.

In conclusion, let me underscore that our vision of the future of Pakistan is based on building a capacity to harness our indigenous resources and on leveraging our location. The end objective is to achieve economic development that would benefit the people of Pakistan. Potentially Pakistan could become a hub of commercial and economic activity and a corridor for energy, trade and tourism. A stable and tension-free environment in the region is a pre-requisite if this dream is to be realised. It is also in the collective interest of the regional countries to create an enabling environment in which peace dividends can be

enjoyed by everyone. In a nuclearised South Asia, where fragile stability has hinged on the nuclear factor since 1998, dedicated policy initiatives are needed to ensure normality in mutual ties. Ideas like a strategic restraint regime would appear worth exploring to build trust and confidence. Military and security doctrines in the region have to be more deliberative to avoid a trigger effect on the prevailing mistrust.

Right now, as you would appreciate, our immediate priority is to provide relief to the flood affected people in the country and help them to restart their lives in a sustainable manner. With its diverse expertise, experience and knowledge Australia can contribute in a substantial way in the reconstruction phase. The similarity of terrain and climatic conditions between our two countries to a large extent makes Australia a very suitable partner in the post-flood rehabilitation period. Four areas in the development strategy within the reconstruction phase would demand urgent attention. These have already been identified within the FODP framework as infrastructure, energy, agri-business and the social sector. Mining has huge potential; therefore investment in this sector would boost initiatives in other areas. It needs to be re-emphasised that Pakistan is now faced with the twin challenges of counterinsurgency operations cum fight against terrorism, and rescue and relief operations in the flood affected areas. The resolve to overcome adversities is, however, absolute.

I firmly believe that by fostering closer ties and expanding co-operation with Pakistan, Australia's role as a catalyst in unlocking opportunities can be significant. Moreover, Australian investors' presence in Pakistan in the long term perspective could strategically position them in using Pakistan as a springboard for spreading out to other regions in the vicinity. Pakistan's strategic location at the cross roads of the emerging regions makes it a worthy partner for Australia.

I thank you.

QUESTION AND ANSWER SESSION

QUESTION: I read in the paper an article to the effect that the British Military has been limited in taking part in flood rescue effort by the Pakistani Governance agency because of resentment of the intemperate and entirely misguided criticism of Pakistan by the British Prime Minister, Mr Cameron. Just wondering whether you could give us the Pakistan

Government view point on this report, whether it's accurate and, if so, what are the policy issues?

ANSWER: Let me say that I haven't seen this report. I also believe the Deputy Prime Minister of the United Kingdom was in Pakistan. Along with the President of Pakistan, they did tour, some areas in Punjab and some in other flood-affected areas. There are also a number of defence forces personnel presently working in Pakistan and they've set up their own camps. Mr. Cameron's comments were made quite some time ago and I think they have overcome the difficulties.

QUESTION: Your Excellency, having been to Pakistan recently for a long period, I know that the international media cannot always do you justice. I heard recently on the international media, for instance, that international aid is not reaching the flood affected population in a timely fashion. In the meantime, aid from Islamist groups is arriving. Islamist organisations are reaching the population first. I'd like your views how true this might be and what are the consequences in terms of radicalisation of the population?

ANSWER: I don't want to comment on how international media is portraying the aid efforts. What I think you need to remember is that when the floods occurred in Pakistan in the very initial phases, the extent of damage was not evident. Everyone probably thought this is similar to what we have from time to time. There are agencies like the National Disaster Management Authority and others that will be able to cope with the situation. It took a while for the Government to understand the enormity of the task and then how to deal with it. The non-governmental organisations have one advantage; they have their counterparts working in Pakistan, and they are already in the field. They are very spread out. They know different people in different communities. So I don't think there is anything wrong with the non-governmental organisations trying to help these people. I would say that there is a collective and concerted effort by the government – different agencies, different political parties as well as non-governmental organisations – to work towards a common goal. The common goal, of course, is to deal with the situation which has multiple challenges. I think there are places that are pretty inaccessible. There are communities that are still cut off. Places have been destroyed in the northern areas of Pakistan. I think it's very difficult to reach some of those areas even by helicopter. I think getting supplies to these remote areas and to people who are cut off is the greatest challenge. We have deployed all our capabilities including an Army and Air Force helicopters service. Unfortunately, the demand is greater than we can satisfy. Fortunately, the US is helping us.

20 million people have been displaced. It's beyond the capacity of any single country to handle it all by itself. The Australian population is 22 million. So imagine what it means to have 20 million people who are homeless. The State's capacity is not ready at this stage, but things are definitely getting more and more organised, but it is still going to take some time.

QUESTION: Your Excellency, if I remember correctly, the agreement on the Indus River between Pakistan and India dates back to the early 1960s. It has been very successful as both Pakistan and India meet on a fairly regular basis. I believe there have been no issues

that have not been able to be resolved by this official group. My question is as follows. Are there other areas of mutual interest between Pakistan and India that could be the basis for future formal agreements like the Indus River agreement that could progressively reduce the tension between Pakistan and India?

ANSWER: I think probably the Indus Waters Treaty, which was worked out in 1960s under the aegis of the World Bank, has worked very effectively and efficiently. There have been problems but there is a mechanism that enables the two sides to get together and discuss various issues.

Your question, of course, is whether there is any other area where the two countries can share information or collaborate so as to reduce tension. I think there are a number of other issues, including water contamination and environmental issues such as information about water flows, floods and disaster management that can lead to greater confidence building between the two countries.

QUESTION: What roles can South Asia play in relation to the United States and China?

ANSWER: I think there is a general perception that there are competing interests between the United States and China, not only in terms of finance and economy but also from the security perspective. There's a certain kind of alliance system which has been worked out in the Asia-Pacific region, and there are security parameters that have been there for a very long time. If one side is perceived as challenging this situation, then I think it generates a sort of suspicion and mistrust. I would imagine that both the United States and China believe they have to become partners in the way things develop in different parts of the world. I think it is very important for international peace and stability so I hope that there's going to be more dialogue between both sides. They should not shy away from discussing any issue. I'm sure that you can't have absolute agreement, but you can always agree to disagree, I think the dialogue must go on.

QUESTION: Do you see Pakistan playing a role in this process?

ANSWER: Historically and traditionally we have, but I think those days are gone and China and the United States have established a good rapport. They have a good mechanism: they talk to each other. But if Pakistan can play a role in building this trust, I would imagine that we would be more than happy to do so, but I feel that the Chinese and the Americans are already talking to each other.

QUESTION: You made a very brief comment about the vision for the future of Pakistan. Could you talk a bit more about how Pakistani people see their future and how perhaps this vision was created?

ANSWER: What I have said is that we are strategically and centrally located. If somehow we can have peace and stability in the region, Pakistan can become a corridor for interaction

and development and perhaps all these regions can be connected to Pakistan. This is what I would imagine is the vision for Pakistan and that many people think in these terms. The only difficulty is that there needs to be the sort of environment where we can all prosper. This needs to be created and everyone will have to play their role. We must keep talking to each other. I believe dialogue is absolutely necessary; the countries must not shy away from talking to each other. They don't have to agree but must keep on talking about even difficult issues. Gradually I think you overcome these inhibitions and perhaps reach a situation where it's easier for all sides to come to a sort of understanding which might lead to a solution.

QUESTION: Over the last few years, US drone incursions into Pakistan have taken place. What role do you think this has had in complicating bilateral relations between Islamabad and Washington?

ANSWER: I think the Government of Pakistan has always highlighted the fact that drone attacks are creating difficulties for the Government in Pakistan. This is because there is collateral damage where people are killed and whose relatives and friends do not comprehend the overall picture. What they see is the immediate effect on their personal lives and their emotions. It generates a lot of emotion and anti-American sentiment, which makes it difficult for the Government to pursue the policies that they want to pursue. On the other hand, the US has been able to take out a number of militants. From their perspective, it's a cost-benefit analysis where they will say: "ok fine, we can live with this much anti-American sentiment, but we've eliminated so many people who were threatening security". But this attitude complicates matters for Pakistan.

QUESTION: Could you tell us please what has been done by the Pakistani Government to reduce tensions along the line of control in Kashmir?

ANSWER: I think things have been pretty quiet along the Line of Control in Kashmir for quite some time, and I think this has been acknowledged by India as well. I think the international community also realises that there isn't the kind of tension that used to be there. There have been other developments inside Kashmir, but those developments are indigenous. I think that is all I can say about it.

QUESTION: With regard to the Shia and Sunni rivalry, is this a recent or long-standing issue?

ANSWER: I think this is a recent event caused by a radicalised element. They are posing a threat not only to the Shia minority in Pakistan, but they are actually threatening the Sunni community as well. I strongly believe that they have no religion or faith. I think they are just creating havoc in Pakistan for certain ulterior motives and objectives. I don't see attacks against the Shias as an isolated event. It's part of an overall context of a radicalised element carrying out suicide attacks against all communities in Pakistan.

QUESTION: You mentioned a number of times that extremism is one of the challenges. We had a talk by Dr Daniel Pipes recently, who described Islamism as a sort of totalitarian ideology and that terrorism was simply a tactic. He expressed a view that this ideology is starting to infiltrate free nations and is using democratic means for winning hearts and minds. I'm very interested in your assessment on the progress of this totalitarianism-Islamist ideology in Pakistan and the possibility that it may use democratic means to gain power.

ANSWER: I look at this issue from two points of view. One is philosophical, one is more realistic. Philosophically, I would say that I think Muslim societies probably are confronting a very difficult situation where they have to make choices. These choices are between modernity and, of course, the way they have been living for a very long time. There are Muslims living in Western society; there are Muslims living in different societies where they are not necessarily in majority. How do they adjust? How do they create a balance between the values of society's way of living and their own? I think this is a philosophical challenge that Muslims are confronting. I think there are probably four countries I would imagine that are facing these difficulties right now: Egypt, Turkey, Pakistan and Indonesia.

QUESTION: Pakistan appears to have an image problem. The current cricket match-fixing issue is part of it. The lack of financial support for flood relief is another aspect. How does this affect foreign investment?

ANSWER: With regard to the cricketing issue, I think other countries are facing the same problem. Pakistan will be judged on its response. With regard to relief for flood victims, there is money coming into Pakistan. There are people who are going to Pakistan. I don't think there is a huge credibility crisis, as is being projected outside Pakistan. I think it's got something to do with the people from Pakistan who are living abroad. They are much politicised I would say and they would try to highlight these things. The international media, I would think, probably reflects what we tell them.

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