

## ***Documents*** *January-June 2010*

### ***I. Foreign Policy***

#### **A. PAKISTAN & INDIA**

##### **1. Pakistan's Foreign Ministry's statement on Jammu and Kashmir**

We have seen remarks by the spokesperson of the Indian Ministry for External Affairs made today in which he has once again emphasised that Jammu and Kashmir is an integral part of India. The Government of Pakistan rejects the Indian claim.

The Jammu and Kashmir dispute stems from India's refusal to implement the relevant Security Council Resolutions, which provide for a just solution of the dispute through the democratic method of a free and fair plebiscite.

1 January 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

##### **2. Statement on the inter-ministerial meeting on dialogue with India**

An Inter-Ministerial Meeting was held at the Ministry of Foreign Affairs today. The meeting was chaired by Foreign Minister, Makhdoom Shah Mahmood Qureshi. Foreign Secretary, Pakistan High Commissioner in New Delhi and other senior officials from the concerned Ministries also attended.

The meeting was convened to consider the Indian offer to resume dialogue with Pakistan and to evolve Pakistan's views towards the Indian proposal.

The meeting reaffirmed the commitment of the Government of Pakistan to enter into a meaningful and result oriented composite dialogue process with India in the interest of peace, development and stability in South Asia and to resolve all outstanding issues between Pakistan and India.

10 February 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

##### **3. Foreign Minister briefs special parliamentary committee on Kashmir**

Foreign Minister Makhdoom Shah Mahmood Qureshi today gave a detailed briefing to the members of the Special Parliamentary Committee on Kashmir. Maulana Fazl-ur-Rehman, Chairman of the Committee, Dr. Atiya Inayatullah and Khurram Dastagir Khan attended the briefing.

The Foreign Minister reaffirmed the Government of Pakistan's commitment to finding a just and peaceful solution of the Jammu and Kashmir dispute in accordance with UN Security Council resolutions and aspirations of the Kashmiri people.

The Foreign Minister also reiterated the Government's resolve to continue to extend political, moral and diplomatic support to the Kashmiri people for realization of their right to self determination.

The Chairman and Committee members exchanged views on various aspects of the Government's policy on the Kashmir issue. The Committee members, while appreciating the useful briefing, expressed support for the efforts of the Government in advancing the just cause of the Kashmiri people. It was agreed that the Special Committee on Kashmir will be regularly briefed on this issue.

2 March 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

#### **4. Foreign Ministry statement on Indian army chief's remarks about terror camps**

In response to a question regarding reported remarks by Indian Army Chief General V.K. Singh alleging that there were terror camps in Azad Jammu and Kashmir, the Spokesman termed them as baseless and self-serving. He said terrorism was a global and regional issue. Pakistan's own concerns vis-a-vis India in this regard had been amply conveyed. Both sides had agreed to discuss the issue of terrorism and to address this matter in a cooperative and pragmatic manner. Recently, the SAARC Interior/Home Ministers Conference in Islamabad adopted an important statement on fight against terrorism.

30 June, 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

#### **B. PAKISTAN-AFGHANISTAN-IRAN**

##### **Pakistan-Afghanistan-Iran trilateral ministerial meeting: Joint Declaration**

The Foreign Ministers of the Islamic Republic of Afghanistan, the Islamic Republic of Iran and the Islamic Republic of Pakistan:

*Recalling the Tehran Declaration adopted at the conclusion of the first Trilateral Summit of Heads of States of the three countries held in Tehran on 24 May 2009.*

*Recalling further the decisions of the earlier meetings of Foreign Ministers and Senior Officials, in Kabul and Islamabad respectively in April 2009.*

*Emphasizing the deep historic, religious, spiritual, cultural and commercial bonds among Afghanistan, Iran and Pakistan.*

*Recognizing the continued suffering of the region and its people from insecurity, terrorism, extremism, arms trafficking and drugs smuggling.*

*Acknowledging the common vision and aspiration of the peoples of the three countries for durable peace and prosperity.*

*Affirming the deep desire of the three Governments to promote to this end, mutually beneficial stability and development.*

*Underscoring the salience of trilateral cooperation for achieving common objectives and stressing in this regard, the need to commence substantive work within the trilateral framework.*

*Reaffirming commitment to uphold the principles of the UN Charter.*

## **Security and Stability**

- Agree that regional stability and security can only be advanced through sincere and strict adherence to the principles of non-interference in the internal affairs of each other as well as respect for each other's sovereignty and territorial integrity.
- Affirm that the three countries bear a shared and common responsibility for security and stability in the region.
- Commit not to allow their territories to be used for activities detrimental to each other's interests.
- Acknowledge that terrorism poses a common challenge that could only be addressed through concerted efforts.
- Reiterate their desire to supplement national counter terrorism efforts through trilateral intelligence sharing and greater coordination and cooperation at the operational plane.
- Support Afghan national process of promoting national reconciliation and reintegration in accordance with the Constitution of Afghanistan, and stress that any initiative in this regard must be Afghan-led and Afghan-driven.
- Commit to further deepen cooperation to interdict trafficking of narcotics and precursors, arrest cross-border illegal flow of weapons and check transnational organized crime, by among other means, strengthening national capacities to address these challenges.

## **Development**

- Reaffirm commitment to play their due role in the reconstruction of Afghanistan, and stress the importance of creating conditions within Afghanistan conducive to the safe, voluntary, gradual and dignified return and reintegration of Afghan refugees with the support of the international community.
- Agree further to enhance regional connectivity through establishment and development of energy and transport corridors and to encourage participation by respective private sectors in regional development programmes and undertaking joint ventures.

- Encourage exchange of views, sharing of best practices and project-based cooperation in the areas of energy, transport, industry, mining, agriculture, livestock and environment.
- Agree to commence preparations for establishing trilateral economic, industrial and planning commissions, as well as launch of feasibility study on Joint Investment Fund to support trilateral projects.

### **Regional Processes**

- Support on-going regional processes aimed at developing a regional consensus for peace, security, stability and development.
- Strongly believe that their trilateral cooperation is the key to regional peace and stability and reiterate their commitment to strengthen this cooperation.
- Stress that these processes must be indigenous, and have the ownership of all immediate neighbours of Afghanistan.
- Stress that international engagements on Afghanistan must underscore the importance of Afghanistan's ownership of its own plans and priorities.
- Stress further that any regional or international conference should acknowledge the salience of their trilateral engagement and cooperation for achieving common objectives and lasting peace and stability in Afghanistan.

### **Implementation**

- To oversee the implementation of the trilateral agenda, the Foreign Ministers agree to establish expeditiously a Joint Committee of National Coordinators. The Committee will be headed by Deputy Foreign Ministers of the three sides, who may co-opt experts, as needed, for promoting cooperation in specific sectors. This Committee will also determine practical measures and chalk out the timetable for the holding of specialized meetings.
- In pursuance of the Tehran Declaration, the Foreign Ministers reiterated the Summit decision to hold the Second Trilateral Summit in Islamabad at the earliest.
- Agree that prior to the Summit, trilateral meetings of the Ministers for Interior would be held in Islamabad, Ministers for Finance/ Commerce in Kabul and Security/ Intelligence Chiefs in Tehran.
- Further agree to pursue holding of Meeting of Foreign Ministers of Afghanistan and its immediate neighbours following the Trilateral Summit.

16 January 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **C. FRIENDS OF DEMOCRAT PAKISTAN**

### **FODP public-private partnership conference: statement by co-chairs**

A Public-Private Partnership Conference, from the platform of the Friends of Democratic Pakistan (FODP) was held in Dubai on 26 January 2010. The conference was co-chaired by H.H. Sheikh Abdullah bin Zayed Ali Nahyan,

Foreign Minister of the United Arab Emirates and H.E. Makhdoom Shah Mahmood Qureshi, Foreign Minister of the Islamic Republic of Pakistan.

The conference was attended by official delegations of FODP countries and organizations, and a large number of representatives of the private sector from FODP and other countries, as well as Pakistan.

H.E. Mr Bulent Arinc, Deputy Prime Minister of Turkey also attended the conference and addressed the opening session.

The Foreign Minister of Pakistan and all the participants expressed their profound thanks to Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan and the UAE Government for hosting the conference and for making excellent arrangements.

The Foreign Minister of Pakistan in his address explained that the Pakistan-led FODP process was launched in September 2008 to demonstrate in tangible form the international community's solidarity for Pakistan and to assist in developing mutually beneficial partnerships to promote socio-economic growth and development. In this regard the corporate sector had an important role by forging joint ventures and business partnerships. Building Pakistan's own economic strength was also an important component of the overarching comprehensive strategy to overcome the challenges of terrorism and extremism. Pakistan had developed such a strategy outlining short, medium and long-term requirements.

The Foreign Minister underlined that addressing the root causes of violent extremism, including poverty and socio-economic alienation, was necessary to defeat terrorism. To this end, the democratic Government of Pakistan had undertaken far-reaching initiatives.

The Foreign Minister said that the public-private partnership provided an effective tool to accelerate socio-economic development, adding that Pakistan was rich in resources and offered countless opportunities for foreign investors in diverse areas to create win-win scenarios.

Foreign Minister Abdullah bin Zayed Al Nahyan reiterated UAE's full support for the people and the Government of Pakistan, assuring that the UAE along with other FODP countries would explore all possible avenues to make the FODP process result-oriented. He lauded Pakistan's efforts and sacrifices against terrorism. He underlined that it was incumbent upon the international community to step forward and complement Government of Pakistan's efforts towards addressing the socio-economic challenges and speeding up its broad-based sustainable development in accordance with its national priorities.

Following the opening session, presentations were made on Pakistan's economy, the foreign investment environment, and public-private partnership frameworks in Pakistan.

It was emphasized that Pakistan's economy, despite multidimensional challenges, was showing healthy signs of recovery, which bore testimony to its inherent strengths. Pakistan's prime location that straddled South Asia, Central Asia and the Middle East, as well as its massive untapped resources had placed

Pakistan in a favorable position to soon become one of the fastest growing economies in the world.

Four parallel breakout sessions were held on (i) Energy; (ii) Infrastructure Development; (iii) Agriculture and Agribusiness; and (iv) Social Sector—Education and Health, at which detailed presentations were made introducing projects in these areas which the Government of Pakistan had identified and developed for public-private partnerships. It was underlined that Pakistan's energy demand was projected to reach almost 150 million tonnes of oil equivalent (MTOE) in the next 15 years from the present demand of 63 MTOE. The Government was working on many possibilities such as import of electricity and natural gas, utilization of huge coal reserves, development of hydropower projects, promotion of efficient use of energy and promotion of alternative and renewable energy sources.

Similarly, Pakistan's infrastructure needs were massive. In the context of public-private partnership, the Government had developed several commercially viable projects in mass transit, water reservoir, communication sector, solid waste management and water supply, real estate development and ports.

As regards agriculture, Pakistan was primarily an agrarian economy, yet only 39% of the 57.05 million hectares of cultivable land was being utilized. There was 8.25 million hectares which could be brought under cultivation. Still, Pakistan was surplus in food and could easily cater to requirements of so many countries with adequate investments.

Health and education sectors also offered myriad opportunities for public-private partnerships, given Pakistan's large population of over 170 million. It was emphasized that investment in education was particularly crucial to prevent the youth from falling prey to misguided ideologies.

Candid discussions were held at these sessions. Representatives of the corporate sector in their interventions highlighted several issues and raised many queries about the viability of these projects. It was emphasized that the projects presented at the conference had been developed as part of Pakistan's long-term development strategy and these offered best of possibilities compared elsewhere. It was also stressed that several hundred foreign companies were already engaged in all kinds of lucrative projects in Pakistan.

Corporate sector representatives also met separately with Pakistani officials and businessmen to discuss follow-up. The Government of Pakistan assured them of full facilitation should they decide to become partners in any of the projects presented at the conference.

It was agreed that the project-based public-private sector approach had immense potential and that interested corporate sector entities will undertake in-depth engagement for forging mutually beneficial partnerships.

It was agreed to hold regular follow-up and review meetings of the FODP on public-private partnership.

## **D. PAK – AFGHAN RELATIONS**

### **1. Joint declaration on next steps in Afghanistan – Pakistan comprehensive cooperation**

The Islamic Republic of Afghanistan and the Islamic Republic of Pakistan:

Affirming the enduring ties of friendship and amity that exist between the peoples and governments of the Islamic Republics of Pakistan and Afghanistan.

Acknowledging their special bond grounded in history and geography and spiritual, cultural and civilizational affinities that impart a compelling sense of shared destiny.

Reaffirming their mutual commitment to respect each other's sovereignty, independence and territorial integrity, consolidate good neighbourly relations, and uphold the principles of the United Nations Charter.

Emphasizing that strong Pakistan-Afghanistan ties are important for regional peace, security and development.

Recalling Kabul Declaration on Good Neighbourly Relations of 22 December 2002.

Also recalling in this regard, the Joint Declaration on Directions of Bilateral Cooperation signed between Pakistan and Afghanistan on 6 January 2009 in Kabul.

Determined to realize the full potential of their vast human and natural resources for the progress and prosperity of their peoples.

Have decided to take the following Next Steps to consolidate their Comprehensive Bilateral Cooperation:

#### **Connectivity**

To develop a roadmap for strengthening road, rail and air connectivity and upgrade existing facilities.

In this context, the two countries attached priority to undertaking completion of Peshawar-Jalalabad Expressway and completing feasibility study of Peshawar-Jalalabad rail link.

To operationalize transport corridors on mutually agreed routes and to expand aviation links and extend Bus Services to additional destinations; undertake joint studies on promotion and facilitation of Multi-Modal Transport, and enhance communication links.

#### **Trade and Investment**

To facilitate the bilateral trade between Afghanistan and Pakistan to optimally utilize the natural comparative economic advantage of the two countries; to take requisite measures to enhance bilateral trade to \$ 5 billion by the Year 2015; develop plans of action for customs harmonization and trade facilitation.

To pool public and private corporate resources for reconstruction and development. In this regard, the two sides will establish a Silk Route CEOs Forum, as well as establish Pakistan-Afghanistan Reconstruction Consortium.

To explore establishment of a Joint Investment Company to undertake joint development projects, including initiatives to develop the region's vast mineral and hydel wealth; also consider setting up Economic and Industrial Zones.

### **Education**

To enhance the number of scholarships for Afghan students in Pakistani educational institutions from the present one thousand to two thousand; to make special arrangements for female Afghan students, and to set up an Institute on Management, Business Administration and Faculty Training in Afghanistan.

### **Capacity Building**

To cooperate closely in capacity building of institutions. In this context, the Government of the Islamic Republic of Pakistan offered extending all assistance to the Government of the Islamic Republic of Afghanistan, in setting up new capacity building institutions and upgrading the existing ones, in Afghanistan.

### **Agriculture & Environment**

To enhance cooperation in the agricultural sector including food processing, consider creation of a Pakistan-Afghanistan Food Bank to strengthen food security, initiate joint research in agriculture and crops substitution programmes.

To initiate comprehensive dialogue on environmental protection and mitigating impact of climate change.

### **Energy**

To evolve joint strategies for early implementation of trans-Afghan energy projects, with particular focus on CASA-1000 and Turkmenistan-Afghanistan-Pakistan Gas Pipeline.

### **People to People Contacts**

To further strengthen people to people contacts, and promote exchanges among intellectuals, parliamentarians, journalists, academia and students.

To establish close links among the media including print, radio and television of the two countries and to promote cultural exchanges.

Done at Islamabad on 11 of March, the Year Two Thousand and Ten.

Makhdoom Shah Mahmood Qureshi, Dr. Zalmi Rassoul:

Foreign Minister Islamic Republic of Pakistan, Foreign Minister Islamic Republic of Afghanistan.

2 March 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **2. Pakistan-Afghanistan joint press statement**

At the invitation of H.E. Makhdoom Shah Mahmood Qureshi, Foreign Minister of the Islamic Republic of Pakistan, H.E. Dr. Zalmi Rassoul, foreign Minister

of the Islamic Republic of Afghanistan paid a 2-day official visit to Islamabad from 24 to 25 June 2010. This was Dr. Zalmay Rassoul's first bilateral visit to Pakistan as the Foreign Minister of Afghanistan after assuming this position earlier this year.

Dr. Zalmay Rassoul called on H.E. President Asif Ali Zardari and H.E. Prime Minister Syed Yousaf Raza Gilani and discussed with them matters of mutual interest.

The two Foreign Ministers held in-depth discussions on a wide range of issues of mutual interest in an atmosphere of cordiality. They focused especially on the threat of terrorism, extremism and militancy, bilateral cooperation in political and economic fields and regional and international issues of common concern.

They recalled the Joint Declaration between Pakistan and Afghanistan on Directions of Bilateral Cooperation signed in January 2009 in Islamabad.

They further recalled the visit of H.E. Hamid Karzai, President of the Islamic Republic of Afghanistan to Pakistan in March 2010 noting that the visit had helped open a new chapter in Pakistan-Afghanistan bilateral relations.

They noted in particular the 'Joint Declaration on Next Steps in Afghanistan-Pakistan Comprehensive Cooperation' signed during this visit, which provided a solid basis for multi-disciplinary cooperation.

They reiterated that bilateral relations of the two countries were based on respect for each other's sovereignty, territorial integrity and non-interference in internal affairs.

They agreed further that it was imperative not to allow their territories for use against each others' interests.

They reaffirmed their commitment to enhance cooperation and coordination bilaterally as well as within the framework of regional and international agreements to counter terrorism.

They emphasized the need to strengthen further economic and commercial ties and to facilitate trade and transit, with a view to realizing the full potential of the two countries.

They agreed to take all possible steps to increase the current volume of bilateral trade (currently US\$ 1.5 billion) to US\$ 5 billion by 2015 as agreed during President Karzai's visit to Pakistan on 10-11 March 2010.

The two Foreign Ministers reiterated their commitment towards an early finalization of the Afghanistan-Pakistan Transit Trade Agreement.

Dr. Zalmay Rassoul provided a detailed briefing on the outcome of the Afghan Peace Jirga, held at Kabul on 2-4 June 2010.

Foreign Minister Makhdoom Shah Mahmood Qureshi congratulated Dr. Zalmay Rassoul on the successful conclusion of the Afghan Peace Jirga.

He reaffirmed Pakistan's full support to the roadmap announced by H.E. President Hamid Karzai and to the Afghan-owned and Afghan-led process of reconciliation.

He reaffirmed further Pakistan's commitment to work closely with the Government of the Islamic Republic of Afghanistan as well as the international community for sustainable peace, stability and development in Afghanistan. Foreign Minister Qureshi assured all cooperation and assistance to ensure the success of the forthcoming Kabul Conference, scheduled for 20 July 2010.

The two Foreign Ministers expressed satisfaction over the current state of bilateral relations but felt that various institutional frameworks needed to be evolved to give further impetus to bilateral cooperation in various areas.

With this in view they agreed to establish the following institutional frameworks:

- The two countries enjoyed cordial relations, which needed to be sustained through leadership and official level contacts at regular intervals. In this context, the Foreign Ministers would meet twice a year while Additional Secretary/Deputy Foreign Minister level meetings may also be held twice a year for more detailed discussions.
- Parliamentary exchanges complement political level interaction and promote people-to-people contacts as well as build mutual trust and confidence. The Ministers agreed that Parliamentary exchanges should be encouraged to the extent possible.
- The Ministers agreed that the two countries enjoyed substantial cooperation in the field of education. They decided to establish a 'Joint Education Commission' to facilitate and coordinate bilateral cooperation in the field of education. The Commission will be co-chaired by Ministers of Education on annual basis.
- The Ministers agreed to establish a 'Joint Commission on Border Cooperation and Visa Regime' to facilitate and oversee the cross-border movement of humans and vehicles. Ministers of Interior will co-chair this Commission once a year.
- Pakistan and Afghanistan share immense cultural commonalities. In order to facilitate the exchange of visits of journalists, poets, writers, musicians and artistes, they agreed to establish a 'Pakistan-Afghanistan Information and Cultural Foundation' to be co-chaired by Information Ministers.
- Taking a cue from a decision reached during President Karzai's visit to Pakistan in March this year, the Ministers agreed to operationalize the 'Silk Route CEOs Forum' through the meeting of the Chambers of Commerce and Industries and the private sectors of the two countries on the sidelines of the next high level visit from either side. The Forum could be expanded further at a later date.
- The Ministers also agreed to operationalize, in pursuance of a decision reached during H.E. President Hamid Karzai's visit to Pakistan, a 'Pakistan-Afghanistan Reconstruction Consortium' through the first meeting in Islamabad of the Boards of Investment and Chambers of Commerce and Industries of the two countries. The Forum could identify the reconstruction projects in Afghanistan for funding by Pakistan out of the amount pledged

by the Government for this purpose. The two countries could jointly explore other ways and means for funding such projects.

- Dr. Zalmay Rassoul's visit and his meeting with Pakistani leadership reinvigorated the fact that Pakistan and Afghanistan stand united in a natural partnership. The visit would go a long way in cementing further the close and fraternal ties between the two countries.

25 June 2010. Islamabad. Source: [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **E. PAK – US RELATION**

### **1. Opening remarks by foreign minister Makhdoom Shah Mahmood Qureshi at the Pak-US strategic dialogue**

Secretary Clinton,

Dear Colleagues,

Ladies and Gentlemen!

Let me begin by thanking you for your warm words of welcome and your reaffirmation of the vital importance of Pakistan-U.S. relations.

My colleagues, and I myself, have been touched by the gracious hospitality extended to us since our arrival in Washington.

I bring with me the warmest greetings of the leadership and people of Pakistan for the friendly government and people of the United States.

We are meeting, today, in the special backdrop of the 70th anniversary of adoption of the Pakistan Resolution – a landmark event in the history of South Asia and a defining moment in our struggle for freedom.

The people of Pakistan remember with gratitude the valuable contribution made by the freedom-loving American people to our quest for independence and to forging close ties with our young nation.

Consistent with its own values and principles, Pakistan made a conscious choice at the outset to join the free world alliance, at a time when sitting on the fence was rightly considered immoral.

Pakistan and the U.S. have since been close friends and allies. On several occasions, our partnership has had a profound impact on the course of history.

Pakistan's role in the promotion of Sino-American rapprochement decisively tilted the East-West balance in favour of the free world.

Our successful joint endeavors to rollback the Soviet invasion of Afghanistan helped end the cold war and usher in a new era in world politics.

In the post-9/11 period, our two nations have joined hands again to defeat the dark forces of extremism and terrorism that threaten us all.

As we recall these shining examples, we must also remember that many of these brooked great sacrifices from the people of Pakistan.

Red marks were placed on Pakistan's cities. Thousands of our innocent citizens became victims of foreign-sponsored sabotage.

Our society was exposed to massive refugee influx as well as the devastating effects of illicit weapons and drugs, which continue to afflict us to this day.

Our resolute fight against militancy is evoking a stiff backlash – manifested in repeated attacks and suicide bombings targeting our valiant security personnel and innocent civilians.

Our economy continues to incur losses to the tune of billions of dollars.

Yet, our resolve remains undiminished, because it is a matter of standing up for your principles and facing the consequences that come in its wake.

I should also mention that the Pakistan-U.S. bilateral relationship did not always enjoy a sunny side. In fact, over the past six decades, it has seen all seasons.

We have had development assistance as well as crippling sanctions; engagement as well as estrangement; spring punctuated with periods of autumn.

But one lesson from this long-standing partnership is clear: Whenever the relationship between the U.S. and Pakistan has frayed, the interests of both our nations have suffered. Whenever we have worked together, both our nations and the world have benefited.

I, therefore, venture to stress that it is a dictate of our shared history that the Pakistan-U.S. relationships remain deep and sustainable.

### **Madam Secretary,**

It is with this sense of history that we are approaching this renewed Strategic Dialogue.

The two countries had started the structured Strategic Dialogue process in April 2006 and rightly focused on priority areas like the economy, energy, education, science & technology, and agriculture.

In several rounds of discussions in Washington and Islamabad, proposals and specific measures for closer collaboration in these sectors were outlined.

However, despite best efforts on both sides, time and resource constraints prevented us from achieving concrete outcomes.

Now is the time to look forward. Our renewed, upgraded Dialogue offers great hope.

We believe it presents a great opportunity to reaffirm our long-standing alliance, to rededicate ourselves to the principles and values that have guided our relationship in the last six decades, and to craft together the vision of a broad-based, long-term and enduring partnership for the 21st century.

Such a partnership, we are convinced, is good for Pakistan, good for America, and good for international peace, security and prosperity.

Such a partnership is important because Pakistan is a pivotal state -- with over 170-million people, rich in human and natural endowment, full of huge untapped natural and energy resources awaiting extraction, strategically

located at the crossroads of South Asia, Central Asia and the Middle East, and representing a democratic and moderate voice in the Islamic world.

Such a partnership is necessary because Pakistan and the U.S. have a whole range of convergent interests – including fighting the twin menace of extremism and terrorism, stabilizing Afghanistan, promoting peace and stability in South Asia, linking the economic potential of South and Central Asia, curbing nuclear proliferation, and advancing progress and prosperity in the region and beyond.

### **Madam Secretary,**

Under a new democratic leadership, inspired by the ideals of Shaheed Benazir Bhutto, Pakistan remains engaged in a consequential effort to turn the tide against extremism and build a future of promise and hope for its people.

For us, this is and will remain a strategic and moral imperative.

We recognize that the U.S. also wants to see a stable, prosperous and democratic Pakistan, making steady progress toward the realization of the vision of its founding fathers.

We have welcomed President Obama's commitment to build a 'richer relationship' with Pakistan, based on mutual respect, mutual interest and mutual trust.

We value the Kerry-Lugar initiative, which contains the potential to fundamentally transform the nature of our relationship and make it broad-based and people-centered.

It is our earnest hope that the Strategic Dialogue we are upgrading today would help both sides take the relationship truly to a strategic plane.

In this regard, our point of departure must remain that positive and robust engagement between Pakistan and the U.S. is critical for peace, stability and prosperity in the region and beyond.

We must also remember that an enduring partnership can only be built and sustained on the strength of a close people-to-people relationship. Indeed, strong public support is indispensable for any initiative to bring our two nations closer and jointly promote our common goals.

A Pakistan-U.S. relationship that touches the lives of ordinary people, responds to their vital needs, and makes a positive difference in the pursuit of their aspirations for a better life, would form the solid foundation as well as best guarantee for a sustained strategic partnership between our two nations.

As such, we hope that, together, Pakistan and the U.S. can build a robust economic partnership, which rests primarily on increased trade and market access so that we can expand economic opportunities in Pakistan and fight extremism strategically.

We hope non-discriminatory access to vital energy resources will also be available to us, so that we too can pursue our economic and industrial development plans.

We recognize that education is the bedrock of a progressive and democratic society. We hope there will be adequate resources to reinforce our efforts in this vital social sector.

Regionally, Pakistan is committed to doing its part to facilitate the world community's efforts for peace and stability in Afghanistan. We hope the world community will be equally responsive to our legitimate concerns and help advance common interests.

Pakistan will continue to seek a peaceful resolution of all outstanding disputes in South Asia, including Kashmir. We hope the U.S. will maintain its constructive engagement to encourage this process.

**Madam Secretary,**

There are great expectations from the enterprise we are launching today.

I am conscious that it will not be without its challenges or complications either.

There could be doubts from within; there will be smear from without; and there may be set-backs on the way.

But I am confident that we have the requisite political will on both sides to pursue it successfully and to achieve concrete results – because at the end of the day it is in the mutual interest of our two nations to work together to advance our shared objectives.

I assure you, Madam Secretary, that in the worthy cause of building an enduring partnership of mutual benefit between our two countries, we will meet you more than half the way.

I thank you.

24 March 2010. Islamabad. Source: [www.mofa.gov.pk](http://www.mofa.gov.pk)

**2. Joint press statement on U.S. – Pakistan strategic dialogue at the ministerial level**

US Secretary of State Hillary Rodham Clinton and Pakistan's Foreign Minister Shah Mahmood Qureshi, accompanied by high level delegations, met in Washington on 24-25 March 2010 for the U.S.-Pakistan Strategic Dialogue.

In conformity with the importance that both the United States and Pakistan attach to taking further steps to broaden and deepen their comprehensive cooperation and to further fortify the friendship between the two peoples, the Strategic Dialogue was elevated to the Ministerial level.

A Policy Steering Group was established to intensify and expand the sectoral dialogue process in the fields of: economy and trade; energy; defense; security, strategic stability and non-proliferation; law enforcement and counter-terrorism; science and technology; education, agriculture; water, health; and communications and public diplomacy. Sectoral meetings will be held in Islamabad soon.

Both sides exchanged views on the status of bilateral cooperation and decided to continually provide strategic guidance for strengthening US- Pakistan partnership in the 21<sup>st</sup> Century for realizing the aspirations of their people.

They reiterated that the core foundations of this partnership are shared democratic values, mutual trust and mutual respect. A stable, enduring and broad-based cooperative partnership is in the fundamental interest of both countries. Both the United States and Pakistan are determined to foster goodwill and friendship between their people and engage in mutually beneficial cooperation.

Secretary Clinton paid tribute to the courage and resolve of the people of Pakistan to eliminate terrorism and militancy. Both sides acknowledged the common threat that terrorism and extremism posed to global, regional and local security. Pakistan expressed its appreciation for U.S. security assistance. Both governments committed to redouble their efforts to deal effectively with terrorism and to protect the common ideals and shared values of democracy, tolerance, openness and respect for fundamental freedoms and human rights.

Both sides exchanged views on measures to enhance Pakistan's inherent capacities to realize' the vision of a democratic, progressive state, committed to socio economic advancement and to effectively address political, economic, development and security challenges.

The United States re-affirmed its resolve to assist Pakistan to overcome socio economic challenges by providing technical and economic assistance and to enable Pakistan to build its strengths by optimal utilization of its considerable human and natural resources and entrepreneurial skills.

The United States committed to work towards enhanced market access for Pakistani products as well as towards the early finalization of Reconstruction Opportunity Zones legislation. The two governments decided to discuss issues related to the Bilateral Investment Treaty in order to stimulate investment in Pakistan.

The United States and Pakistan discussed creating an investment fund to support increased foreign direct investment and development in Pakistan. Such a fund could provide much needed additional support for Pakistan's energy sector and other high priority areas.

The United States recognized the importance of assisting Pakistan to overcome its energy deficit and committed to further intensify and expand comprehensive cooperation in the energy sector, including through the Signature Energy Program.

Recognizing the crucial importance of water for human survival and development, both sides decided to add a separate sectoral track in the Strategic Dialogue to focus on water conservation, watershed management and U.S. assistance in water projects.

Pakistan expressed its appreciation for U.S. assistance for socio-economic development that would contribute towards improving the lives of the people of Pakistan.

The two sides comprehensively shared perspectives on regional and global issues. Both reaffirmed the importance of advancing peace and stability in Afghanistan and the region.

Secretary of State Hillary Rodham Clinton and Foreign Minister Shah Mahmood Qureshi reaffirmed their commitment to a wide-ranging, long-term and substantive strategic partnership between the United States and Pakistan.

To carry forward this process, the next meeting of the Strategic Dialogue will be held in Islamabad co-chaired by Secretary Clinton and Foreign Minister Qureshi.

24-25 March 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **F. PAKISTAN & TURKEY**

### **Joint press statement on Pakistan-Turkey special relationship**

On the occasion of the state visit of H.E. Abdullah Gül, President of the Republic of Turkey, to the Islamic Republic of Pakistan, Acknowledging the deep bonds of friendship and goodwill that exist between the peoples and Governments of the Islamic Republic of Pakistan and the Republic of Turkey.

Recognizing that their relationship stems from shared roots in history and heritage; as well as cultural, linguistic, historical and civilizational commonalities.

Recalling the valuable mutual support extended by the peoples and Governments of the Islamic Republic of Pakistan and the Republic of Turkey on national causes and issues of common concern.

Underscoring that this support has been a manifestation of their close friendly relations, and historic affinities, and reaffirming their desire to continue this support.

Appreciating Turkey's special role in promoting peace, security and development in the region, as well as acting as a bridge between the East and the West.

Reiterating their shared desire to build on their geo-economic advantages to advance their genuine special relationship to unprecedented levels.

Recalling the visit by Prime Minister Recep Tayyip Erdogan to Pakistan in October 2009, and the adoption during the visit of the Joint Political Declaration on Intensified Cooperation and Establishment of the High Level Cooperation Council (HLCC.)

### **The Parties hereby:**

Agree to accord high priority to further enhancement of multi-faceted and broad based cooperation through among other means, increased connectivity, promotion of bilateral trade and investment and further expansion of people to people contacts and exchanges.

**Connectivity, Trade and Finance**

Agree to collaborate closely to upgrade and operationalize road, air and rail connectivity.

Agree to commence periodic cargo train service between the two countries, beginning August 2010.

Express satisfaction in this regard at the ratification and entry into force of the bilateral Road Transport Agreement, which will allow transporters from either country access to territories of Turkey and Pakistan.

Note with satisfaction the growth in bilateral trade, and reaffirm their desire to achieve the target of \$ 2 billion trade volume by the year 2012, through among other means, early finalization of a strategic economic cooperation framework, as well as fast tracked trade facilitation and promotion measures, including early implementation of the Agreement on Abolition of Visas for Businessmen.

The two sides will enter into bilateral preferential trade arrangements, unleashing free market opportunities in both countries.

Agree further to coordinate positions and work closely with a view to ensuring earliest possible implementation of the ECO Trade Agreement, to which both countries are signatories.

Welcome the holding of two Sessions of Pakistan-Turkey CEOs Forum during the current visit of President Abdullah Gül to Pakistan; Agree to utilize the Forum as a special purpose vehicle to encourage win-win partnerships among their respective corporate sectors.

Agree to promote cooperation in the financial sector by, inter alia, encouraging Turkish and Pakistani commercial banks and financial institutions to open branches in the two countries.

Agree also to work jointly for further expansion and consolidation of ECO Trade and Development Bank.

**Energy, Tourism and Development**

Welcome the signing of the memoranda of understanding in the fields of planning, agriculture and investments; Decide to ensure early implementation of the Agreements, with a view to benefiting fully from each other's experience and expertise in the field of development.

Agree to formulate a Plan of Action on Cooperation in the field of Energy including cooperation in the area of new and renewable energy.

Agree to further strengthen bilateral cooperation in the field of tourism, with particular emphasis on development of Pakistan's tourism sector.

Agree to finalize the Protocol on the Establishment of the Turkish International Cooperation and Development Agency (TIKA) Office in Islamabad at the earliest.

**Security and Military Cooperation**

Agree to continue to broaden and deepen security cooperation in their campaigns against terrorism and extremism, illicit arms trafficking, as well as counter narcotics and human smuggling.

In line with the existing Military Cooperation Agreements, agree to further intensify ongoing cooperation between Turkey and Pakistan in the area of military training and education, as well as promotion of trade and partnerships in the field of defence production and procurement.

### **Cultural and Educational Cooperation; People to People Exchanges**

The two sides will continue to promote exchanges of cultural delegations and troupes, organization of cultural events, and examine the possibility of establishing cultural centres.

### **Agree to further enhance educational scholarships**

Agree to encourage and enhance exchanges among parliamentarians, academia, journalists, think tanks and opinion makers in respective countries.

### **International and Regional Forums**

Agree to maintain close contacts and consultations on all issues of mutual interest, and to deepen mutual support at international and regional forums, including the United Nations, OIC and ECO.

Agree to follow up the outcomes of the Trilateral Summit process between Pakistan, Turkey and Afghanistan.

Agree to implement as a matter of priority, various initiatives set out in the Istanbul Statement on Friendship and Cooperation in the Heart of Asia of 26 January 2010, in particular the Minds Platform that would bring together selected members of academia, media, and think-tanks.

02 April 2010. Islamabad. Source: [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **G. SAARC**

### **1. Statement of foreign secretary address at the 37<sup>th</sup> session of SAARC standing committee**

Addressing the 37<sup>th</sup> Session of the Standing Committee of the South Asian Association for Regional Cooperation (SAARC) at Thimphu, Bhutan today, Foreign Secretary Salman Bashir proposed South Asia, which was a water stressed region, should develop a region-wide approach to effectively tackle water issues. He said a regional cooperative approach should, among other things, address the issues of glacier melting, watershed management and pollution on an urgent basis.

The Pakistan Foreign Secretary also underlined that SAARC should accord priority to poverty alleviation and attainment of SAARC development goals through effective implementation of the SAARC Social Charter.

Dwelling on the energy issues, Foreign Secretary Bashir said that while there was agreement among SAARC countries to focus on harnessing indigenous sources of energy including solar, wind, bio and hydel and strengthening the regional energy related institutions. Pakistan supported the proposal to strengthen the SAARC Energy Centre and implementation of the

proposed project providing for energy efficiency and support on renewable energy.

The Foreign Secretary regarded food security as another important area of regional cooperation. He said that given seasonal food deficits and surpluses in the region SAARC needed to explore the possibility of initiating joint ventures in agriculture and food security. In this regard some of these projects could be financed by SAARC Development Fund. The Foreign Secretary said that early establishment of SAARC Food Bank would be a milestone.

On enhancing regional economic cooperation, the Foreign Secretary said that Pakistan was fully implementing SAFTA and would support adoption of additional trade facilitation measures to supplement the Free Trade Agreement. Pakistan also supported cooperation among member states in the services sector. The SAARC Agreement on Trade in Services which would be signed during the Summit would be a step forward in the right direction.

In order to enhance greater cultural and people to people interaction among SAARC member states, the Foreign Secretary proposed to revisit the SAARC visa regime with a view to addressing the difficulties in this regard.

On the issue of terrorism, Foreign Secretary Bashir said that this scourge had acquired local, regional and global dimension. It could only be tackled through cooperative efforts. Pakistan was committed to combat terrorism in all its forms and manifestation. Pakistan had already taken and taking a number of measures and enacted several enabling legislations to combat terrorism, drugs and human trafficking. He emphasized that the Declaration on Cooperation in Combating Terrorism which was adopted in the SAARC meeting in Colombo in February 2009 should be adhered to, and all member countries should cooperate on the basis of sovereign equality, mutual respect and on the basis of the principles of non-intervention and non-interference in the internal affairs of the member states.

The Foreign Secretary concluded by underscoring that South Asia was a region that comprised of one-fifth of humanity and yet afflicted with one of the highest rates of incidence of poverty. The people of South Asia looked to us for ending their struggles and ameliorating their lives. It was for all SAARC member states to ensure that our effort to reinvigorate SAARC was not a one-off annual exercise but was a sustained and continuous process of unswerving commitment.

The Standing Committee during the session today unanimously agreed to the nomination of Syed Sultan Ahmad, Senior Joint Secretary, Law and Justice Division, Islamabad as the First Director General of SAARC Arbitration Council.

25 April, 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **2. Foreign minister's address at 32<sup>nd</sup> session of SAARC council of ministers**

Foreign Minister Makhdoom Shah Mahmood Qureshi, addressing the 32<sup>nd</sup>

Session of SAARC council of Ministers in Thimphu, Bhutan today, stated that one of the foremost objectives of SAARC was to accelerate economic growth, social progress and cultural development in the region. Intra-regional trade must not be viewed as an end in itself; it must be perceived as a means for overall, people-centric development. In this regard, he underlined the need to first take practical measures to build adequate infrastructure, ensure regional banking facilities and introduce harmonization of standards. 'Without an enabling level playing field, our goals will remain a distant reality'.

The Foreign Minister said that development should not be a privilege of the few. It must be a right of everyone. Poverty alleviation was the foremost priority as South Asia, despite being rich in natural and human resources, remained mired in abject poverty. He emphasized that SAARC needed to devise fresh methods and approaches to draw together all those who can contribute to solutions for regional issues; which, by extension, were issues of international concern.

On food security, the Foreign Minister said that although the food crisis that hit the region in recent years had subsided, the possibility of future setbacks could not be overlooked. SAARC countries could handle food shortages through sharing of best practices in agriculture sector, technology transfer and an efficient irrigation system. The Foreign Minister underscored that early operationalisation of the Food Bank would be of utmost importance.

Dilating on the theme of the 16 th SAARC summit, namely, 'Climate Change', Foreign Minister Qureshi said the finalization of SAARC Convention on Cooperation on Environment had laid the foundation of a broad-based institutionalized apparatus. This will address regional environmental concerns. He also reiterated Pakistan's offer to establish a SAARC Regional Centre on Climate Change in Pakistan.

The Foreign Minister said that South Asia was a water-stressed region. It was important to develop region0-wide approach on water issues, including on glacier melting, watershed management and pollution on an urgent basis.

The Foreign Minister also underlined the need for redoubling SAARC efforts towards energy security through sharing of indigenous sources of energy. 'Pakistan supports measures to secure sustainable supplies to meet measures to secure sustainable supplies to meet regional energy demand at an affordable price.' He said that Pakistan continued to hold that transit facilitation measures for oil and gas pipelines, and other energy resources including access to international markets should be pursued in keeping with the region's interests.

Speaking on the issue of terrorism, Foreign Minister Qureshi said that elimination of this scourge from South Asia and beyond had remained, and would continue to be Pakistan's primary occupation. Pakistan valued and was fully cognizant of the importance of regional cooperation for combating terrorism, drugs, human trafficking and transnational crimes. Pakistan was looking forward to hosting the SAARC Interior Ministers in Islamabad (25-26 June) to devise regional strategies and collaborative approaches for addressing the international menace.

The Foreign Minister said that South Asia today stood at a very critical juncture. On one hand were the banes of poverty, disease, illiteracy and conflict, and on the other hand a scintillating future with vast potential for actualization of human and natural resources. He added that the global environment provided an unprecedented range of opportunities in the form of capital flows, trade, information and technology, which if wisely utilized could transform the life of SAARC nations.

Foreign Minister Qureshi stated that SAARC Summits in the past had urged for graduation from declaratory to the implementation phase. SAARC's regional approach, therefore, must move from the realm of ideas to action plans. Synergies must be built between regional plans and national endeavours by accepting country ownership for implementation of all regional action plans, and their overall coordination and follow-up. He said SAARC needed to focus on project-based cooperation. It should identify regional and sub-regional projects, in priority areas, to vitalize the interstate cooperation in all spheres of importance.

The Foreign Minister concluded his statement by stressing that regional cooperation must be formulated and pursued with political will and commitment of the Member States. 'Our foremost priority must be to ensure that we have our regional perspective clearly drawn; our goals and priorities pragmatically defined; and our wherewithal appropriately geared towards the realization of our declared regional objectives.' He said that SAARC must be seen as a viable regional organization; responsive to the aspirations of its people. All SAARC countries must do a reality check of what had been achieved so far, and what still remained to be done.

The Foreign Minister said that Pakistan envisioned SAARC as a thriving organization, promoting not only the regional development, but also advancing the global agenda of peace and prosperity.

27 April 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **H. PAKISTAN & CHINA**

### **Statement on a meeting between the foreign ministers of Pakistan and China**

At a meeting between Foreign Minister Makhdoom Shah Mahmood Qureshi and the Chinese Vice Foreign Minister, Mr. Wang Guangya, on the sidelines of the 16<sup>th</sup> SAARC Summit at Thimphu, Bhutan today, Pakistan and China agreed to celebrate 60th anniversary of Pakistan-China relations next year in a befitting manner demonstrating the unique and all weather relationship between the two countries. They reiterated their mutual resolve to continue injecting further substance into Pakistan-China relations to their mutual benefit. The Chinese Vice Foreign Minister stated that Pakistan-China relations would continue to strengthen regardless of any regional or global developments.

Foreign Minister Qureshi expressing full satisfaction at his recent visit to China said that in the last two years our two countries had further augmented

the interaction in all spheres of life. It was particularly encouraging to see increased activities in the economic sector. The two countries had set a target of enhancing their bilateral trade from the present US\$7 billion to US\$15 billion over the next two/three years. The Foreign Minister said that the exchange of high level visits between the two countries being planned this year would give further momentum to this upward bilateral trajectory. The Chinese Minister said that they were keenly looking forward to a working visit by President Asif Zardari to China sometime in summer this year.

The Chinese Vice Foreign Minister assured that China would always be supporting Pakistan on important, regional and international issues. Appreciating Pakistan's efforts against violent extremism Mr. Guangya said that it was incumbent upon the international community to stand by Pakistan and extend full support to the in the pursuit of its counterterrorism strategy.

The Foreign Minister said that Pakistan was looking forward to focusing especially on enhancing people-to-people contacts. In this regard, it was necessary that more and more opportunities were created for the youth of the two countries. China had achieved tremendous improvement in its education system and Pakistan could benefit from their advancement. Accordingly, it would be useful if more and more students could get higher education in China either on the basis of scholarship or on self finance basis. The Chinese Vice Foreign Minister welcomed the suggestion saying that his country would explore all possible avenues to encourage Pakistani students to come to China and benefit from their education facilities.

The Foreign Minister Qureshi briefed the Chinese Foreign Minister about developments in Pakistan-India relations underlining that it was imperative for the two countries to get back to the negotiating table and resolve all their bilateral disputes. The Chinese Vice Foreign Minister appreciated Pakistan's efforts aimed at creating normal and peaceful relations with India.

28 April 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## I. OIC

### **Statement by Nawabzada Malik Amad Khan, Minister of State for Foreign Affairs, at the Thirty-Seventh Session of the OIC Council of Foreign Ministers**

**His Excellency Mr. Hamra Khan, Foreign Minister of Tajikistan, Excellencies, Brothers and sisters,**

#### **Asslam-o-Alaikum**

It is a privilege for me and my delegation to be here in Tajikistan, a country with whom we have centuries old historical, cultural, intellectual, ethnic and religious ties. We are grateful to the Government and people of Tajikistan for their warm welcome and generous hospitality.

Let me take this opportunity to felicitate you on your assumption of the Chairmanship of the 37<sup>th</sup> Session of the Council of Foreign Ministers. I assure

you our full cooperation in making the organization more active and vibrant under your chairmanship. Our gratitude also goes to His Excellency Mr. Waleed Al-Muallim, Minister for Foreign Affairs of Syria for his able leadership as the Chairman of the 36<sup>th</sup> CFM.

We greatly appreciate the contribution of Professor Dr. Ekmeluddin Ihsanoglu for his consistent efforts to enhance stature of the OIC in the international community.

### **Brothers and sisters,**

The 37<sup>th</sup> Session of the Council of Foreign Ministers is taking place at a time when the world, particularly the Muslim Ummah, is facing critical challenges. In this backdrop the theme of this session ‘Shared vision of a more secure and prosperous Islamic world’ is most timely and relevant. The Muslim countries with a population of more than 1.3 billion are endowed with enormous human and material resources. Yet we are faced with problems of underdevelopment, illiteracy, poverty, unemployment, disease, conflict and terrorism. We bear the burden of largest number of refugees and internally displaced people. Our faith and religious symbols are increasingly a subject of derision and ridicule. We are suffering most at the hands of terrorists, yet we are seen as perpetrators rather than victims of terrorism.

We can and must meet these huge challenges through concerted efforts and unity among our ranks. The 21<sup>st</sup> century would be dominated by innovation and competition. With our youthful population it offers us unparalleled opportunities. We must grab the opportunity by creating knowledge based societies. It would require priority investments in human development; science and technology and promotion and protection of human rights of all segments of society particularly women and minorities. This would ensure political stability, economic prosperity and social cohesion in our societies. We must seize the initiative and become trend setters, following in the foot steps of our worthy ancestors.

### **Brothers and sisters,**

Terrorism is the most serious challenge confronting us all today. Misguided people, in the name of religion, are killing innocent men, women and children in mosques, schools, hospitals and market places. These criminals do not represent our noble faith. We will not allow them to hijack our faith and societies.

As a front line state in the on-going struggle against terrorism, Pakistan has suffered enormously both in terms of human lives and material. Our more than 2500 brave security personnel have sacrificed their lives to make the world safer for us and our children. Over 10,000 civilians have fallen victim to brutalities of terrorists. Besides, we have suffered economic losses of more than US\$ 35 billion. All this has strengthened our resolve to root out this menace from our territory and the region at large.

We are fully conscious that use of military force is not the enduring solution to the problem of terrorism. The Government of Pakistan, therefore, has

evolved a 3D strategy comprising dialogue, development and deterrence to comprehensively deal with this scourge.

### **Brothers and sisters,**

There is a need to ponder on the reasons which are making the Muslim street so restive and Muslim youth susceptible to violence and extremism. Poverty, economic deprivations and political injustices are obvious culprits. Continued foreign occupation of Muslim territories and denial of inalienable right of self-determination generate resentment, sense of helplessness and extremism leading to violence.

The plight of our Palestinian brothers and sisters is a case in point. We condemn persistent violation of their fundamental rights and express our solidarity with them in the wake of continued construction of new settlements in the Occupied Territories. The desecration of the Islamic sites in the holy land must stop forthwith.

Pakistan believes that basic conditions for a durable solution to the Arab-Israel conflict should be: (a) total withdrawal of Israel from occupied territories; and (b) restitution of the inalienable right of Palestinian people to have their own state, with Al-Quds Al-Sharif as its capital.

### **Brothers and sisters,**

Pakistan remains committed to a just and peaceful resolution of the Kashmir dispute in accordance with the Security Council Resolutions and aspirations of the people of Jammu and Kashmir.

The prospects of a lasting peace in South Asia are directly linked with a just and durable solution of the Jammu and Kashmir dispute. Pakistan believes that any resolution of the dispute must be acceptable to the people of Jammu and Kashmir. We, therefore, fully support associating the true representatives of the Kashmiri people with the Pakistan-India dialogue on Jammu and Kashmir.

Last month, the Prime Ministers of Pakistan and India met during the 16<sup>th</sup> SAARC Summit in Thimpu, Bhuttan. The two leaders agreed to resume the stalled dialogue process. We look forward to have meaningful dialogue with India to resolve all outstanding issues including the Kashmir dispute.

Pakistan and Afghanistan enjoy close fraternal relations. Our two peoples share common roots of faith, culture and history. A stable and peaceful Afghanistan is in Pakistan's core strategic interest. We fully support President Karzai's initiative for national reconciliation and reintegration in Afghanistan. Pakistan has been and will continue to be an active participant in the reconstruction of Afghanistan. Here I would like to mention that Pakistan is hosting 3 million Afghan refugees and provide scholarship to Afghan students.

Pakistan supports the independence, sovereignty and territorial integrity of Iraq. It is a matter of great satisfaction for all of us that stability is gradually returning to our brotherly country.

We are deeply concerned at the continued conflict in Somalia. We support all regional and international initiatives for early return of peace and stability in Somalia.

**Brothers and sisters,**

As the second largest intergovernmental organization, the OIC needs to play a more active role in the reform of the United Nations as well as the UN Security Council. We must ensure adequate representation of the OIC Member States in any category of membership in an expanded Security Council.

It is a matter of grave concern that the insidious trend of Islamophobia has been on the rise in the recent past. Political dividends reaped by Dutch extremist Geert Wilders in regional elections is encouraging extremists in other countries to resort to Islam bashing in election campaigns. Negative stereotyping of Muslim and defamation of Islam has become fashionable under the pretext of freedom of expression. Following the ban on construction of minarets of mosques in Switzerland, a Swedish radical party has published appalling and outrageous posters of Prophet Muhammad (PBUH). We strongly condemn these sacrilegious posters. It has gravely hurt Muslim sentiments throughout the world.

We appreciate efforts by the OIC Working Groups on Human Rights in New York and Geneva in support of the resolution on ‘Combating Defamation of Religions’. The OIC needs to follow a two-pronged strategy of closer interaction with the West to address the phenomenon of Islamophobia and defamation of Islam as well as to develop a united approach within the OIC Member States on this sensitive issue.

**Brothers and sisters,**

Pakistan is hosting two important institutions. COMSTECH is making useful contribution to scientific advancement in the Islamic world. We look forward to hosting 14<sup>th</sup> General Assembly of COMSTECH in Islamabad in December this year.

Islamic Chamber of Commerce and Industry (ICCI) is also playing a pivotal role in promotion of commercial and trade relations among OIC Member States. It should be further strengthened to perform its mandated functions. Pakistan will extend every possible assistance to the Chamber in this endeavour.

Pakistan remains fully committed to transforming the OIC into a revitalized, cohesive and vibrant organization. The OIC is the collective voice of the Muslim Ummah. It must be enabled to meet the challenges of 21<sup>st</sup> century. The adoption of the Revised Charter in 2008 has given the organization a new direction to bring it in line with realities of the contemporary world. Our strength lies in promoting unity, solidarity and a strong sense of Islamic IKHWA, which are essential ingredients for our success, progress and prosperity. May Allah Almighty crown our efforts with success.

**Thank you and Asslam-o-Alaikum.**

18-20 May 2010. Dushanbe, Tajikistan. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## **J. PAKISTAN & THE PALESTINIAN CAUSE**

### **1. Foreign office statement: Pakistan will continue supporting Palestinians**

Pakistan is concerned at the Israeli decision of not allowing a flotilla of eight ships, which is carrying humanitarian assistance for the people of Gaza. The continuing Israeli blockade of Gaza is in violation of international humanitarian law, and should be lifted forthwith. Pakistan will continue extending unequivocal support to the legitimate cause of Palestinians.

28 May 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

### **2. Foreign office statement: Pakistan condemns use of force against peace flotilla**

The Government of Pakistan strongly condemns the use of brazen force by Israel against a humanitarian Mission that was embarked on delivering humanitarian aid to the Palestinian people in Gaza. The killing of members of this humanitarian mission, which also included women, is brutal, inhuman and constitutes a flagrant violation of international law and norms.

The Government of Pakistan is seriously concerned over the well-being and whereabouts of the Pakistani citizens and media personnel including Syed Talat Hussain and Raza Mahmood Agha who were on board the Flotilla bound for Gaza.

The Foreign Ministry is in constant touch with its Missions in the region to ascertain the well-being of our nationals.

31 May 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

### **3. Prime Minister Yusuf Raza Gilani's statement**

Prime Minister Syed Yusuf Raza Gilani, has strongly condemned the assault by Israeli Defence Forces on a Gaza-bound humanitarian aid flotilla, which has resulted in the killing of members of this humanitarian mission.

The Prime Minister said that this unwarranted and unprovoked military action by Israel against a humanitarian mission constituted a flagrant violation of international law and norms and values of humanity.

Pakistan expects the international community to take cognizance of this brutal act and ensure the safety and security of persons including Pakistani nationals who were on this humanitarian mission. The Secretaries General of the OIC and UN as well as the International Committee of the Red Cross has been approached.

Pakistan is in contact with all friendly states in this regard.

31 May 2010. Islamabad. *Source:* [www.mofa.gov.pk](http://www.mofa.gov.pk)

## *II: Human Rights*

### **HRCP's report on Swat: Swat Paradise Regained? – excerpts**

#### **Introduction**

Malakand Division in northwestern Pakistan was once known primarily for its scenic beauty and as a magnet to attract tourists, but over the last few years it has witnessed the most horrific violence and bloodletting in the wake of the emergence of militant extremism in the country. From civilians and security personnel being publicly slaughtered, the State ceding its authority to bands of armed hooligans, winding up of the judicial system, swapping of prisoners and generally capitulating to mass murderers; and destruction of schools and displacement of population on an unprecedented scale, Swat has seen it all since 2006.

Malakand Division comprises seven districts—Malakand Protected Area, Swat, Shangla, Buner, Upper Dir, Lower Dir, and Chitral. Swat, Buner, Upper Dir and Lower Dir have been the districts worst hit by the militancy. The remote mountainous district of Chitral, which borders Afghanistan, was the only district to escape any militant activity or violence.

Violence by pro-Taliban militants was already commonplace in the once popular tourist destination of Swat district and across the Malakand region, when a peace deal between the Government of Pakistan and the militants broke down in April 2009, obliging the security forces to launch an offensive against the militants in the districts of Lower Dir and Buner in late April 2009 and in Swat in early May. The region witnessed the largest internal displacement in Pakistan's history in May 2009 when over two million people fled their homes in a fortnight after the launch of a military offensive against the militants there.

In July 2009, the uprooted population started returning to their houses after the army declared it had expelled the militants from most of their strongholds. A year on, almost all the displaced people have returned to Swat. The army chief declared in May 2010 that the roots of terrorism have been removed from Swat, Malakand and the Tribal Areas. As the tide has turned against the militants, the spotlight has shifted to reports of excesses by the security forces.

An HRCP fact-finding mission, led by HRCP Council member Malik Jarar Hussain, visited Swat on May 20-21, 2010, in order to assess conditions for the civilian population and the general state of human rights in the region. Other members of the team were Mr Ghulam Dastageer, Programme Coordinator, Mr Delawer Jan, a Peshawar-based journalist, and Mr Muhammad Qasim Khan, a volunteer working with HRCP.

The HRCP team interviewed government officials, lawyers, journalists and members of civil society.

### **Swat: Post-military operation Security situation and rights violations**

The HRCP team noticed considerable improvement in the law and order situation in Swat and most of the people interviewed also stated that the security situation in the militancy-hit region has changed for the better since the launch by the military of Operation Rah-e-Rast in Swat in May 2009.

Most of the people interviewed praised the security forces for smashing the militants' network. However, they expressed apprehensions that the relative peace in Swat, attained following the major military operation, might not be sustainable and that once the military pulls out of the region the Taliban could once again regroup and resume their reign of terror.

Zahid Khan, President of the Swat Hotel Association, disagreed and said, 'There is no chance of resurgence of Taliban in Swat if our army wants that.'

However, the HRCP team was told of the security forces' involvement in extrajudicial killings, illegal detention of suspected militants, occupation of houses of civilians and expulsion of suspected Taliban's families from Swat district.

Some of the people the HRCP team talked to expressed concern over reports of excesses by the security personnel and said that these reports should be thoroughly investigated and pressure mounted on the security forces to respect human rights and desist from their violations in Swat and other parts of Malakand Division. 'They (the security forces) are defeating terrorism through terrorism. The security forces put an end to the atrocities committed by the Taliban against civilians, but who will rid these people of the excesses by the security forces?' asked Mr Ziauddin, spokesperson of the Swat Qaumi Jirga.

However, veteran political leader Afzal Khan Lala, who had refused to abandon his native Swat in the face of a persistent campaign by the Taliban to target him and his family, is all praise for the military operation and insists that the army must be given credit for restoring peace and the writ of government in Swat. He said that the objective of the army operation was yet to be accomplished and action to weed out militants was still needed.

'I am satisfied with the military operation. We have seen the worst and the law and order situation is much better now,' he said, adding that the militants in Swat used to behead people in public and in broad daylight and no one could do anything about that, 'but now to Talib can commit such atrocities in Swat.

At the same time, resumption of targeted killing of individuals deemed to be supporting the government is also alarming. As many as nine pro-government individuals have been killed in Swat district in this manner since February 2010, which demonstrates that Swat is yet to be purged of terrorists despite the three-month operation by the security forces in 2009 and despite heavy military presence in the area.

HRCF received numerous accounts that the Taliban have resumed sending threatening letters to owners of Internet cafes, barber shops and music and CD shops to wind up their 'un-islamic business'. In one such instance, threatening letters were sent to shop owners in Nishat Chowk, Mingora, on April 10, 2010, warning them that failure to close their businesses would lead to bombing of their shops. Some music shop owners temporarily closed their businesses after receiving such threats.

According to an eyewitness account, two masked men on a motorcycle came to a video market, Palwasha Cinema Market, along Madyan Road in Mingora, Swat, in broad daylight on April 7, 2010, placed an explosive device in the market and went away. The device went off before bomb disposal personnel could reach the site, destroying 10 shops dealing in movie and music CDs and cassettes.

However, while talking to the HRCF team at his office in Mingora, Swat District Coordination Officer (DCO) Atif Rahman expressed optimism about the situation in Swat and added that law and order had already improved to a large extent. He said that in mid-May the security forces had killed members of two groups of militants, led by Qari Abdullah and Pir Ehsanullah, that were involved in targeted killings.

The DCO admitted that the area had not been completely cleared of the Taliban. 'There are still safe havens for Taliban in Swat but there are no well-defined pockets.'

Fayyaz Zafar, a journalist based in Mingora, also noted the improved security situation, pointing out that there had not been any suicide bombing in Swat in the two previous months.

Qazi Jamilur Rahman, deputy inspector general (DIG) of police for Malakand Division, said the recent targeted killings and the April 7 blast at the Mingora market signified that pockets of militants were still there in Swat. 'There is an element of fear, which is understandable because of the atrocities of the terrorists in Swat,' he said, but added that there was no chance of the militants' regrouping in Swat.

However, several people interviewed by the HRCF team expressed concern at the 'fact' that the Taliban leadership continued to be at large and could stage a comeback once the army was withdrawn from Swat.

Through an advertisement published in leading newspapers of the country on June 9, 2009, the Khyber Pakhtunkhwa provincial government had identified 21 Taliban commanders as hardcore militants and announced cash rewards ranging from Rs 10 million to Rs 50 million for information

leading to their capture. So far, six militants on the list have reportedly been killed and two taken into custody, while the remaining 13 are still at large.

<b>Sr. No</b>	<b>Name of Militant commander</b>	<b>Reward (in rupees)</b>	<b>Killed</b>	<b>Arrested</b>
1	Mullah Fazlullah	50 million	According to media reports in late May 2010, he was killed in the Afghan province of Nuristan by Afghan polic. However, Taliban have reportedly denied Fazlullah's death.	
2	Muslim Khan	10 million		Both were arrested on 11 September 2009, according to ISPR. There is no word on the charges they face or when they will be brought to trial.
3	Mahmood Khan	10 million		
4	Qari Mushtaq	10 million		
5	Akbar Husain	10 million		
6	Sher Muhammad Qassab	10 million	He was captured on September 16, 2009.	

			According to media reports, his bullet-riddled body was found dumped in Charbagh area of Swat on 20 September 2009.	
7	Sirajuddin	10 million		
8	Bakht Farzand	10 million		
9	Mian Gul Ghaffoor	10 million		
10	Nisar Ahmed	10 million		
11	Lal Deen alias Anwar	10 million		
12	Anwarullah alias Anwar	10 million		
13	Basheer Ahmed	10 million		
14	Sultan Hussain	10 million		
15	Ibn-e-Ameen	10 million		
16	Fakhr-e-Alam aka Mufti Aftab	10 million		
17	Maulana Muhammad Ameen	10 million		
18	Maulana Muhammad Alam Banori alias Khaleel	10 million	According to media reports, he was killed on 15 February 2010 in a joint operation by security forces and police in Malikabad village in	

			Gadoon area of Swabi district.	
19	Umar Rahman alias Feteah	10 million	He was killed by the security forces in Mohmand Agency on 5 March 2010, according to media reports.	
20	Shah		Deputy leader of the Swat chapter of the banned Tehrik-e-Taliban Pakistan (TTP), Dauran died after protracted illness and, according to media reports, he was buried in Damadola area of Bajaur Agency in mid-December 2009.	
21	Shehenshah	10 million	Reportedly Killed in Swat soon after the military	

			operation ended.	
<b>Total</b>			<b>6</b>	<b>2</b>

During an earlier HRCP fact-finding mission to Swat in late July 2009, the then spokesman of the Inter-Services Public Relations (ISPR) in Swat, Major Nasir Khan, had claimed that Mullah Fazlullah had been besieged in Dardial, a remote area of Swat adjacent to Lower Dir. Nearly 10 months later, in the last week of May 2010, unconfirmed reports in the media suggested that he was killed in the Afghan province of Nuristan by the Afghan police. If Fazlullah's death is confirmed and if the ISPR claim in June 2009 of surrounding him in Dardial was correct, then that raises a big question as to how the 'besieged' Taliban leader managed to flee to Afghanistan from Swat, which do not have a common border.

Nevertheless, almost everyone in Swat that the HRCP team talked said that the military operation had helped restore peace in Swat. Mr Ziauddin of the Swat Qaumi Jirga said that law and order is better compared to the situation before the launch of the May 2009 military operation, and the growing influence of the Taliban has been curbed. 'And that became possible because of the firm action of our security forces during and after the military operation.'

Though some top militant commanders are still at large, it is now obvious that the command and control structure of the Taliban has been destroyed, Ziauddin said, adding that earlier the people dared not say anything against the Taliban, but now they openly called them terrorists. 'That is a major change,' he added.

But Ziauddin also feels that the relative peace of Swat may not endure. 'It's peace under the shadow of the gun. People fear that the militants would resurface once the army is withdrawn from Swat, because concrete measures to restore sustainable peace in Swat are lacking.'

These fears have been fueled by the slow pace of reconstruction and rehabilitation, and failure to properly investigate charges against the militants and bring them to book. Ziauddin says that the continued absence from their constituencies of elected representatives from Swat also confirms those fears.

The people the HRCP team talked to said that under Taliban control the people of Swat were denied every fundamental right, including the rights to life, education, movement, and freedom of expression. They said that most basic human rights have now been restored to a large extent for most people in the region.

The HRCP team found that not everyone in the conflict-raked region believes that terrorists should have the same rights as their victims. 'Human rights idealism cannot be implemented in Pakistan. Terrorists observe no human rights. They should have no human rights. They should be killed. How can we guarantee human rights to people like Fazlullah and

his cronies who played havoc with the basic rights of the people and still pose a threat to peace in Swat?’ Ziauddin asked.

He suggested that no quarter should be given to hardcore militants but the low ranked militants and those forced to join them should be spared. ‘Most of the terror suspects have been detained or killed on very tenuous grounds. For instance, if someone had invited Taliban to dinner or lunch just to avoid the wrath of militants – who were literally ruling Swat at the time – he should not be treated as a hardcore militant. Low-ranked Taliban should be rehabilitated,’ Ziauddin added.

He said if the security forces ‘continued the practice of killing all those who had even a tenuous link with the militants then there could be a massacre because 90 percent of Swat population was forced to support the militants’.

Ziauddin supports extrajudicial killings, saying that killings by the security forces might be extrajudicial but they should not be ‘extra-justice’. ‘Only people directly involved in terrorism should be killed.’

One of the interviewees who talked to the HRCP team on condition of anonymity said that a man named Muhammad Islam, 25, was killed in an extrajudicial manner by the security forces. Muhammad Islam was a madrassa student and a resident of Spal Bandai, Marghazar Road, in Swat district. He was rounded up by the security forces during a raid on his house in September 2009. His father, Ameer Mahmood, himself handed him over to the security forces. Initially, he remained in police custody, and was later shifted to a jail from where he went missing. Neighbours believe that one of the decomposed bodies found dumped in Banjot, in Swat, in October, 2009 was that of Muhammad Islam. The neighbours and other people that the HRCP team talked to claimed that the madrassa student was not a hardcore militant, but had delivered threatening letters for the Taliban to local shopkeepers, asking them not to sell commodities at inflated prices.

Swat Hotel Association Chairman Zahid Khan also said it was almost impossible to convict the militants through the judicial system, which was why people had not opposed extrajudicial killings, ‘but only the real terrorists should be dealt with in this manner’.

Although there were no reports of revenge killings of the suspected Taliban, the HRCP team learned about expulsion (*Ilaqa badari*) of at least 30 families of suspected militants from Kabal and Matta tehsils of Swat district on May 21 last. The families had been warned by the authorities that they would be expelled from Swat district unless they surrendered their relatives, suspected of involvement in militancy/terrorism, by May 20. The HRCP team also received information about scores of incidents of punitive demolition of houses of suspected militants in various areas of Swat district, which constitutes a flagrant violation of human rights.

Swat District Bar Association Vice President Fazl Rahman told the HRCP team that before the launch of the military operation in the

region, normal life had been paralysed and parallel courts were established in Swat. 'That is no longer the case,' he said, adding that the behaviour of military officers 'is fine but that of the non-commissioned soldiers is unsatisfactory'. 'Usually the security forces personnel storm the houses of suspected militants in complete disregard of the local Pakhtun traditions regarding observance of *pardah*... Human rights have been virtually suspended in Swat,' he added.

He said targeted killings continued in the area and added that such incidents had begun shortly before the emergence of militants in Swat in 2007 and their resumption might signal regrouping of the Taliban.

DIG Qazi Jamil conceded that the people of Swat still apprehended the return of the Taliban, but said that regrouping of Taliban in Swat was 'next to impossible'.

Swat DCO Atif Rahman said according to law, fundamental human rights stand suspended in Swat since the launch of the military operation. According to him, 801 civilians had been killed in the area until April 2009, apparently by the militants, before the launch of Operation Rah-e-Rast. Another 750 civilian casualties have been reported during the military operation. However, the figures cannot be independently verified. Data from independent sources is not available and HRCP believes that it would take a grassroots-level survey to determine the exact number of civilian casualties.

The government has announced Rs 400,000 as compensation for each house destroyed and Rs 160,000 for each partially damaged house, but it has not announced any compensation for the goods damaged or destroyed in the buildings, including shopping plazas and houses.

### **Situation of detainees and performance of courts**

DIG Jamil said that only the army had detained suspected militants and that there were no such detainees in police custody in Swat. The Swat DCO put the number of detainees in the custody of the army at over 1,000. Independent sources claim that around 2,600 suspected militants have been detained and have not been charged with any wrongdoing. They have not been produced before any court.

Jamshed Khan, public prosecutor at the Anti-Terrorism Court in Saidu Sharif in Swat, the only such court for the entire Malakand Division, said that around 2,800 cases had been registered against suspected terrorists after the military operation. Trial has concluded in 57 of these cases. There have been convictions in only three cases while the remaining 54 have resulted in acquittal. The deplorably slow disposal of cases is not surprising – there is only one Anti-Terrorism Court judge for the seven districts of Malakand Division.

Lawyers at the Swat District Bar were of the opinion that most of the accused had been charged for having tenuous links with militants. They said individuals who had offered water and food to militants or had been

forced to extend any support to them were being tried under the anti-terrorism law and this was not fair.

### **Role of *lashkars***

Veteran politician Afzal Khan Lala said during his meeting with the HRCP team that tribal *lashkars* are imperative to combat militants, but expressed regret that such *lashkars* could not be formed in Swat, as, according to him, the Swatis cannot unite under one leader. He said that in the neighbouring district of Upper Dir, a *lashkar* had done an excellent job by flushing out terrorists from the area in June 2009.

The Swat DCO also stated that unlike places such as the Federally Administered Tribal Areas (FATA) and Dir, there were no *lashkars* in Swat. There are village defence committees (VDCs) and their main task is to share information with the law-enforcement agencies regarding militants and to help the army in cordoning off some areas in time of need. *Lashkars* act on their own, while the VDCs in Swat are subservient to the security forces.

Swat Qaumi Jirga spokesman Ziauddin says that *lashkars* should not be given the role of the army, adding that they should be assigned a defensive role to protect their localities.

Zahid Khan, president of the Swat Hotel Association, is also a member of the Swat Qaumi Jirga executive committee. He said that raising *lashkars* in Swat would have serious repercussions, adding that it might lead to revenge killings once the army is withdrawn from Swat. 'Our *lashkar* is our army on which a large portion of the national budget is spent. We do not need nor can we afford any other *lashkar*,' he added.

Afzal Khan Lala said that the only *lashkar* in Swat is a tribal *lashkar* of Abakhel tribe, a sub-clan of the Pakhtun Nekpikhel tribe, in Kabal tehsil. He said that reports that he had formed a *lashkar* against the militants were baseless. 'It was in fact the army that formed the *lashkar* (in Matta tehsil of Swat district) and I was invited to that function as a guest and the media portrayed it as if I had formed the *lashkar*,' Lala said. However, he strongly supported formation of *lashkars*, saying that large-scale killing and displacement could have been averted in Swat if the people had raised a *lashkar* in the same manner as the people of Upper Dir and Buner districts of Malakand and FATA had.

### **Complaints of extra-legal killings**

Most of the people the HRCP team talked to stated that incident that gave rise to suspicion of extrajudicial killings continued in Swat. According to HRCP statistics, 282 bodies were found dumped in Swat between July 2009, when the military operation ended, and May 31, 2010. Local residents said most of these people were believed to have been killed by the security forces. Many of these people approved of extrajudicial killings and said that

militants deserved to die and that it was difficult to prosecute them because of fear among witnesses. Dead bodies were typically found at the end of curfew hours, when security forces had barred all movement in the area. As many as 48 bodies were found across Swat district after curfew hours on October 8, 2009, particularly in the areas of Banjot and Manglawar.

Many people supported HRCP's demand that all such incidents should be investigated by the appropriate judicial authorities so that the exact situation is established.

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Impact of conflict on women and children Prior to the military operation, conditions were very difficult for women in Taliban-controlled areas. The Taliban had effectively confined women to their houses and they could not venture out for shopping or even medical treatment. Banners were displayed outside markets stating that women could not shop there. Though the curbs imposed by militants on shopping and on other movements of women are no longer there, the HRCP team found that the situation continued to be difficult for families headed by women where male relatives have been killed in the conflict. Women's access to education had suffered disproportionately in Taliban controlled-areas, as most of the schools bombed by the militants were girls' school have resumed working though maily in tents.

Access to women in Swat proved very difficult for the team on account for conservative norms in the area. The team observed that there is need for more women researchers to be trained to access women in the area and assess their special needs.

Children in Swat were most vulnerable to the effects of the conflict, leading to severe mental distress. Coping with the loss of family members was the most traumatic experience for children. According to Muhammad Ali, director of Khpal Kor Foundation, an orphanage in Mingora, loss of family members especially heads of the family or young relatives the children locked up to, left them struggling with a sense of uncertainty, insecurity and fear.

Forced to suffer involuntary displacement and the subsequent long and arduous journey in search of safety, many children narrated their helplessness and constant fear of being captured and killed by militants.

Many children witnessed acts of violence by the militants, including verbal abuse and murder. They also saw corpses of the Taliban and of police officers who had been beheaded. Children were confined to their homes for extended periods where they often heard sounds of bomb blasts and mortar shelling, Ali said.

He said children who were used to a life of relative comfort at home had to quickly learn to adapt themselves to life in camps and host communities where securing food and other provisions took up most of

their families' time. Children were often stood in the queues for food. Many children felt that they had to watch out for themselves and support their families as well.

Disruption of education was a disaster in itself, but the children also had to reconcile with destruction of their schools, murder of teachers and, in case of displacement, loss of their friends, Ali added.

A large proportion of the children of Swat is psychologically scarred and depressed, and needs counseling, particularly children who have lost their limbs during the conflict. Ali gave details of scores of children who had developed eating and sleep disorders or experienced nightmares.

He said that the militants had sought to justify violence in the name of religion and many children associate Islam with the recent suffering in Swat. Many have expressed aversion to religion.

Muhammad Ali also shared some case studies of orphaned children admitted to Khpal Kor Foundation.

Shahab Khan, a 13-year-old boy, suffers from acute mental stress and depression whenever he remembers the murder of his father by Taliban militants. His father, Sarfaraz Khan, was a police officer in Swat, who was ruthlessly shot and killed by militants in front of Shahab and his mother. Ali said that in his early days at the orphanage, Shahab used to murmur in his sleep: 'For God's sake! Don't kill him.' Talking to the HRCF team, Shahab was so overcome by emotions and grief that he was unable to talk about the incident. Shahab's mother is in the same psychological state, according to Ali.

Citing the ordeal of another orphaned child, Ayub Khan, Ali said that Ayub's father had died in mortar shelling. Ayub's mother had died several years earlier and after the death of his father he was dependent on his step-mother, who could not make the two ends meet. He was admitted to the orphanage. 'When he was brought to the orphanage, he was in a very bad mental condition. His eyes were full tears and he was shivering,' Ali said.

### **Socio-economic aspects**

Swat Hotel Association President Zahid Khan said that the economy of Swat district is mainly dependent on tourism. According to rough estimates, about 15,000 people in Swat were associated with the hotel industry in 2006, and the number has now plummeted to around 2,500. Other businesses associated with tourism, which employed another 20,000 people, have also been seriously affected. Mingora used to serve as a trade hub for Buner, Shangla and Kohistan districts. Now trade for those districts has shifted to Mardan and Abbottabad districts, causing a colossal loss to the economy of Swat.

Zahid Khan said that tourists visit places where complete serenity prevails, and observed that it would not be possible to attract tourists to Swat amidst a heavy military deployment and with numerous checkpoints

here and there. ‘The authorities have promised special permits to tourists to facilitate their passage at the checkpoints, but they can do nothing about the long queues of vehicles at these points. Simply put, a tourist-friendly environment is lacking in Swat just now,’ Zahid Khan said.

Swat Qaumi Jirga Spokesperson Ziauddin said that the number of checkpoints should be reduced to help revive the tourism industry in Swat.

Agriculture in Swat has suffered disproportionately in areas along main roads where the army has banned the cultivation of maize, one of the main crops in the area, and cut down most of the orchards, as they could offer hiding places to militants. No compensation has been given to the farmers and orchard owners. The army has also occupied over 100 houses, hotels and *hujras* across Swat apparently in view of their strategic location but have not paid any rent or compensation to the owners.

The Swat DCO told the HRCP team that the administration would soon start paying rent to the owners of the houses in the security forces’ possessions.

Militants destroyed or damaged as many as 401 schools in the Swat region. The fact-finding team found that most of the schools in Swat are at present housed in tents. 202 of the 226 partially damaged schools have been repaired and six of the 175 destroyed schools reconstructed. Most of this work has been done by the army and financed by district government funds. The people interviewed by the HRCP team said that the army should also focus on its area of specialization and should not be involved in reconstruction of civilian structures.

### **Conclusions & recommendations**

HRCP welcomes the restoration of peace in the Swat region. No incidents of public flogging, or patrolling by Taliban anywhere in Swat were reported to the HRCP fact-finding mission. Before the 2009 military operation, militants had established parallel courts in Swat. That is no longer the case. Though reluctance of elected representatives from Swat to visit their constituencies and native areas points to their continued lack of confidence in the security situation, people are not afraid of speaking out against the Taliban. The security forces must be given credit for that.

However, HRCP has serious concerns over reports of excesses by security forces’ personnel. These should be thoroughly investigated and any wrongdoing punished to send a message distinguishing the State’s actions from those of the terrorists.

The government must hold a transparent inquiry into scores of reports and allegations of extrajudicial killings in Swat. Such an inquiry is all the more needed because, on account of nearly 300 bodies being found after curfew hours, the local people have assumed security forces’ involvement. While the affected population might advocate arbitrary killing of terrorists or even suspected terrorists, government forces ought to know better. HRCP strongly urges the government to investigate each

killing in Swat, irrespective of who the perpetrator may be with a view to bringing the culprits to justice.

HRCP is also concerned over reports of expulsion (*Ilaqa badari*) of at least 30 families of suspected militants from Kabal and Matta tehsils of Swat district.

HRCP cautions the government that use of illegal and heavy-handed tactics by the security forces will be counterproductive. Terrorism must not be resorted to defeat terrorism. The focus of the government must be on bringing terrorists to justice through legal means, with guarantees of fair trial and due process. HRCP implores the government to ensure that the actions of security forces in the region are consistent with human rights standards.

In addition to the physical needs of the affected population, the government must also pay urgent attention to the psychological needs of the people of Swat, especially children.

With a view to reviving the economic activity in the area, the government needs to ensure that a tourist-friendly environment is ensured in areas where peace has been restored and tourists are not held up in long queues at the numerous security check-posts.

The government must give compensation to all citizens whose properties have been taken over by the military or who have been ordered not to cultivate their lands as they desire.

Several credible sources informed the HRCP mission that 1,000 to 2,600 individuals are in the security forces' custody in Swat and have not been produced in any court. HRCP would like to remind the government, if any reminder is required, that anyone suspected of any wrongdoing must not be detained without charge. Anyone detained must be promptly produced before a court of law and must get a fair trial. The government must increase the number of courts in the conflict-hit area to try the detained suspects in an expeditious manner and enhance the number and capacity of its investigators to increase the likelihood of perpetrators of human rights violations being brought to justice. HRCP is of the opinion that the army should only be deployed in the area for the minimum period required to stabilize the situation and should hand over policing responsibilities to civilian forces as soon as circumstances permit. It should also focus on its area of specialization and should not be involved in reconstruction of civilian structures.

### **The militarys response**

*Prior to publication, HRCP had sent a copy of the report to the Interior Ministry and the Inter Services Public Relations (ISPR) and invited their comments. The Interior Ministry did not respond to the request. The ISPR initially requested more time to submit their response to the report and eventually issued the following press statement, which is being reproduced verbatim.*

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Press release

**Response to HRCP report**

No.

/2010-ISPR

Dated: 21-07-2010

**Rawalpindi, July 21:** A spokesman of ISPR has strongly rejected the contents of report issued by 'Human Rights Commission of Pakistan'.

The spokesman said that the Army conducted operations as per the directions of the Government and is present in Swat on the great public demand. Army is also actively engaged and contributing in reconstruction and rehabilitation activities. Spokesman further highlighted that at the start of the operation, the COAS had already issued strict orders against any unlawful activity and to take all possible measures to avoid collateral damage and destruction. Army follows a strict disciplinary code of conduct and a strong mechanism exists with in the institution to deal with such matters.

It is further emphasized that during the Swat operation few people from the valley were found involved in revenge killing in response to the wide-spread atrocities committed by the terrorists. A case was also unearthed, where terrorists had killed their own comrades and buried them in a mass grave. There were few cases of suspects, who were killed during running encounters and in combat. Many criminals have also been arrested on the charges of killing people for ransom.

It must not be lost sight of that over 2500 officers and soldiers of Pakistan Army have sacrificed their lives in the operations fighting against the terrorists. In the past, reports on Human Rights violation have been appearing but the credibility of such reports has always remained doubtful.

The recent Swat and Kalam festivals and whole hearted public participation, clearly negates the allegations of Human Rights Organizations. The malafide intent seems to undermine the success of Army operation in Swat.

The incidents mentioned in the report have been investigated by the Army and were found unsubstantiated. Mostly the incidents reported are based on hear-say and individual opinions. The spokesman reiterated that Army is strictly working within well defined parameters and in accordance with rules and regulations as allowed in aid of civil power. The civil administration and local commanders alongwith notables of the area are working in close coordination and harmony. Therefore, we reject the allegations and reiterate that the contents of report lack evidence and appear fabricated, the spokesman concluded

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**Annexures**

**List of people interviewed**

1. Ziauddin (spokesperson of Swat Qaumi Jirga)

2. Fazl Rahman (vice president, Swat Bar Association)
3. Zahid Khan (president, Swat Hotel Association)
4. Afzal Khan Lala (veteran nationalist leader)
5. Muhammad Ashraf Khan (lawyer)
6. Muhammad Ali (director of Khpal Kor Foundation, an orphanage I in Mingora, Swat)
7. Essa Khankhel (journalist)
8. Fayyaz Zafar (journalist)
9. Zaheeruddin Zahoor (manager, Swat Continental Hotel, Mingora)
10. Qazi Jamilur Rahman (deputy inspector general of police, Malakand Division)
11. Atif Rahman (district coordination officer, Swat)
12. Jamshed Khan (public prosecutor Anti-Terrorism Court)

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\* Scores of people that the HRCP team talked Swat requested that their identity should not be disclosed for safety reasons.

\*\*The fact-finding team decided to meet government officials on the last day of the visit so that it would have a chance to learn about concerns and problems of the people of Swat before hearing the official side of the story.

### **Chronology of events**

- In 2002, Mullah Fazlullahitan organization Tehrik Nifaz-e-Shariat-e-Muham madi (TNSM) Sufi Muhammad surfaces in Swat as a firebrand cleric and announces plans to set up his headquarters at Mam Dheri, which he renames as Imam Dheri, for which he asks people to donate. In the following years, the local residents particularly women, generously donate in cash and kind. Fazlullah remains chief of the TNSM chapter for Kabal tehsil until 2005. TNSM chief Sufi Muhammad was jailed in late 2001 for taking over 10,000 people to Afghanistan to fight against the US-led forces there. Absence of any second tier leadership gives the hardliner Fazlullah the opportunity to claim leadership of the banned organization.
- Between 2004 and 2007 Maulana Fazlullah sets up at least 30 illegal FM radio stations across Swat to spread his extremist ideas, as he receives encouraging response to his sermons from the people. His speeches revolve around opposition to girls' education, any active role for women in society, music shops, barbers' profession and vaccination including polio drops. He grows in popularity during 2006 when he intensifies his 'anti-sin' campaign through his FM radio stations.

### **2007**

- July 4: Four paramilitary personnel are killed and two policemen wounded in a roadside bomb explosion in Chakdara, as a convoy moving towards Swat is targeted. In a separate incident, a

policeman is killed and another four injured in a rocket attack on a police station in Matta area of Swat district.

- July 10: Pakistan military launches Operation Silence to dislodge militants from Lal Masjid (red mosque) in Islamabad, where the government had accused radical clerics and seminary students of harbouring terrorists. The standoff, which began on January 22, ends on July 10 with the killing of the Lal Masjid deputy administrator and dozens of his supporters. Fazlullah gives a call to avenge the deaths in the Lal Masjid operation and asks his followers to launch violent activities in Swat.
- July 12: A suicide bomber kills three policemen.
- July 13: President Pervez Musharraf approves a plan to deploy paramilitary forces in Swat to crush the growing militancy. Troops are positioned in Swat.
- July 15: At least 13 paramilitary personnel and six civilians, including three children, are killed and more than 50 people injured at Matta in Swat district when two suicide bombers ram two cars packed with explosives into an army convoy.
- August: The administration asks NGOs and international humanitarian organisations to leave Swat after threats by militants.
- August 30: Seven security forces personnel are killed, as militants attack a checkpoint in Swat.
- August 30: Militants send threatening letters to owners of video centres and barbers' shops in Swat.
- September 21: Fazlullah urges his supporters to attack government officials after a demand to release three militants held after a hotel bombing is rejected by the authorities.
- October: Fazlullah sets up self-defined Islamic courts across Swat and asks people to bring their disputes for adjudication to Qazis appointed by him.
- October 21: Eighteen soldiers and two civilians die and 35 others, including nine civilians, are injured in a bomb blast aimed at a vehicle carrying paramilitary personnel at Nawan Killi, about a kilometre from Mingora city.
- October 26-29: Fierce clashes erupt between troops and militants in Swat, leaving at least 29 dead. Thirteen security personnel are executed by militants.
- November 1-2: Fighting resumes after a brief ceasefire. 60-70 people die after a clash in Khwazakhela town; 48 troops who surrendered to militants are paraded in public.
- November 3: President Pervez Musharraf declares a state of emergency in Pakistan, citing the situation in Swat as one of the reasons for his decision. He orders deployment of regular army to retake Swat from the Fazlullah-led militants

- November 3-6: Militants extend their hold over Swat, capturing key towns including Madyan and Kalam.
- November 24: The Pakistan military launches an operation against militants, using helicopter gunships, artillery, tanks and armoured vehicles. Thousands of civilians flee their villages in the valley. Dozen are feared dead amid conflicting accounts of casualties.
- November 28 - December 6: Security forces say militants have been forced out of Swat and many key leaders arrested. Key centres such as Imam Dheri are seized. Hundreds are feared dead in the operation; 500,000 of Swat 1.8 million people are reported to have fled, but most of them are in peaceful towns and villages of Swat. The militants are driven out from Kabal and Matta where they had control of most areas. They take shelter in the remote and mountainous Peochar valley of Swat. The army opts to rely on shelling rather than pursuing the militants into Peochar.
- December 14: Almost all militant factions operating in tribal and settled areas come together in an umbrella organization, called Tehrik-e-Taliban Pakistan (TTP). Baitullah Mehsud is chosen the central Amir or chief of the TTP. Swat's Fazlullah Taliban also join the TTP, coming under the direction and influence of Baitullah. The TTP extends full support to the Swat militants.
- December 23: Fourteen people die in a suicide attack on a military convoy near Mingora, Swat's main city. Sporadic violence continues in Swat, including attacks on shops, schools and government buildings.
- December 28: Former provincial minister and member of the Swat royal family, Asfandyar Amirzeb, is assassinated along with several others in a remote-controlled bomb attack near Manglawar during the election campaign.

## **2008**

- January: Clashes between troops and militants continue in Swat.
- February 29: As many as 40 people are killed and more than 75 wounded
- When a suicide bomber targets the funeral of a police officer in Mingora.
- March 1: Militants behead a 22-year-old man accused of passing on information to the security forces.
- April 1: The Awami National Party (ANP) comes to power in the Khyber Pakhtunkhwa province following the February 18 general elections. The ANP announces to hold talks with the militants in Swat to secure a negotiated and political solution to the militancy.
- April 21: The Khyber Pakhtunkhwa government releases Sufi Muhammad as a goodwill gesture before talks with the militants and in

the hope that he would persuade the militants led by his son-in-law to abandon their armed campaign against the government.

- May 9-21: The government launches a peace process with the Swat militants, setting up a committee to hold dialogue with them. Three rounds of talks take place in Chakdara in Lower Dir district on May 9 and in Peshawar on May 13 and 21.
- May 21: Taliban militants operating under Fazlullah in Swat district sign a 16-point peace agreement with the provincial government and agree to disband their militia. They also promise to denounce suicide attacks and stop targeting the security forces and government buildings. All fugitive Taliban leaders, including Fazlullah, are allowed to return to their villages and are assured of freedom of unhindered movement in Swat.
- June 23: A clash between Taliban and security forces takes place in Sambat village in Matta, resulting in the killing of Afghan militant commander Khan Agha. The incident increases tensions between the militants and security forces. In June and July the Taliban start attacking schools but do not claim responsibility for such attacks in view of the peace deal.
- June-July: Attacks on bridges, schools and other buildings continue in Swat. Militants accuse the government of violating the peace deal by retaining troops in the area. At least 50 girls' schools were reported to have been attacked by militants in 2008. Thousands of girls quit schools, fearing for their safety.
- July 27: Fazlullah holds a press conference in a remote area of Kabal and claims responsibility for torching and blowing up schools. He warns that his suicide bombers would target the security forces if they launch any action against his militia.
- July 28: Three officials of the military's Inter-Services Intelligence are killed in Kabal, leading to the collapse of the May 21 peace deal.
- July 29: The security forces recommence military action in the area.
- August-December: The military moves tanks, heavy artillery and helicopters into Swat to combat militants. Hundreds are reported killed in heavy clashes. Reports of atrocities by militants increase – including the killing women who decline to stop work and public beheading of those accused of spying for the government. Human rights activists say 60 percent of Swat's 1.8 million people have fled. Thousands of homes are reported to have been damaged and 150 schools destroyed.
- December: Media reports say the militants control 75 percent of Swat. Fazlullah announces a ban on education for girls. The ban is protested nationwide.

## **2009**

- January 29: Pakistan government announces a new strategy to combat militancy in Swat and pledges to ensure that girls resume schooling.

Schools for girls remain closed in Swat after the winter break, leaving 80,000 girls out of school. Militants are reported to have seized control of almost all of Swat. They have now captured the central Mingora city of the valley, killed their opponents, government employees and those involved in ‘un-islamic businesses or profession’. The bodies are hung and dumped, most frequently in three main squares of the city with notes warning of action against anyone who would remove them. Green Chowk is dubbed as ‘Khooni Chowk’ (the intersection of blood) by the local people due to frequent dumping of bodies there.

- January 31: Fazlullah, leader of the TTP in Swat, says he will relax the ban on education for girls to allow them to attend school up to grade five.
- February: Fresh peace process involving Sufi Muhammad is initiated. Sufi guarantees peace in the militancy-hit region and surrender of the militants subject to implementation of Sharia on his terms. The government accepts the condition and a deal is reached on February 15 in Timergara where Sufi Muhammad had established a protest camp for the implementation of Sharia.
- February 16: Ameer Haider Hoti, the chief minister of Khyber Pakhtunkhawa, holds a press conference in Peshawar and reads out a statement dictated by Sufi Muhammad which says the government would stop all un-Islamic practices within the boundaries of Malakand Division. He announces a ceasefire in Swat. He says a new regulation – Nizam-e-Adl – has been drafted and would be implemented after getting approval from the governor and the president. This would mean a justice system different from the one followed by the rest of the nation. The Taliban respond by announcing a 10-day truce and say they would examine the document before ending hostilities permanently.
- February 17: Sufi Muhammad wraps up his protest camp and launches a peace march to Mingora
- February 18: Sufi Muhammad addresses people in Mingora and says he has come to establish peace and would not leave the valley until that objective is realized. The same day he leaves for Matta, the stronghold of Taliban, as part of his stated plan to arrange peace rallies throughout the valley to ‘remove fear from the people’s hearts’.
- The same day, journalist Musa Khankhel, correspondent of English daily newspaper The News International, is killed in Matta while covering the peace rally there.
- February 16-22: Militants throng to Qambar, a town three kilometers south of Mingora, and turn it into their bastion. Qambar was the hometown of Swat militants’ deputy chief Shah Dauran.
- February 23: The militants kidnap the newly-transferred district coordination officer (DCO), Khushal Khan, along with six guards from Qambar. The DCO is released after six hours.

- March 29: The militants kill a former acting district nazim and the Lower Dir district police officer, who was leading a police team pursuing the district nazim's killers.
- First week of April: The Taliban invade the neighbouring Buner district. A video of a girl being publicly flogged surfaces during the week, leading to an outcry nationwide and internationally.
- April 19: Sufi Muhammad lashes out at the Supreme Court of Pakistan, democracy and denounces the Constitution at a huge public rally in Mingora. The outburst takes the ANP provincial government by surprise as it was expecting Sufi to ask the militants to lay down their weapons rather than turning his guns on the political system of the country.
- April 26: The security forces launch a military operation in Maidan area of Dir Lower district.
- April 28: The military backed by jet aircraft, helicopter gunships, artillery and tanks launches an operation against militants in Buner.
- April 26-30: Exodus of local population begins from Dir Lower and Buner districts.
- First week of May: The militants take control of important government buildings in Mingora. People start fleeing the area.
- May 7: Prime Minister Yousaf Raza Gilani calls in the army to regain control of the Swat valley from militants.
- May 8: The security forces launch Operation Rah-e-Rast and unlike previous operations send troops to all strongholds of the militants in the Swat valley.
- May 8-15: Hundreds of thousands of people stream out of Swat towards Mardan, Nowshera, Peshawar and Charsadda districts of Khyber Pakhtunkhwa where camps are set up for the displaced population. An overwhelming majority is given shelter by relatives and host families.
- July 13: In line with the prime minister's announcement, the government starts return of the internally displaced to their homes after all militancy-hit areas are declared safe.
- August 30: 16 police recruits are killed in a suicide attack on a training centre in Mingora.
- November 30: MPA Shamsher Ali is killed in a suicide attack in Dherai area of Kabal.

## **2010**

- February 23: The army formally announces victory against the militants in Swat and Waziristan during a briefing to the Senate Defence Committee. The army chief asks the committee that now it is the duty of the civilian government to take control of Swat to maintain writ of the state established by the security forces. He says that the army will help the provincial government in this regard.

- February 23: A suicide attack in a bazaar in Mingora city claims 13 lives.
- March 13: As many as 14 people are killed as militants attack a checkpoint on Saidu Sharif road.
- April 12: President Asif Ali Zardari approves the controversial Sharia Nizam-i-Adl Regulation 2009 for Malakand Division hours after the National Assembly made an unprecedented recommendation in a resolution that saw the left-wing, right-wing, progressive and Islamic parties to uphold the twomonth-old deal with the militants. The move was seen as a clear concession to Taliban militants to implement their version of Sharia in Malakand.
- April 13-22: Five people are killed in incidents of targeted killing in Swat.
- May: Families of fugitive Taliban members are expelled from Swat and kept at a camp in Batkhela.
- May 18: Army chief General Ashfaq Pervez Kayani states that the roots of terrorism have been removed from Swat and Malakand.

Source: [www.hrcp-web.org/default.asp](http://www.hrcp-web.org/default.asp)

### ***III: Judiciary***

#### **Text of the Supreme Court's verdict in the fake degree case**

We were shocked at this answer coming from a person who claimed to have studied this subject at BA level and who, as has been noticed above, had obtained 72% marks in the same. According to the Admission Form (Mark A) and according to the Detailed Marks Certificate produced on record by the appellant himself, IPS meant:- ISLAMIC STUDIES/ETHICS & PAKISTAN STUDIES.

- 9 This answer of the appellant, said it all.
10. Having thus examined all aspects of the matter, we find that no exception could be taken to the conclusions reached by the learned Election Tribunal and to the impugned judgment.
11. This appeal is, consequently, dismissed with costs.
12. While dealing with the matter of NAWABZADA IFTIKHAR AHMAD VS. The CHIEF ELECTION COMMISSIONER & others (CIVIL PETITION NO.287 of 2008 decided on 25.03.2010), this Court had highlighted the significance, the importance and the usefulness of the Legislative institutions of a country and hence the dire need to protect their majesty, their dignity, their sanctity and their purity. Following is, what had been observed by this Court, through this judgment:- 14. Parliament of any country is one of its noblest, honourable and important institutions making not only the policies and the laws for the nation but in fact shaping and

carving its very destiny. And here is a man who being constitutionally and legally debarred from being its member, managed to sneak into it by making a false statement on oath and by using bogus, fake and forged documents polluting the piety of this pious body. His said conduct demonstrates not only his callous contempt for the basic norms of honesty, integrity and even for his own oath but also undermines the sanctity, the dignity and the majesty of the said august House.

It had been further observed through the said judgment that:- Needless to add that the first and the most crucial step towards the attainment of the said commanded goal is to ensure that no person who was not constitutionally and legally qualified to contest any such election, was allowed to enter the arena.

13. And it was to preserve pureness, piety and the virtuousness of such-like eminent and exalted institutions that, inter-alia, Article 62 and 63 of the Constitution and section 99 of the Representation of People Act of 1976 had declared that, amongst others, the persons who were not of good character; who indulged in commission of major sins; who were not honest; who were removed, dismissed or compulsorily retired from service of Pakistan; who had obtained loans from banks and had not re-paid the same or who had indulged in corrupt practices during the course of elections, would not be allowed to pollute the clearness of these legislative institutions.
14. It was for this reason that the provisions of Article 218(3) of the Constitution commanded the Election Commission:- (3)to ensure that the election is conducted HONESTLY, JUSTLY, FAIRLY and in accordance with law, and that CORRUPT PRACTICES are guarded against. (emphasis and under-lining has been added) Referring to the above-quoted provision of the Constitution and various provisions of the Act of 1976 and of the Rules framed thereunder including the provisions of section 14 of the said Act, this Court had found through NAWABZADA IFTIKHARS case ibid that a demanding duty stood cast on the Election Commission and on all others performing functions under various election laws to ensure not only that the elections were fair and honest; that no corrupt practices were practised in the elections but also that the individuals who had been declared disqualified to enter the Legislative institutions, were not allowed to break into the said houses and further that to discharge the said onerous obligations, the said functionaries had not been left at the mercy of the objectors or even of the rival candidates and that they could act in the matter even suo-moto. Needless to add that the Election Tribunals envisaged by Article 225 of the Constitution and performing functions under the said Act of 1976 and even this Court while acting as the Appellate Forum under section 67 of the Act of 1976, also stand charged with the same duties.
15. As has been noticed above, the provisions of Article 218(3) of the Constitution order the Election Commission, amongst others, to GUARD

AGAINST THE CORRUPT PRACTICES. Wouldnt the said Commission then be failing in its duty if it did not so do?

16. CORRUPT PRACTICE stands defined by section 78 of the Representation of People Act, 1976 and includes vide clause (d) of sub-section (3) thereof, an act of making a false statement by a person in respect of his EDUCATIONAL QUALIFICATIONS. The provisions of section 82 of the said Act, make the said corrupt practice, a penal offence punishable with an imprisonment for a term which may extend to three years or with fine which may extend to five thousand rupees or with both. Section 94 of the said Act makes the said offence, a cognisable offence triable by a Sessions Judge. The provisions of Section 100 declare that a person guilty of a corrupt practice could then get disqualified for a specified term from being elected as a member of an Assembly.
17. Shouldn't it then be incumbent upon the Election Commission, in discharge of its constitutional obligations to guard against corrupt practices, to launch prosecution of persons who stood accused of the commission of the same. Needless to say that punishment and consequent disqualification of such-like persons would not be an act under-mining the dignity and the majesty of the Houses of Legislature but an act in aid of enhancing the same.
18. The Election Commission is, therefore, directed to initiate action against all such persons who are accused of commission of corrupt practices; of committing forgery and of using, as genuine, documents which they knew or at least had reason to believe to be forged. The Election Commission shall ensure that the investigations in these matters are conducted honestly, efficiently and expeditiously and shall depute one of its senior officers to supervise the same. The learned Sessions Judges to whom these trials shall then be entrusted, are also directed to conclude the same without any delay, in consonance with the spirit of the Elections laws as displayed, inter-alia, by the Provisos newly added to sub-section (1-A) of section 67 of the said Act of 1976 through the Amending Act No IV of 2009 promulgated on 2-11-2009. In any case, it should not take each learned Sessions Judge who gets seized of the matter, more than three months to conclude the same.
19. And before we part with this matter, we may add that no criminal could ever be heard, in any civilised society, to avoid punishment on the ground that some others, similarly placed had, on some earlier occasions escaped punishment. Like-wise, no individual except the ones constitutionally and legally authorised for the purpose, could be allowed in a civilised society to declare which law of the land was good and which one was a bad law and then feel authorized to defeat the same through un-lawful and even criminal acts. Such-like attempts, if not nipped in the bud, could lead a society into the dark depths of destruction. Every law of the land, so long as its exists on the statute books, has to be respected and must be followed. The same should also serve as an answer to some reservations expressed about disqualification of a person from becoming a Member of a legislative institution if he did not practice the obligatory duties. Suffice it, however, to

add that identifying persons who could or could not become members of Legislative institutions was a policy matter but so long as such-like disqualifications were not omitted from the Constitution or the law, the Court were bound to honour and enforce the same and not so doing could amount to a grave dereliction of duty.

20. This appeal is dismissed, as above mentioned, subject to the directions given above.

26 June 2010, Islamabad, The News International.

Source: <http://www.pakstudy.com>

## *IV: Economy*

### **State of the Economy**

#### **Executive summary**

A measure of macroeconomic stability achieved over the past two years has kindled a moderate recovery in the economy, despite one of the most serious economic crises in the country's recent history. The economy grew by a provisional 4.1% in the outgoing year, after a modest growth of 1.2% in 2008-09. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

First, the durability of the economic turnaround is far from assured given the significant challenges the economy faces. Second, not all sectors of the economy or regions of the country appear to have participated so far in the modest upturn. Finally, in order to meet the employment aspirations of the large number of entrants to the labour force, a higher sustained growth rate will need to be achieved in the medium-term.

A combination of limited fiscal space and rising spending, debt, and inflationary pressures, significantly reduce the government's ability to spend in order to stimulate the economy. Under the circumstances, the prudent course for policy in the near term remains the pursuit of greater fiscal consolidation through domestic resource mobilization, in conjunction with reducing the size of government, and improving the efficiency of public sector spending.

The macroeconomic context remains difficult in the near term with continuing challenges. The global economy remains in turmoil, with uncertain prospects for demand for Pakistan's exports. In addition, the energy and water shortage, and the internal security situation, could constrain growth in 2010-11. However, the economy could benefit from large initial productivity gains as capacity utilization begins to increase from a low base. For the longer term, however, without a resolution of Pakistan's perennial structural challenges, such as raising the level of domestic resource mobilization or promoting higher productivity in the economy, growth and investment will continue to be constrained, and the growth prospects volatile.

## Growth

Despite severe challenges, the economy has shown resilience in the outgoing year. Growth in Gross Domestic Product (GDP) for 2009/10, on an inflation-adjusted basis, has been recorded at a provisional 4.1%. This compares with GDP growth of 1.2% (revised) in the previous year.

For the outgoing year, the *Agriculture* sector grew an estimated 2%, against a target of 3.8%, and previous year's growth rate of 4%. While the *Crops* sub-sector declined 0.4% over the previous year, *Livestock* posted a healthy rise of 4.1%. Industrial output expanded by 4.9%, with *Large Scale Manufacturing (LSM)* posting a 4.4% rate of growth. The *Services* sector grew 4.6%, as compared to 1.6% in 2008-09.

Overall, the *Commodity Producing Sectors* are estimated to have expanded at a 3.6% pace, which represents a significant turnaround from the anaemic growth rates of the previous two fiscal years.

The stronger pace of economic growth in 2009-10 has occurred on the back of several favourable developments, which have included:

- Substantial transfers to the rural sector over the past two years via the government's crop support price policies, which, combined with higher worker remittances, have sustained aggregate demand in the economy;
- A larger-than-expected cotton output, which offset the moderately negative impact on the wheat crop caused by a delay in seasonal rains;
- An ongoing improvement in external demand for Pakistan's exports, mainly textiles;

The revision of previous year's growth rate, a downward adjustment from a provisional 2% to a revised 1.2%, has also provided support to the headline growth rate for the current year, with the impact estimated at over one percentage point.

The more positive outturn for economic growth in the current fiscal year comes in spite of costs the economy has had to bear in the last two years on account of the internal security situation, combined with the severe energy shortfall. The latter is estimated to have reduced overall GDP growth by approximately 2.0% in 2009-10. Despite the security situation, overall military spending as a proportion of budget outlays has declined. Another focus has been the rehabilitation of Internally Displaced Persons (IDPs) and reconstruction of affected areas. It is pertinent to note that during 2009, Pakistan had one of the largest IDPs population in the world, with an estimated over 3 million people displaced from their homes in Swat, Bajaur, Malakand division, and South Waziristan agency (SWA).

The timely availability of water for agriculture was also significantly lower this year, continuing a secular trend of decline over the past several years. Water availability has now become one of Pakistan's top inter-generational policy and development concerns.

A shortfall in the inflow of external assistance, including from the *Friends of Pakistan* consortium, combined with delays in the release of refunds

from the *Coalition Support Fund*, led to heavy borrowing by the government in domestic credit markets, leading to valid fears of crowding out of credit to the private sector.

Signs of a turnaround in segments of the economy notwithstanding, there are continuing areas of concern and reasons for caution. The recovery in economic growth is fragile, and will remain so till the weaknesses in the macroeconomic framework are forcefully addressed. In order to effectively provide sustainable employment opportunities for the young entrants to the labour force, a higher growth will be needed. In fact, according to the latest *Labour Force Survey* (for 2008-09), the unemployment rate has increased to 5.5% (from 5.2%), largely due to the increase in urban unemployment to 7.1% (from 6.3%).

Furthermore, the observed trend of improvement in the headline growth rate is likely to have been restricted to the more formal, and hence larger-scale, part of the economy, given its relatively greater insulation from energy shortages. The small and microenterprise sectors, which employ the bulk of the non-agricultural labour force, and are less well captured in the national accounts data, are much less insulated, and therefore significantly more vulnerable to shocks such as wide spread disruptions to energy supply.

It is important to address the structural constraints to long run sustainable growth. This will also provide greater visibility to markets and investors with regard to Pakistan's economic prospects in the medium to longer term, and will be a key catalyst for higher private capital inflows and investment.

Given the long standing constraints under which macroeconomic policy is operating, with high inflation, low domestic resource mobilization, and rising debt servicing pressure, it is clear that Pakistan cannot afford an expansionary policy stance at this stage. A policy stimulus, without the requisite reserves or fiscal space, will only worsen macroeconomic imbalances. On the other hand, greater fiscal consolidation can have longer lasting and more far-reaching effects on growth, by reducing the crowding out of the private sector through public sector borrowing leading to lower interest rates.

## **Investment**

At current market prices, Gross Fixed Capital Formation (GFCF) has been estimated to have declined 0.6%, after recording a 5.5% increase in 2008-09. A decline in fixed investment by the private sector has accounted for the overall change, with an estimated contraction of 3.5% for the year. The bulk of the decline has occurred in *Electricity & Gas, Large Scale Manufacturing, Transport & Communication, and Finance & Insurance*.

Clearly, this development is not salutary for the long run prospects of the economy. However, given the challenging circumstances in which the economy had to operate during 2009-10, it is not surprising that the private investment response has remained subdued. A substantial decline in Foreign Direct Investment (FDI) inflows for the period also contributed to the decline in

fixed investment in 2009-10. FDI accounts for a high share of gross fixed investment in Pakistan, with a share of close to 20 percent.

The decline in FDI inflows was in line with the steep drop in global flows of Foreign Direct Investment (FDI), which fell 32 percent in 2009 according to estimates of the International Institute of Finance (IIF). For the period July to April 2009-10, FDI totalled US\$ 1.8 billion as compared to US\$ 3.2 billion in the same period of FY09. This represents a decline of 45 percent.

A large part of the decline in FDI for the period was recorded under Telecommunications (a net decline of US\$ 607 million), and Financial Services (a fall of US\$ 548 million). Combined, the decline in these two sectors, which related to a few “lumpy” transactions last year, amounted to 81 percent of the overall reduction in FDI in 2009-10. Investment levels in some sectors remained healthy, including in *Oil and Gas exploration* (FDI of US\$ 605 million), *Communications* (US\$ 222 million), *Transport* (US\$ 104 million), *Construction* (US\$ 86 million), and *Paper and Pulp* (US\$ 81 million). Despite a steep decline, inflow of FDI into *Financial Services* was recorded at US\$ 133 million for the period.

A worrying development was the large net disinvestment recorded under the IT Services sector for the year (amounting to US\$ 95 million). Overall, out of the major industry categories, 12 recorded higher FDI for the period, while 24 industries witnessed a net reduction in FDI inflow.

### Stabilization

Pakistan has achieved impressive initial gains in restoring macroeconomic stability in the aftermath of the balance of payments crisis of 2008. As a result of determined policy effort:

- The fiscal deficit was reduced to 5.2 percent of GDP in 2008/09, from 7.6 percent of GDP in 2007/08, a fiscal adjustment of 2.4 percent of GDP. For 2009/10, the fiscal deficit is aimed to be kept in check at 5.1 percent of GDP, despite the absorption of unprecedented security-related spending.
- The external current account deficit was contained to 5.6 percent of GDP (US\$ 9.3 billion) in 2008/09, from a high of 8.3 percent of GDP in 2007/08 (US\$ 13.9 billion). The current account deficit is expected to decline to under 3 percent of GDP in the current year;
- Foreign exchange reserves have been rebuilt to nearly US\$ 15 billion, from their low of under US\$ 6 billion in October 2008, though much of the accumulation is due to releases from the IMF;
- Inflation declined from 25% in October 2008, to a recent low of 8.9% in October 2009, though it has accelerated sharply of recent and is showing persistence;
- International credit rating agencies upgraded Pakistan (from CCC+ to B- by S&P, while Moody’s revised its outlook to *Stable* [August 2009]);

However, challenges in consolidating these early gains have emerged, with inflation in the economy reappearing, and fiscal pressures increasing.

## **Inflation**

After a period of containment, inflationary pressure has intensified since October last year on account of a number of adverse developments, including the washing out of the base effect from the previous year and a sharp spike in global commodity prices that has persisted since 2008 and which is exerting strong upward **pressure** on domestic prices. To some extent, this also reflects the excessive public sector borrowing, as well as adjustments in public utility prices, generated by losses in the public sector enterprises, especially electricity.

As a result, after easing to a recent low of 8.9% in October 2009, overall CPI inflation accelerated to 13.3% year-on-year in April, with food inflation at 14.5% and non-food inflation at 12.2%. Core inflation, as measured by the rate of increase in prices of non-food, non-energy components of the CPI basket, registered an increase of 10.6% year-on-year. On a period-average basis, overall inflation was recorded at 11.5% for July to April. The State Bank of Pakistan expects the average CPI inflation for the current fiscal year to remain close to 12%.

The refuelling of inflationary pressure is evident in all price indices, with the Wholesale Price Index (WPI) rising steeply, from 0.3% in August 2009 to 22% in April 2010. Similarly, the Sensitive Price Index (SPI) has recorded a 16.7% year-on-year increase for April, versus 6.7% in October 2009.

The resurgence of inflation is not restricted to Pakistan and is both a global as well as a regional phenomenon, though with varying orders of magnitude. Global food inflation, as proxied by the UN's Food and Agricultural Organisation's FAO Food Prices Index, had risen to 20 percent year-on-year in January 2010, before declining to 13 percent in April, while India's food price inflation rose over 19 percent year-on-year in December 2009, before settling at 17 percent in March. By comparison, year-on-year CPI food inflation in Pakistan was recorded at 14.5 percent in April.

In terms of mitigation strategies, policy options have been limited for much of the current fiscal year in the backdrop of high – and rising – international commodity prices. Imports under these conditions are not likely to dampen domestic prices, except to the extent of excess pressure caused by domestic shortfalls, if any.

Improved availability through better administrative measures against hoarding is likely to have some effect at the margin. This will have a greater effect, however, if employed in conjunction with close vigilance of use of bank credit for commodity purchases by the private sector. The revival of the price magistracy system can also be an effective “localized” tool in the fight against price inflation in essential food items.

In the longer run, improvements in agricultural productivity hold the key to mitigation of food price inflation. So far, governments have followed an extensive farming policy, using the crop support price as an intervention tool. However, there are clear limitations to this strategy, including the diminishing responsiveness of output to price incentives, the impact on the general price level, and the implication for recourse to budgetary resources, especially in the

case of wheat. A shift to more *intensive* agriculture is the need of the hour, with returns to farmers linked to better yields (volume-based) rather than to a price-based mechanism of support.

A further critical element in the containment of price pressure in the economy will be continuation of prudent macroeconomic policies, including monetary policy, which is essential to prevent a spill-over from food and energy components of the CPI to the broader household consumption basket – which to some extent is inevitable under the circumstances. Demand management is still an essential component of the overall policy mix to prevent an entrenchment of inflationary expectations. Segments of society vulnerable to the effects of policy-induced price adjustments will require wider – but better targeted – coverage of social safety nets.

### **Poverty & Income Inequality**

In the absence of an official recent poverty survey, it is unclear what the distributional effects of developments in the global as well as domestic economic landscape over the past two years have been. The reduction in inflation from 25 percent to single digits represents the most significant benefit of the stabilization as far as the poor are concerned. Yet greater unemployment and the fairly steep adjustment in administered prices of food and energy, has, in all likelihood, adversely impacted vulnerable segments of the population, especially those on low and fixed incomes, and in the urban areas.

On the other hand, a substantial rise in inflows of worker remittances, partly in response to a government policy initiative, combined with unprecedented transfers in 2008 and 2009 to the rural economy under the government's crop procurement program, are likely to have provided significant support to large segments of the population. Cash transfers under the *Benazir Income Support Program (BISP)*, amounting to an estimated Rs.35 billion in 2009-10, are very likely to have been an additional source of support to those in need.

Hence, on the whole, a more careful examination of the distributional impact of recent developments is required, in order to design better-targeted policy responses.

### **Public finances**

Pakistan's public finances have come under increasing strain over the past two years due, in large part, to substantial outlays on electricity subsidies. Despite a sharp upward adjustment over the past two years, amounting to over 60% for some consumer categories, electricity tariffs have still not reached cost-recovery for the public sector utilities. In large part, this is due to two adverse developments in operation for much of the last over one year. First, lower rainfall reduced power generation from the dams. Second, the adverse shift in the energy generation mix towards fuel oil, has been accompanied by a near-doubling of international oil prices between January 2009 and April 2010.

The continued haemorrhaging of fiscal resources by the power sector is also partly a result of unchanged end-user tariffs between 2003 and 2007.

Lower than budgeted external assistance pledges also compounded difficulties in fiscal management during 2009-10. It led to sharp cutbacks in outlays for the public sector development program, which had been pitched at an unrealistically high level.

The heavy recourse by the government to borrowing from the domestic banking system led to fears of crowding out of the private sector. However this was obviated by weak credit demand from the private sector, as well as improved liquidity in the banking system. Nonetheless, there was an unintended consequence: interest rates moved upward as a result.

After a sluggish start, however, and despite a difficult economic situation, tax collection has risen nearly 14% for July to April 2009-2010, as compared to the corresponding period of 2008-09. As a percent of GDP, however, tax collection remains low.

All told, the developments outlined above are likely to result in a moderate over-shoot of the budgeted target for the overall fiscal deficit. Against a budgeted 4.9% of GDP, the revised outturn in 2009-10 is projected to be 5.1%.

During the outgoing year, the basis was laid for two fundamental, potentially “game-changing”, developments in public finances. First, the Seventh National Finance Commission (NFC) Award was successfully concluded after a lapse of 19 years, with a fundamental shift in the basis for determining the vertical (from Centre to Provinces), as well as horizontal (between Provinces) distribution. Effective from July 1, 2010, the 7th NFC Award will more than double the quantum of annual resource transfer to the Provinces. With the devolution of expenditures to the Provinces under the 18th Constitutional Amendment set to become effective from 2011-12, the interim period is likely to cause a degree of strain on federal finances.

Second, in a major policy effort to broaden the tax base, legislation was laid before the national as well as provincial assemblies to introduce an integrated, broad-based and modernized system of the GST (leading to a Value Added Tax (VAT)) as originally intended in 1990. Key elements include concerns about the lacunae introduced in the legal framework over time. This requires needed amendments to the law at both national and provincial levels. In addition, modernization of the tax administration to ensure arms length dealing with taxpayers, with verifiable and timely refunds, and addressing concerns with rent seeking and governance in the FBR. It is estimated that the move to VAT could yield up to 3 percent of GDP in additional revenue over a period of three to five years, although the estimates for the coming year by leading tax experts are appropriately modest at around 0.7 percent of GDP.

Looking ahead, easing the budget constraint assumes even greater urgency. Addressing two decades of under-investment in critical sectors of the economy – social sector, water reservoirs, physical infrastructure, including the increasing need for maintenance of existing capital stock – cannot be postponed for much longer and will require vast resources. Catering to a rapidly rising

population, in conjunction with the need to put in place targeted social safety nets, will further add to the resource requirements.

Meeting the expected expenditure requirements in the medium term will require redressing the fundamental weaknesses in the structure of public finances. These perennial weak links have remained unaddressed in the past, and include a low, and declining, ratio of tax collection to GDP; weak incentives for improvements in provincial finances, which could possibly have been weakened further by the new NFC award; and, leakages in public sector expenditure.

### **Economic reform**

Cognizant of the limitations of the growth strategy followed in the past, which has inevitably produced boom-bust cycles followed by a balance of payments crisis, the government has embarked on a fundamental change of the development paradigm.

The new development strategy seeks to foster sustainable and more equitable growth by means of structural improvements in the productive sectors of Pakistan's economy, involving a broad range of policy actions across sectors. The current status of some of the important reforms is as under:

- Raising the Tax-to-GDP ratio is a key pillar of the government's economic strategy. To this effect, a proposed law to implement a broad-based Value Added Tax (VAT) with minimal exemptions from July 1, 2010 has been presented to Parliament.
- In addition, other measures such as improving tax administration and reinstating tax audits have been taken. The cumulative effect of these policy measures is expected to be an increase of Pakistan's Tax-to-GDP ratio to 13 percent by 2013 (from 8.9 percent in 2008-09).
- Under *Social Protection*, the government has launched the Benazir Income Support Program (BISP). An allocation of Rs 70 billion has been made in the Federal Budget 2009-10, with the aim of targeting 5.5 million poor and vulnerable Households in Pakistan with a cash transfer of Rs.1,000 per month to each. The size of BISP makes it the largest social protection scheme in the country's history, and it works in conjunction with other safety nets such as *Bait-ul-Maal*, *Zakat Fund*, and provincial programmes such as the *Sasti Roti* scheme.
- A Cabinet Committee on Restructuring (CCoR) has been formed to restructure key Public Sector Enterprises (PIA, PEPCO, Railways, TCP, USC, Pakistan Steel Mills, NHA) with a view to stop leakages caused by annual losses amounting to approximately 1.5% of GDP. The eventual aim is to turnaround these PSEs into profitable, self-sustaining ventures under Public-Private Partnership mode.
- Under reform of the power sector, electricity tariffs have been raised between 40-55% in less than two years, in an effort to reduce the level of subsidies absorbed in the budget, while simultaneously moving to a full cost-recovery tariff for the power utilities. Under a new Act of parliament,

adjustment in tariff for changes in fuel prices for power generation has been made automatic.

- The government successfully concluded the Seventh National Finance Commission (NFC) Award – only the fourth in Pakistan’s entire history, and the first for the last 19 years. This Award greatly augments the quantum of resource transfer from the Centre to the Provinces.

In conjunction with the higher resource transfer to the provinces, the Centre will also devolve some major functions/expenditure heads to the sub-national governments in line with the provisions of the 1973 Constitution.

### **External account**

Amid still-difficult global economic conditions, large costs to exports imposed by the war on terror, and a severe energy crisis faced by Pakistan’s economy, the external sector witnessed an overall improvement during 2009-10. This recovery was mainly contributed by a sharp narrowing of the current account deficit which more than offset the declining financial account surplus during the period. In addition, macroeconomic stabilization measures taken by the government also significantly contributed to overall improvement in the external sector of Pakistan.

The external current account deficit is expected to contract to around 2.8 percent of GDP in the outgoing year. This large improvement is mainly on the back of a steep decline in imports for much of the year, improving exports as world demand is gradually restored, and a continued increase in worker remittances, which are expected to reach 4.8 percent of GDP for the full fiscal year. Worker remittances have increased from US\$ 6.4 billion in July-April 2008-09 to US\$ 7.3 billion in ten months of the current fiscal year (July-April). A large part of the recent increase in remittances, which appears to be secular in nature, has emanated from a policy initiative of the government in early 2009 called the *Pakistan Remittance Initiative (PRI)*. With the potential for formalising the remittances market estimated between US\$ 16 billion (World Bank) and US\$ 21 billion (PRI) annually, further success on this front can have far-reaching positive effects on stability of Pakistan’s balance of payments in the years ahead.

An added factor that is likely to extend support to the external account in the months ahead, and possibly for much of 2010-11, is the collapse in global commodity prices induced by the Eurozone-wide contagion from the ongoing Greek debt crisis. Since the start of the difficulties in Greece earlier in 2010, international oil prices have fallen by over 11 percent. However, developments on this front could potentially also impact remittances and exports, especially if the fall out is not contained, and spreads to other regions. On balance, it appears for now that, in immediate terms at least, the deflation in import payments will outweigh the other factors, as evident from Figure 2. If so, this could insulate the external account from pressure in the near term.

### **Public debt**

Pakistan's total public debt stood at an estimated Rs.8,160 billion as of end-March 2010. At this level, public debt is equivalent to 56% of GDP, and 379% of total budgeted revenue for the year. Of the total, Rupee-denominated debt amounted to 31% of GDP, while foreign currency-denominated debt was the equivalent of 25% of GDP.

The bulk of the increase in public debt in the first nine months of 2009-10 has been recorded under higher-cost domestic debt, with the government forced to borrow from the onshore credit markets in the absence of meaningful flows of external assistance, barring disbursements under the IMF loan. Domestic debt rose 22% in annualized terms during July to March. Another source of increase has been the depreciation of the Rupee against the US dollar between July 2009 and March 2010, amounting to 4.4%. The weaker Rupee added 17% to public debt in the first nine months of the year.

Public debt has risen rapidly since 2005-06. While the relative debt burden, measured either as a percent of GDP or of total revenue, does not depict a significant deterioration in the debt dynamic, the net annual addition to the debt stock has been fairly rapid over the past 4 years.

The primary sources of accumulation in the public debt stock since 2005-06 have been:

- Currency translation losses on foreign exchange-denominated debt. For 2007-08 and 2008-09, the cumulative depreciation of over 25% of the Rupee against the US Dollar is estimated to have increased the public debt stock by approximately Rs.235 billion, or a total of 11% increase on this count alone over the past two years.
- Non-recognition of large subsidy payments to the oil and power sector from prior years that were absorbed in the budget in 2007-08 and 2008-09;
- A sharp reduction in non-debt creating inflows, such as FDI, in the wake of the global financial crisis;
- The augmented access to IMF resources provided to Pakistan in the form of the Stand By Arrangement (SBA) signed in November 2008, amounting to a total of US\$ 11.3 billion, of which approximately US\$ 7.3 billion has been disbursed;
- Overall, a lower inflow of external assistance, which forced the government to higher-cost domestic borrowing;
- Lumpy repayment of maturing Defence Savings Certificates (DSCs) since 2007, that had not been budgeted for;
- The inability of the government to take advantage of the historically low interest rate environment in the 2003 to 2007 period, by locking into longer tenure debt such as the five- and ten-year Pakistan Investment Bonds (PIBs).

In terms of servicing of the public debt, interest payments were budgeted at 4.4% of GDP for 2009-10, while total debt servicing including repayment of foreign loans and credits, was budgeted at 5.8% of GDP. Budget estimates of interest and principal repayment of foreign loans and credits during

2009-10 amounted to nearly 40% of total revenue, and approximately 30% of expenditure.

It is important to note, however, that the figure for public debt does not include publicly-guaranteed debt, such as borrowing by state-owned enterprises for commodity operations against an explicit government guarantee. In addition, in line with international convention and past practice, only that portion of the IMF loan that has been used for deficit financing by the government is recorded under public debt, while the remainder is shown under “monetary authorities” (i.e. the central bank).

In the context of a rising stock of public debt, it is important to make the nexus between, on the one hand, the weak tax effort that has characterised Pakistan’s policy landscape for the last several decades, and on the other, the reversal of the favourable debt dynamic that had been set in motion earlier. If Pakistan’s tax-to-GDP ratio had been a modest 13% since 2005, when economic conditions were extremely favourable for a breakthrough in broadening the tax base, instead of around 10%, the public debt would have been around 44% of GDP currently, or a full 12% of GDP lower. The lower public debt stock would have translated into savings in interest payments since FY05, which would have represented a substantial expansion of the resource envelope the government is currently working with.

### **Outlook for the economy**

The medium term prospects for the economy are promising, provided the current path of reform is not abandoned. Pakistan has achieved fairly impressive early success in its efforts to stabilize the economy from a parlous state of affairs in the aftermath of the macroeconomic crisis of 2008. Protecting the recovery is of paramount importance, and the government needs to keep a restrictive stance on public spending. Greater realism about the prospects and accurate forecasts about resources and available funds for the development plans at each level of government is needed.

A number of interlinked actions are needed in the coming year:

- Checking inflation—this involves limiting borrowing by the government and the public sector.
- Bringing people to the centre stage, by appropriately designed employment and training programs to protect those in strife-affected areas, and new entrants to the labour force.
- But there are major risks to the growth and stabilization prospects if there is
  - Non-implementation of the reform of the GST, leading to a VAT, or other significant tax broadening measures;
  - This might affect the phased nature of fiscal devolution envisaged under the Eighteenth Constitutional amendment (to be effective from 2011-12), in the context of the frontloaded transfers to the provinces under the Seventh NFC Award (effective from July 1, 2010);
  - Larger-than-budgeted security related expenditures;
  - Inadequate targeting of subsidies,

- Failing to reform public sector enterprises, including the power sector, with no resolution of the energy circular debt issue;
- Continued overhang of commodity financing debt stock, if unchecked, threatens to constrict access to bank credit by the private sector, while simultaneously increasing the interest rates in the economy;
- A deterioration of the internal security situation.

The tipping of the world economy into a severe recession in the wake of the Euro-zone debt crisis, could hurt Pakistan's exports as well as remittances on the one hand, but could reduce international prices of key commodities such as oil, on the other.

With relatively low levels of capacity utilization in the economy, a turnaround in investor confidence can unleash large productivity gains even with low levels of fixed investment. Nonetheless, overall, a combination of rising fiscal pressures, a developing debt overhang, and an uncertain path of inflation in the near term, significantly reduces policy space to stimulate the economy.

For the longer term, efforts to meaningfully address Pakistan's perennial structural challenges, such as the abysmally low tax/GDP ratio and low overall productivity in the economy, are more than likely to unlock Pakistan's substantial economic potential.

*Source:* [www.finance.gov.pk/survey/chapter\\_10/State\\_of\\_the\\_Economy](http://www.finance.gov.pk/survey/chapter_10/State_of_the_Economy)