

# Outlook better, brighter

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By Shahid Javed Burki

IT HAS been my practice to provide in this space some impressions about Pakistan after every reasonably long visit to the country. I have recently returned to Washington after a two and a half week stay in Pakistan. During this time I visited three cities — Karachi, Lahore and Islamabad — and met dozens of people. What impressions do I bring back with me this time around?

There is a fairly simple and straightforward answer to this question. I am more hopeful today about Pakistan's future than I have been for a fairly long time. I know that my optimism is not shared by many people. I met several pessimists during my stay and had long conversations with them to understand their reasons for losing hope in the country's future.

I believe these people could be more optimistic if they took into consideration several subtle changes that have taken place in the recent past, both inside Pakistan and in the country's external environment. These changes may begin to move Pakistan forward simultaneously on a number of parallel tracks — economic, political and social. But why do pessimists persist in maintaining a gloomy outlook?

A long period of poor performance in many fields has produced a mindset that is not prepared to notice when things begin to change for the better. A society battered by poor gov-

erns, including President Musharraf and Prime Minister Jamali. The main purpose of that visit was to iron out the wrinkles that had appeared in the fabric of Afghan-Pakistan relations.

From Afghanistan's perspective, the seeming resurgence of the Taliban and Al Qaeda in the south-eastern parts of the country bordering on Pakistan was an extremely troubling development. During the weekend before President Karzai's visit to Islamabad, two American soldiers were killed in Paktia province by a pro-Taliban group thought to number around 800 men who continued to enjoy the hospitality of the tribal leaders dominant in the area. How to flush out these people, secure the border with Pakistan and win the hearts and minds of the tribal people were some of the subjects Karzai's team discussed with Pakistan's leaders in Islamabad.

Pakistan also seemed to be making

groups represented in the parliament failed to work with one another. This confrontation between the forces that represent the current establishment in which the military has a heavy presence and the opposition could upset — even, possibly, topple — the constitutional appercentage assembled by General Musharraf. If that were to happen, Pakistan will face once again the type of political uncertainty that took a heavy toll on the economy in the eleven-year period between 1988 and 1999.

The dialogue on General Musharraf's Legal Framework Order was taking place while encouraging news about the state of the economy had begun to reach the people. On April 30, the head of the Asian Development Bank's office in Islamabad called in the press to give his impression about the state of the Pakistani economy. He expected the rate of GDP growth during the

2003 fiscal year, ending in June, to be 4.5 per cent, perhaps even a bit better. This was the consequence of some return of confidence which was bringing back investment into several sectors, including large-scale manufacturing.

The output of the manufacturing in the first three quarters of the year had increased by over eight per cent compared to the same period in 2002. The value of exports had increased by over 20 per cent. For the first time in the country's history, export earnings were set to cross the \$10 billion mark. Remittances sent by Pakistani workers living abroad were estimated to set a record, at over four billion dol-

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A society battered by poor governance, by the wilful mismanagement of the economy, and by the utter disregard for the welfare of the common man (particularly the common woman) — which was the situation in Pakistan for more than a decade — finds it difficult to see the light at the end of a long tunnel. The tunnel for Pakistan has been long but we can see a light that indicates that we may be approaching its end.

Pakistan functions today in an extremely complicated environment in which international and domestic politics, international and domestic economics, international and domestic social change have all come together to form a bewildering and complicated mosaic. So much is occurring inside and outside Pakistan to make predicting the future an extremely hazardous exercise. In this discussion I will not speculate about the future but only reflect on some of the positive developments that have taken place recently in and around the country.

The most important of these perhaps is the sudden easing of tensions with India. The pace with which this is happening is truly remarkable. It was about a month ago when some of India's senior leaders were describing Pakistan as a better target for a pre-emptive strike than Iraq. According to this line of thinking, Pakistan posed a greater danger to world peace than Iraq did. It possessed weapons of mass destruction and was supposedly harbouring terrorists. Within a few days of such bellicose statements, an entirely different line was taken unexpectedly on April 18 by Atal Behari Vajpayee, India's prime minister. He called for the resumption of a serious dialogue between the two countries.

Pakistan's response came quickly and comprehensively. President Pervez Musharraf suggested the denuclearization of South Asia. Prime Minister Zafarullah Khan Jamali proposed a series of "confidence-building measures." India designated a veteran diplomat to be its new high commissioner in Islamabad. A group of Pakistani legislators crossed the border at Wagah and travelled to India. Pakistan announced additions of several items to the list of goods that could be imported from India. A week, they say, is a long time in politics. A month seems to have done wonders in reducing the tension between South Asia's arch rivals.

This was not the only happy development on the international scene, from Pakistan's perspective. On April 22-23, President Hamid Karzai of Afghanistan visited Islamabad and met Pakistan's senior lead-

progress in dealing with the menacing problem posed by the presence in the country of some remnants of Al Qaeda. On April 29, the country's security forces carried out an operation in Karachi and arrested half a dozen Al Qaeda operatives, including the man wanted by the US for masterminding the attack on USS Cole which had claimed the lives of 19 American servicemen. Also found in this hide-out was a large arsenal of weapons and explosives. It was said that the group was planning an aerial attack on the US consulate in Karachi.

Improvements in Pakistan's relations with its neighbours and some successes in dealing with the threat posed by foreign terrorists in the country were not the only positive movements I noticed during my recent visit. There were some interesting developments in the field of domestic politics as well. The government coalition and the opposition assembled a group of legislators and entrusted it with the task of finding a solution to Pakistan's latest constitutional crisis — the opposition's unwillingness to accept the Legal Framework Order used by President Musharraf to amend the Constitution.

This question was discussed at length around the dinner tables, in the drawing rooms and in the columns of several influential newspapers while I was in the country. There were a number of people who were in the process of shedding their almost romantic attachment to the 1973 Constitution. Among them were two influential columnists writing, respectively, for *Dawn* and *The Nation*. Both Kunal Deb and Humayun Gohar had reached the conclusion that a presidential form of government was more suitable to what President Ayub Khan had once described as "the genius of the Pakistani people." Was the temperament of the Pakistani citizens so different from that of the people of India that they couldn't work a parliamentary system to their advantage? Should they, instead, opt for a system that vests greater authority in one person, duly and periodically elected by the people?

Such systems have worked well in several countries of east and south-east Asia and in Latin America. Should Pakistan continue to follow slavishly its attachment to the Westminster system or should it, once again, indulge in some experimentation to come up with a structure that would work for its people and the environment in which they live?

These questions will linger and continue to be asked for as long as the various social

lars.

The State Bank of Pakistan was continuing to accumulate reserves. Ishrat Hussain, the Bank's governor, told the press that he had set the target of reserves at an amount equivalent to eleven months of imports. This target would help protect the country from the volatility it had experienced in the past, caused by precipitous plunges in the levels of reserves. Interest rates continued to decline, providing further impetus to those who wished to invest in the economy. The rate of inflation remained low.

Also encouraging were some stirrings in the capital markets. A group of Pakistani investors launched a new issue on the Karachi Stock Exchange in early May. This was the first initial public offering in thirty months. Its successful launching not only signalled investor confidence. It was of particular importance for two additional reasons. One, the sponsors belonged to the large Pakistani expatriate community in the United States. The fact that they were committing a significant amount of their own capital to a Pakistani enterprise was a reflection of the confidence they had in the economic future of their homeland. Two, they had entered an area in which Pakistan, because of its demographic situation, had considerable potential.

The company founded by these entrepreneurs was planning to buy call centres operating in the United States and bring them to Pakistan. A study by Forrester Research, a US consulting company, estimated that this type of migration generally referred to as out-sourcing could send out 3.3 million American jobs by 2015. India, with its large pool of English speakers and more than two million college graduates every year, is expected to get 70 per cent of these jobs. This is an area where Pakistan should be able to compete with India and add significantly to its exports.

In sum, the stage seems to be set for Pakistan to launch itself on a path of growth of some six to seven per cent a year which it could sustain for many years into the future. However, for that to happen, the country will need to set its political house in order. The burden for achieving that is on the shoulders of the politicians who seem reluctant to accept the basic premise on which the new political structure has been erected — that to obtain political stability people's representatives will have to accept some constraints on their free-wheeling ways.