

*Conference Proceeding No. 4*

**PROCEEDINGS OF THE  
SEMINAR ON PROSPECTS AND  
POLICIES FOR THE FUTURE**

**2000**

**Social Policy and Development Centre**

**SPEECH BY**  
**MR. MOEEN QURESHI**  
**KARACHI, JANUARY 15, 2000**

Bismillah-ar Rahman-ir Rahim

Assalam-o-Alaikum

Ladies and Gentlemen, Friends, my fellow Pakistanis

I feel very privileged to have been invited by Dr. Hafiz Pasha and the staff of the Social Policy and Development Centre to speak on this occasion.

The staff of the Centre, under the leadership of Dr. Pasha, have been doing superb analytical work on issues of public and social policy. Their Annual Reviews of Social Development, and their many publications, have set high professional standards, and have been widely praised both at home and abroad. I have no intention of competing with them by giving you a lecture on economics.

My remarks today are of a more general character – they deal with issues of economics and political governance that confront Pakistan as it enters the next millennium. And I shall look at these issues from the perspective of the recent political and governmental changes that have taken place in Pakistan.

In his speech of October 17, General Musharraf said: “We have reached a stage where our economy has crumbled, our credibility is lost, state institutions are demolished, provincial disharmony has caused cracks in the Federation, and people who were once brothers are now at each others’ throats.”

That was a vivid and true description of the current state of our nation.

Therefore, I must to tell you frankly that I was relieved that, at long last, our armed forces decided to intervene.

This was not because I like military interventions – I don’t.

My own record shows that during my brief tenure in 1993, I worked single-mindedly to hold free and fair elections, and to lay the foundations for democratic governance.

It is to the credit of General Waheed, then Chief of Army Staff, and his colleagues in the armed forces, that they cooperated fully with me in that endeavor.

However, by October 1999, at the time of the most recent military intervention, I had become convinced that the country was headed for economic and political disaster.

I was afraid that the deteriorating economy, the worsening law and order situation, the progressive undermining of key institutions of the State and the growing hostility between different provinces, and between various religious and ethnic groups, could lead to the political disintegration of the country.

In these circumstances, it seemed to me that the intervention by the armed forces of the country was not only necessary – it was perhaps the only way of preserving the integrity of country.

Over the last half-century, the armed forces have intervened time and again to save the country from the consequences of the mistakes and misdeeds of our politicians.

Each time we have tried to resurrect a new version of our parliamentary democracy and each time we have failed.

We revert invariably to a politics of confrontation rather than accommodation, a politics of personalities rather than issues – and the personalities are preoccupied more with retaining or acquiring power than with the task of serving the people.

But a military Government is no panacea either. It can only be – it should only be – a transitional Government. Its objective must be to create the environment in which a democratic Government and institutions can begin to grow and flourish.

This is not an easy task. Military interventions inevitably raise people's expectations. People expect immediate solutions to problems that have accumulated – and have remained unresolved – over the years. Someone once said that people will bear their tyrants for years without effective protest but they will tear their deliverers to pieces if millennium is not achieved immediately.

We must bear this very much in mind as we chart the nation's future course.

It is against this background that I am going to talk to you today about the task that lies ahead – for our new Government and for our people – the task of rebuilding our nation.

I am not going to dwell on the past. The past is history. I want to focus on the future.

I want to talk about the incredible window of opportunity that we now have – thanks to the military intervention – to start anew and lay the foundations for the

type of a modern and progressive state, based on Islamic principles of social justice, which Quaid-e-Azam had envisioned more than half-a-century ago.

We may not get another such opportunity.

There comes a time in the life of a nation when it confronts a great test of character and its mettle. Now, after some fifty years since Pakistan was established, I believe this is such a time.

At home we face serious political, economic and social problems. Abroad we face an increasingly hostile environment.

Therefore, more than ever before, it is incumbent upon all of us to join hands, in a spirit of national unity, to address our problems with honesty and determination.

And our new rulers must recognize that they too have a unique opportunity – and responsibility – to secure and safeguard the fate and future of our nation. Like our politicians, they too will lose the confidence of the people and credibility if the current experiment does not succeed.

Let me say at the outset that our plans for the future must take into account the dramatic changes that have taken place in the world during the past few years.

The world today is very different from what it was a decade ago or even five years ago. It is a world of globalization which is bringing about an ever closer integration of people and markets across national boundaries. The new information age and the revolution in transportation and communications is breaking traditional barriers to the movement of trade, capital flows, and technology amongst nations.

In this new age, no nation – and especially no small or medium-sized country – can afford to isolate itself from the mainstream of world economy and finance.

In a globalized world, we can try to be more self-reliant but we cannot be economically self-sufficient. The road to prosperity in the future will depend inevitably upon our ability to attract foreign investment and technology, to modernize our methods of production, to gain access to other markets and progressively open our own markets to foreign competition.

An even greater challenge of globalization is the fact that it is turning our planet into a global village where people have instant access to information and knowledge, and where they can compare themselves to others around the world.

All of this makes the task of economic management and political governance far more difficult than was the case some years ago. It also limits our ability to take

independent or unilateral action because everything that we do provokes immediate reactions abroad.

We will need, therefore, to tread carefully so that we can have access to the opportunities and prosperity that globalization offers but at the same time minimize its backlash.

Let me turn now to what I believe should be the priority agenda of the Government.

General Musharraf in his two major speeches of October 17 and December 15, outlined a comprehensive list of reforms which, if fully implemented, will undoubtedly make an enormous contribution to both national integration and the country's economic recovery.

I am in complete agreement with his long-term objectives and his detailed proposals. Indeed, several of the reforms which he proposes were initiated by the Interim government which I had the privilege to lead. However, our initiatives, for the most part were not followed up, and not ratified by the next Government.



Some of the General's reform proposals can be executed in the near term, others are of a medium-term nature and yet others can only be fully implemented over the long run.

In my view, more rapid progress could be achieved if clear priorities are established between different areas of reform. The present Military Government should focus on these areas where it is likely to have a clear comparative advantage over a civilian government.

The first such area is the maintenance of law and order, and providing access to justice quickly and effectively.

It is the first responsibility of any Government in a civilized society to provide an environment of law and order and security for its people and their property.

This should not be an area for debate – it is the minimum which people expect from their Government. People in Pakistan are clamoring that law and order be enforced, that violators be ruthlessly tracked down and punished, that whatever measures are necessary to strengthen our police forces, or to restructure our judicial processes, or to bring in military or para-military forces to reinforce the civil administration, should be adopted, and that law and order should be restored with an iron hand.

Our first responsibility is to protect the innocent, the weak and the unprotected. There can be – there should be – no compromise on this issue. The Military Government is particularly well qualified and equipped to deal with this problem.

A related issue is that of eradicating sectarian and ethnic violence. Pakistan has the most heavily armed civilian population in the world. It is a population that no longer sees its differences as a source of diversity and strength but rather as a breeding ground for mutual suspicion and distrust.

The irony is that it was Islam that brought us together to form Pakistan. Now it is again Islam that is being exploited to foment sectarian hatred and violence.

In this connection, I was very pleased to see General Musharraf's clear note of warning to the apostles of divisiveness.

But we need to do more than that.

We need to progressively disarm the civilian population because, in the current charged atmosphere, disgruntled elements – domestic or foreign – have the potential to tear apart the fabric of our national unity. This too is a task that a Military Government can handle more effectively than a civilian government.

On the issue of economic revival, I agree with both the Government's diagnosis and the proposed cure. However, we need to distinguish between the short-term imperatives and the long-term strategy.

The large and persistent fiscal deficits over the last decade tell us clearly that we have been living beyond our means. In previous years, we received large amounts of foreign capital in the form of foreign aid, remittances by expatriate Pakistanis, and foreign investment, but these sources have dried up. Thereafter, Pakistan has restored increasingly to short and medium-term commercial finance and this has aggravated the problems of the country's external indebtedness.

The domestic banking and credit system is equally imperilled. It has not only financed the Government, it has been fashioned into a political instrument for financing political cronies and constituents. It has thus accumulated a huge non-performing portfolio.

There is obviously a close linkage between the fiscal imbalance, the emergence of domestic inflation and the increasingly precarious balance of payments situation of the country.

We need a short-term program to jump start the economy, to revive business and investor confidence so that production and exports can begin to flow again.

While there is justification for prosecuting those businessmen who, blatantly misused their political connections, or massively evaded taxes or deliberately defaulted on their loans, the average industrialist businessman in Pakistan does not fall into that category. His politics is merely the politics of survival and he is happy to work with whichever Government is in power. At this time, he needs assistance not harassment.

In the short-run, we obviously need to avert a potential financial crisis. For that we need external assistance – in the form of external debt restructuring, and support from the IMF and the World Bank. We have dug ourselves into such a deep hole that recourse to the multilateral institutions is unavoidable, however disagreeable it might be.

Our long-term strategy, however, must be to avoid this type of dependence on foreign bail outs. The key to achieving this objective is the exercise of strict fiscal discipline and the elimination of budget deficits. They are at the root of our problems of excessive indebtedness and inflation.

Pakistan's need in the future is for less government, not more government. The Government machinery in Pakistan has become bloated with thousands of political recruits. It needs to be drastically shrunk and rationalized. The

Government bureaucracy is now a burden on development rather than an engine for progress.

The other key component of a long-term strategy for achieving financial viability is the reform and privatization of the government-owned banking sector. Publicly-owned banking institutions have rarely been a financial success. The Government will get far better value from the sale of its banking assets if it establishes some mechanism to take over their non-performing assets prior to privatization.

The third major area of reform that deserves some comment is institutional development. I indicated earlier that the main objective – and therefore, also the justification – for a military Government must be to create the environment in which a democratic Government and democratic institutions can begin to grow and flourish.

Perhaps the most important reason for the past failure of democracy in Pakistan is the erosion and demise of social and political institutions. Social and political institutions – such as the civil service, the legal system and academia – in mature democracies enrich the political process by disseminating information and promoting debate, and protect it by providing checks and balances. We have allowed our politicians to undermine and emasculate our existing institutions.

While institutional development is a long-term task, the Military Government can reaffirm and re-establish protective covenants that ensure the independence of such institutions as the Civil Service, the Judiciary, and the Universities. It should also accelerate the process of public sector divestment from existing institutions and shift its role from being an owner to a regulator.

In this connection, I would like to say a word about accountability. The government's campaign for accountability is already designed to cleanse the institutions of corruption and to establish a code of conduct for the future.

However it is critically important that the approach be non-exclusive, that it be transparent and that it be fair – and be seen to be fair. If not, it will be seen by the people as yet another unfortunate reason of the political game that was played upon them by previous rulers so often in the past.

Let me conclude:

I have highlighted a few problem areas which I believe the Military Government is uniquely equipped to handle. The task ahead will not be easy. To move the country out of its existing morass, the Government must develop a clear and well-thought out strategy to dig the country out of the deep hole into which successive

governments in Pakistan have allowed it to sink. And it must prepare the people for a long period of strain and sacrifice.

This will require leadership.

No amount of technocratic planning or strategizing will work if we do not mobilize and harness the support of the people for what lies ahead. Strong and dedicated leadership will be critical to empowering the people so that they become allies and not obstacles in the path to development.

I have no doubt that if the new Government moves decisively in the areas that I have outlined, it will be able, within two to three years, to witness the emergence of an economically strong and vibrant nation. But it must not lose this opportunity to clean house, to act decisively and surgically to eliminate the cancers that have effected the body politic in the past.

My dream for Pakistan is the same dream that Quaid-e-Azam had -- building a modern and progressive nation.

He saw consistency, not contradiction, between a modern and progressive system and the Islamic principles of social justice.

I have traveled throughout our great country from its mountains to its great plains. I see a country that is rich in Allah's bounty and I see a people whose energy and enterprise are waiting to be unleashed.

All we need is a Government that is dedicated to serving the people rather than to the mere exercise of power. If we work hard, and in a disciplined manner, and if we remain united as one people, I am confident that, Inshallah, we can build a prosperous nation and that it will find its proper place in the Sun.

That should be our long term strategy, – our shining beacon on the hill. We can achieve it. We will achieve it if we keep the faith and from now on, everything we do, put Pakistan first, Pakistan last.



## **F O R E W O R D**

Social Policy and Development Centre has been at the forefront of enhancing awareness and encouraging knowledgeable debate on economic issues of national importance. In pursuance of this objective, a talk on Prospects and Policies for the Future, by Mr. Moeen A. Qureshi, Former Prime Minister of Pakistan and Chairman of SPDC was organized at Marriott Hotel, Karachi on 15<sup>th</sup> January, 2000. It was attended by over four hundred participants from government, corporate sector, academics, non-governmental sector, representatives of media and civil society.

This paper includes the text of the Talk which we hope will be of interest to a wide range of people ) indeed all those who share a concern about Pakistan's development.

Dr. Hafiz A. Pasha  
*Managing Director*  
SPDC

**PROCEEDINGS OF THE  
SEMINAR ON PROSPECTS AND  
POLICIES FOR THE FUTURE**

**By**

***Mr. Moeen A. Qureshi<sup>?</sup>***

***January 2000***

---

<sup>?</sup>Mr. Moeen A. Qureshi, Former Prime Minister of Pakistan and Chairman of Social Policy and Development Centre (SPDC), Karachi.