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Pakistan's present, past and future

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Nazia Ejaz ▲
Red City, 2013
120 x 90 cm
Synthetic polymer
paint on canvas

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Shahid Javed Burki¹

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Introduction

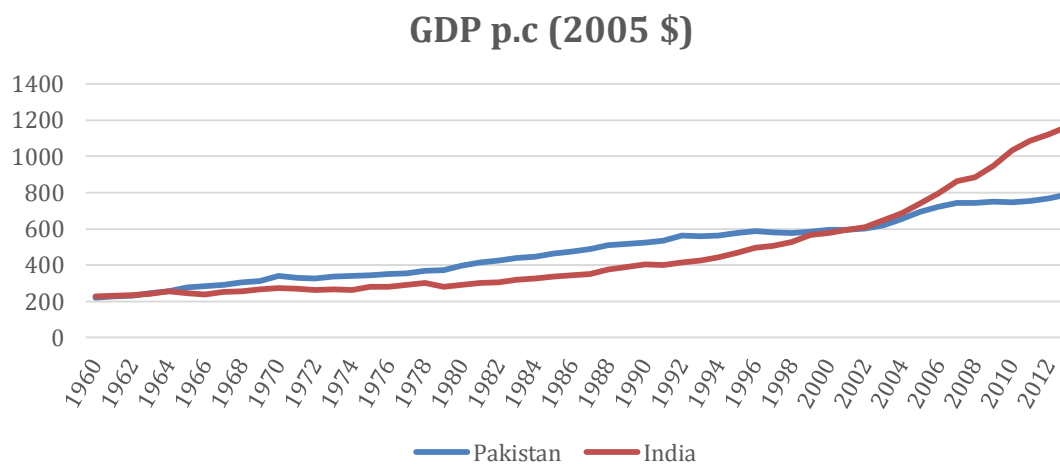
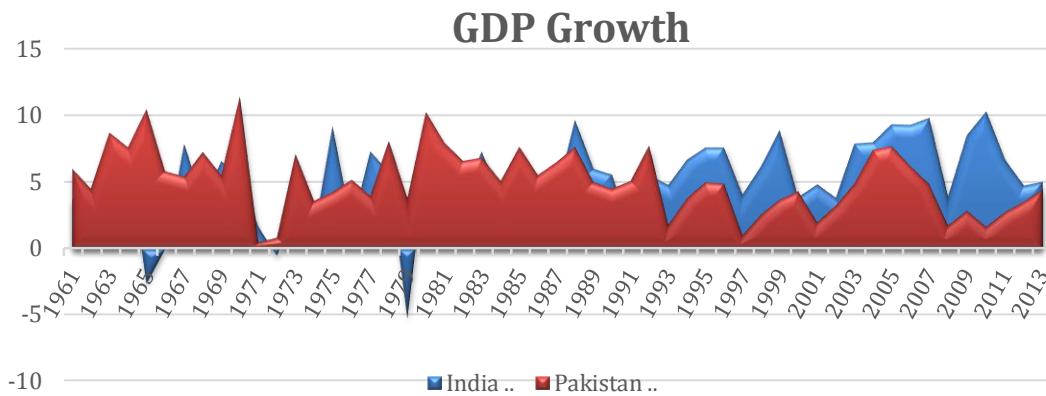
In this essay I will concentrate on economics, my discipline and the one that I have practised not only in Pakistan but in four dozen countries around the world. However, I have learned from this experience that economics should not be separated from other social sciences. In order to fully understand where a country has arrived in developing its economy and where it might be going, we must also develop a good understanding of the social, political, cultural and geographic environments in which this transition took place and how the future might unfold. It is also important to analyse how policy makers have aligned the countries they manage with the outside world. This is the reason why the focus on economics in this essay will take me into the development of the Pakistani society, of its political system, of the changes in its culture and its external policies.

Pakistan, a crisis-prone country, is once again passing through a perfect storm. It is being buffeted from many sides. It has been hit by the rise of Islamic extremism and terrorism associated with it. Terrorist activities inside the country's borders have taken a heavy human and economic toll. But that is not the only problem the country faces. It is still engaged in developing a durable political order that needs to become inclusive in the sense that it should be able to accommodate the interests and aspirations of a number of different segments of society. Without an inclusive political system in place, Pakistan cannot expect to have a smooth economic ride. Also, a way will have to be found to provide the powerful military with some space within the political system. Space will also have to be found for the half a dozen administrative units that make up the federal state of Pakistan.

The economy has been poorly managed for almost a decade with the result that the 2007–2013 six-year period was by far the slowest in the country's seven-decade-old history. As shown in the two pictures placed below, Pakistan fared better than India, its sibling up to the end of the previous century. The Indian economy took off about 1998 while Pakistan's economy deteriorated. Even when the economy has performed well it did so with the help of large foreign capital flows. These flows will not be readily

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available now as the United States, the country's largest benefactor, is engaged in redefining its place in the world. Pakistan does not figure prominently in Washington's current thinking. Pakistan will need to rely on its own resources to finance growth and, for that to happen, the powerful political elite will have to participate in the effort to raise domestic resources for development.



There are also problems on the external side. The American withdrawal from Afghanistan has created considerable uncertainty about the ultimate political, social and economic destinations of the two Pashtun populations that straddle the border. The border that separates the Indian and Pakistani parts of the contested state of Jammu and Kashmir has become unsettled. Both sides seem to be engaged in testing each other's resolve. This game is fraught with danger. The growing competition between China and the United States has ushered in a new Great Game in the area of which Pakistan is an important part. With India eager to play an active role in this developing game, Pakistan's external environment will be further complicated.

The list of problems Pakistan faces in the summer of 2015, the time of this writing, is long. To return to the perfect storm metaphor, it is legitimate to ask whether Pakistan will be able to sail through the choppy seas and reach the shore. Or will it falter and sink? It has become common among analysts to call Pakistan a ‘fragile state’, a ‘failing state’, a state created for reasons that could no longer be the basis of nation making.² To find an answer to this important question we must – and I will do so will in this essay – look at the past, analyse the present and speculate about the future.

Moving on to the future, I will argue that the storm the country must navigate through calls for more careful thought and strategic planning than was used in the past. If that were done there are enough positives even in the present difficult situation for those in charge of making public policy to craft a better future for the country. Shifting to another metaphor, the fault lines that lie below the surface in Pakistan are not as deep as is the case of some of the neighbouring countries. With careful and imaginative planning Pakistan can count on a future that is not easy to see at this time. How that could be achieved will be discussed at some length in this essay.

In addition to this introduction and an equally brief conclusion, this essay is divided into seven sections. The first presents an overview of the current economic situation. The main point in this part is the belief the country’s policy makers will need to tackle a number of non-economic crises. Pakistan has been a crisis-prone country, a subject of discussion in the second section. I will suggest that policy making during a period of crisis will benefit from an understanding of the way a number of earlier ones were handled in the past. The current set of crises includes the rise of extremism (Section 3) and a poorly managed public education system (Section 4). Section 5 examines Pakistan’s external relations. Dependent as it has been on external capital flows for its entire existence, Pakistan had to fashion external relations in a way to gain access to the finance it needed. Section 6 discusses the South Asian Muslim community then and now. Section 7 provides some indication how the country could move forward if the right sets of policies were adopted.

1. The present situation: what it will take to sail through the ‘perfect storm’?

The Pakistani electorate provided Mian Nawaz Sharif, the president of the Pakistan Muslim League, a commanding lead in the national assembly and a clear majority in the Punjab provincial assembly. In South Asian politics, incumbency is hardly ever rewarded. The PML won 166 seats against the Pakistan Peoples Party’s 42 and 35 won by Pakistan Tehreeke Insaf, a relative newcomer to Pakistani politics. The fact that the PPP suffered a humiliating defeat is in keeping with this trend. The party was punished

2 The World Bank in its annual World Development Report of 2011 included Pakistan in its list of fragile economies.

for its poor economic performance and even more for its very poor governance. Under its care Pakistan not only saw the economy move into a long-term growth recession, it also led to Pakistan being labelled one of the most corrupt countries on earth.

But the incumbency rule did not apply to the province of Punjab. That province's administration led by the PML was given an even larger mandate; the Sharif brothers' party won a clear majority. The electorate clearly approved of what the party administration did for the province. It also recognised that, even though the federal government was not supportive of the provincial administration, Lahore (Punjab's capital) ran the province's economy to the people's satisfaction. The rate of growth in the provincial economy was about the same as that of Pakistan. This was not surprising since Punjab accounts for 60 per cent of the country's population and about the same proportion of the nation's gross domestic product. That notwithstanding, the province's citizenry found the PML administration to be more caring of the people's welfare. The same could not be said for the PPP-led government in Islamabad or in the province of Sindh, now its main base of support.

The electorate accepted the future prime minister's claim that Pakistan had sailed into a perfect storm as a result of the poor handling of the economy by the PPP-led government in Islamabad. The voters bought this message and put the messenger back into the office he had occupied twice before. In the 1990s, Nawaz Sharif was twice elected as prime minister. In 1993 he and his administration were dismissed by President Ghulam Ishaq Khan for poorly managing the economy. He could do that using a provision inserted in the Constitution by his predecessor, President Zia ul Haq, the third military man to become the head of state. In 1999 Sharif was removed from office by the military after he made a clumsy attempt to fire the Chief of Army Staff, General Pervez Musharraf. By an arrangement negotiated with the Saudi Kingdom, the Sharif brothers and their families were invited to stay in Riyadh. In return they agreed to stay out of Pakistan for ten years. However, as General Musharraf's hold on power weakened in 2007, the Sharifs saw an opportunity to resume their political careers in Pakistan. They and their party contested the elections of February 2008 and, after securing a comfortable majority in the Punjab provincial assembly, were able to form a government in Lahore. Shahbaz Sharif became the province's chief minister.

In June 2013 Nawaz Sharif came into office for the third time, more secure about his job. The Constitution had been cleansed of the changes made by the military rulers during the rule by the PPP. As a result of the Eighteenth Amendment passed in April 2011, the president no longer had the constitutional authority to dismiss the prime minister and dissolve the national assembly. The military, aware that the Pakistani street and the assertive judiciary would not countenance another intervention in politics, mostly stayed away from the political stage. However, it continued to exercise considerable influence on policy making in the strategic and external arenas.

Sharif was expected to move – and move quickly – in four areas: steer the economy out of the stormy water in which it was left by the government headed by President Asif Ali Zardari; deal with the growing problem of domestic terrorism; continue with the development of the political order so that it gained the support of all regions and segments of society; and repair relations with the outside world. Three of these were identified as the ‘3Es’, the areas of priority by the new government as it took office. The government’s list of priorities could have included even more E’s, perhaps a couple of W’s as well. The expanded list of priorities could have incorporated education, employment, environment and external relations. The W’s could have included the empowerment of women and preparing to handle the worsening water situation.

There is a strong relationship between political and economic development, a fact recognised belatedly by economists. A well-developed political system helps the economy to grow and provide for all segments of the society. Sharif appeared to recognise this. His first few moves after winning the elections were aimed at introducing collaborative rather than contentious politics. On May 13, two days after scoring a decisive electoral victory, he called on Imran Khan, the president of the Pakistan Tehreek-e Insaf, who remained in hospital recovering from an accident he had a few days before the election. According to Salman Masood of *The New York Times*,

regardless of the final tally expected later this week, Mr. Khan’s Tehreek-e-Insaf party will become a significant player on the political scene, controlling the regional government of a major province. Considering the challenges ahead, Mr. Sharif buried the hatchet and brought flowers.

He told the press after a conversation with the PTI leader, ‘today we have made peace. He [Imran Khan] was receptive and acknowledged my gesture’.³

The PTI led the provincial administration of the province of Khyber-Pakhtunkhwa and was in a position to play a critical role in bringing peace to the area which was home to various Taliban groups, including the powerful Tehrik-e-Taliban Pakistan (TTP), which had carried out a number of operations in the country, most of them directed at the security establishment. The TTP also organised a bloody campaign to discourage voters from participating in the electoral process. It supported the Haqqani Group which operated out of the sanctuaries in Pakistan’s North Waziristan tribal agency and had been effective in stalling the American efforts to establish Kabul’s control over the Afghan provinces bordering Pakistan.

3 Salman Masood, ‘As Pakistan’s Likely Premier, Sharif Offers Truce and Flowers’, *The Global Edition of the New York Times*, 16 May 2013, p. 3.

The TTP and the Haqqanis had disrupted the process of America's withdrawal from Afghanistan. The United States was planning to pull out \$60 billion worth of equipment in the 18 months preceding the withdrawal of most of its combat troops before the end of December 2015. Having some kind of agreement with these extremist organisations was, therefore, critical for America's withdrawal and the future of Afghanistan. It will also help to bring security and stability to Pakistan, which is necessary for any program of economic revival. The Americans were willing to compensate Pakistan well for the use of its communication and transport infrastructures.

The markets were expecting the government to move quickly to improve the management of the economy. On the first trading day after the election, the KSE-100 index rose by a staggering 329 points, reaching a record of 20,245. On the following day, it added another 230 points to reach 20,475. In two days the market had advanced by 2.8 per cent. The market's signal was clear: it expected quick action from the government and was placing its confidence that the new policy makers will prove equal to the task. By choosing a person to lead the Ministry of Finance before making any other appointment to the cabinet, the prime-minister-to-be indicated the importance he was attaching to economic affairs.

The first priority for the new administration was to build the confidence of the community of investors, both domestic and foreign, in the country's economy. As economists have long argued, confidence about the future is an important determinant of economic performance. Before the elections, investor confidence had plummeted to the point that the share of national income that was ploughed back into the economy reached the lowest level in the past five decades. There was little capital being invested by foreign entities into the Pakistani economy. In fact, some of the firms that had been present in the country for a long time began to unwind their operations and move out. Domestic investors had also lost faith in the economy's future. There was anecdotal evidence about capital flight from the country. Instead of risking their capital in domestic ventures, potential investors were prepared to accept much lower returns by placing their money abroad. The fact that the rupee had been sinking in value against foreign currencies also created an incentive for keeping savings outside the country.

Restoring investor's confidence, therefore, became the new government's highest priority. This raised the obvious question: how should this be done? The first issue the new policy makers had to tackle was the management of foreign reserves. Pakistan owed large amounts of money to the International Monetary Fund. There was a steady decline in the reserves available to the country to pay for the difference between export earnings and import expenditures and to service foreign loans. The latter included the scheduled payments to the IMF. One solution was to return to the IMF and ask for it to finance a new program aimed at stabilising the economy.

The program would have to be supported with a flow of IMF money which was more than what was owed to the institution. It had also to provide enough financial resources to keep the country solvent for at least a couple of years. This meant a program of the same size that was signed with the fund in 2008. Would the IMF be prepared to do this, given Pakistan's past record? The country had signed on to many fund programs in the past but completed only a few. Before concluding another program, the fund asked for the implementation of what in its language are called 'prior actions'. These included a significant reduction in the fiscal deficit, which in turn required major changes in tax policy and the system of tax collection; withdrawal of many subsidies that put a large burden on the government's budget; reform of power tariffs; and reduction of the large deficits incurred by several state-owned enterprises. It was only after these actions had been taken that the IMF staff would be prepared to formulate a new program and submit it to its Board of Directors for approval.

Such a heavy dose of structural medicine was difficult for a new administration to swallow as it was settling down to govern for the next few years. It involved sacrifices by a number of entrenched groups which were not prepared to withdraw from the economic space that was created for them by the previous government. Some deft political management was needed, a process that was begun with the Sharif-Khan meeting. The new leaders also looked for bilateral financial support from some of the country's friends including China, Saudi Arabia and the United States. This would provide some breathing space before a more enduring program of support could be put together.

The fund responded quickly to Pakistan's request for support. On 4 September 2013, four months after the Sharif administration took office, the IMF's Executive Board approved a \$6.6 billion loan for Pakistan to stabilise the economy and boost growth while expanding its social safety net to protect the poor. According to an official statement issued by the Washington-based institution,

the 36-month program under the IMF's Extended Fund Facility aims at bringing down inflation and reducing the fiscal deficit to more sustainable levels. The program also includes measures to help achieve higher and more inclusive growth in particular through addressing bottle necks in the energy sector.⁴

The fund got the commitment from the Pakistani authorities to reduce the budget deficit from nearly 8.5 per cent of GDP in 2012/13 to 5.8 per cent in 2013/14 and to 3.5 per cent by the end of the program. The fund was to undertake quarterly releases following reviews by its staff.

4 'Pakistan gets \$6.6 Billion Loan from IMF', *IMF Survey Magazine: Countries and Regions*, 4 September 2013.

The seventh review was carried out in a series of meetings held in Dubai from 1 to 11 May 2015. The institution's mission-chief who carried out the review summed up the country's economic situation in the following words:

Pakistan's economy continues to gradually improve, helped by macro-economic stability, lower oil prices, robust remittances, and higher supply of gas and electricity. Real growth is expected to reach 4.1 percent this fiscal year and accelerate to 4.5 percent next year. Average headline inflation dropped to 2.1 percent in April, but is expected to increase in the coming months reflecting the stabilization in international petroleum prices following their recent decline.⁵

2. Pakistan's past: studded with crises and crisis management

The need to tackle crises – some of them so serious that they posed existential threats to the country – deeply affected the structures of politics and economics. There is much to learn from history, studded as it is with crises. Historical experience has created an approach that can be described with some justification as adhocism or 'short-termism'. With one exception, the country's policy makers relied on their wits rather than on strategic planning to move from one period of crisis to another. The exception was the settlement of eight million refugees who arrived following the partition of British India into two states, a predominantly Hindu India and a predominantly Muslim Pakistan. The settlement process lasted for a couple of years when all the refugees were moved into the houses vacated by the departing Hindus and Sikhs. They, the refugees, were later to own or cultivated the land that once belonged to the Sikhs. (By virtue of the Land Alienation Act of 1901, Hindus were not allowed to own agricultural land.) A series of crises had their roots in finance: the country either did not earn enough from exports to pay for imports or did not raise enough taxes to cover government expenditure. These recurrent financial crises increased the country's dependence on external help. What people in finance call the 'moral hazard approach' often marked the way economic crises came to be dealt with.

We would be in a good position to understand better what the government that assumed power following the elections of May 2013 inherited from the past before reaching the conclusion – as some have begun to do – that the new rulers were not up to the task for which they were elected. During almost seven decades of its existence as an independent state, Pakistan has had to deal with about a dozen serious crises. They arrived at the rate of two a decade. Sometimes their depth and extent seemed to pose an existential threat to the country. One of them in 1970–71 destroyed the original Pakistan, fracturing it into two parts: the present day Pakistan and the independent state of Bangladesh. Another delivered a

5 IMF Press Release No. 15/206, 11 May 2015.

severe blow to private enterprise that had led the remarkable rate of growth of the economy during the period of President Ayub Khan (1958–69). In 1972–74 the government headed by Prime Minister Zulfikar Ali Bhutto expropriated privately owned industrial and commercial enterprises and commercial banks. Yet another crisis in 2009 took the form of the march of a group of militants who, having taken over the district of Swat, headed towards Islamabad, the country’s capital. The crisis that the current government is faced with has both similarities and differences from those that shook the country and the citizenry so many times in the past.

The one at present is a composite crisis, a number of events coming together, each piling on top of another to produce a perfect storm. That said, the history of crisis in Pakistan does have lessons to teach. They should be looked at not only to devise a strategy to steer the country out of the present situation. History can also help break the cycle of crises whose constant recurrence has already done so much damage to the country’s political and economic system.

Looking at the causes of the crises in the past, we can see some that stayed in place under the surface waiting to re-emerge whenever the time was right. About a quarter of the crises resulted from poor relations with India, Pakistan’s sister state. It took time for India to accept the idea of Pakistan: the notion that one part of the subcontinent could break away from what most of the established Hindu leadership regarded as a single political, social and economic identity. This happened because two competing ideas came to be advanced and sold to the populace at the same time and with equal amounts of vigour and acumen. The ‘idea of India’ was put forward to suggest that political, social and economic orders could be manufactured that would satisfy the aspirations of the diverse people that inhabited the vast expanse of land called ‘India’.⁶ The ‘idea of Pakistan’ went in exactly the opposite direction.⁷ Mohammad Ali Jinnah’s ‘two nation’ theory advocated a separate homeland for the Indian Muslims. Jinnah was able to persuade British India and ultimately the Congress Party that for peace to prevail in the subcontinent two independent states had to be created. The two states to be carved out of the British Indian colony came into existence in 1947; Pakistan a day earlier on August 14 than India. While the Indian state inherited a functioning government, Pakistan had to create a new government established in a new capital, and found a new central bank. The immediate problem created by the way the British left India was mayhem that resulted in the killing of hundreds of thousands of people in communal riots. The historian Stanley Wolpert has called the haste with which the British left the continent ‘shameful flight’. The mass killing produced one of the largest waves of migration in human history. It involved 14 million people: eight million Muslims left their homes in India and headed to Pakistan; six million

6 For the development of this idea see Sunil Khilnani, *The Idea of India* (New York: Farrar, Straus, Giroux, 1999).

7 See Steve Cohen, *The Idea of Pakistan* (Washington, DC: Brookings Institution Press, 2005).

Hindus and Sikhs moved in the opposite direction.⁸ In one of my earlier work on Pakistan, I estimated the number of people involved in the movement using pre-partition and post-partition censuses.

The three crises related to India – the mass migration of people, India’s delayed response in releasing the money (the sterling balances) the British had left behind in the Indian treasury for release to Pakistan as soon as the latter established a central bank, and the trade embargo imposed by New Delhi – were ultimately resolved but left lasting impressions on Pakistan’s attitude towards its neighbour as well as on the structure of its economy.

Looking back at the two ideas, the one about India worked better than the one about Pakistan. East Pakistan’s separation and the emergence of the independent state of Bangladesh was ample proof that religion alone could not be a unifying force for the creation of a nation-state. At times ethnicity and language can prove to be more powerful forces for building a nation. Even after the departure of the Bengalis from the state of Pakistan, ethnic divisions – particularly in the mega-city of Karachi – continued to pose a challenge for the political development of the country.

Ever since the two countries were carved out of the British domain in South Asia, policy makers in Pakistan had convinced themselves that India would like somehow to undo the ‘act of partition’ that created the two countries in 1947. A series of actions taken by New Delhi following the partition of British India confirmed this belief. Soon after Pakistan became a state, the Indians cut off the supply of electricity to Lahore, at that time Pakistan’s largest city. Lahore depended on a power station on the other side of the newly defined border to meet most of its power needs. This was followed by Jawaharlal Nehru’s decision to hold back the release of the ‘sterling balances’ that were deposited by the departing British government in the treasury in New Delhi. This was Pakistan’s share of what London had decided it owed their Indian colony for the help it had provided for it to fight the Second World War. India also threatened to stop the flow of water into the canals that irrigated a good part of Pakistan. This could be done since the line of partition drawn in Punjab left canal head-works in the Indian part of the province.

Given this history, it is important for Pakistan and India to make a serious effort to prepare the common ground for creating harmony in the South Asian region. Judging by the recent pronouncements of the two countries it appears that Pakistan is prepared to walk more than half way towards India to create a framework within which the two countries can work. Manmohan Singh, India’s prime minister for a decade from 2004 to 2014, was interested in improving relations between the two neighbours. In a conversation with me at his New Delhi residence in December 2005 he said that he had told Pervez

8 Stanley Wolpert, *Shameful Flight: The Last Days of the British Empire in India* (New York: Oxford University Press, 2006).

Musharraf that both he and the Pakistani president were ‘accidental leaders’ who now held positions they could use to develop better understanding between the two countries. However the Pakistani president kept raising the issue of Kashmir and proposed some adjustment of boundaries in the state claimed by both India and Pakistan. ‘No democratically elected leader in India can afford to tinker with the country’s boundaries’, he told me. ‘Certainly not me: I am not part of India’s political establishment.’

I related this conversation to President Musharraf, who said that he understood the constraints under which Prime Minister Singh was operating. But there were a number of other things that could be done. ‘I have invited Singh to visit Pakistan a number of times but he does not have the will and political strength to overcome the resistance of the people in his government and party who remain hostile to Pakistan.’ The situation has become more difficult now. The surge in the popularity of the communal-minded Narendra Modi, Gujarat’s chief minister, that led to his extraordinary electoral victory in the elections of May 2014 brought him and his nationalist Bharatiya Janata Party (BJP) to power in New Delhi. The new prime minister has adopted a very tough position towards Pakistan. Hard words are being exchanged between the leaders of the two countries. For instance, following the penetration of India’s troops deep into Myanmar after a group of dissidents who had attacked and killed Indian soldiers, Rajyavardhan Rathore, India’s Information Minister, called the operation a ‘message’ to countries such as Pakistan that it will not hesitate to pursue threats beyond its borders. ‘We will strike when we want to’, he declared. Narendra Modi escalated the war of words by lashing out at Pakistan during a two-day visit to Bangladesh in mid-June. He accused India’s neighbour of harbouring terrorists and becoming a regional nuisance. The response from Pakistan was quick. In a statement issued in Islamabad on 10 June, Interior Minister Chaudhry Nisar Ali Khan warned Prime Minister Modi to think twice before threatening Pakistan. ‘Those who have evil designs against us – listen carefully, Pakistan is not Burma.’⁹

Afghanistan is the source of at least three of the dozen major crises Pakistan has faced since its founding. Here again the India factor weighs heavily but the unresolved issue of the role of Islam has also played a role. As suggested in a book I co-authored with two other scholars, Pakistan and India should work together to develop a regional approach towards taking Afghanistan towards peace. Both New Delhi and India should ensure that Afghanistan will not become a geographic area over which the two countries will duel. Afghanistan must not become another Kashmir.¹⁰

9 Tim Craig and Annie Gowen, ‘India’s Border Operation Rattles Nuclear Neighbor’, *The Washington Post*, 12 June 2015, p A8.

10 Shahid Javed Burki, Iftekhar Ahmed Chowdhury and Riaz Hasan, *Afghanistan: The Next Phase* (Melbourne: Melbourne University Press, 2014).

Afghanistan in a way is the source of the most serious crisis Pakistan faces at this time: the rise of extremism in the country. The Soviet Union's invasion of Afghanistan in 1979 and the American response to Moscow's incursion drew Pakistan deeply into Afghan affairs. Washington, working closely with Islamabad and Riyadh, devised a strategy to challenge Moscow. It focused on raising, training and equipping several groups of young Pakhtuns to move into Afghanistan from the refugee camps in Pakistan to fight the Soviet Union. The Islamic soldiers – the mujahideen – were recruited from the seminaries strung along Pakistan's long border with Afghanistan. The seminaries (madrasahs) were financed by Saudi Arabia which also encouraged the teaching of the Wahabist interpretation of Islam. This strategy worked well. After battling the mujahideen for a decade, Moscow agreed to pull back. It withdrew its forces in 1989, leaving a vacuum that has not been filled to this day, a quarter century after the departure of the Soviet Union. It left both Afghanistan and Pakistan with a group of highly motivated Islamists – the Afghan and Pakistan Taliban and a number of foreigners associated with them – who have been battling the state in both countries. 'On consequence of Pakistan's military operations on the Pakistani side of the border is the creation of a belt 60 mile wide on our side which is now full of the world's most undesirables', President Ashraf Ghani told me in a conversation I had with him in the presidential palace in Kabul in early May 2015. 'Even the ISIS people have arrived bringing with them their families as if they are planning a long stay.'

The final crisis discussed in this short overview of an important part of Pakistan's history was the product of domestic policies. In 1971 Zulfikar Ali Bhutto took over as president and chief martial law administrator from General Yahya Khan, the military ruler who had been thoroughly discredited because of the defeat of the Pakistani army in the civil war in what was then East Pakistan. Pakistan's eastern wing went on to become the independent state of Bangladesh. Bhutto was responsible to some extent for the breakup of Pakistan. His party, the Pakistan People's Party, had won 81 seats out of the 138 allocated to West Pakistan for the elections of December 1970. East Pakistan's Awami League won all but 162 seats that were given to that part of the country under the Legal Framework Order promulgated by General Yahya Khan, the military president. The East Pakistani party with 160 seats in a parliament of 300 members had a clear majority and should have been invited to form the government in Islamabad. This would have put Bhutto on the opposition bench, a role he did not wish to play. Giving the reins of government to a party that had won the most seats should have been the obvious thing to do for the democrat Bhutto professed to be. But he was aristocratic and authoritarian in disposition and temperament. He refused to accept Awami League's Sheikh Mujibur Rehman as prime minister, setting the stage for the civil war that led to the country's breakup. His actions set back Pakistan's political development by several decades.

Once in office, Bhutto brought about a wrenching change in the structure of the Pakistani economy. His claim was that he had founded his party to bring socialism to Pakistan. The party's 'foundation papers'

developed a policy framework that combined the concept of justice in Islam with socialism. This approach meant expanding the role of the state by expropriating large private sector enterprises. But what was meant to help the poor was, in fact, an attempt to tame large business houses who gained both wealth and political power under President Ayub Khan. With the state now controlling the formal economy and with Bhutto sitting on top of the state, the PPP leader had gained the amount of power even his military predecessors were not able to marshal. This profound restructuring of the economy took out the momentum it had built up during Ayub Khan's 'decade of development'. Bhutto's actions resulted in both political and economic crises. The rate of economic growth declined by two and half percentage points – from 6.5 per cent average during the Ayub Khan period to less than 4 per cent during Bhutto's six-year stewardship.

The remaining crises resulted from the underdeveloped natures of the political and economic systems. On the political front, Pakistan has struggled with the problem of bringing in the military as a player but not as the dominant force. From the very beginning of the country the more literate and urban classes wanted a representative form of government. They were, however, not able to work out the shape the system should take. The political space that this unending debate created was occupied by the military. The military's domination was not a result of a conspiracy between it and the mullah as Hussein Haqqani, once Pakistan's ambassador to the United States, has suggested in some of his works. The military's long presence on the political stage, however, retarded political progress and prevented the country from developing a political order that would serve most segments of society.

In this broad overview, I have not discussed the crises of governance and economic sustainability. Some of those to which I have referred left lasting impressions on Pakistan's society, its political system and the structure of its economy. The large exchange of population created ethnic tensions in Karachi, now Pakistan's largest city with more than 20 million people. The 1949 trade war with India changed the structure of the economy, with the agriculture sector playing a smaller role than would have been the case had India not imposed an embargo on trade with its neighbour. The way the line of partition was drawn in Punjab gave India access to Kashmir, a predominantly Muslim state but ruled by a Hindu. India and Pakistan were to fight over the state three times and the dispute continues to sour relations between the two countries to this day. By nationalising large industries and commercial enterprises that had led the remarkable growth of the Pakistani economy during what President Ayub Khan rightly called his 'decade of development', the most dynamic components of the economic system were removed.¹¹ And by allowing the top leader to gain absolute power, the country was not able to develop a fully representative and inclusive political system.

11 Muhammad Ayub Khan, *Friends not Masters: A Political Autobiography* (London: Oxford University Press, 1967).

3. Overcoming extremism and controlling terrorism

There cannot be any doubt that the phenomena of Islamic extremism and associated terrorism must be dealt with not only by the government in office but by the entire citizenry. Sustained economic progress cannot be achieved as long as extremists and terrorists are able to destabilise the country. It will take a much longer work than a section in an essay to fully comprehend this phenomenon. In Pakistan it has many historical roots. The rise of extremism and terrorism in the country can be attributed to several factors; most of them unique to the country. Five of the several factors that have contributed to this development have come together to create the situation the government in power at this time (the summer of 2015) is attempting to deal with. To comprehend the full dimension of the problem the country confronts we should go into history and understand how the creation of Pakistan in 1947 set into motion a series of developments that were to create the conditions in which extremism could flourish. In addition to this, there are four other contributing factors that need to be included in the explanation. The second factor was the failure to develop inclusive political and economic institutions that could have accommodated some of the groups who were to use violence as the preferred method to draw attention to their aspirations. The third was the wrenching change introduced by one individual in order to recast the way society thought and worked. The fourth was the arrival of great power rivalry at the country's borders. The fifth was the sharp turn on the part of a growing segment of the world's Muslim population in Islam's western region.

To understand the problem we should also look at the various ways in which it has manifested itself. The most noticeable form is the actions of a number of non-state actors who have decided to use violence to create political space for themselves. The group loosely described as the Taliban has a number of objectives; the most radical members of this group want to create an Islamic state in the country that will be governed according to what they see as the dictates of the religion they follow. The Taliban have brought their campaign to Karachi from the Federally Administered Tribal Areas. They have come to Karachi since hundreds of thousands of people from their areas have sought refuge in that city. Violence had already been established in the city as the vehicle of political expression and economic advance by another group of migrants who had arrived soon after the country gained independence. To be called the muhajirs, this group would not have challenged the political and economic systems had it been accommodated in the institutions of governance. This did not happen because of the inability of the various groups in society to reach a consensus on the best form of governance. The slow development of institutions of governance is also the main reason why ethnicity remains a source of contention. Further complicating the situation is the outcome of the effort by a military leader, General Ziaul Haq, who ruled the country for eleven years from 1977 to 1988, who believed he had God's mandate to Islamise Pakistani society.

To begin with we can trace the rise of extremism to the adoption of the ideology that led to the creation of Pakistan as an independent state. Mohammad Ali Jinnah, the country's founder, campaigned for the creation of Pakistan by adopting what he called the 'two nations' theory; the notion that those who lived in Britain's India colony did not constitute one nation. The British Indian population was made up of two distinct nationalities, one Hindu and the other Muslim. The two needed political spaces of their own which they could identify with in order to make political, economic and social progress. He did not buy what later historians – Sunil Khilnani, for instance – were to call the 'idea of India'.¹² This was the belief that a political structure could be created that would be able to accommodate divergent interests.

It did not occur to Jinnah and his political associates that their success in using religion to divide the British Indian polity could lead to 'ethnic cleansing'. This term was to gain currency several decades after the partition of British India in 1947. The term was used to describe what followed the collapse of the multi-ethnic and multi-religion state of Yugoslavia, which had been held together by force and the determination of that country's communist leadership. Marshal Tito distanced himself from Moscow and traditional communist leadership to develop his own ideology based on the conditions prevailing in his fabricated country, Yugoslavia. The transfer of population that accompanied the rapid collapse of the two-centuries-long rule by Britain over India created a more Muslim state in Pakistan than was envisaged by its founding fathers. What is now Pakistan was 67 per cent Muslim in 1947; when the ethnic dust had settled down in the late 1940s, Pakistan was 95 per cent Muslim. What would have happened to Pakistan in terms of its political and social development had the transfer of population not occurred is a question that would take us into the realm of 'counter-factual history'. However, it could be argued that the country would have experienced less turbulence had the need for providing space to large minorities not been reduced by the country's sudden and unexpected Muslimisation.

The other contributing factor for the rise of extremism was the failure of the Pakistani elite to develop a working and sustainable political order soon after the country came into being. Once again it was a large movement of people that stood in the way. The mass migration into Pakistan in 1947–49 brought 8 million refugees into the new country from British India's Muslim minority provinces. The refugees were socially, culturally and economically very different from the indigenous population. Those who were Pakistan's original citizens did not have the political aspirations of those the exchange of population brought in. It was inevitable that the political conflict between the 'outsiders' and 'insiders' – my terms in my first book on Pakistan – lasted for almost a decade.¹³ Eleven years after independence,

12 Sunil Khilnani, *The Idea of India* (New York: Farrar, Straus, Giroux, 1999).

13 Shahid Javed Burki, *Pakistan under Bhutto, 1971–77* (London, Macmillan, 1980).

the military took power and ruled, off and on, for the next fifty years. General Ayub Khan assumed the mantle of political leadership at the time a number of social scientists had begun to worry about the ‘softness’ of the state. It was seen as an obstacle for the economic development of the newly independent Asian and African nations. The idea of the ‘soft state’ was first proposed by the Nobel Prize winning sociologist-economist Gunnar Myrdal in his magisterial work *Asian Drama*.

When I met Ayub Khan at his residence in Islamabad in 1974 a few months before he died on 19 April, I asked him whether he was aware of Myrdal’s concept of the soft state when he assumed power in the country. He said that he had not heard of the Swedish sociologist-economist at that time. It was when he was working on his political autobiography, *Friends not Masters*, that Altaf Guahar told him of the concept.¹⁴ Guahar, then a senior official in the government, helped Ayub Khan with his book. ‘In retrospect, I totally agree with his diagnosis of what had kept the South Asian nations from advancing. I placed Pakistan under a “hard state” and the result was obvious.’

Ayub Khan as Pakistan’s first military leader set the country on the road to rapid economic development. A number of studies by foreign economists, including the one by Harvard University’s Gustav Papanek, viewed Pakistan as a model of economic development and growth other developing nations would do well to follow.¹⁵ When I went to Harvard as a graduate student in 1967, Pakistan was being taught as a case study of economic progress. Some writers also viewed it as a political success, focusing on the military dictator’s development of ‘basic democracies’ as an ingenious way of combining bottom-up aspirations with top-down management. However, Ayub Khan’s success had one unexpected consequence. It created a mindset among military leaders who followed him that they could rely on their whims and preferences to lead the nation. His three successors – Yahya Khan, Ziaul Haq and Pervez Musharraf – governed in ways that led to the underdevelopment of the Pakistani state and society. Each of Ayub Khan’s three military followers contributed in his own way to political development. Yahya Khan, his immediate successor – the magazine *The Economist* detailed the transfer of power from Ayub Khan to Yahya Khan as from ‘tweedledum to tweedledee’ – seemed to have the right ideas about what needed to be done in terms of the country’s political development but was not able to follow them in practice. His Legal Framework Order (LFO) replaced the Constitution of 1962 authored by his predecessor. Gone were Ayub Khan’s basic democracies as well as the system of parity. The latter gave equal representation to East and West Pakistan in the national legislature. But since the assembly had little power, the Bengalese in the country’s eastern wing had little say in governance. The LFO gave East Pakistan 162 seats in the National Assembly; West Pakistan got the remaining 138 in

14 Muhammad Ayub Khan, *Friends not Masters: A Political Autobiography* (London: Oxford University Press, 1967).

15 Gustav F. Papanek, *Pakistan’s Development: Social Goals, Private Incentives* (Cambridge, MA: Harvard University Press, 1967).

the house with 300 members. Elections on the basis of adult franchise were to be held later in 1970. When they were held, the Awami League led by East Pakistan's charismatic leader Sheikh Mujibur Rehman won all but one seat in the province and thus had a clear majority in the national assembly. Zulfikar Ali Bhutto's Pakistan People's Party secured 81 seats, all from the western wing. Had the intent of the LFO been followed, Mujibur Rehman should have become prime minister and the country's chief executive. But that kind of transfer of power from West Pakistan to East Pakistan was unthinkable for the political elite in West Pakistan, at that time led by Bhutto. The result was a bloody civil war in East Pakistan in which India intervened and helped create the independent state of Bangladesh. The fact that India had helped to break up Pakistan was accepted and lauded by Prime Minister Narendra Modi in May 2015 when he paid his first official visit to Dhaka, the country's capital.

It was under President Ziaul Haq's eleven years rule (Ayub Khan also governed for eleven years) that Pakistan was pushed towards the adoption of Islam as the governing ideology. Perhaps what Zia achieved – if that is the right verb to use – is best portrayed in a work of fiction. Mohammed Hanif's *A Case of Exploding Mangoes* succinctly describes how the military president was able to force his personal extremist views on Pakistani society.¹⁶ In this quest, President Zia was helped by both the Soviet Union and the United States. The former invaded Afghanistan in 1979 to protect the pro-Moscow regime that had been installed in Kabul. The latter elected Pakistan as its partner to defeat the Soviet Union in Afghanistan. The counter attack was launched by several groups of Islamic warriors – the mujahideen – trained in the Islamic seminaries that Saudi Arabia helped to establish in the border areas on the Pakistani side of the border. These were equipped by the United States. The mujahideen were successful and after a decade-long war were able to push out the Soviet Union's troops. But the long struggle did not produce an acceptable successor to the Moscow-supported regime. President Zia predicted that chaos would follow if Prime Minister Muhammad Khan Junejo, his hand-picked head of government, persisted with his aim to conclude an agreement with Moscow to have the Soviets withdraw their troops from Afghanistan.¹⁷ Four-party negotiations were going on in Geneva in 1988 that involved Afghanistan, Pakistan, the Soviet Union and the United States when I had a long meeting with the president in his Islamabad office. He worried that by getting the Soviet Union to abandon Afghanistan a vacuum would be created in Kabul which would lead to political chaos. 'I know well the men who are leading the various mujahideen groups who are fighting the Soviet troops in Afghanistan', he told me.

16 Mohammed Hanif, *A Case of Exploding Mangoes: A Novel* (New York: Alfred Knopf, 2008).

17 Riaz Muhammad Khan, a Pakistani diplomat, participated in these discussions and went on to write a book detailing them. See Riaz Muhammad Khan, *Untying the Afghan Knot: Negotiating the Soviet Withdrawal* (Durham, NC: Duke University Press, 1991).

Expelling Moscow from their country is the only thing they agree on. They have not decided what kind of governing structure should take over once the Soviet troops are gone. I have said many times to the prime minister not to rush the process. I can't seem to get him to recognize that a chaos in Kabul would create serious problems for Pakistan.

It was this exasperation that led President Zia to dismiss the prime minister in August 1988, using the powers he had given himself by amending the Constitution. However, President Zia was gone a few days after my conversation with him, killed in an air accident that remains unexplained to this day.

In 1996, a new group, the Taliban, which had not participated in the war against the Soviet occupation, took power in Kabul. Its rise was to set the stage for extremism and terrorism in Pakistan. This could happen because of the Islamisation effort launched by President Zia and also because of the slow development of an inclusive political order in the country.

The rapid rise of the Islamic State in Iraq and Syria, known by various acronyms (IS, ISIS, ISIL) is the fifth contributing factor I would identify to explain the persistence of extremism in Pakistan.

Two years into its current tenure, the government under the control of Prime Minister Nawaz Sharif seems to have made some progress in dealing with terrorism. It had identified extremism as one of the three E's that were to receive its attention. The other two were energy and the economy. However, its initial actions gave the impression that it was lost; the terrorists understood this and went ahead and escalated their assault on the institutions of the state. In just one week in early January 2014 they attacked and killed two persons: a 51-year-old policeman and a 15-year-old boy outside his school. These killings, in different ways, point to some of the elements in the strategy the terrorist groups are pursuing. The first murder was in the troubled city of Karachi, the second in a district in the troubled province of Khyber-Pakhtunkhwa. The first was meant to intimidate the leadership of the security forces engaged in countering terrorism and extremism. The second was meant to scare the populace, particularly in the less socially and economically developed areas of the country, to prevent them patronising modern educational institutions. The columnist Cyril Almeida called insurgency a war with ourselves. 'The stuff that goes boom we have the capacity to take care of. That's the Taliban. But try digging out the trigger. The trigger that is embedded deep in the society.' Force, in other words, could possibly be used to subdue those who were disturbing society's peace. It had been used effectively in the past – for instance in the district of Swat when, in the summer of 2009, the army launched an operation that pushed the Taliban out of the area and established the control of the state – but to change society's mindset will need a different approach. 'Monsters will be monsters and monstrous things will

always do. But we're not at war with the Taliban; we're at war with ourselves. We just haven't admitted it yet,' continued Almeida.¹⁸

Adil Najam, another newspaper columnist – an academic who had served as Vice Chancellor of the Lahore University of Management Sciences – was more explicit as to why Pakistan was at war with itself. Education – its poor coverage and poor quality – was one powerful reason why the country had developed such wide differences in the way various segments in society looked at life:

a thought on what Aitzaz Hasan (the youth killed in KP) was defending, and what his killers sought to attack: schools. Terrorists clearly see schools – and education – as one of the biggest threats to their agenda of extremism hatred. Such a great threat that a child, Malala Yousafzai, had to risk and another, Aitzaz Hasan, had to embrace it. Yet in a strangely perverse way they, the terrorists, may understand the power of education much more than we do. What they seek to destroy so violently, we have done so poorly to build. I wonder what the school in Ibrahimzai that Aitzaz gave his life in defending actually looks and feels like? If it is like so many other schools in so much of the rest of Pakistan, it is likely to be a picture of neglect. It is not just ironic but disgusting to realize that what our enemies choose not to ignore, we continue to neglect?¹⁹

4. Pakistan's education crisis

That education is important for promoting political and economic development and bringing about social progress has long been recognised by academics and development experts. It is, therefore, worrying that Pakistan has lagged behind most Asian countries in bringing education – in particular quality education – to a significant number of its youth. This gap will need to be closed if Pakistan has the ambition to join the ranks of the high-performing Asian nations. It has many resources on which it could build a better future. These include a large and young population that could be turned into an economic asset rather than become a liability for society. But the development of the human resource will require a multi-pronged approach in which universal and better schooling will have to have a high priority. Pakistan has also not devoted much attention to clearing the backlog of illiteracy that hangs as a heavy burden on its future. Poor literacy reduces productivity and hence economic growth. It also encourages the illiterate to opt for destructive ideologies.

18 Cyril Almeida, 'At War with Ourselves', *Dawn*, 12 January 2013, p 9.

19 Adil Najam, 'Aitzaz Hasan, Chaudhry Aslam, me and you', *The News*, 11 January 2014, p 7.

Without improving the situation of education, the country will continue to wrestle with the intertwined problems of political backwardness, economic stagnation and the rise of religious extremism. Education interacts with overall progress in many ways. Some of these are well understood and some are less well explored. One example of the latter is the increase in the level of trust that results from education. As Geoffrey Hosking points out in his book *Trust: A History*, trust is a vital ingredient in the web of interdependence that constitutes modern living.²⁰ Without trust, interactions among individuals remain confined in a narrow space. This creates patron–client relations or ethnic-based interactions that remain the foundations on which the Pakistani political system has been built. Some scholars such as Anatole Lieven, a journalist turned political analyst, finds strength in these relationships in the political systems such as Pakistan’s. In his book *Pakistan: A Hard Country*, he finds that locally anchored political relationships are the sinews that hold together structures such as those in Pakistan. I find that explanation troubling since they result in complacency which in turn retards political development.²¹ Lack of trust also keeps economies locked in informal arrangements that hamper modernisation.

It is only an educated citizenry that places emphasis on developing participatory and inclusive political institutions. It is only with the presence of inclusive political institutions that societies can hope to achieve sustained economic progress. This is the way causality runs: from education, to increasing the level of trust, to political development, to economic advance. An argument can, however, be made that it is only after economic development that societies can make political advance. That indeed was the case with several countries of East Asia but, according to my way of thinking, these countries make up the exceptions rather than lay down the rule.

In the context of Pakistan, the contribution the state can make to overcome the scourge of religious extremism needs to be noted in particular. According to a note prepared by the Center on Global Terrorism Cooperation (CGCC) for a meeting of experts held in December 2013,

tackling violent extremism through education is reflective of broader international shift in terrorism prevention and the need to identify the enabling environment for extremists to disseminate their ideologies and recruit supporters. Such a comprehensive approach is understood by the United Nations Global Counter-Terrorism Strategy as well as the work of the Global Terrorism Forum.²²

20 Geoffrey Hosking, *Trust: A History* (New York: Oxford University Press, 2014).

21 Anatole Lieven, *Pakistan: A Hard Country* (PublicAffairs, 2011).

22 Center on Global Terrorism Cooperation (CGCC), “The Role of Education in Countering Violent Extremism”, Meeting Note, New York, December 2013.

Those who study education place emphasis on two of its aspects. They focus on school attendance at various levels of the educational system and on the effort being made to clear the backlog of illiteracy. As shown in Tables 1 and 2, enrolment rates in Pakistan remain low as do literacy rates. There are significant provincial differences. Punjab is way ahead of Balochistan, especially in terms of closing the gender gap. Underdevelopment of the sector of education is one reason why extremism has thrown deep roots into the soils of the more backward provinces.

The number of illiterate people in the country increased from 20 million in 1951 to 50 million in 1998, the year the country took the last population census. They probably increased to 55 million by 2014. This two and half times increase implies a growth rate of 2.7 per cent a year in the number of illiterate people in the population. This was about the same as the rate of increase in population. This means that since its birth, Pakistan has only been able to keep pace with the large increase in population in terms of providing education. The stock of illiterate people has not been reduced.

Table 1. Education: some indicators of progress, 2011–12 (percentages)

Indicators	National	Punjab	Sindh	Khyber-Pakhtunkhwa	Balochistan
Net enrolment rate (5–9 years)	57	64	50	53	39
<i>Male</i>	60	65	53	59	48
<i>Female</i>	54	62	47	48	28
Achievement of MDGs					
<i>Primary education</i>	0.95	0.89	0.81	0.90	0.58
<i>Secondary</i>		0.85	0.78	0.58	0.37
<i>Youth literacy</i>		0.88	0.81	0.60	0.45

Source: Government of Pakistan, *Pakistan Economic Survey, 2012–13* (Islamabad, 2013).

It is estimated that some 55 million Pakistani citizens of age 10 and above cannot read and write, while 7 million children in the 5 to 9 year age group do not attend school. There are about 29 million children in this cohort which means that one fourth of this group do not go to school. By the year 2015, all signatories to the Millennium Development Goals had pledged to have all children attending school by the year 2015. In Pakistan’s case MDG was signed by then President Pervez Musharraf. The country will miss this particular goal by a wide margin. This is one more indication of the failure of the Pakistani state.

There are other statistics that point in the same direction. Infrastructure is inadequate: only 62 per cent of public schools have toilets and only 39 per cent have electricity. The country spends only 2.3 per cent of its GDP (in 2012–13) on education but a significant proportion of this is wasted. There are, for instance, 25,000 ghost schools – buildings built with public money but used for ‘other purposes including cattle pens, criminal gang headquarters, sanctuaries for drug addicts. Thousands of ghost teachers draw salaries from these schools.’²³ Textbooks taught in public schools are poorly written, used by poorly trained teachers, with content that often teaches extremist views.

Table 2. Literacy rates in Pakistan (% of the population)

Province	1972	1981	1998	2012
Punjab	20.7	27.4	46.6	71.0
Sindh	30.2	31.5	45.3	69.0
Khyber-Pakhtunkhwa	15.5	16.7	35.4	60.9
Baluchistan	10.1	10.3	26.6	50.0
Federally Administered Tribal Areas		6.4	17.4	22.0

Source: Various issues of *Pakistan Economic Survey*, an annual report issued by the Ministry of Finance, Islamabad.

Not unexpectedly, girls suffer more than boys. Of the estimated 154,000 primary schools in 2012–13, a bit more than a third, 55,100, were for girls. But this proportion declines as we move up the educational chain. Of the 42,300 middle school, half, or 21,200, were for girls. Of 30,400 high schools only 12,600 or about two-fifths were for girls. Of the 18.7 million children in primary school, girls numbered 7.8 million or 42 per cent of the total. However, interestingly, the proportion of girls among those receiving education does not decline as we move up the institutional chain; there were 2.7 million girls in middle school or 42.9 per cent out of the total of 6.3 million. At the high school level, the proportion of girls was 42 per cent – 1.2 million out of 2.8 million. At the university level, with 814,000 enrolled girls, the proportion climbed to almost 51 per cent.

Notwithstanding the overall poor performance in the field of education, there has been no shortage of good intentions. As countries often do – and Pakistan does this very frequently – governments prepare plans to deal with seemingly intractable problems. They do this to suggest to the citizens that a serious

23 Huma Yusuf, ‘Ghost Education’, *The New York Times*, 16 November 2012.

issue is being addressed seriously. The failure to educate its large and growing population properly led to the formulation of many plans that did not get implemented. Keeping with this tradition, Pakistan announced the National Education Policy in 2009. This was done with great fanfare by the government headed by the Pakistan People's Party which was in its second year in office. The policy was designed to address the issues of 'access, equity and quality of education at all levels'. It came with many worthy goals. Free and universal primary education was to be provided by the year 2015; free and universal secondary education was to be given by 2025. Literacy rate was to be increased to 86 per cent by 2015. More public money was to be ploughed into the sector of education. By 2015, 7 per cent of GDP was to be committed for education. Curricula were to be modernised by including English, Urdu and a regional language along with Islamic studies (for Muslims), science and mathematics as compulsory subjects. These were all praiseworthy objectives but they did not translate into effective government plans and programs.

While the government made no effort to achieve any of these goals it brought some of them into the Constitution and into national laws. In 2010 President Asif Ali Zardari signed the eighteenth amendment to the Constitution in April which brought about sweeping changes in the country's basic law. Among the changes introduced was article 25A according to which 'the state shall provide free and compulsory education to all children of the age of five to sixteen years in such manner as determined by law'.

While no significant actions were taken by the government to improve the weak educational system, the private sector stepped in to remedy the situation to some extent. Women entrepreneurs played an important part. Nasreen Kasuri was one of the outstanding contributors to improving the quality as well as the reach of the education sector. By 2015 her Beaconhouse School System had 248,000 students in the country of which 100,000 were in the main part of the complex while another 100,000 were enrolled in its subsidiary, The Educators. Several other women followed Kasuri into the education field.

Returning to the discussion of the constitutional amendment: it had four significant operational aspects. Education was to be free; it was to be compulsory; it was to cover eleven years of the lives of all children; and new sets of laws were to be put on the books to meet this obligation. The pledge was not only to provide primary education but secondary education as well. Two and a half years later the National Assembly passed the Right to Free and Compulsory Education Bill. The legislation received the unanimous support of the legislature. The bill was moved on 12 November 2012 by Yasmeen Rahman, one of the female members of the house, and passed on the same day. It won the support of several other female legislators who spoke from the floor. Women, as I will indicate later, were providing much needed leadership in the area of education. According to the new law, parents who

refused to send their children to school could be fined and imprisoned for three months and employers who hired school-age children faced fines and jail terms of up to six months.

Poor quality education was linked with the rise of extremism in the National Action Plan (NAP) formulated in response to the attack by the Taliban on the Army Public School in Peshawar on 16 December 2014. The assault shook the country since its 150 victims were mostly children. All political parties got together and endorsed the 20-point NAP which included educational reform, in particular reforming the madrassas and madrasa education. However, as has been the case with most other reform efforts, the NAP has had little success in improving the quality of education. As Hasan Askari Rizvi wrote in a newspaper article in February 2015,

academic monitoring of religious seminaries has run aground because most madrasa organizations have declared that they would contest the government on madrasa-related affairs. Madrasa organizations identifying with certain religious traditions are more vocal about and most determined to fight the federal government on the proposed madrasa reforms.²⁴

5. External affairs: repositioning Pakistan

Countries define their relations with the outside world to match their strategic interests. This is an obvious statement but it raises an important question: What are a country's strategic interests? Even when the answer is clear, it is not always obvious how these should be aligned with external relations. Biases of the leaders who make policies often contribute significantly to the way the country approaches the world. Pakistan's history has several examples of how the judgements made by one policy maker can – and did – change the course of history. Economic compulsions and personal preferences have also played a big role in the making of Pakistan's external relations.

As has been the case since August 1947, Pakistan has been dependent on outside help to manage and develop its economy. Very little effort was made by the series of administrations that governed from Karachi, the country's first capital, and then Islamabad, the current capital, to increase the proportion of domestic resources needed by the economy. Until the time the country is able to raise its very low rate of domestic savings, it will have to obtain resources from the outside. To whom should the policy makers turn? That was an important question in 1947 and at a number of times since then. It remains an important question.

24 Hasan Askari Rizvi, 'Our Faltering Counterterrorism Strategy', *The Express Tribune*, 9 February 2015, p 7.

The first generation of Pakistani leaders correctly read the evolving global situation. The Second World War had left the United States the dominant global and economic power. Britain's dominance had come to an end. While it was one of the victors, it did not have the economic wherewithal to continue to lead the world. It was agreed that that job would have to be done by the United States. This was recognised by the world leaders who met in the small hillside resort of Bretton Woods in New Hampshire, United States. The meeting was called to establish the institutional base for managing the global economy. Although the British economist John Maynard Keynes was a big presence at the meeting, the show was stolen by the United States. Its delegation led the attempt to give the world three institutions to manage the world economy. The International Monetary Fund was created to ensure that the world and its states did not plunge into financial crises as had happened in the period leading up to the Second World War. Keynes had written an influential book arguing that economics and finance were important reasons why the European nations went to war in 1939. The IMF was to have the mandate and the resources to prevent that from happening.

The Bretton Woods conferees also agreed to establish the International Bank for Reconstruction and Development (IBRD). The 'reconstruction' in the bank's name referred to the need to help the countries that were ravaged by the six-year-long war. The countries that needed help to recover from the ravages of the war were mostly in Europe. It was recognised that Japan would also need assistance once it accepted defeat and laid down arms. The 'development' in the title saw that the countries that were likely to emerge from under colonial rule would need financial resources to grow their economies. The United States had never been a fan of colonial rule and was urging Britain and France to give independence to their colonies in Asia and Africa. The IBRD later developed into the World Bank Group to assist the former colonies of Europe that would become independent states. Its success led to the establishment of such regional banks as the Asian Development Bank, the Inter-American Development Bank, the African Development Bank and the Islamic Development Bank.

Those meeting at Bretton Woods would have also liked to create an institution for managing global trade. The conferees soon found out that international trade was a harder nut to crack than providing resources for global financial stability and economic development. It took another fifty years before the World Trade Organization (WTO) was developed. In the meantime, a body called the General Agreement on Tariffs and Trade (GATT) oversaw the several rounds of global trade negotiations. These rounds brought about significant reductions in the tariffs on trade, in particular among developed nations.

Since the United States provided most of the resources for the IMF, the WBG and the regional banks (excepting the Islamic Bank) it was a major influence on the shaping of their lending and support

policies. Over time, however, the proportion of the ‘quotas’ it held in the IMF and its contribution to the share capital of the WBG and regional development banks declined in order to accommodate the larger heft of the group of countries that came to be called ‘emerging economies’. According to several of these countries, their political weight in these organisations did not match their economic strength. They thought that Washington should step back a bit more and the Europeans whose weight in the global institutions did not match their relative decline had to withdraw even more. China agitated the most vigorously for a larger presence in the international bodies.

Beijing’s claim for a more meaningful role was not accommodated. It was kept at bay largely because of politics in the United States. In Washington, the attempt made by the Barack Obama administration to increase China’s share in these institutions has languished in Congress. The US legislators were not prepared to yield ground to the country that had emerged as the main threat to America’s global dominance. According to the IMF, using purchasing power parity as the methodology, China had become the largest world economy. By the end of 2014, its PPP-based national product was estimated at \$18.96 trillion, 4.6 per cent higher than the United States’ \$18.12 trillion. This gap is likely to increase to 25.3 per cent by 2020. This cataclysmic change occurred while, with President Xi Jinping in charge, the Chinese leadership had become more assertive. How should a country such as Pakistan factor in these big changes in its external affairs? It now has more choices than were available when the United States dominated the global scene.

Until 2001 when Pakistan under President Pervez Musharraf made a hundred and eighty degree turn in its external policies, decision makers in Islamabad and Rawalpindi had focused on two objectives to shape the country’s foreign policy: accessing foreign capital for reviving the economy and in that context grasping the extended American hand.

Pakistan’s economic managers have not succeeded in reducing dependence on external capital flows. While the country will continue to receive significant amounts of capital from the multilateral banks and while it will possibly continue to get help from the IMF, it is unlikely that it will receive much financial assistance from the United States, its largest benefactor in the past. This is largely because of a fundamental change in America’s strategic interests. Pakistan mattered for Washington when, during the period of President Ayub Khan (1958–1969), it saw Islamabad as a strong link in the chain it had built to hold back the advance of communism. This was again the motivation during the period of President Ziaul Haq (1977–1988) when, with the invasion of Afghanistan, the Soviet Union arrived right on Pakistan’s borders. During the early years of President Pervez Musharraf (1999–2008), the ability of al-Qaeda terrorists to hit two places in America’s heartland was enough to persuade Washington that Pakistan was a critical ally for its strategic needs.

The world has changed since then. The Soviet Union has collapsed, the spread of communism is no longer a threat, and al-Qaeda is no longer a powerful presence in the Pakistan-Afghanistan region. America took its revenge and Osama bin Laden, the main sponsor of the 9/11 attacks, was killed in 2011. Until the journalist Seymour Hersh suggested in an article in the *London Review of Books* that Pakistan's military intelligence, the ISI, was involved in planning the 2 May raid on Abbottabad, a military cantonment near Islamabad where bin Laden had been hiding for several years, it was widely believed that the United States had acted alone. Wrote Hersh:

It's been four years since a group of US Navy SEALs assassinated Osama bin Laden in a night raid on a high walled compound in Abbottabad, Pakistan. The killing was the high point of Obama's first term, and a major factor in his re-election. The White House still maintains that the mission was an all-American affair, that the senior generals of Pakistan's army and Inter-Services Intelligence agency (ISI) were not told of the raid in advance. This is false, as are many other elements of the Obama administration's account ... The most blatant lie was that Pakistan's two most senior leaders – General Ashfaq Parvez Kayani, chief of the army staff, and General Ahmed Shuja Pasha, director general of ISI – were never informed of the mission.²⁵

The Islamic State in Iraq and Syria (it could possibly spread to Libya) could threaten America. Washington may get involved in beating it back in these countries. In this significantly changed geopolitical situation, Pakistan is no longer of much strategic significance for the United States. In these altered circumstances, it makes sense for Islamabad to look to China as a source of external finance and Beijing is willing to oblige. During the April 2015 visit of China's President Xi Jinping to Islamabad, Pakistan was promised \$46 billion equivalent of capital, most of it in the form of project assistance.

Nations seldom forge relations for sentimental reasons. They do so to follow strategic interests. Notwithstanding the hyperbolic pronouncements of the leaders of China and Pakistan about the nature of their relations – they have called these higher than the highest mountains, deeper than the deepest ocean – the two countries have strictly followed their national interests. Pakistan's reasons for drawing close to China are less complex than those of China. For Islamabad, transfer of defence equipment and technology acquired considerable importance after it was subjected to repeated sanctions by the United States. According to the detailed account provided by Feroz Hassan Khan in his book *Eating Grass*, it is clear that China's help was critical for the development of nuclear weapons by Pakistan.²⁶ The need

25 Seymour M. Hersh, 'The Killing of Osama bin Laden', *London Review of Books*, Vol. 37, No. 10, 21 May 2015, p 3.

26 Feroz Hassan Khan, *Eating Grass: The Making of the Pakistani Bomb* (Stanford, CA: Stanford University Press, 2012).

for capital has been added as the motivating factor for close relations. Some analysts have suggested that the attempt to balance India's growing military might may be the third reason for Pakistan to get close to China. However, Islamabad is more realistic on how much Beijing can assist in helping it against India. China was of no particular help during Pakistan's two recent wars with India, one in 1965 and the second in 1971. It is unlikely that Beijing will intervene if for some reason there is another conflict involving India and Pakistan.

The reason for China's interest in Pakistan is more complex. Beijing has begun to look to Pakistan as an important player in its strategy to create space for itself in the region around its borders. Using its growing economic strength, China is spending more than ever on its military. The navy is receiving special attention and the deep water port at Gwadar, on Pakistan's Baluchistan coastline, could become an important staging area for its rapidly expanding and modernising submarine fleet. The reason for giving the navy so much attention is to protect some of the sea lanes that are critical for China to trade with the world. The narrow Strait of Malacca through which nearly all of its commerce passes is of great importance as it could be easily blocked during a period of hostility. A strong naval presence in these oceans will serve as deterrence. The proposed China-Pakistan Economic Corridor (CPEC) will connect the port of Gwadar with the western provinces of China through road, rail and fibre-optic links. The corridor will also provide an opening to China, a large country that is land-locked on three sides. Some of the trade that passes through Malacca could use the CPEC as an alternative route.

China is also looking at the rich energy and mineral resources available to be exploited in Central Asia. A United States investigation a few years ago estimated that Afghanistan was sitting atop mineral wealth valued at \$1 trillion.

The previously unknown deposits – including huge veins of iron, copper, cobalt, gold and critical industrial metals like lithium – are so big and include so many minerals that are essential to modern industry that Afghanistan could eventually be transformed into one of the most important mining centers in the world, the United States officials believe. An internal Pentagon memo, for example, states that Afghanistan could become the 'Saudi Arabia of lithium', a key raw material in the manufacture of batteries.²⁷

Some of these mineral veins flow into Pakistan's Baluchistan province. The CPEC could be used to transport these minerals, once exploited, as well as oil and gas.

27 James Risen, 'U.S. Identifies Vast Mineral Riches in Afghanistan', *The New York Times*, 13 June 2010, pp A1, A6.

The large investment planned by China in Pakistan could conceivably serve to maintain the former's faltering rate of economic growth. For the last 35 years, the Chinese economy increased at the rate of about 10 per cent a year. It is now 32 times larger in size than in 1979 when the economy was opened and the period of high growth began. That expansion was made possible by the export of cheap manufactured goods to western markets. But cheap labour is no longer available and the markets in the West are saturated. Investment in the domestic economy has worked to some extent but even that is getting exhausted. Some of the state-owned enterprises that borrowed heavily from the banking sector as well as several local governments that followed the same approach to make investments are now burdened with enormous debt. Foreign investment therefore has become an attractive option and Pakistan provides an attractive opportunity.

6. The South Asian Muslim community then and now

There are at this time, in the middle of the second decade of the twenty-first century, three very distinct Muslim communities. The largest of these is in Pakistan with 175 million people. The second largest is in India with 150 million and the smallest in Bangladesh with 125 million. Together, the Muslim population in the subcontinent is 450 million or 29 per cent of the South Asian total of 1.54 billion. The proportion has increased since 1947 when the British left their Indian colony in the hands of the successor states of India and Pakistan. At that time, almost 70 years ago, the Muslim population in the British Indian colony was estimated at 100 million out of the total of 400 million or one quarter of the total. The increase in the proportion from 25 to 29 per cent is the result of the higher rate of fertility amongst Muslims as compared to non-Muslims.

How are the three Muslim populations faring economically, politically and socially? I will begin with economics. Accepting the estimates provided by the World Bank for 2014, combined national product for the three South Asian nations is \$2.421 trillion. This works out to income per head of \$1,586. Bangladesh's per capita income of \$1094 is 70 per cent of the South Asian average; Pakistan's 85 per cent. India, the richest South Asian nation, has per capita income 6 per cent higher than the average for the subcontinent. From these numbers we can make some estimates of the incomes of the three Muslim populations. Non-Muslims in Pakistan are at the bottom of the income distribution scale. Using the World Bank's income distribution data for Pakistan, the incomes of the non-Muslims are only 7.5 per cent of the national average. The average for Muslims in Pakistan is \$1400, while for those living in India it is \$1,250. For those Muslims who reside in Bangladesh the average is slightly more than that for the nation as a whole. In other words, Muslims in Pakistan have the highest average income per head with Indian Muslims coming in at number two with an average of \$1250 and Bangladeshis at \$1100 occupying the lowest rung.

At the time of partition, Muslims in what is India today were the richest of the three communities, those in what is now Pakistan were in the second place and those in Bangladesh were once again at the bottom. The partition of the Indian subcontinent, in other words, worked well for those who are now the citizens of Pakistan; it has not done well for Muslims who remained in India. It has not made any difference for those who now live in Bangladesh. I estimate that in 1947, the average Indian Muslim had income per head of \$400 in today's dollars. Those who lived in the provinces that remained in India were the richest with income per head of \$450, while those who lived in the areas that became Pakistan had a per capita income of \$350. For those who lived in what became East Pakistan and is now Bangladesh, income per head was only \$300, well below what the World Bank now regards as the poverty line. There are several reasons for this switch in income rankings between Pakistani and Indian Muslims.

Table 3. Muslims in the South Asian subcontinent, then and now

Country	1947 population (millions)	1947 income per head (\$)	2015 population (millions)	2015 income per head (\$)	Change, percent population	Change, income per capita
<i>Bangladesh</i>	38	300	125	1100	3.29	3.7
<i>India</i>	38	450	150	1250	3.95	2.8
<i>Pakistan</i>	24	350	175	1400	7.29	4.0
Total	100	369	450	1267	4.5	3.4

Source: Author's estimates.

The transfer of population that accompanied the departure of the British resulted in a significant redistribution of the subcontinent's Muslim population. Had the population transfer not taken place, India and Bangladesh would have had equal number of Muslims, 38 million each. What became Pakistan would have had the remaining 24 million of the 100 million subcontinental Muslims. The mass migration of population that occurred following the departure of the British took out some of the more well-to-do segments of the Muslim population from the provinces of the British South Asian colony that became the states in independent India. Of the 8 million Muslims who left India and headed for Pakistan, 1.5 million came from urban areas. They were better educated, more modernised and had higher income per head than the original population of Pakistan. Their departure was a loss for the Indian Muslim population and a gain for Pakistan.

The share of Indian Muslims in the increase in the country's national output was lower than that for non-Muslims. According to the data in Table 3, Indian Muslims saw an increase 2.8 times in their per capita income compared to 4 times for Pakistani Muslims and 3.7 times for those who are citizens of

Bangladesh. The conclusion to be drawn from these estimates of the changes in the sizes of the three South Asian Muslim communities and in their economic wellbeing is that the division of British India set back the Muslim population that remained behind. This raises the question that has begun to be asked: Did the partition of British India leave the entire Muslim community of South Asia better off or worse off? Some historians have attempted these counter-factuals, maintaining that they lead to a better appreciation of the current situation. But even if that is the case, they are very hard to answer.

Ideologically, the three Muslim groups in South Asia have moved in different directions. There were always differences among the several Muslim communities in British India about their religious beliefs. Among the many strands that were significant in those days were the Deobandese who believed in an austere form of Islam. They had rivals among the Barelivese. Both drew their names from the madrassas in the United Province of British India, now the state of Uttar Pradesh. Besides the followers of these two schools were numerous Sufi groups who worshipped at the many shrines in which their leaders were buried. Some groups – most notably the Ahmadiyas – established their own belief systems which were aggressively contested by the traditional believers. Of the three Muslim communities in South Asia, it is the one in Pakistan that has become the most extremist in terms of its beliefs. There are a number of reasons why some segments of the Pakistani society have been drawn to the more conservative interpretations of their beliefs. The country was ‘Muslimised’ because of the transfer of population following the partition of India when, almost overnight, the proportion of Muslims in the population increased from 70 per cent to 95 per cent. The large-scale migration to the Middle East since 1974, has exposed millions of Pakistani workers to the Saudi version of Islam – Wahabism. President Ziaul Haq, the military general who governed the country for eleven years, imposed his religious conservatism on the people. Finally, the way the Soviet Union’s 1979 invasion of Afghanistan was fought by a coalition that included Pakistan, Saudi Arabia and the United States was to lead to the emergence of Taliban as a force that sought to impose their highly conservative religious views on both Afghanistan and Pakistan.

Those in Bangladesh were much less subjected to these influences. And the presence of large Muslim minorities in the country also encouraged adherence to a more liberal outlook in religious and other matters. The situation of Muslims in India was also very different from that of the Pakistani followers of the Islamic faith. They are now –after the departure of millions of them to Pakistan following the 1947 partition – a much smaller segment of the population. Had India not been partitioned they would have constituted perhaps 30 per cent of the total population. The present proportion at 14 per cent is less than half of that. What would have been the impact of a larger Muslim proportion in the population on inter-religious relations is a question that could be answered in two different ways. As Subrata Mitra has convincingly argued in his book, the departure of the more politicised Muslims from India made the country’s political advance less problematic than when the British were attempting to create viable

political institutions. Their task was made more difficult by what they called the ‘Musalman problem’. A united India would have continued to be affected by the large presence of Muslims in the population. After all, some of the worst communal confrontations occurred before the subcontinent was divided on religious grounds. Or, conversely, Muslims would have found a satisfactory place in the Indian political and economic systems. They would have also been not exposed to the influences that drove Pakistan towards conservatism.

There is one other counter-factual that could be asked in this context. The 2014 elections in India saw the emergence of an avowedly religious political party, the Bharatiya Janata Party, as the most powerful political group in the country. It is now led by Prime Minister Narendra Modi who was sworn in in May 2014 replacing Dr Manmohan Singh, a Sikh, who governed the country for ten years, sharing power with Mrs Sonia Gandhi, the Italian-born widow of Rajiv Gandhi who was assassinated by a group of separatist Tamils. Political power in India, therefore, was shared by two non-Hindu politicians and that spoke volumes for India’s secularism. Would such an arrangement be possible now that the BJP is supported by the RSS, an extremist Hindu group. Or had the Muslim population been three times its present size would the BJP-RSS combination have risen to the position it occupies today? These are some of the questions for ‘counter-factual’ historians who, no doubt, will answer them in several different ways.

7. Pakistan: what lies ahead?

Pakistan’s turbulent history and extreme turbulence in the Muslim world leads to a number of questions about the country’s future. These questions are easier to raise but difficult to answer. We saw in the Section 2 of this essay that the country was hit repeatedly by a series of crises. The way they were dealt with kept changing the country’s landscape. In the Section 3 we saw how this landscape looks as the country approaches the end of its seventh decade of independence. I discussed in some detail how the leaders in charge of policy making at this time – in particular in Islamabad and the four provincial capitals – are dealing with some of the major crises the country is currently facing. In this, the last section of the study, I will ask and try to answer some of the questions about the future.

On a visit to Washington in April 2015 to attend the spring meetings of the International Monetary Fund and the World Bank Group, Finance Minister Ishaq Dar addressed a number of audiences. He stressed in his statements that the worst was over for the Pakistani economy and the country was slowly returning to what he considered to be the norm. He seemed to imply that by reaching a rate of growth of a bit over 5 per cent, the country would have achieved its potential. In this essay I will indicate that it would be appropriate for the country’s policy makers to aim higher: to adopt policies that would increase the rate at which the economy should be increasing to 8 per cent a year – perhaps even more. This will,

however, require a major paradigm shift. It will need a focus on factoring in a number of positives in the economic situation on which a growth strategy should be constructed. The Sharif government, in effect, adopted a sequential approach to economic management. It chose to concentrate most of its attention on addressing the 3 E's – the three problems it believed the country faced when the new set of rulers assumed power. These are economic revival, overcoming energy shortages and countering extremism.

The three E's received a great deal of government attention in the first two years of Prime Minister Sharif's current term. However, at the same time, a considerable amount of the state's resources were spent on preparing a vision statement. The Planning Commission was funded by the Asian Development Bank to get outside help to prepare a document titled 'Vision 2025' that identified the structural problems the country faced in 2014, the year the study was prepared. It listed a long list of actions that needed to be taken to close the various social and economic gaps that had developed over time. But the vision document launched with much fanfare – the Post Office minted a commemorative stamp to mark the occasion – was silent on the amount of resources that will need to be spent to achieve its many goals. There was no discussion of how the needed resources will be raised. Also absent from the discussion was the institutional requirements for meeting the stated goals. These simultaneous moves – addressing a few priority areas that needed immediate attention and the preparation of a long-term strategy spanning a period of more than a decade – did not feed into one another. This left some confusion about the approach the new government was following.

With this as the background, can we draw the conclusion that Pakistan, in the summer of 2015, was on its way to climb out of the economic rut into which it had fallen since the early years of the twenty-first century? By the financial year 2012–13 Pakistan had completed almost seven years of sluggish growth. The 2006–13 period saw the lowest rate of growth in GDP in the country's history. In 2013–14, the first year of the administration headed by Prime Minister Nawaz Sharif, the economy grew by 4.1 per cent. This slight acceleration was maintained in the year that followed. Does this mean that the way had been prepared by the government for the country to climb onto a higher growth plane?

This question received a positive answer from the Economic Advisory Council that met in Islamabad on 21 February 2015 to review the government's performance. The EAC was made up of the senior non-government economists in Pakistan. Some of them had served in the government in the past. The EAC met under the chairmanship of Finance Minister Ishaq Dar and concluded that a rate of growth of 5 per cent a year was within sight – perhaps by the year 2015–16. A broad-based pattern of growth was in place that should ensure that the country will steadily improve its growth performance while, at the same time, addressing the issue of the poor development of its large and young human resource.

All the growth numbers used above are for the formal economy. There are several economists who are of the view that the informal sector is as large as the formal part of the economy. Much of the activity in the informal part takes place in small and medium enterprises that escape the attention of the data gatherer and the tax collector. Goods produced and services provided by the enterprises that operate under the statistical and fiscal radars are not recorded in national income accounts. Three examples of the kind of activities that are being carried out would help to underscore the importance of this part of the economy as well as the contributions they can make to the country's economic future. Women are involved in all three activities.

Tens of thousands of young and well-trained women are providing IT services to their clients living abroad. One IT executive estimates that about a billion dollars of capital flows that that are recorded as remittances are in fact payments for the work done by these one-woman unregistered enterprises. Those who are engaged in this work were once employed as workers in large IT firms but left their jobs after getting married. However, they continued to work from home while raising their families.

Private schools established by women in towns and villages as well as in the peripheries of large cities are another example of the type of activity that does not receive the authorities' attention. Most of these are modest operations run by one person, the founder, who has received some education and is adding to the family income by providing basic education to children in the neighbourhood. The parents who send their children to these institutions are not impressed with the type of education on offer in the public sector and are looking for alternatives. These modest institutions in the private sector provide such an alternative.

The third type of activity in the unrecorded part of the economy can be loosely described as the 'fashion industry'. This is made up of small enterprises that are making garments and providing health and beauty services to the more affluent segments of society. The entrepreneurs who have established these enterprises are mostly women who belong to the social segment they are serving. As such they have a good understanding of the market in which they are operating.

These three examples point to the enormous potential of the service sector in contributing to the rate of economic growth as well as defining the economy's future structure. They also underscore the role women can play in moving forward the economy as well as reshaping it. Should the state play a role in developing these activities or should they be left to develop on their own? The weakness of the state suggests that it is better to leave these enterprises alone. That said, it may be of some use to encourage the public educational system at the higher level to train the youth, particularly women, who could become workers as well as entrepreneurs in these kinds of activities.

Where the state could get involved in improving the country's economic future is to turn Pakistan's strategic location into an economic asset. There are four countries that share borders with both China and India – Asia's two giant and rapidly growing and changing economies. Two of these – Nepal and Bhutan – are small. The third, Myanmar, is of medium size but remains politically unsettled. Pakistan is not only large with a population approaching 200 million, it is also politically and economically more developed. By improving relations with India and by investing in developing the needed infrastructure, Pakistan could make use of its extraordinary location to use regional trade as a major driver of growth. Not only that, it could also obtain large amounts of finance by offering its territory for moving goods and commodities among the nations on its borders as well those not too distant from it.

Some of the needed investments are being planned. The most notable of these is the already discussed China-Pakistan Economic Corridor (CPEC). During the April 2015 visit to the country by the Chinese President Xi Jinping, Islamabad was promised investments amounting to \$46 billion which will contribute to the development of the CPEC. Once completed, this corridor could be linked with India and Afghanistan and through the latter to the landlocked countries in Central Asia. The American pull-out from Afghanistan and the election of Ashraf Ghani as president have set the stage for ushering in a new period of economic growth and transformation in this area. China needs to reach the enormous but untapped mineral wealth of Afghanistan, some of which overflows into Pakistani territory. China also needs Pakistani and Afghan space to access the enormous energy resources of the Middle East and Central Asia. Improved relations with India would mean linking that country with these corridors. The Indians also need to have good access to Central Asian and Middle Eastern energy resources to overcome their deficit of this vital economic input.

The role women can play in increasing economic activity and the advantage Pakistan can draw upon from its geographic location are not the only 'positives' on which a better future can be built. There are several others. These include the sector of agriculture, an active small- and medium-scale manufacturing sector, a large and young population, and a large diaspora spread across the world. A few words on each of these will be in order at this stage.

Pakistan could do a better job managing its rich agricultural endowment. In the late nineteenth and the early twentieth century the British began to worry about the recurrent famines in the north-eastern part of their Indian colony. The memory of the 1857 mutiny against their rule was still fresh in their minds. They did not wish to have another cause – repeated famines and the associated human toll – to provide another rallying point for opposition to their colonisation. After years of debate in London about the best way to prevent famines, the British administration in India decided to turn the virgin lands of Punjab and Sindh into the granaries of India. Huge investments were made to tap the waters of the Indus River system to irrigate vast tracts of virgin land. An elaborate road and rail transport system was built

to carry food grain surpluses from Punjab and Sindh to the food deficit provinces of Bengal and Bihar. The port at Karachi was also developed to ferry food grains to Calcutta. Because of these investments, Pakistan inherited a rich agricultural sector.

For a couple of years after the partition of British India, Pakistan continued to export its surplus food grain production to India. However, as discussed in an earlier section of this essay, New Delhi imposed a trade embargo on its neighbour. With the loss of this market, and the pressing need to earn foreign exchange for development, the first generation of Pakistan's economic managers turned their attention to the non-agricultural parts of the economy. Agriculture was neglected and continues to receive little attention from policy makers to this day. If this sector was once again to become a major contributor to economic growth as it was before the country became independent, it will need to be included in the government's priorities. The sector's potential is considerable. Pakistan has the world's largest contiguous irrigated area. The country's cropped area is estimated at 22.75 million hectares. Water reaches land from several different sources. Surface canals irrigate 5.82 million hectares, and ground water another 4.20 million hectares. However, the cropping pattern is not optimal given the sector's endowment. The public sector needs to invest more in order to improve the deteriorating irrigation infrastructure, develop science and technology institutions to improve land productivity, provide incentives to the farming community to move to the production of higher value added crops, and improve the marketing of surpluses produced. A reformed agriculture sector could add up to one percentage point to the rate of growth in national income.

The country also needs to rethink its approach to industrialisation. With the changes that have occurred in the international production system, Pakistan could enter the supply chains for the large manufacturing sectors in China and India. Some of this has begun to happen; there are manufacturing companies in the industrial belt in and around the cities of Lahore, Gujranwala and Sialkot who are supplying parts and components to the automobile industries in Europe. The same could be done for the automobile industries of China and India.

By focusing on education and training, Pakistan could turn its large and young population into a significant economic asset rather than having it become a burden. Youth could be deployed in modern services which have large demand in western markets. The enterprises employing the young in skill-intensive activities could lead to Pakistan, given the size of the population and its median age, becoming a large supplier of services to the western world.

Finally, Pakistan could take advantage of the large diasporas that have been created by its citizens in many parts of the world. Firm estimates are not available about the number of people who live in these communities, their age structure and skill profiles, their incomes and wealth, and their investment

interests. Nevertheless some guesses can be made from what we know about other diasporic communities that have been more researched. It appears that some 8 million Pakistanis live abroad, mostly in the Middle East, Britain, Canada, the United States and Australia. Their average income per capita is between \$20,000 and \$25,000 which means that they earn between \$160 billion to \$200 billion a year. Some of these communities are old and some of the older ones have been saving and investing in the countries in which they live. Sizeable economic assets have been created by these people in America, Canada and Britain. Their value may be around half a trillion dollars. These assets are yielding more incomes for the members of the diasporas.

There are several examples of investments expatriates have made in what was once their homeland. One British business house has invested in a cement plant in Chakwal and is the co-owner of a large commercial bank, the United Bank Limited (UBL). Several Pakistani physicians have invested in their homeland. They have built hospitals and clinics. There are investments in educational institutions as well. This trickle could become a flood if those Pakistanis living abroad could develop confidence in the economic future of their country. The Chinese and Indian diasporas are playing important roles in the development and economic modernisation of the countries of their origin. Those from Pakistan could do the same if the conditions at home provide security to their capital and rates of return on investment that are reasonable and attractive.

What all this implies is that Pakistan has the potential to significantly increase the rate of economic growth in the years ahead if it undertakes a major paradigm shift in economic thinking. It needs to focus on some of the neglected drivers of economic advance. These include its large and young population, in particular the contribution women can make to the economy; its proximity to the large Chinese and Indian economies; and its location. Intelligent and imaginative use of these potential assets could produce the rates of growth that would approach those of the fast-growing economies of Asia. It is possible to think and plan for rates of GDP growth around – even beyond – 8 per cent a year by the end of the 2010s.

Pakistan's economic future will also depend on the progress it makes in developing its political order. For the last several years it has been moving in the right direction. Unlike most of the Muslim world – and also unlike its neighbours India and Bangladesh, the latter once its part – Pakistan has no living overbearing leader who could colonise the state rather than allow institutions to set the rules of the political game. The exception is Muttahida Qaumi Mahaz's – better known by its acronym, MQM – Altaf Hussain but even his power appears to be waning. Two of the most revered leaders are long dead. One of them, Muhammad Ali Jinnah, founded the state. The other, Zulfikar Ali Bhutto, attempted to give political space to a number of groups – among them peasants and urban workers who were effectively disenfranchised by the narrow and exclusive political system of the day. The absence of

overbearing political personalities means that the development of political institutions can proceed apace and take the country towards a representative and inclusive political order. As economists have now begun to recognise the presence of such an order is a precondition for obtaining sustainable and high levels of economic progress.

While the country has made some progress in developing an inclusive political order, it must at the same time improve the quality of governance. As social scientists have begun to emphasise, the role of the state has to be defined in such a way that opportunistic behaviour on the part of the leaders is minimised. The level and incidence of corruption in the country has increased, the quality of the civil bureaucracy has declined and the rule of law is not prevalent.

Conclusion

The main conclusion reached in this paper is that Pakistan is likely to make steady progress in developing a functioning, integrated and inclusive system which will, in turn, help the country achieve equally steady economic improvement. However, could these positive outcomes be disturbed by developments in distant parts of the Muslim world that could reach Pakistan? *The New York Times'* Ross Douthat summarises the state of play pertaining to the rise of the Islamic State in Iraq and Syria very well:

The fall of an autocrat leads to foreign occupation and civil war. A revolutionary movement with a messianic vision capitalizes on the chaos to gain power. The revolutionaries reign through terror and the promise of utopia, and inspire copycats around the world. But other nations impose a quarantine, internal rivals regain ground, and despite initial successes the new regime seems unlikely to survive – especially once outside powers, including the United States, join the fight against it.²⁸

I have suggested that in the end Islamic extremism may find it difficult to establish itself in Pakistan. The reason why the country may not spread a welcoming mat for ideologies such as those espoused by the Islamic State in Iraq and Syria is that Pakistan is making progress in creating political and economic orders that will accommodate the aspirations of the youth. The young in the Middle East, on the other hand, were alienated by the Arab world's elite. The current state of affairs in the parts of the Arab world most affected by the 'Arab Spring of 2011' suggests that it will be some time before these countries reach the stage at which Pakistan had arrived by the middle of 2015, the time of this writing.

28 Ross Douthat, 'Can the Islamic State Survive?' *The New York Times, Sunday Review*, 24 May 2015, p 9.

Sondos Asem, an Egyptian woman who was active in the movement that overthrew Hosni Mubarak and then went on to participate in the Muslim Brotherhood's campaign to win power through elections, serves as a good case study of what the youth in her country feel they are owed by society. She wrote in an article contributed to the op-ed pages of *The Washington Post*:

I belong to a school of moderate mainstream Islam that believes there is no contradiction between Islam and democracy. In fact, Islam stands firmly against injustice, violation of human rights and oppression of women. I have always believed in democracy and peaceful change, and I have defended the human rights of all people. Therefore, I volunteered in Morsi's campaign as a coordinator to communicate with foreign media, and I was appointed to the same position in the president's office after he was elected president in a free and fair vote. This was the only time we Egyptians were able to participate in such elections, and it was an incredibly empowering moment.

Following the military coup of 3 July 2013 that brought General Abdul Fateh Sisi to power and incarceration of President Morsi, Ms Asem left Egypt for Oxford. She was sentenced to death by an Egyptian court on 16 May 2015 along with Morsi and several other supporters. 'I am from the generation of young Egyptians – women and men, Christians and atheists – that the regime fears as its No. 1 enemy because we represent the future and a hope for change.'²⁹

The grievances youth have against the dominant political players have made the Islamic State movement resilient. According to one assessment,

confounding declaration of the group's decline, the [recent] twin offensives have become a sudden showcase for the group's disciplined adherence to its core priorities: always fighting on multiple fronts, wielding atrocities to scare off resistance and, especially, enforcing its caliphate in the Sunni heartland that straddles the Iraq-Syrian border. In doing so, the Islamic State has not only survived setbacks, but also engineered new victories.³⁰

However, given the conclusion reached at the end of Section 7 in which I discussed the country's future, even with all the turmoil in the country, Pakistan seems to be on the way to developing a political order that is representative and inclusive. This will prevent extremism from taking root in the country. It will also ensure steady economic progress at a rate many believe is not possible at this time.

29 Sondos Asem, 'Undaunted by a Death Sentence', *The Washington Post*, 24 May 2015, p A23.

30 Tim Arango and Anne Barnard, 'With 2 Victories, ISIS Dispels Hope of Swift Decline', *The New York Times*, 24 May 2015, pp 1, 10.

One assessment published by Bloomberg suggests that Pakistan's economy may be heading towards a boom led by the

construction sector which marks the nation's emergence as a frontier economy after Prime Minister Nawaz Sharif averted a balance of payments crisis with the help of the International Monetary Fund and resuming selling stakes in state companies. He is boosting infrastructure spending as the \$232 billion economy expands at the fastest pace since 2008 amid the cheapest borrowing costs in 42 years ... Shrugging off sectarian violence, bombings, killings and kidnappings, the benchmark KSE100 index has advanced about 16 percent in the past 12 months, featuring among the world's top 10 performers.

The article quotes Charlie Roberson, a London-based chief economist at Renaissance Capital, as saying: 'What has changed is the delivery of reforms – privatization, an improved fiscal picture and good relations with the IMF.'³¹

31 Fasseh Mangi, 'In the "Best Hidden" Frontier Market, a Boom Signals a Pakistan Revival', <http://bloomberg.com/articles/2015-06-30>