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Pakistan's Past, Present and Future - I

To Understand Pakistan's Present, Study the Past

Pakistan's Constitution had been cleansed of the military-crafted changes by the time Mr Nawaz Sharif became Prime Minister, for the third time, in 2013. However, the main toolkit for addressing the country's challenges is a proper grasp of its history of crises and crises-management.

Shahid Javed Burki¹

Introduction

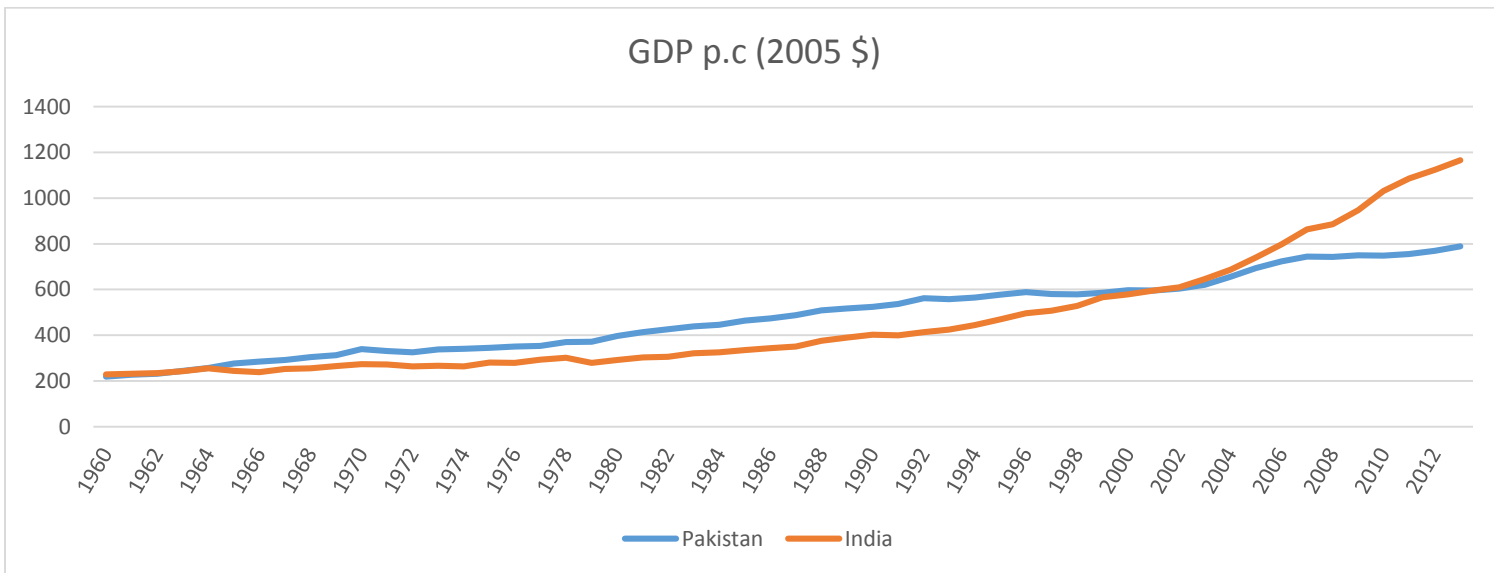
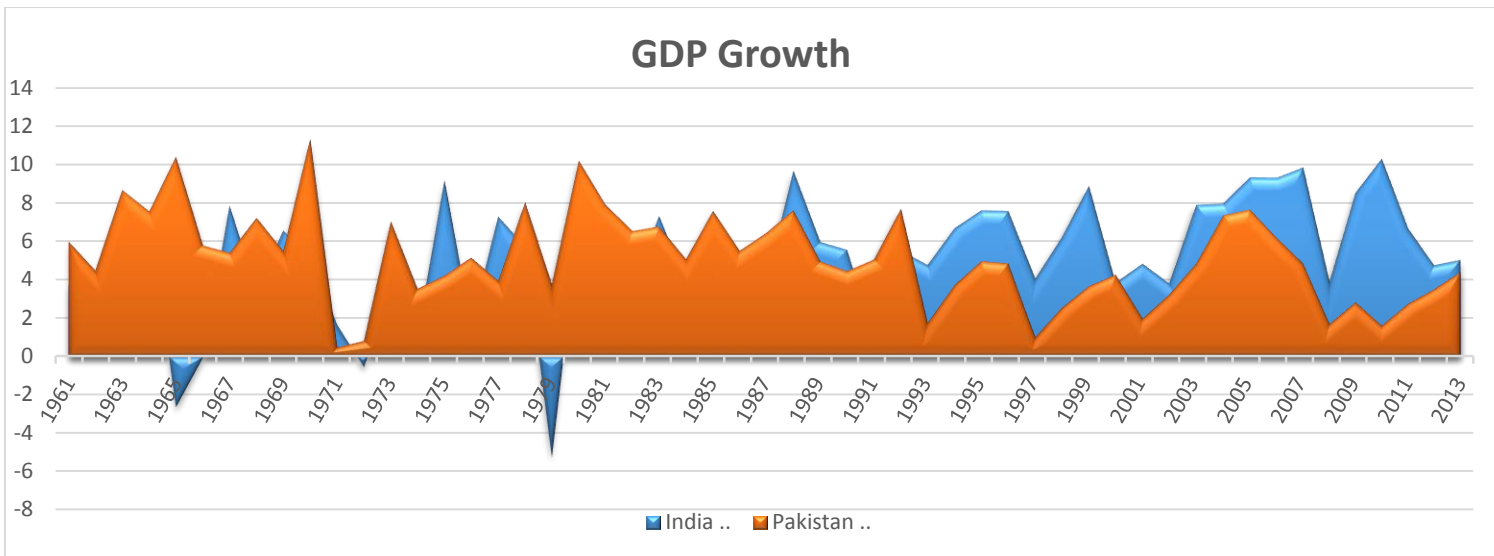
This series of three working papers about Pakistan will concentrate on economics, my discipline and the one that I have practised not only in Pakistan but in four dozen countries around the world. However, I have learnt from this experience that economics should not be separated from other social sciences. In order to fully understand where a country has arrived

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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 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 available now as the United States, the country's largest benefactor, is engaged in redefining its place in the world. In Washington's current thinking, Pakistan does not figure prominently. 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 if 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 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 at the end, this essay is divided into six sections. The first presents an overview of the current economic situation. The main point in this part is the belief the country’s policymakers 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 policymaking 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 Three) and a poorly managed public education system (Section Four). Section Five examines Pakistan’s external relations. Dependent as it has been on external capital flows for its entire existent, Pakistan had to fashion external relations in a way to gain access to the finance it needed. Section Six provides some indication of how the country could move forward if the right sets of policies were to be adopted.

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

The Present Situation:

What will it take to Sail Through the “Perfect Storm”?

The Pakistani electorate provided Mian Muhammad Nawaz Sharif, the president of the Pakistan Muslim League (PML), 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 People’s Party’s (PPP) 42 and 35 seats were won by the newcomer Pakistan Tehreek-e-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 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 as 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 (capital of Punjab) 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 percent of the country’s population and about the same proportion for 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 prime minister-to-be’s claim that Pakistan had sailed into a perfect storm as 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, Nawaz 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 areas.

Nawaz Sharif was expected to move – and move quickly – in four areas: steer the economy out of the stormy waters 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 the 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 Es, perhaps a couple of Ws as well. The expanded list of priorities could have incorporated education, employment, environment, and external relations. The Ws 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. Nawaz Sharif appeared to have recognized 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 the hospital

recovering from the 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-i-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.

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 organizations 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 programme 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

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.

new policymakers 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 argued for long, 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 policymakers had to tackle was the management of foreign reserves. Pakistan owed large amounts of money to the International Monetary Fund (IMF). 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 Fund. One solution was to return to the IMF and ask for it to finance a new programme aimed at stabilizing the economy.

The programme 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 programme 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 onto many Fund programmes in the past but completed only a few. Before concluding another programme, 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 programme 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 started 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 programme of support could be put together.

The Fund responded quickly to Pakistan's request for support. On September 4, 2013, four months after the Sharif administration took office, the IMF's Executive Board approved a \$6.6 billion loan for Pakistan to stabilize 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 percent of GDP in 2012/13 to 5.8 percent in 2013-14 and to 3.5 percent by the end of the programme. The Fund was to undertake quarterly releases following reviews by its staff.

The seventh review was carried out in a series of meetings held in Dubai from May 1 to May 11, 2015. The institution's mission-chief that 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

⁴ IMF Survey Magazine: Countries and Regions, "Pakistan gets \$6.6 billion loan from IMF", September 4, 2013.

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

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 policymakers 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 cultivate 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 severe blow to private enterprise that

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

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 to 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 crisis 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 sub-continent 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 amount 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 the British India and ultimately, the Congress Party that for peace to prevail in the sub-Continent, 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 to generate mayhem that

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.

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 migrations in human history. It involved 14 million people; eight million Muslims left their homes in India and headed to Pakistan, six million Hindus and Sikhs moved in the opposite direction.⁸ In one of my earlier works on Pakistan, I estimated the number of people involved in the movement using pre-partition and post-partition censuses.

The four 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 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, policymakers in Pakistan had convinced themselves that India would like to somehow 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 the

⁸ Stanley Wolpert, *Shameful Flight: The last days of the British Empire in India*, New York, Oxford University Press, 2006.

Indian colony for the help it had provided 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 halfway 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 Pakistani President Pervez 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 Musharraf who said that he understood the constraints under which 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. 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 June 10, Interior Minister Chaudhry Nisar Ali Khan warned 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, India factor weighs heavily but the unresolved issue of the role of Islam has also played a role. As suggested in a book co-authored by me 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 over. Afghanistan must not become another Kashmir.¹⁰

Afghanistan, in 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 Pashtuns 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 (madrassas) were financed by Saudi Arabia which also encouraged the teaching of the Wahhabist 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 early

⁹ Tim Craig and Annie Gowen, “India’s border operation rattles nuclear neighbor”, *The Washington Post*, June 12, 2015, p. A8.

¹⁰ Shahid Javed Burki, Iftexhar Ahmed Chowdhury and Riaz Hasan, *Afghanistan: The next phase*, Melbourne, Australia, Melbourne University Press, 2014.

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 PPP, 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 were given to that part of the country under the Legal Framework Order promulgated by Khan, the military president. The East Pakistani party, with 160 seats in parliament and 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 a democrat Bhutto professed to be. But he was aristocratic and authoritarian in disposition and temperament. He refused to accept Awami League’s Sheikh Mujibur Rahman as prime minister, setting the stage for the civil war that led to the country’s breakup. His actions set Pakistan’s political development back 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 which had gained both wealth and political power under 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 that 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 percent average during the Ayub Khan period to less than 4 percent 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 Hussain Haqqani, once Pakistan's Ambassador to the United States had suggested in some of his works.¹¹ 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 the most segments of the 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 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 Ayub Khan rightly called his "decade of development," it removed the most dynamic components of the economic system.¹² In addition, by allowing the top-leader to gain absolute power, the country was not able to develop a fully representative and inclusive political system.

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¹¹ Hussain Haqqani

¹² Muhammad Ayub Khan, *Friends not Masters: A Political Autobiography*, London, Oxford University Press, 1967.