



**ADDRESS BY FOREIGN MINISTER KHURSHID M. KASURI ON“CHALLENGES CONFORONTING
PAKISTAN'S FOREIGN PPLICY” AT THE LOWY INSTITUTE, SYDNEY, AUSTRALIA**

May 13, 2005

Mr. Allan Gyngell,

Executive Director Lowy Institute,

Distinguished Guests,

Ladies and Gentlemen:

I am pleased to be here at the Lowy Institute for International Policy to speak on the challenges confronting Pakistan 's foreign policy with a focus on the war against terrorism and our commitment to international efforts aimed at counter-proliferation. I would like to thank the Lowy Institute for its contribution to the promotion of dialogue and international understanding since its inception in April 2003.

Ladies and Gentlemen,

- For Pakistan , the first and foremost challenge is the threat of terrorism and its role as a frontline state in the war against terrorism. Other challenges include the following:

Improvement of relations with India and the solution of all outstanding issues including the issue of Jammu and Kashmir . This is imperative for the achievement of strategic stability in South Asia .

Pakistan 's commitment to the objective of Non-proliferation and to work with the international community for the furtherance of this objective.

Pakistan 's support to the promotion of stability and reconstruction in Afghanistan .

- Pakistan had been a victim of terrorism for many years. The international community, however, awakened to it in a stark manner when the menace manifested itself in a most horrific way on September 11, 2001 . At this crucial juncture of history, Pakistan took a principled position to fight terrorism in all its forms and manifestations. Our stand against international terrorism now constitutes a major plank of our foreign policy and this has been appreciated by the world community. We remain committed to challenging extremism and rooting out the evil of terrorism for we recognize that it constitutes a menace, not only to the international community, but to our own security and political and economic well being as well.

Ladies and Gentlemen,

- Pakistan has been a frontline state in the global war against terrorism and is extending full support and active cooperation to the international coalition. Pakistan had deployed 70,000 security forces along the border with Afghanistan to interdict Al-Qaida/Taliban members. The anti-terrorism drive inside the country to hunt down suspected terrorists has met with great success. We have apprehended and deported over 600 suspected Al-Qaida operatives and affiliates including some of its top leaders like Abu Zubaydah, Ramzi bin Al-Shibh and Khalid Shaikh Mohammad. Recently we were able to capture Abu Faraj al-Libbi, the number three ranking official in the Al-Qa'ida hierarchy.

- We are fulfilling all our obligations under the relevant UN Security Council resolutions on counter-terrorism. Pakistan has signed 11 and ratified 10 out of 12 UN Conventions on terrorism related subjects. We are a party to the Organization of Islamic Conference (OIC) and South Asian Association for Regional Cooperation (SAARC) Conventions on Combating International Terrorism. We have also signed the Additional Protocol to the SAARC Convention on

Terrorism. Pakistan has signed extradition treaties with twenty-nine countries. Several terrorism suspects have been deported under these treaties. We are also cooperating at different levels with 50 countries of the world to curb international terrorism.

- Pursuant to its obligations under UN Security Council Resolution 1267 and subsequent resolutions, Pakistan continues to work with the UN 1267 Sanctions Committee to freeze the assets of individuals and groups identified as terrorist entities linked to al-Qa'ida and the Taliban. Pakistan's parliament passed an amendment to the 1997 Antiterrorism Act that increased penalties and prohibited bail for those who finance terrorism. Pakistan also drafted and won agreement for a regional convention against terrorist financing.

Ladies and Gentlemen,

- When we talk about eliminating the root causes of terrorism, we have to take stock of the trouble spots in the world around us today. We know very well that there is a feeling in the Islamic world that there is selectivity in the application of the UN Security Council resolutions. Durable peace in the world can be established only if disputes are resolved on the basis of justice, fair play and international legality. The way out of the current impasse, in view of President Pervez Musharraf, is "enlightened moderation". This, according to him, requires a two-pronged strategy. On the one hand, Muslim countries should assume the responsibility for internal reform, eschew extremism and confrontation and ensure economic and social development, through ensuring respect for human rights and paying special attention to human resource development programmes. The West, on the other hand, should help in a resolution of disputes on the basis of justice so that terrorists are denied breeding ground and it would also assist the Muslim world in poverty alleviation and socio-economic development.

- Nobody knows where the war against terrorism will take us, and when or how it will end. This time round, however, the major powers have assured us of a long term commitment to Pakistan but the question is what commitments do we need that work to the benefit of both the region and the major powers. During her recent visit to Pakistan, US Secretary of State Condoleezza Rice, while commending Pakistan's role in the fight against terrorism said that American relations with Pakistan now were based on shared interest in peace and stability in the region and "went beyond Afghanistan, Iraq and the war against terrorism".

Ladies and Gentlemen,

- Even if Pakistan is not a party to the NPT, we adhere to the objective of non-proliferation and would like to work with the international community for the furtherance of this objective. Pakistan's acquisition of nuclear capability was driven by its security compulsions. Despite the Indian nuclear tests of 1974, Pakistan pursued a policy of extreme restraint. We consistently made proposals to keep South Asia free of nuclear weapons; we regret that the proposals did not receive a positive response. Following Indian nuclear tests of 1998, we were left with no other option but to acquire and sustain minimum credible deterrence against a growing external threat, and restore the strategic balance which had been disturbed due to Indian action. Nuclear deterrence now forms an indispensable part of our security calculus and Pakistan cannot be expected to join the NPT as a non-nuclear weapons state.

- We reject the negative media campaign against Pakistan for its alleged involvement in the illegal transfer of nuclear materials and equipment. As we all know that illegal networks have been operating in more than 30 countries and predate A.Q. Khan's activities, a fact which has been duly acknowledged by the Director General, IAEA. Therefore, targeting Pakistan would not serve the objective of non-proliferation.

- Following disclosures about the involvement of certain international and Pakistan-linked individuals in clandestine proliferation activities, we thoroughly investigated the matter and shared our findings with the IAEA. Pakistan has successfully dismantled the A.Q. Khan network. Strict security restrictions have been imposed on Dr. Khan and his associates. We expect that other countries whose nationals and entities have been found involved would take similar action. Let me reiterate here that the Government of Pakistan has never and will never proliferate.

- A comprehensive national legislation entitled "Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004" was passed by our Parliament in September, 2004. The purpose of this Act is to further strengthen controls on export of sensitive technologies particularly related to nuclear and biological weapons and their means of delivery.

- Pakistan formally established the National Command Authority (NCA) in 2000 headed by the President, which is responsible for policy formulation; exercises control over the employment and deployment of strategic nuclear forces and strategic organizations. The National Command Authority is the apex decision making body under the Chairmanship of

the President with the Prime Minister as its Vice Chairman. It has two Committees. One of the Committee is headed by the Foreign Minister while Ministers of Defence, Interior and Finance are its members also.

- The reality of Pakistan 's nuclear capability has to be accepted. The IAEA's Director General has on several occasions suggested this approach. The Expert Group on Multilateral Nuclear Fuel Cycle Approaches established by the IAEA Director General has also in its recommendations proposed that any new adjustment to the nuclear non-proliferation regime must take into account the nuclear reality.

- We expect the world to help Pakistan to acquire nuclear technology for peaceful purposes. Given the scarcity of fossil fuel reserves, Pakistan needs to generate 8800 megawatts of nuclear power by 2020 to cater to its growing energy needs. The present generation capacity of approximately 500 megawatts is far below the international average share of nuclear energy in the total energy output figures as well as Pakistan 's domestic energy demands. The US has announced lifting of three-decades old embargo on India regarding cooperation in civilian nuclear technology and we expect the same treatment from the US and EU in this regard

Ladies and Gentlemen,

- In South Asia today, the great challenge is economic development to eradicate poverty, illiteracy and disease. We have a responsibility to channel all our energies and resources for the betterment of our people who constitute one fifth of the population of our planet. Our policy of according high priority to the promotion of peace and security in and around Pakistan stems from our conviction that a peaceful and secure environment internally, regionally as well as globally would positively contribute towards economic growth and development which would lead to reduction in poverty and help to enhance the welfare of our people.

- As President Pervez Musharraf once remarked, “we do not need a Marshall Plan. All we need is an enabling environment of peace and stability in this region”. I firmly believe that the region can rise to its true potential only when this basic ingredient is made available.

- I believe that working together the Governments of Pakistan and India could create conditions of peace and security leading to stability in South Asia and thus serve the poverty stricken people of South Asia . Foreign Minister Natwar Singh told me in our two recent meetings that he was committed to improving relations between Pakistan and India and added that “Pakistan-India relations no longer lie in the past, but in the future”. I told him that I was looking forward to a constructive engagement with India through a sustained dialogue process to resolve all outstanding issues between the two countries, including Jammu & Kashmir.

- Thus, our approach of peace and development in South Asia includes: First, dialogue for settlement of all disputes in particular Kashmir . Second, restraint and security balance in South Asia . We do not desire an arms race in the region conventional or nuclear. Third, cooperation for economic development of the region; both on bilateral basis and within the framework of South Asian Association for Regional Cooperation (SAARC).

- Pakistan all along has emphasized the necessity of a meaningful, constructive and result-oriented dialogue with India to resolve all outstanding issues including the Jammu and Kashmir . The current Pakistan-India Composite Dialogue process started with the visit to Islamabad of the then Indian Prime Minister, Mr. Atal Bihari Vajpayee, in January 2004 to attend the SAARC Summit. The process is ongoing. The purpose was to offer an opportunity to achieve a peaceful settlement of all issues between the two countries including the long standing Jammu and Kashmir dispute. It should be axiomatic that if the Composite Dialogue is to result in durable peace, the solution to this issue must reflect the aspirations of the people of Kashmir besides being acceptable to Pakistan and India .

- Pakistan believes that the Kashmiri people must be associated with the Pakistan-India process for seeking a final settlement and ultimately they must be the principal beneficiaries of the process. Their legitimate aspirations cannot be ignored and must be accommodated if we are to have durable peace in South Asia .

- We have impressed upon India to work out mutually acceptable modalities to associate the Kashmiri people with the Composite Dialogue process. We believe that Kashmiris have a direct stake in the success of the Pakistan-India dialogue since they are the principal beneficiaries of the peace process.

- There have been some positive developments. The decision to commence Muzaffarabad-Srinagar bus service should turn out to be a win-win situation for all concerned. The people of Kashmir who have suffered for so long will feel some comfort. The two governments have shown a great sense of responsibility and flexibility to achieve this humanitarian

CBM. At this juncture it is important to mention that improvement of human rights situation in Kashmir will have a positive impact on the ongoing dialogue between the two countries. Initially, at least removal of troops from population centers will be a major confidence building measure (CBM).

- It would be pertinent to mention that while we need to remain focused on the core issue, we need to be prudent and recognize that progress on other issues such as Baglihar Dam and Siachen, is equally important. These issues, if not resolved, have the capability to cast a shadow on our ongoing dialogue process.
- High-level contacts between the leadership of the two countries continue in an effort to amicably resolve all outstanding issues. In April, President Pervez Musharraf visited India on the invitation of Indian Prime Minister Dr. Manmohan Singh. He had a detailed round of talks with the Indian Prime Minister during which all issues including the Jammu and Kashmir dispute, confidence building measures across LoC, Sir Creek, Siachen, Khokhrapar-Munnabao railway link project, opening of Consulate Generals in Karachi and Mumbai, Oil and Gas pipelines and bilateral economic and commercial cooperation including Joint Economic Commission were discussed.
- We are hopeful that the Composite Dialogue process will lead to a peaceful settlement of all issues including Jammu and Kashmir . We believe that a constructive process of engagement would promote progress towards the common objective of peace, security and economic development for the people of South Asia .

Ladies and Gentlemen,

- Close friendly relations with Afghanistan remain a high priority of our foreign policy. Peace and stability in Afghanistan is essential to integrate the regional transport and energy infrastructures. This cherished goal is now in sight, in part on account of supportive policies being pursued by Pakistan . In partnership with the international community, we will continue to strive for a peaceful and stable Afghanistan , and to assist Afghan reconstruction.
- Pakistan seeks a stable and united Afghanistan , with whose people we have close cultural, ethnic and historical ties. A peaceful and stable Afghanistan is a pre-requisite for regional peace and development. We therefore support the Bonn Process and the efforts of President Karzai for national reconciliation and development. To this end, I had the privilege of representing Pakistan on the occasion of signing of the Kabul Declaration on Good Neighbourly Relations in December 2002. In our endeavours to build upon the centuries old ties with Afghanistan , we are guided by the principles of mutual trust, sovereign equality and non-interference in each other's internal affairs.
- In the past two years, our relations have registered visible improvement in diverse sectors. In the last seven months alone, top leaders of the two sides have met on six different occasions. I accompanied the President during his visit to Kabul on 6 th November 2004 which he undertook to personally felicitate President Karzai on his landmark victory in the Afghan Presidential Election of October 2004. President Karzai deeply appreciated Pakistan 's support for help in organizing a peaceful Afghan Presidential Election. On the invitation of President Musharraf, President Karzai visited Pakistan and was the Guest of Honour at the Pakistan Day Parade on 23 rd March, 2005 .
- On the economic plane, our bilateral trade has grown from approximately US\$20 million three years ago to US\$ 1 billion this year. This has been in part a result of the measures taken by Pakistan to facilitate bilateral trade. These measures include reduction in duty on Afghan imports from 25% to 5%.
- We are committed to providing Afghanistan hassle-free access to the Arabian Sea . We have taken steps to promote and streamline Afghan transit trade. These include addition of Port Qasim to entry points for Afghan transit trade, fifty percent reduction in port charges and twenty-five percent reduction in railways carriage charges. We have removed all except six items on the Negative List of Afghan Transit Trade.
- Pakistan is participating actively in the reconstruction of Afghanistan . Out of US\$ 100 million pledged by Pakistan , US\$ 43 million have been utilized for various projects in infrastructure development, health and education sectors. Pakistan is also actively engaged in capacity building of Afghan state institutions. We are training Afghan diplomats, police personnel and customs officials, and have offered training facilities to Afghan officials in a wide range of other fields.
- Afghanistan is already moving gradually but inexorably towards a new disposition. An enabling environment would require rapid reconstruction of its physical and social infrastructure. Instability in Afghanistan has a direct bearing on Pakistan . A peaceful, stable and friendly Afghanistan is vital to our national security, economic and political interests. Therefore, we fully support the efforts of President Karzai for peace and harmony in Afghanistan . A stable Afghanistan

is certain to have a positive impact on the politico-economic landscape of Central Asia as well as that of South and Southwest Asia . Construction of road networks and implementation of the energy pipeline projects through Central Asian Republics to Pakistan will bring development and prosperity.

- Pakistan sees itself as part of three concentric geographical regions – South Asia , Central Asia , West Asia and the Middle East . We want to work with the leaders of all these regions to turn this land into an arc of opportunity. We are members of two regional organizations spanning these regions, namely the SAARC that comprises seven South Asian countries and Economic Cooperation Organization that includes ten countries of Central and West Asia . Some Central Asian states are also part of the Shanghai Cooperation Organization. We also envisage a strong, viable and growing relationship with the East Asian community. With the European Union's eastward expansion, we could also take the emerging partnership between Europe and Pakistan to a higher plane. In order to achieve these objectives we have devised policies to meet contemporary challenges worldwide and those peculiar to our region and country.

Ladies and Gentlemen,

- In the last four years, Pakistan has seen a dramatic turnaround in Pakistan 's economy. From a state of near bankruptcy, we have bounced back to a stage where we are being called an Emerging Market. A microeconomic indicators have been stabilized, structural reforms successfully implemented, and our economy firmly moved towards sustainable growth.

- Pakistan is now on the road to sustained political and economic stability thus providing a conducive and attractive environment for foreign investors. The main thrust of our policy is to restore investors' confidence regarding security of capital, profitability of business and establishment of the necessary infrastructure that would facilitate business operations in the country.

- As a result of the above mentioned policy decisions, the confidence of the local and foreign investors has been restored. This revival is reflected in major increase in local investment as also in the Direct Foreign Investment. I am confident that this trend will continue.

- This year the economy is likely to grow by 8%. Budget deficit has been brought down from 7% to 3%. Current Account deficit of over 4 billion dollars a year has been turned into a surplus of 1.8 billion. Foreign debt has been brought down to less than half the GNP. Foreign exchange reserves have increased manifold and can now finance one year of import as against two weeks in 1999. Exports have risen to over \$12 billion. Total market capitalization has multiplied many times over to 30 billion dollars.

Ladies and Gentlemen,

- The challenges of the 21 st century are daunting. Pakistan finds in itself in the middle of these challenges along with other members of the international community, and will continue to play a pivotal role in the handling of global, trans-national issues. We have to create a fine balance between negatives and positives while investing our energy and resources in facing these challenges. On the negative list, we have to eliminate terrorism and extremism and conflict from our region. On the positive side, we would persevere in our efforts to promote peace, democracy, moderation and human rights – within and without. Above all, we would look forward to creating a new synergy among interlocking regions and constituencies so that we leave a legacy of peace, cooperation and prosperity for our future generations.