

Prime Minister Syed Yusuf Raza Gilani's Interview with Financial Time, UK

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James Lamont, the FT's south Asia bureau chief, and Farhan Bokhari, Pakistan correspondent, interviewed Yusuf Raza Gilani, Pakistan's prime minister, in Islamabad on March 16 2010. This is an edited transcript.

Financial Times: What are you seeking from Washington in the US-Pakistan strategic dialogue meeting next week?

Gilani: Pakistan and the US have multi-dimensional cooperation. We are both also involved in fighting a [war on terrorism](#) and extremism. There have been lots of ups and downs in our relationship and there had been in the past like the presidential amendment. Whatever the sanctions that were on the economy and defence have been lifted. Now because of the previous government there has been some mistrust.

We have to improve our relations. I think we are moving in the right direction that we have to remove the trust deficit and we are upgrading our relationship.

The strategic dialogue would be to the benefit of both of the countries as we can work jointly on one issue and that is the war against terrorism and extremism. [When Secretary of State Hillary Clinton came](#) here we discussed this with her, she called me back from her plane to say that they have decided to have a strategic dialogue. They will be discussing various issues like economic issues, defence, intelligence sharing, health, education, power sector, energy, environment and the social sector. We want to have a very meaningful and result-oriented meeting in the United States.

FT: What are the specific steps you can take to upgrade your relationship?

YG: This will be the strategic dialogue. There will also be the secretary of state for defence and from our side there will be the army chief. They will be discussing all issues under the sun, related to security and defence of both countries.

FT: Are you seeking a [civil nuclear agreement](#), similar to the one that the Americans signed with India?

YG: I don't want to prejudice the opinion. Let them meet first and then they will discuss. Our requirement is that there should be regional stability, and we have to take steps which bring regional stability.

FT: Are you having a better quality engagement with the Obama administration than you had with the Bush administration?

YG: I have already thanked the US and their parliament for passing this legislation which is in the interest of Pakistan and they really want to enhance the economic cooperation between the two countries. We should not forget that we are in the middle of a war and therefore we have the will and the

resolve to fight against extremism and terrorism, but we lack capacity. We want the capacity to be enhanced of the law enforcement agencies, so that we are in a position to take on this challenge. We have had very successful operations in Malakand, Swat and now in south Waziristan, and there had been 2.5m IDPs and they have been taken care of. We had a prompt and good strategy and they were sent back to their homes within three months. After the military action, we have to do social-economic development in that area. It has to be followed and supported by political and economic development. Otherwise it means we were not able to convert success into reality. For the last several years we have been hearing about the ROZs (reconstruction opportunity zones) but that part has not been taken care of. Similarly in Tokyo there had been lot of pledges made by the world which have not been fulfilled. We are even facing the coalition support fund for which we have paid from our own pocket and also for the IDPs. We expect the world community to come forward and help Pakistan at this critical stage.

FT: Do you have an estimate of how much money you need?

YG: I have said two things. What has already been pledged which is what they have committed. Whatever we have spent on coalition support funds. Through the Kerry Lugar bill, the financial assistance should be expedited, so that we are able to win the hearts and minds of the people. That is extremely important. We have done our DNA (damage need assessment), we have identified projects and we are sharing this with them.

FT: How much is the outstanding money the US owes to Pakistan?

YG: It is \$2bn plus.

FT: Then there is Kerry Lugar bill which is U\$7.5bn and Friends of Democratic Pakistan pledges which were about U\$5.5bn. So you are looking at about \$14-15 bn?

YG: That's the minimum, that's what we have already spent. It's a war economy. Therefore we are spending on war too, on IDPs, on infrastructure, on capacity building.

FT: What are the next steps in the war? You have talked about launching a north Waziristan campaign and you have had some successes in terms of arresting militants? What has changed in your approach?

YG: We have arrested high value targets.

FT: What has changed in your approach?

YG: In fact, this is the first time that the civil political leadership and the military leadership are on the same page. This is the first time that the whole nation is united on this issue of the menace of terrorism and extremism. That's the success story because you can't win a war without the support of the masses. The public is against terrorism. So is the civil society, the political leadership, outside the parliament, inside the parliament. All have a common approach to fight terrorism.

I personally feel that I had been pursuing a 3Ds policy – dialogue, deterrence and development. We haven't exercised the development part. That is extremely important. Whatever the damage need assessment has been made, has to be turned into reality and we must do something practically for those people.

The other part of your question is the strategy. I am going for an exit strategy. Wherever there have been successes, we are holding those areas through the military. Now we want to compliment them with the socio-economic programme. That is through development taking place in those areas, infrastructure development, so that the standard of living is enhanced, economic activity should go on in those areas. There also has to be a capacity building of the law enforcement agencies of those areas. For example in Swat, the exit policy that we have, has been supplemented with good governance, with judiciary, with a very fine group of officers with integrity, and of course police stations which we are making bomb proof and arming them with latest equipment in terms of arms and equipment, and giving them vehicles along with training. The morale of the police was at the lowest ebb because the main target of the militants is the law enforcement agencies. Training of police immediately is very difficult. We recruited some from former army personnel, and immediately gave them training, and they are now looking after those areas. Remarkably, the day of independence was celebrated in Swat and there were also by-elections. We contested the elections and we were successful, the elections were very peaceful. These are the dividends of democracy. We have to compliment them with more rights to the people of those areas.

FT: Are you on the same page for further campaigns for an advance into north Waziristan and for confronting [the Haqqani network](#)?

YG: We have a strategy. We have to hold the areas first and we should not be in a rush. We have to consolidate. First we have done in Malakand and is what we are doing in south Waziristan as well as other areas. We then have to hold them, and then it is up to military leadership and political leadership, who have to get together, and then they have to think about it, whether we have to proceed and what will be appropriate time.

FT: On Friday there were a number of attacks in Lahore. To what extent are you concerned that a problem which was previously primarily in the border areas, has now spread to other parts of Pakistan.

YG: Definitely. When you are trying to control their strongholds, they are now moving towards the settled areas. In settled areas they feel more secure because of the huge population. Those areas once considered to be their strongholds have been taken over. Now they are on the run and therefore they are moving towards settled areas. We need more effective intelligence cooperation, defence cooperation, more sophisticated weapons, more training of the police and of course more bullet proof jackets and vehicles. It's not a normal war. It's a guerrilla war.

FT: Are you concerned this situation might get worse before it gets better, given what we saw in Lahore on Friday?

YG: These are the tactics of militants to create panic, to demoralise the public. You have seen in those areas which were the main areas for militancy, the people have become immune, they have become used to it. The moment they (militants) hit, after one hour things get under control, they (people) clear everything and things come under control, and people feel stronger, because they have the resolve to fight against extremisms. But in new areas, in settled areas, there is a concern but they are on the run. CHECKING OUT.

FT: On Afghanistan, what can Pakistan contribute in bringing the Taliban to the negotiating table in Kabul?

YG: We had a lot of discussion with President Karzai on various issues and we support his reconciliation politics. We have told him that we want to support you. At the same time there can be more cooperation on defence, economic issues and on intelligence-sharing. We need more cooperation with Mr Karzai, because Pakistan is in a position to help Afghanistan, to stabilize Afghanistan. The world has forgotten that we are catering for about 3.5m [Afghan] refugees for the last 30 years. Now it is in the interest of Pakistan to see a stable Afghanistan, so that these 3.5m people will go back to their own country with respect and dignity. With our meagre resources in Pakistan, we are assisting Afghanistan for their infrastructure and for their development. We are in agreement that there should be jirgas so that we can have cooperation with Afghanistan. Pakistan is the only country which can help Afghanistan and you can not achieve stability in Afghanistan without Pakistan. Pakistan is in a very unique position to help. We have even offered them assistance in police training, for raising the Afghanistan national army.

FT: Were you encouraged by NATO's change of strategy at the London Conference where it was decided to talk to [the Taliban](#)?

YG: He (Karzai) explained to me his policy, but at the moment it is difficult to discriminate between the good Taliban and the bad Taliban. Whatever they decide, we will support them. You may recall that we did support them during their election campaign. We did not interfere.

FT: Do you find Mr Karzai willing to accept Pakistan's help, for instance on the matter of military training.

YG: His response was yes they will consider. There are decisions which have to be taken, not alone but with others as well.

FT: Are you in Islamabad getting a sense of progress in Afghanistan?

YG: There is a lot to be done in Afghanistan, especially institutional building. That is especially important.

FT: Are there signs of recovery in Pakistan's economy?

YG: There had been a global recession. All the countries were affected and so were we. It is a war economy and we were affected by the military actions as a frontline state. We are lucky that we are an agricultural country. We have diversified our economy to agriculture. Food security is number one priority. For food security we had a bumper crop of wheat, after we were short of wheat and there were riots. When I took over as the prime minister, there was a shortage of wheat and there were long queues. Now there is surplus. There is so much surplus that we have had to have new storages constructed for our strategic reserves. We have a surplus rice, a bumper crop, people are getting a good price for cotton. We had a problem for sugar and we are importing sugar, but we will ensure that there is no deficiency. But at the same time, there is price increase, because world prices have gone up. Our foreign remittances have grown and we have tightened our fiscal policy, we are under the IMF's fold, and we are in a discipline. For a young nascent democracy, and for a newly elected government, it is extremely difficult to withdraw subsidies, we have withdrawn all subsidies. We have stopped borrowing from the state bank, and we have made very difficult decisions, and they were extremely decisions, rather unpopular decisions of following the IMF program and the IMF is extremely happy because we are following the discipline. But we have to satisfy the public too. We are turning to a third year of my government and hopefully we will be able to give relief to the public. At the moment the biggest challenge for me is the energy crisis in Pakistan. That is what we inherited. The US is quite concerned about this problem. They sent Mr Lipton to us and he met me, and we discussed with them, and they have already started doing something in the energy sector. When the energy sector improves, then certainly the industry would progress. There would be less unemployment and there will be more growth.

FT: The US seems to be keen to revitalize existing assets rather than build new ones?

YG: In the energy sector, the US wants to strengthen the capacity to overhaul or to upgrade the existing system. They have picked a few projects. I think that's the right direction.

FT: Are you satisfied with the steps taken to widen the tax base and also to restructure some of the public sector companies?

YG: We are going for the VAT and we are going to enhance the tax base and we really want to improve the economy. It has started picking up.

FT: How important is that revival for the strengthening of democracy?

YG: Because there had been a lot of interference in the democratic setup and there had been long periods of dictatorship, there had been several interferences with each span about ten years for the military dictatorship, therefore the country has to adjust themselves to democracy. In the February 2008 elections, democratic forces won the election and so the Pakistan people's party emerged as the single largest party among the coalition partners. We got together and formed governments in the centre and the four

provinces. Coalition partners democracy had never been experienced in Pakistan before. In India and Pakistan you must realise there are multi-parties joining together and forming government. Because of the house of 342 (in Pakistan's lower house of parliament-the national assembly) it is extremely difficult for a single party to get a majority. For the future, we have to prepare ourselves for the coalition governments. For the coalition governments, for the first time in the history of Pakistan, I am the unanimously elected prime minister. We have passed the budgets unanimously and all resolutions in parliament are unanimous.

FT: Dialogue has restarted with India. What would you like the next steps to be?

YG: We want to maintain very good relations with India and with our neighbours. Our enemy is terrorism and we have to focus on terrorism. Traditionally we have been rivals. When there is a distraction, when you are fighting on the western border and if there is tension on the eastern border. We want the world to concentrate so that with India we resolve all our core issues including Jammu and Kashmir and water. We should concentrate more on the poor people of both of our countries. Our focus should be on those real issues. I want composite dialogue with India but meaningful dialogue.

FT: When can you meet with Mr Manmohan Singh?

YG: I met him in Sharm el Sheikh. What we discussed, it was mutually agreed that we should not make the Mumbai incident hostage for the entire composite dialogue. He said dialogue was the only way forward, and that is what he is saying today. But there is a lot of pressure within the country which doesn't let him move forward. The world should understand that we can concentrate more on extremism and terrorism if we are on good relations with each other.

FT: There is a blueprint from 2006 which I understand was 85 per cent there to resolve Jammu and Kashmir. How easy would it be to take the dust off that and start a dialogue?

YG: We think is that it can be resolved when there is a composite dialogue and we can discuss all core issues.

FT: When you look back on the return of democratic rule, what do you feel are your greatest successes and what do you feel are your areas of failure?

YG: I think I should have restored the judiciary in the beginning. That is my biggest mistake. Then we would have not wasted our energies on each other. It would have been better that we would have concentrated on the people of Pakistan. The successes are that we have very ably completed two years with consensus in parliament. We did a lot of legislation. The biggest success is that we have gathered the whole nation together on one platform for fight against terrorism and that is the biggest victory ever. The other biggest victory is accommodating 2.5million IDPs to go back to their homes in the shortest

possible time of three months. It is unprecedented success in the history of the world.

When we go through this constitutional amendment [to dilute the powers of the presidency] that would be a step forward for stabilizing democracy.

FT: To be clear, in terms of international assistance is it \$14-15bn you want or are you looking for a bigger number?

YG: These are the pledges. The coalition support fund is what we have already spent, by June it will be U\$2.5billion. Whatever was promised in Tokyo (FODP) with U\$5.5bn, we want that to be disbursed as soon as possible. With one suicide attack, there is flight of capital. We are losing billions in a year on this war. At least our economy should be supported by the world. We don't want aid, we want trade. We want FTA, we want GSP plus. We should be given support economically so that we are on our feet so that we can take on these challenges.

FT: How important is it that you have a civil nuclear reactor, given that there is an energy crisis in Pakistan?

YG: We want regional stability. If there is a discrimination, there would be no regional stability.

FT: We met a former foreign minister, Khurshi Kasuri, who said that Pakistan today is in the strongest position that it has been in 20 years?

YG: I think he is right because now we are in a position to help the world for peace, prosperity and progress. Pakistan is strategically in a position to help the world, and therefore the world should also help Pakistan. This is a God-gifted opportunity for the world to help Pakistan to achieve this target of (eliminating) this menace of extremism and terrorism.