

INTERVIEW WITH PAKISTAN PRIME MINISTER SHAUKAT AZIZ

'The concept of Saarc is a very good one. South Asia has a great deal of human talent and potential, and together there is much we can accomplish'

After a glittering thirty year career in international finance, in which he rose to the positions of Head of Corporate and Investment Banking for the Asia Pacific Region, Citicorp, Managing Director, Saudi American Bank, and Global Head, Private Banking for Citigroup, Shaukat Aziz was appointed Pakistan's Minister of Finance in 1999. Euro Money and Bankers Magazine declared him the Finance Minister of the Year in 2001. Mr. Aziz was elected Senator in 2002 and to the National Assembly in 2004. Mr. Aziz was sworn in as the 23rd Prime Minister of Pakistan on August 28, 2004. In Dhaka to attend the 13th Saarc Summit, Mr. Aziz took the time to meet with Daily Star Editor Mahfuz Anam and Prothom Alo Editor Matiur Rahman for a joint interview:

Mahfuz Anam (MA): I know you have very little time, so let us start with the bilateral relationship between Bangladesh and Pakistan, and what are the measures you are going to take to advance it?

Shaukat Aziz (SA): I think the relationship between Pakistan and Bangladesh is very good. Our two countries share a history and a common faith and a common culture, and the bonds go all the way back in history. There is a feeling of caring and sharing. I can tell you that just a few minutes ago my wife and I met a group of children who through all their own savings collected money for earthquake victims of Pakistan. It was a wonderful gesture and we are so touched.

The foundation of the relationship is very strong, and it is emerging stronger now, the feeling of togetherness, the willingness to help each other, the bonding. Saarc is very important -- but the bonding in bilateral relations is also very important.

Bangladesh is a country where changes are taking place. When we arrived we saw the changes and how things are moving. We support territorial integrity of all countries and appreciate the excellent role Bangladesh has played in this connection. We support the struggle against poverty and we think that there are many things that our countries can learn from each other.

Six years ago when I took over as Minister of Finance, I wanted to explore micro-credit as a means of helping the poor. I support the concept and have great affection for it. So we decided to invite Dr. Yunus to spread the micro-finance philosophy across our country.

He was very helpful in sharing his vision, and today micro-finance, which was non-existent in Pakistan, is moving fast, even in the earthquake-struck areas. Just the other day, I spent time with one of banks who have a micro-finance department.

MA: Are they required to be special banks?

SA: We passed a special law for micro-finance. Supervised by the Central Bank, we have three layers of banks: district, province, and national banks.

The results have been very encouraging, the collection rates are over 95 percent. We are now taking deposits and the private sector is coming in. Micro-finance involves no collateral as the bank lends to a group of people. It is the same concept as you have here in Bangladesh.

MA: On the Bangladesh-Pakistan trade issue, we have only \$150 million trade. How can we enhance the volume of trade?

SA: I think my view is that if Safta goes through it will help us. But at the same time, there is nothing stopping us from going for a bilateral FTA, which we are talking about. We need to come up with "early harvest" so that we can arrange items on both sides which can give a boost to bilateral trade. Traders are bottom-line conscious. If you can import from Pakistan and the cost is lower, that will attract their interest. I am afraid that mere love and brotherhood does not get their interest!

MA: What is "early harvest"?

SA: Early harvest is an international trade term. First of all, the country will have to be agreed for an FTA or a preferential trade arrangement, then after five or so years of negotiation, like Safta is going through now, you decide to move things to the first track. This is called early harvest.

For instance, if there are one hundred items with which we have no conflict, and there are seventy of these items that I am buying anyway -- so why not from Bangladesh, and seventy items that you are buying anyway, so why not from Pakistan? This kind of fast-tracking is called early harvest.

MA: What stage are we in with respect to an FTA?

SA: I will push it. FTA will open up trade on a large scale. Shipping used to be an issue, but I can tell you that if the volume of trade is increased, then the shipping issue will take care of

itself. We already have plenty of airline connections.

Matiur Rahman (MR): Saarc has been around for twenty years now. I do not call it a failure, but it has not lived up to expectations. How do you explain this?

SA: First of all, the concept of Saarc is a very good one. South Asia has a great deal of human talent and potential, and together there is much we can accomplish.

But as I reflect on how Saarc has done, I have mixed emotions. I am happy that it brings together countries in South Asia and builds a common platform on issues. But at the same time, I would say that the South Asia region is mired in conflict, which means that we cannot leverage our full potential. The leadership of the countries in the region is spending more time in conflict resolution than perhaps doing other things.

We have a fundamental re-positioning to do so that the political atmosphere and diplomatic atmosphere get better. Once we have resolution of conflicts, then we will be able to leverage our full potential.

The Saarc secretariat also has to move from merely holding conferences to playing a more active role and becoming a more objective-driven organisation.

Yes, Saarc, to some extent, has been a victim of the India-Pakistan conflict. But since then there have been confidence building measures and dialogue, such as on the sidelines of the 12th Saarc summit, when President Musharraf met then Prime Minister of India Mr. Vajpayee, and the thaw in our relations actually started while Saarc discussed multi-lateral issues.

But as the King of Nepal just remarked to me, this meeting is more bilateral. You do need some of the larger sessions, they have their own value, and they are important in a symbolic sense, creating togetherness and shared objectives. Then there are the bilateral meetings where you close the door and deal with the tough issues. We are all mired in conflict,

and that is not India-Pakistan alone.

MR: So you think that Saarc will impact the India-Pakistan thaw?

SA: We hope so. In Pakistan, let me tell you, we are a peaceful country, we want to live in peace, we want to protect our sovereignty, our territorial integrity. A Nepalese journalist asked me: "How do you see the role of small states in Saarc?"

My response was, that to me, there is no small state or large state. Every member of Saarc is equal. It is a level playing field. This is the same philosophy we use in every area.

So I think conflict resolution is more of what this area needs. South Asia, I am sad to say, also has the largest collection of people living below the poverty line of any part of the world. More than Africa. People do not realise this.

MA: Following on the same theme, there is a view, at least in the media, that the meetings surrounding the summit require a lot of protocol, a lot of ceremony, and so on. In addition to the summit, why not have less formal business meetings? How do you react?

SA: That is my suggestion! You are pre-empting my speech!

We have got to change the structure of the meetings. Two days of professional meetings, one day of ministers, two days of heads of the states -- five days is too much. So we need to re-structure to make the meetings last half the time.

We need the private sectors of the countries to get together. This is one of the keys to economic co-operation. The role of any government is to create an enabling environment. In Pakistan, our philosophy is clear. You open the door of opportunity, and anybody can work if they have the will and resources.

MA: Are you going to make a big push to make Saarc more effective?

SA: We are trying. I am turning to diplomacy now in order to resolve conflicts. I strongly feel that one of the bases to promote and maintain good relations between countries is to create linkages and interdependence.

However, this is a difficult question. Some will say let's have free trade, free investment, and free industries, and the other problem will be resolved. But we believe that this should move in tandem with other approaches.

MA: What is the future of the Pakistan-India relationship?

SA: The path is well-mapped. We have made progress on many issues. It's a complex relationship. The confidence building measures we have addressed have improved the atmosphere, but the core issues between the two countries remain. We need to build an atmosphere where we can make progress on these issues.

We are looking for a solution that will be sustainable and which reflects the aspirations of the Kashmiri people. This requires involving three stakeholders -- India, Pakistan, and Kashmiri people. Then you will have sustainable peace and progress.

MA: An issue which is very close to our heart is the fight against fundamentalism. I think President Musharraf has taken a strong position against two things -- one is the extremist organisations and the other is madrasa education. Would you like to share your thoughts on the matter with us?

SA: Sure. We are not fighting against any particular religious belief. We are against terrorism. But we are not against madrasas, per se. We, in fact, support madrasas which play a useful role in our society. They have only a very small percentage of the total students body in the country.

MA: The percentage in Bangladesh is higher.

SA: Oh, really! Well, not in Pakistan. So, we are against terrorism, but there is nothing wrong with being religious. We all have our faith, we are proud of it, we practice it, but we are against using religion for extremism. We are against terrorism. But let me say this about fundamentalism -- there is nothing wrong -- you can be a fundamentalist. You can be a pious person and very peaceful at the same

time. There is nothing wrong with this.

MA: So the focus is people using religions for political reasons?

SA: Terrorists are not driven by religion. That is why I am being very careful. You must be clear. Terrorism has nothing to do with Islam. Our faith is a peaceful faith that does not promote terrorism. It opposes terrorism. It promote inter-faith harmony and understanding.

So, we have to fight terrorism and also look at the root causes of terrorism. I do believe that in a certain way they could be economic deprivation, poverty, political deprivation, no voice, lack of freedom, lack of press freedom, these kinds of things. Much of the anger that fuels terrorism is based on deprivation.

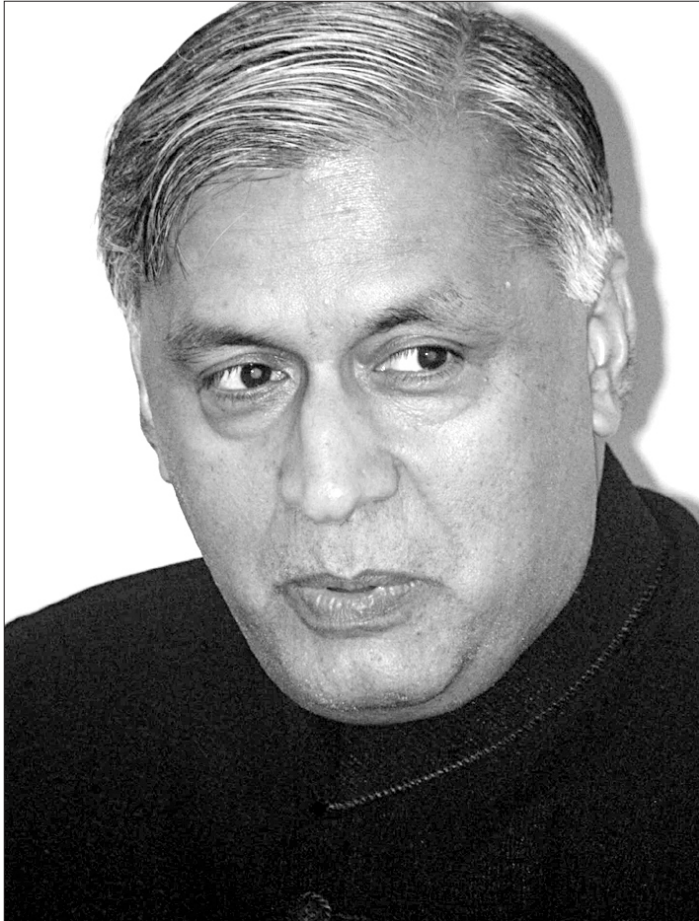
MA: Just one final question. How is Pakistan managing all the changes that are taking place in its international relations -- with India and Israel for instance -- and how is it managing the changing relations between other countries, say between India and China?

SA: We believe in the world of today and tomorrow that everybody has to develop relations with everybody else. Relations between any two countries need not be at the cost of a relationship with any third country.

We think China is a very close strategic friend of Pakistan. They stood by us at difficult times. We want peace throughout the region and throughout the world. If China and India's relations improve, all the better. Same for India's relations with the US.

We have a good relationship with the US. India has a good relationship with the US. That is fine. Of course, we are concerned when India acquires a lot of sophisticated weapons from the US and Israel, because that can tilt the defence equation and can lead to potential tension.

Pakistan is not interested in any arms race. We want to live in peace, to protect our sovereignty and integrity, to maintain minimum credible



deterrents for our defence.

As you know, we are a nuclear power, we are missile power, and the whole purpose is to ensure peace. Peace is achieved through strength, not weakness. At the same time, we are not interested in competing with any country in building up an arsenal.

MA: The Indian cricket team going to Pakistan. Has this brought some sort of psychological change between the two peoples?

SA: Yes, definitely, there is more people to people contact. Flights are open. So many seats have been booked, around five thousand.

MA: Are we seeing a new era, a new chapter in India-Pakistan relations?

SA: Absolutely new chapter in the relationship! Of course there is much

more to be done. We have proposed to India to have a gas pipeline -- India-Pakistan-Iran. Again you can see here the concept of linkage and interdependence.

MA: At what stage is it now?

SA: We are negotiating with Iran and it will take time. These are big projects that will take years to build and years to plan. But, yes, we are very optimistic.

MA: Thank you very much.

SA: Sorry to rush.

MA: We would like to express our warm feelings towards Pakistan and to say that we really with you all the best success in the struggle that you are now undergoing.

SA: The feeling is mutual.

INTERVIEW WITH BHUTAN PRIME MINISTER LYONPO SANGAY NGEDUP

'People level contacts should be achieved very easily. So there is so much for us to achieve through Saarc, and I do believe there is future and promise'

Upon completion of his studies in 1976, Lyonpo Sangay Ngedup joined the Bhutanese Foreign Service. The next year he served at the permanent mission of Bhutan to the United Nations in New York and later as Second (and later First) Secretary in the Royal Bhutan Embassy in New Delhi. In 1989, Mr. Ngedup was appointed as Ambassador to Kuwait. He became the Director of Trade and Industry in 1989, Joint Secretary of the Planning Commission in 1991, Director General of Health in 1992, and in 1998 he became Minister of Health and Education. He has been Minister of Agriculture since 2003. Mr. Ngedup first served as Prime Minister from July 1999 to July 2000, and was again appointed Prime Minister in September 2005. In Dhaka to attend the 13th Saarc Summit, Mr. Ngedup took the time to meet with Daily Star Editor Mahfuz Anam and Prothom Alo Editor Matiur Rahman:

MA: Thank you for seeing us. Your Excellency, we start the discussion with a question on the present state of the Bangladesh-Bhutan relationship and how we can improve it.

LSN: Relations between Bangladesh and Bhutan are excellent. We enjoy very good relations. In trade and commerce there is a lot of co-operation going on. Ever since Bangladesh became an independent country, we have enjoyed an excellent relationship. We were one of the first countries to recognise independent Bangladesh. Diplomatic relations were established in 1973. You have wonderful institutions here. We send medical students here to become doctors and we also send students to your other institutions.

MA: Sir, you can send your journalists to work with us.

LSN: We all admire Bengali culture, it is so rich and poetic, and I think our journalists can take full advantage of that.

MA: How do you evaluate Saarc, the progress made so far? What do you think are the areas in which we can move ahead as a whole?

LSN: There are many positive aspects of why Saarc came into being. I have often heard people criticise Saarc and say that Saarc is sort of a government

organisation rather than a people-oriented one.

One of my good friends, a colleague, once called Saarc the "seven sisters." Seven sisters is like seven mothers, and the children are the people of the Saarc region. We should have an energetic campaign so that the relationship goes beyond states, to the level of people. We have common culture, common language, common background, common history which is so rich. People level contacts should be achieved very easily.

So there is so much for us to achieve through Saarc, and I do believe there is future and promise.

MA: Many are frustrated with the lack of progress. Saarc is twenty years old. We cannot claim to be going anywhere. People think we are not moving fast enough to solve the economic challenges. What are the reasons holding us back?

Matiur Rahman (MR): There is another criticism, specially on economic and other issues, do you think it is because of the problems of the two big powers, India and Pakistan?

LSN: It is a very good question and I wish you could give the answer. There is no easy answer to that question. What we need to do is continue the process. I think we have a very good

decision-making process. We should try to look at the positive aspects of Saarc. The fact is that we are coming together. Many things happen behind the scenes that are not really becoming public.

These days, leaders want to discuss bilateral issues and contentious issues. I think that this is a very good thing that has happened in Saarc which was not there before Saarc came into being. It is a continuous process. Everything is in the process of evolution.

MA: Summits are fine. But would it be possible to move towards simpler and more business-like meetings without ceremony or protocol? What do you think?

LSN: This can happen in the future. I think everything must evolve. It takes time before we can come to that kind of stage. In our culture, ceremony is very important. I think at the moment we are in a very good process. We are talking and we are meeting. Not only the leaders are meeting, but the technical and professional people are also meeting. I think that the culmination of that will be positive.

MR: There are some problems within the countries of Saarc. Developments between Pakistan and India are likely

to have positive impact. How can smaller countries play a role? Why cannot Bhutan, Bangladesh, Maldives, Sri Lanka, and Nepal together take some initiatives for some really effective role in the process?

LSN: All members are taking initiatives. All of them are present at our meetings for the mutual beneficial of all.

MA: Sir, will Bhutan make any specific suggestions or proposals at the Summit.

LSN: There are lots of proposals before us. We would like to see a more action-oriented Saarc. People to people contact is very important. As we mentioned, we have been criticised as being more government-oriented. We must break away from that so that we can actually feel the pulse of the people.

MA: There have been suggestions that the Secretariat needs to be given more authority and power.

LSN: The Secretariat needs to be more empowered. We need to have far more funds for empowerment. We have lot of proposals, but we do not have funds to implement them. One of the basic problems is how to translate our words into action, and how to use the Secretariat as a vehicle for this.

MR: So, according to you, the funding is really what is holding the Secretariat back from taking a more active role?

LSN: Yes, as well as we have to change the mandate, in order to determine how to use the funding.

MR: Often our leaders say that we can improve our economic situation if Bhutan gets access through India to Bangladesh.

LSN: There is some access at the moment. We do not need more access. India recently granted two more access points through Dawki and Fulbari. Trade and economic relations between Bangladesh and Bhutan are already going well. We want to improve them further.

MR: Our government is saying that they will allow a tri-national gas pipeline if India allows to buy additional electricity from Nepal and Bhutan. Do you have additional electricity to export?

LSN: At the moment we have the potential. We have not really developed the potential. At the moment, we are producing 800MW, but we have the capacity of producing 30,000 MW of hydro-power. We need development of infrastructure, regional co-operation, as well as grants and loans

to develop our hydro-power.

MA: Sir, if you have 30,000 MW capacity, that should be of enormous benefit to Saarc. Can Bangladesh buy electricity from Bhutan?

LSN: It could be discussed bilaterally.

MR: Sir, what is the state of your relations with Nepal?

LSN: Our relationship with Nepal is excellent. At the moment we have absolutely no problem.

MA: The issue of Nepali immigrants in Bhutan: what is the situation now?

LSN: Actually, the issue is of illegal immigration. The Nepali illegal immigrants are supported by UNHCR. They have set up two camps. We are a small nation with a small population. We are always worried about illegal immigration.

MA: Do you think this Summit is going to make any break-through?

LSN: At the moment, I have just arrived and am unable to really assess what the other fellow leaders are thinking. We will get a little better idea tomorrow. It is pre-mature at the moment to make any assessment. But economic co-operation would be the key to Saarc. Safta can help us to close the gap.

MA: Thank you.

