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**PAKISTAN'S VISION EAST ASIA:
PURSUING ECONOMIC DIPLOMACY IN THE AGE OF
GLOBALISATION IN EAST ASIA AND BEYOND**

DR AHMAD RASHID MALIK

PREFACE

The increasing importance of East Asia and the Oceania is naturally pushing Pakistan to develop strong and deep ties with these regions. For this purpose, Pakistan has devised the Vision East Asia policy in the fall of 2003 that aimed at cultivating strong economic, cultural, and security ties with the countries of East Asia as well as going beyond up to Oceania with a particular focus on Australia and New Zealand. The present thought-provoking work of Dr Ahmad Rashid Malik is a timely step and a ground-breaking contribution to the area of Pakistan's relations with East Asia and Oceania from the point of view of political economy as it affects Pakistan. The work provides a detailed account on Pakistan's trading, investment, and diplomatic interactions with the countries of East Asia and Oceania over the years. The crux of Dr Malik's focus lies in the fact that common similarities, aspirations, and concerns between Pakistan and several of East Asian and Oceanic countries during the 1950s, created common feelings to tackle the issue of security in the larger Asia-Pacific context. These circumstances led to the promotion of trade, investment, and other means of economic cooperation between and among these countries, under the security and economic umbrella of the West, during the Cold War and even now in the post 9/11 period.

Dr Malik has been working on East Asian affairs since 1987 and has developed a keen interest in comparative analyses between Pakistan and the developed economies of East Asia and Oceania. He sees East Asian economic developments from the point of view of Pakistan. In this study, he appears to be absolutely keen on learning from the development experiences of East Asian countries, with a particular emphasis on Japanese in addition to South Korean and ASEAN experiences. The high human development experiences of Australia and New Zealand also do not fall apart from his focus. Contrary to a popular belief that Pakistan got an unfavourable environment in its region right after its independence in 1947, an impression that depicts from Dr Malik's analysis in this work is that Pakistan rather got a relatively favourable environment in its region that was a *sine qua on* for achieving economic development. In support of his argument, he compares Pakistan with most of East Asian countries, which relatively got a problematic regional environment but performed better than Pakistan. Wrong policy choices such as lack of pro-poor economic policy-making, high military spending, and least investment in human resources, *inter alia*, naturally added woes to Pakistan's economic performance as the writer identified these obstacles in his study.

The writer, however, seems comfortable with Vision East Asia and pins great hopes in this new economic diplomacy initiated by Pakistan to

overcome economic woes by emulating the development experiences of East Asian miraculous economies. He is of the view that the post 9/11 environment is providing Pakistan with new options and choices to develop its economy with the promotion of its trade with East Asian countries, investment interaction, and with the overall increase of economic cooperation between Pakistan and this region. In order to effectively persuade Vision East Asia, the writer suggests a wide range of policy options and choices available to achieve the objectives of this new policy. The work is, thus, a handy reference for policy-makers, scholars, businessmen, and others interested in Pakistan's economic diplomacy with a particular focus on East Asia and Oceania in the fast changing context of globalisation.

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14 July 2006

Dr Pervaiz Iqbal Cheema

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Abbreviations

ACD	Asian Cooperation Dialogue
AIC	ASEAN-Islamabad Committee
APEC	Asia-Pacific Economic Cooperation
APJBC	ASEAN-Pakistan Joint Business Committee
APJSCC	ASEAN-Pakistan Joint Sectoral Cooperation Committee
ARF	ASEAN-Regional Forum
ASEAN	Association of South East Asian Nations
BOT	Board of Trade (Thailand)
CENTO	Central Treaty Organization
EAC	East Asian Community
EAS	East Asian Summit
ECO	Economic Cooperation Organization
EU	European Community
FDI	Foreign Direct Investment
FPCCI	Federation of Pakistan Chambers of Commerce & Industry
FTA	Free Trade Agreement
GANEFO	Games of the New Emerging Forces Organization
GDP	Gross Domestic Product
HDI	Human Development Index
IMF	International Monetary Fund
IPECC	Indonesia-Pakistan Economic & Cultural Cooperation
MFN	Most Favoured Nation
MILF	Moro Islamic Liberation Front
MNLM	Moro National Liberation Movement
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
ODA	Official Development Assistance (Japan)
OECD	Organization of Economic Cooperation & Development
OIC	Organization of the Islamic Conference
PKO	(UN) Peace Keeping Operation
PTA	Preferential Trade Agreement
RCD	Regional Cooperation for Development
SCO	Shanghai Cooperation Organization
SEATO	South East Asia Treaty Organization
SMEs	Small & Medium Enterprises
UNDP	United Nations Development Programme
UNSC	United Nations Security Council
UNTAC	United Nations Transnational Authority for Cambodia
WTO	World Trade Organization
ZPFN	Zone of Peace, Freedom & Neutrality



**Map of East Asia
& Oceania**

1. INTRODUCTION

Increasing globalisation and new realities that are emerging on the global horizon are also pushing Pakistan to reassert its role in East Asia and Oceania and pursue a pro-active policy toward these regions. This change has been well reflected in Pakistan's policy toward these regions in recent years with a focus on increasing diplomatic and high level exchanges, enhancing trade, attracting investment, and extending cooperation in many areas under the broad framework of Vision East Asia formulated in October 2003. Vision East Asia is designed to emulate the example of East Asian miracle economies in development. It is also argued here that Pakistan can only translate its economic interests into concrete gains if it follows an active economic diplomacy toward this region by avoiding political confrontation and sidetracking ideological overtures and largely offering hand to combat global terrorism. This paper, therefore, analyses Pakistan's Vision East Asia largely from an economic point of view, besides throwing light on security and strategic paradigms wherever deemed necessary with a particular emphasis on country's growing ties in the areas of trade, investment, and economic cooperation with Japan, South Korea, and the Chinas in Northeast Asia, members of the Association of the South East Asian Nations (ASEAN), and Australia and New Zealand in the Oceania region in the changing context. North Korea has also not been excluded in this study because of current debate surrounding its nuclear programme and 'alleged' linkages of this country with Pakistan. The emerging regionalism in Asia, which is going beyond the traditional set up (in the form of ASEAN) such as the Asian Cooperation Dialogue (ACD), and Shanghai Cooperation Organisation (SCO), is greatly influencing the Asian region from North East Asia to South Asia, and up from Central Asia to South West Asia. The newly held East Asian Summit (EAS) that might lead to the formation of the East Asian Community (EAC) seemingly is in line with Pan-Asianism. On the basis of past experience of Pakistan with East Asian countries and transformation that emerged after the end of Cold War and 9/11, policy recommendations have been made in the last section of this paper in order to remove complexities to enable Pakistan to enhance its stakes in the fast shifting economic set-up of the region.

The paper is not based on hypothetical analyses and assumptions *per se*. It rather revolves around practical parameters to identify rational choices and options for Pakistan if the purpose was to effectively engage with the region of East Asia and the Oceania in the 21st Century to promote Pakistan's economic and security interests. The paper would, therefore, look at the following questions: What led Pakistan to devise Vision East Asia? What is the

rationale behind this new policy? Does Vision East Asia tend to compete and counter India's Look East policy and growing influence in the region? Has Pakistan been better placed to reap economic benefits in East Asia and the Oceania because of its greater involvement in war against terrorism? What new opportunities are available for Pakistan out of new emerging regionalism in East Asia? Finally, what policy options are available to decision-makers in Pakistan should they effectively pursue Vision East Asia?■

2. VISION EAST ASIA

Contiguous to South Asia; East Asia is a vast geographical region extending from Myanmar in the south to Japan in the extreme north and then downward southwest to Indonesia. Denoting distant nature of the region from the rest of Asia, it is a distinct geographical zone, comprising Southeast Asia, Northeast Asia, and the Russian Far East. Culturally, the region is diverse with Islam, Buddhism and Christianity as dominant religious doctrines. Japan, Korea, Myanmar, Thailand, Laos and Cambodia are predominantly Buddhist, while Indonesia, Malaysia, Brunei are adhering to Islam. On the contrary, Philippines and East Timor are Christian societies. Thus, East Asia is a cultural extension of Indian, Islamic, Confucian, and Christian value systems. The economies of Japan, South Korea, and China including Hong Kong, Macao, and Taiwan, make the region economically viable. Pluralism dragged the region toward economic development by largely slashing inequalities and creating common prosperity amongst its vast inhabitants. Oceania is contiguous to South East Asia for geographical reasons and the region is often described as Australasia. Consisting of Australia (which itself is a Continent), New Zealand, and the island states of the South Pacific, development in Oceania has been hindered by great physical constraints. Today, economic dynamics have brought South East Asia and Oceania closer. British traditions and Christianity have largely influenced the Oceania nations, such as Australia and New Zealand. It is predicted that by 2020, seven of the top ten world economies would be in East Asia alone that signifies its vital economic strength. Regionalism, as evident from ASEAN and ASEAN-Regional Forum (ARF), ACD, Asia-Pacific Economic Cooperation (APEC) is an indicator of regional cooperation for economic development and political understanding in greater Asia-Pacific, whereas SCO has a limited presence in this region.

The end of bipolar world and 9/11 profoundly impacted upon the region. Japan's economic slowdown, restructuring of economies, North Korean nuclear issue, globalisation and regionalization are emerging trends. United States, Japan, China, and India, together with Australia, are prime actors jostling for power and influence in the region. United States is a key

player in security and development matters and future sheet anchor of stability in the region. It has guaranteed the stability of Japan, South Korea, and Taiwan through continued military presence. US-Japan military alliance is a lynchpin that is likely to continue along with the increasing role being played by Japan in peacekeeping and military operations around hot spots in the world. Japan, South Korea, and ASEAN are especially sensitive to religious terrorism, law and order, safety of nuclear weapons, democracy, and good governance. These factors would also reshape Pakistan's relations with these countries in the coming years.

Therefore, geographic and strategic significance of East Asia and its growing economic viability have been dragging Pakistan to cultivate much stronger and sustainable ties with this region. Against this context, Pakistan devised its Vision East Asia. Prime Minister Shaukat Aziz remarked that a new dimension has been induced in Pakistan's foreign policy that intends to Look East in order to emulate the example of East Asian miraculous development.¹ The purpose of Vision East Asia was to explore new areas of cooperation in East Asia in response to the 'emerging strategic and economic compulsions to enhance country's economic and political profile in the region' and to 'integrate itself in the processes unfolding in greater East Asia, which are acquiring increasing economic and political weight'.² The vision aimed at building comprehensive, constructive, and structural partnership in the field of business, trade, investment, and economic cooperation in East Asia by encompassing 'strong relations with countries of the region both at bilateral and multilateral level'.³ The vision visualizes this meaningful partnership that would ensure peace and stability in the region.

Against this context, an economic diplomacy should be designed to promote country's economic objectives, which include trade, investment, and transfer of technology, economic collaboration, and cooperation for mutual benefits between and among countries or the regions. Economic diplomacy surpasses political differences and strategic viewpoint in many ways to promote economic interests. The case of post-war Japan is a classic example in this definition of economic diplomacy. Japan put aside its political and strategic differences with its neighbours particularly in North East Asia and South East Asia and fully concentrated on trading and commercial activities and economic cooperation to heal from the wounds of the tragic World War

¹ While speaking at a ceremony commemorating Pakistan's Independence Day on 14 August 2005 at Islamabad, *PTV News* (Islamabad), 14 August 2005. Same remarks were made again. See *Jang* (Rawalpindi), 21 August 2005.

² Foreign Minister Khurshheed Mehmud Kasuri's statement in *Dawn* (Islamabad), 2 April 2005.

³ President General Pervez Musharraf's address at the Joint Session of the Philippines Congress, on 17 May 2005.

<http://www.mofa.gov.pk/Speech_Foregin_Visit17.htm>

II. Having no diplomatic relations with the People's Republic of China, for instance, Japan started its trade with that country right from the very beginning. Moreover, Japan got a huge image problem with almost the entire region of South East Asia and North East Asia, but it (Japan) relentlessly struggled to enhance its trade with the region. Within a decade, Japan was not only able to promote its trade with this region; it ultimately helped to create a better image in the region from that of an aggressor to a development partner. Contrary to Japan, fortunately Pakistan has no image problem in East Asia, rather its relations with Japan and South Korea, for instance, are friendly, together its relations with Indonesia, Malaysia, and Brunei. What all Pakistan needs is an ungrudging cooperation with the entire region of South and North East Asia and Oceania that is possible if Pakistan pursues its trading activities, encourages joint-ventures, seeks transfer of technology, and promotes mutual economic collaboration with this vast and promising region. At the moment, Japan, Hong Kong, China, South Korea, Malaysia, and Singapore are major trading partners of Pakistan in this region.

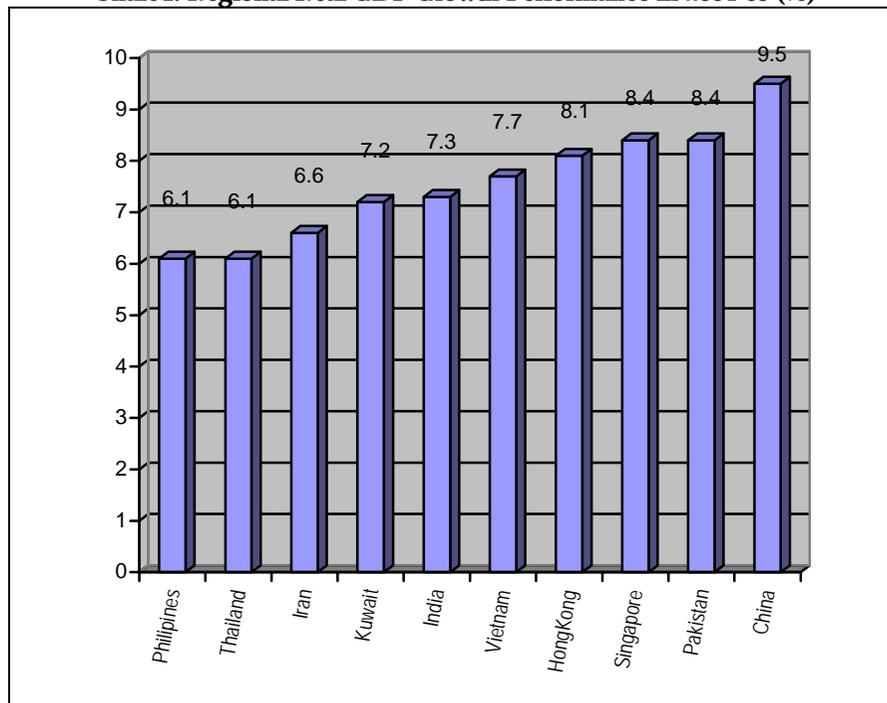
It must be argued here that defence of Pakistan can not be built on pure military interpretations alone in the age of increasing globalisation and interdependency. Growth and development cannot be sustainable particularly when a high proportion of the Gross Domestic Product (GDP) was spent on public debt, large civilian bureaucracy, and the military. Here Pakistan needs to broaden the definition of national defence. The country needs to include economic security and diplomacy to strengthen the State in the years to come unlike the past 58 years of dependency rather than interdependency on the West and other developed countries in East Asia and the Oceania region. Economic diplomacy will ensure economic security for the nation. Pakistan can learn lesson from Japanese, Singaporean, South Korean, and Malaysian models to ensure economic security for its people.⁴

Pakistan has been actively pursuing an open door economic policy over the past 15 years. It was the first country in South Asia that adopted a liberal economic policy by deregulating and lessening government control, encouraging private sector, and privatising state's assets and liabilities. Therefore, Pakistan has been actively pursuing an economic diplomacy on rational grounds. The country has successfully got out of the vicious IMF (International Monetary Fund) programme to meet Government expenditures and debt repayments. Government plans to increase exports by around US\$ 3 billion per annum i.e., to increase exports from the existing level of US\$ 14 billion to as high as US\$ 28 billion within the next five years (2005-2010), which is an ambitious target and all out efforts must be launched to achieve

⁴ See for instance, Mahmood Hasan Khan, 'When is Economic Growth Pro-Poor? Experiences in Malaysia and Pakistan', *IMF Working Paper*, WP/02/85 (Washington: IMF, May 2002).

this target. Moreover, foreign capital can play a much greater role in generating economic activities particularly in countries where local capital cannot meet the ever-growing industrial demands. Therefore, Pakistan has long been pursuing a policy to attract foreign investment. Government has launched investment policy in 1990 by opening almost all sectors of the economy to foreign investment with 100 percent dividend and profit repatriation along with incentives. Pakistan's privatisation, investment, and trade policies were more liberal than the entire regional countries of South Asia and most of East Asian and the Pacific countries. The World Bank Development Report 2005 has recognized this fact in which the Bank stated that Pakistan investment climate is more favourable than India and China.⁵ With high growth rate of 8.4 percent, second only in the world after China, target seems to be achievable. Therefore, growth rate should sustain for a number of years to come. Getting rid of IMF programme, pursuing an ambitious export target, and achieving high growth rate are indeed driving Pakistan to successfully implement its Vision East Asia in the years to come. Therefore, in terms of real GDP growth, China, Pakistan, and Singapore are heading toward development in Asia. ■

Chart 1: Regional Real GDP Growth Performance in 2004-05 (%)



Source: IMF: *World Economic Outlook*, April 200

⁵ World Bank, *Doing Business in 2005: Pakistan, A Regional Profile*. (Washington: Monitoring, Analysis, and Policy Unit, Investment Climate Department, World Bank Group, 2005).

3. RATIONALE

There are a number of reasons and factors that have pushed Pakistan to adopt Vision East Asia. Some of notable factors are: (1) Changes brought up by the end of Cold War, (2) building modern mega projects and accelerate rapid economic growth, (3) ascendancy sentiments of Pan-Asianism, (4) Re-asserting the East, & (5) global economic changes under the World Trade Organisation (WTO).

Therefore, it is understandable as to why Pakistan needs to look toward the developed economies of East Asia. Nobuaki Tanaka, Japanese Ambassador in Pakistan, dealt with this subject and gave rationale for Pakistan to pursue a Look East policy toward the region of East Asia. One of the reasons he mentioned was that Pakistan must pursue this policy to rapidly transform its economy from an elitist economy to pro-poor centred economic growth and progress. Pakistan is the worst case of inequitable economic growth and development if its comparison was made with the rest of East Asia countries. Tanaka said that instead of a passive policy toward East Asia, Pakistan must develop an active policy toward this region.⁶ So Pakistan could learn a great deal of lesson for an equitable economic development from the countries of East Asia.

Further, the doctrine of Pan-Asianism is well articulated in the ideals of the creation of Pakistan. However, this has not been well reflected in country's foreign policy over the last 57 years. Japan is an important country in East Asia. Japanese believe that Pakistan's Asian identity was not well established. They think that Pakistanis mainly perceive of their relationship with the Middle East and are confined to their problems in South Asia. In spite of these contradictions, Pan-Asianism, as incorporated in Pakistan's ideals, and Japan's move to create prosperous and peaceful Asian identities are identical in nature. Pan-Asianism surpasses regionalism, which makes it more global in nature. Pan-Asianism may overtake regionalization of Asia⁷ in the age of increasing globalisation with a leading role-play of Japan, which in turn, keeps security alliance with the United States. Nevertheless, the possible re-assertion of Pan-Asianism must be viewed in the context of the San Francisco Peace Treaty of 1952, which means that Japan must remain militarily ineffective and keeps a low political profile, while at the same it should be more assertive economically and wherein Pakistan pursues solely an economic

⁶ Interview of Nobuaki Tanaka, Ambassador of Japan at Islamabad. *The Nation* (Islamabad), 28 February 2005. The writer of this paper has reconstructed views on the basis of this interview.

⁷ Such as Economic Cooperation (ECO), South Asian Association for Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), & Gulf Cooperation Council (GCC).

policy in the region of East Asia. After achieving high growth level by Japan, South Korea, Singapore, and Malaysia, for instance, there are strong feelings of recurrence of Pan-Asianism among these countries.⁸ Pakistan must add this new dimension in its foreign policy from its traditional interest that mainly lies in South Asia and the Middle East, to East Asia in this fast changing global order. An assertive policy and greater involvement of Pakistan toward East Asia would fully realize the ideals of Pan-Asianism; further enhancing Pakistan's desire for a pro-poor economic growth, development, and progress in the post Cold War rapidly changing world.

It must be recalled here that Pakistan's Vision East Asia has not been a new idea or realization altogether. In fact, the idea is as old as the Japanese economic and social development. Since the Meiji Restoration in Japan in 1868 that ensured industrial modernization of Japan under a constitutional monarchy, Japan made tremendous headways in the field of industry and technology and by the turn of the Twentieth Century, Japan emerged as one of the industrialized countries challenging the Western economic, military, and political supremacy. Asian people greatly admired Japan and wished to emulate Japan's modernization. For instance, Rabindra Nath Tagore, Allama Muhammad Iqbal, and Mahatma Gandhi greatly appreciated Japan's modernization and industrialization and wished that the people of the Indian Sub-continent should also emulate the example of Japan to modernize their system.

Allama Iqbal's ideals helped carve the State of Pakistan in 1947 but his ideal of Look East has never been fully visualized as such in the economic and foreign policies of the country during the last 58 years. Iqbal advised to Look East for the following two reasons: (1) to achieve hundred percent mass literacy, and (2) rapid industrialization.⁹ Therefore, realizing Iqbal's dream for the creation of Pakistan and fully realizing it, there is an urgent need to effectively devise Vision East Asia to achieve a greater mass literacy rate that will ultimately help industrialize the economy for the benefit of the poor man in the street. Prime Minister Zulfikar Ali Bhutto once stated that "with foreign education, we will not be able to answer of the problems of an Asian society. The Western mind will never be able to harmonize itself with the music of Asia, and the music of Asia is a revolution of greatness and of justice".¹⁰ This idea is similar to the idea presented by Shintaro Ishihara and Akio Morita – a

⁸ See this view in Institute for National Strategic Studies, *Strategic Assessment: Engaging Power for Peace* (USA: National Defence University, 1998), p. 9.

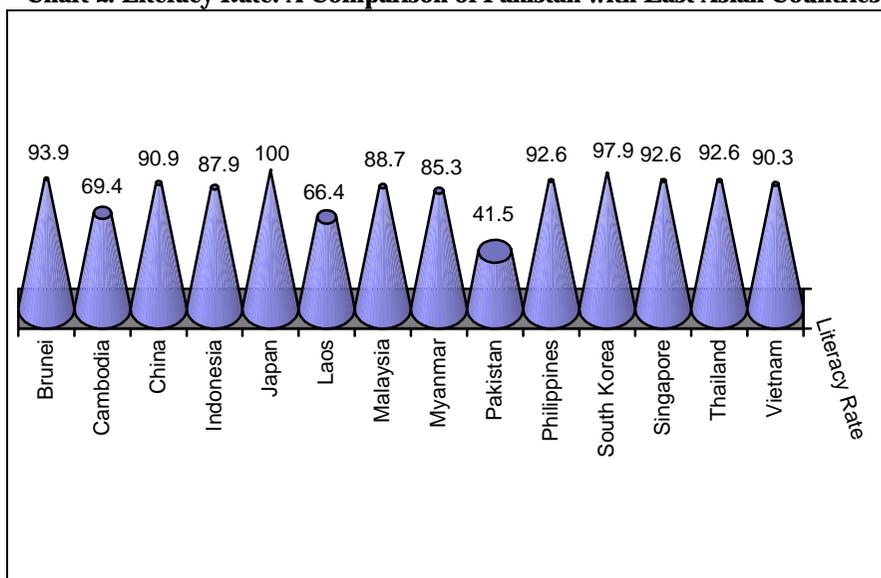
⁹ See Allama Muhammad Iqbal's Urdu article '*Quomi Zindagi*' (National Life) written in 1905.

¹⁰ See speech of Zulfikar Ali Bhutto at the National Assembly. National Assembly of Pakistan Debates, Vol. 1 (1966), p.108.

Japanese political leader and a businessman respectively¹¹ as well as Dr Mahatir Mohamad and Lee Kuan Yew who were ardent proponents of Asian values. The proponents of Asian values claimed that Western values were not essential for Asian progress and development. However, unlike Japanese, Chinese, Malaysian, Singaporean, South Korean leaders, Pakistani leaders did not translate their anti-Western rhetoric into economic reality.

Therefore, Pakistani society must be metamorphosed with the spirit of its own indigenous values in order to grasp the real meaning behind economic development. Unfortunately, as much emphasis was not laid on indigenisation of cultural values, the present literacy rate of Pakistan has not crossed beyond 42 percent that is the lowest among all East Asian countries including Laos and Cambodia – not to speak of Japan or South Korea.¹² Pakistan is nearly hundred years behind Japan in literacy and primary education.¹³ Pakistan must understand that literacy rate of most of East Asian countries is over 90 percent. Pakistan's low literacy is the result of low expenditure on education as of GDP and total government expenditure on education that is again the lowest among all East Asian countries (See Charts 2, 3, 4).

Chart 2: Literacy Rate: A Comparison of Pakistan with East Asian Countries



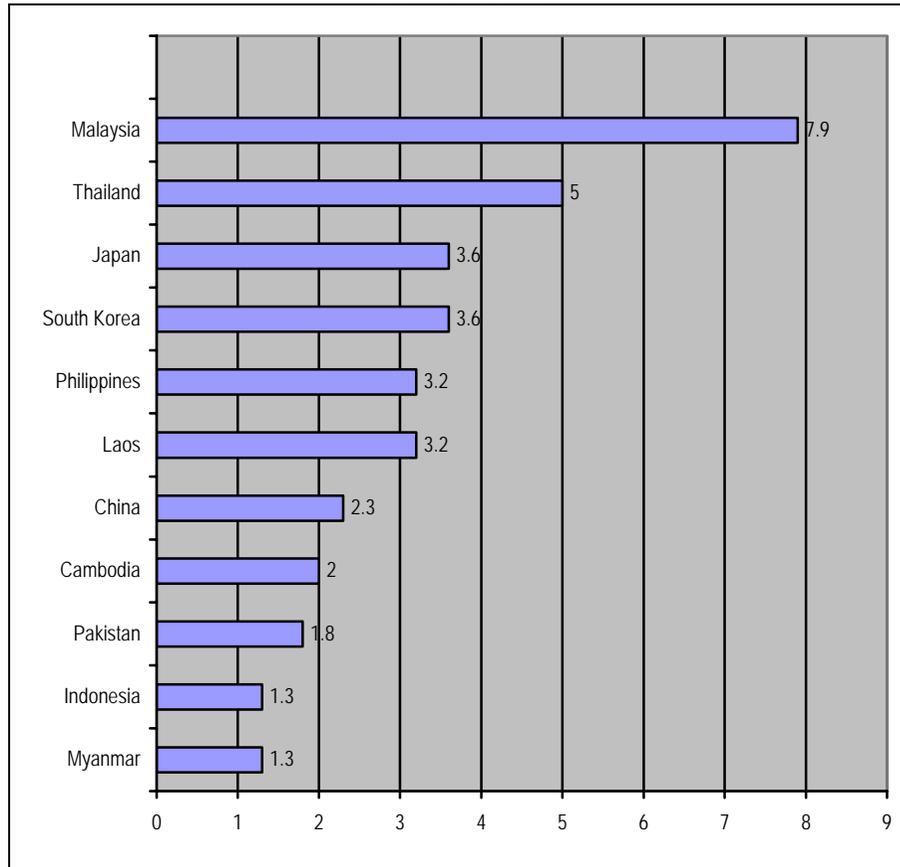
Source: UNDP, *Human Development Report*, 2004.

¹¹ See best seller written by Shintaro Inshihara & Akio Morita, *The Japan that Can Say No* (Tokyo: Kobunsha Publishing Ltd, 1989).

¹² UNDP, *Human Development Report*, 2004.

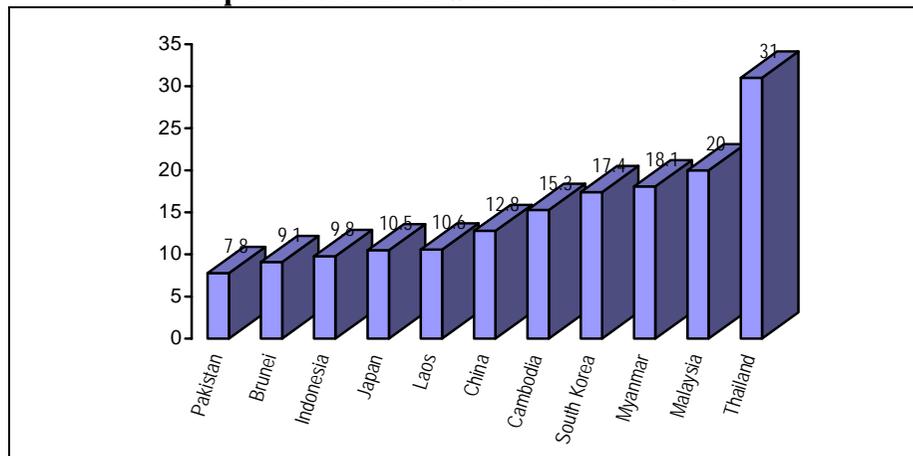
¹³ Talked given by Professor Emeritus Shigemochi Hirashima, Project Formulation Adviser, Japan International Cooperation Agency (JICA), Islamabad, at the Islamabad Policy Research Institute on 7 April 2006.

Chart 3: GDP Expenditures on Education: A Comparison of Pakistan with East Asian Countries



Source: Ibid.

Chart 4: Percentage of Total Government Expenditure on Education: A Comparison of Pakistan with East Asian Countries



Source: Ibid.

If countries maintain large armies in proportion to their GDP, they divert more financial resources toward defence. This trend tends to convert their economies into defence orientations that can be termed as 'militarised economies'. Similar to China, Pakistan's economy is largely militarised economy if comparison of these countries was made with other East Asian and the Pacific countries. China, however, at the same time, made huge inroads in the economy over the past quarter century. Pakistan's case is other wise. It maintains over 6, 20,000 troops. Whereas its GDP is nearly close to New Zealand, which got only 4.2 million population. As a result of this policy, Pakistan has emerged largely a militarised economy with slow and modest level of human-centred development (See Table below). It is believed that no country can imagine security without prosperity beyond its shores. 'Left-out' countries must be assisted economically if security was to be enhanced. The greater the level of national economic strength the greater the level of national security and harmony. Pakistan must re-prioritise its spending policy vis-à-vis military spending and other socio-economic sectors to overcome its economic woes that would also ultimately enhance its national security and defence. Emulating East Asian development also means that Pakistan's economy must be gradually de-militarised in the next ten years if any sort of progress was to be achieved. Once people were linked to the global economy, they will feel a sense of security as a part of a larger humanitarian community working to achieve common prosperity that could bring a change in their rigid national attitudes, policies, and interest within their geographical region. So Pakistan must quickly readjust itself to the global economic changes to maximize its place in the comity of nations.

Table 1: GDP, Per Capita, and Troops

(Thousands)

<i>Countries</i>	<i>GDP</i>	<i>Per capita</i>	<i>Troops</i>
<i>Australia</i>	409.4	20,822	51,000
<i>Brunei</i>	--	--	7,000
<i>Cambodia</i>	--	--	--
<i>China</i>	1,266.1	989	22,70,000
<i>Hong Kong</i>			--
<i>Indonesia</i>	172.9	817	2,97,000
<i>Japan</i>	3,993.4	31,407	2,40,000
<i>Laos</i>	1.7	304	29,000
<i>Macao</i>	--	--	--
<i>Malaysia</i>	94.9	3,905	100,000
<i>Myanmar</i>	--	--	4,44,000
<i>New Zealand</i>	58.6	14,872	9,000
<i>Pakistan</i>	59.1	408	620,000
<i>Philippines</i>	78.0	975	160,000
<i>South Korea</i>	476.7	10,006	6,86,000
<i>Singapore</i>	87.0	20,886	
<i>Thailand</i>	126.9	2,060	3,06,000
<i>Vietnam</i>	35.1	436	4,84,000

Source: Ibid.

It should also be pointed out here that Pakistan's economic performance during the first 20 years of its independence was far better than the entire East Asian countries with the sole exception of Japan by realising the fact that Pakistan fashioned from the poorest parts of British India in 1947 and virtually got no industrial base. Contrary to this backdrop, Pakistan's economic performance was miraculous. For instance, in the 1950s Pakistan emerged Japan's leading trading partner after the United States and Great Britain and in Asia, Pakistan was Japan's one of largest trading partners that has also played an important role in the recovery of the Japanese economy after World War II. In September 1949, Pakistan's currency was appreciated to the tune of 30 percent against all currencies that helped Pakistan to accumulate reserves and the country used these reserves to make huge purchases of machinery, mainly from Japan that even puzzled the Japanese. Trade with Japan largely remained in favour of Pakistan until 1959. Moreover, in 1965 Pakistan's manufactured exports were higher than Indonesia, Malaysia, Philippines, Thailand, and Turkey combined.¹⁴ So naturally, Pakistan got a better place in economic development than the entire countries of East Asia except Japan during the 1950s and 1960s and it was likely 'to emerge as one of the second-generation Asian tigers'.¹⁵ In the later years, however, Pakistan became one of the slowest growing economies in the region from a 'leader to a laggard' for one reason or the other. Today's Pakistan's total GDP of US\$ 59 billion is the lowest if its comparison was made with the East Asian and Pacific countries.¹⁶ Moreover, Pakistan's per capita of US\$ 408 is only higher than Laos. Nevertheless, the adaptation of Vision East Asia would entail a new dawn and accelerate the pace of economic development in the country by cultivating strong economic ties with the leading economies of the region of East Asia.

As a whole, Pakistan's HDI indicators are the poorest. It is the only country not only in East Asia and Oceania but also in South Asia, which has been placed in the Low Human Development category. In North East Asia, Japan, Hong Kong, and South Korea have been placed on the High Human Development category. While in Oceania, Australia and New Zealand fall in the same category, in South East Asia, Brunei is the only country that has attained the High Human Development level, whereas, most of South East Asian as well as South Asian countries fall in the category of Medium Human Development (See Chart 36). Pakistan has to make all-out efforts to enter the Medium Human Development category to achieve the fundamental objectives of Vision East Asia.

¹⁴ See *Report No. 23916-PAK* 'Pakistan Development Review: A New Dawn', (World Bank: Poverty Reduction and Management Sector Unit), April 2003, p.1.

¹⁵ *Ibid.* p. 46.

¹⁶ *HDI*, op.cit.

The term 'Look East', is a late invention and is consanguine with the economic development of Japan in Asia in the 1950s and 1960s with Pakistan, which was ahead of other countries (such as Singapore, South Korea, Malaysia, and Taiwan) that was inspired to learn lessons from the economic development of Japan. The phenomenon of ASEAN development was a late invention. Pakistan had been the champion of Look East from the very beginning in Asia. In the ASEAN region, Malaysia, under its Prime Minister Dr Mahatir Mohamad, has been the ardent champion of Look East policy from 1981. The focus of his East Asia policy was Japan and South Korea in the 1970s. He decided to learn lessons from these countries. For this purpose, he initiated a programme of students and workers that should be trained in Japan and then to work in Malaysia. His close affinity with Japanese leaders and his great appreciation of Japan's miraculous economic development, helped Malaysia to reach the level of high economic growth, developing an manufacturing base, and making an export-led economy. Singapore's leaders also followed the same path. So were other East Asian leaders. Indian Prime Minister Narasimha Rao, for instance, propounded Look East policy in the early 1990s as a response to the end of the Cold War and the demise of its strategic partner, the former Soviet Union, to maximize India's economic interests as well as to promote its strategic objectives in East Asia by curtailing China's growing influence in the region.¹⁷ During 1962-90, India's role and influence had largely dwindled in East Asia. India's inward-looking economic approach, defence build-up, its security treaty with the former Soviet Union, together with its mishandling of crises with regard to Vietnam's invasion of Cambodia, and its Soviet ally invasion of Afghanistan, all made India inappropriate to dynamic economic changes in East Asia.

The following section will reveal that contrary to India, Pakistan have had a greater involvement in East Asia in the 1950s and 1960s but its policy had only drifted in the 1970s and 1980s because of geographical shift as its Eastern wing separated from the rest of Pakistan and change in Afghanistan preoccupied Pakistan toward the management of that conflict so long. So it took almost twenty years for Pakistan to 'comeback' to East Asia in the 1990s that was simply a reassertion and the renewal of commitment and involvement.

Pakistan has had a greater involvement in the affairs of East Asia soon after its independence in 1947, first as close partner of British Commonwealth and later as an ally of the United States with regards to post World War II settlement affairs. On the top of this agenda was Pakistan's role on the post-war Japan peace settlement and trade affairs. Pakistan has played a leading role for the settlement of these affairs and the country was regarded as a 'pillar of strength' on the Japanese peace treaty signed at San Francisco in September

¹⁷ Sultan Shahin, 'India's Look East policy pays off', *Asia Times* (Hong Kong), 2003.

1952 (signed between Japan and the Allied Powers) to make an end to the Occupation of Japan and the restoration of its sovereignty.¹⁸ Pakistan gradually shifted its focus on South Asia and the Middle East for one reason or the other. Moreover, after the geographical dislocation of Pakistan in 1971, the focus of Pakistan's foreign policy toward the affairs of East Asia further dwindled. Therefore, during the 1970s and 1980s Pakistan naturally confined to South Asian affairs and Afghanistan. The changing global and regional scenarios since the 1990s once again led Pakistan to revise its policy and rather actively get involved in economic affairs of East Asia as competing economic interests dominate the post-Cold War interests among the nations.

Notwithstanding that Cold War, ideological orientations, political interests, and geo-strategic compulsions influenced Pakistan's foreign policy, promotion of Pakistan's economic interest, which is one of the fundamental determinants of its foreign policy, was not given due attention as result of above factors. Therefore, country mostly remained unsuccessful in achieving economic objectives of its foreign policy. While actively participating in the US-led global security system to contain communism the world over, many countries were able to develop and strengthen their domestic economic infrastructure and industry. Besides, Japan, South Korea, and Taiwan, for instance, ASEAN took great advantage of this partnership and speedily set up an industrial export base. However, Pakistan was left far behind in 'cashing out its Cold War alignment tag price' with the United States; rather, at several points, the country paid heavy price for this alignment, which resulted in low level of economic and industrial development over the past 58 years. This must not be repeated at this point in time. Pakistan must not simply translate its security ties and understandings with the United States and the West in fight against global terrorism purely from a military point of view. Pakistan must use the benefit of this close partnership with the United States and Western countries in war against terror and must utilize the status of being non-NATO (North Atlantic Treaty Organisation) ally to develop its economic infrastructure and to convert its traditional economy into an export-led base in the age of growing economic globalisation in the post 9/11 world. ■

4. NOT COUNTERING INDIA

A doubt must be cleared at the out set: Pakistan is not countering India's influence in East Asia and Pakistan's Vision East Asia is not India-centred or

¹⁸ Statement of John Foster Dulles, US Secretary of State. US House, 83rd Congress, 1st Session, Senate Committee on Agriculture and Forestry, 12 June 1953. Washington: *Department of State Bulletin*, Vol. 24, No. 730 (22 June 1953), pp. 890-1.

directed. Rather, Pakistan's own national interest, long-term economic objectives, and growing security and strategic initiatives have been driving Pakistan to look eastward particularly in the post-terror period. So, in no way, Pakistan's Vision East Asia is designed to offset India's interests in East Asia.

Pakistan was the first country in South Asia or the non-Tiger and non-ASEAN country that embarked upon free market economy, privatisation and de-regularization in the early 1990s. At that time, Pakistan ranked 11th in terms of economic reforms and deregulation of the free economy in Asia after Hong Kong, Singapore, Malaysia, Thailand, Japan, South Korea, Taiwan, the Philippines, Fiji, and Indonesia.¹⁹ The following facts would reveal the above claim. Prime Minister Nawaz Sharif had been ahead of Rao in what should we term as Vision East Asia. Sharif was a mastermind behind carving out a Look East policy for Pakistan to emulate the economic examples of Japan, South Korea, Singapore, and Malaysia. His Motorway project, for instance, linking Pakistan with Central Asia, is one clear example of Pakistan's Vision East Asia being built in cooperation with a South Korean multinational company, Daewoo, during 1992-97. This was a unique project in the whole of South Asia – a practical manifestation of Pakistan's Vision East Asia. Some other projects finalized in 1998 and 1999, for instance, *Mera Ghar* (poor-centred public housing) scheme was designed to build over 500,000 houses for the lower classes in the country inspired by a Singaporean model, and inter-city and urban transportation projects, based on a South Korean model, were in line with the same policy to maximize country's economic interests. Therefore, it must be understood that Pakistan was far ahead of India in the practical implementation of East Asia policy instead of merely mincing words or simply trying to give the impression that Pakistan is engaged with East Asian countries. 'India has been rather weak in making its intentions materialize into actions' with regard to its Look East policy as pointed by an Indian analyst.²⁰ On the contrary, India is simply pursuing its Look East policy to remove doubts that India is seriously forging links with its East Asian neighbours.²¹ Pakistan's situation is entirely different from that of India as pointed out above.

Pakistan has devised a full-fledged policy toward East Asia and it has a long-term commitment toward this region based on bilateral interests and multilateral considerations. Therefore, Pakistan's Vision East Asia is not based on India's obsession or to counter India's moves. Moreover, there is a need to dispel this wrong impression that India's influence is growing in East Asia and

¹⁹ See a study conducted by the Fraser Institute of Vancouver and the Liberty Fund of Indianapolis between 1986-93 under the auspices of the Florida State University, USA. *Economist* (London), 13 January 1996.

²⁰ C. S. Kuppaswamy, 'India's Policy: Looking Eastward' (up-date -2), *Note No. 151*, (New Delhi: South Asian Analysis Group), 29 April 2002.

²¹ *Ibid.*

that it is counter-productive for Pakistan. In fact, situation is other way round and Pakistan enjoys a privilege in its Vision East Asia for the following four solid grounds:

First, Pakistan's fight against global terrorism is pushing it to cooperate with East Asian countries to adopt measures to counter terrorism. For that purpose, Pakistan has signed Memoranda of Understanding (MoUs) with several of East Asian countries from extreme north (Japan) to extreme south (Australia) for enhanced security and defence cooperation. So, Pakistan is fully exploiting the benefits of the war against terror with reference to its increasing influence in East Asia and beyond.

Second, if the China factor plays any role in East Asia, Pakistan naturally enjoys a much stronger presence in East Asia being each other's long-term strategic allies. Pakistan has no competition with China unlike India. United States also would not like India influencing the region without its support. Japan, too, disapprovingly looks at India's presence in the region. Therefore, India's presence is encountered by all the big powers in the region.

Third, geographically India borders with several of South East Asian countries that also add difficulties in its relations with these countries. For instance, India's relations with Myanmar are extremely cold. Whilst China has established strong ties with Myanmar. Pakistan has good relations with both China and Myanmar. Therefore, the Beijing-Yangon-Islamabad triangle has the potential to narrow down India's strategic interests in East Asia.²²

In addition to this, without the cooperation of Bangladesh, for instance, India cannot materialize its long overdue dream of gas pipeline coming from Myanmar into India. Here, too, Pakistan's connections work well. Moreover, cracks that appeared on the Sino-Japanese relations in the recent months could have adverse impacts in Sino-Indian relations too. For instance, China's non-committal support to India for UNSC permanent membership and the former's fierce opposition to Japan for acquiring the similar status, gave the impression to Japan that both these two Asian joints would not see Japan running strong in Asia-Pacific and acquiring a greater status commensurate with its economic power in the international

²² C. S. Kuppuswamy, 'China-Pakistan-Myanmar: The triangular relationship needs careful watch', *Note No 401*, (New Delhi: South Asian Analysis Group), 29 January 2002. See also Manjeet S. Pardesi, 'Peace and conflict in India-Pakistan Relations: Implications for East Asia', *IDAA Commentaries*. (Singapore: Institute of Defence and Strategic Studies, Nanyang Technical University), 17 March 2004, p. 3.

organisation. For Japan, therefore, Sino-Indian collaboration raises many questions and points of concerns. Here too, Pakistan's diplomacy, to keep India at an arms length and not to become a veto power, works quite well and gives the impression to Japan that Pakistan's standpoint on the expansion of UNSC permanent membership, is basically India-centred.²³ Pakistan's opposition also pacifies China's open support to India for UNSC.

Fourth, there is a considerable number of Muslim population in South East Asia. The biggest country in the region is a Muslim country – Indonesia along with another influential member of ASEAN – Malaysia, in addition to Muslim Brunei. These Islamic connections of Pakistan with these countries naturally put Pakistan in an advantageous position vis-à-vis India in the region. If India has influence in East Asia, Pakistan has a natural advantage in the region, which cannot to be disregarded. Therefore, Pakistan's own geo-strategic compulsions and economic needs are the factors that push the country to look eastward and, by no means, Pakistan's Vision East Asia is India-driven or obsessed. Rather, Pakistan's Vision East Asia and India's Look East policy could yield better understanding, lessening of tension, and to help flourish the environment for peace, progress, and prosperity from South Asia to East Asia.

Therefore, global terrorism, China's increasing role in East Asia, together with Pakistan's support to Japan's active involvement in East Asian affairs, and Pakistan's natural edge over a number of countries in East Asia without any bilateral dispute, are positive trends and factors that enhance Pakistan's role and involvement in the affairs of East Asia at present. Moreover, India simply cannot enhance its role in East Asia without side tracking the conventional strategic straitjacket and building peace with Pakistan to allow the former to extend more resources to increase and intensify the pace of its interaction with East Asia under its Look East policy.²⁴

Here an attempt will be made to examine Pakistan's changing and increasing role and its growing relations with the countries of North East Asia, Chinas, South East Asia, and the Oceania in the fast changing regional and global environment with reference to latest developments. ■

²³ Dr Ahmad Rashid Malik, 'Japan's UNSC bid', *The Nation* (Islamabad), 2 June 2005.

²⁴ Manjeet S. Pardesi, 'Peace and conflict in India-Pakistan Relations: Implications for East Asia', *IDAA Commentaries*. (Singapore: Institute of defence and Strategic Studies, Nanyang Technical University), 17 March 2004, p. 2.

5. RELATIONS WITH NORTH EAST ASIA

Japan, South Korea, and China are three leading players in North East Asia. Pakistan has warm and friendly diplomatic relations with all of them in bilateral context. Moreover, North East Asia is an important market for Pakistan's export consumption i.e., over 11 percent and the region meets over 20 percent of Pakistan's import requirements as far the data 2004 indicates. Hong Kong and China are Pakistan's fourth largest trading partners. Japan used to be an important source of foreign economic assistance to Pakistan until 1998 and this momentum has been revived in May 2005, whereas, South Korea is the second largest trading partner of Pakistan in this region. In addition to this, Japan, Hong Kong, and South Korea are also Pakistan's largest investment partners. In North East Asia, the issue of nuclear weapons is hovering on the horizon. It has a greater potential to disturb the peace and on-going trade and economic cooperation. The success of the Six-Party Talks, which tends to resolve the issue of North Korea's nuclear weapons programme, is central to any future economic cooperation and trade in the region. Therefore, Pakistan needs to pursue a much more active economic diplomacy in the region of North East Asia in the years to follow. In the following section, an analysis of Pakistan's bilateral relations with Japan, South Korea, and China will be made.

5.1. Japan

A Model Friendship

Japan is the cornerstone of Pakistan's Vision of East Asia with the sole purpose of emulating the example of its economic and social development of Japan. Further, the country is the focal point of Pakistan's economic interests not only in North East Asia but also in the whole of East Asia over the last six decades. By all accounts, the Pakistan-Japan diplomatic relationship is a model relationship. For instance, Prime Minister Hussain Shaheed Suhrawardy was the first Asian head of state or government who made a visit to Japan in April 1957 that also paved the way for Japanese Prime Minister Nibusake Kishi to make a visit to other Asian countries – (namely Myanmar, India, Sri Lanka, Thailand, and Taiwan) first of its kind by a Japanese Prime Minister after World War II - within a month same year that helped Japan normalize its relations with Asian countries, soured by wars to restore normalcy in the region for future economic cooperation, development, investment, and other trading activities. Moreover, the personal reception of Showa Emperor to welcoming the second top-level dignitary from Pakistan, President Field Marshal Muhammad Ayub Khan, in December 1960 at Haneda Airport was

yet another landmark in Pakistan-Japan diplomatic good will. No other foreign dignitary ever received such royal Japanese welcome before and after that. Japanese Prime Minister Hayato Ikeda's 'heart-to-heart' diplomacy was also Pakistan-centred in the sense that Pakistan occupied a prominent place in Japan's aid diplomacy in the 1960s at a time when Japan just commenced its development assistance programmes²⁵ Pakistan was considered an important economic partner of Japan. For instance, Pakistan received around 18 percent of accumulated Japanese Official Development Assistance (ODA), offered to Asian countries during 1961-70. After the extension of the first ODA loan of US\$ 20 million in 1961 to Pakistan, there had been a constant increase in ODA to Pakistan until 1964 when Pakistan's share of Japanese ODA reached as high as 80 percent. Pakistan ODA was spent on 18 mega projects for the development of natural resources and setting up of industrial plants.²⁶ Pakistan was not only in favourable position to pay back debts to Japan, but had made the most efficient use of foreign aid.²⁷

Economic Inspiration

Moreover, Pakistan has played a crucial role in the economic recovery of Japan in the late 1940s and early 1950s and both countries emerged as each other's major trading partners. Japan's first post-war trade agreement was also signed with Pakistan in May 1948 i.e., within nine months of Pakistan's independence and Japan also set up its trading liaison agency at Karachi which was also the only source of Japan's overseas diplomatic activity at that time. Japan's first trade delegation, under the Allied Occupation, made its first overseas visit in 1949 and the destination was Pakistan again and this relationship was further reinforced by their participation in the US-led security arrangement during the Cold War. Pakistan emerged as an important destination for Japanese companies' in the 1950s even at the expense of the United States. Japanese companies most enterprising personnel were dispatched to Karachi instead of New York or Chicago. As many as sixty Japanese transnational companies (*Zaibatsu*) set up their branch offices in Karachi in the 1950s. Bank of Tokyo (earlier called Yokohama Specie Bank), for instance, set up its fourth overseas

²⁵ Ahmad Rashid Malik, 'From Twin-track to Pax Nipponica: Pakistan in Japanese diplomacy', *Asian Profile*, Vol. 24, No.1 (February 1996) & Ahmad Rashid Malik, 'Futa-go rosen kara Paxu Nipponica no toe: Nihon gaiko ni okeru Pakisutan', (in Japanese) *Ajia no Ugoki*, Vol. 27 (September 1996).

²⁶ For accumulated amount see Alan Rix, *Japan's Economic Aid: Policy Making and Politics* (New York: St. Martin's Press, 1980), p. 32. MITI, *Keizai Kyoryoku No Genji to Sono Mondaiten*, 1983. (in Japanese). For 1970 Pakistan's figures see Robert M. Orr, Jr., *The Emergence of Foreign Aid Power* (New York: Colombia University, Press, 1990), p. 70.

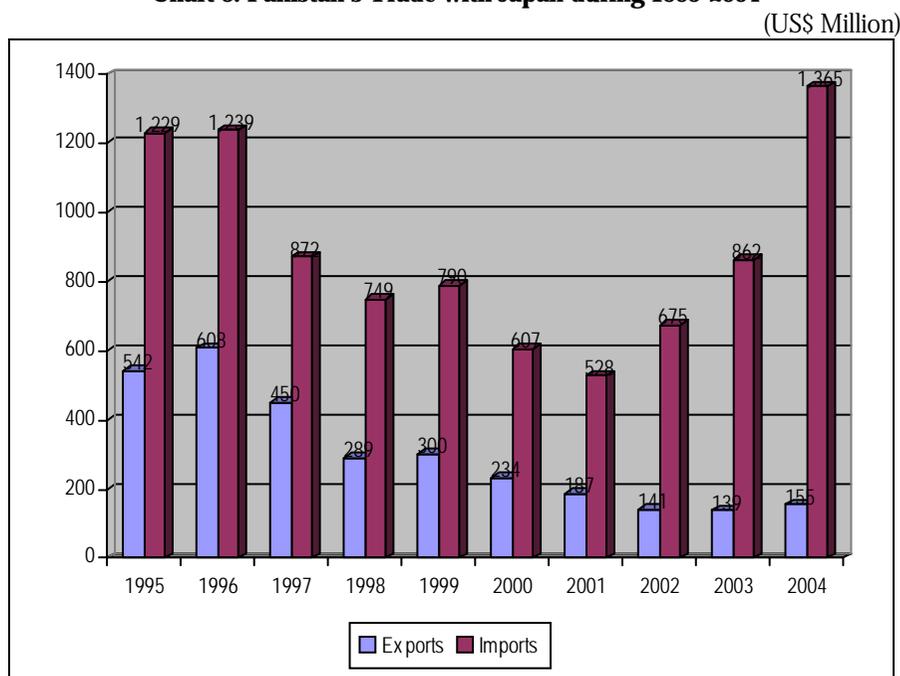
²⁷ The Ford Foundation and Harvard University, *Design for Pakistan: A Report of Assistance to the Pakistan Planning Commission* (Cambridge: Harvard University Press, 1960), pp. 10-20. See also Zillur R. Khan, 'Japanese relations with India, Pakistan, and Bangladesh', *Pacific Affairs*, Vol.48, No.4 (Winter 1975-76), p. 546.

branch in Karachi in 1953 after New York, London, and Calcutta instead of setting up any where in Asia or Europe. It must be recalled here that the same bank opened its branch in Karachi as early as in 1925. Karachi became the most favourite destination and the hub for Japanese business activities in Asia. These interactions realized that Pakistan would emerge as the most developed country in Asia after Japan i.e., swiftly emulating the example of Japan. As far bilateral trade was concerned, it has also several notable features. Pakistan's also emerged as one of leading trading partners of Japan in the 1950s, second only to the United States. During the 1950s, Pakistan became a vast market for Japanese products mainly textiles marked 'Made in Occupied Japan'. Moreover, Pakistan became one the largest suppliers of raw cotton and jute to Japan (i.e., meeting over 60 percent of textile requirements) to help revive its only operating industry at that time that ultimately helped boom its textile industry that turned to become locomotive of Japanese economic rival in the 1950s. By the end of 1950s, trade balance heavily tilted in favour of Pakistan.

Bilateral Trade

Japan is still one of the largest trading partners of Pakistan with over US\$ 1.5 billion annual trade at present. Bilateral trade has deteriorated between the two countries over the past several years as Chart 5 illustrates. More dismal picture was on the exports side of Pakistan to Japan because Pakistan's exports have swiftly dwindled to an alarming low level of mere US\$ 155 million, which was only 2 percent share of Pakistan's total exports. Pakistan's exports to Japan constantly declined after 1996 up to 2004. During this period, much discouraging picture appeared after 1998 when Japan levelled economic sanctions against Pakistan after it detonated nuclear devices.²⁸ Japan's exports to Pakistan, however, increased after 2001 from US\$ 528 million to US\$ 1.3 billion in 2004. Both governments have put the cart in the right track and now it depends on both countries' business community as to how to work together to expand the stretches of their economy for their mutual benefits in the age of increasing globalisation where government will be playing limited role.

²⁸ See for analysis, Dr Ahmad Rashid Malik "Pakistan-Japan Economic Relations during and after the Sanctions: 1998-2005", *IPRI Journal*, No.1., Vol. VI (Winter 2005), pp. 46-66

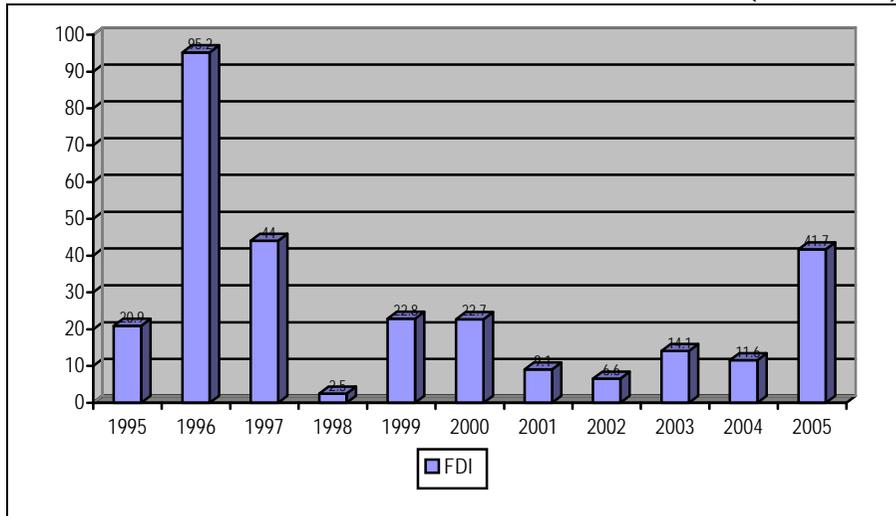
Chart 5: Pakistan's Trade with Japan during 1995-2004

IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*. (Washington: International Monetary Fund).

Investment

Pakistan is also keenly aspirant for the increase of Japanese investment in Pakistan in almost every sector of the economy. At present, Japan's total FDI is around US\$ 414 million that makes Japan's as Pakistan's forth-largest FDI partner after the United States, Great Britain, and United Arab Emirates. In 2005, Japan invested around US\$ 41.7 million in Pakistan compared to US\$ 11.6 million preceding year. On the other side, Japanese FDI in Pakistan is only 0.1 percent of its total overseas FDI, which is a quite meagre amount in all respects. Economic sanctions imposed by Japan against Pakistan in 1998 were largely responsible for the decline of FDI when FDI lowered down to US\$ 2.5 million (See Chart below). However, Pakistan-Japan Joint Declaration issued on 30 April 2005 re-affirmed both countries' commitment for 'high-level economic dialogue' and 'multifaceted government and private sector cooperation'.²⁹ This is going to have a positive impact on Japanese FDI activities in Pakistan in the following years.

²⁹ See Pakistan-Japan Joint Declaration issued 30 May 2005. *Dawn* (Islamabad), 2 May 2005.

Chart 6 Japan's FDI in Pakistan during 1995-2005**(US\$ Million)**

Source: Islamabad: State Bank of Pakistan, *Foreign Private Investment in Pakistan 2005*.

Revivalism

The events of 28 May 1998, made a watershed in the smooth growth of diplomatic and economic ties of the two countries for nearly six years. The Pakistan-Japan relationship remained at the lowest ebb for the first time in several decades because of nuclear issue and economic sanctions being imposed by Japan against Pakistan after the latter conducted nuclear devices. The visit made by Japanese Prime Minister Yoshiro Mori to Pakistan in August 2000, was a significant step as this visit opened a dialogue on such vital issues between the two countries at high level being suspended for over two years. President Pervez Musharraf reciprocated by making a visit to Japan in March 2002.³⁰ The visit intended to remove doubts and to put relations on a much firmer path.

Nonetheless, the 9/11 incident once again re-shaped ties between the two countries and brought them much closer onto a common platform to act as close US allies to fight against world terror under US leadership. Therefore, against this backdrop, Japanese Prime Minister Junichiro Koizumi undertook a two-day official visit to Pakistan on 30 April – 1 May 2005.³¹ This was an important visit from the point of view of a new element that occurred in Pakistan-Japan security dimension after 9/11 where Pakistan's role became central to war against terrorism. Japan, being a constant close ally of the United States, extended cooperation to Pakistan to combat global terrorism. It

³⁰ See for analysis Dr Ahmad Rashid Malik, 'Pakistan-Japan economic ties', *The Nation* (Islamabad), 25 March 2002.

³¹ Dr Ahmad Rashid Malik, 'Koizumi's Visit to Pakistan', *Ibid.*, 1 May 2005.

was the recognition of this fact, which led the top Japanese leadership to come to Pakistan to further strengthen ties with that country in various areas. Koizumi held talks with Minister Shaukat Aziz and Musharraf. Issues such as trade, investment, economic assistance, and nuclear proliferation dominated the agenda of the talks. Proposed UN reforms and question of Japan's permanent membership on the UNSC, and Pakistan-India composite dialogue were also being part of mutual consultations between the Pakistani and Japanese leaders.

The visit of Koizumi was also in the same direction to further help improve the relations and remove doubts. Economic activities also depended on the success of this visit. Japanese businessmen pinned hopes for the success of this visit to robust trade between the two countries because there was a great need to increase bilateral trade that had deteriorated during the past several years for various reasons, as mentioned earlier. Moreover, the resumption of Japanese annual development assistance, normally US\$ 500 million, could play a much greater role by generating private sector commercial activities being suspended over the last six years. This trend must be ratified, if both countries ever wish to enhance a cooperative economic relationship in the age of increasing globalisation and free market economy. Koizumi's visit has created the hope for the revival and strengthening of economic ties between the two countries that have deteriorated both in terms of bilateral trade and economic assistance. Koizumi's visit gave a positive nod toward the strengthening of economic ties between the two countries. The visit of Koizumi removed even the last lingering doubt i.e., the resumption of Japan's yen loans assistance to Pakistan to accelerate the pace of economic collaboration. Now, the private sector in both countries got a level playground to fully interact with each other in a much freer manner and enhance their trading and commercial exchanges. Therefore, on the economic side, a major breakthrough was made with regard to the resumption of Japanese yen loans assistance to Pakistan.

In response to Koizumi's visit, Prime Minister Shaukat Aziz undertook a four-day official visit to Japan on 8-11 August 2005.³² The visit was important from the point of view that it was a first visit by a Pakistani Prime Minister to Japan in eight years. Moreover, although Japan resumed full-fledged economic assistance to Pakistan, Aziz was the first leader of Pakistan in almost over a quarter century who did not visit Japan to seek Japanese aid. Under Government's dynamic policies, Pakistan got rid of aid-led policies. For Pakistan, aid is no longer important. This means that Pakistan's economic relations have entered a new phase of cooperation that was based on equality. This new development in Pakistan's economic fundamentals was a matter of appreciation among the Japanese circles who like to see an economically

³² See also Dr Ahmad Rashid Malik 'PM Visit to Tokyo', *Ibid.*, 7 August 2005.

strong Pakistan. Instead of aid, Pakistan is now focusing on trade and investment. ODA should be seen in two different perspectives: First, ODA will help improve economic infrastructure in the country. Second, ODA will be a locomotive behind the acceleration of trade between the two countries because the leading Japanese transnational companies will channel most of ODA to Pakistan. Moreover, ODA's full resumption is a guarantee for the Japanese transnational companies not only to run their business with Pakistan but also to expand their business activities with Pakistan. The full resumption of ODA 'has given a positive signal' to Japan's private sector to enhance its investment in Pakistan, as put by Aziz while leaving Tokyo.³³ Further, knowing the fact that Pakistan is no longer an aid-led economy, ODA would be used for developmental projects, instead of using it for the improvement of the balance of payments purposes as happened in the past, which buried the very purpose of the ODA. Effective and efficient use of ODA with complete Government fiscal transparency could yield better results which will further enhance the level of ODA for Pakistan besides improving trade with Japan which is the ultimate purpose of the ODA. With full ODA resumption and increasing trade, FDI activities will also take place. Pakistan is planning to attract over US\$ 3 billion FDI during 2005-6 fiscal year against US\$ 1.5 billion the previous year. Japan can play a much greater part in this FDI activity. Big Japanese business houses such as Mitsubishi, Honda, Itochu, Fujitsu, Marubeni, YKK-zips, Japan Gasoline Corporation, and Universal Steel have shown interest in playing a role in FDI in Pakistan. Therefore, Pakistan is pinning great hopes in seeking investment from Japan to kick-start much-desired joint ventures in almost every sector and field. The assurance offered by the Japan Bank of International Cooperation, and Japan's support for Pakistan's case for up-gradation of its credit rating in the coming meeting of the OECD (Organisation of Economic Cooperation and Development), would indeed help boost trading and investment activities between the two countries.³⁴

The Future

The future course of Pakistan's trade with Japan would largely depend on a Free Trade Agreement (FTA) and Preferential Trade Agreement (PTA). Pakistan has already signed PTA with China, USA, SAARC (South Asian Association for Regional Cooperation), and ECO (Economic Cooperation Organisation) to reduce tariff by 10 percent in five years. Similar negotiations are underway with several of East Asian countries. With PTA signing, Pakistan can get a better market access in Japan. So does Japan in Pakistan. A Study Group is working on FTA possibilities between the two countries. Pakistan

³³ *The Nation* (Islamabad), 12 August 2005.

³⁴ See also *Mainichi Daily* (Tokyo), 10 August 2005.

has also proposed to set up a Joint Study Group to work for bilateral market access. Pakistan is already pursuing this strategy with USA, China, and Singapore. If Japan gives a positive nod to this proposal, this would also help promote Pakistan's trade with Japan. With the full revival of bilateral economic ties, it seemed that the ground has been levelled for the signing of FTA and PTA between the two countries.

5.2. South Korea

The Growing Significance

Over the last decade or so, South Korea has attained almost a high status in the minds of Pakistani decision-makers. In terms of economic significance, South Korea is only second to Japan in Pakistan's economic considerations in North East Asia and rest of East Asia. Pakistan's economic relations with South Korea deserve special attention. Early 1990s heralded a spurt in economic relations with South Korean FDI reaching US\$ 92 million in 1992-3 by making it the largest investor in Pakistan and trade volume exceeding over US\$ 700 million in 1995. However, trade and investment relations were deteriorated between the two countries in recent years for one reason or the other. Nevertheless, consistent economic policy with a particular focus on investment and trade and future economic liberalization along with a wise economic diplomacy through high-level contacts could lead to the greater expansion and strengthening of economic relations between the two countries in years to come.

Diplomacy

Pakistan was one of the first countries that offered military assistance to the United Nations' effort during the Korean War that provided the basis on which the future course of relationship between Pakistan and South Korea could be established. Pakistan extended full support to Korean unification through peaceful means without external interference in accordance with the North-South Communiqué of July 1972.³⁵ In line with its policy to support peaceful unification of the two Koreas, Pakistan welcomed the first-ever Korean Summit held in Pyongyang in June 2000. Both countries established consular relations in 1968. South Korea opened its Consulate General office at Karachi the following year. Pakistan reciprocated by opening its Consulate General at Seoul same year. Both countries established full-fledged diplomatic relations by elevating the offices of Consulate Generals to the level of embassies in 1983. As far high level visits were concerned, President General

³⁵ Joint Communiqué issued at the end of the visit of the Prime Minister of Pakistan to the Democratic Peoples Republic of Korea, 21-26 May 1976. (Islamabad: Ministry of Foreign Affairs, Government of Pakistan, *Joint Communiqué 1947-76*, n.d), p. 403.

Muhammad Zia ul Haq made a visit to Seoul in 1985. Two more high-level dignitaries from Pakistan visited Seoul i.e., Prime Minister Muhammad Khan Junejo and Prime Minister Benazir Bhutto in 1988 and 1996 respectively. Nevertheless, no prime minister or president of the Republic of Korea has ever reciprocated by making a visit to Pakistan so far.

Musharraf undertook a state visit to South Korea on 5-7 November 2003 to enhance bilateral diplomatic ties, to promote political understanding, and to further expand the scope of bilateral economic cooperation.³⁶ Nevertheless, the visit was mainly business oriented. He addressed heads of major business including the Federation of Korean Industries, which symbolized the significance Pakistan attached to South Korea for mutual economic cooperation. In his address, he rightly remarked that 'Korean investment and technology and Pakistani human capital could bring in rich dividends to both countries'. He asked the South Korean entrepreneurs to take benefit of Pakistan's unique geographical location and favourable business climate. He made a particular emphasis on cooperation in the textile sector, information technology, oil and gas, and minerals development. Pakistan's comparative advantage in textiles and Korean technology could yield a major breakthrough in their bilateral economic relations besides exploring other lucrative sectors such as telecommunications, engineering, infrastructure, and autos. South Korea expressed its keenness for the possibility of investing in oil and gas sector. Various MoUs were signed concerning cooperation in information technology, oil and gas and mineral development. To further boost bilateral trade between the two countries and enhance South Korean investment in Pakistan, Musharraf also proposed that a Joint Ministerial Commission should be set up for the promotion of trade and investment, in addition to establishing direct air links between the two countries. Prospects in textiles and autos are encouraging between the two countries. Musharraf asked the Korean textile entrepreneurs to jointly explore such opportunities with their Pakistani counterparts. Kia-Hyundai joint venture with Dewan Farooque Motors could further be expanded by the exportation of autos from Pakistan to other regions. While Musharraf encouraged the Korean businessmen to actively participate in privatisation programme in Pakistan, he deplored that 'the current level of investment did not commensurate either with the potential of the Korean private sector or the opportunities being available in Pakistan'. Nevertheless, these agreements and proposals laid a greater emphasis on business and increased cooperation in various fields between the two countries under the fast changing environment.

³⁶ See two articles of Dr Ahmad Rashid Malik, 'Musharraf's South Korean Visit', *The Nation* (Islamabad), 5 November 2003 & 'Musharraf's Korea Visit', *Ibid.*, 8 November 2003.

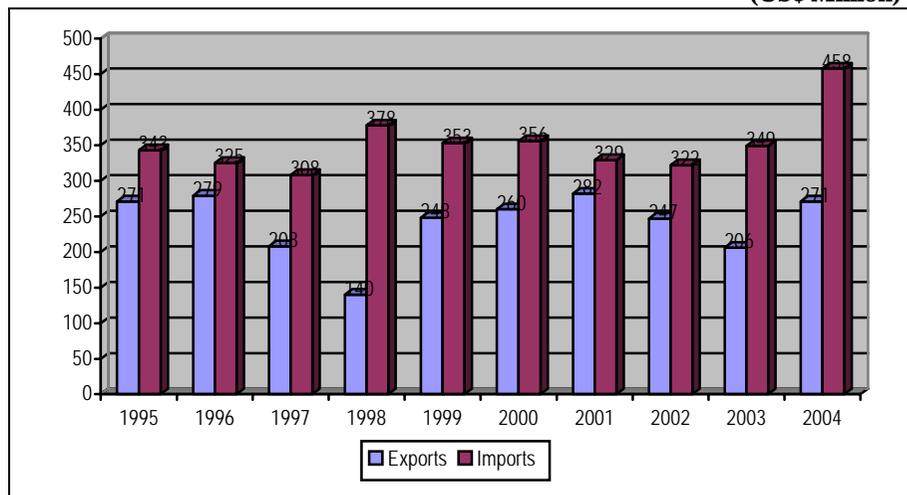
Bilateral Trade

Bilateral trade between Pakistan and South Korea remained nominal during the 1950s - 1970s. But some headway was made in the 1980s. South Korea's share of Pakistan exports to East Asian countries reached as high as 16 percent in 1986 and 1987. While in Pakistan's exports, it turned as high as 18 percent in 1988. Therefore, in Pakistan's import requirements from the East Asian region, South Korea emerged as an important source of market, which helped strengthen trade between the two countries in the coming decade as Pakistan deregulated its economy and encouraged privatisation in the 1990s. Pakistan's exports to South Korea constantly increased from 1990 through to 1996. The two-way trade amounted to US\$ 601 million in 1999 including years 1996 and 1995 when bilateral trade remained over US\$ 600 million. Pakistan's exports to South Korea also witnessed a major breakthrough as these exports reached US\$ 279 million in 1993, making South Korea's share of Pakistan's global exports to 2.6 percent and 13 percent of Pakistan's exports to East Asia. However, in 1998 Pakistan's exports to South Korea drastically shrunk to US\$ 140 million, as a result of economic sanctions imposed by several Western countries.

South Korea's share of Pakistan's imports from East Asia remained around 14 percent in 1994, 1998, and 1999. However, during 1995-96, South Korea's share of Pakistan's imports from East Asian countries slightly tumbled and remained around 13 percent for these years. As for Pakistan's exports to East Asia were concerned, South Korea's share increased as high as 20 percent in 1991. In 2003, Pakistan's exports to South Korea declined to US\$ 206 million but at the same point imports slightly recovered to US\$ 349 million. As exports to South Korea declined, percentage share of South Korea also declined to 1.7 percent in Pakistan's overall exports. Similarly, South Korea's share of Pakistan's imports recorded 2.6 percent during this period. As far South Korea's share of Pakistan's exports to Asia was concerned, this also witnessed a negative trend i.e., a decline to 9 percent from 15 percent. Percentage share of South Korea also decreased in Pakistan's imports from Asia to 9.4 percent from 11.2 percent as compared to the previous year. Therefore, bilateral trade between the two countries has declined during the past five years (2000-04) from US\$ 625 million in 2000 to US\$ 404 million in 2004 (first three quarters).³⁷ Therefore, it must be understood that South Korea emerged as an important import market for Pakistan's demands over the last three decades while it also emerged as one of the leading export destinations for Pakistani goods outlet (See Chart 7)

³⁷ IMF: *Direction of Trade Statistics* (Quarterly March 2005).

Chart 7: Pakistan's Trade with South Korea during 1995-2004
(US\$ Million)



IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*, op.cit.

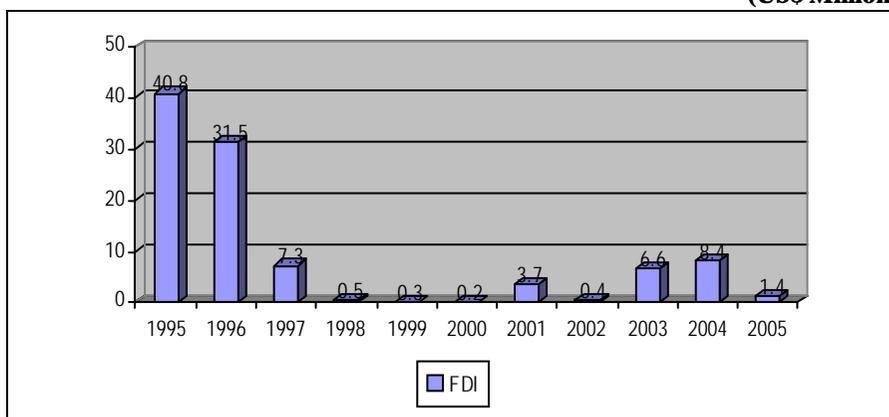
Investment

South Korea was the first country in East Asia with which Pakistan signed bilateral investment treaty in 1988. As a result of this agreement, South Korean private sector capital interest grew in Pakistan in the beginning of 1990s. Over 37 South Korean *Chaebols* (conglomerates) have been actively doing business in Pakistan in various areas such as infrastructure, chemicals, petro-chemicals, electronics, automobiles, light industry, and trading since the early 1990s. For instance, Daewoo Group completed Pakistan's first modern Motorway in 1997 – first of its kind in South Asia and Central Asia. Moreover, Hyundai Corporation, Samyang Group, Samwha Printing Corporation, LG, and Samsung are strongly enhancing their presence in Pakistan. By investing US\$ 93 million in FDI in 1993-4 South Korea emerged as the second largest source of foreign investment in Pakistan after the United States. In the next couple of years, South Korea ranked as the 5th largest FDI investor in Pakistan. However, from 1996 onward South Korean private capital started declining and it did not play any significant role in investment in Pakistan for one reason or the other. At this point, Pakistan's over all foreign investment also showed a declining trend. Therefore, among other traditional investment partners of Pakistan (such the United States, Britain, Germany, United Arab Emirates, Saudi Arabia, Japan, and Hong Kong), South Korea emerged as a new investment partner of Pakistan.

In the subsequent years, investment flow from South Korea declined to US\$ 0.4 million during 2001-02, which had been a 50 percent decline from 2000-01, i.e., US\$ 0.4 million. The FDI flow slightly increased to US\$ 1 million in 2003-04, thus making South Korea's share of Pakistan's total FDI 2.4 percent at present. South Korean total investment was recorded US\$ 197.6 or

2.4 percent as per accumulated share of Pakistan's total FDI by 2004.³⁸ Textiles, food, general trading, communications, and electronics were the main thrust areas of South Korean investors over the last few years. They are keen to further enhance their participation particularly in the areas of telecommunications and information technology besides transportation and autos. If the Government follows a consistent policy and gives preferential treatment to foreign investors to build confidence rather than penalizing them for one reason or the other, as it happened in case of Daewoo's Motorway Project explained above, Pakistan can attract substantial amount of investment from the South Korean private sector. After Japan, South Korea is best stationed and Pakistan may promote its ambitious trading and commercial links. The prospect of trade, investment, and economic cooperation between the two countries must be seen in the context of changes brought by WTO. The signing of PTA between the two countries would lead to the greater expansion of trade and investment activities between them.

Chart 8: South Korea's FDI in Pakistan during 1995-2005
(US\$ Million)



Source: State Bank of Pakistan, *Foreign Private Investment in Pakistan 200*, op.cit.

5.3. North Korea

Diplomacy

The most unique relations, which Pakistan has with any of East Asia country, are its relations with North Korea because the following two hot issues have dominated these relations namely; ties with a Communist State and the alleged nuclear cooperation between the two countries. As far diplomatic relations were concerned, both countries have developed close and fraternal ties with each other. Pakistan's position over the Korean War and the two Koreas

³⁸ Board of Investment, *Foreign Direct & Portfolio Investment*, (Islamabad: Government of Pakistan), 2004.

unification have been explained in the previous section. Pakistan tried to maintain a balance in its policy toward the two Koreas and established full-fledged diplomatic relations with North Korea. A strong foundation of relationship was laid down in 1976 when Prime Minister Bhutto undertook a state visit, first-ever by a Pakistani leader in 29 years (21-26 May). He visited a number of industrial units, cooperative farms, educational and cultural institutions in Pyongyang and Hamgyong province. The Joint Communiqué issued at the end of the visit emphasized the need to settle the Kashmir dispute in accordance with the UN resolutions. Both Pakistan and North Korea gave their fullest support to liberation struggle in Vietnam, Laos, and Cambodia³⁹ Prime Minister Benazir Bhutto was the second leader from Pakistan who undertook a visit to Pyongyang in December 1993.

Nevertheless, Pakistan's relations with North Korea have a tendency to affect the former's relations with the United States, Japan, and South Korea. Pakistan is walking on a tight rope on nuclear issue with North Korea. A much more shrewd diplomacy and policy options are needed to tackle the issue of nuclear related matters that should satisfy all the concerned countries, failing which would have a greater potential of deteriorating Pakistan's relations with Japan and South Korea in North East Asia as well as with the United States that could also jeopardize Pakistan's economic interests in North East Asia.

The Nuclear Issue

There are huge concerns of the international community about Pakistan's nuclear and missile related ties with North Korea over the past couple of decades.⁴⁰ It was suspected that both countries have traded in arms in the field of nuclear and missile technology. It was further argued that, in addition to Benazir Bhutto's visit to Pyongyang, General Jahangir Karamat made a visit to the same capital in 1997, besides a large number of visits undertaken by Dr Abdul Qadeer Khan, Pakistan's nuclear scientist, to North Korea. Such concerns and doubts were further reconfirmed when Dr. Khan, admitted on 4 February 2004 that: 'The investigation has established that many of the reported activities did occur, and that these were invariably initiated' at his behest. After his confession, Benazir Bhutto publicly admitted in March 2005 that she had kicked off missile blue prints in cash instead of nuclear enrichment barter from North Korea during her visit.⁴¹

³⁹ Pakistan, *Joint Communiqué 1947-76*, op.cit., pp. 400-4.

⁴⁰ There is large literature available on Pakistan-North Korea links in nuclear and missile field. See for instance Christopher Clary, 'Dr Khan's nuclear Walmart', in *Disarmament Diplomacy*, No. 76 (March-April 2004) & Sharif Shuja, 'Pakistani nuclear deals and international security', in *Contemporary Review*, (September 2004).

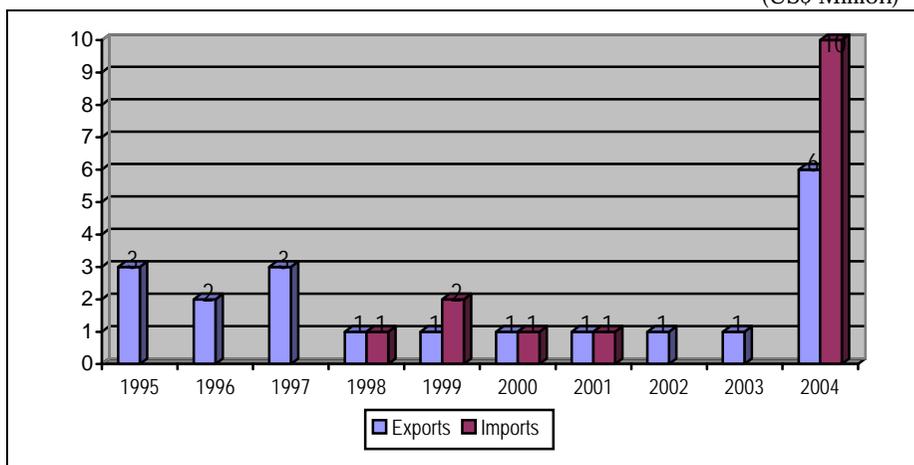
⁴¹ *The Washington Times* (Washington), 8 March 2005 & *Dawn* (Karachi), 9 March 2005.

Bilateral Trade

North Korea is one of those countries with whom Pakistan has weak trading links over the past several decades. For example, Pakistan's exports to North Korea remained around US\$ million in 1995 and 1997 against US\$ 1 million during 1998-2003. It was only in 2004 that exports reached US\$ 6 million, while imports from North Korea also increased to US\$ 10 million, hitherto hardly remained US\$ 1 million or even less after 1995 except 1999 when exports doubled to US\$ 2 million.

Chart 9: Pakistan's Trade with North Korea during 1995 – 2004

(US\$ Million)



IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*, op.cit.

5.4. The Four Chinas

Diplomacy of Cordiale Entente

Pakistan's policy toward China is based on mutual self-respect and principles of unity, peace, and progress in the larger Asian context. Both countries' relations are often described as a model for friendship. Pakistan is the corner stone of China's policy not only in the region but also the world over. Global, regional, as well as domestic changes, have little impact on both countries firm stand and determination toward each other as useful partners in peace and development over the past six decades. This is also a wrong impression that Sino-Pakistan ties have consolidated because of the Sino-Indian rivalry that started in the 1960s. The fact is that both Pakistan and China started building a cooperative stand right soon after China's independence in October 1949. Pakistan was one of the first countries that recognized China in January 1950 i.e., within three months of China's existence. Both countries established diplomatic relations on May 21, 1951 and since then they have been witnessing

a smooth flow of ties for mutual benefits. Pakistan's national flag carrier was the first overseas airline that was allowed to fly over China and come to Peking (now Beijing). All these developments occurred long before the Sino-Indian border clash. Notwithstanding, changes in relations to China's policy during the present decade, Sino-Pakistan relations have further consolidated.

There have been frequent high-level exchanges between the two countries that were initiated in the late 1950s. For instance, the first high-level visits were exchanged at the peak of Cold War tension in 1956 with Pakistan's Prime Minister Suhrawardy paid visit to China in October and Chinese Premier Chou En-lai paid visit to Pakistan in December same year. These first official high-level exchanges lasted for long 22 days and witnessed the spirit of the Bandung Conference, held a year earlier, aimed at creating a larger Afro-Asian unity to create peace and development in the world. These global objectives also led toward the strengthening of bilateral ties between Pakistan and China in the year to come.⁴² Naturally, Cold War did not come in the way of Sino-Pakistan relations, thus giving a new understanding to defusing global conflict. The agreement to resolving Sino-Pakistan border dispute in March 1963, also stands out to be a lasting example for other countries as to how border disputes should be peacefully and amicably settled. The second high-level visits that were exchanged in February 1964 and March 1965, further consolidated ties between the two countries. Pakistan continued its diplomatic efforts to help restore China's legitimate status to represent Chinese people and their Government in the United Nations.

Chinese Premier Wen Jiabao undertook a three-day official visit to Pakistan on 5-7 April 2005. Knowing the depth and vitality of Sino-Pakistan relationship, their economic relationship was required to be further deepened under the rapidly changing global economic order that should also be commensurate with the level of their diplomatic, political, and strategic partnership over the years. Pakistani leaders must understand that a semi-feudal and economically underdeveloped Pakistan is definitely not in China's increasing global interests any more. Bilateral trade and extended economic cooperation between the two countries should help promote Pakistan's domestic economic infrastructure. During the visit of Wen, China signed as many as 20 agreements worth US\$ 350 million in the field of business, trade, and investment in various diversified areas of cooperation. These expected agreements are designed to up-grade Pakistan's economic infrastructure.

⁴² See Joint Communiqués issued on the visit of the Prime Minister of Pakistan Hussain Shaheed Suhrawardy to People's Republic of China on 18-29 October 1956, Chinese Premier Chu En-lai's visits to Pakistan on 24 December 1956, & 23 February 1964. *Joint Communiqué 1947-76*, op.cit., pp. 43-6 & 116-7.

Economic Ties

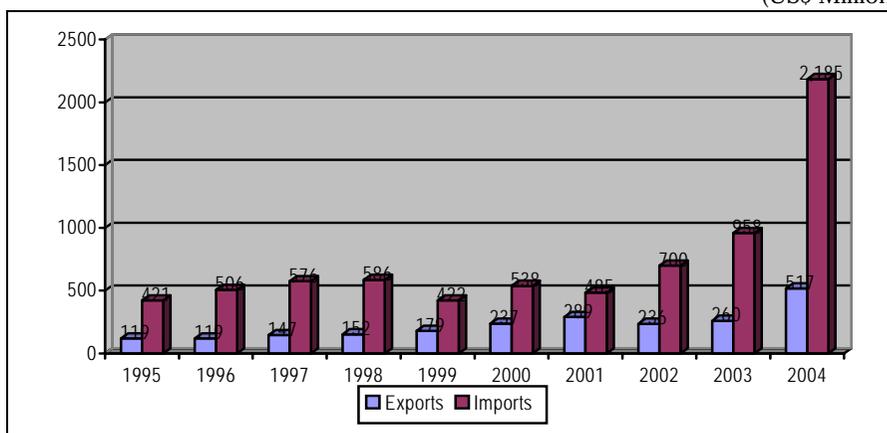
Pakistan and China established trade relations in early 1950s. Both countries have signed a trade agreement in January 1963. Later, a China-Pakistan Joint Committee on Economic, Trade, Scientific and Technology Cooperation was set up in October 1982. As a result of these interactions, Sino-Pakistani economic and trade cooperation has strengthened over the years. A much faster growth was seen in the 1990s. The present Chinese cooperation can be seen in the context of the Deep Sea Gwadar Port, a project of US\$ 848 million value. China supplied US\$ 198 million credit out of US\$ 248 million for the construction of Phase-I. The cost of Phase-II was estimated around US\$ 600 million. The Chinese side was expected to make the announcement about their share that ranges from US\$ 70 to 100 million in this regard during Premier Wen's visit. The port will connect Pakistan with landlocked Central Asian Republics as a conduit to warm waters. The port will play a key role in promoting social and economic progress in the region and provide new opportunities for China-Pakistan trade and economic activities.

Bilateral Trade

Bilateral trade has witnessed a sharp increase in the 1990s, together with a robust growth in trade particularly by 2001. The volume of bilateral trade stood at US\$ 2.7 billion in 2004. In terms of Pakistan's imports, China has emerged as the second largest trading partner by sharing over 10 percent of Pakistan's total foreign imports by September 2004. However, in terms of Pakistan's exports, only 2.3 percent of Pakistani goods were shipped to China by September 2004, compared to 1.8 percent in the preceding year. This made China the 13th largest export market for Pakistani goods. Therefore, bilateral trade highly tilted in China's favour i.e., over US\$ 620 million.

Chart 10: Pakistan's Trade with China during 1995-2004

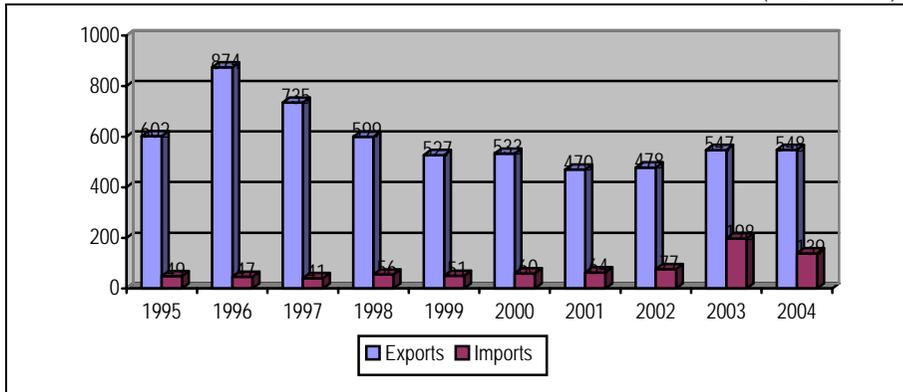
(US\$ Million)



Source: Ibid.

Chart 11: Pakistan's Trade with Hong Kong SAR during 1995-2004

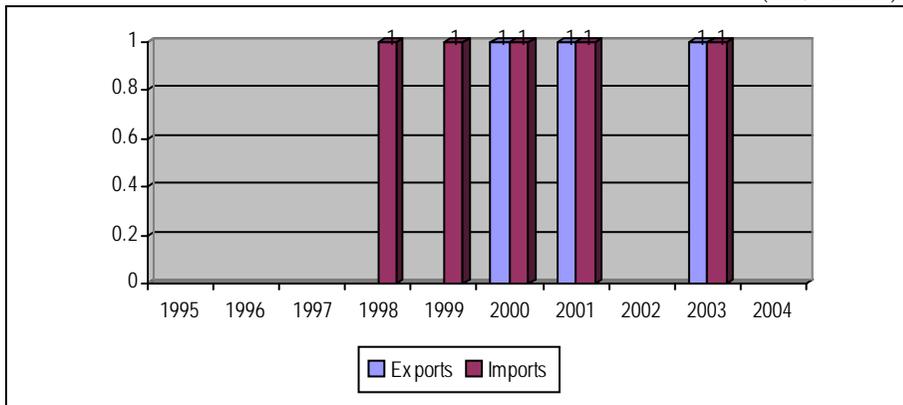
(US\$ Million)



Source: Ibid.

Chart 12: Pakistan's Trade with Macao during 1995- 2004

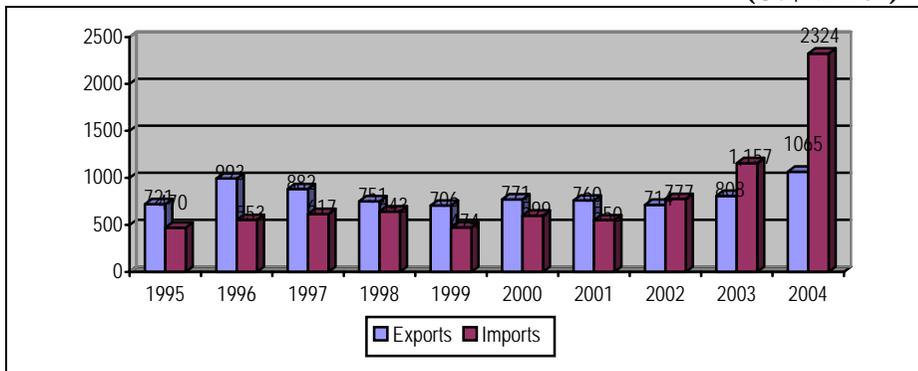
(US\$ Million)



Source: Ibid.

Chart 13: Pakistan's Trade with PRC, Hong Kong-SAR, & Macao during 1995-2004

(US\$ Million)



Source: Ibid.

Pakistan's trade with China made it the second largest trading partner of Pakistan after the United States in 2004. Pakistan's overall trade with China, Hong Kong, and Macao reached nearly US\$ 3.3 billion in 2004 as trade started improving after 2000, compared to a declining trend during 1997-99. This positive upward trend indicates the success of Vision East Asia. Within China, Pakistan's trade with Hong Kong is the most vital element because Hong Kong is a top buyer of goods from Pakistan in the whole of East Asia. For instance, Pakistan's exports to Hong Kong reached US\$ 874 million in 1996. Although there was a slight decline in Pakistan's exports to Hong Kong after 1997, owing most to East Asian economic meltdown, Hong Kong ranked as top export market for Pakistani goods in the whole of East Asia. Aziz's visit to Hong Kong that was undertaken on 11 August 2005 was expected to give a boost to Pakistan's trade with Hong Kong in the years to come.

This also meant that with trade liberalization under PTA, signed in January 2005, following Aziz's visit to China in November 2004, Pakistani exporters have not taken any benefits so far. Nevertheless, PTA witnessed the growth of bilateral trade with the tone of 43 percent increase as tariff on many items was removed, thus making market more attractive. China is a potential market with a large middle class along with the rapid economic boom. Pakistani exporters must explore the vast Chinese market to increase their volume of export to that country. The increase of Pakistan's exports to China by 26 percent under PTA was a positive and an encouraging sign. Pakistani exporters must envisage a major increase other than large share of over 70 percent of cotton and fabric and hide and skin exports to China. Pakistani exporters must realize that it is not only a 'cotton route', but a 'silk route' too.

In the long run, PTA would help promote Chinese investments in Pakistan too. FTA would enrich the contents of the trade, investment, and overall economic relationship between them. Chinese investments in Pakistan are still not at the mark. Chinese investors poured only US\$ 20 million into Pakistani market. Pakistan is a potential market for Chinese investors because of market demand and cheap labour, investment friendly climate, and many other incentives that are being offered to foreign investors. Chinese businessmen have already got a good image in Pakistan. There seems no reason why the Chinese investors should not come in a big way to invest in Pakistan. The number of Chinese companies that is nearly 60, mainly operating in the oil and gas, IT, telecom, power generation, engineering, automobiles, infrastructure and mining sectors at the moment, can be increased and these companies can use Pakistan as a gateway for penetrating into Central Asian markets. National Bank of Pakistan's branch in Beijing is not only providing business facilities to Chinese businessmen to do business in Pakistan, the bank also facilitates Chinese businessmen to do business in Afghanistan and Kyrgyzstan. Chinese financial institutions such as banks, trusts, securities, and corporations should also open their branches in Pakistan to

promote business between the two countries. A breakthrough is needed in this sector.

Premier Wen's visit will surely enhance already existing economic ties between the two countries on a much wider scale. Moreover, his keynote address at 26-member ACD, regarding economic cooperation among Asian countries, is quite significant. Therefore, not only Asian economic cooperation is increasingly becoming crucial, Sino-Pakistan economic cooperation in trade, investment, and other areas would be the corner stone of Pakistan's economic relations in the coming years. This solid economic relationship would also shed the old Cold-War type mentality between the two countries and would put them on the path of mutually beneficial economic cooperation in view of the free market economy in the years to come.

The Taiwanese Dilemma

Pakistan strongly believes in One-China policy. However, initially, Pakistan's position over the issue of the Taiwan Straits caused damage to relations with China as the former neither had given *de facto* nor the *de jure* recognition of Taiwan and the standpoint explained by the Foreign Office of Pakistan in response to a letter, written by the Chinese Foreign Ministry in 1958, further annoyed the Chinese. The reply stated that: 'the jurisdiction position of sovereignty over Formosa [Taiwan] is not clear. The problem should, therefore, be settled by peaceful negotiations. The wishes of the local inhabitants should be given due consideration'.⁴³ Later, Pakistan changed its position over the issue of Taiwan to the satisfaction of China and now Pakistan fully supports China's position over Taiwan, including the reunification of Taiwan with the Mainland China.⁴⁴ Pakistan further made it clear that it cannot believe in 'One-China', 'One-Taiwan' or 'Two Chinas'. In continuation of One-China policy, Pakistan decided that Pakistani passports will not be annotated with the word 'Taiwan' from 1 September 2003, in reaction to the decision taken by the Government in Taiwan to annotate word 'Taiwan' on their passports.⁴⁵ Moreover, Pakistan decided to give full support to the Anti-Secession Law passed by China against any possible overture under which Taipei announced its independence from the Mainland China.⁴⁶ Therefore, Pakistan's fully endorsed China's standpoint over the issue of the Taiwan Straits.

⁴³ See Annex 2 in Hameed A. K Rai, *Readings in Pakistan's Foreign Policy*, Vol. 1 (Lahore: Aziz Publishers, n.d), pp. 142-3.

⁴⁴ Xinhua News Agency quoted Masood Khan, spokesman of Pakistan's Foreign Ministry as saying: 'Islamabad takes a One-China policy and that Taiwan is a part of China' 24 December 2004.

⁴⁵ *People's Daily Online*, 28 August 2003.

⁴⁶ *The News International* (Rawalpindi), 15 March 2005.

Nevertheless, as Pakistan is reshaping its priorities under the changed situation, there is also a need to reshape Pakistan's traditional trading relationship and explore new markets. Pragmatism also demands that Pakistan should fully get involved into economic globalisation in East Asia similar to its involvement elsewhere. Taiwan is the 16th largest world economy with 3rd largest holding of foreign reserves. But Taiwan, for instance, is 'almost an abandoned market' for Pakistan. It needs to develop direct trading links with Taiwan. India and Bangladesh, for instance, have direct trading links with Taiwan. A Taiwanese trade centre has been set up in Dhaka, and in Mumbai, the Taipei World Trade Centre has also set up a Liaison Office in addition to the Taipei Economic and Cultural Centre at New Delhi. In 2002, Taiwan invested around US\$ 74 million in India. Pakistan also needs to establish such kinds of direct trading links with Taiwan, which is a lucrative market for the consumption of rice, cotton yarn, cloth, granite, leather, chemicals, and other goods. In return, Pakistan can import electrical appliances, equipment, plastics, auto parts, and artificial fibres from Taiwan directly. This would create the interest of Taiwanese investors in Pakistan.

China is Taiwan's third largest trading partner, top export destination, and the leading source of Taiwan's trade surplus. According to statistics compiled by the Investment Commission of the Ministry of Economic Affairs (MOEA) of Taiwan, Taiwanese investment in China totalled US\$26.61 billion in 2002, which accounted for 43.39 percent of Taiwan's total foreign investment. Trade volume between the two sides also increased from US\$8 billion in 1991 to US\$41.01 billion in 2002. Of this figure, exports to China amounted to US\$33.06 billion, comprising 25.3 percent of Taiwan's total exports, and imports from China amounted to US\$7.95 billion, or 7.1 percent of Taiwan's total imports. A large number of Taiwan's businessmen have set up factories in China to take advantage of cheap labour and low overhead costs. Many of these manufacturers receive orders in Taiwan, produce their goods in China, and then ship the goods from China directly to their overseas markets. As of end of September 2003, the Investment Commission of the MOEA had approved 30,661 investment cases in China with a total value in excess of US\$32.97 billion. Chinese territories such as Hong Kong and Macao have also got diplomatic connections with Taiwan together with closed trading and financial links. Talks have also begun on 16 August 2005 between China and Taiwan about the establishment of direct air links between Chinese cities and Taipei. Therefore, China does not want the political and geographical separation of Taiwan from the Mainland China on the one hand; it also does not want to lose enormous trading and economic benefits vis-à-vis with Taiwan for the sake of above reasons. So there is no denial of the economic recognition of the 'renegade province' of Taiwan in the eyes of China. Rather, economic benefits are mutually shared.

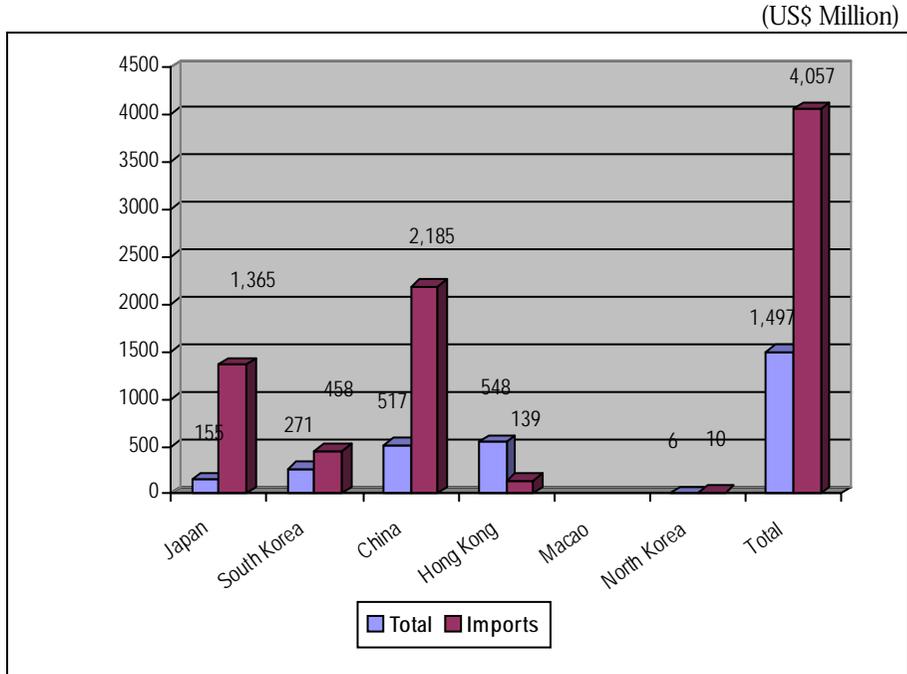
Taiwan has adopted a flexible attitude toward Islam and Islamic countries and it did not opt for a rigid stand against Islam. As result of this policy, for instance, Taiwan has developed commercial and cultural representative offices in several of Islamic countries such as in Saudi Arabia, United Arab Emirates, Oman, Turkey, Jordan, Kuwait, and Bahrain. Saudi Arabia, Jordan, Turkey, and Oman also reciprocated by opening their representative offices in Taipei. All of these Islamic countries have close and fraternal ties with Pakistan too. This aspect also should become a reason for Pakistan to open a similar dialogue with Taiwan.

Therefore, it would be unwise to put any pressure on Pakistan to keep it away from developing direct trading links with Taiwan as China itself is tremendously benefiting from vital trading links with Taiwan and China's provincial governments are always keen to develop such links with Taiwan. Moreover, as China is not objecting in developing direct trading links between India and Taiwan, and also swiftly boosting its trading linkages with India, this situation unwisely puts Pakistan in a disadvantages position being an ally and trustworthy friend of China. Within One-China policy, Pakistan's private sector may encouraged to take benefits of trade with Taiwan by directly developing trade links such as establishing trade centres in each other countries as well as private airlines should be allowed to establish direct air links similar to the air links established by China itself, Great Britain, Canada, and Germany. An understanding with the Government of China and its consent will be required in pursuing such a policy option that would further help diversify and expand Pakistan's trade with East Asia in the age of globalisation. A guideline could be developed in consultation with the Chinese Government. The notion 'holier than the Pope' must be reversed and Pakistan must be given an opportunity to cultivate economic relations with Taiwan.

To sum up, Pakistan's diplomatic interaction with North East Asia has been quite revealing. While Japan is the cornerstone of Pakistan's economic interests in this region, China occupies a great strategic depth in its relations with Pakistan. However, North Korea's nuclear programme has the potential to disturb the strategic equation, which has been built with this region over the past several decades. As far economic diplomacy is concerned, the region is the focal point of Pakistan's Vision East Asia by conveniently using this diplomatic leverage to advance economic interests in South East Asia and the Oceania. The region supplies over 20 percent of Pakistan's imports i.e., US\$ 4 billion and 11 percent of Pakistan's exports i.e., US\$ 1.4 billion with high imports that come from China followed by Japan. The region also meets much-desired FDI needs of Pakistan i.e., over US\$ 262.7 million FDI during 2000-05. The region provided US\$ 104.7 million FDI to Pakistan in 2005 with Japan as the most important source of FDI, followed by Hong Kong. FDI from China's private sector is almost non-existent and needs to be promoted. Here, the Taiwan factor can play a role. Moreover, Japan is also an

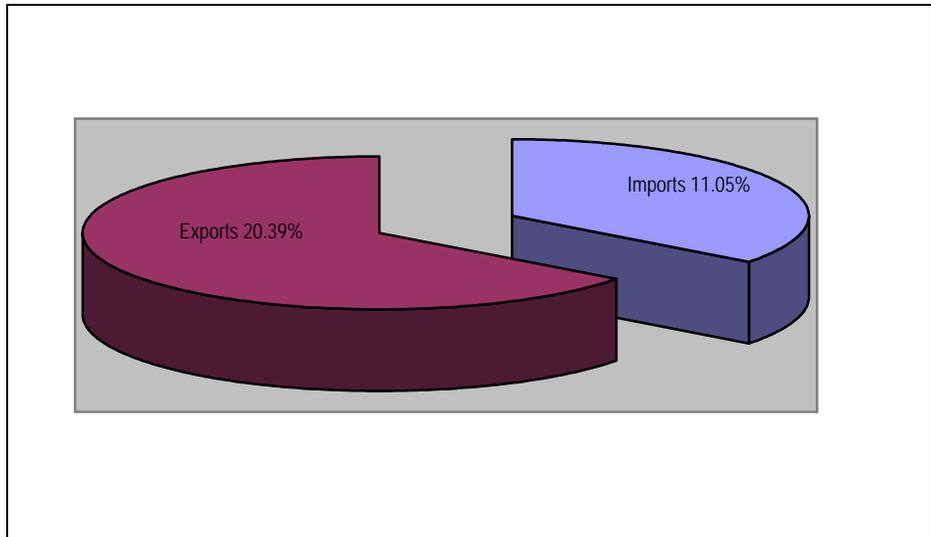
important source of economic assistance over the past several decades and after the resumption of Japan's ODA in 2005 much stronger economic interaction is expected between Pakistan and North East Asia.

Chart 14: Pakistan's Trade with North East Asia in 2004



Source: IMF: *Direction of Trade Statistics*, Quarterly June 2005.

Chart 15: Percentage Share of North East Asia of Pakistan's Exports & Imports in 2004



Source: IMF: *Direction of Trade Statistics* (Quarterly June 2005).

Table 2: The Inflow of FDI from North East Asia into Pakistan during 2000-05
(US\$ Million)

	2000	2001	2002	2003	2004	2005
China	10.1	0.1	0.3	3.0	14.3	0.4
Japan	22.7	9.1	6.6	14.1	11.6	41.7
Hong Kong	0.5	12.7	23.4	5.2	5.0	61.2
South Korea	0.2	3.7	0.4	6.6	8.4	1.4
Total FDI from North East Asia	33.5	25.6	30.7	28.9	39.3	104.7
Pakistan's Total FDI	543.4	182.0	474.6	820.1	921.7	1,676.8
% Share	6.1	14.0	6.4	3.5	4.2	6.2

Source: State Bank of Pakistan, *Foreign Private Investment in Pakistan 2005*, op.cit.

6. RELATIONS WITH SOUTH EAST ASIA

It is also an established of fact that Pakistan (then part of British India) and whole of East Asia, with the exception of Japan, remained under the imperial Western rule for a longer period of time. Pakistan gained independence much ahead of some of East Asian countries. Malaysia, Indonesia, and Singapore resolved their political differences by the mid 1960s. Whereas Vietnam, Laos, and Cambodia that faced problems of national integration ever since their independence. Therefore, domestic and regional political environment of Pakistan and most of East Asian countries did not remain dissimilar.

Pakistan's Role in Collective Security and Economic Integration

In terms of security considerations and economic cooperation, Pakistan found itself interlocked with East Asia, because geographically the country was contiguous to the region for historical, cultural, religious, and trade and commercial reasons. This led Pakistan to join the South East Asian Treaty (SEATO) in September 1954, hitherto known as the Manila Pact – a bulwark against the Communist threat in Asia-Pacific in the 1950s and 1960s. Thailand and the Philippines were the only countries from the South East Asia region that had joined the alliance. Pakistan, being a South Asian country, became a part of the alliance to kick-start building its defence infrastructure and to modernizing its capabilities and to aggrandize its economic and commercial

interests in the region. Oceanic and the Pacific countries namely, Australia and New Zealand also joined the alliance to 'ward off any possibility of Japan's resurgence'. United States and Great Britain were the architects of the alliance with the support of France that faced huge resurgence of Communist threat mainly in the Indo-Chinese states of Laos, Cambodia, and South Vietnam. Leading capitalist players also wanted to stop the Chinese Communist threat in the region besides countering the Soviet influence in North East Asia, South East Asia, and the Pacific.

SEATO did not convert into a full-fledged military force. Rather, it was a political grouping of liked-minded Western and Asian countries to provide a wider spectrum of security in the greater Asia-Pacific context. Under these circumstances and considerations, there was nothing wrong but extremely beneficial for Pakistan to join this security bloc to build alliances in the wider Asia-Pacific region. However, Pakistan's disenchantment with SEATO started after the Indo-Pakistan War of September 1965.⁴⁷ Consequently, Pakistan formally withdrew from this security alliance on 7 September 1973 but its disengagement was started in 1968.⁴⁸ The improvement of Pakistan's political ties with the Communist bloc on bilateral basis in the 1970s, started deepening its ties with the former communist States in South East Asia and also generally elsewhere. The treaty itself was dissolved in 1977. As political atmosphere started changing by the 1970s, Pakistan once again naturally pushed to re-cultivate its ties with the region with the core considerations of improving economic ties as a result of the success of ASEAN. There was another factor that resulted in Pakistan's disinterest in South East Asia and it was the emergence of ASEAN in 1967. When ASEAN came into being, Pakistan started 'retreating' from this region because the newly emerging regional grouping was solely from within South East Asia i.e., Malaysia, Indonesia, Thailand, and the Philippines.

The New Engagement

As Pakistan's devised its Vision East Asia, the importance of ASEAN has tremendously enhanced. Pakistan became a Sectoral-Dialogue Partner of ASEAN in 1993 at the instance of Malaysia, Indonesia, and Brunei. Since the establishment of the Sectoral Dialogue Partnership, Pakistan has been making concerted efforts to raise the level of diplomatic and official interaction as well as trade and commercial linkages with ASEAN member states. Trade, industry, investment and environment were identified as potential areas of

⁴⁷ See for a new account by David McKnight, 'Western Intelligence and SEATO's War on Subversion, 1956-63' in *Intelligence and National Security*, Vol. 20, No. 2 (June 2005), pp. 288-303.

⁴⁸ See a refreshing analysis on SEATO by Andrew Hall 'Anglo-US relations in the formation of SEATO' in *Stanford Journal of East Asian Affairs*, Vol. 5, No. 1, Winter 2005, pp. 113-32.

cooperation between Pakistan and ASEAN. Pakistan actively participated in trade fairs, business and investment seminars, held in ASEAN countries after assuming the status of the Sectoral-Dialogue Partner. This led Pakistani businessmen to Malaysia, Philippines, Singapore, Brunei and Indonesia in 1995 and 1996 to participate in trade fairs.

The inaugural meeting to officially launch the Sectoral-Dialogue Partnership was held at Islamabad in November 1997, which affirmed the setting up of the ASEAN-Pakistan Joint Sectoral Co-operation Committee (APJSCC) as the inter-governmental consultative body to coordinate the ASEAN-Pakistan Sectoral Dialogue Partnership. It also decided to establish the ASEAN-Islamabad Committee (AIC), comprising ASEAN diplomatic heads of missions accredited to Pakistan. The AIC was intended to facilitate ASEAN Sectoral Dialogue relations with Pakistan. The First APJSCC was held on 5 February 1999 at Bali (Indonesia). Pakistan made several proposals aimed at enhancing Pakistan's cooperation with ASEAN including the Pakistan-ASEAN Fund of US\$ 4100,000, a Workshop on Trade Facilitation between Pakistan and ASEAN held back with the First ASEAN-Pakistan Joint Business Council (APJBC) meeting in Pakistan. It has also broadened the scope of scholarships being offered to ASEAN countries (a total of 48 scholarships with country-wise break-up was as under: Indonesia 10, Malaysia 19, Thailand 10, Philippines 7, & Singapore 2) in the field of medicine, engineering, dentistry, and pharmacy on subsidized rates at institutions in Pakistan. Its proposal to host workshop on composite materials, food sciences and technology, renewable energy, remote sensing, and GIS applications were greatly appreciated by the ASEAN side. Pakistan and ASEAN agreed to encourage direct contacts between their governments to develop feasible mutual activities. In spite of geographical distance, transient economic and financial difficulties in ASEAN member countries should not deter the Association from its onward looking orientation to work closely with Pakistan to strengthening cooperation.

Moreover, engagement with ASEAN countries in on the rise in Pakistan's diplomatic and economic agenda by the beginning of 2004. As Cambodia, Laos, Vietnam, and Myanmar became ASEAN members, their significance has also increased. The year 2004 marked a new beginning in Pakistan's relations with Cambodia and Laos, when Prime Minister Mir Zafarullah Khan Jamali visited these countries – first ever visits by a head of State or Government of Pakistan in 58 years. However, economic ties between Pakistan and ASEAN countries have not taken any concrete shape as yet. There is a need to really hit this 'forbidden' area.

As stated at the beginning of this paper that ever since the independence, Pakistan's growth rate had been relatively higher than almost whole of East Asia with the sole exception of Japan. Later, most of East Asian countries made headways to 'catch up' with Japan. As a result of this, today

Pakistan and rest of East Asian countries particularly Japan, South Korea, Malaysia, and Singapore are contrasting cases with regard to overall national economic development, growth, investment, and trade. The most striking contrast between the economy of Pakistan and the rest of East Asia is that Pakistan's national policies did not reduce poverty, create an environment for a sustainable development, and market strategy for export drive. Whereas these economic patterns have been reflected in the national economic policies, programmes, and implementation strategies of most of East Asian countries.

The ASEAN-Regional Forum (ARF)

Indo-Chinese states such as Laos, Cambodia, and Vietnam as well as Myanmar have played a vital role in bringing Pakistan's entry into the ASEAN Regional Forum (ARF) in 2004 as its 23rd member. ARF came into being in 1993 for region-wise dialogue on security under the Japanese initiative to build confidence, encourage preventive diplomacy, and conflict resolutions across Asia-Pacific. At the Fifth ARF meeting held in July 1998, two months after the nuclear tests, Japan had pushed the idea of Pakistan's inclusion into ARF but India opposed Pakistan's entry at the Seventh ARF meeting. However, the decision not to include Pakistan had less to do with India's objection than ASEAN determination that India-Pakistan tension would fall outside the geographical footprint of key ARF activities, and a desire of the Forum not to complicate and detract attention of the Forum to outside challenges. Consequently, Pakistan's entry into ARF also helped materialize acceding to the Treaty of Amity and Cooperation with ASEAN on 2 July 2004.

Full Dialogue Partnership

Since 9/11 Pakistan has been emerging as a front-line state to combat terrorism. Subsequent developments suggested that South East Asian could be the second front of terrorism. Some of the terrorist groups in South East Asia got links with their Pakistani counterparts as a result of the two-decade long the Afghan crisis. Terrorist attacks in South East Asia such as the Bali bombing and the similar worsening security situation in the Philippines together with Islamic separatist movement in that country in addition to security threat in Thailand, made Pakistan relevant to Full Dialogue member of the ASEAN. Therefore, all South East Asian countries particularly the Philippines, Thailand, and Indonesia as well as Australia and New Zealand in the Pacific need Pakistan's cooperation in dealing with terrorism in Asia-Pacific. Therefore, Pakistan's status as being Sectoral-Dialogue Partner and ARF member together with the 9/11 realities are demanding that Pakistan should become a Full Dialogue partner of ASEAN in 2006. Pakistan has not been viewed as hegemonic power amongst ASEAN countries. Rather, it has been regarded as a development partner. This eventually facilitates Pakistan's role in ASEAN. The inclusion of Japan and China as Observers in SAARC's

13th Summit held at Dhaka, Bangladesh, in November 2005, would further help bring South and East Asia closer. Pakistan, being friendly to both Japan and China, could yield additional benefits of their roles in upcoming SAARC activities.

There have been a number of exchanges between Pakistan and several of ASEAN member countries over the past several of years. These exchanges have broadened mutual political and diplomatic understanding between Pakistan and most of these countries. Nevertheless, it was only in the 1990s that relations with East Asian countries started further deepening. The following section would make an analysis of Pakistan's relations with ASEAN countries in the bilateral context to explore the possibilities for mutual economic cooperation under changing scenarios.

7.1. Malaysia

Diplomacy of Divergence and Convergence

Initially, both Pakistan and Malaya (now Malaysia) had shown interest in developing close ties with each other and both countries' relations remained somewhat warm and cordial. In this context, Malaya's Majesties the Yang di Permaisuri Agong and the Raja Permaisuri Agong made a state visit to Pakistan in December 1961-January 1962 - the first ever visit by the Malaysian royal leaders to Pakistan. Besides strengthening diplomatic and political ties, the promotion of trade and commercial relations were discussed on this occasion in addition to Pakistan's offer of scholarships for Malaysian students to undertake studies at educational institutions in Pakistan⁴⁹. After the royal visit, Prime Minister Tunku Abdul Rahman Patra Al-Haj made an official visit to Pakistan on 10-21 October 1962.

In 1963, Sabah, Sarawak, Malaya, and Singapore constituted an independent State of Malaysia. But Singapore backed out two years later to constitute an independent City-State. Indonesia also wanted separate states of Sarawak and Sabah. Indonesia refused to recognize Malaysia as a country and used armed force against Malaysia, albeit in a limited manner, for the first couple of years of Malaysia's existence. Pakistan understandably expressed a sense of neutrality toward the Malaysian-Indonesian confrontation during 1963-66.

However, Malaysian support to India in its border clash with China in 1962 aroused Pakistan's suspicions against Malaysia. Moreover, when war broke out between Pakistan and India in September 1965, Malaysian permanent delegate to the United Nations accused Pakistan of initiating the

⁴⁹ Joint Communiqué issued on the visit of the Prime Minister of Malaya to Pakistan on 10-21 October 1962 Government of Pakistan, *Joint Communiqués: 1947-77*, op.cit., pp. 97-8.

conflict with India in 1965.⁵⁰ Malaysian delegate suggested that the UNSC 'should reprimand Pakistan for having resorted to large armed infiltrations into Kashmir' and 'call Pakistan to ceasefire hostilities immediately'. On the contrary, Muslim public sentiments in Malaysia were in favour of Pakistan. The Kuala Trengganu urged Prime Minister Tunku to take action against country's foreign minister and delegate to the United Nations for having spoken ill against an Islamic country. With such negative trends, Pakistan severed diplomatic ties with Malaysia on 5 October 1965. Diplomatic relations were restored after one year in September 1966, with the friendly intervention of the Shah of Iran, Reza Pehlvi.⁵¹ After those episodes mentioned above, both Pakistan and Malaysia started re-building diplomatic relations and deepening their understanding on important regional and international affairs after that period.

Although diplomatic relations were restored in 1966, no high-level visit was exchanged until 1979 when Prime Minister Dato Hussein bin Onn came on an official visit to Pakistan on 25-28 January 1979. A Cultural Agreement was signed on this occasion. To promote trade relations, it was decided to sign agreements on the Avoidance of Double Taxation and Economic and Technical Cooperation at an early date.⁵² Thus the foundation of enthusiastic diplomatic exchanges that was laid-down in 1961 was revived in 1979 that continued undisrupted until today. Mostly both countries were desirous of promoting mutual cooperation within the wider framework of the of Islamic Conference (OIC) context.

The first-ever high-level visit from Pakistan side was reciprocated when Zia undertook a five-day state visit to Malaysia on 6-10 November 1982. The lengthy 34-point joint communiqué issued on this occasion highlighted the framework for a comprehensive partnership to promote bilateral relations at various levels.⁵³ Prime Minister Dr Mahatir made an official visit to Pakistan on 22-26 March 1984. At this point in time, Pakistan-Malaysian relations entered into new phase of maturity and understanding for a greater mutual cooperation.⁵⁴ It was decided to set a Joint Economic Committee to promote economic ties between the two countries. Dr Mahatir made a second official visit to Pakistan in February 1993 wherein, *inter alia*, he discussed bilateral matters including the promotion of trade and the export of Pakistani

⁵⁰ R. S. Miline, *Government and Politics in Malaysia* (Bosten: Houghton Mifilin, 1967), p. 182. Quoted in K. B Sayeed *Southeast Asia in Pakistan's Foreign Policy*, in Rai, op.cit., pp. 266-7.

⁵¹ *Joint Communiqués: 1947-77*, op.cit., pp. 151-2.

⁵² *Ibid.*, pp. 24-7.

⁵³ *Ibid.*, pp. 96-100.

⁵⁴ *Ibid.*, pp. 125-39.

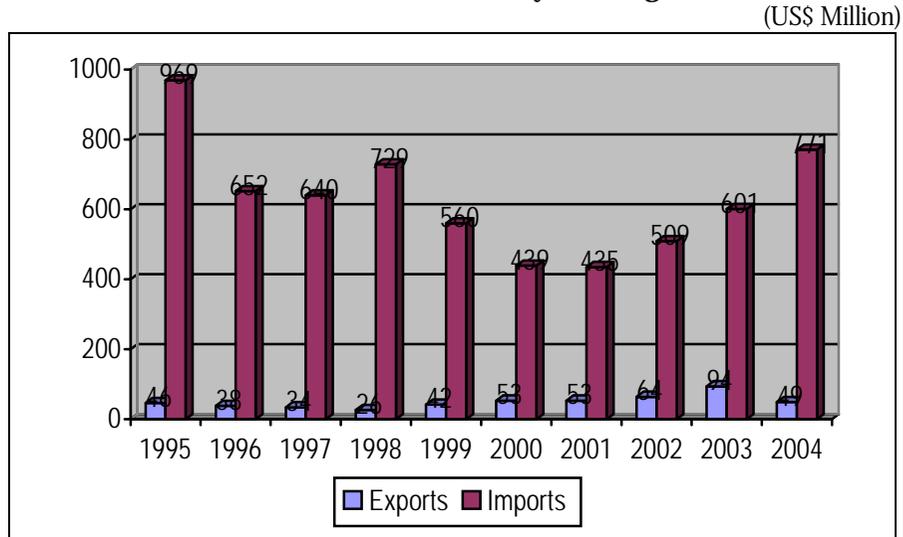
manpower to Malaysia. Moreover, on this occasion, Pakistan also showed its desire from learning Malaysian experience in development.⁵⁵

Reciprocating Malaysian Prime Minister Abdullah Ahmad Badawi's visit to Pakistan in February 2005, Aziz made a visit to Kuala Lumpur on 5-7 May 2005 on the first leg of his four South East Asian countries' tour that included, *inter alia*, Brunei, Thailand, & Singapore. The visit was a part of Pakistan's Vision East Asia aimed at building comprehensive, constructive, and structural partnership with East Asian countries, particularly in the field of the business, trade, investment, and economic cooperation. Pakistan's Vision East Asia visualizes that this meaningful economic partnership would also ensure peace and stability in the region.

Bilateral Trade and Investment

Bilateral trade and cooperation between Pakistan and Malaysia in the investment sector has been expanded over the years. Malaysia is an important source of palm oil requirement for Pakistan, which accounts to nearly US\$ 771 million in 2004. In return, Pakistan's exports to Malaysia were merely US\$ 49 million as recorded for the same year. Nevertheless, Pakistan's exports have been witnessing a moderate upward trend with Malaysia since 1998. Resultantly, as a whole, bilateral trade has largely deteriorated between the two countries during 1995-2004 and it came down to US\$ 488 million in 2001 from US\$ 1,025 billion in 1995. There has been a slight recovery after 2002 i.e., US\$ 573 million in that year to US\$ 820 million in 2004.

Chart 16: Pakistan's Trade with Malaysia during 1995 – 2004



Source: Ibid.

⁵⁵ Ibid., pp. 241-2

At the moment, it seems bit difficult that Pakistan could correct this huge trade imbalance in its favour. Malaysia has a natural advantage over trade with Pakistan. Pakistan's situation is other way round, i.e., natural disadvantage. Pakistan's imports from Malaysia are primary goods whereas Pakistan's exports are merely secondary goods. There is no substitute of huge edible oil imports from Malaysia in the foreseeable future for Pakistan. Malaysia has also natural advantage over rubber and timber exports to Pakistan. The basket of Pakistan's exports to Malaysia included rice, textiles, surgical instruments, leather, seafood, and tobacco *etc* whose elasticity is quite low. Therefore, there is a need that Pakistan should diversify its exports items to Malaysia in the future.

Nevertheless, Malaysian trade surplus may be converted into FDI activities in several public and private sectors in Pakistan. At present, total FDI from Malaysia to Pakistan stood around US\$ 55 million. Over ten leading Malaysian firms are undertaking projects in Pakistan in oil and gas, power generation, chemical, telecommunication, information technology, and palm oil refinement process. Over the years, Pakistan has emerged fourth-largest FDI destination for Malaysian investors after Singapore, Indonesia, and China. (Malaysian investment in Singapore is US\$ 545, Indonesia, US\$ 442, and China, US\$ 82 million). This indeed is very encouraging development that an important ASEAN member gives priority to Pakistan in its FDI in South Asia even at the preference of other East Asian countries such as Hong Kong and Taiwan.

The Growing Economic Cooperation

Malaysia has demanded the Most Favoured Nation (MNF) status and National Treatment (NT) for its investment in Pakistan to launch new initiatives and to strengthen on-going trade between the two countries. MNF accord would offer additional incentives and privileges to Malaysian investors and businessmen compared to others in similar fields. A Malaysian business delegation, which visited Pakistan in September 2005, worked on these lines. During Aziz's visit to Malaysia, encouraging progress was made in MNF and NT on reciprocal basis.⁵⁶

Malaysia has a considerable number of ethnic Chinese Community that is an integral part of its business, manufacturing, and exports activities. This Chinese community has a natural tilt toward Singapore, Hong Kong, Taiwan, and Mainland China. Knowing that Pakistan has friendly ties with China, Malaysian investors can increase their presence in Pakistan. Pakistani policy-makers further need to constantly capitalize on this favourable situation to attract more Malaysian FDI. This also shows the potential growth of investment activities between Pakistan and other ASEAN members.

⁵⁶ *The Nation* (Islamabad), 26 August 2005.

Malaysia can also import manpower from Pakistan for labour-intensive industry. For this purpose, Malaysian Home Minister Dato Azam bin Khalid, made a visit to Pakistan in May 2005. Both countries have signed a contract for employment of 100,000 Pakistanis in Malaysia. As a starting point, around 1000 Pakistani will be sent to Malaysia. Moreover, Malaysia can also shift its labour-intensive industries to Pakistan. Therefore, it can be said that if trade balance cannot be corrected in favour of Pakistan for the reasons discussed above, relations and collaboration can be expanded in many other diverse economic and commercial areas between the two countries. Expanded cooperation can be made in the field of seaport development, road construction, coastal plantation, crop cultivation for exports, *halal* meat export, traditional medicines, mining, precious stones, and various projects related to small and medium size enterprises. Banking, finance, and defence production are also areas for joint ventures. The proposed Joint Business and Investment Council will help boost trade and explore new avenues for joint ventures with the active involvement of private sector.

Pakistan and Malaysia have signed commercial and economic treaties to help streamline their trade and related economic cooperation. For instance, both countries signed trade agreement in 1987. Protecting investment, both countries signed investment protection treaty in 1995 together with technical, scientific, and cultural agreement. Air agreement was signed as early as 1973. Both countries agreed to expand their trading and commercial links. One of the most tangible outcomes of Aziz's visit to Malaysia was the possibility of signing of FTA by December 2005 that was a translation of an Early Harvest Programme launched in July same year. Under Early Harvest programme, both countries have cut down duties to zero level on certain items. This will help expand trade between the two countries. FTA negotiations are underway between the two countries and there is an expectation that over 300 items will be selected to be trade under FTA. Malaysia is a part of the Pakistan's strategy to promote bilateral trade with the important trade partners through mutual trade pacts, incentives, and privileges. Air flights will also be resumed between Karachi and Kuala Lumpur; as well banks will set up branches in each other countries. Badawi's suggestion to strengthen intra-OIC trade among its 57 member countries was regarded as a positive step and Pakistan can take benefit out of this trade. (OIC countries export over 40 percent of global raw material and supply over 70 percent world's energy requirements). The promotion of Pakistan's economic ties with Malaysia also means the promotion of Pakistan's economic and commercial ties with other members of ASEAN and other East Asian countries. This will also help revitalize Pakistan's Vision East Asia by further deepening and incorporating Asian dynamics and values.

7.2. Indonesia

Pakistan has been enjoying warm relations with Indonesia over the last six decades. When Pakistan came into being, it was the largest Islamic country followed by Indonesia, which was then the second largest Islamic country. In December 1948, when the Dutch took military action against the Indonesian people, Pakistanis demonstrated their genuine concern in various ways. Pakistan's Foreign Minister Zafrullah Khan called it 'an affront to the soul of Asia' and Pakistan immediately suspended the license of the Dutch airline, KLM, whose aircraft were being used to aid the Dutch military action in Indonesia. Pakistan gave full support to the cause of Indonesia independence and Pakistan celebrated the independence of Indonesia by making a public holiday on that day.⁵⁷ It seems that Islam and the principles of Bandung laid down the foundation on which the future course of relationship between Pakistan-Indonesia was built.

The Bandung Spirit

Initially, secular and non-aligned considerations departed a bit the two countries particularly as a result of Pakistan's joining of SEATO and CENTO (Central Treaty) - two interlocking anti-Communist bulwarks in Asia where Pakistan played a vital role. But Pakistan's later assurances that its joining of SEATO had nothing to do with its ideological affiliations, was a tactical move on the part of Pakistan that helped improving the path of relations between Pakistan and Indonesia.

Nevertheless, ideological factor that was prevailing in Pakistan's foreign policy right from the very beginning of its independence, continuously pushed Pakistan to cultivate close ties with Indonesia. During the Colombo Conference held in April 1954, Prime Minister Mohammad Ali Bogra and Indonesian Prime Minister Dr Ali Sastroamid-jojo jointly proposed a large conference of Afro-Asian countries. It was on this initiative that the historic 23-member Afro-Asian Conference, representing over half of world mankind with all shades of opinion, was convened at the Indonesian city of Bandung in April 1955. Pakistan, as one of the sponsors of this conference, was one of three countries (Thailand and the Philippines) at the conference, which militarily aligned with the West in matters related to security in the Asia-Pacific region. Pakistan seemed satisfied with the outcome of the Bandung Conference that forged unity against colonialism, imperialism, and Western hegemony. The conference also provided good opportunity to Pakistan to explain its viewpoint to China and nullify its objection concerning Pakistan's military alignment with the West.

⁵⁷ See for information S. M. Burke, *Pakistan's Foreign Policy: An Historical Analysis* (Karachi: Oxford University Press, 1973), pp. 67, 307-11 & 375-6.

The first high-level visits were exchanged between Pakistan and Indonesia in November 1956, when Sastroamidjojo made an official visit to Pakistan at the invitation of Prime Minister Suhrawardy to discuss political, economic, and cultural relations between the two countries and matter related to the Colombo countries⁵⁸ (namely Burma (now Myanmar), Ceylon (now Sri Lanka), India, Indonesia, and Pakistan). The Indonesian side also initiated the second high-level contact, when Indonesian President Dr. Soekarno made a visit to Pakistan in January 1958 at the invitation of President Major-General Iskander Mirza. The two leaders agreed to expand commercial and cultural relations in view of the Bandung resolutions.⁵⁹ The same was reflected when Indonesian Foreign Minister Dr Soebandrio, visited Pakistan in November 1960.⁶⁰ Although Pakistan warmly welcomed friendly exchanges initiated by Indonesia, Pakistan could not reciprocate an official or state exchange until President Ayub made an eight-day State visit to Jakarta, Bogor, Bandung, and Bali on 4-11 December 1960 at the invitation of Soekarno. On this occasion, both leaders agreed to promote economic relations between the two countries. To this end, it was decided that trade delegations should be exchanged between the two countries. They also agreed to hold an Afro-Asian Conference, so that they should divert to the economic well being of the majority of mankind. Moreover, following the visit, a Cultural Agreement was signed on 30 December 1960.⁶¹

Pakistan's disenchantment with the Western alliances brought it much closer to anti-Western countries. Dr Soekarno's historic visit to Pakistan in June 1963 affirmed the principles of the Bandung Conference to strengthen the Afro-Asian and intra-Asian solidarity. Pakistan participated at the Indonesian-sponsored 51- countries Games of the New Emerging Forces (GANEFU) in November 1963 at Jakarta. To participate at the meeting of foreign ministers of the Afro-Asian Conference, Pakistan's Foreign Minister Bhutto, visited Jakarta on 10-15 April 1964.⁶²

At the invitation of President Ayub, Dr Soekarno paid a second visit to Pakistan on 19-20 September 1964. Pakistan was also at the forefront of holding the second Afro-Asian Conference, a combined effort of Pakistan,

⁵⁸ Joint Communiqué issued on the visit of the Prime Minister of Indonesia to Pakistan, 15 November 1956, Government of Pakistan, *Joint Communiqués: 1947-77*, op.cit., p. 44.

⁵⁹ Joint Communiqué issued on the visit of the President of Indonesia 20-23 January 1958, Ibid., p. 57.

⁶⁰ Joint Communiqué issued on the visit of Indonesian Foreign Minister of Indonesia to Pakistan on 23-26 November 1960, Ibid., p. 77.

⁶¹ Joint Communiqué issued on the visit of President of Pakistan to Indonesia on 4- 11 December 1960. Ibid., pp.79-81.

⁶² Joint Communiqué issued on the visit of Foreign Minister of Pakistan to Indonesia, Ibid., pp. 120-22.

Indonesia, and China. These countries worked hard to convene the proposed second conference to be held at Algeria but the blast at the proposed site, postponed the conference to be held in June 1965. Second, the failure of a pro-Communist coup in Indonesia damaged the Sino-Indonesian ties and China's Cultural Revolution got no room for such a conference. Moreover, India's Bandung spirit cooled down as Indonesia started endorsing Pakistan's stand on Kashmir. Nevertheless, the Bandung spirit helped revive ties between Pakistan and Indonesia at both bilateral and larger multilateral level.

A second Pakistani-Indonesian conference that was held at Jakarta in August 1965 on bilateral economic and cultural cooperation, resulted in the signing of the Indonesia-Pakistan Economic and Cultural cooperation (IPECC) on lines with the RCD (Regional Cooperation for Development working between Pakistan, Iran, and Turkey) to undertake joint project to promote bilateral technical cooperation for mutual benefit. The Sino-Indian border clash further intensified tension between Indonesia and India and the former took side of China in the conflict, thus brining China, Pakistan, and Indonesia onto one platform against India. Further, Indonesian differences with India over the question of the Malaysian Federation in September 1963, also embittered ties between the two countries and naturally consolidated ties between Pakistan and Indonesia. Indonesia began to view as a favourable nation in the summer of 1962 when Indonesia agreed to accept a battalion of Pakistani troops to safeguard the security of West Irian for a few months during the UN administration as preparatory measure to transfer the territory to Indonesia from the Dutch colonists. Pakistan 'noted with satisfaction the vindication of Indonesia's position with regard to Irian Barat with the relevant international agreements'.⁶³ Pakistan decided to assist in the peaceful transfer of administration of Irian Barat to Indonesia.⁶⁴

Indonesian reaction against the Indian attack on Pakistan in September 1965 war was generous and vociferous. Several public demonstrations took place in Jakarata against Indian aggression in one of which the Indian Embassy was ransacked, vehicles were put on fire, the Indian flag was snatched away, and the Office of the Indian Information Service was occupied. Dr Soekarno assured that Indonesian army, navy, and air force were available for Pakistan.⁶⁵ Pakistan thanked Indonesia for its support in September 1965 war against India.⁶⁶ Although India improved its ties with Indonesia after the fall of Dr Soekarno by the end of 1965, Indonesia's relations with Pakistan remained warm and Indonesia kept endorsing

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Burke, *op.cit.*, p. 355.

⁶⁶ Joint Communiqué issued on the visit of Pakistan's Foreign Minister to Indonesia on 9-11 June 1966. *Joint Communiqués: 1947-77*, *op.cit.*, pp.149-50.

Pakistan's stand on Kashmir that peoples' aspiration must be ascertain to settle the dispute.

Sustaining Diplomacy

Dr Soekarno undertook his third state visit to Pakistan on 28 November-1 December 1980, which injected a new impetus to the development of bilateral relations between the two countries. On this occasion, Pakistan affirmed its support for the ASEAN proposal, which was in consonance with the efforts being made by Pakistan to promote peace in South Asia as embodied in Pakistan's proposal for the establishment of a Nuclear Weapons Free Zone in South Asia and its support for the creation of Zone of Peace in the Indian Ocean region.⁶⁷ Regarding situations in Afghanistan and Kampuchea, Pakistan and Indonesia stressed upon the need to abide by the principle of non-interference of the internal affairs of sovereign States in accordance with UN resolutions.⁶⁸ Zia reciprocated by undertaking a state visit to Indonesia on 2-6 November 1982, which was a second visit by a Pakistani top leader to Indonesia in 22 years. Nevertheless, exchanges at foreign ministers' level continued throughout this period along with two high-level state visits undertaken by Dr Soekarno to Pakistan in 1963 and 1964 respectively. Zia's visit once again helped renewed ties between the two countries with regard to situation in the Middle East, Afghanistan, and Indo-China where both courtiers took identical stances.⁶⁹

Pakistan's Chief Executive General Musharraf undertook a visit to Indonesia on 30-31 March 2000. A Consultative Forum was set up between the two Governments on this occasion. Similarly, President Abdurrahman Wahid visited Pakistan on 5-7 June the same year. Indonesian President Megawati Soekaronoputri paid a state visit to Pakistan on 14-16 December 2003. Both countries comprehensively reviewed bilateral relations from trade, industry, communications, energy, banking, education, culture, combating terrorism and sharing of intelligence and defence cooperation. Both countries agreed to sign PTA in order to work toward the signing of the FTA. They also agreed to set up a joint commission for bilateral trade, together with the signing of the Memorandum of Understanding (MoU), to combat terrorism. Each years Pakistan offers technical courses in railway and banking to Indonesian trainees. Some cooperation was also extended in the field of education for Indonesian students in medical colleges in Pakistan.

⁶⁷ Joint Communiqué issued on the conclusion of State visit of President Soekarno to Pakistan on 28 November -1 December 1980. Ibid., pp. 50-3.

⁶⁸ Ibid.

⁶⁹ Joint Communiqué issued on the conclusion of the state visit to Indonesia by President Muhammad Zia ul Haq, Ibid., pp. 92-4.

Musharraf attended the Asian-African Summit held on 21-24 April 2005 at Jakarta to mark the Golden Jubilee of the 1955 Summit, which was attended by over 106 leaders the world over. He expressed his wish that the Summit would set up a level playing ground for cooperation, particularly in trade and commerce, between countries in the South and North. 'Pakistan believes in enhancement of South-South cooperation. Pakistan believes that South-South cooperation ought to be honest, to deal with South-North issues,' he said in an interview. He was also optimistic that Pakistan would benefit greatly from the Summit in enhancing relations with other participating countries. 'Specifically, the greatest benefit will be in trade and commerce, in equal relationship... Other than that, there are other areas -- social-cultural areas, political issues and political relationships, which could be enhanced between the countries. These are areas which we need to look into, which are beneficial to all countries who participate.' At the invitation of Musharraf, Indonesian President Dr Susilo Bambang Yudhoyono undertook a two-day official visit to Pakistan on 24-25 November 2005. Talks, between the two leaders, were centred on anti-terrorist cooperation. To achieve this end, both leaders agreed on the establishment of a Joint Working Group on Combating Terrorism. Trade and the promotion of other economic objectives were other areas of interest between the two countries during Yudhoyono's visit.⁷⁰

The Tsunami Disaster

On 26 December 2004, Tsunami earthquake devastated huge area of South and South East Asia. Indonesia was severely affected particularly its North Sumatra and Aceh provinces. The number of total deaths in Indonesia was over 300,000. Over 500,000 people were injured and an unprecedented number of people were dislocated. Economic losses were estimated at billion of dollars. On 31 December 2004, in his capacity as Chairman of SAARC, Aziz called on for evolving a mechanism for putting in place an Asia-wide Early Warning and Disaster Response system to respond to such situations in future.⁷¹ Pakistan immediately responded to the crisis, which made it perhaps the first Muslim and a developing country that offered assistance to Indonesia at this grave honour of need. Six to seven sorties of C-130 aircraft from Pakistan were sent to Indonesia that commenced on 3 January 2004 to deploy one composite engineering task force of 300 personnel and a field hospital and relief supplies. Pakistan also decided to join the international task force to coordinate worldwide relief efforts.⁷² As early as on 4 January 2005, Pakistan's

⁷⁰ Dr Ahmad Rashid Malik, 'Yudhoyono's Visit, *The Nation* (Islamabad), 4 December 2005.

⁷¹ *Ibid.*, 324-5.

⁷² Ministry of Foreign Affairs, *Foreign Affairs Pakistan*, Vol. XXXII, Issue, No. 1, January- 10 February 2005, (Islamabad: Government of Pakistan,), pp. 324-5.

State Minister for Foreign Affairs, Makhdum Khusro Bakhtyar, made an emergency visit to Jakarta to beef up Pakistan's effort for relief activities for the victims of the disaster and to convey the sympathies of the Government and the people of Pakistan. The Governor of North Sumatra province, T. Rizal Nurdin, appreciated Pakistan's timely effort by saying that 'Pakistan's relief assistance was 'quite significant and the biggest aid dispatched so far by the Islamic countries for the Muslims of Ache province.'⁷³

At the time of the earthquake, two of Pakistan's naval ships that were around Maldives Island on a goodwill visit, rendered instantaneous emergency rescue and relief efforts. These ships, with the help of the helicopter units, rescued 367 people from 17 nationalities. Pakistan ships also set up a medical relief centre at the main jetty to provide medical assistance. On 28 December 2004, these ships left for the eastern and western zones of the Maldives Islands for assistance and aerial survey damage assessment. On December 31 2004, a C-130 aircraft, carrying relief goods, was dispatched to Maldives as well

Bilateral Trade

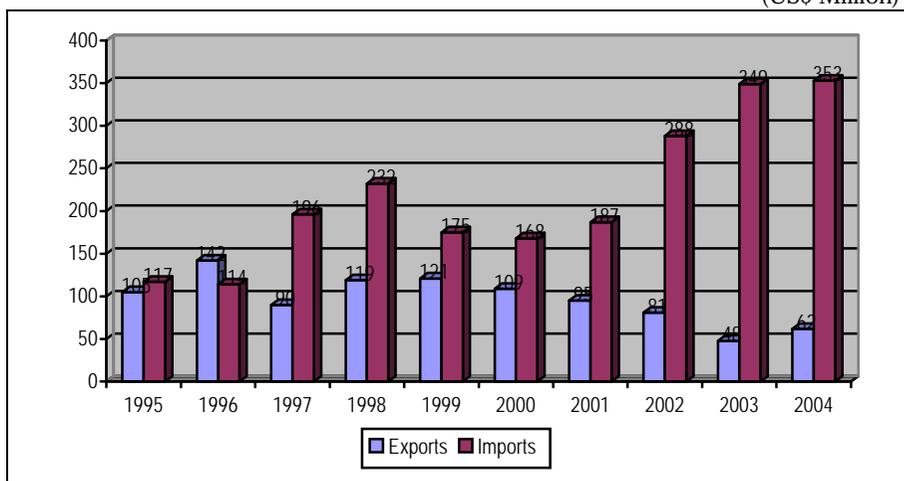
Moreover, there had been a heavy emphasis on increased trade between the two countries from the very beginning of their bilateral interaction and this desire had been on the core of bilateral agenda and high-level talks. Pakistan offered an export credit of US\$ 30 million to Indonesia in 1966 to buy essential goods from Pakistan.⁷⁴ Trade increased four-fold by 1966. Now Indonesia is the 4th largest trading partner of Pakistan in South East Asia after Thailand, Singapore, and Malaysia. During 1995-2004, trade between the two countries remained somewhat inconsistent. Over the past five years, Pakistan's imports from Indonesia have been increasing from US\$ 168 million in 2000 to US\$ 353 million in 2004. Corporate sector should take steps to help enhance trade and economic cooperation in contributing toward increased flow of trade and investment. The atmosphere for investment and joint ventures seemed to have greatly improved. Under the fast emerging liberalization, both countries have realized the importance of enhancing trade ties and the process of negotiations is under way to the signing of a Framework Agreement on Comprehensive Economic Partnership (FACEP) for the mutual benefit of both countries' people in the near future.

⁷³ Ibid., pp. 329-30.

⁷⁴ Joint Communiqué issued on the visit of Pakistan's Foreign Minister to Indonesia on 9-11 June 1966. Government of Pakistan, Joint Communiqués: 1947-77, op.cit., pp. 149- 50

Chart 17: Pakistan's Trade with Indonesia during 1995 – 2004

(US\$ Million)



Source: Ibid.

7.3. Brunei

An Auspicious Beginning

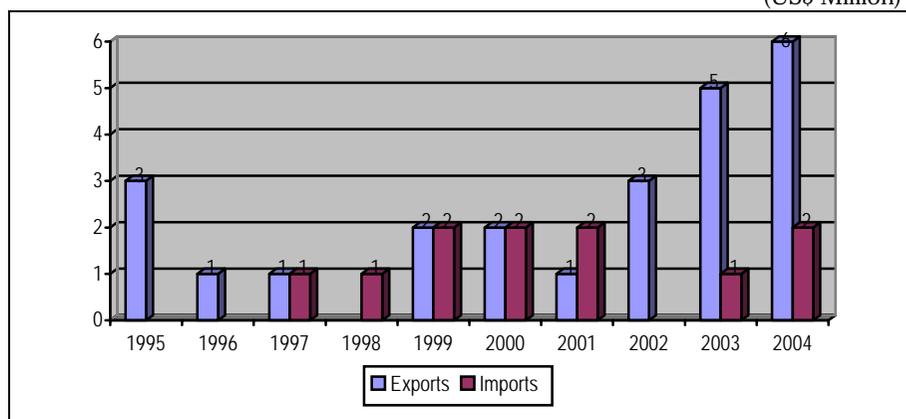
Pakistan's relations with Brunei Darussalam should be seen in the larger context of Pakistan's relations with Indonesia and Malaysia, two Islamic countries in the Far East. Second, Brunei, being a part of speedily growing East Asia and an important member of ASEAN, draws the attention of Pakistani decision-makers. Third, Brunei is a member of OIC and under changing circumstances; OIC member countries need to promote their multifaceted ties, including economic relations. Therefore, these crucial considerations bind Pakistani and Brunei closer.

As a result of this religious and cultural connection, Pakistan gives a priority in developing bilateral ties with Brunei. Pakistan's relations with Brunei had an auspicious beginning with Pakistan amongst a few selected countries invited to participate in the independence celebrations of Brunei. Therefore, Zia participated at Brunei's independence celebrations. Since then, diplomatic relations were established between the two countries. Prime Minister Sharif undertook a first-ever visit to Brunei on 11-13 May 1999. Besides discussing wide range of regional and global issues, Prime Minister Sharif and Sultan of Brunei Hassanal Bolkiah agreed to set up a Joint Ministerial Commission for bilateral cooperation under the terms of the agreement signed in March 1996. Musharraf undertook the third important visit to Brunei from Pakistan's side on 1-2 April 2000. Following these visits, the Joint Ministerial commission held its first meeting on 4-5 October 2000 at Islamabad.

A new enthusiasm was witnessed in both countries' diplomatic relations when two high-level exchanges were made in May 2005. For instance, as part of his South East Asian countries tour, Aziz made a two-day official visit to Brunei on 6-7 May 2005. This was a fourth visit by a Pakistani leader and a second by a Pakistani Prime Minister to Brunei. Sultan Bolkiah reciprocated by paying a visit to Pakistan on 18-20 May 2004. On this occasion three important MoUs were signed namely, counter terrorism, defence cooperation, and enhanced consultation between the foreign ministries of two countries.⁷⁵ The Treaty of Amity & Cooperation was intended to promote peace and stability in the Asian-Pacific region. MoU on defence was intended to enhance the exchange of military delegations. Both countries also agreed to strengthen their multi-faceted relationship through increased economic interaction, investment and joint ventures.⁷⁶

Chart 18 Pakistan's Trade with Brunei during 1995 – 2004

(US\$ Million)



Source: Ibid.

Bilateral Trade and Cooperation

Bilateral trade between Pakistan and Brunei is quite negligible ever since the establishment of their relations in 1984. However, some improvement was made during 2003 and 2004 that increased a bit bilateral trade to US\$ 6 million and US\$ 8 million respectively. Trade balance is also slightly in favour of Pakistan that shows the potential growth of Pakistan's exports to that country. Pakistan's exports to Brunei consist of raw cotton, yarn, fabrics, carpets, sports goods, and footwear, whereas Pakistan's imports consist of jute, chemicals, spices, and papers. Telecommunications, banking, oil and gas, tourism, and hotel industry have been identified as areas for potential economic

⁷⁵ Ministry of Foreign Affairs, *Pakistan's Foreign Relations: 2003-04* (Islamabad: Government of Pakistan, Ministry of Foreign Affairs), p. 130.

⁷⁶ See *Dawn* (Islamabad), 19 May 2005 & *Daily News* (Islamabad) 20 May 2005.

cooperation. The Brunei Investment Agency (BIA) has been asked to step up its interaction with Pakistan for exploring avenues of substantial ventures. The company was asked to establish a joint investment company in Pakistan by the end of December 2005. Civil aviation link between Karachi and Bandar Seri Begawan could also help promote economic cooperation between the two countries. Brunei offered a handsome amount US\$ 2.6 million to construct a hostel building for the Foreign Service academy at Islamabad.

7.4. The Philippines

Diplomacy

Pakistan and Philippines are enjoying cordial diplomatic relations. Both countries worked together to combat Communism in South East Asia in the 1950s and 1960s as partners in US global strategy in collaboration with Great Britain, France, Australia, New Zealand, and Thailand, under the Manila Pact that later turned to become SEATO. Though the treaty was phased out in 1977 as a result of regional and global changes, common understanding developed at that time still binds together both countries now to fight against global terror under the US-led war. Whether or not, one examines the success of SEATO as a regional multilateral defence and security arrangement, this indeed initiated a common feeling of defence and security understanding between Pakistan and the Philippines several decades ago.

Both countries established diplomatic ties in 1949. They signed a Treaty of Friendship and Cooperation in 1954. Their participation in SEATO strengthened diplomatic, economic, and security relations during the Cold War. Suhrawardy made a four-day official visit to the Philippines on 1-4 May 1957. To promote economic ties, both countries have signed Trade Agreement in 1961. Filipino President Diosdado Mecapagal reciprocated by making a six-day visit to Pakistan on 11-16 July 1962 – the first-ever visit by the President of the Philippines.⁷⁷ Prime Minister Muhammad Khan Junejo made an official visit to the Philippines in May 1988, whereas Prime Minister Benazir Bhutto visited Philippines in April 1995. Manila sought Islamabad's help to fight against terrorism and sign an anti-terrorist agreement to flush out Muslim militant groups operating from here who are believed to be involved in carrying out acts of terrorism in the Philippines. It may be mentioned that thousands of Muslim militants came to Pakistan during the Afghan war when Pakistan and the US armed and trained them to fight the Soviet occupation forces in neighbouring Afghanistan. After the war, the militants stayed on and associated themselves with Afghan *Mujahideen* groups and non-governmental s engaged in welfare work inside Afghanistan.⁷⁸

⁷⁷ Government of Pakistan, Joint Communiqués: 1947-77, op.cit., pp. 95-6.

⁷⁸ *Dawn* (Karachi), 18 April 1995.

Musharraf undertook a three-day state visit to the Philippines on 18-20 April 2005 in response to the visit of President of the Philippines Fidel Ramos that was undertaken in March 1997. Musharraf's visit lent 'a new impetus to Pakistan-Philippine relations in many fields of mutual benefit' as put by the President of the Philippines Senate Franklin M. Drilon.⁷⁹ Moreover, Musharraf's visit is a lasting symbol of Pakistan's affinity with East Asian countries and Afro-Asian collaboration initiated some five decades ago in Bandung, Indonesia. The present visit is an important milestone for obvious reasons.

Musharraf's visit was the first direct encounter between a Pakistani President and the Philippines leadership, particularly under the changed world atmosphere. From this point of view, this will be a crucial development between two countries who are also important players in the US led war against global terror. On the top of their mutual discussion was their renewed commitment to fight against terrorism. Both leaders discussed measures and their cooperation to counter terrorism. Pakistan has been assuming a vital role in combating global terrorism since 9/11. Realizing the significance of Pakistan's role in combating terrorism, Arroyo discussed the Moro National Liberation Movement (MNLM), an age-old Muslim guerrilla separatist movement in Mindanao, southern Philippines, with Musharraf. Muslim guerrillas have also appealed Pakistan to send contingent to join Malaysian-led true monitors in Mindanao. It is believed that hundreds of thousands of Muslim Filipino rebels were trained in Pakistan and Afghanistan during the Afghan *Jihad* and *Taliban* rule. Hashim Salamat, the founder of the Moro Islamic Liberation Front (MILF), lived in Pakistan for several years. Truce was made between the Government of the Philippines and the rebels in 1996. There had been some terrorist arrests in the Philippines or its related terrorist activities in which Pakistan's citizens were involved over a period of time.

Both leaders also discussed Philippines' bid for observer status on the OIC. Both countries are expected to sign an MoU on countering terrorism. Philippines believes that its assuming of Observer Status on OIC will send a positive message to the Muslim separatist guerrillas in the southern part of the country and will permanently diffuse this political and military tension in the predominantly Christian country and will greatly contribute to achieve durable peace. So, Pakistan can play a great role in ending ethnic conflict in the Philippines and nurture peace. Expansion of cultural cooperation, visa abolition, and setting up of Joint Business Council were also matters of mutual consultations between the two presidents.

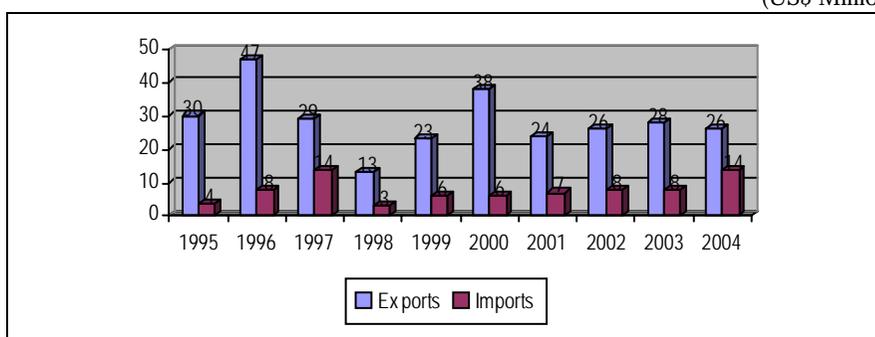
⁷⁹ See two articles of Dr Ahmad Rashid Malik, 'Musharraf's visit to the Philippines', *The Manila Times* (Manila), 20 April 2005 & 'Musharraf in Philippines', *The Nation* (Islamabad), 21 April 2005.

Bilateral Trade

Trade volume between the two countries is quite negligible. Last year, both countries traded goods worth US\$ 37 million compared to US\$ 34 million the preceding year. Nevertheless, trade volume is tilted in favour of Pakistan over the past several years. Bilateral trade has also largely fluctuated over the past five years and it witnessed a downward trend. There is a need that bilateral trade must be strengthened and traders must explore markets in both countries. The present demand of Pakistani's products worth US\$ 26 million per annum should be doubled within a year and increased in the subsequent years.

Chart 19: Pakistan's Trade with the Philippines during 1995-2004

(US\$ Million)



Source: Ibid.

Pakistan and the Philippines have set up annual policy consultations in 1997 at foreign secretaries' level between the two countries. The last meeting was held in Manila last April. During these consultations, both countries agreed to negotiate PTA leading to FTA. Both countries also agreed to promote defence and security cooperation. There is also a proposal that both countries also should sign extradition treaty.

Philippines is an important country in South East Asia. It is a member of ASEAN (Association of South East Asian Nations) and an important pillar of stability in the region. Pakistan's thrust to expand its vision of East Asia greatly surpasses establishing linkages with East Asian countries particularly after securing membership on ASEAN-Regional Forum (ARF) and acceding to the Treaty of Amity and Cooperation in South East Asia July last, there is a great need to strengthen and expand Pakistan's relations with all East Asian countries. Musharraf's visit to Manila gave new impetus and enriched multidimensional cooperation between Pakistan and Philippines in the field of diplomatic relations, political understandings, and economic ties in the emerging framework of regional and global cooperation between the two countries in a much meaningful manner. Therefore, the visit of Musharraf

should be seen in this historical context and relationship that existed between the two countries over the past five decades.

7.5 Thailand

Strengthening Diplomacy

Strategic location of both Pakistan and Thailand is crucial. As Pakistan is considered gateway to Central Asia, Thailand is considered gateway to South East Asia. Pakistan's vision East Asia and Thailand's Look West policy could further complement each other.⁸⁰ Pakistan's relations with Thailand should also be seen in the context of SEATO, Cold War, and post-Cold War developments. Thailand is supportive of Pakistan's proposal to sign a Joint Declaration on Cooperation in combating Terrorism with ASEAN. As a whole both countries' relations were marked by mutual trust, cooperation, and shared perceptions on regional and global matters.

Diplomatic relations were established between the two countries on 10 October 1951. President Ayub made a stopover at Bangkok on 20 December 1960 and held discussions with Prime Minister Sarit Thanarat concerning peace and stability in the region. They noted that their alliance in SEATO was based upon common aspirations and ideals of peace and security of both countries and they expressed their firm determination to stand together as allies in seeking solution to common problems arising out of international events. A Treaty of Friendship was also signed between the two countries to promote economic and cultural ties.⁸¹ Both countries also signed trade agreement in 1984. An agreement on avoidance of double taxation is also in practice between the two countries. A milestone of history of the two countries was placed when Their Majesties King Bhumibol Adulyadej and Queen Sirikit visited Pakistan followed by visits of HRH Prince Maha Vajiralongkorn in 1992 and 1998, and HRH Princess Chulabhorn's in 1994. There have also been reciprocal visits by the leaders of the two countries over the years, notably the visit of Zia in 1980 followed by the visit of Thai Prime Minister General Prem Tinsulanonda. These visits helped strengthen bilateral ties. A Joint Economic Commission was formed in 1997. In March 1999, M.R. Sukhumbhand Paribatra, Deputy Minister of Foreign Affairs of Thailand, led the Thai Delegation to the Inaugural Meeting of Joint Economic Commission held in Islamabad. The Federation of Pakistan Chamber of Commerce &

⁸⁰ Speech by Prime Minister Dr. Thaksin Shinawatra at the Luncheon in Honour of Prime Minister Shaukat Aziz. Government House, Bangkok, 9 May 2005. <<http://www.eppo.go.th/admin/cab/sp09may05.html>>.

⁸¹ See Joint Communiqué issued on the visit of the President of Pakistan to Thailand, 20 December 1960. Ministry of Foreign Affairs, *Joint Communiqués: 1947-1976*, op.cit., pp. 82-3.

Industry (FPCCI) signed a cooperation agreement with the Board of Trade of Thailand (BOT) in 2000. This confirms that Thailand and Pakistan have many things in common and will benefit from the strengthening of cooperation both in economic and cultural programme in areas of mutual interests.

Thailand is a supporter of Pakistan's bid for Full ASEAN Dialogue Partnership. During Aziz's visit to Thailand in May 2005, Dr Thaksin assured Pakistan of its desire to become a Full Dialogue Partner of ASEAN.⁸² The official visit of Thai Foreign Minister Dr. Surakiart Sathirathai, Thai Foreign Minister on 3-5 March 2002, pushed bilateral relations on much more positive direction, particularly in the field of security and economic interests. Sathirathai briefed President Musharraf developments taking place within ACD, which later becomes a successful platform for cooperation for countries in South and East Asia. Both countries have been trying to promote bilateral trade in areas of process of food, jewellery, and auto part. A Memorandum of Understanding between Thai-Pakistan on Logistic Support has also been signed during the time of the visit.

Thai Prime Minister Dr. Shinawatra Thaksin paid an official visit to Pakistan on 1-2 July 2002. During his visit, matters of common interests were discussed and an MoU on Tourism was signed to facilitate tourism business between the two countries. Thailand expressed its readiness to assist Pakistan to develop tourist industries, particularly in various areas where Buddhist archaeological sites are excavated in Pakistan. An open sky policy, agreed upon by the two countries, would increase people to people contacts, together with new economic opportunity. Thailand and Pakistan agreed to work together towards an increase in number of direct flights in the existing routes, including an additional route between Bangkok and Islamabad. Thailand also signed a protocol for the implementation of a four-year (2005-2009) Cultural Exchange Programme, which covered culture, sports, youth affairs, archaeology, tourism, education and media development.⁸³

Musharraf, during his visit to Australia and New Zealand in June 2005, also made a brief stopover at Bangkok on 20 June 2005 to discuss ways and means to increase economic, trade, tourism, and political ties for the mutual benefit of the two countries.⁸⁴ A much-expanded cooperation, notably in key areas of trade, investment, finance, tourism, aviation, culture, science, counter-terrorism, and technical cooperation, was only realized when Aziz made a visit to Thailand on 8-10 May 2005. Personal intimacy between Aziz and Dr Thaksin could lead to yield much closer ties between the two countries. The establishment of the Thai-Pakistan Chamber of

⁸² *Dawn* (Islamabad), 10 May 2005.

⁸³ Aparna Shivpuri Sing, 'It's time for Pakistan to play a larger regional role', *The Business Times* (Singapore), 23 June 2005.

⁸⁴ *Pakistan Times* (Internet Edition), 21 June 2005.

Commerce in Bangkok in January 2005 is another milestone in the history of economic relations between the two countries. The TPCC has been working closely with the Governments to promote mutual contacts between the businessmen and the investors between the two countries. Protocol on Cultural Exchanges for 2005-2009, would not only enhance people-to-people contact; this could also create better understanding between Islam and Buddhism. Pakistan also offered to provide training facility to 25 Muslim teachers from southern Thailand over three years in Pakistan and to offer 50 post-graduates scholarships to Thai students to undertake courses at Pakistani universities over a period of five years. Thailand would render technical support to help preserve and develop potential religious sites, particularly Taxila, a world-renowned Buddhist heritage and tourist attraction. Pakistan is keen to learn from Thai experience in tourism and 'one-village-one product' programme introduced in Thailand to reduce rural poverty. This programme has been quite successful.

In response to the rising global concern about terrorism and transnational crimes, both countries emphasized the need to work closely in tackling terrorism and transnational crimes within their respective national and international level by fully utilizing the existing Memorandum of Understanding on Combating Terrorism and Certain Other Crimes, signed in April 2004. Both countries encouraged the exchange of intelligence information as well as high-level visits between concerned authorities to intensify cooperation in combating transnational crimes. Realizing the importance of heeding to humanitarian needs, both sides agreed to accelerate the conclusion of the Agreement on the Transfer of Offenders and Cooperation in the Enforcement of Penal Sentences.⁸⁵

Bilateral Trade

Trade volume between the two countries reached US\$ 534 million in 2004 with Pakistan's exports amounting merely US\$ 56 million and imports from Thailand as high as US\$ 478 million. Both countries are determined to increase bilateral trade up to US\$ 1 billion. Pakistan's exports to Thailand are cotton goods, mineral fuel oil wax, fish, organic chemical, oil seed, fruits, leather, optical apparatus, and pharmaceutical products etc. While Pakistan's major items of import from Thailand are chemicals, automobile parts, accessories, plastics, filament, rubber, electric appliances, iron and steel, glass, and copper etc.

Both countries are trying to expand and diversify bilateral trade. The flow of trade from both sides will be expanded both in volume and diversity.

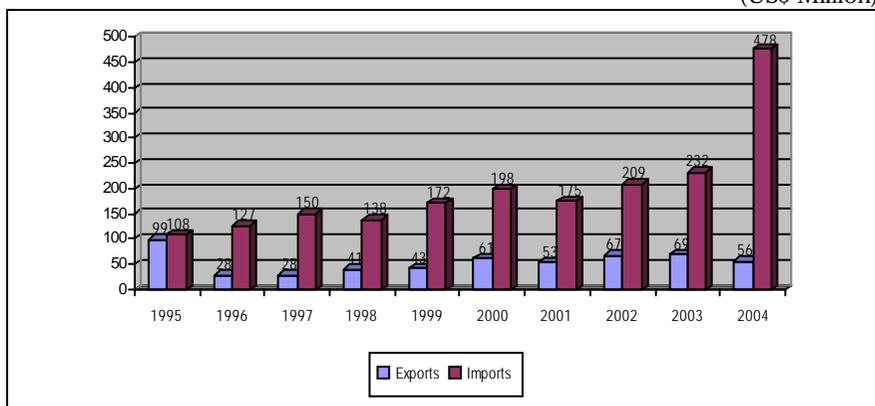
⁸⁵ See Joint Statement issued at the end of Prime Minister Shaukat Aziz's visit to Thailand on 8-10 May 2005.

<<http://www.eppo.go.th/admin/cab/sp10may05.html>>.

For this purpose, both countries agreed to begin a joint study of FTA with the aim of expanding bilateral trade between the two countries. Both countries agreed that an early Harvest provision would be starting point for FTA. Thailand expressed support for Pakistan's interest in negotiating a FTA with ASEAN.

Chart 20: Pakistan's Trade with Thailand during 1995-2004

(US\$ Million)



Source: Ibid.

Investment

Either country has not made substantial investment so far in each other's investment projects and joint ventures. After 1999, Thai FDI in Pakistan has shown a bit discouraging trend as its FDI declined from US\$ 78,000 to merely US\$ 10,568 in 2002-03, but slightly recovered to US\$ 36,513 in 2003-04.⁸⁶ In March 2005, Temasek Holdings bought a 25 per cent stake in Pakistan's NIB Bank for US\$46 million. There are few more Thai companies working in various sectors in Pakistan. Sadden Intercool Thailand is manufacturing electrical appliances in Pakistan, while Soh Chee Yong has been running food business in Pakistan. Moreover, Nopawing Construction Co and Thai Airway International Ltd, are also working in the field of construction and civil aviation respectively.

However, there are great prospects in the field of investment such as in information technology, telecommunication, construction, automobile parts, food processing, fisheries, agriculture, hotel industry, and real estate. When an Agreement on Promotion and Protection of the Investment between the two countries was expected to be concluded by end 2005, investment might take some upward trend. A seminar on investment will be held in Bangkok in

⁸⁶ Board of Investment, *Country Brief – Thailand* (Islamabad: Government of Pakistan, n.d.), p. 4.

June 2006. It is expected that Thailand is keen to participate in Pakistan's developmental plans such as seaports, airports, and down planning.

7.6. Singapore

Diplomacy

By virtue of its location and population, South Asia is of strategic importance to Southeast Asia. Pakistan is well placed to bring South and East Asia as well as the South West Asia closer. Singapore acknowledges this strategic position of Pakistan⁸⁷. In recent years, a common outlook and shared interests led to broader and deeper ties between Singapore and the South Asian countries. Pakistan-Singapore relations should also be seen in the larger context of East Asian cooperation to create better political understanding and cultivate strong economic relations. Both countries had differences with each other during the 1960s as Singapore sided with India when war took place between Pakistan and India in September 1965.⁸⁸

Diplomatic lukewarmness between the two countries continued throughout the 1970s. Among other factors, the presence of a large and influential Indian-origin decision-makers in the Singaporean Government and private sector, also contributed toward a cool and slow response between Pakistan and Singapore. It was not until 1982 that first high-level visit was initiated by Pakistan when Zia undertook a three-day state visit to Singapore on 10-12 November. It was the first occasion that a Pakistani leader held in-depth talks with Singapore's Prime Minister Yew. Besides realizing the importance to developing close economic ties, both leaders 'stressed the urgent need for the complete withdrawal of foreign forces from Afghanistan and Kampuchea to enable the peoples of the two countries to exercise their inalienable right to determine their own future without any foreign intervention, coercion, intimidation or presence of any kind whatsoever'.⁸⁹ Singapore pledged its continued support for Pakistan's constructive efforts to find a peaceful solution to the Afghanistan problem, based on the relevant UN General Assembly's resolutions'.⁹⁰

Prime Minister Sharif made a visit to Singapore on 13-15 May 1999. At this time in point, a new emphasis on enhancing economic cooperation, particularly in the field of investment and education, emerged between the two countries. An MoU between the Nanyang Technological University and the

⁸⁷ Aparna Shivpuri, 'Pakistan's Vision East Asia policy: Economic and security cooperation with Singapore', in *ISAS Insights*, No.4 (20 June 2005), p. 2.

⁸⁸ Burke, *op.cit.*, p. 357.

⁸⁹ Joint Communiqué issued on the conclusion of the State Visit to Singapore by President General Mohammad Zia ul Haq on 12 November 1982. See *Joint Communiqués: 1977-97*, *op.cit.*, pp. 100-2.

⁹⁰ *Ibid.*

National University of Science and Technology (NUST) was signed in the field of Information Technology.⁹¹ Chief Executive Musharraf also undertook a visit to Singapore on 30-31 March 2000. Senior Minister Goh Chok Tong visited Pakistan in his capacity as Prime Minister in June 2004. An MoU on MFA-to-MFA Consultations was signed on this occasion.

Minister of State for Health and Transport Dr Balaji Sadasivan led a business mission to Pakistan in April 2004 to expand trade and economic relations. Dr Sadasivan met with the Minister for Commerce Humayun Akhtar Khan and Minister for Transport Babur Khan Ghauri. Dr Sadasivan also addressed the Federation of Pakistan Chambers Of Commerce and Industry in Karachi and the Lahore Chambers of Commerce and Industry. The then-Finance Minister Aziz visited Singapore in February 2004. George Yeo visited Pakistan on 4-7 April 2005 to attend the 4th ACD Ministerial Meeting held in Islamabad. Again Aziz made an official visit to Singapore on 10-12 May 2005. Both countries have signed an MoU on combating Terrorism and Trans-national Crimes during the visit to promote security in South East Asia. Aziz also delivered a talk at the Institute of South Asian Studies, National University of Singapore on promoting an environment of security and cooperation in Asia. Therefore, anti-terrorism cooperation and FTA would be the driving force behind mutual cooperation between Pakistan and Singapore in the years to come.

Bilateral Trade and Investment

Bilateral trade between Pakistan and Singapore stood US\$ 657 million in 2004 compared to US\$ 664 million, the preceding year. This made Singapore Pakistan's 6th largest trading partner in East Asia and Oceania and the 2nd largest in South East Asia after Malaysia in 2004. Bilateral trade rather fluctuated a bit between Pakistan and Singapore during 1995-97 but improved after 1998. Trade has heavily tilted in favour of Singapore. Pakistan's exports to Singapore have declined over hundred percent over the past ten years from US\$ 88 million in 1995 to US\$ 44 million in 2004.

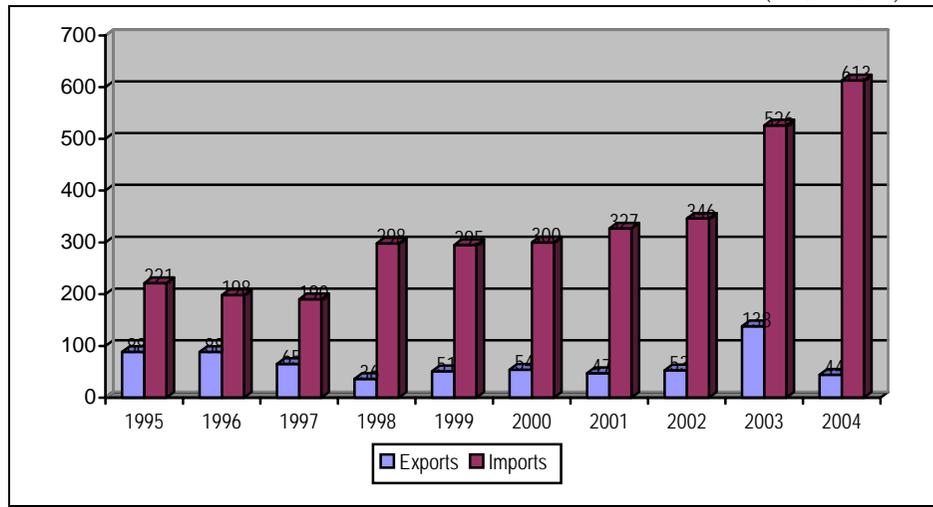
Talks have been in process between the two countries concerning FTA covering areas such as goods, services, and investment and identify areas for duty concession, rules of origin and other issues under the proposed agreement. According to the proposals considered under the free trade agreement, the construction industry is one of Singapore's strong points. Pakistan is short of five million housing units and would welcome investment in the housing and hotel industry; development of Information Technology (IT) parks in Pakistan, IT universities; availability of English speaking IT manpower for front offices in Singapore; setting up of a Singapore industrial estate in Pakistan; recognition of degrees of top medical institutions; and post-

⁹¹ *Foreign Relations Pakistan. 1998-99. op.cit., p. 43.*

graduate degrees and diplomats of the College of Physician and Surgeons of Pakistan.⁹² Tehmasek Holdings Singapore, a leading investment company in Asia with a diversified global portfolio spanning Singapore, Asia, and the world, is investing US\$ 60 million in the banking sector, its NIP Bank branch.⁹³

Chart 21: Pakistan's Trade with Singapore during 1995 – 2004

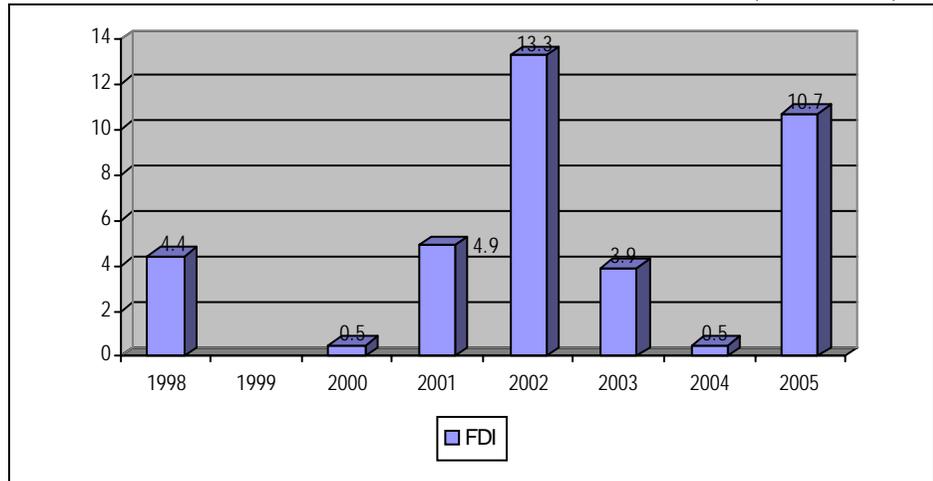
(US\$ Million)



Source: Ibid.

Chart 22: Singapore's FDI in Pakistan during 1998-2005

(US\$ Million)



Source: State Bank of Pakistan, *Foreign Private Investment in Pakistan 2005* (Fiscal year data), op.cit.

⁹² *Dawn* (Islamabad), 21 August 2005.

⁹³ *The News International* (Rawalpindi), 22 August 2005.

7.7. Myanmar

Diplomacy

Ever since independence, Pakistan has enjoyed cordial and friendly ties with Myanmar (Burma). Pakistan signed a border agreement with Myanmar in March 1967, settling all outstanding border disputes between the two countries. Common fear of India, being neighbours naturally brought Pakistan and Myanmar closer. Geographically, in Pakistan's Vision East Asia, Myanmar is the first country. Myanmar's geo-strategic location, at the tri-junction of East Asia, Southeast Asia, and South Asia, and particularly its maritime location, is of immense importance to Pakistan. Further, as Myanmar became an ASEAN member in 1997, its importance has increased in the region. This factor together with other bilateral considerations further deepened ties between the two countries. Pakistan has strong military relationship with Myanmar in the form of defence cooperation such as military training to Myanmar officers and arms sales. Pakistan's naval ships also made visits to Myanmar's ports including its Coco Islands – first of its kind in Myanmar. Pakistan looked for airfield facility at Haka in the Chin State of Myanmar. In a sign of the warming relationship, 800 Pakistani sailors aboard a destroyer, a tanker, and a submarine made the first foreign naval visit to Myanmar in 14 years.

As Pakistan desire to enhance its presence in Myanmar, Musharraf made a visit to Yangon on 1-3 May 2001 after Zia visited Myanmar in 1985, at the invitation of Prime Minister General Than Shwe. Musharraf is the first non-ASEAN leader to travel to Myanmar after 1988. Dr. Atta ur Rehman, Minister of Science and Technology, Tariq Ikram, Minister and Chairman, Export Promotion Bureau, and Inam ul Haque, Foreign Secretary and other high level officials and businessmen also accompanied. Both countries expressed their firm desire to deepen trade and economic ties in various fields to strengthen intra-regional s such as SAARC and ASEAN. An agreement on closer cooperation in science and technology was also signed.

India became quite conscious of growing links between Pakistan and Myanmar because India considered the Islamabad-Yangon ties as a deep concern to India's security. Indians feared that 'there could be a strategic slant to Musharraf visit as Islamabad is looking for a hold along India's eastern borders ever since it lost East Pakistan to Bangladesh'.⁹⁴ India's Naga separatists used to take advantage of Hukwang Valley and Chindwin River in Myanmar and thus India feared that Pakistan's presence in Myanmar would

⁹⁴ Atul Aneja, 'Delhi wary of Musharraf's visit to Myanmar', *The Hindu* (Chennai) 28 April 2001. See also Ibid, 18 December 2000.

further fan insurgency along India's north-eastern borders.⁹⁵ Pakistan's trade with Myanmar (then Burma) was used be the largest as compared to any other South East Asian country in the 1950s and 1960s.

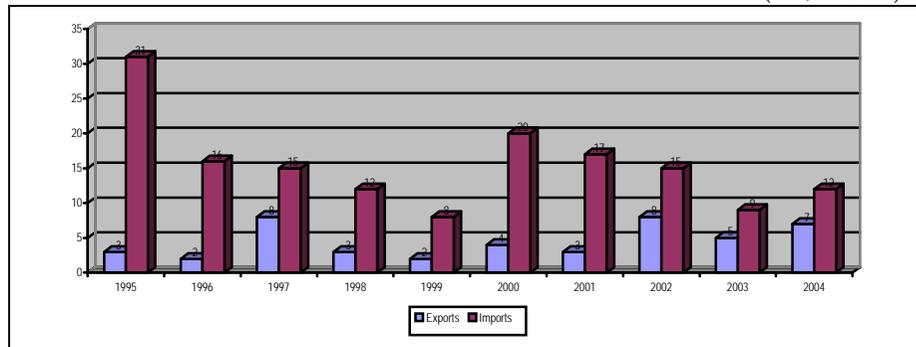
Musharraf's visit to Yangon, nevertheless, assured that Pakistan was not left out as India tightened its grip around Myanmar and elsewhere in East Asia. From this point of view, Musharraf's visit was a resounding success as this visit injected a fresh dynamism in both countries' bilateral ties, which, in turn, also led to strengthen Pakistan's East Asian vision.

Bilateral Trade

Pakistan's trade with Myanmar has rather deteriorated during 1995-2004. For instance, bilateral trade stood around US\$ 34 million in 1995 but declined to US\$ 10 million in 1999. Trade, however, recovered in 2000 by reaching US\$ 24. Bilateral trade recorded US\$ 19 million in 2004. Nevertheless, trade tilted in favour of Myanmar during the above period.

Chart 23: Pakistan's Trade with Myanmar during 1995 – 2004

(US\$ Million)



IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*, op.cit.

7.8. Laos

A New Diplomacy

Jamali made a first-ever official visit to Laos on 21-23 April 2004. He met with the President of the Lao People's Democratic Republic, Khamtary Siphandone, and Prime Minister, Loas Bounhang Vorachit. Both countries agreed to enhance mutually beneficial cooperation in diplomatic, political, economic, trade, and in cultural fields. They agreed to exchange ministerial-level visits to promote such objectives. They also agreed to diversify the contents of their trade including direct trade. In this context, they agreed to

⁹⁵ Ibid & see also Dr Udhai Bhanu Singh 'Perspective on Myanmar-India Relations, in *Dialogue*, Vol. 5, No. 3 (March 2004).

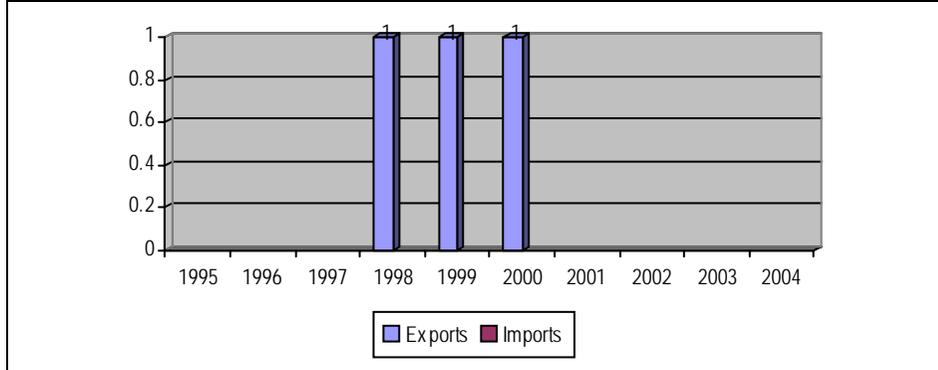
initiate a consultative process for arriving at preferential arrangements that would lead them toward FTA and setting up of the Pakistan-Laos Business Forum (PLBF) to promote trade partnership. In order to promote diplomatic ties, Pakistan also showed interest in opening its diplomatic mission at Vientiane by setting up an Honorary Consulate that would be followed by full diplomatic contacts at the level of embassy in the future.⁹⁶ To facilitate bilateral interaction, both countries agreed to conclude an agreement on abolishing visa requirements for the diplomatic and official passports.

Trade Ties

In order to put trade on firm lines, Pakistan announced a credit facility of US\$ 10 million for Laos to purchase machinery and equipment and to use this facility for sowing and processing cotton from Pakistan. The Government of Laos showed its interests in buying cement, sugar-plants besides seeking cooperation from Pakistan in power generation and cotton production. This would promote trade between the two countries that had been recorded only US\$ 1 million during 1998-2000. Moreover, Pakistan offered ten scholarships to students from Laos to study in universities in Pakistan and to provide training facilities to Laotian diplomats.

Chart 24: Pakistan's Trade with Laos during 1995 – 2004

(US\$ Million)



Source: Ibid.

7.9. Cambodia

An Emerging Shift

Although Pakistan did not develop any direct contacts with Cambodia in the past, it did support the cause of Cambodia in line with UN resolutions. The first-ever direct diplomatic contacts were initiated when Cambodian Deputy

⁹⁶ See Joint Statement in *The News International* (Rawalpindi) & *Dawn* (Islamabad) 24 April 2004.

Prime Minister Ieng Sary made an official visit to Pakistan on 27-30 March 1977. Cambodia endorsed Pakistan's stand on Kashmir by stating that the dispute 'should be settled on the basis of self-determination and in accordance with relevant resolutions of the United Nations.'⁹⁷ Cambodia also supported Pakistan's efforts to convene the Third World Summit on international economic order.⁹⁸

In 1982, Pakistan 'expressed grave concern over the continued military occupation of Kampuchea which seriously endangered peace and stability in the entire region and could lead to confrontation between the major powers'.⁹⁹ Pakistan 'expressed the need for all states to adhere to the fundamental principles of non-interference in the internal affairs of other states and of non-use of forces for settlement of disputes'.¹⁰⁰ Pakistan also 'called for the withdrawal of all foreign forces from Kampuchea and the restoration of its independence, sovereignty, and neutrality in line with the declaration of the international conference on Kampuchea and the relevant resolutions of the United Nations General Assembly'.¹⁰¹ Pakistan also 'welcomed the formation of the Coalition Government of the Democratic Kampuchea under the Presidency of His Royal Highness Prince Sihanouk as a positive step toward a peaceful solution to the Kampuchean problem'.¹⁰² Pakistan 'emphasized the imperative need for an early resolution of this problem which intended to remove a serious obstacle to the realization of the Zone of Peace, Freedom, and Neutrality (ZPFN) in South East Asia so as to consolidate peace in the region'.¹⁰³

Pakistan showed its deep concern over the situation in Cambodia in 1983, which it believed had constituted a serious obstacle to peace and stability of South East Asia. Pakistan supported a comprehensive political solution to the problem in conformity with the Declaration of the International Conference on Cambodia and the relevant resolutions of the UN General Assembly.¹⁰⁴ Therefore, most of Pakistan's interaction with Cambodia had been through United Nations efforts to make an end to the bloody civil war and to restore order in that country. For instance, Pakistan recognized the

⁹⁷ Joint Communiqué issued on the conclusion of the visit of Deputy Prime Minister of Kampuchea (Cambodia) to Pakistan on 27-30 March 1977. Government of Pakistan, *Joint Communiqués: 1947-77*, op.cit., pp. 8-10.

⁹⁸ Ibid.

⁹⁹ Joint Communiqué issued on the conclusion of the state visit to Malaysia by President General Mohammad Zia-ul-Haq on 10 November 1982. Government of Pakistan, *Joint Communiqués: 1947-77*, op.cit., p. 98.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ See this position in a Pakistan-Japan Joint Communiqué issued at Tokyo on 20 July 1983. (Government of Japan, Ministry of Foreign Affairs, 20 July 1983.

National Government of Cambodia and the Supreme National Council formed under the UN auspicious in October 1991. Moreover, Pakistan participated in the UN Peace Keeping Operation (PKO) in Cambodia by sending minesweepers to that country. In addition to this, Pakistan also dispatched a contingent of 1320 personnel to work under the UN Transnational Authority for Cambodia (UNTAC) in 1992. Pakistani personnel also assisted in the UNTAC-sponsored elections in Cambodia held in May 1993. Once civil war came to an end and political order was restored in Cambodia, it joined ASEAN in 1998 that also enhanced its importance in the region. Acknowledging Pakistan's role in Cambodia's national integration, it supported Pakistan's candidature in the ARF meeting held in Phnom Penh in May 1993. At this point, bilateral relations between them took a new turn.

Kasuri met with his Cambodian counterpart Hor Namhong on the fringes of the Second ACD Ministerial Meeting held in Thailand in June 2003. Pakistan's Foreign Secretary also made a visit to Cambodia in March 2004 that paved the way for Jamali to make a first-ever visit to Cambodia in April 2004. Besides meeting with Cambodian Prime Minister Hun Sen, Jamali called on the President of the Cambodian Senate and the Acting Head of State, Chea Sim. MoUs on cooperation and consultation between the two foreign ministers, combating terrorism and transnational crimes, and an agreement on promotion and protection of investment were also signed.

In order to promote trade between the two countries, Pakistan offered soft concessional loan facility of US\$ 10 million to Cambodia for reconstruction and socio-economic development. Cambodia decided to use this loan facility for the development of small water reservoirs in the country, as Cambodians were keen to modernize their agriculture by using Pakistani experience in agricultural and irrigation development. For this purpose, Cambodian Minister for Planning and Economic Affairs, Evcrowdon, made a visit to Tarbella in May 2004. An engineering firm of Pakistan, NESPAK, was asked to make a feasibility study for the construction of small water reservoirs in Cambodia.¹⁰⁵

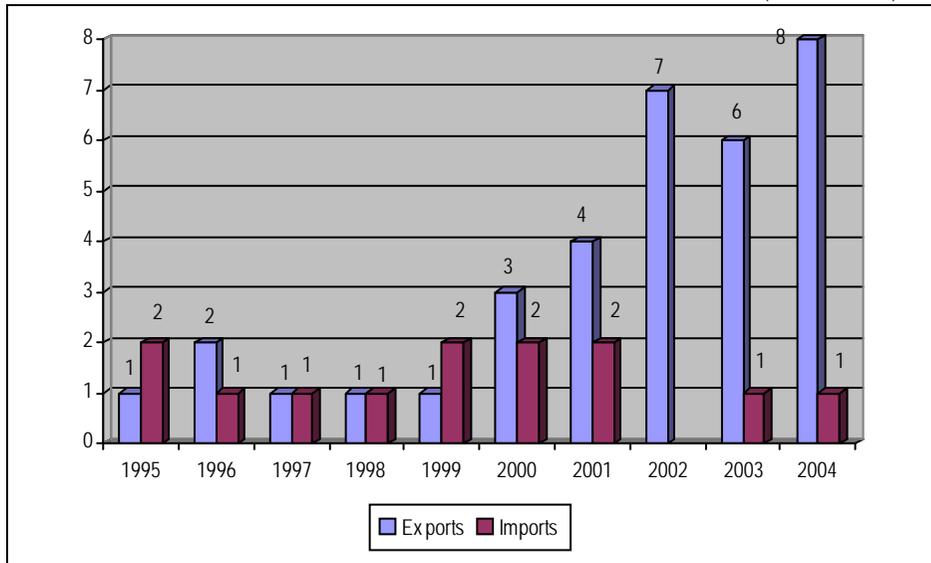
Bilateral Trade

Bilateral trade is quite negligible between the two countries. For instance, in 2003, total bilateral trade stood around US\$ 7 million with US\$ 6 million exports from Pakistan and merely US\$ 1 million imports from Cambodia. The two-way trade reached US\$ 9 million in 2004. To promote bilateral relations, Pakistan showed its desire to open its diplomatic mission at Phnom Penh in the near future. At present, Pakistan's Embassy in Thailand is accredited to Cambodia, while Cambodian Embassy in China performs the same function for Pakistan. As a follow up of Jamali's visit, the Cambodian Secretary for

¹⁰⁵ See CambodianOnline.net. <www.cambodianonline.net/news2004may.htm>

Finance and Trade, Ouk Rabun, made a visit to Pakistan in May 2004 to finalize arrangements for loan facility offered by Pakistan. As both countries are interacting at ARF and ACD, and with the opening of diplomatic missions, political and economic understandings, would further increase between the two countries.

Chart 25: Pakistan's Trade with Cambodia during 1995 – 2004
(US\$ Million)



Source: Ibid.

7.10. Vietnam

A Proactive Diplomacy

Similar to Pakistan's relations with elsewhere in East Asia, Pakistan's relations with Vietnam are based on mutual trust and good will. Pakistan's policy toward the war in Vietnam was based on pragmatism and not on opportunism. For Pakistan, SEATO should have supplemented Pakistan's security needs particularly after the 1965 Indo-Pakistan War. For the United States SEATO had been a bulwark against the spread of communism in South East Asia. Pakistan was, however, opposed the suppression of national movements in South East Asia and rather showed solidarity with them against Western oppression. This difference of view between Pakistan and the United States can be seen in Pakistan's policy toward Vietnam. Interestingly, in spite of being a staunch ally of the United States to combat communism in East Asia by joining SEATO, Pakistan did not support US military and political action in Vietnam during 1965-75.

When political situation in Vietnam started worsening, Pakistan's relations with China also started growing. So, it was not possible for Pakistan

to support US military action in Vietnam. Pakistan's own modest defence capabilities and Western countries' military aid to India against the perceived Chinese threat led Pakistan not to support but to oppose US military action and political moves in Vietnam. President Ayub made clear Pakistan's policy toward Vietnam by stating (in 1964) that 'if there were a confrontation between China and the United States over North Vietnam, Pakistan would not get involved'¹⁰⁶. The cancellation of President Ayub's proposed visit to the United States in 1965 occurred in this context, besides other reasons and factors.¹⁰⁷ The reassertion of Pakistan's policy toward the Communist bloc particularly toward the former Soviet Union and cultivating much stronger ties with China in the post Indo-Pakistan War of 1965, laid down a thrust toward the Communist countries on bilateral equation. This also resulted in Pakistan's support to the just cause of the Vietnamese people against American action.

In defying of US policy toward Vietnam, Pakistan developed friendly ties with Hanoi at its own, although there was no resident mission of either country operating in either capital. Pakistan perceived that its response to the situation in Vietnam was constructive, whereas US action and policy seemed to be destructive and seemingly a failure. Moreover, United States did not take Pakistan into confidence while starting its operation in Vietnam. In a desperate situation, United States approached Pakistan in 1966 that it should 'do something about Vietnam' as stated by US Secretary of State, Dean Rusk, in a meeting with Bhutto. The former wanted to have a meeting with Chinese Foreign Minister Chen Yi at Peking or Hanoi with the assistance of Pakistan because it had friendly ties with both Peking and Hanoi together with military alliance with the United States. As mentioned above the United States did not take Pakistan into confidence while taking military action against Vietnam, Pakistan decided not to 'meddle in the affairs and burn its fingers'.¹⁰⁸ Later, the United States realized that 'Pakistan was the most appropriately placed to seek ways of tackling the Vietnam question'.¹⁰⁹ Pakistan was in the best position to open communications between China and the United States and Vietnam through China.

In fact, Pakistan had seen US policy toward Vietnam as a vindication of its policy toward Communist China. While emphasising Pakistan's interests in its region in connection with China and Vietnam, Foreign Minister Bhutto stated that Pakistan, being an Asian country and a neighbour of Communist

¹⁰⁶ Quoted in K. B. Sayeed 'Southeast Asia in Pakistan's foreign policy, in Rai, op.cit., 262.

¹⁰⁷ Burke, op.cit., p. 314.

¹⁰⁸ I have reconstructed my views on the basis of Excerpts from Memorandum addressed by Zulfikar Ali Bhutto, Foreign Minister, on 11 May 1966 from Camp Office of Pakistan's Foreign Office at Dhaka to President Ayub Khan through Foreign Secretary'. See Rai, op.cit., pp. 163-6.

¹⁰⁹ See Ibid.

China, together with warm ties with that country, Pakistan had forged friendly contacts with Hanoi. It was believed at this point in time that even this process went in vain; it would not harm the interest of Pakistan in the future. Rather it would enhance the prestige of Pakistan and would show to the outside world that Pakistan alone was 'able to move substantially and more progressively in the right direct'.¹¹⁰ Bhutto's prediction was well reflected in a Joint Communiqué signed between Pakistan and Japan in 1970 which stated that: 'the conflicts in Indo-China would be resolved through peaceful means on the basis of the exercise of the right to self-determination by the Indo-Chinese peoples without any outside interference.'¹¹¹ The Communiqué assured that, by using people's mandate, we would ensure peace and stability in Asia.

Pakistan supported the heroic and just struggle of the people of Vietnam against US military action and always strongly emphasised peoples legitimate right to self-determination to decide their future without foreign intervention. With this principle stand of Pakistan toward Vietnam, it was, therefore, quite natural that the bilateral relationship between the two countries could be promoted on mutual self-respect. This principle stand of Pakistan brought both countries much closer over the years particularly after the end of Vietnam War.

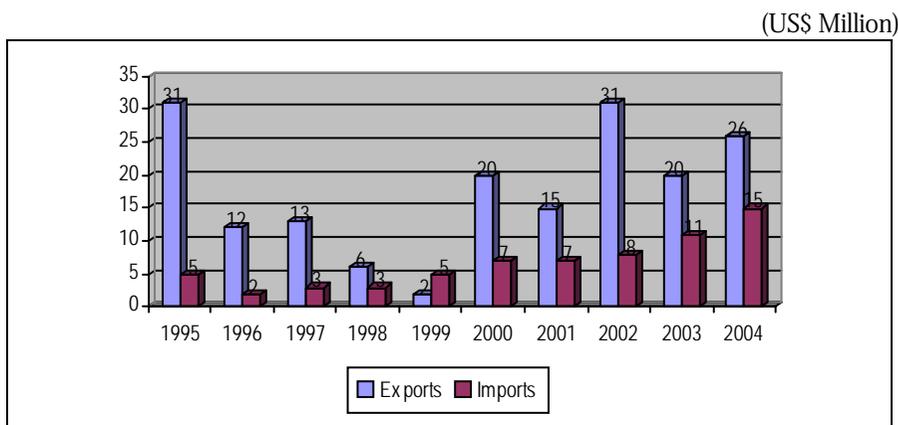
Economic Relations and Bilateral Trade

The importance of Vietnam further increased in Pakistan's consideration after Vietnam became a member of ASEAN in 1995. Vietnamese President Trans Duc Luong made a visit to Pakistan on 24-27 March 2004 – first ever visit by the President of Vietnam. As a result of this visit, both countries signed two agreements related to cooperation in science and technology, and avoidance of double taxation besides two MoUs concerning consultation between the foreign ministers of two countries and trade promotion through both countries State Banks.

Moreover, to promote trade between the two countries the Pakistan-Vietnam Business Forum was also established. Trade between the two countries has remained somewhat negligible during the past ten years. For instance, in 2003 total two-way trade stood around US\$ 31 million compared to US\$ 38 million previous year with more exports from Pakistan to Vietnam than imports from that country that also favoured trade balance in Pakistan's favour during 1995-2003.

¹¹⁰ See Ibid.

¹¹¹ Pakistan-Japan Joint Communiqué signed at Islamabad on 23 August 1970. *Dawn* (Karachi), 23 August 1970.

Chart 26: Pakistan's Trade with Vietnam during 1995-2004

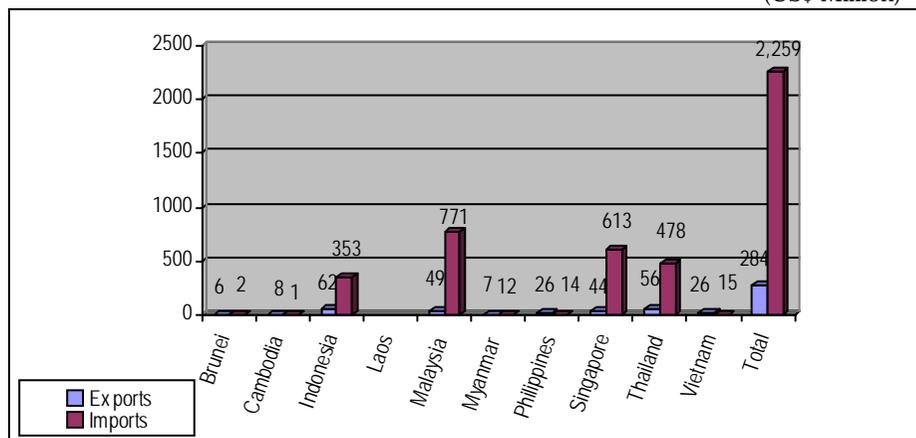
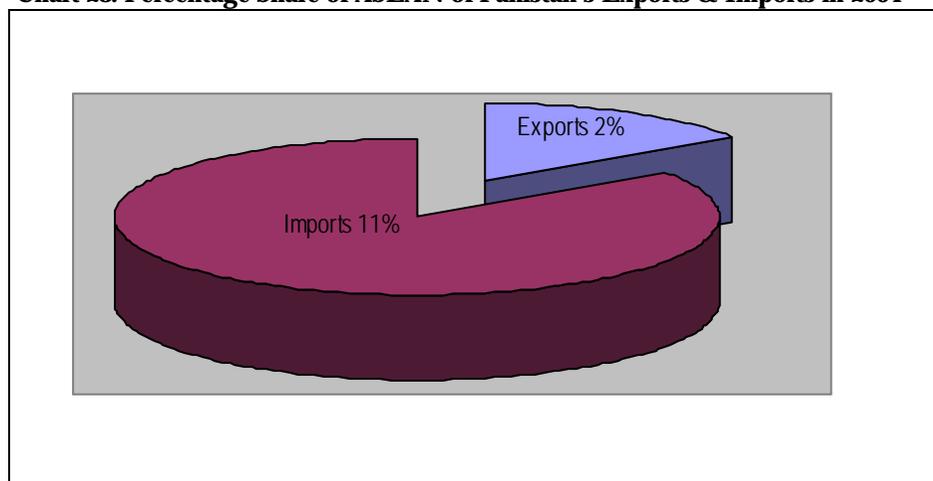
Source: Ibid.

Ever since its independence, Pakistan has played an active role in the security and economic affairs of South East Asia by joining SEATO but at the same time did not oppose the rise of Communism in the region as it perceived Communist rise as nationally motivated struggle in the Indo-Chinese states of Laos, Cambodia, and Vietnam. This factor also led Pakistan to keep deepening its ties with China without harming its vital security and economic interests with Japan and South Korea in addition to Thailand, Philippines, Singapore, and Malaysia. Pakistan also did not pursue a policy of confrontation with Myanmar. Pakistan's exemplary ties with Indonesia, based on Panchsila Principles together with auspicious beginning with Brunei, led Pakistan to cultivate strong ties with the entire region of South East Asia. Therefore, ever since interaction with South East Asian countries, Pakistan enjoyed a 'privileged' status with this region. Pakistan's joining of and ASEAN as a Dialogue member and ARF in 2004 are indicative of Pakistan's long and friendly interaction with this region.

To sum up, the region is also emerging as a staging post for Pakistan's vital economic interests in the increasing age of globalisation. Region's share of Pakistan's global imports has risen to 11 percent in 2005. However, in terms of Pakistan's ambitious export targets, region receives only 2 percent of Pakistan's global exports, which is a clear indication that Pakistani exporters have not positioned themselves to effectively understand the ever-changing demands of these countries. Besides extremely low level of exports to this region, share of FDI from South East Asian countries is quite discouraging with the exception of Singapore, which made inroads in FDI in Pakistan just in recent years. Some homework has to be done by Pakistan on this front, but still a lot of work is required to enhance the interest of South East Asian countries in FDI inflow into Pakistan. ■

Chart 27: Pakistan's Trade with the Association of South East Asian Nations (ASEAN) in 2004

(US\$ Million)

Source: IMF: *Direction of Trade Statistics* (Quarterly June 2005).**Chart 28: Percentage Share of ASEAN of Pakistan's Exports & Imports in 2004**

Source: Ibid.

Table 3: The Inflow of FDI from South East Asia into Pakistan during 2000-05

(US\$ Million)

	2000	2001	2002	2003	2004	2005
Singapore	0.5	4.9	13.3	3.9	0.5	10.7
Pakistan's Total FDI	543.4	182.0	474.6	820.1	921.7	1,676.8
FDI from South East Asia	0.5	4.9	13.3	3.9	0.5	10.7
% Share of South East Asia	0.09	2.6	2.8	0.4	0.05	0.6

Source: State Bank of Pakistan, *Foreign Private Investment in Pakistan 2005*, op.cit.

7. RELATIONS WITH OCEANIA

Pakistan's Vision East Asia cannot ignore the vital significance of the southern Pacific countries such as Australia and New Zealand that have achieved a remarkable human development and in the field of agro-based modern industry, together with immense inroads in mineral development made by the former country. In this sense, these countries are also not less than a model in these areas for Pakistan. However, they have been 'missing countries' in Pakistan's foreign relations for quite some time. This section, therefore, lays its focus on Pakistan's relations with Australia and New Zealand.

7.1. Australia

Going Beyond East Asia

Musharraf undertook a state visit to Australia on 13-16 and New Zealand on 17-19 June respectively.¹¹² The significance of the visit lay in the fact that it was a first visit by a Pakistani head of state or government to these two countries lying in the southern hemisphere – the remotest area in Pakistan's foreign policy but highly significant countries in Australasia and Oceania. Moreover, Foreign Minister Khursheed Mehmud Kasuri's visit to Australia and New Zealand on 13-17 May, also made a history in Pakistan's foreign relations by breaking the ground. This was also the first visit by a Pakistani foreign minister on bilateral basis. Earlier visit was undertaken by Pakistan's Foreign Minister some 46 years ago. Therefore, the visit of Musharraf to both Australia and New Zealand made history and laid down the foundation stone for Pakistan to engage beyond East Asia and develop understandings with these two far-flung countries. 'Pakistan wants to bolster cooperation in multifaceted issues with Australia and New Zealand', remarked by Musharraf while leaving Islamabad for these countries on 12 June.¹¹³

There had been, at least, four factors that paved the way for Musharraf to visit Australia and New Zealand:

- (1) In persuasion of a highly pro-active global diplomacy for peace, cooperation, and friendship with all the counties of the world in line with the newly emerged Vision of East Asia, Pakistan following its policy of complete engagement in a peaceful manner across the world with a particular focus on Asia-Pacific that aimed at building close and comprehensive partnership in the field of trade and business, strategic cooperation, and cultural and in other areas.

¹¹² Dr Ahmad Rashid Malik. 'Beyond East Asia', *The Nation* (Islamabad), 17 June 2005.

¹¹³ *The Nation* (Islamabad), 13 June 2005.

(2) Pakistan has emerged as a front-line state against combating world terror. The country has signed counter-terrorism Memorandums of Understanding with a number of countries. Almost within the entire region of East Asia such agreements have been signed. Now Australia and New Zealand were also keen to sign these agreements with Pakistan. Therefore, one of the tangible outcomes of this visit would be these countries' security cooperation with Pakistan encountering terrorism. Kasuri and his Australian counterpart, Alexander Downer, agreed to finalize a bilateral MoU on counter-terrorism. 'Pakistan is at the front line of the campaign to fight terrorism. We welcome the measures Pakistan has taken to move against terrorist groups operating within Pakistan, particularly those in the border region with Afghanistan,' Downer said in a statement¹¹⁴. Both countries also agreed to establish regular consultations to be held at Canberra and Islamabad. Both leaders agreed to upgrade ties and explore possibilities of expanding relations including exchange of defence personnel training courses on reciprocal visits by senior officers of the armed forces, purchases of defence material, and transfer of technology etc. Australia restored bilateral defence relations with Pakistan in September 2001 in recognition of Pakistan's key role in war against terrorism. Following the nuclear explosion conducted by Pakistan on 28 May 1998, Australia suspended its defence relations with Pakistan. From onward now regular consultations will be held between the two foreign ministries and defence personnel.

Pakistan was keen to learn from Australia's rich experience in agriculture, animal husbandry, dairy products, farming, and research and marketing in these areas besides promoting trade with these two countries. Australia is the only country in the Asia-Pacific region with highest rate of human centred development. Australia ranked 3rd on HDI in the world. Australian per capita is US\$ 29,000 which ranks it 11th and its overall GDP makes it 14th largest in the world. Whereas Pakistan ranks far behind in HDI. Pakistan's interaction with Australia can help promote human centred development particularly in the field of literacy, education, agricultural and industrial growth, and many other areas in socio-economic front. The number of Pakistani students has steadily increased over the last four years with 1,300 Pakistani students currently enrolled in Australian academic institutions. There is small Pakistani origin diaspora, say around 12,000, in Australia.

¹¹⁴ Dr Ahmad Rashid Malik. 'Beyond East Asia', op.cit.

Therefore, these 13,000 Pakistanis are important source of connection between the two countries in addition to camel drivers from Balochistan who were brought by the British when colonial settlement of Australia was started in 1860. These people were assimilated in Australian society.

- (3) Pakistan and Australia have developed common views on several international issues in the past. For instance, Pakistan and Australia have played significant roles in the Far Eastern Commission as members of British Commonwealth after World War II to deal with the security issues related to post-war Japan peace settlement. Australia proposed the Colombo Plan in 1950 to assist the developing countries in Asia. It was the beginning of the realization of the fact that development should be economic centred in order to ward-off any Communist danger in the region. Pakistan was one of the members of the Colombo Plan. (ASEAN was the after-thought of the Colombo Plan) Both countries were also members of SEATO that was designed to contain Communism in the Asia-Pacific region in the 1950s and 1960s. Pakistan, being a member of SEATO, received relatively higher assistance from Australia than India and Indonesia, which were not members of that , as pointed out by Edward Gough Whitlam, former Prime Minister of Australia, on 23 January 1961.¹¹⁵ At present, both countries also interact with each other at the ASEAN-ARF, which promotes regional cooperation in security.

Australia also supports the on-going peace process between Pakistan and India. Australian White Paper released in February 2003 placed Kashmir along with the Straits of Taiwan and Korean Peninsula as three 'major flashpoints'. Sir Dixon Owen, an eminent Australian jurist, was appointed, by the Security Council, as the UN Representative on Kashmir in 1950. His plan recommended demilitarisation and eventual plebiscite to ascertain the future of Kashmir. Initially, the plan was accepted by both Pakistan and India but later both countries backed out for one reason or another. Therefore, Australia has been engaged with Pakistan in many complex areas right from the beginning.

¹¹⁵ Edward Gough Whitlam, Deputy Leader of the Opposition, 'What Should Australia's Foreign Policy Be?' Summer School, 23 January 1961. See *Whitlam Institute*, University of Western Sydney, Australia.

- (4) Australia and New Zealand were two countries that were 'missing' in Pakistan's foreign policies for long in spite of diplomatic and Commonwealth linkages but this taboo has been broken down now. As a result of Musharraf's visit, Prime Ministers of both Australia and New Zealand decided to undertake official visits to Pakistan. Therefore, realizing the unprecedented and historical significance of Musharraf's ground-breaking visit to this highly important region in the southern hemisphere, it must be concluded that Pakistan's relations with Australia and New Zealand, which have been pushed by the above factors, would further contribute in the promotion of peace, stability, and economic integration of Asia-Pacific.

Howard's Visit

Australian Prime Minister John Howard was the second Prime Minister of Australia, who made a three-day official visit to Pakistan on 21-23 November 2005. Earlier, Prime Minister Bob Hawke made a visit to Pakistan in 1989. Nevertheless, the process of enhanced cooperation was started between the two countries following Musharraf's visit to Australia. Moreover, Pakistan is pursuing its policy of expanding cooperation with the region of East Asia and beyond, such as Oceania to enhance its economic links with this promising region. Aziz said that 'Australia can be a bridge between the developed and the developing countries'. Australia's cooperation with Pakistan can promote human-centred development, particularly in the field of education, literacy, agriculture and other areas such as livestock and mineral development.

In recent years, war on terror has pushed Pakistan and Australia toward enhanced diplomatic and political cooperation that also expanded the existing scope of economic relations between the two distant neighbours. Moreover, the 8 October earthquake in Pakistan further led Australia to offer a helping hand for the humanitarian relief efforts. Australia was one of those countries that swiftly offered humanitarian assistance to Pakistan and sent a contingent of its para-medical experts to help rescue quake victims. About 160 Australian aid volunteers have been working in Pakistan to provide humanitarian services. Australia has already given about A\$ 15 million in direct aid while medical team cost A\$ 20 million. While visiting the quake-hit Muzaffarabad, Howard decided to increase assistance to Pakistan by offering an additional A\$ 50 million for quake victims. This made Australia's total commitment to the aid relief to A\$85 million.

In order to promote bilateral economic cooperation, both countries inked six agreements and MoUs during Howard's visit that were related to cooperation in areas of combating transnational crimes, police cooperation, education, agriculture, mineral cooperation, and trade and economic cooperation. Education appeared to be a vast area where Australia is

interacting with Pakistan. Howard announced an ambitious A\$ 39 million scholarship programme to bring 500 Pakistani students to Australia over the next five years. The programme was launched when Musharraf visited Australia.

Howard's visit will also strengthen Pakistan's posture with the wider Asia-Pacific community. He visited Pakistan just after attending the Asia-Pacific Economic Cooperation (APEC) summit held at Busan, South Korea. In this context, his visit is just a timely action, as there emerged a consensus on various global and regional matters. The most significant cooperation exists in the fight against terrorism in which Pakistan plays a central role. Howard expressed his admiration for Pakistan's 'stoic role in the fight on terrorism' and his fullest cooperation with Pakistan. 'The visit would soften and help improve Pakistan's image in Australia'.¹¹⁶ Their cooperation with the United States is key to any such bilateral cooperation between the two countries. In short, Howard's visit has been seen as positive and encouraging development for the promotion of bilateral ties between the two countries. The visit will go a long way in deepening cooperation between the two countries in many ways in the years to come.

Trade and Investment Relations

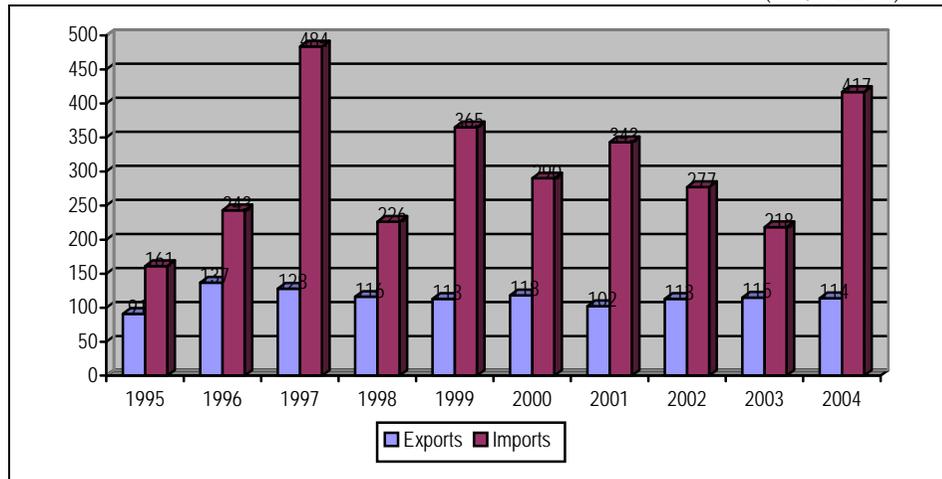
Oceania is still not the focal point of Pakistan's trade. The region attracts only 1.1 percent of Pakistan's total exports and 2.1 total imports. Pakistan's exports to Australia have shown a slight improvement over the last five years (See Chart below). Last year, Pakistan's total exports to Australia recorded US\$ 114 million. Imports from Australia have been increasing over the past five years. For instance, Pakistan's imports from Australia accounted 417 million last year that was an increase of 52 percent from the previous year. Increasing high-level diplomatic contacts, convergence of strategic views, and bilateral agreements will further push bilateral trading ties on firm footing. Australia emerged as a large investor in Pakistan in 1997 by investing US\$ 135 million that made it the second largest investor in Pakistan after the United States. However, subsequent events such as the nuclear blast, conducted by Pakistan the following year, reduced Australian FDI in Pakistan. Nevertheless, once again Australian FDI increased in Pakistan to a high level of US\$ 197.7 million during 1999-2000 that made Australian share of Pakistan's total FDI as high as 36.3 percent. Unfortunately, the events of 9/11 badly impacted upon Australian FDI activities in Pakistan after that period FDI drastically reduced

¹¹⁶ Dr Eamon Murphy, Professor of South Asian Studies at Curtin University of Technology, Perth, remarked during his talks at the Islamabad Policy Research Institute on 30 November 2005 and with a personal discussion with the writer of this paper. He said that both Australia and Pakistan are close allies of the United States in war against terror.

to US\$ 1.5 and AU\$ 0.5 million in 2001 and 2002. For the year 2003, Australian FDI remained as low as US\$ 2.2 million, and further lowered down to US\$ 1.6 million in 2004 and 2005. (See Chart below) It is expected that Australian businessmen would increase their presence in Pakistan in the near future. For instance, Australian companies such as BHP is making substantial investment in the Zamzama gas field in Sindh, while Tethyan will carry out a copper mining project in Balochistan.

Chart 29: Pakistan's Trade with Australia during 1995-2004

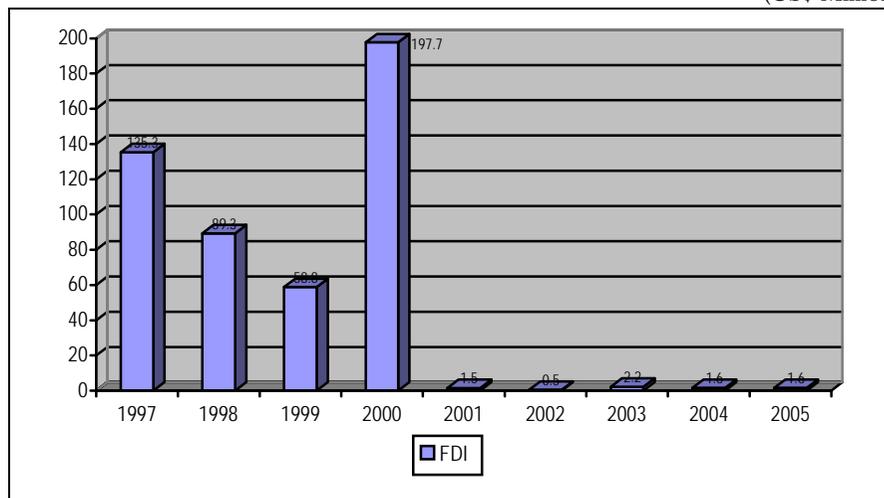
(US\$ Million)



IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*, op.cit.

Chart 30: Australia's FDI in Pakistan during 1997-2005

(US\$ Million)



Source: State Bank of Pakistan, *Foreign Private Investment in Investment 2005*, op.cit.

7.2. New Zealand

Distant Relations

Musharraf has already made history by undertaking an official visit to New Zealand on 16-19 June 2005.¹¹⁷ He became the first South Asian leader who visited New Zealand. Moreover, as no Pakistani head of state or government ever made a visit to New Zealand, Musharraf's personal interaction with the top leadership of New Zealand put Pakistan's foreign relations with New Zealand on a new but a firmer path of cooperation and friendship for the first time in nearly six decades since Pakistan's emergence. Over the years, diplomatic and political relations between the two countries were described as 'slight but friendly'. It is expected that from now onward these relations would be termed as 'strong and friendly'.

Diplomatic exchanges have remained minimal between the two countries. New Zealand Prime Minister Keith Holyoake paid a first-ever visit to Pakistan on 1-3 February 1969.¹¹⁸ Later exchanges were made at the foreign ministers' level. For instance, New Zealand's Foreign Minister, Phil Goff, visited Pakistan in August 2004, who was of the view that relations between the two countries should be strengthened. Goff's visit took place after Foreign Minister Mike Moore's trip to Pakistan in 1990. Kasuri who made a visit to New Zealand in May 2005, paved the way for Musharraf to undertake his first-ever visit to New Zealand.

Whilst geographical differences and history do not bring Pakistan and New Zealand closer, their common view on increasing cooperation with regard to world peace and security brought them onto a common platform once again following the 9/11 incident as both countries have a common history of security cooperation through a multilateral strategy. For instance, both Pakistan and New Zealand were the part of SEATO. Both countries are interacting at the ASEAN Regional Forum (ARF). Pakistan also acceded to ASEAN's Treaty of Amity and Co-operation 2005, while New Zealand is in the process of following. Both Pakistan and New Zealand are members of the British Commonwealth.

Further, both countries are also supporting peace efforts in Afghanistan. New Zealand is backing the US-led military operation in Afghanistan and making a modest financial contribution too. It has deployed 170 troops in Afghanistan of which a contingent of 120 men is working on reconstruction tasks in Bamiyan province in addition to 50 Special Air Service (SAS) troops in that country. In this context, New Zealand also welcomed

¹¹⁷ Dr Ahmad Rashid Malik, 'Musharraf in Auckland', *The Nation* (Islamabad), 25 June 2005.

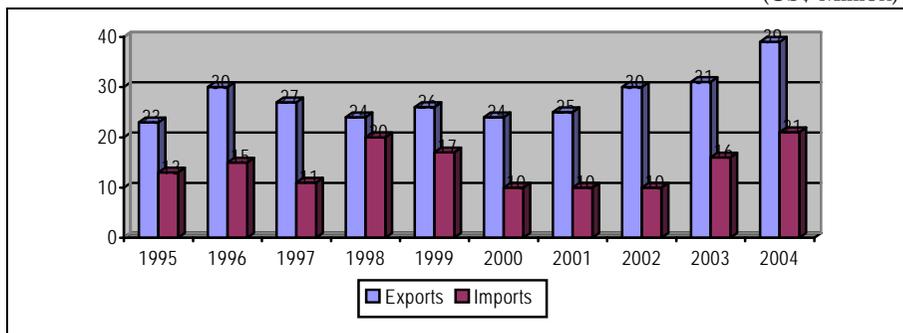
¹¹⁸ Joint Communiqué issued on the visit of the Prime Minister of New Zealand to Pakistan. Government of Pakistan, *Joint Communiqués: 1947-76*, op.cit., pp. 196-7.

Musharraf's suggestion to jointly work on counter-terrorism in the wider Asian region from the Pacific to Central Asia. New Zealand Prime Minister Helen Clark appreciated Pakistan's key role in combating world terror. New Zealand is committed to engage itself more deeply with the countries of Asian region under its Asia Strategy devised in 2003, to ensure its active participation. In this context, New Zealand also welcomed 'the opportunity to develop stronger links with Pakistan', as remarked by Clark.

Bilateral Trade

A breakthrough can be made in the area of bilateral trade and commerce. At the moment, bilateral trade is quite modest. For instance, present volume of trade between the two countries is US\$ 39 million with US\$ 26 million Pakistan's exports to New Zealand and merely US\$ 13 million imports from this country as far data for the first three quarters for the year 2004 is concerned. In the preceding year, volume of trade stood around US\$ 47 million. Nevertheless, trade is largely tilted in Pakistan's favour during the past ten years from 1995 to 2004.

Chart 31: Pakistan's Trade with New Zealand during 1995-2004
(US\$ Million)



IMF: *Direction of Trade Statistics Yearbook 1999 & 2005*, 0p.cit

There could be various potential areas for bilateral trade and commercial cooperation between the two countries. New Zealand was one of those countries that participated in the construction of large dams in Pakistan under the Indus Water Basic treaty. Pakistan is one of the largest milk producers in the world, while New Zealand is one of the largest dairy exporters with advanced technology. Pakistan's dairy exports are quite modest which can be increased. This is an area of immense potential cooperation. New Zealand supplies Pakistan with an agricultural machinery and natural gas technology. New Zealand trade mission that visited Pakistan last month, identified telecommunications, information technology, and banking sectors as being of interest. Tourism and global positioning system are also areas of attraction. Jewellery and women accessories from Pakistan and computer software programmes in banking and security can be imported by Pakistan

from New Zealand, as pointed out by a delegation that made a visit to Pakistan in the beginning of June this year. Pakistani textile entrepreneurs can also capture lucrative textile market in New Zealand that is currently being dominated by the Chinese and the Indian products.

In addition to above sectors, Pakistan's vast population makes it an attractive educational market in overseas educational institutions. Great Britain and the United States attract a large number of Pakistani students. Recently, the number of Pakistani students is increasing in Australia compared to Canada. New Zealand can also take benefit of Pakistan's increasing educational market for overseas educational institutions in various disciplines. At present, around 50 Pakistani students are being enrolled in New Zealand educational institutions. New Zealand education quality, with low cost compared to Western countries together with a less biased ethnic view, can attract more students from Pakistan, particularly in the disciplines of business studies, information technology, engineering, medical sciences, and civil aviation. Visa applications for the prospective Pakistani students, which are being currently processed by the New Zealand Immigration Service in Singapore, is a time consuming and an obstacle in promoting educational linkages between Pakistan and New Zealand. There is a need that New Zealand should provide this service direct from Pakistan to tap into this highly potential area of cooperation.

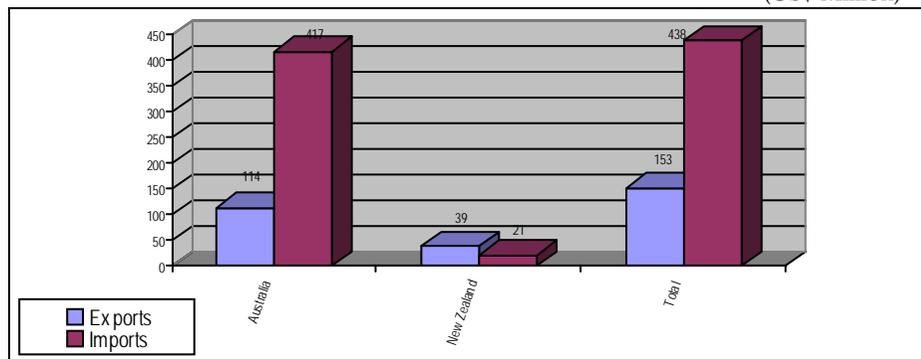
Agreement to hold regular meetings between the foreign ministers of both countries is a positive step. Yet, there is a need for further expansion of diplomatic ties. Both countries do not have regular and direct diplomatic contacts. At present, New Zealand Consul General, based in Dubai, processes visas for Pakistani businessmen. Time is demanding that there should be a breakthrough in this regard and both countries should establish consular missions in each other's capital that should lead to ambassadorial level exchanges in the near future. Presently, New Zealand Embassy in Iran is accredited to Pakistan and the High Commission of Pakistan in Canberra performs the same task for New Zealand.

Overall, Musharraf's visit to New Zealand achieved wider political consensus on important international issues besides exploring ways and means to enhance and promote economic cooperation, trade, and other areas of mutual interests between the two countries. His visit was, in fact, a wider recognition by New Zealand of Pakistan's vibrant role to combat world terror. This would also enhance Pakistan's image as stated by Musharraf while winding up his visit to New Zealand. In this context, Musharraf's visit provided good opportunities to his counterpart to take a view of Pakistan's internal dynamism and external situation on which the future course of the Pakistan-New Zealand relationship could be established in the years ahead that would ensure peace and stability from South Asia to Oceania.

To sum up, similar to Pakistan's involvement in North East Asia and South East Asia, there is fairly a comfortable level of interaction of Pakistan with the Oceania countries. The Commonwealth connection, SEATO, and the Colombo Plan naturally dragged trilateral relations to grow and strengthen between Pakistan, Australia, and New Zealand during the Cold War. There is much more scope available in the wake of terrorist attacks in the United States and once again Pakistan, Australia, and New Zealand can effectively work together to combat global terrorism in Oceania under US command. Pakistan also needs to look at developing diplomatic ties with other islands nations in Oceania such as Fiji, Vanuatu, Nauru, Somoa, Tonga, and Tahiti and other island nations to advance its economic and strategic interests in this region. In terms of trade, the region received 2 percent of Pakistan's exports and supplied 1 percent goods to Pakistan in 2004. Fruitful trading links can be established with Fiji as its exports to Pakistan had risen to US\$ 15 million in 2000. There are immense opportunities in agro-based industry, food, and mining etc. The momentum of FDI from Australia into Pakistan must be revived as that country's share increased to as high as 36 percent of Pakistan's total FDI in 1999-2000. ■

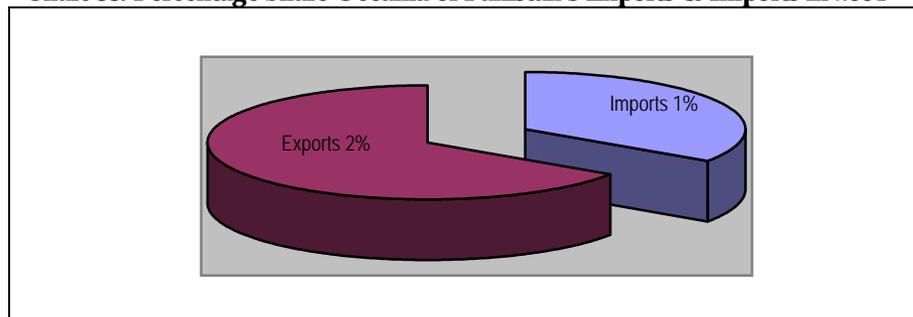
Chart 32: Pakistan's Total Trade with Oceania in 2004

(US\$ Million)



Source: IMF: *Direction of Trade Statistics*, Quarterly June 2005, op.cit.

Chart 33: Percentage Share Oceania of Pakistan's Exports & Imports in 2004



Source: Ibid.

Table 4: The Inflow of FDI from Oceania into Pakistan during 2000-05

(US\$ Million)

	2000	2001	2002	2003	2004	2005
Australia	197.7	1.5	0.5	2.2	1.6	1.6
Pakistan's Total FDI	543.4	182.0	474.6	820.1	921.7	1,676.8
FDI from Oceania	197.7	1.5	0.5	2.2	1.6	1.6
% Share of Oceania	36.3	0.8	0.1	0.2	0.1	0.09

Source: State Bank of Pakistan, *Foreign Private Investment in Investment 2005*, op.cit.

8. EMERGING REGIONALISM IN EAST ASIA

The move toward regionalism has been keep intensifying throughout the world. A variety of regional fora have been taking shape in East Asia. Pakistan keeps ascertaining its position and role in these regional fora. Some discussion has been made in the previous section, regarding Pakistan's position and role in ASEAN and ARF. Here an analysis will be made to ascertain the increasing role of Pakistan in new and emerging regional s with a focus on ACD and the Shanghai Cooperation (SCO), two new interlocking economic s in wider Asia, and East Asian Community (EAC) whose first high-level Summit was held in December 2005.

8.1. The Asian Cooperation Dialogue (ACD)

Pakistan has been actively playing its role in the regional s working for the purposes of achieving common objectives and goals in Asia. Besides palying its role in ASEAN, Pakistan has been actively supporting the Thailand's initiative that created the 18-founding member ACD in 2001 to promote a vast cooperation at the continental level in Asia where over 60 percent of mankind live, and to help integrate other regional s such as ASEAN, SAARC and the Gulf Cooperation Council (GCC). In 2003, four new members namely, Kuwait, Oman, Sri Lanka, and Kazakstan were admitted into ACD. Following year Iran, UAE, and Mongolia also became members. While Russia, Saudi Arabia, and Bhutan were admitted in 2004. First two meetings of ACD were held in Thailand in 2002 and 2003 respetively. The third meeting was held at Qingdao (China) in 2004. Pakistan is one of the founding memebtrs of ACD and actively participated in the promotiion of the very idea of ACD. After Thailand and China, fourth meeting was held at Islamabad on 4-6 April 2005 that was attended by as many as 26 countries.

ACD Ministerial Meetings: 2002-7

Annual Meetings	Places	Dates
First Ministerial Meeting	Bangkok, Thailand	18-19 June 2002
Second Ministerial Meeting	Changmai, Thailand	21-22 June 2003
Third Ministerial Meeting	Qingdao, China	21-22 June 2004
Fourth Ministerial Meeting	Islamabad, Pakistan	4-6 April 2005
Fifth Ministerial Meeting	Qatar	2006 (Proposed)
Sixth Ministerial Meeting	Seoul, South Korea	2007 (Proposed)

Aziz and the Chinese Premier Wen delivered keynote addresses at the Islamabad meeting as the former was on an official visit to Pakistan. The Meeting endorsed the guidelines for granting the status of ACD Partner for Development, which was aimed to engage non-ACD countries. The meeting admitted Russia and Saudi Arabia as the new members. The meeting demanded that the next UN Secretary-General should come from Asia. Pakistan's participation at ACD assured that it was not only interested in a wider Asian cooperation to create a feeling of much larger Asian security but also integrate the region economically in the fast changing globalisation to maximize the benefits of trade and other commercial activities for relatively disadvantaged countries to overcome the causes that often lead to violence and terrorism. Pakistan strongly advocated that economic cooperation would ultimately diminish terrorism. Pakistan's Initiative on Economic Cooperation was fully endorsed by the 4th Islamabad Meeting that laid a greater emphasis on cooperation in various socio-economic sectors. Pakistan strongly emphasized on the need to create a human resource development centre, investment and capital flow, and the development of infrastructure and transportation network among ACD countries on bilateral and multilateral level, Pakistan also proposed to set up an Asian Institute of Standards to pool services of the ACD experts, enhance their close collaboration and forge a common position on standard related matters in the international fora.

8.2. The Shanghai Cooperation (SCO)

The inclusion of Pakistan as an observer in the SCO in June 2005 has been seen yet another positive step to further strengthen Pakistan's relations as well as to enhance its increasing role in the region. In June 2004, Pakistan got a similar status at the ARF to cooperate in security and economic matters in South East Asia. With the granting of the observer status to Pakistan in SCO would indeed further promote cooperation between Pakistan and the SCO member countries – a region of much wider importance in terms of both security and economic cooperation.¹¹⁹

¹¹⁹ Based on Dr Ahmad Rashid Malik 'SCO Challenges', *The Nation* (Islamabad), 10 July 2005.

Aziz expressed the hope that his country's participation in the SCO forum 'would open new avenues of cooperation with other countries in the region'. He said that Pakistan would present various issues of regional and international importance at the forum that would ultimately strengthen Islamabad's ties with other nine countries. He hoped that participation of Pakistan in the forum would also result in increasing its diplomatic activities and enhance prestige among the international community. Earlier, at the SCO foreign ministers' meeting, held in June 2004, members agreed in principle to grant Pakistan, India and Iran observer status. Leaders of SCO who gathered at the Kazakh capital of Astana at the one-day meeting convened on 5 July 2005 discussed strategies for closer regional cooperation in a range of fields from economy to anti-terrorism, implementation of cooperation agreements already reached among the SCO members, UN reforms, and communication with non-member countries and international s.

The five-member SCO comprising, Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan was formed to deal with border issues between China and Russia as a result of the dismemberment of the former Soviet empire. By 2000, all such border issues between the two giants, were resolved. The declaration that established the SCO was signed on 15 June 2001 in Shanghai to promote mutual trust and friendship between the member states, and foster effective political, economic, scientific, and cultural cooperation, as well as to promote mutual contacts in education, energy, transport, and environment. Uzbekistan was included as a new member along with four semi-members with observer status – India, Iran, and Pakistan, that promoted its membership beyond China's borders. Mongolia secured the status of an observer in 2004. Afghanistan is also keen to get the same status. There are also no obstacles not to include North Korea and South Korea into the organisation. If SCO's continued its southward move, other members such as Vietnam, Thailand, the Philippines, Malaysia and Indonesia may be included into the organisation in the future. The organisation presents almost half of world mankind with two veto powers sitting on the United Nations Security Council and with four nuclear powers. These considerations are making the organisation significant and effective.

This certainly means that Pakistan's role has further strengthened at the regional level in Central Asia, China, and Russia mainly for economic reasons. Pakistan's overall trade with the SCO is around US\$ 2 billion, of which major share goes to China, i.e. US\$ 1,218 billion, followed by Iran i.e., US\$ 383 million, India US\$ 310 million, and Russia US\$ 92 million. Pakistan's combined trade with the rest four Central Asian countries is merely US\$ 26 million with virtually no trade with Mongolia (IMF trade data for 2003). SCO will promote the free flow of commodities, capital, technology, and services among its members in the next 20 years. Pakistan has signed FTA with two regional blocs such as with SAARC and ECO. The same agreement would be

in operation with China by 2006. Therefore, SCO would help promote Pakistan with the signing of FTAs with other members and observers of SCO in the near future to accelerate trade particularly the land-borne trade via the ancient Silk-Road.

Besides India, Pakistan's relations with Russia are also improving which manoeuvred to get India into SCO. China, on the other side, that helped Pakistan to get into the organisation, is the corner-stone of Pakistan's foreign policy, together with Pakistan's increasing friendly ties with other Central Asian countries. After assuming an observer status, Pakistan got tremendous privileges and opportunities to strengthen and improve its relations with several countries at both multilateral and bilateral level. For instance, Pakistan interacts with several of these countries at ECO, and with India and China at ARF, besides interacting with India at the SAARC summits. It seems that Pakistan is now well clinched with almost all of regional organisations surrounding its region and to some extent beyond its region.

The geographical and demographic size of the organisation is a matter of concern for many other similar regional blocs. "The monstrous organisation, as put by Pravda, which occupies the territory from the Arctic to the Indian Ocean and from Kaliningrad to Shanghai, may become the second political pole of the world".¹²⁰ Challenging the Western, and more clearly, US supremacy, seems to be the basic cause of this new regional grouping representing half of human population. The Astana Declaration that demanded a time framework for the withdrawal of US forces from Afghanistan, Uzbekistan, and Kyrgyzstan, but at the same time, their commitment to fight against terrorism and colour revolutions to bring stability, has indeed challenged the so-called white supremacy in a much wider Euro-Asian region for the first time in years. This collective demand indeed has signalled the beginning of a dazzling change in the existing international order and this challenge may also upset the position of US troops deployment in Japan, South Korea, and Taiwan in the near future, depending on the success of SCO.

8. 3. The East Asian Community (EAC)

The height of the East Asian regionalism has been culminated in the shape of the East Asian Summit (EAS) that was held in Malaysia on 14 December 2005 with trade and security as the main regional agenda. The Summit envisioned as a stepping-stone to an East Asian Community (EAC) modelled on the European Community (EU). The decision to hold the first EAS Summit was made at the Eighth ASEAN-Plus 3 Summit held at Vientiane on 29 November 2004. The EAC is the largest regional grouping formed by East Asian countries after 1945. The bloc included all ten ASEAN plus-3 (Japan,

¹²⁰ *Pravda* (Moscow), 7 June 2005.

South Korea, and China) members, Australia, New Zealand, and India. Russia has also expressed its desire to become a member. This is an issue for further discussion at the 2006 Summit. This is a clear manifestation of Pan Asianism as perceived in East Asia as a result of economic prosperity and societal uplift carried out by East Asian Tiger economies under Japan's economic leadership from North East Asia to South East Asia and beyond. Originally, Mahatir put forward the idea of East Asian Economic Caucus in 1991, but Western opposition that was mainly led by the United States prevented East Asians from forming such a regional grouping that intended to exclude the United States and Western influences. It was also realized that the forming of the East Asian grouping would be a setback to US declining influence in Asia. Nevertheless, to keep preventing East Asians forming such a 'pure regional grouping' did disappear. Now EU and the United States also wanted to play some role in EAC. However, the inclusion of non-East Asian countries such as Australia and New Zealand did invite huge criticism from Dr Mahatir and others who termed these countries as neither 'East' nor 'Asian' in their flavour. This would be an inherent difficulty with EAC from its very inception as a regional bloc of the East Asians. In spite of these inherent difficulties, EAC seemed to be the most profound regional development in East Asia after the restructuring of East Asian financial crisis that occurred in 1997. It also appeared that EAC would be the most important regional bloc from an economic viewpoint should the combined GDP of Japan, China, South Korea, ASEAN, Australia, New Zealand, and India and Pakistan be taken into account as well as by knitting together ASEAN-Plus 3, SCO, ACD, and non-Asian Australia and New Zealand.

Pakistan is most appropriately positioned to be included in EAS because the country has already become a Dialogue Partner of ASEAN, a member of ARF, and forged strong links in the field of trade and commerce and economic development, together with security understandings combating terrorism and reinforcing defence to build peace in the wider region of East Asia and Oceania. Against this backdrop, it would be highly unwise to keep Pakistan away from entering this new regional bloc as Pakistan has been actively engaged with this whole region over the past nearly six decades. Pakistan's participation would make the bloc more active and affective as well as more 'Eastern' and 'Asian' to achieve its endeavour. Once Pakistan becomes Full Dialogue Member of ASEAN, it would naturally become to qualify to enter EAC. However, this should not be considered to be a precondition for Pakistan's entry into EAS / EAC because Australia and New Zealand are simply Dialogue Partners of ASEAN, yet they participated in the EAS. Moreover, India is a non-East Asian country but it was included in the EAS. These are enough points that should justify Pakistan's entry into EAS /EAC, keeping in mind that Pakistan has already been actively pursuing a Vision East Asia policy toward this region over the past couple of years. ■

9. RECOMMENDATIONS

Several shortcomings, drawbacks, weaknesses, and difficulties were greatly realized during the course of this study in context with Pakistan's relations with East Asian and Pacific countries. Keeping in mind such problems, policy-makers in Pakistan should take the following multi-dimensional remedial course of action and measures to overcome these difficulties and to actively put Pakistan on increased linkages with this vast and promising region:

I. GDP Growth

Pakistan's fast growing population growth rate, which is even faster than India, China, Bangladesh, and Indonesia, would put a tab to any kind of progress made in the economy. Pakistan would be the only country in South and East Asia whose demographic composition would greatly change during the next ten years time. It would emerge as the fifth largest populated country in the world or the fourth largest in Asia (after India, China, & Indonesia) with a population reaching 205 million by 2015. A number of 55 million people (larger than the entire population of South Korea) would be added in addition to the existing number of 149.9 million people. Therefore, social *jihad* is badly needed to control the ever-growing population so that development strategies under the umbrella of Vision East Asia could produce tangible results for development, progress, and prosperity. Population control experiences of China, Japan, and South Korea should be adopted for Pakistan together with a high priority given to human resource management and development. The 'impressive' 8.4 percent GDP growth rate would paralyse economic development that would ultimately bring an end to Pakistan entering into the wealthy club of Tiger Economies of East Asia. Therefore, Pakistan needs to maintain a GDP growth rate that should be much higher than China and faster in Asia in the next ten years time. This requires Pakistan to greatly realign all its national development strategies to cope with this unprecedented population increase to avoid economic meltdown.

II. Trade

Pakistan's foreign trade with this vast region is not in accordance with ground realities of today's world. Pakistan's exports are merely US\$ 1.9 billion to this region or 14 percent of Pakistan's total exports. Pakistan needs to greatly enhance its exports to East Asia and Oceania with a priority given to Japan, South Korea, China, Hong Kong as well as to Malaysia, Indonesia, Singapore, and Australia where demand for Pakistani goods can be enhanced. Trade balance is not in favour

of Pakistan's as its imports requirements from East Asia and the Oceania account around US\$ 6.8 billion or over 35 percent of Pakistan's imports requirements. Enhanced exports could help reduce trade imbalance in Pakistan's favour. Above all, increased trade would lead to higher GDP growth. Trade possibilities should also be explored in the Pacific Islands and Islets nations such as Fiji, Nauru, and Vanuatu. Trade delegation comprising chamber of commerce and industry representatives, diplomats, and other concerned people should be dispatched to these areas for fact-finding and exploration of opportunities missions. It is this context that makes Pakistan's Vision East Asia a useful policy option.

III. Investment

East Asia is a vital destination of Pakistan's FDI. However, the level of FDI from East Asian and Pacific countries to Pakistan is discouraging at present, particularly after 9/11. Hong Kong, Japan, Singapore are the main investors in Pakistan from this region during 2004-5. However, their total FDI in Pakistan was merely US\$ 117 million against a total of US\$ 1.6 billion FDI during the above period. Apart from Singapore, as far FDI from ASEAN is concerned, it is almost non-existent. Lot of fundamental homework is required on this front. China's private sector's position in Pakistan's FDI is the most discouraging and its private sector seems quite reluctant to undertake joint ventures in Pakistan. Contrary to China, Hong Kong plays an important role in FDI activities in Pakistan over the past several decades. Hong Kong appeared as the largest investor in 2004-5 from East Asia and the fifth largest in Pakistan's FDI during the same period. Likewise, Taiwan's private sector has great potential to invest in Pakistan. The tragic events of 9/11 badly impacted upon Pakistan's FDI from East Asia and Oceania which declined from as high as 43 percent share of this region in Pakistani's FDI in 1999-2000 to 7 percent in 2004-5. Pakistan needs to adopt pre-emptive measures against this constant decline of FDI.

IV. Civil Aviation

Two proposed flights of Pakistan's national flag carrier should be started between Karachi and Osaka - Japan's second industrial hub - one via Hong Kong and the other via Manila. So, four weekly flights, which will be an addition to twice weekly flights between Islamabad-Tokyo via Beijing, would increase Pakistan's business exchanges with Japan. Moreover, twice weekly Uromqi-Islamabad air link would enhance trade and commercial activities between Pakistan and China. Australia is no longer directly air-linked to Pakistan. Two flights either

from Islamabad or Karachi should be started with Sydney and Perth via stopovers in Jakarta, Singapore, and Kuala Lumpur, which will connect Pakistan with the most dynamic hub of South East Asian business (i.e., Malaysia, Singapore, and Indonesia). Air link between Taipei and Karachi could further accelerate Pakistan's trade with North East Asia.

V. Diplomacy

Diplomatic missions must be established in Laos, Cambodia, and New Zealand, should Pakistan ever wish to increase its diplomatic muscles in this region to improve Pakistan's image and consolidate its diplomatic activities in East Asia and Oceania.. Pakistan should establish direct diplomatic and commercial link with the most dynamic centre of business - Singapore. Hanoi should also reciprocate by opening its diplomatic mission at Islamabad. Keeping in mind close and fraternal ties with China, Pakistan should establish direct trading, investment, and air links with the Straits of Taiwan -an 'abandoned' country in Pakistan's policy so far- without granting any diplomatic status in line with One China's policy toward. It should also not to be forgotten that South East Asia is also a region where Pakistan mustered maximum support for the Kashmiri right to self-determination than any other region in the world including the Middle East. Thus, the support given by Indonesia, Cambodia, and North Korea must be used to gain more support from other members of ASEAN countries to help resolve the issue of Kashmir.

VI. Defence

Pakistan's defence both in terms of financial resources and manpower, are beyond its GDP proportion. In other words, Pakistan spends more on defence than on human development when its comparison was made with other East Asian countries. Pakistan's case seems to be even worse than China in East Asia. Pakistan drastically needs to lessen its financial resources on defence and divert these resources to human development.

VII. Security

Regional security, particularly after 9/11, once again is providing immense opportunities to Pakistan to develop bilateral and multilateral understandings with the countries of East Asia and Oceania. Philippines and Indonesia are the focal points of terrorist activities in East Asia. Pakistan should continue to follow its anti-terrorist campaign in the region. This would enhance the level of security interaction between Pakistan and the countries in the region.

Nevertheless, Pakistan needs a highly skillful diplomacy as well as a policy to diffuse the tension resulted out of 'alleged' nuclear and missile related linkages of Pakistan with North Korea, which is considered a serious security challenge to both Japan and South Korea, Pakistan's important economic partners in North East Asia.

VIII. Regionalism

Pakistan is well clinched in regional fora surrounding its region. Pakistan must use this advantageous position to advance its economic and security interests. Pakistan should be actively involved in regional fora in East Asia. After securing a place in ASEAN and ARF, Pakistan should carry out groundwork for the up-coming EAS to be held at Metro Cebu (Philippines) on 13 December 2006.

VIII. Culture, Education, & Training

A Buddhist International University should be established at Taxila - the cradle of Buddhist civilisation. Japan, South Korea, and other East Asian countries greatly appreciate this historical fact. These linkages of University should be established with the Buddhist University of Japan and several Japanese Buddhist Organisations together with seeking cooperation with the Government of South Korea, Thailand and other Buddhist countries. Private sector and non-governmental s should be encouraged to play a role in the establishment of this proposed university in cooperation with the education, culture, and foreign ministries. Teachers should be employed from across East Asian Buddhist countries namely, Japan, South Korea, China, Thailand, Vietnam, Laos, and Cambodia (including Sri Lanka and Bhutan).

Pakistan Studies Chairs should be established in the following countries: University of Tokyo or Kyoto University (Japan), Seoul National University or Yonsei University, Seoul (Republic of Korea), Thahamasat University, Bangkok (Thailand), University of Manila, (Philippines), National University of Singapore, University of Malaysia, Jakarta University (Indonesia), Australian National University, Canberra, and University of Auckland, (New Zealand.) As a starting point, four Chairs should be immediately established at Kyoto University, Seoul National or Yonsei University, Singapore National University, and Australian National University. Teachers and students exchanges programmes should be promoted between these universities and Pakistan's public universities. The Dr Mahatir-style Look East training programmes must be launched in various fields at undergraduate, graduate, post-graduates, and doctoral level with

Japan, South Korea, China, Hong Kong, Singapore, Thailand, and Malaysia. Students and professional exchanges should also be promoted with Australia and New Zealand in mining, agriculture, and in other fields. Training for industrial workers as well as people in agriculture, labour, both skilled or semi-skilled and unskilled, should be launched with Japan, South Korea, and Malaysia in order to develop Small and Medium Size Enterprises (SMEs) in Pakistan to overcome the menace of ever-growing rural and urban poverty.

IX. Tourism

Pakistan can attract huge foreign exchange through the promotion of tourism. In this context, to attract tourists from East Asian countries, Pakistan should develop infrastructure along the ancient sites and relics such as Taxila, Mohenjodaro, Harappa, sites at Hazara, Mardan, and Swat districts as well the promotion of mountaineering climbing at K-2, Nanga Parbat, and Rakaposhi peaks. Media advertisements of these sites and historical heritage should be highlighted on TV programmes, and in newspapers, magazines, and travelling brochures all over East Asian countries. Private sector should be encouraged and given incentives to carry out Pakistan's tourism campaign. Pakistan's national flag carrier and private airlines can do a lot of this work that could also enhance the number of passengers for the benefit of these airlines.

X. Image Building

There is no short cut to image building in East Asia, as far Pakistanis are concerned. However, Pakistan already enjoys a fairly good image in East Asia, particularly if the comparison of the Pakistanis living in Europe and North America was made. Nevertheless, growing pressures from the West in relations to terrorist activities largely tarnished the image of the Pakistanis. The above activities and course of action namely, trade expansion, investment promotion, air links, diplomatic services, cultural interaction, educational linkages, workers training programmes, and promotion of tourism would help enhance the image of the Pakistanis in East Asia and across the Pacific. ■

10. CONCLUSION

To say that Pakistan has followed US policy and acted as its stooge over a period of time would be a false notion as far as the findings of this study are concerned. Being an ally of the United States, Pakistan followed an independent policy toward China, Vietnam, Laos, Cambodia, and North Korea. Pakistan strongly opposed neo-colonialism in South East Asia and rather supported the principles of non-intervention, people's right to self-determination, and just cause for independence and sovereignty in the whole of East Asia. It was realized in this study that Pakistan pursued an independent policy toward East Asia with or without the cooperation of the United States and other powers. At some point in time, Pakistan's views converged with the United States such as issues related to Japan's post war peace settlement, the Korean War, and the formation of SEATO. The most outstanding convergence of views between Pakistan and the United States emerged on development issues such as trade, investment, and mutual economic cooperation in the whole of East Asia. Therefore, Pakistan's newly adopted Vision East Asia sees greater chances of success in economic terms as most of security related issues are being dealt with through a multilateral regional approach, where Pakistan enjoys leverage and a comfortable status in war against terror.

Several conclusions can be drawn out of this study, which can provide a sort of guidance for the Pakistani policy-makers in framing a much more pragmatic and pro-active economic diplomacy with the region of East Asia and Oceania. It has been depicted in this study that Pakistan has had an active involvement in the region of East Asia and Oceania in the 1950s and 1960s but it detached from the region during the 1970s and the 1980s for obvious reasons because of Pakistan's geographical dislocation in 1971, and country's greater involvement with the Islamic and Third World in addition to the crisis in the neighbouring Afghanistan after 1979 where Pakistan played a key role in combating Soviet move toward the warm-waters. However, Pakistan started re-asserting its role and re-allocating its priorities by the early 1990s to overcome its myriad economic woes and to speedily develop its economic infrastructure by emulating the examples of East Asian tiger and miraculous economies.

Pakistan does not have any bilateral contentious issue with any country in the region of East Asia and Oceania, which in turn, helps Pakistan to get further involved and engaged in the region in a much larger perspective. Economic diplomacy should be a corner stone of Pakistan's policy in East Asia. While being economically assisted by Japan, Pakistan should assume the same role for economically least developed ASEAN members such as Cambodia and Laos to create common prosperity in the periphery of the

region. Pakistan's growing economic ties with this region would also create a staging post for Pakistan's strategic eastward move in the years to come.

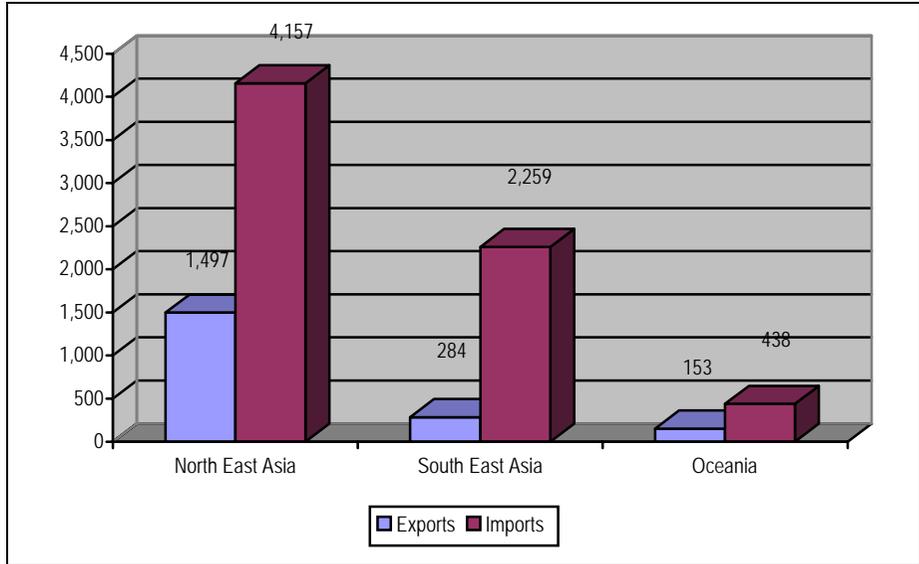
Future economic relations of Pakistan would largely be governed by changes and developments, occurring in the region of East Asia and Oceania. Similar to other regions, regionalism in East Asia is also overlapping, but this shows its vital economic and strategic strength rather than its weaknesses. Pakistan has timely set its boat to be sailing in the right direction within the broad framework of strategic cooperation, solely extended to the United States in the wake of terrorism. Being a strategic ally of the United States, Pakistan easily fits into the changing and emerging regional paradigms in East Asia. Economically powerful Japan and dynamic economies of ASEAN are extending bursting cooperation to Pakistan in this context that would help realize Pakistan's Vision East Asia in the years to follow.

It seems that Pakistan is now well clinched with almost all regional s surrounding its region and to some extent beyond its region within larger Asia. Nevertheless, few areas in East Asia and Oceania are still 'blind' with no direct diplomatic contact. This includes Laos, Cambodia, and New Zealand, together with Singapore whose commercial centre no longer operates at Karachi. The so-called 'travel advisory' frequently issued by the United States, Great Britain, and Australia, for instance, negatively impacted upon Pakistan's diplomatic and political contacts besides damaging economic interests in the region over the past several years. This trend needs to be stopped. Otherwise, it could further adversely affect Pakistan's economic interests such as exports and investment in such an economically important region. The future of Pakistan's strong, deep, and sustained involvement with East Asia and Oceania would largely depend upon a consistent East Asia policy, enhanced economic interests, and greater security focus in this vast region. ■

11. COMPARISON IN CHARTS & TABLES

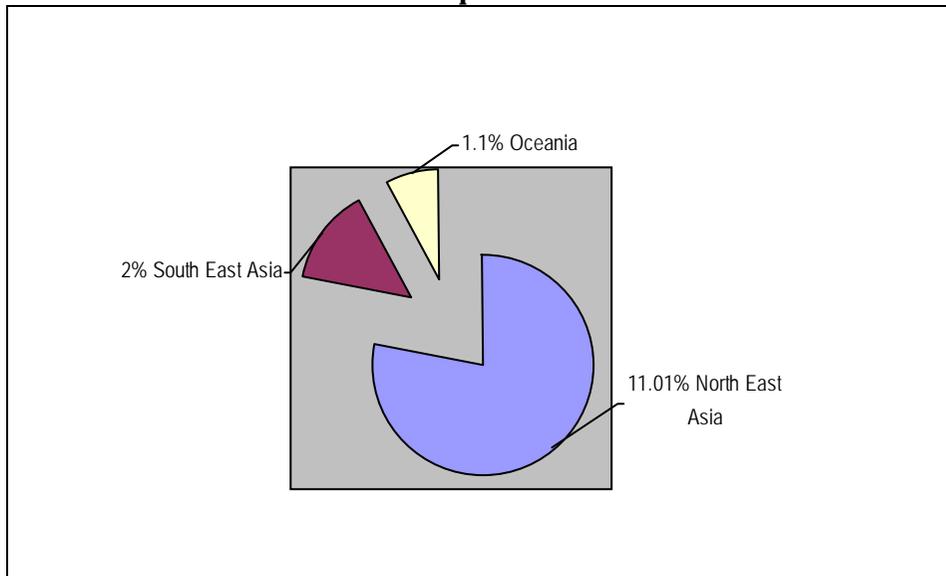
Chart 34: Pakistan's Trade with North East Asia, South East Asia & Oceania in 2004

(US\$ Million)

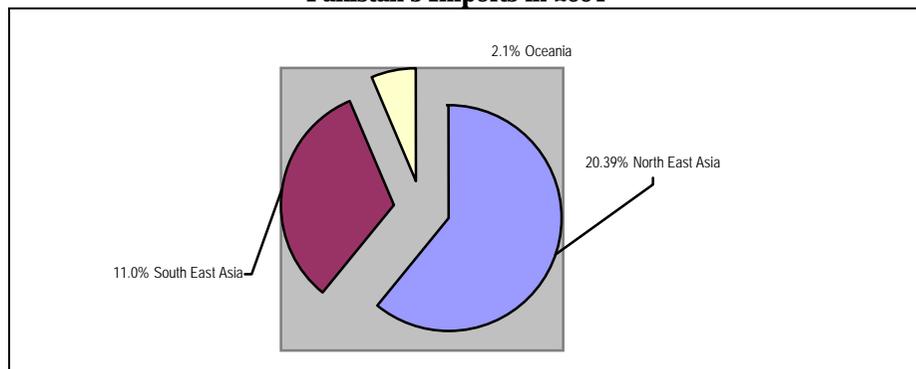


Note: North East Asia includes Japan, South Korea, North Korea, & Chinas (Mainland, Hong Kong-SAR, & Macao). South East Asia includes ten members of ASEAN. Oceania includes Australia and New Zealand. Source: IMF: *Direction of Trade Statistics, Quarterly June 2005*, 0p.cit.

Figure 1: Percentage Share of North East Asia, South East Asia, & Oceania of Pakistan's Exports in 2004



Source: Ibid.

Figure 2: Percentage Share of North East Asia, South East Asia, & Oceania of Pakistan's Imports in 2004

Source: Ibid.

Table 5: Pakistan's Largest Trading Partners in 2004

Ranking	Of Pakistan's Exports	Ranking	Of Pakistan's Imports
1	USA	1	China
2	UK	2	USA
3	Germany	3	Japan
4	Hong Kong	4	Malaysia
5	China	5	Singapore

Source: Ibid.

Table 6: The Inflow of FDI from North East Asia, South East Asia, & Oceania into Pakistan during 2000-05

(US\$ Million)

Region	2000	2001	2002	2003	2004	2005
North East Asia	33.5	25.6	30.7	28.9	39.3	104.7
South East Asia	0.5	4.9	13.3	3.9	0.5	10.7
Oceania	197.7	1.5	0.5	2.2	1.6	1.6

State Bank of Pakistan, *Foreign Private Investment in Pakistan*, 2005, op.cit**Table 7: FDI Partners of Pakistan from North East Asia, South East Asia, & Oceania during 2000-05**

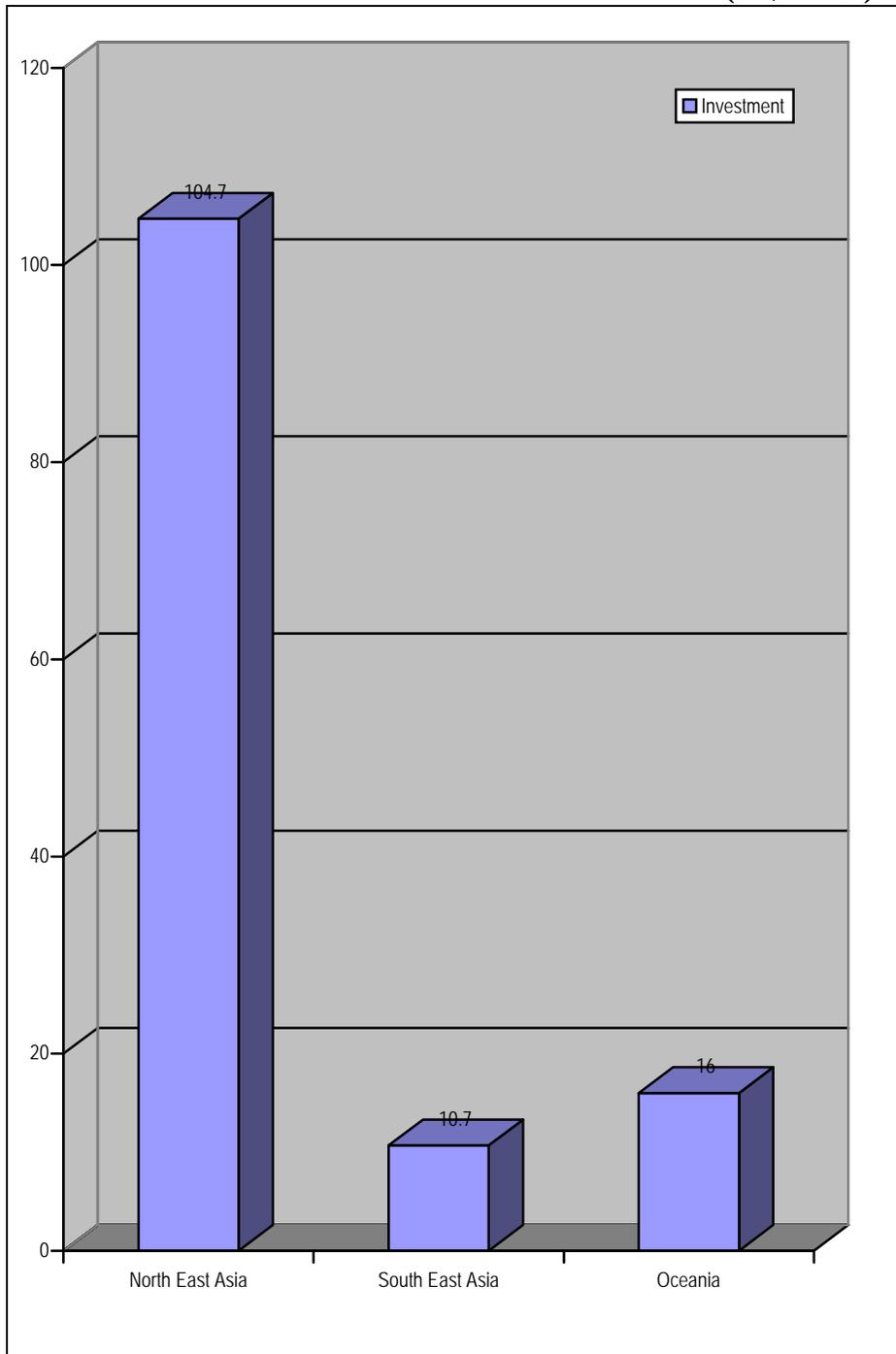
(US\$ Million)

	2000	2001	2002	2003	2004	2005
Australia	197.7	1.5	0.5	2.2	1.6	1.6
China	10.1	0.1	0.3	3.0	14.3	0.4
Japan	22.7	9.1	6.6	14.1	11.6	41.7
Hong Kong	0.5	12.7	23.4	5.2	5.0	61.2
South Korea	0.2	3.7	0.4	6.6	8.4	1.4
Singapore	0.5	4.9	13.3	3.9	0.5	10.7
Pakistan's Total FDI	543.4	182.0	474.6	820.1	921.7	1,676.8
FDI from East Asia & Oceania	231.7	32.0	44.5	35.0	41.4	117.0
% Share of East Asia & Oceania	42.6	17.5	9.3	4.2	4.4	6.7

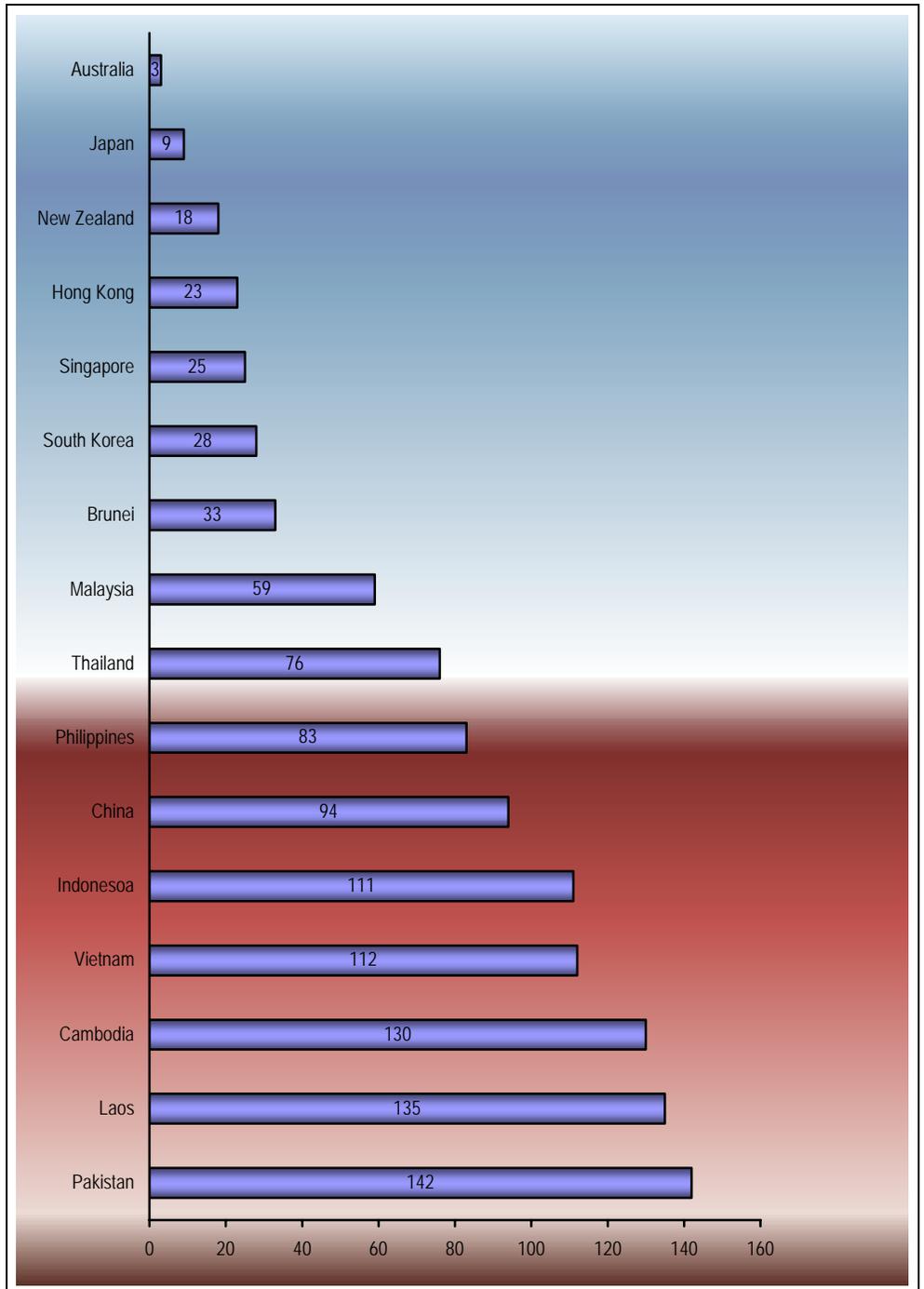
Source: Ibid.

Chart 35: The Inflow of FDI from North East Asia, South East Asia, & Oceania into Pakistan in 2005

(US\$ Million)



Source: State Bank of Pakistan, *Foreign Private Investment in Investment 2005*, op.cit.

Chart 36: HDI Ranking of Pakistan, East Asian, and Oceania Countries

Source: UNDP, op.cit.

Table 8: Population

(Million People)

<i>Countries</i>	<i>Population</i>
<i>Australia</i>	19.5
<i>Brunei</i>	0.3
<i>Cambodia</i>	13.8
<i>China</i>	1,294.9
<i>Hong Kong</i>	7.0
<i>Indonesia</i>	217.1
<i>Japan</i>	127
<i>Laos</i>	5.5
<i>Macao</i>	
<i>Malaysia</i>	24.0
<i>Myanmar</i>	48.9
<i>New Zealand</i>	3.8
<i>Pakistan</i>	149.9
<i>Philippines</i>	78.6
<i>South Korea</i>	47.4
<i>Singapore</i>	4.2
<i>Thailand</i>	62.2
<i>Vietnam</i>	80.3
<i>Total</i>	2,586.1

Source: Ibid.

Table 9: Ten Most Populated Countries in 2002 & 2015

(US\$ Million)

<i>No</i>	<i>Countries</i>	<i>Population</i>	<i>No</i>	<i>Countries</i>	<i>Population</i>
1	<i>China</i>	1,294.9	1	China	1,402.3
2	<i>India</i>	1,049	2	India	1,246.4
3	<i>USA</i>	291	3	USA	329.7
4	<i>Indonesia</i>	217.1	4	Indonesia	250.4
5	<i>Brazil</i>	176.3	5	Pakistan	204.5
6	<i>Pakistan</i>	149.9	6	Brazil	202
7	<i>Russia</i>	144.1	7	Bangladesh	181.4
8	<i>Bangladesh</i>	143.8	8	Nigeria	161
9	<i>Japan</i>	127.5	9	Russia	133.4
10	<i>Nigeria</i>	120.9	10	Japan	127.2

Source: Ibid.