Z. A. Bhutto's Cabinet: A Study of Its Role in Formulation of Economic and Foreign Policy, 1971-1977

Zulfikar Ali Bhutto's period is very important from the point of view of economic and foreign policy formulation process as Pakistan had to redefine some principles and to identify new methods to deal with the issues. Pakistan was truncated after the loss of East Pakistan in 1971 and needed new and better policies. This paper is an attempt to study the role of the Institution of Cabinet in designing economic and foreign policy in new circumstances. It also studies how power was shared by the Prime Minister and his Cabinet while formulating Pakistan's economic and foreign policy. It also looks into the matter that the Cabinet of Z. A. Bhutto which was powerful to deal with the economic affairs was not given leverage in dealing with the foreign policy matters. Economic Ministries including Finance, Economic Affairs, Industries, Commerce and Trade were dominated by the leftist Ministers till 1974 and by the rightist in later years. At the same time, Prime Minister decided some crucial foreign policy matters especially related to India, sometimes, without prior involvement of the Cabinet in deciding post-war issues. The paper has been divided into two parts: Part I deals with the Cabinet's contribution in economic policy arena and the Part II deals with the role of the Cabinet in foreign policy formulation process.

This research paper has been mostly produced on the basis of primary source material which includes the record of the Cabinet meetings; its minutes, summaries and working papers presented to the Cabinet, and decisions, record of the meetings of the Cabinet Committees, Ministries of the Economic and Foreign Affairs and of the Governors' Conferences. It further includes the record of the National Assembly's Proceedings and Debates, biographies of various Ministers of the era and the works produced by Zulfikar Ali Bhutto himself and by his various Ministers on the working of his government. A lot of secondary works, produced by national and international scholars have also been consulted to evaluate and analyze the related facts.

Part I: Cabinet and Economic Policy

Pakistan's economy was facing acute problems at the time of the transfer of power to Bhutto due to 1971 war, separation of East Pakistan and bad governance of Yahya's regime. Industrial production had declined, while agricultural production remained static. Global inflation affected badly on the economy of Pakistan, which had inherited foreign debt worth \$600 million. One immediate problem, faced by Bhutto's government, was devaluation of Pakistani currency.

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The new Cabinet had complete program of reforms on the basis of socializing the economy, minimizing inequality in society and curbing "the concentration of wealth" in few hands. It included increased wages, job security, agenda to rural economy and social service packages including education, health and housing. Cabinet formed Economic Institutions to have complete control on policy formulation and designed industrial, agricultural and business policy.

Cabinet-Oriented Economic Institutions and Planning

Cabinet-oriented institutions were established immediately establishment of the government. These institutions included Economic Coordination Committee of the Cabinet (ECCC), Executive Committee of the National Economic Council and National Economic Council (NEC) itself. ECCC was chaired by Mubashir Hasan, Minister of Finance and included Ministers of Industry, Commerce, Agriculture, Communication, Production and Planning. All economic matters except taxation, budget and pricing of agricultural produce came under its jurisdiction. It met once a week and most of the issues were decided by it. Final approval was taken from the Cabinet who sometimes did not approve the plans. VI It decided that besides national insurance companies, international insurance companies must also be nationalized but Cabinet did not indorse this plan. NEC was chaired by President Bhutto and seconded by Mubashir Hasan.vii Periodical reports on the implementation of major decisions of the NEC, Cabinet and Governors' Conference were submitted to it. The intention was to keep the Cabinet informed of such decisions. viii

The Council of Common Interests was a new economic institution established under Article 153 of the 1973 Constitution. Its purpose was to safeguard economic interests of all the provinces and to regulate economic policies. It was comprised of Bhutto as chairman, Federal Cabinet Ministers and Provincial Chief Ministers. As Provincial Chief Ministers were of Pakistan People's Party (PPP), Federal Cabinet Ministers were also of PPP and Bhutto was leading this Council, so there was always a one-way political cum economic communication, from Centre to the Provinces. ix

Planning Commission was the least effective institution during the Bhutto regime. Its powers were curbed due to influence of the leftist Ministers in the Cabinet and restructuring of the civil bureaucracy. Its chairman Qamar ul Islam was dismissed and it became only a division of Ministry of Finance. Planning Commission was assigned new responsibility to prepare a document which defined short medium and long range goals to achieve and introduce socialist economy in the country. This Commission was totally overlooked while introducing policies in the later period. The long gestation projects including nuclear plant, steel mill etc. were approved by the Cabinet without having formal feasibility studies of the Planning Commission. Only one major task assigned to it was preparation of the Fifth Five Year Plan in later years which was not implemented.

Bhutto's Cabinet stopped introduction of the Fourth Five Year Plan, whose "draft documents were already in circulation." In place of Fifth Year Plan, Two Year crash plan was introduced to explore new West Asian Markets. The second type of Plan, introduced during this period, was Annual Development Program. 134

One Plan was introduced for Baluchistan in 1974. It was of an overall size of Rs. 18 crore added with additional grant of Rs. 1.40 crore. It included development projects in the fields of water, agriculture, physical planning, housing, industry, education, health, communication, transport, manpower, studies and research. xvi

Industrial Policy

The Federal Cabinet introduced no other major industrial policy except nationalization. Industry of different categories was nationalized in three steps. The issue of nationalization was brought in the Cabinet meeting only after one day of its formation. Cabinet formed a committee of three Ministers, including Mubashir Hassan, J.A. Rahim and Kasuri to complete the homework for nationalization. The work was completed within few days and 34 industrial units of 10 categories were nationalized on January 2, 1972. Serious debate continued among socialist and rightist Ministers and Bhutto and bureaucracy on the question of nationalization of textile industry. Leftists Ministers were in favour of nationalization. Rightist element including Abdul Hafeez Pirzada and Maulana Kausar Niazi pressurized Bhutto to be slow in nationalizing the industry. Bhutto decided in favour of the latter group at the moment. Xix

Only management, not the ownership was nationalized. The Board of Industrial Management (BIM), created under chairmanship of Federal Minister of Production, looked after the management. This policy reduced the power of previous economic elites and gave authority to the leftist Ministers to introduce favorable policies for the benefit of workers. Burki claims that the new managers in all nationalized units were mostly dishonest. Anwar Syed opined that the poor performance was due to lack of experience, of marketing sense and over employment. Striil Both opinions are partially true.

Bhutto promised that there would be no more nationalization but a large number of medium-sized *ghee* industrial units were nationalized in August 1973. Mubashir Hasan blamed that private industrialists and businessmen were responsible for creating "a national crisis for personal advantage." He convinced Bhutto to nationalize vegetable oil industry. This wave of nationalization hurt the PPP constituency as it affected middle size and small industrialists also. Besides creating resentment, this group of industrialists pressurized Bhutto to reduce the influence of the left in economic decision-making. **xxxx**

The greatest blow on industrial policy of this regime was observed in 1976, when third round of nationalization was introduced. Rice husking, flour mills and cotton ginning units were nationalized due to which small level investment stopped coming to Pakistan. Unfortunately, no prior approval was taken from the Cabinet. Only some bureaucrats were taken into confidence including Secretary General of Finance, Food and Agriculture, the Cabinet Secretary and Feroz Qaiser special Assistant for Economic Affairs. Qaiser opposed it, who later was dismissed. Cabinet was informed besides the public, who endorsed it only formally and pointed out its negative impacts. The businessmen and industrialists who were affected by this wave of nationalization played important role in anti-Bhutto movement. The sum of the su

Landlord members of the Cabinet successfully introduced a pro-landlord policy for management of the industries. They created close links with the managers of three fourth nationalized units. It was for the first time that besides crop production, agro-based industry came under the control of feudal lords. This wave of nationalization was political in nature. Bhutto wanted support of the landlord in the next elections that is why he benefited them by handing over control of agro-based industries. The capital production in the next elections of the landlord in the next elections that is why he benefited them by handing over control of agro-based industries.

Over all industrial policy of this regime was anti investment. Tax holiday scheme for industry was abolished and no export subsidy was given for finished industrial goods. Import duty on finished goods was reduced and price control was instituted. As a result, private investment reduced. The existed investment shifted to small scale industry only but after the nationalization measures of 1976, small entrepreneurs were also discouraged. Public sector investment increased to 70 per cent due to structural changes in the economic system. Setting up of basic industries was the jurisdiction of Federal Government and provincial Governments could invest only in medium-sized and employment generated industries. XXXIII Labour reforms were introduced but not implemented properly as no institution was made responsible to implement medical, low-cost housing and free education reforms. XXXIII

Foreign investment decreased due to the policies of the government. **xxxv** Bhutto government gave message to foreign investors and internal investors in later years that the Bhutto government was neither anti-foreign investment nor anti-capitalist. This message of Bhutto could not help a lot for new investment. Wali Khan claimed that Federal Cabinet of Bhutto was not ready to support provincial governments in its effort to establish industry. Provincial government of NWFP (presently called Khyber Pakhtunkhwa) demanded tax-relaxation for small entrepreneurs, which was not approved by the Federal Cabinet. **xxxvii** Rana Mohammad Hanif, Finance Minister presented a summary regarding encouragement of private investment, but it was rejected by the Cabinet on the basis that no proposal contrary to Party's manifesto should be entertained and that the Cabinet would only encourage public sector investment. **xxxvii**

Trade and Business Policy

Cabinet introduced some drastic changes in import and export policy due to loss of East Pakistan and structural changes in the economic system. Export bonus scheme and multiple exchange rate systems were abolished in May 1972 and the currency was devalued.xxxviii Mubashir Hasan abolished the licensing system.xxxix Federal Cabinet held frequent meetings within few days in May 1972 to settle this single issue. Consensus could not be developed as different opinions emerged including 9.50 rupee per dollar and Rs. 10 per dollar. Finally the Cabinet meeting held on 11 May, approved the recommendations in the 21 page summary submitted by the Ministry of Finance. It approved the devaluation of Pakistani rupee to the exchange rate of 11 rupee per dollar.xl

The leftists Ministers wanted to bring trade of some major objects under government's control. Cabinet in its meeting held on April 18, 1972 decided that the import and export of pharmaceutical raw material would be made only through the Pakistan Trading Corporation. Contrary to the policies of Ayub Khan, import 136

duties were raised. This put a constraint on the industry oriented imports. Incentives were provided to maximize export which was favourable for agriculturists who could export raw material for better prices due to devaluation of currency in May 1972. After devaluation, Pakistan entered into a standby arrangement with the IMF for \$100 million and imposed export duties. **Iii Leftist Ministers in the Cabinet got approval of nationalization of some aspects of trade also in the second wave including nationalization of purchase of cotton from the growers, rice export trade and after some months the cotton export trade was also nationalized. **Iiii Exports of manufactured goods showed poor performance especially after 1974, largely due to exchange, trade and industrial policy. **Iiiv

Reform measures of the 1976 had an impact on the trade also. It diminished the power of *Arthis* (broker) who were blamed for taking profit from both consumer and farmers. Many *arthis* were medium sized farmers or operated medium sized industries. In place of *arthis*, 4000 officials were appointed by the government to look after the function of *arthis*. Most of them were inexperienced, inefficient and sometimes corrupt. They had close feudal connections. The breakdown of grain trade badly damaged the image of the government with the three segments of the society i.e. consumers, farmers and middlemen. This reform measure was not successful because of the lack of economic foresight. It turned both feudal and consumer dissatisfied. xivii

Table 2-c: Trade pattern in Rs (m), 1970-77

Year	Exports	Imports	Balance
1970/1	1998	3602	-1604
1971/2	3371	3495	-124
1972/3	8551	8398	153
1973/4	10161	13479	-3318
1974/5	10286	20952	-10666
1975/6	11253	20465	-9212
1976/7	11294	23012	-11718

Source: Government of Pakistan, *Pakistan Economic Survey*, 1995-96, Islamabad, 1996 cited in S.Akbar Zaidi, *Issues in Pakistan's Economy*. Karachi: Oxford University Press, 2009.

Agricultural Policy

Most of Bhutto's Ministers belonged to the urban areas and therefore were more interested in urban development. His Cabinet was divided on the issue of land reforms. The leftist Minister wanted pure socialist land reforms, but the rightist and landlord Ministers wanted a soft land-reforms package. Both of these elements were partially successful in introducing their desired reforms. The package was better than Ayub's land reforms, but was not radical. The major difference was that landlords were not given any compensation unlike Ayub's and the resumed land was divided amongst peasants without any payment. Under the reforms individual land ceiling was 150 acres of irrigated and 300 acres of unirrigated land. Khan Qayyum, Interior Minister, stated that the land reforms were like, "Charter of emancipation" for peasants. Mohammad Hanif, Minister of labour, said that the entire economic structure of the country would be revolutionized.

A mixed reaction of Ministers on the issue of the implementation of reforms was noticed. Agricultural Minister Sheikh Rashid and some other leftists were happy on the introduction of the reform package, but some other political figures including Mustafa Jatoi, Minister of Political Affairs and Sadiq Hussain Qureshi ignored implementing the reforms. Cabinet was informed that small surrendered area would be available in Punjab for distribution. Situation in Sindh was satisfactory; however Baluchistan and NWFP were thought to be the troubled spots on the question of implementation of reforms, as the *Sardars* and *Khans* were not ready to surrender their lands without compensation. Police and local levies were deployed to look after the implementation.

Bhutto warned the Cabinet on December 14, 1973 that "...if the provincial governments did not act more vigorously, he might call for a new general elections." The Cabinet was blamed that the commission, formed under the chairmanship of Federal Minister for distribution of the resumed land, distributed the resumed land on the basis of favoritism and nepotism. Khalid Bin Sayeed holds the view that Bhutto, being landlord, did not wish to eradicate the system from Pakistan abruptly and at the same time wanted to give some benefits to the peasants so this type of reform package was introduced. Provincial assemblies passed amendment acts and provided a number of concessions to the landlords, so the average land ceiling remained very high.

Cabinet had started work on the abolition of the *Sardari* (feudalism) System in Baluchistan as early as 1972, but work continued with slow speed. Ivii The first step in this connection was taken in April, 1976 when *Sardari* Abolition Ordinance was issued. According to the Ordinance, the *sardars* (feudal) were not allowed to keep private jails and were debar from forcing anyone for free labor and payment of tribute. The ordinance, unfortunately, could not be implemented successfully. Iviii

The fourth Cabinet of Bhutto (1974-1977), mainly consisting of the rightist politicians and landlords, initiated some positive measures to increase agricultural yield as rural bias had been entered the decision-making process. lix Land revenue tax was abolished for all those peasants who held land under 25 acres and simultaneously it increased the ratio of tax for landlords, who owned more than 50 acres. According to Gustafson, it was meaningless as land revenue rate was only Rs. 12 per acre for first grade land and Rs. 2.43 for rain-fed land. lx A scheme of credit and loan was introduced and small farmers were given preference in giving agricultural credit. lxi Choudhury Mohammad Haneef Khan, Minister of finance told to the members of National Assembly on February 6, 1975, "...agricultural credit has necessarily to be provided to the farmers where it is most needed...Tractors, seeds, fertilizers etc., have necessarily to be linked with the credit." Prices of agricultural machinery were lowered in 1974-75. Agricultural Development Bank was under control of government which also controlled agricultural loans. Besides it, fuel was made available for agricultural machinery on subsidized prices. lxiii The prices of all types of fertilizers were reduced in November 1974, for at least the next six months. lxiv

All efforts of pro rural decision-makers were not successful due to floods, inflation and high increase in petroleum prices on international level. Pakistan's economy continuously went downward. Estimates about the yield of many crops proved wrong due to 'unforeseen circumstances.' Ixvi On the initiative of big landlords in the Cabinet, landlords held control on introduction of price policy and subsidies, the ownership of agro-industries and restructuring of local institutions. Owing to these policies, the middle-sized farmers turned against Bhutto. Ixvii

Some economic schemes including Rural Works Program and Peoples' Works Program were introduced. But these were not successful because of the less and inefficient rural administrative structure. Landlord-oriented Cabinet had taken a strange step of introducing land reforms. Two powerful feudal i.e. Malik Khuda Bakhsh Bucha and later Malik Hayat Muhammad Khan of Tamman were advisers to Bhutto.

Performance of the Cabinet

Most of the political scientists, biographers on Bhutto and historians on Pakistan including Burki, Saeed Sahfqat and Salman Taseer had agreed on the point that the role of leftists Ministers in the formulation of economic policy and planning was significant. Civil and military bureaucracy was nowhere in the decision-making. Louis D. Hayes added in the said opinion that Bhutto was more interested in international ventures and left the economic decision-making to the leftist members of his Cabinet who had introduced policies and plans of development. Anwar Syed's point of view is quite opposite to the above historians. He emphasized that it was Bhutto not the leftist Ministers who took many important economic decisions like nationalization. This study seeks the ground reality which lied in the middle-way. Both Prime Minister and his leftists Ministers introduced mutually decided and agreed economic policies and plans at least till October 1974 when Cabinet had Dr. Mubashar Hasan, J.A. Rahim, Sheikh Muhammad Rashid and Khursheed Hasan Meer. They all were firm and rigid

socialists and occupied important economic ministries. Mubashar Hassan, the finance Minister was more influential than the others. They all tried in their fields and capacities to fulfill PPP's electoral promise of socialism. Mubashir's plan to nationalize the entire industry was not approved by the Cabinet due to rightist elements in the Cabinet. Laxiii

After the reformulation of the Cabinet in 1974, landlords again got seats in the Cabinet. Almost all economic ministries were given to rightist Ministers. Rana Mohammad Hanif was appointed as Minister of Finance laxiv in place of Mubashar Hasan. Rafi Raza laxiv was appointed Minister of Production in place of J.A. Rahim. Another rightist Yusuf Khattack was appointed as Minister of Fuel, Power and Natural Resources. Feroz Kaiser was given charge of Ministry of Industry and Special Adviser to Prime Minister. Only one economic ministry, less influential, was given to leftist Minister i.e. Sheikh Mohammad Rashid who was Minister of Agriculture. Now, Ministers were without any defined economic ideology. Raxivi Bhutto was mostly guiding his Cabinet to introduce economic measures or was more prominent in economic decision-making than his Cabinet during the later years. His personality was far stronger laxiviii than his Ministers.

In place of following his socialist agenda, some grand projects of political nature, not of economic nature, were introduced in this period, which included establishing a Steel Mill in Karachi, construction of a Highway on the right bank of Indus River, Nuclear Power Plant and Sports complex in Islamabad. Such projects were very costly and due to these projects other fields of the economy were neglected.

Both Bhutto and his Cabinet were the final arbiter of all economic policies and actions of the government. The presence of the left wing Ministers influenced the economic policies of the government a lot. The first and second series of nationalization were strategic due to left wing Ministers, but the motives and effects of the third phase were ad hoc responses to various situations. "His moves became governed more by the need for survival and reelection than systematic application of his avowed principles." Some economists believe that plans of the hard leftist Ministers, especially of Mubashir Hasan, were the single most important reason for the failure of Bhutto's economic policies. The Cabinet of Bhutto had no comprehensive strategy for economic development and the socialist ideology was also not well developed. However, one important success of this period was that the economic policies decreased the concentration of wealth in few hands. [Ixxxiii]

The other negative element of Bhutto's economic policy was its reliance on foreign assistance. Pakistan's foreign debt was \$ 3.1 billion in December 1971 which rose up to \$ 6.3 billion in June 1977. In USA kept influencing on Pakistan's economy especially through IMF and the World Bank after exist of the leftist Ministers from the Cabinet. They, especially Mubashir Hasan, always resisted the policies initiated by the IMF and the World Bank including elimination of subsidies, rising of the prices of certain basic commodities and utilities. He always emphasized on the issue of "improved terms of trade rather than aid." Policy was changed after exit of the leftist Ministers and no more subsidies were given, prices of commodities also increased.

Part II: Foreign Policy

Bhutto, the ex-foreign minister of Pakistan and an expert in foreign policy matters, did not give hegemony to his Cabinet for dealing with the foreign policy formulation process. He was highly influential in this respect, so comparatively less foreign policy affairs were discussed or decided by his Cabinet. Bhutto brought the ideology of inter-dependence and bilateralism in Pakistan's foreign policy. During the 1971 war, he had reached the conclusion that super powers' approach towards Pakistan had been changed. USA, USSR, China and France had entered an era of détente. He believed that Pakistan must remain away from multilateral Alliances and Pacts. He adopted bilateral mode of solving problems and to deal with post 1971 war issues. He believed that breaking of close ties with the West and USA would enhance Pakistan's esteem. Consequently, Cabinet approved the decision of withdrawal of Pakistan from Commonwealth in January 1972 lxxxvii and from SEATO in November 1972. lxxxviii The ideology of Bhutto regarding foreign policy principles included "evolution of bilateralism, Third World mobilization through the creation of a new economic order, criticism of nuclear proliferation and establishment of special relations with the Muslim countries of the world on the basis of pan-Islamism." He believed that 'Pakistan must determine its foreign policy on the basis of its own enlightened national interest uninfluenced by the transient global requirements of the great powers.'

Bhutto further envisioned an independent foreign policy of Pakistan. While following this ideology, Bhutto recognized North Korea, East Germany, Government of Vietnam and Cambodia. He also developed close ties with China, the Palestine Liberation Organization (PLO), Romania and North Korea. Relations with Russia and Eastern European countries were also normalized quickly. The declassified Cabinet record had indicated that Bhutto's Cabinet discussed some important foreign policy issues including Simla Agreement, recognition of Bangladesh, Nuclear capability, Karakoram highway, Afghanistan issue and issues related to the Muslim countries.

Post 1971 War Issues and the Settlement

Z. A. Bhutto successfully handled post 1971 war issues. Simla Agreement was the first success of Bhutto's government in its foreign relations. Although only Bhutto was active to sign the Simla Agreement but he had support not only of the Cabinet but also of the other forces. Ministers delivered speeches in the National Assembly in support of the Simla Accord. Maulana Kausar Niazi said that in view of the prevailing circumstances and "in view of this principle that nothing against our will and our principles should be included in the accord, in my opinion, the accord is the great achievement." Bhutto's ideology of bilateralism had been successful at the moment. It started breaking the ice between both the countries.

President Bhutto was hopeful that issue of the return of the prisoners of War was easier to handle with than the withdrawal of troops from the borders. He said, "Prisoners cannot be kept indefinitely. Israel has not left an inch of Arab territory but they have returned all prisoners of war...We will certainly get back our

prisoners of war."xcii The said issue was discussed by Pakistani Minister of State for Defense and Foreign Affairs Aziz Ahmed and his Indian counter-part Swaran Singh met at Rawalpindi in July 1973. A joint statement was issued at the end that 'all the prisoners of war would be released except the 195' who were charged.'xciii The talks between India and Pakistan were resumed in Delhi. It was on the credit of Bhutto that the Delhi agreement was signed successfully.xciv 195 prisoners of war were kept back by Bangladesh for trial due to their war crimes. Later, they were also released as 'the Government of Bangladesh had decided not to proceed with the trials as an act of clemency'xcv due to the appeal of Pakistan's Prime Minister to 'the people of Bangladesh to forgive and forget the mistakes of the past.'xcvi Cabinet also discussed the details of the atrocities committed by 195 prisoners of war later in May 1974.xcvii

The recognition of Bangladesh was another important issue, faced by Bhutto. A debate on the question of recognition of Bangladesh was started on TV and Radio after March 7, 1973, under Cabinet's decision. The interviewer was carefully selected and properly briefed by Foreign Ministry. The Ministers, members of the Parliament from PPP and from Opposition benches were invited for discussion. The debate on the issue of recognition of Bangladesh was opened in the National Assembly as well which authorized the President to recognize Bangladesh. The decision of the recognition of Bangladesh was taken by the inner Cabinet of Bhutto and the whole Cabinet acknowledged it later. It was just before holding of the Islamic Summit at Lahore that the other Ministers including Maulana Kausar Niazi came to know about the decision.

The Cabinet discussed the issue of Nuclear Test of India in 1974 and adopted a formal policy. Under the Cabinet decision, high level move was started by Pakistan on the issue. Pakistan recorded its reaction and concern to United Nation's Secretary General. Foreign Secretary was sent to China, France and Britain to explain the situation. Bhutto visited Russia, whereas, Aziz Ahmad was given the task to open the question at meeting of Central Treaty Organization in Washington and to have discussions with US officials and then to visit Canada that had contributed a lot to Indian Nuclear capability. Bhutto himself wrote letters to many Heads of States. He further said that at Simla he did not sign 'No War Pact' with India due to unsettled dispute of Kashmir, and said that after the Nuclear testing it was impossible. ci

In response to this high level move of Pakistan, Mrs. Gandhi sent a personal letter to Bhutto through Swiss Embassy in New Delhi on May 22, 1974. Eli Bhutto kept bilateral relations between India and Pakistan alive but started work on gaining nuclear capability for Pakistan. This program was kept secret to a large extent and was never discussed openly in Cabinet meetings during Bhutto's period. He had doubt about some of his Cabinet colleagues and advisers 'regarding their contacts with USA.' Eli His Minister of Production, Rafi Raza had warned him of US wrath on nuclear issue but Bhutto did not move an inch from his decision. USA exerted great pressure on Pakistan regarding Nuclear power plant. Aziz Ahmad told the National Assembly of Pakistan on 1st June 1977 that US Secretary of State Henry Kissinger warned Pakistan on August 8, 1976 that if Pakistan would proceed "with the acquisition of the Nuclear plant, the US would cut off

military and economic aid to it." Bhutto had decisive power to deal with post war issues, but took his Cabinet in confidence when required.

Relations with USSR

Bhutto's government continuously tried to develop and to maximize cooperation with the USSR in economic fields. USSR provided support for oil exploration, provided relief to Pakistan's debt servicing position and converted commercial loans into state loans repayable in local currency, which were utilized for imports from Pakistan in Russia. Above all, Russia provided financial support for Steel Mill Project, for which West and USA were not ready to entertain. Russia was inspired by Bhutto Government's initiatives of nationalization, quitting of SEATO and Commonwealth, bilateralism and so on. Russia wanted less dependence of Pakistan on the Western block, so she helped Pakistan for acquiring self-dependence in industry of heavy machinery. Besides all this support from Russia, Pakistan resisted against the Russian offer of joining Asian Collective Security System, which was against containing China. Collective Cabinet decided not to criticize Russia in public.

Afghanistan and the other Muslim Countries

Since the days of his Foreign Ministership in Ayub's Cabinet, Bhutto had believed in close affinity with the Muslim countries. He said:

An essential feature of the foreign policy of Pakistan is its marked emphasis on the extensive civilization of Islam as a force of emancipation and progress. The nature of this emphasis has passed through its own variations from the earlier days of Islam in this subcontinent. The quality of belief and intensity of intellectual and spiritual pre-occupation with its objectives, however, have not been impaired by the passage of time.

The Cabinet also took interest to expand and consolidate Pakistan's relations with the Muslim world. Bhutto visited the Muslim countries immediately after coming into power and informed the Cabinet that he had explained Pakistan's stand on Bangladesh to the heads of Muslim countries who had shown great sympathy and understanding for Pakistan's cause for which they promised full support. He was warmly received by Iran, Turkey, Morocco, Algeria, Libya, Egypt and Syria. cx Under Cabinet's approval personal letters of the President were sent to the Presidents of Libya and Saudi Arabia through Minister of Information and Minister for Food and Agriculture respectively. exi His government formed a new channel to get aid for Pakistan and foreign policy took another turn. Mirage Fighter Aircraft Rebuilding facility was set up with the financial support of Libya. The Indus highway, Lowari pass Tunnel and the nuclear power development programs are some other examples in this regard. exii Especially, close relations were developed with the oil-rich West Asian Muslim countries, where a large number of Pakistani manpower was adjusted who became a major source of income for Pakistan in the form of foreign exchange earnings. 'Pakistan began to exploit Islamic ideology to signify and strengthen its relationship with these countries.'cxiii It was on the credit of Bhutto's government that the International Islamic Conference was organized at Lahore in February 1974. Thirty seven Muslim countries participated in it. Defense related exchange programs increased with the Gulf States and Saudi Arabia. Pakistan provided best training opportunities to Officer Corps of these Muslim countries.

Cabinet, however, was taken into confidence on issue of Afghanistan. Pakistan's relations with Afghanistan were strained since beginning. Cabinet decided to hold a detailed discussion on the subject of Pakistan-Afghanistan relations with the view to explore the possibilities of improving the present situation. The Minister of State for Foreign Affairs was engaged in preparing a comprehensive paper dealing with all aspects of Pakistan's relations with Afghanistan. The said paper after preparation was circulated in December 1972 for eliciting views of the Ministries and agencies concerned. An inter-Ministerial meeting was convened on March 9, 1973 after receiving the views in order to devise an agreed upon line of approach. President also gave his views on the paper before its submission to the Cabinet for formal discussion. Cxvi

Maulana Kausar Niazi, Minister of Information and Broadcasting prepared a proposal for All Tribes Jirga with the help of his Ministry. It was mentioned in the proposal that Kabul was propagating Jirga of tribal areas and criticized "Pakistani government and its policies towards *Pukhtoons* and *Baluchis*." The propaganda targeted to mislead the people and their opinion. It was suggested by Niazi that with a view to project unanimous support of all the tribesmen of tribal areas an all tribes *Jirga* might be held at Peshawar in August 1974. The proposed Jirga may be participated by Tribal elders of tribal areas, leading Ulema and religious divines of tribal areas, prominent tribal writers and poets and Prime Minister of Pakistan as chief guest. This proposal was countered by Minister of Interior, Chief Ministers of NWFP and Baluchistan in separate letters. President accepted their opinions that undue attention to tribal people and *Sardars* would create further problems, so the idea of tribal *Jirga* was dropped.

Propaganda for Pukhtunistan was still alive in Afghanistan, especially after Sardar Daud's coming into power in result of 1973 coup. Bhutto quickly recognized the new regime, with the approval of his Cabinet. Carrot and stick policy was adopted to deal with Afghanistan. On the one side good-will messages were sent to Sardar Daud and his appointment was recognized on July 22, 1973 and on the other side, Kabul was warned that if it revived Pakhtunistan issue and created problems on the border 'Pakistan would take care of it.' Example 21. Created problems on the border 'Pakistan would take care of it.' government continued its struggle to improve relations with Afghanistan; trade facilities were increased for Afghan traders, relief supplies were sent to Afghanistan during famine of 1972-73 and in 1976 when earthquake damaged Afghan economy a lot. Pakistan reached to a limited understanding with Afghanistan on June 10, 1975, on the principles of peaceful co-existence e.g. noninterference in each other's internal Affairs and sovereignty and respect for territorial integrity. cxxi Relations between the two countries were so deteriorated in the early months of 1976 that Cabinet decided that Pakistan should be fully prepared for an Afghan attack or subversion in NWFP and Baluchistan. cxxii Later Bhutto visited Afghanistan in 1976 and found Mohammad Daud as receptive towards peace efforts of Pakistan. Pakistan also suspended propaganda attacks on Kabul. Daud also visited Pakistan after two months. The early years of Bhutto regime observed working relations with Afghanistan, in the words of Abdul Hafeez Pirzada, cxxiii which transformed into promising terms in 1977. cxxiv

Bhutto's foreign policy was productive for Pakistan. He had emerged as a successful Muslim leader in the world. At the same time his bilateral foreign policy was criticized by USA. "Some American officials considered it smokescreen to cover Bhutto's desire to improve Pakistan's relations with the Communist World. Bhutto's reference to Islamic socialism, his strengthened ties with China, his attempted rapprochement with Moscow, his championing of Muslim causes, especially the matter of Palestine and Jerusalem, the alacrity with which he adopted any emotional Third World demand and no doubt most important his insistence on the production of an 'Islamic bomb' as well as the criticism his government leveled against the United States, was all the evidence needed to prove Bhutto was no friend of the United States." Military was not directly involved in Foreign Policy formulation process. He attempted to convey that "whereas the earlier military regimes in Pakistan had subordinated Pakistan's national interests, under the civilian regime, a change in the new direction was taking place."cxxvi Decision-making power regarding foreign policy issues resided with Bhutto mostly.

Conclusion

It is concluded here that Bhutto's Cabinet was very active in designing economic policy matters. The left-oriented Cabinet which mostly consisted of urban professionals and dominated the Cabinet till 1974, introduced socialist measures such as nationalization, land reforms and so on. The leftist Ministers usually introduced urban-based economic policies and neglected agricultural development. However, the rightist, mostly land lord, Ministers dominated the Cabinet from 1974 to 1977 and introduced pro-rural policies. Agriculture developed mostly after 1974. Besides agriculture, they also controlled manufacturing industry and its trade. The dominance of one or the other group in the Cabinet had an impact on the economic policy to a large extent. If Cabinet was not playing its part in the economic policy making, the change of the groups in the Cabinet could not have an impact on the economic policies. Whereas, it is found that the institution of Cabinet was not very active in formulation of foreign policy as Bhutto himself was highly interested in analyzing World affairs and in deciding foreign policy matters. He believed that everyone could 'put in his weight....But essentially when it comes to the real decision, I am in charge of affairs.'cxxvii Still, it is on credit of Bhutto that military was kept at a reasonable distance regarding foreign policy formulation process. Post 1971 War issues, designing policy towards India, USSR and the Muslim countries were successfully dealt by him. However, he took the Cabinet into confidence to decide the issues related to Afghanistan. Cabinet of Bhutto who had great influence in designing economic policy, enjoyed less share in formulation of foreign policy principles and in dealing with issues related to neighboring and other countries.

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ii Saeed Shafqat, *Political System of Pakistan and Public Policy: Essays in Interpretations* (Lahore: Progressive Publishers, 1989), 125.

iii Gilbert T. Brown, "Pakistan's Economic Development After 1971" in *Pakistan the Long View*, ed. Lawrence Ziring (Durham: Centre for Commonwealth and Comparative Studies, 1977), 187.

^{iv} Decision of the Governors' Conference, 2 January 1972, 20/CF/72, National Documentation Centre (NDC), Islamabad.

^v Charter of Economic Coordination Committee of the Cabinet, 17/CF/74, NDC, Islamabad. The details of charter are given in this file.

vi Mubashir Hasan, *The Mirage of Power: An Inquiry into the Bhutto Years 1971-1977* (New York: The Oxford University Press, 2000), 45.

vii He was appointed as Deputy Chairman after dismissal of Qamar ul Islam. Shahid Javed Burki, *State and Society in Pakistan 1971-1977* (London: Macmillan, 1980), 113.

viii Cabinet Meeting (Mtg), 27 May 1972, 369/CF/71/II, NDC, Islamabad.

^{ix} Asaf Husain, *Elite Politics in an Ideological State* (Kent: Dawson and Sons Ltd., 1979), 151.

^x Viqar Ahmad and Rashid Amjad, *The Management of Pakistan's Economy 1947-82* (Karachi: OUP, 1984), 58 and Parvez Hassan, *Pakistan's Economy at the Crossroads: Past Politics and Present Imperatives* (Karachi: Oxford University press, 1998), 218.

xi Louis D Hayes, *The Struggle for Legitimacy in Pakistan* (Lahore: Vanguard, 1986), 237.

xii Ibid., 146 and Parvez, Pakistan, Economy, 228.

xiii W. Eric, Gustafson, "Economic Problems of Pakistan under Bhutto," *Asian Survey 16* (April 1976): 367.

xiv Nayak, Pakistan: Political Economy, 114.

xv Ibid.

xvi Working Paper on the implementation of the Annual Development Plan 1973-74 in Baluchistan, 221/CF/74, NDC, Islamabad.

xvii Hasan, The Mirage of Power, 37.

xviii Its output was not more than 12.8 percent of the gross domestic product. Anwar H. Syed, *Pakistan: Islam, Politics and National Solidarity* (New York: Praeger, 1982), 121; Ian Talbot, *Pakistan: A Modern History* (Lahore: Vanguard Books, 1999), 233.

xix Burki, State and Society, 115.

xx Ibid., 132. Later 10 basic nationalized industries were regrouped and reorganized into 10 Corporations.

xxi Hayes, The Struggle for Legitimacy, 238

xxii Burki, State and Society, 117.

xxiii Syed, *The Discourse and Politics of Zulfikar Ali Bhutto*, (New York: St. Martin's Press, 1992), 122.

xxiv Prices of edible oil increased due to increased international oil prices, heavy floods, crops failure and shortage of consumer goods. *Pakistan Times*, 17 August 1973 and Interview with Mubashir Hasan, 4-k, Gulberg II Lahore, 29th March 2010.

xxv Burki, State and Society, 117. Almost similar account is given by Syed, The Discourse and Politics, 121.

xxvi Written by Rafi Raza who was Federal Minister at that time in his book: Rafi Raza, *Zulfiqar Ali Bhutto and Pakistan 1967-1977* (Karachi: Oxford University Press, 1997), 284.

xxvii Ibid., 285.

xxviii Burki, State and Society, 159-161.

xxix Parvez Hasan, Pakistan's Economy, 211.

xxx A.R. Kemal, "Pattern and Growth of Pakistan's Industrial Sector," 50 Years of Pakistan's Economy: Traditional Topics and Contemporary Concerns, ed. Shahrukh Rafi Khan (Karachi: Oxford University Press, 2006), 154.

xxxi John Adams and Sabiha Iqbal. *Exports, Politics and Economic Development in Pakistan* (Lahore: Vanguard, 1986), 30 and Mohammad Waseem, *Politics and the State in Pakistan* (Islamabad: NIHCR, 1994), 308.

xxxii Parvez Hasan, *Pakistan's Economy*, 208 and Ishrat Husain, *Pakistan: The Economy of an Elitist State* (Karachi: The Oxford University Press, 2002), 92-93.

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xxxiv Waseem, Politics and the State, 299.

xxxv Robert Laporte Jr., *Power and Privilege: Influence and Decision-Making in Pakistan* (Berkley: University of California Press, 1975), 110.

xxxvi Khan Abdul Wali Khan, *Aasal Haqaiq Yai Hain(Urdu)* (Karachi: Shabul Publications, 1988), 38.

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- xxxix Waseem, *Politics and the State*, 308; Gilbert T. Brown, "Pakistan's Economic Development After 1971," *Pakistan The Long View*, ed. Lawrence Ziring, 176.
- xl Mubashir Hasan, *The Mirage of Power: An Inquiry into the Bhutto Years 1971-1977* (New York: The Oxford University Press, 2000),
- xli Dawn, 19 April, 1972.
- xlii Hasan, The Mirage of Power, 184.
- xliii Gustafson, "Economic Problems of Pakistan," 365.
- xliv Parvez Hasan, Pakistan's Economy, 204.
- xlv Charter of the ECCC, 17/CF/74, NDC, Islamabad.
- xlvi Gustafson, "Economic Problems," 378.
- xlvii John Adams and Sabiha Iqbal. *Exports, Politics and Economic Development in Pakistan* 9Lahore: Vanguard, 1986), 86.
- xlviii Talbot, Pakistan: A Modern History, 230.
- xlix Bruce J. Esposito, "The Politics of Agrarian Reform in Pakistan," *Asian Survey* 14 (May 1974): 433
- ¹ Ibid.
- li Raza, Zulfiqar Ali Bhutto, 149.
- ^{lii} Secret Working Paper on Law and Order situation in West Pakistan: Prepared for Governors Conference dated 21 March 1972, 128/CF/72-V, NDC, Islamabad.
- hiii Anwar H. Syed, "The Pakistan Peoples Party; Phase One and Two," in Pakistan: The Long View, 113.
- liv Ronald J. Herring, "Zulfikar Ali Bhutto and the Eradication of Feudalism in Pakistan," *Comparative Studies in Society and History 21* (October 1979): 554 and almost similar opinion is given by Mohammad Asghar Khan, *Generals in Politics*, *Pakistan 1958-1982*. (New Delhi: Vikas Publishing House Pvt Ltd, 1983), 55.
- ^{lv} Khalid Bin Sayed, *Politics in Pakistan: The Nature and Direction of Change* (New York: Praeger, 1980), 923.
- $^{\mathrm{lvi}}$ Mohammad Waseem, Pakistan under Martial Law 1977-1985 (Lahore: Vanguard, 1987), 303.
- lvii . Cabinet was informed that the concerning file had been sent to law division for legal procedure. Cabinet Mtg, 4 August 1972 and Mtg in May 1974. 228/CF/74, NDC, Islamabad.
- lviii Shafqat, Civil-Military Relations, 154.
- lix Burki, State and Society, 155.
- lx Gustafson, "Economic Problems," 369.

lxv Surendra Nath Kaushik, *Pakistan under Bhutto's Leadership* (New Delhi: Uppal, 1985), 236-37 and Aftab Ahmad Khan, "Economic Development," *Pakistan in Perspective 1947-97*, ed. Rafi Raza (Karachi: Oxford University Press, 1997), 202. The GNP decreased from the envisaged growth of 10 percent to 44 percent. The average growth of GDP was 4.2 percent.

^{lxvi} National Assembly of Pakistan Debates, Vol. II, No. II, Sheikh Mohammad Rashid, Minister of Agriculture, starred Question and Answer, 4 February 1975, 27.

lxix Lawrence Ziring, Ralph Braibanti, and Howard Wrggins., eds. *Pakistan: The Long View* (Durham: Centre for Commonwealth and Comparative Studies, 1977), 188 and Salman Taseer, *Bhutto: A Political Biography* (London: Itoaca Press, 1979), 168.

he was a mild natured lawyer from Sahiwal, a city of medium sized industry and without a powerful group of urban intelligentsia. Here owners and operators of small industries, merchants, shopkeepers and farmers were influential group. These classes were happy with his appointment. Eric Gustafson claims that he was low-profile. W. Eric Gustafson, "Economic Problems of Pakistan under Bhutto," *Asian Survey 16* (April 1976): 366.

lxxvii W. Eric Gustafson, "Economic Problems of Pakistan under Bhutto," *Asian Survey 16* (April 1976): 366.

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^{lxi} Cabinet Mtg, 20 November 1974, 444/CF/74 and Lawrence Zirnig, *Pakistan in the Twentieth Century: A Political History* (Karachi: Oxford University Press, 1997), 403.

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lxiii Burki, State and Society, 158.

lxiv Cabinet Mtg, 20 November 1974, 444//CF/74, NDC, Islamabad.

lxvii Burki, State and Society, 156.

lxviii Ibid., 141.

lxx Hayes, The Struggle for legitimacy in Pakistan, 237.

lxxi Syed, The Discourse and Politics of Zulfikar Ali Bhutto, 125.

lxxii Shafqat, Civil Military Relations, 116,

lxxiii Burki, State and Society in Pakistan, 115.

lxxv He was a lawyer, a rightist, member of Senate, not a politician.

lxxvi He was a certified Accountant from Karachi and rightist.

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lxxx Ibid.

lxxxi Omar Noman, *Pakistan: Political and Economic History Since* 1941 (London: Kegan Paul International, 1980), 75.

lxxxii Adams and Iqbal, Export, Politics, 77 and Omar, Pakistan: A Political and Economic, 75.

lxxxiii Ibid., 84.

lxxxiv Nayak, Pakistan: Political Economy, 120.

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lxxxviiiIbid., 60.

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xcSaeed Shafqat, *Political System of Pakistan and Public Policy: Essays in Interpretations* (Lahore, Progressive Publishers, 1989), 256.

xci National Assembly of Pakistan Debates, Vol. II, No. 3, 12 July 1972, 302.

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xciv Ahmed Raza Khan Kasuri, *Idhar Tum Udhar Hum: An Historical Document*, (Lahore: Britannica Publishing House, nd), 339.

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^c Kausar Niazi, *Zulfiqar Ali Bhutto of Pakistan: The Last Days* (New Delhi: Vikas Publishing House, 1992), 10.

^{ci}Keesing's Contemporary Archives, June 24-30 1974,26585 and Interview of Zulfikar Ali Bhutto to Mr. Khushwant Singh, Editor of *Illustrated Weekly of India*,

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- civInterview of Rafi Raza with Ian Talbot, Pakistan-A Modern History, 238.
- cv National Assembly of Pakistan Debates, Vol.V, No.3, 10 June 1977, 203.
- ^{cvi}Niloufer Mahdi, *Pakistan's Foreign Policy 1971-1981: The Search for Security* (Lahore: Ferozsons, 1999), 232.
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- cviiiCabinet Mtg, 23 August 1974, 266/CF/74, NDC, Islamabad.
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- cxivShafqat, Political System of Pakistan, 257.
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