

Testimony of Lawrence Korb
Senate Foreign Relations Committee
Subcommittee on International Development and Foreign Assistance December 6, 2007

Chairman Menendez, Ranking Member Hagel, and members of the Senate Foreign Relations Subcommittee on International Development and Foreign Assistance, I appreciate the opportunity to appear before you with these distinguished experts to discuss the critical subject of reassessing our foreign assistance to Pakistan. I cannot think of any issue more important to our future security and I commend you for holding this hearing.

Recent developments in Pakistan are deeply troubling to U.S. interests both in the country and in the region. Without question, Pakistan is at best a difficult ally and poses some of the most complex and dangerous challenges to the security of the United States. Not only is it a nuclear-armed state and a nuclear proliferator, but it has allowed Al Qaeda and the Taliban to establish safehavens in its territory from which it is able to conduct terrorist operations in Afghanistan, Pakistan, and around the world. Furthermore, Pakistan faces growing instability as extremist elements have gained control in the border regions and as democratic forces finally begin to challenge President Musharraf's increasingly autocratic rule.

The Bush administration has been a steadfast supporter of President Musharraf since he said he would help the United States in our war against the Taliban and Al Qaeda following the September 11 attacks. Since that time, the United States has provided nearly \$11 billion in aid to Pakistan, mostly to the Pakistani military to support what can only be described as a discombobulated policy.

I believe that the policy of the Bush administration toward Pakistan is no longer serving U.S. national security interests; nor is it aligned with the values for which our country stands. Part of the problem with our policy is how we, and ultimately the Pakistanis, allow our aid to be allocated. Congress must rethink its U.S. aid package. While not the only factor, this aid gives us some leverage to influence events in Pakistan and enhance our security interests.

Before providing a short list of recommendations on future foreign assistance, I will outline briefly the history of U.S. aid to Pakistan, and analyze current aid levels to Pakistan. This will place these recommendations in their proper context.

History of U.S. Aid to Pakistan

Over the past half century, the United States' assistance to Pakistan has been intermittent. As a result of a 1954 mutual defense assistance agreement, the United States provided nearly \$2.5 billion in economic aid and nearly \$700 million military aid to Pakistan between 1954 and 1964. (Since the United States first began its aid program to Pakistan, our assistance has come in many forms from a number of different agencies. Throughout the report, I have broken down our aid assistance into two broad categories: wide-ranging economic aid and purely military aid. It is important to note that the category of

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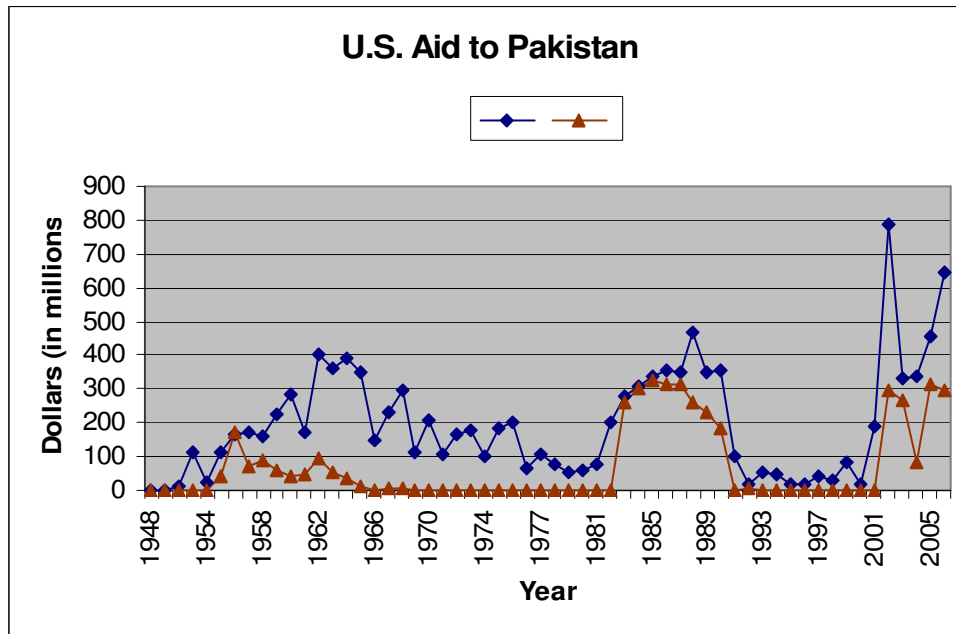
economic aid includes large amounts of Security Support Assistance, or SSA, as well as other security-related loans and grants.)

The Indo-Pakistani conflicts of 1965-1971 led the United States to suspend nearly all aid to Pakistan, as well as to India, assisting them almost exclusively with economic aid for the next 15 years (\$1.45 billion in economic aid, \$26 million in military assistance from 1965-1971; \$1.1 billion in economic aid, \$2.9 million in military assistance from 1972-1979).

Chart 1: U.S. Aid to Pakistan (All numbers are in millions, historic dollars)

Blue: Economic Aid

Red: Military Aid



In 1979, the Carter administration suspended all aid to Pakistan--except for food aid--because of Pakistan's development of a uranium enrichment facility. With the invasion of Afghanistan by the Soviet Union, U.S. assistance again increased dramatically, and this high level of aid continued throughout the 1980s as Pakistan became the intermediary and central staging ground for covert U.S. support to anti-Soviet forces in Afghanistan. Aid rose from around \$60 million in economic and development assistance in 1979 to more than \$600 million per year in the mid-1980s. In total, the United States gave \$3.1 billion in economic assistance and \$2.19 billion in military assistance from 1980 until 1990.

¹ USAID Greenbook of Foreign Assistance. All figures are in millions of dollars. All figures are in historic dollars. <http://quesdb.cdie.org/gbk/index.html>

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Even while the United States was pumping large amounts of aid into Pakistan and Afghanistan to help defeat the Soviets, concern within the United States about Pakistan's nuclear ambitions led Congress in 1985 to pass the Pressler amendment to the Foreign Assistance Act. The Pressler amendment required the president to certify that Pakistan did not have a nuclear weapon for the fiscal year in which aid was to be provided. Throughout the 1980s, President Reagan and George H.W. Bush certified that Pakistan did not; however in 1990 the elder President Bush refused to confirm that Pakistan did not have nuclear technology, and as a result most economic and all military aid was cut off. Aid to Pakistan dropped dramatically from 1991 to 2000 to a mere \$429 million in economic assistance and \$5.2 million in military assistance. The United States blocked delivery of major military equipment, including approximately 28 F-16 jets that Pakistan had already purchased. Pakistan continued to receive only a small amount of economic assistance, mostly in the form of food aid and counternarcotics support. Aid to Pakistan was further restricted after its 1998 nuclear tests and General Musharraf's 1999 coup.

Not surprisingly, this on-again, off-again history of U.S. assistance has left the people of Pakistan and its leaders with serious concerns about the depth and reliability of the U.S. commitment to their wellbeing. This was especially true after the withdrawal of the Soviet Union from Afghanistan in 1988 and the end of the Cold War when many leaders in this country mistakenly concluded that Pakistan had lost much of its strategic and geopolitical value. Aid levels reflected this belief. They dropped from \$726 million in 1988 to \$24 million four years later, after President George H.W. Bush refused to certify Pakistan did not possess a nuclear weapon. This has led many Pakistanis to conclude that they could not count on us and that the United States is an unreliable ally at best.

Current U.S. Aid to Pakistan

Our current aid to Pakistan has been characterized by a lack of accountability, transparency, coordination, and shortsightedness. Immediate U.S. security-related goals, while critical in our efforts in the current fight against radical extremism, undermine and are often contradictory to our long-term strategic objectives for the country and the region. An analysis of where current U.S. assistance is going is an indication of our priorities and our long-term challenge in Pakistan.

The best estimate is that since 2001, the United States has given about \$10.6 billion dollars in foreign assistance to Pakistan. It appears to be distributed as follows:

- **60 percent** of U.S. aid has gone toward Coalition Support Funds (CSF). These funds are given to reimburse the government of Pakistan for its efforts in what the Bush administration labels the "Global War on Terrorism" (GWOT). They are considered by the U.S. administration to be a repayment rather than assistance. However, since there has been little accountability or transparency of this funding, it is uncertain if in fact these funds are being used to fight the GWOT.

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- **15 percent**, or close to \$1.6 billion, has been spent on security assistance. The Pakistanis have used the majority of these funds to purchase major weapons systems, such as F-16s, for possible use in a conventional war with India, the country they perceive as their major strategic threat.
- Another **15 percent** has gone toward budget support or direct cash transfers to the government of Pakistan. This money is supposed to provide macroeconomic stability and to free up funds for social spending, but few transparent accountability mechanisms are built in.
- The remaining **10 percent** has been used specifically for development and humanitarian assistance.

This breakdown makes it clear that the vast majority of current U.S. assistance goes to the Pakistani military. This is exactly the opposite of our aid policy prior to 2001, where military aid was the smaller portion. Comparatively little has gone toward economic development, institution building, or education assistance despite the fact that improvements in these fields are central to eradicating extremism, which thrives in the absence of development. The areas of most concern to the United States, the borderlands of Pakistan--where Al Qaeda and the Taliban thrive--have some of the lowest human development indicators in the world. Approximately 60 percent of the population lives below the national poverty line and female literacy is three percent in this area, among the lowest in the world. People's livelihoods in this area depend on subsistence agriculture and smuggling of items, such as opium and weapons.

It is also important to note that because of a lack of transparency, the exact amount of total aid to Pakistan is unknown. This lack of transparency is an enormous impediment to understanding not only our aid's ultimate destination but also its effectiveness. Furthermore, there is little coordination among the various agencies of the U.S. government which disperse aid to Pakistan. The various departments and agencies responsible for allocating aid to Pakistan are each responsible for only one aspect of the total program in Pakistan and oversee fragmented pieces of the overall assistance picture. While this practice is not limited to our aid to Pakistan, it is a part of a much larger problem which will be discussed later on in the recommendations section.

These problems notwithstanding, the magnitude of U.S. aid to Pakistan and the importance of Pakistan to U.S. national security demand that Congress answer the question: Is this aid advancing our long-term goals both within Pakistan in particular and the region in general?

To answer this question, it is important first to define current objectives for U.S. aid to Pakistan. The Bush administration's primary focus is on short-term military objectives,

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specifically counter-terrorism measures. These include the killing, capturing, and detaining of domestic and international terrorists. The priority given to this goal is reflected in the distribution of the aid package. As noted above, the vast majority of assistance is directed toward coalition-related activities in fighting terrorism, benefits to the Pakistani military in the form of security assistance, and direct cash transfers, to be used essentially at the government's discretion. In all, this represents an overwhelming proportion of the aid given since 9/11, which is 75 percent or some \$7.5 billion.

While the Pakistani security forces have provided some assistance in the killing and capturing of a number of high profile Al Qaeda terrorists and other militants, this purely militaristic approach has not been effective in defeating the extremists. In fact, as last summer's National Intelligence Estimate revealed, in the Pakistani borderlands Al Qaeda and the Taliban have reestablished their command and control and have reconstituted their training camps for suicide bombers and other extremists. Cross-border attacks into Afghanistan from Pakistan have increased dramatically in the last year. Moreover Talibanization is increasing all throughout Pakistan, as members of the Taliban have gained control in the Northwest Frontier Province and increased suicide attacks throughout the country.

The allocation of military aid by the Musharraf government has only compounded the problem. The government has committed an overwhelming portion of security-related aid to non-counterterrorism related programs and weaponry, which have little to do with U.S. national security. For example, instead of Pakistan spending the bulk of U.S. assistance on counterterrorism measures (such as training, hardware, and equipment) for regular and irregular Pakistani military forces, the vast majority of our foreign military financing (FMF) has gone toward the purchase of major weapons systems such as F-16 fighters and other aircraft, anti-ship, and anti-missile capabilities. In FY2006, Musharraf's government signed an arms deal with the United States for \$3.5 billion, making Pakistan the largest recipient of U.S. arms in the world in that year. This amount nearly matches the total value of all Foreign Military Sales (FMS) program purchases by Pakistan from the United States for the entire period from 1950 to 2001, in current dollars. These systems have no role in counterterrorism missions against Al Qaeda and the Taliban but are geared primarily to fight India, which Pakistan sees as its major conventional rival.

Apart from killing and capturing some key leaders, the Pakistani military has been very ineffective at meeting U.S. goals. In fact, on September 6, 2006, it actually signed a deal with tribal leaders in North Waziristan to withdraw the army and leave the area under the control of the militants. Three months later, Al Qaeda and the Taliban used this deal to consolidate their control over the tribal regions on the border with Afghanistan. It is only now, more than 6 years after the September 11 attacks, that the Bush administration, in collaboration with the Pakistani government, has finally begun working on a counterinsurgency strategy along the borderlands of Pakistan to address the safehavens for Al Qaeda and the Taliban and the growing extremism.

Recently, the administration has outlined a plan to enlist tribal leaders to fight against Al Qaeda and the Taliban. The primary objective of this the plan will be training, equipping, and financing a tribal paramilitary force, the Frontier Corps. The proposal is modeled on the U.S. success in allying with local Sunnis against Al Qaeda in Al-Anbar Province in Iraq. However, the circumstances in Pakistan are fundamentally different from Iraq. The conditions, which caused Iraqi Sunnis to turn against a foreign Al Qaeda presence, do not exist in the Federally Administered Tribal Areas (FATA). The Taliban is an indigenous force with deep roots in the area, and it is supported by many of the tribes that this plan would attempt to enlist. In the absence of reliable allies or a coherent strategy, flooding an unstable, hostile region with money and arms is a recipe for disaster. The last thing that Pakistan needs is more unaccountable, unconstitutional, and uncontrollable militias. Instead, we should give priority to the political and administrative integration of FATA and the extension to this area of constitutional, legal, and other public services.

Combating extremism and terrorism in Pakistan will require much more than military solutions. The Bush administration has almost exclusively focused on these elements, despite the recognition in its own National Security Strategy of 2006 that democratic forces are in fact the real antidotes to terrorism.

The U.S. Agency for International Development's (USAID) plan to provide \$750 million in economic assistance to the Federally Administered Tribal Areas (FATA) is a move in the right direction. While this may be a good start, it is late in the game. Furthermore, it is unclear what the strategy is, or whether realistic accountability mechanisms can be put in place in such an unstable area. Moreover, given that the region is openly hostile to foreign influence, the United States must be cautious about putting a "Made in America" stamp on our assistance. In many of the programs already in place in FATA, aid is delivered anonymously to avoid the complications of association with the U.S. government.

Recommendations

In considering the configuration of aid to Pakistan, it is important to keep in mind the warning of Defense Secretary Donald Rumsfeld, "Are we capturing, killing or deterring and dissuading more terrorists every day than the madrassas and the radical clerics are recruiting, training and deploying against us?"

In analyzing the current structure of U.S. assistance to Pakistan, I am convinced this is not the case. Battling extremism and terrorism in the long-term in Pakistan will require a shift in U.S. aid towards Pakistan. I recommend the following actions to bring about this shift.

Developing a Relationship with the People of Pakistan

In order to effectively battle extremism and terrorism in Pakistan, the United States must shift from an aid policy centered in short-term military cooperation with an individual leader to one focused on developing a long-term relationship with Pakistan and its people. In order to maintain our influence in Pakistan, we must engage with all of Pakistan's institutions and place a much greater emphasis on promoting democracy, economic development, and education. Throughout the country, ties to the Pakistani military will continue to be important, but the United States must balance support for the military with support for democratic development.

Expand Non-Military Aid

The United States should expand aid towards non-military elements in Pakistan, addressing the roots of the growing threats of extremism and terrorism and supporting democratic forces in Pakistan. As noted above, 75 percent of our current aid (more than \$7 billion since September 11, 2001) has gone to security-related assistance. This must change. Non-military aid should be increased and directed towards strengthening governmental institutions, moderate education, economic development, and civil society. As part of this, we must be careful about how we provide aid, as assistance from the United States will be looked on with suspicion. We must be wary of a "Made in America" tag. Senator Biden's proposal to guarantee approximately \$1.5 billion as a baseline for non-security related aid unconditionally is a sound recommendation and should be supported. But unconditional cannot mean unmonitored or unaudited.

Increase Transparency and Coordination

U.S. aid toward Pakistan must be more transparent and coordinated. There has been insufficient oversight of how U.S. taxpayer dollars have been spent in Pakistan and insufficient coordination within the U.S. government. The Special Inspector General for Iraqi Reconstruction (SIGIR) has been a critical tool in determining the impact and efficacy of billions of dollars in reconstruction money to Iraq. The overwhelming financial burden to the United States, not to mention the stakes of the effort in Pakistan, call for the same level of financial oversight in Pakistan. Similarly, the National Security advisor and his staff should ensure that all U.S. agencies are on the same page.

Condition Aid

Congress should condition some portion of the military aid on future political developments in Pakistan's transition to a more democratic future. While this is not feasible for all military assistance, Congress should put conditions on aid for big-ticket weapon systems. Conditions should have performance criteria including: ensuring that the State of Emergency is lifted as planned; releasing political prisoners; restoring of the constitution (including restoration of the rights of assembly, free speech, and other civil liberties); and restoring civilian rule of law and an independent judiciary. In addition, the United States must insist on debriefing A.Q. Khan to learn the full extent of his proliferation activities. The ability of Saudi Arabia to get Musharraf to allow former

Prime Minister Sharif to return from exile demonstrates that outsiders can influence the Pakistanis.

Maintain a Relationship with the Pakistani Military

Conditioning aid on political developments is obviously a difficult balancing act. The military has been and will remain a major force in uniting the country, and its cooperation is essential to the fight against Al Qaeda and by extension, our efforts to stabilize Pakistan. The United States needs to maintain its military-to-military contacts, even while threatening a withdrawal of some aid from the military if it refuses to give more priority to counterinsurgency operations.

Conclusion

These recommendations should not and cannot occur within a vacuum. Several diplomatic, political, and military steps are also necessary to achieve an enduring relationship with Pakistan. Our aid must move beyond a largely transactional relationship between the United States and Pakistani leaders toward addressing the country's main drivers of instability and extremism. Our aid must empower the secular, civilian, and democratic political leaders to bring real improvements in the lives of everyday Pakistanis.

Pakistan has a strong and influential moderate majority. If that majority is not allowed to express itself and voice its grievances with the government, this group will build an alliance of convenience with Muslim extremists who, today, are still in the minority. To prevent this, we must move away from a personal relationship with whoever is controlling Pakistan at a particular time to a long-term relationship with Pakistan's people and institutions. To put it bluntly, the United States must engage the Pakistani people, not just its rulers.

The United States should also adopt a regional approach. This will include re-engaging with all the countries in the region including China and India, renewing our focus in Afghanistan, and beginning a phased U.S. troop withdrawal from Iraq in order to provide more forces for Afghanistan, the real central front in the GWOT.

This will allow the United States to address core issues that are relevant to the Pakistani people. These include existential concerns with India, the occupation of Iraq, and core Palestinian issues as well as our inconsistent policies on human rights and nuclear weapons.

A stable and friendly Pakistan is critical to the United States' interests in South Asia as well as the Middle East. While our continued relationship and vast foreign assistance gives us leverage in Pakistan, we must begin to reassess our current aid policy as well as our overall strategy toward Pakistan and with its people in order to maintain our influence

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in the country over the long-term. I hope that this hearing will be the beginning of this process.