Partnership for Progress
Advancing a New Strategy for Prosperity and Stability in Pakistan and the Region
Caroline Wadhams, Brian Katulis, Lawrence Korb, and Colin Cookman
November 2008
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Acknowledgements

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The report’s conclusions and analysis were informed by the invaluable contributions of a working group of U.S. and Pakistani experts with decades of collective experience grappling with all aspects of the U.S.-Pakistan relationship. Members of this advisory group convened in person on four occasions during the drafting of the report, in February, March, April, and October 2008, and made many more contributions through correspondence with the authors throughout the writing process. Any errors remain the responsibility of the authors alone.

Although the report is not a consensus document and represents only the views of its authors, we greatly appreciate the generosity of these working group members in sharing the depth of their experience and helping to make sense of a complex foreign policy challenge. On the opposite page, we list those who agreed to be publicly identified as participants, with our thanks.

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As part of the research process, members of the Center for American Progress team conducted three trips to Pakistan: in December 2007; as participants in the U.S. election observer mission to the February 2008 Pakistan elections; and in an April 2008 post-election trip.
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Pakistan lies at the nexus of one of the world’s most complicated geopolitical regions—one plagued by poverty, nuclear proliferation, and global terrorism. With a growing population of more than 165 million people, Pakistan is a vital link between South and Central Asia and the broader Middle East. Pakistan’s multiple internal challenges extend beyond its borders and have a wide-ranging impact on regional and global stability. Just as conditions in Afghanistan, India, Iran, and Central Asian countries affect Pakistan, events in Pakistan shape its neighbors.

There are positive signs and opportunities for Pakistan’s democracy and, ultimately, stability. In February 2008, a democratic transition occurred in Pakistan, ushering in a civilian government and leading to the resignation of military strongman Pervez Musharraf from the presidency. Despite a history of interference in the political process, the Pakistani military has intentionally provided space to Pakistani’s civilian leaders to find their footing since the election.

Pakistan will pose one of the greatest foreign policy challenges for the incoming Obama administration. How Pakistan addresses its militancy, weak governance, and economic difficulties will directly influence the security of the United States and its people. The Obama administration must seize these opportunities and work with Pakistan, its friends, and neighbors to create a new strategy for enhancing security in Pakistan. But first U.S. policymakers must understand the key challenges facing Pakistan and the region, as well as the critical opportunities the Obama administration can leverage over the next four years.

**Challenges**

The Obama administration, together with international partners, will need to assist Pakistan in tackling its growing insurgency, its weak governance, and its collapsing economy as part of a broader regional strategy for progress and stability. Pakistan today faces three fundamental challenges:

**Growing internal violence and regional instability.** A strengthening, multi-headed adaptive network of extremists comprised of the Taliban, Al Qaeda, and affiliated indigenous militant groups is escalating deadly attacks within Pakistan and Afghanistan. U.S. intel-
Intelligence agencies have repeatedly issued warnings that some of these groups are using safe havens in Pakistan to facilitate and plan attacks around the world. Tensions in the neighborhood feed this insurgency. Pakistani fears of encirclement by India translate into continued support to some of these militant groups by elements of the Pakistani security establishment, who use these groups as a force multiplier to counterbalance India.

Failing governance. Pakistan’s civilian government remains weak following years of military rule, underinvestment in Pakistan’s governmental institutions, and dysfunctional political leadership. The Foreign Policy/Fund for Peace Failed States Index 2008 ranks Pakistan as one of the weakest countries worldwide—the ninth state most at risk of failure out of 177 countries.¹ A dangerous disconnect exists between the needs of the Pakistani people and the ability or inclination of their leaders to provide for them.

Deteriorating economy. Pakistan’s economy is in a downward spiral. Inflation is at 25 percent, foreign reserves are plummeting, and the government is in danger of defaulting on its foreign debt. A spike in global food prices has hit Pakistanis especially hard, and the global financial crisis only threatens to exacerbate Pakistan's economic woes. Pakistan is watching foreign investors flee, which only makes it more difficult to attract the foreign financial assistance the new government needs to stabilize and then grow the economy.

These challenges of militancy, weak governance, and economic insecurity feed upon each other in a dangerous cycle. The United States needs to make a shift from a reactive, transactional, short-term approach that is narrowly focused on bilateral efforts. Instead, a more proactive, long-term strategy should seek to advance stability and prosperity inside Pakistan through a multilateral, regional approach.

For decades, U.S. policy has pursued short-term stability in Pakistan at all costs, utilizing a self-defeating strategy of almost exclusive support to Pakistan's military establishment and individual leaders. It has offered insufficient and inconsistent support to civilian institutions and programs that directly impact the lives of average Pakistanis. The reactive nature of U.S. engagement in Pakistan has reduced U.S. leverage and undermined the bilateral relationship between the two countries. The United States has suspended aid, imposed sanctions, and intermittently renewed contacts for decades, depending on the paramount strategic concerns at the time.
What’s worse, the United States has approached Pakistan in a vacuum, neglecting to recognize the regional nature of Pakistan’s challenges and the competing and sometimes contradictory roles played by numerous countries in Pakistan. In the seven years since the September 11th attacks, the Bush administration only deepened this policy approach. Tying its policy to President Musharraf, it overemphasized a conventional military approach, poured unaccountable and non-transparent funds into Pakistan’s military establishment, and did not work closely enough with other nations and organizations whose interests in Pakistan are as much at stake as ours. This approach has not served U.S. or Pakistani interests, nor is it aligned with U.S. values.

Opportunities

Despite these seemingly overwhelming challenges, numerous factors offer an opening for a positive shift in the U.S.-Pakistan relationship. These include:

**Legitimate partners in the government of Pakistan.** For the first time in almost a decade, the United States and the world have partners in a democratically elected government of Pakistan. This government, while internally divided and weak, has greater legitimacy than previous governments because of the February 2008 elections, which most observers deemed as a legitimate expression of the will of the Pakistani people.² As a result, the current government—led by President Ali Asif Zardari and Prime Minister Yousaf Raza Gillani—has a greater potential for representing and mobilizing Pakistan’s population toward fighting militancy and strengthening its governmental institutions than the military dictatorship that preceded it. President Musharraf’s popularity was so low at the end of his presidency that all policies associated with him were discredited.

**Increased international involvement and support.** Pakistan has numerous allies in the region and the world beyond the United States that are assisting Pakistan in addressing the challenges outlined above. Key countries around the world understand that the stakes are high in Pakistan. The Friends of Pakistan Group, comprised of Britain, France, Germany, the United States, China, Saudi Arabia, the United Arab Emirates, Canada, Turkey, Australia, Japan, and Italy plus the United Nations and the European Union, is just one example of these efforts to support Pakistan’s democracy, economy, and security situation. Numerous other countries and international organizations including the World Bank and International Monetary Fund are attempting to provide financial assistance for Pakistan’s economy and military, implement programs, offer training, and provide additional support. There is a greater chance for progress and increased stability in Pakistan if these international efforts are coordinated and integrated with initiatives the Obama administration undertakes in Pakistan.

**An engaged U.S. Congress.** In the past year, Congress has taken important strides in moving U.S. policy in Pakistan in a new direction, and the new Congress that takes office in January will likely build on these actions. In the House of Representatives, the
Oversight and Government Reform Subcommittee on National Security and the House Committee on Foreign Affairs have conducted regular hearings into U.S. aid programs and policy toward Pakistan. In the Senate, former Chairman Joseph Biden (D-DE) (now vice-president elect) and Ranking Member Richard Lugar (R-IN) of the Senate Foreign Relations Committee introduced the Enhanced Partnership with Pakistan Act of 2008, legislation that aims to broaden the U.S.-Pakistan relationship beyond military relations and to authorize $7.5 billion to Pakistan over five years for projects “intended to benefit the people of Pakistan,” including “just and democratic governance, economic freedom, and investments in people, particularly women and children.” This legislation lays the groundwork for a new strategy in which the United States seeks a partnership with the people of the Pakistan and not just a military expected to cooperate on American security aims.

The new Obama administration. The current distrust that the government of Pakistan and its people hold toward the Bush administration has undermined a cooperative Pakistan-U.S. relationship. Furthermore, the strains between the Bush administration and numerous other countries including our European allies have hurt our nation’s efforts to cooperate and coordinate on Pakistan. The Obama administration has the potential to mend the strained U.S.-Pakistan relationship and offers a fresh opportunity to reach out anew to other strategic players in the region and the world to coordinate international efforts on Pakistan.

A strengthened Pakistani civil society and media. Pakistan’s civil society, including a lawyer’s movement that led prominent efforts in favor of democracy over the past year and a thriving media, are increasingly calling Pakistan’s leaders to account and demanding action on behalf of the Pakistani people. These forces have the potential over time to influence their leadership to address their leading concerns, including unemployment and inadequate education, as well as to demand a strengthening of civilian government institutions.
Recommendations

The United States needs to make a shift in its approach to Pakistan, recognizing both the importance of Pakistan to regional and international security, as well as the limitations of U.S. power. U.S. policy must recognize that the military component alone is insufficient to build stability and security in Pakistan. Military operations alone will not defeat Pakistan’s militant groups; addressing some of these groups will require a diverse approach, including strengthening governance and rule of law, creating economic opportunities, and exploring political negotiations.

Furthermore, Pakistan’s instability extends beyond the immediate threat of militancy in the country. Even if Al Qaeda were to be destroyed in Pakistan tomorrow, Pakistan would face other challenges to its stability including domestic militancy, fragile governance, regional tensions, and economic turmoil. The United States must integrate all the elements of American power to engage more deeply on these sources of instability.

Since the Pakistani parliamentary elections in February 2008, the U.S. government has begun to make some changes in its policy toward Pakistan. It has shown support for the new civilian government and increased assistance to the Pakistani people through programs in education, economy, energy, health care, and more. However, these changes are not sufficient to meet the considerable challenges.

Addressing Pakistan’s instability will not be easy. Pakistan presents an exceptionally difficult strategic challenge. A deep tension exists between the short-term challenge of confronting terrorism emanating from the borderlands and the long-term challenge of strengthening Pakistan’s governance structures and economy (or between tactical counterterrorism strikes and an enduring counterinsurgency approach). Short-term measures such as military strikes to increase pressure on Al Qaeda and the Taliban may undermine the credibility and effectiveness of Pakistan’s civilian leadership. The United States will need to find the proper balance of responding to the urgent security threat without undermining broader goals.

The United States must recognize the limitations of direct U.S. influence in Pakistan and continue moving toward a multilateral approach, with Pakistan as a full partner. At this point in time, Pakistani perceptions of the United States are so dismal that efforts to pursue change in Pakistan with the United States in the lead may automatically discredit the effort. The United States needs to work with Pakistan’s neighbors, other global powers, and international organizations such as the World Bank, IMF, and the United Nations in order to assist Pakistan over the long term.
End Goals

The new U.S. administration, with Congress and the international community, should strive to help Pakistan accomplish the following goals in the next decade.

- Weaken Al Qaeda, the Taliban, and affiliated militant groups so that they no longer threaten stability in Pakistan, Afghanistan, India, the broader region, the United States or the world.
- Secure borders between Pakistan and its neighbors, with all border disputes including Kashmir and the Durand Line (the disputed boundary between Afghanistan and Pakistan), either resolved or in a credible process for resolution.
- Foster a stable internal political system that is based on the inclusive participation of all Pakistani citizens, civilian oversight of key security and intelligence agencies, and governing authorities that respect basic human rights.
- Create an economy that is growing, integrating with the global economy, and providing for the needs of its citizens.

Crucial events in the post-September 11 U.S.-Pakistan relationship

September 2001
President Pervez Musharraf backs the United States in its fight against terrorism and supports attacks on Afghanistan.

October 8, 2005
An earthquake kills tens of thousands of people.

October 2007
Musharraf wins the presidential election. The Supreme Court says no winner can be announced until it rules on Musharraf’s eligibility to stand for election while still army chief. Bhutto returns from exile.

April 2002
Musharraf wins another five years in office in a referendum criticized as unconstitutional and plagued by irregularities.

February 2004
Nuclear scientist AQ Khan admits to leaking nuclear weapons secrets, which are said to have been transferred to Libya, North Korea and Iran.

March 2007
President Musharraf suspends the Chief Justice Iftikhar Mohammed Chaudhry, igniting protests across the country. Chaudhry is reinstated by the Supreme Court in July.

November 2003
Pakistan declares a cease fire in Kashmir, which is matched by India.

July 2007
Ex-prime minister Benazir Bhutto and Musharraf hold a secret meeting in Abu Dhabi on a possible power-sharing deal.
Introduction and summary

With these goals in mind, the recommendations detailed in the body of this report include the following key steps:

Implement policies that recognize the regional dimension of Pakistan’s security challenge. Afghanistan, India, and Pakistan are inextricably linked, and U.S. policy must be formulated accordingly. The situation in Afghanistan is directly affected by instability along Pakistan’s western borders, and longstanding Pakistan-India tensions have affected the Pakistani military’s strategic calculus in curtailing militancy within Pakistan. For too long, the United States has pursued disconnected Afghanistan, Pakistan, and India policies, rather than create a coordinated regional strategy. Any regional approach must address Pakistan’s security concerns with India, specifically related to Kashmir and Afghanistan. These regional challenges will require a fundamentally different U.S. approach that eliminates the bureaucratic separation in Washington between diplomacy, development, intelligence, and military activities in Islamabad, Kabul, and New Delhi.
Organize integrated international support to assist Pakistan. A coordinated international effort should occur with major donors, countries, and organizations, and the United States in an actively supportive role. The multiple policy challenges that Pakistan faces—security threats from militant groups, governance failures, and major economic difficulties—require a concerted and organized international supporting effort. Pakistanis’ suspicions of the United States mean that multilateral approaches will work more effectively than bilateral ones. This process began with the meeting of a Friends of Pakistan group in September 2008 at the 64th session of the U.N. General Assembly, whose partners include China, Saudi Arabia, the United Arab Emirates, and the World Bank—all of which have strong economic and security links with Pakistan, and growing leverage. Their expertise, manpower, and financial resources can complement the efforts of Pakistan’s leaders and the United States. The United States in particular should consult more closely with China on its Pakistan policy, since both countries share a common interest in a stable, secure, and economically viable Pakistan. China has its own concerns regarding regional Islamist militant groups and could play a more constructive role in addressing these issues in Pakistan, as it has in negotiations on the Korean peninsula.

Broaden and deepen the strategic relationship between the United States and Pakistan. A fundamental strategic shift in U.S. policy on Pakistan should occur away from a narrow focus on military and intelligence cooperation. Pakistan’s problems will not be solved by military means alone. Long-term stability in Pakistan depends not only on curtailing extremism and militancy in Pakistan, but on strengthening Pakistan’s economy and democracy and on reducing tensions between Pakistan and its neighbors. U.S. military approaches must be integrated into a wider political strategy for the region. The U.S. government should engage with leaders of Pakistan’s civilian institutions and civil society in addition to its military establishment. Integrating the full range of U.S. and other countries’ powers—diplomatic, economic, and political—the United States should quietly and carefully expand U.S.-Pakistan partnerships on a broad set of issues, including intelligence cooperation, economic development, energy, education assistance, and more. The Obama administration should embark on a strategic dialogue with Pakistan that sets common goals for the two countries, building on the major non-NATO ally status it has already achieved. These goals should include both tactical counterterrorism and longer-term counterinsurgency objectives and should specifically engage Pakistan’s security concerns that are often at variance with ours.

Approach Pakistan’s military establishment in ways that support good governance and economic development. The United States should continue to strengthen relations with Pakistan’s military and intelligence agencies, but do so in a way that does not undermine civilian control and political reform in Pakistan. The United States should support and interact with the Pakistani military establishment with policies that encourage Pakistani civilian oversight. This means engaging with its military as a component of the government as a whole rather than as an autonomous institution, allocating more funding through the government of Pakistan and not the Pakistani military, and meeting Pakistani
military officials while keeping Pakistani civilian leadership informed or present. U.S. funding to Pakistan’s military should be targeted toward specific shared objectives, and tied to performance, such as good faith efforts by the Pakistani military to crack down on militant groups in Pakistan, and to stop cross-border attacks into Afghanistan.

Support democratic transition in Pakistan without picking favored candidates or political parties. The United States should support broader political reform in Pakistan, along with economic development programs and efforts to enhance security. The 2008 parliamentary elections represented an opportunity for Pakistan to give voice to the Pakistani people in how their society is governed. Yet the return of electoral democracy adds a new element of uncertainty to the continuity of leadership in Pakistan. At times Pakistani leaders may voice opposition to American policies, but the United States should resist the urge to circumvent them now and in the future. The upcoming local elections in 2009 represent another opportunity to support Pakistan’s democratic transition, and the United States should expand efforts to support civil society organizations, assist all political parties, and encourage electoral reform to ensure that these elections meet their potential for providing an open and fair debate on key policy questions and allowing for the legitimate expression of the will of the people.

Enhance transparency and accountability of U.S. funds. The United States must demand more transparency over its funding and tie its assistance to specific, agreed-upon objectives, such as good faith efforts by the Pakistani military to crack down on militant groups in Pakistan, and to stop cross-border attacks into Afghanistan. For too long, U.S. aid to Pakistan’s military has been characterized by its lack of accountability, transparency, and shortsightedness. Despite distributing more than $11 billion since 2001 to Pakistan, the United States has not demanded transparency or an accounting of its funding.7 (See Appendix for a breakdown of overt U.S. funding.) The U.S. Government Accountability Office, the investigative arm of Congress, found in June 2008 that there had been insufficient oversight over U.S. Coalition Support Funds to Pakistan, a fund to reimburse Pakistan for its counterterrorism activities (and also the fund through which the majority of U.S. monies were allocated).8 Furthermore, U.S. assistance continued to flow directly to the Pakistani military despite evidence that it was not aggressively attacking insurgent elements in the Federally Administered Tribal Areas and that linkages continued to exist between the military establishment, especially its intelligence agency—the ISI—and militant groups.

Reform U.S. national security institutions. The United States must strengthen the other tools in its foreign policy toolbox outside of the military, including the State Department and the U.S. Agency for International Development. U.S. civilian institutions currently do not have the resources, expertise, or implementing capacity necessary for conflict resolution and state-building. As Secretary of Defense Robert Gates has pointed out, “There is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic
reconstruction and development.” Foreign aid must be reformed, and the U.S. foreign policy apparatus needs to organize itself more regionally, so that its country policies are not stove-piped. The United States will also need to coordinate its own National Security Council process more effectively, so that DoD, State, USAID, Treasury, and other agencies are complementing each other’s efforts.

**Be long term and proactive.** U.S. engagement in Pakistan has been inconsistent, transactional, and reactive for decades. The United States has suspended aid, imposed sanctions, and then intermittently renewed contacts, depending on paramount strategic concerns at the time. The United States must create a long term plan to partner with Pakistan, understanding its challenges will not be resolved in the short-term. Even if Osama bin Laden were captured tomorrow in Pakistan, challenges to its stability and the region’s would remain.

Making this strategic shift may finally assist Pakistan in confronting its biggest challenges of insecurity, failed governance, and economic difficulties. Inaction is not an option. Pakistan’s current instability threatens its people, its neighbors, the United States, and the world. The Obama administration must seize the opportunities outlined in this paper and implement a dramatic strategic shift in U.S. policy.

In the pages that follow, we will detail each of these sources of instability and then provide recommendations for the Obama administration to consider. We believe the comprehensive, proactive strategy outlined in this paper will strengthen the fundamental building blocks of stability and progress in Pakistan, which in turn will help make the United States more secure.
Advancing a strategy for greater stability in Pakistan and the region

Challenge: growing militancy and regional tensions

An urgent security threat exists within Pakistan and along its borders. Al Qaeda, the Taliban, and other militant groups operate from safe havens within Pakistan’s borders and threaten Pakistan, Afghanistan, the United States, India, and the world. As senior U.S. intelligence officials have repeatedly noted, the gravest security threat facing the United States emanates from Pakistan. These militant groups are diverse, with different motivations, tactics, and leadership. Some groups, such as the Haqqani network, target the Afghan state, while the Tehrik-e-Taliban Pakistan focuses on hitting the government of Pakistan, and Al Qaeda the West. (See our table describing the most important militant groups on pages 12 and 13). Yet they are believed to share resources, expertise, and training to pursue their respective objectives. If left unchecked, they will continue to consolidate and expand their power and destabilize the region.

The growing strength of these groups is manifest in the upsurge of violence in Pakistan over the past two years. They have gradually extended their presence from the loosely administered FATA region into more settled areas, such as the Northwest Frontier Province directly to the east of the FATA, and in Balochistan. (See map on page 20). As one Pakistani journalist noted, “NWFP districts are beginning to resemble the loosely administered agencies of FATA” due to the growing militant presence in areas such as Swat, Dir, and Hangu in NWFP.

Violence in Pakistan has dramatically increased over the past year with an unprecedented level of suicide bombings throughout the country. The storming of the Red Mosque (Lal Masjid) in Islamabad in July 2007 by the Pakistani security forces appears to have been a tipping point. Since then, an upsurge in violence by militant groups against the Pakistani state itself resulted in 36 suicide attacks in 2007 alone, compared to 7 in 2006. Among these attacks was the assassination of former Prime Minister Benazir Bhutto on December 27, 2007.

Attacks have continued throughout 2008, many targeting government institutions, the military and police, foreigners, and local political leaders. As of early November 2008, there have been at least 38 suicide bombings this year, killing over 670 and wounding hundreds more. In the most recent major attack as of this writing, on September 20,
## Pakistan's militant groups

<table>
<thead>
<tr>
<th>Group Name</th>
<th>Leadership</th>
<th>Base of Operations</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Al Qaeda</strong> (&quot;The Base&quot;; &quot;Al Qaeda Central&quot;; AQ)</td>
<td>Osama bin Laden, Ayman al-Zawahiri</td>
<td>Reportedly operates training camps in North and South Waziristan, FATA; potentially also present in other FATA agencies and major Pakistani cities (Peshawar, Islamabad)</td>
<td>Believed to be the greatest terrorist threat to the United States, intelligence experts and government officials report that Al Qaeda has reestablished its core leadership in the Federally Administered Tribal Areas of Pakistan. While they do not control the Taliban or other militant groups, they appear to provide support through funding and volunteers. They may also serve a coordinating role for disparate insurgent groups, and their technical experience in conducting large-scale terror attacks has led analysts to link them to several high-profile attacks inside Pakistan, most recently the September 2008 bombing of the Marriott Hotel in Islamabad. Estimates suggest there are approximately 150 to 500 hard-core fighters in Pakistan, in addition to top leadership.</td>
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<td><strong>Afghan Taliban</strong></td>
<td>Mullah Omar, the &quot;Quetta shura&quot;</td>
<td>Kandahar Province, Afghanistan; Quetta, Balochistan Province, Pakistan</td>
<td>Following the U.S.-led invasion of Afghanistan, the Taliban fled to the border areas of Afghanistan and Pakistan. The Afghan Taliban's senior shura leadership is believed to now be based in Pakistan, most likely in the city of Quetta. They aim to take control of the Afghan government and to expel international forces. Primarily an ethnic Pashtun movement, their total strength has been estimated at around 10,000, of whom 20 to 30 percent are full-time fighters.</td>
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<tr>
<td><strong>&quot;Haqqani Network&quot;</strong> (HQN)</td>
<td>Jalaluddin Haqqani, Sirajuddin Haqqani</td>
<td>North Waziristan agency, FATA</td>
<td>Headed by Jalaluddin Haqqani, a former Taliban Minister and respected mujahadeen commander, and his sons, this group is a major Taliban-affiliated network. Formerly a contact of both the ISI and CIA, Pakistan's intelligence agency has been accused of retaining ties to Haqqani today. Haqqani has links to a diverse group of insurgents and terrorists including Al Qaeda, Uzbeks, Chechens and Kashmiris residing in FATA. The Haqqani network conducts attacks mainly along the Afghan border, with infrequent forays deeper into Afghanistan. It was linked with the April 2008 assassination attempt on Afghan President Hamid Karzai and the July 2008 bombing of the Indian embassy.</td>
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<tr>
<td><strong>Tehrik-e-Taliban Pakistan</strong> (&quot;Taliban Movement of Pakistan&quot;; &quot;Pakistani Taliban&quot;; TTP)</td>
<td>Baitullah Mehsud</td>
<td>South Waziristan agency, FATA; as an umbrella organization, other groups in other FATA agencies have reportedly pledged fealty to the TTP's leadership</td>
<td>The Taliban Movement of Pakistan unified in December 2007 when a shura of 40 senior Taliban leaders appointed Baitullah Mehsud as leader. Mehsud reportedly swore an oath of fealty to Mullah Omar of the Afghan Taliban, although the Afghan Taliban have at times distanced themselves from Mehsud's operations. His organization is said to contain a core of supporting foreign fighters including members of the Islamic Movement of Uzbekistan, and Al Qaeda-linked &quot;Afghan Arabs.&quot; The various groups under TTP appear to share organizational and operational linkages, although some FATA militant groups have resisted Mehsud's leadership. Pakistani and American intelligence identified Mehsud as the culprit behind the death of Benazir Bhutto, although he denied responsibility. Reports in early October 2008 suggested that Mehsud may be seriously ill or even dead, although TTP spokesmen denied them.</td>
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<tr>
<td><strong>Tehrik Nafaz-e-Shariat Muhammad</strong> (TNSM; &quot;Movement for the Enforcement of Islamic Law&quot;)</td>
<td>Sufi Mohammed (founder, previously imprisoned), Maulana Fazulullah (aka &quot;Mullah Radio&quot;)</td>
<td>Swat district, Northwest Frontier Province</td>
<td>Founded in 1989 by Sufi Mohammad, a former Jamaat-e-Islami (JI) party activist with experience in the Afghan jihad, the TNSM was created to respond to political turmoil in Pakistan's Malakand region. In 1994, TNSM took control of the area by force, demanding the introduction of Sharia law in Malakand Division. After the U.S. invasion of Afghanistan, Mohammad crossed into Afghanistan with approximately 7,000-8,000 volunteers to support the Taliban. Mohammad was arrested upon returning to Pakistan and sentenced to 7 years of imprisonment, and TNSM was banned by Musharraf in January 2002. In the absence of Sufi Mohammad, his son-in-law Maulana Fazulllah became the leader of the organization, gaining public notoriety through the extensive use of pirate FM radio stations.</td>
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<td><strong>Hezb-i-Islami Gulbuddin</strong> (&quot;Islamic Party&quot;; HIG)</td>
<td>Gulbuddin Hekmatyar</td>
<td>The group is reportedly recruiting in the Shamashto and Jalozai refugee camps in Pakistan's North West Frontier Province</td>
<td>A former commander during the war against the Soviet Union during the 1980s, Hekmatyar was a favorite of the Pakistani intelligence services despite his frequent sparring with other mujahadeen leaders. Hekmatyar fought with other warlords for leadership of the country after the Soviet withdrawal, but was eclipsed by the rise of the Taliban in the mid-90s and fled to Iran during this time. Hekmatyar was not included in talks in Bonn that established the new Afghan government after the fall of the Taliban in 2001, and since then has used his organization to conduct attacks on the Karzai regime and foreign troops supporting them. Hekmatyar has claimed responsibility for the April 2008 assassination attempt on President Karzai in Kabul, an attack which has also been ascribed to the Haqqani network and Al Qaeda.</td>
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<td>Islamic Movement of Uzbekistan (IMU)</td>
<td>Juma Namangani (founder, deceased), Tahir Yuldashev</td>
<td>North and South Waziristan, FATA</td>
<td>The IMU was established in 1996 by two Islamic militants, Tahir Yuldashev, formerly a political leader in Uzbekistan, and Juma Namangani, a former Soviet paratrooper with experience in the Afghan war. The group originally focused on overthrowing the government of Uzbekistan and replacing it with an Islamic state, but in June 2001 it changed its name to the Islamic Party of Turkestan and expanded its goal to the creation of an Islamic state in all of Central Asia. Yuldashev cultivated links with the Taliban movement, resulting in the IMU's relocation to Afghanistan and involvement with the Taliban and Al Qaeda. IMU fighters have since been active in FATA and against Coalition forces in Afghanistan.</td>
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<tr>
<td>Lashkar-e-Taiba (LeT)</td>
<td>Hafiz Mohammed Saeed</td>
<td>Lahore; Kashmir</td>
<td>Founded in 1991, LeT is the military wing of the Markaz-ud-Dawa-wal-IRshad (MDI), an Islamic fundamentalist organization fighting for control over the contested Kashmir region. The group was founded by Hafiz Mohammed Saeed, and a number of founding members had close ties to the Arab-Afghan international jihad movement, including senior Al Qaeda member Shaykh Abu Abdel Aziz. Soon after its inception LeT set up training camps in Afghanistan, and has participated in guerrilla attacks on Indian soldiers, bombings of civilian and military targets in Jammu-Kashmir, and terrorist attacks on civilian targets in India proper. Some say LeT has been essentially subcontracted by Al Qaeda to run its infrastructure, propaganda, and recruiting efforts in South Asia, and many fear the group is turning toward a more explicit global jihadist outlook. The group has also been connected to the July 7, 2005 London bombings.</td>
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<tr>
<td>Lashkar-e-Jhangvi (LeJ)</td>
<td>Riaz Basa, Akram Lahori, Malik Ishaque</td>
<td>Punjab province; Karachi</td>
<td>LeJ was founded in 1996 as a break away faction of Sipah-e-Sahaba Pakistan (SSP), a Sunni sectarian outfit targeting Pakistani Shi'a, by an extremist triumvirate from the group. The split was believed to be intended to protect the political integrity of SSP and enable the new faction to become a purely paramilitary-terrorist organization. The group has firm ties to the Taliban and the Islamic Movement of Uzbekistan (IMU), and loose links to Al Qaeda. Almost the entire leadership of LeJ is composed of veterans of the Afghan Jihad, and it is believed to have been headquartered near Kabul until the collapse of the Taliban. LeJ members fought alongside the Taliban against the Afghan Northern Alliance. The group's primary targets are Pakistani Shi'a, as well as members of the Pakistani establishment and western interests. LeJ differs from many other Islamic militant organizations in Pakistan in that it shuns media exposure. LeJ militants are believed to have been involved in the kidnapping and subsequent murder of U.S. journalist Daniel Pearl in early 2002.</td>
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<tr>
<td>Jaish-e-Mohammed (JEM)</td>
<td>Masood Azhar, Abdul Jabbar</td>
<td>Peshawar; Kashmir</td>
<td>Founded by Masood Azhar in early 2000, the group's aim is to unite Kashmir with Pakistan, but it has also openly declared war against the United States. In 2003, JEM splintered into Khuddam ul-Islam (KUI), headed by Azhar, and Jamaat ul-Furqan (JUF), led by Abdul Jabbar. The JEM has close ties to Afghan Arabs, the Taliban, other Sunni extremist groups in Pakistan and is suspected to receive funding from Al Qaeda. JEM has claimed responsibility for several suicide car bombings in Kashmir, including a suicide attack on the Jammu and Kashmir legislative assembly building in October 2001 that killed more than 30. Recently, the group has turned its attention toward fighting NATO and U.S. military forces in Afghanistan.</td>
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<tr>
<td>Hizbul-Mujahideen (HM)</td>
<td>Syed Salahuddin</td>
<td>Muzaffarabad, Kashmir</td>
<td>Formed in 1989, Hizbul-Mujahideen (HM) is one of the largest terrorist groups operating in Jammu-Kashmir and stands for the integration of J-K with Pakistan, as well as the Islamization of Kashmir. The group was reportedly formed as the militant wing of the Jamaat-e-Islami (JI) at the request of Pakistan’s Inter Services Intelligence (ISI), to counter the Jammu and Kashmir Liberation Front (JKLF). It reportedly maintains links with the Hezb-i-Islami Gulbuddin and other Kashmiri militant groups.</td>
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the Marriott hotel in Islamabad was bombed in one of the deadliest terrorist attacks in Pakistan’s history, with at least 53 people killed and more than 250 wounded. The majority of these attacks are believed to have originated from Pakistani militant groups operating in the northwestern regions of Pakistan, but some large-scale attacks bear the technical sophistication of an Al Qaeda operation.16

Militants in Pakistan have also contributed to a deteriorating security situation in Afghanistan. Numerous insurgent groups, such as the Taliban, Hezb-i-Islami, the Haqqani network, and Al Qaeda maintain bases in Pakistan and Afghanistan, from which they conduct and support attacks into Afghanistan. The Afghan Taliban has extended its reach throughout the south and east of Afghanistan. Cross-border attacks have increased dramatically from 2007 to 2008, and U.S. military officials reported a 40 percent increase in attacks in the east between April and June 2008 following a number of peace deals negotiated between the government of Pakistan and militant groups or local leaders.17 Insurgents have utilized suicide and roadside bombings with greater frequency in Afghanistan, and in a number of cases launched large-scale assaults on southern district centers before being repulsed by coalition forces.18 2008 has been the deadliest year for U.S. and NATO troops in Afghanistan since the initial invasion in 2001.

Beyond Afghanistan and Pakistan, these militant groups have organized or supported attacks around the world from their bases in Pakistan. According to intelligence officials, Al Qaeda is now entrenched in Pakistan and is increasing its ties with the Taliban and other militant groups in “financing, training recruits, and facilitating attacks into Afghanistan, though not necessarily conducting attacks themselves.”19 Like Afghanistan before the Taliban’s fall and Sudan before it, safe havens in Pakistan increasingly serve as operational headquarters for Al Qaeda and the transnational terrorist movement it aspires to lead. The FATA region has enabled Al Qaeda to regain its capability to recruit, create propaganda, train, and attack the United States and other countries.20

Tensions between Pakistan and its neighbors India and Afghanistan exacerbate the militancy problems, contributing to a number of dangerous policies and preventing Pakistan from tackling its own internal challenges. Pakistan’s fears of India and an unstable, Indian-leaning Afghanistan mean that Pakistan’s military has not reoriented itself to meet the growing insurgency threats in its own territory. Indeed, certain elements of Pakistan’s intelligence agencies continue to utilize militant groups as force multipliers.21 Anxiety over India among the Pakistani people also strengthens Pakistan’s military, leading to its continued dominance within the country, thereby making civilian oversight of the military very difficult.

Until some of these tensions between Pakistan, India, and Afghanistan are resolved, it is difficult to see how Pakistan can tackle other domestic challenges, including participatory, responsive governance, a strengthened economy, and weakened militant groups. Until Pakistanis feels more secure, its military will continue to consume the greatest share of its budget, to drive Pakistani policies nationally and internationally, and to resist a counterterrorism agenda.
Since September 11, the United States has provided more than $11 billion to Pakistan, largely in support of its counterterrorism activities. The vast majority of this money has gone to Pakistan’s military, which is dependent on the United States for roughly a quarter of its $4 billion annual budget. In addition, the United States has conducted unilateral missile strikes when the Pakistani military has not had the capacity or will to target certain militants. These strikes sharply increased in 2008, as a result of a secret Bush administration decision during the summer of 2008 to increase its direct involvement in targeting terrorist groups. While it is difficult to ascertain the impact of these strikes on the movement or operations of these militant groups, they clearly have not dismantled them. And they have fueled anti-U.S. sentiments among the Pakistani public.

Obstacles to defeating insurgency and increasing security

Six problems have stymied Pakistan’s efforts to battle the militant groups within and along its borders: the focus of the Pakistani military on India; the remaining links between Pakistan’s military and these militant groups; the unpopularity of the U.S.-led “war on terror” among the Pakistani people; tensions with Afghanistan; the overreliance on the Pakistani military and military tactics to defeat the insurgency; and ineffective peace agreements between the government of Pakistan and some militant groups. General Ashfaq Kayani, the new Army chief of staff, has indicated some willingness to pursue these militant groups more aggressively and has recently appointed new ISI and Army corps commanders who are said to share this vision.

However, the military operates largely independently of the civilian public policymaking process, which means the extent of Kayani’s commitment to this anti-insurgency mission remains opaque. What is known is that he leads a disgruntled military that has traditionally perceived threats to Pakistan differently than the United States. And an unknown number of them still hope to shore up specific insurgent groups to pursue Pakistani national interests in Afghanistan and Indian-controlled Kashmir. Understanding this dynamic within Pakistani military circles is critical to crafting recommendations to alter the security situation in the country and the region.

Pakistani security establishment’s threat perceptions of India

As the most powerful institution in Pakistan, the military, not the civilian government, often drives Pakistani policy. Despite its tarnished reputation due to the military’s support for now disgraced strongman Musharraf, the military is a source of pride for most Pakistanis because it is perceived to be a well-run institution serving the national interest through assisting flood or earthquake victims, intervening in periods of pronounced civil strife, and protecting the country from India.
Yet the military has failed to stem the rise of domestic terrorism and has not transformed itself to fight Al Qaeda and indigenous militant groups—despite billions of dollars in aid allocated for this purpose by the United States. While the United States sees Al Qaeda and the Taliban as immediate threats to U.S. and Pakistani security, the Pakistani military remains focused on India as its overarching priority, buying weapons and training to meet that threat. Bush administration officials and U.S. military officers believe that much of the U.S. money provided to the country did not reach frontline Pakistani units along the Afghanistan-Pakistan border but instead was diverted to finance weapons systems designed to counter India, not Al Qaeda or the Taliban.  

Pakistan perceives itself as a nation under threat by India. Since the partition of British India and the founding of Pakistan in 1947, deep suspicion and regional competition have defined the India-Pakistan relationship. Active disputes over the Kashmir region have on occasion flared into open warfare between the two countries, with the most serious escalation occurring in 2002. Pakistan’s fear of India drives its policies internally and externally, leading it to pursue nuclear weapons and to support militant groups for activities in Kashmir and Afghanistan. Furthermore, Pakistan’s military has often strengthened itself in the domestic context at the expense of civilian institutions by exploiting the Pakistani people’s fears of India.

Kashmir and the Line of Control that divides the Indian- and Pakistani-controlled areas of this region, remain the most contentious issues in the India-Pakistan relationship. India accused Pakistan of more than two dozen border violations during the summer of 2008 and suggested that regular Pakistani army soldiers have fired on Indian forces in order to provide cover for militants infiltrating Kashmir. Pakistan, for its part, sees itself as the political home for the subcontinent’s Muslim population and believes India’s continued control over the
Muslim-majority Kashmir valley and denial of a plebiscite for its inhabitants represent a lingering desire on India’s part to undo the legacy of partition, which divided the British Indian Empire into India and Pakistan. Contributing to the heightened tensions were renewed Muslim protests in Indian-controlled Kashmir over the summer, this time after the state government proposed transferring land to a Hindu shrine charitable trust. A series of strikes and curfews have also paralyzed the capital city of Srinagar.26

India’s ties to Afghanistan and its role in rebuilding the country raise concerns among some Pakistani leaders about a policy of encirclement of Pakistan on the part of India. On July 31, 2008, Interior Minister Rehman Malik stated, “The time has come for us to reveal the facts and tell the world how outside forces are creating troubles in Pakistan.” When pressed to identify the outside forces, he named India, Afghanistan’s Northern Alliance, and Chechens and Uzbeks who he said were using Pakistan to serve their vested interests.27

India has provided more than $1.1 billion for Afghanistan’s reconstruction, including building a road between Afghanistan and Iran, training teachers and civil servants in Afghanistan, providing scholarships for Afghan students, and more.28 It has also opened four consulates in the Afghan cities of Jalalabad, Kandahar, Herat, and Mazar-e-Sharif, which Pakistanis view as potential points of entry for India’s Research and Analysis Wing, or RAW, intelligence agency. India’s growing influence in Afghanistan, and Pakistan’s fears of an Indian-leaning Afghan government, are believed to have encouraged the Pakistani military establishment to retain its support for some militant groups operating inside Pakistan. This conflict has become increasingly open since the July 7, 2008 attack on the Indian embassy in Kabul, which Afghan, U.S., and Indian officials all concluded took place with assistance from Pakistan’s ISI, a charge the Pakistani civilian government denies.29

Yet Pakistan and India have also made some strides toward resolving their tensions. Former President Musharraf in 2004 signed the Islamabad Declaration of peace between Pakistan and India, inaugurating the “composite dialogue” process, which was intended to work incrementally toward resolving conflicts between the two countries. The two countries’ foreign ministries established a direct hotline to diminish the risk of nuclear escalation, and in June 2004 both countries agreed to a moratorium on further nuclear tests except in “extraordinary” circumstances.30

The new coalition government in Pakistan may improve the relationship further. President Zardari and Prime Minister Yousaf Raza Gillani have pledged to create closer ties between the two countries and to resolve Kashmir and other issues of concern. What’s more, bus service between the two countries, which first opened in 2006, is currently ongoing despite some previous interruptions. Pakistan and India established trade routes across the Line of Control in late September of 2008, leading to a discussion in mid-October between the railway ministers of both countries about improving cross-border rail links.31
nuclear energy in India. The deal received endorsements from the International Atomic Energy Agency and the 45-member Nuclear Suppliers Group, and was signed into law October 9. It exempts India from restrictions placed on it after conducting 1998 nuclear tests and refusing to sign on to the Nuclear Non-Proliferation Treaty. Pakistan is highly wary of its rival’s nuclear program, and has warned that the deal could lead to a new arms race.

After unsuccessfully seeking to get the IAEA to approve a “model agreement” (based on the language of the Indian agreement) that could be signed by any country, rather than for India specifically, Pakistan is now reportedly seeking a similar arrangement with China. In October, China agreed to help construct two new nuclear reactors in Pakistan. Although Pakistan’s history of proliferation and political instability makes it unlikely that such a deal would be approved by other nuclear regulatory bodies, the deal with India, if not handled adroitly, has the potential to destabilize the nuclear balance in South Asia and further compound Pakistani fears of being overpowered by their neighbors.

Unpopularity of counterterrorism operations

The Pakistani military’s resistance to a counterinsurgency mission is also due to the unpopularity of the U.S.-led “war on terror” within its ranks. The Pakistani military’s overriding security concern since the country’s inception has been the perceived existential threat from neighboring India. Many in the military believe counterinsurgency operations distract the Army from this important mission.

The “war on terror” is deeply disliked by the Pakistani military and the Pakistani people for another reason—the military has taken substantial casualties since September 11, losing more than 1,400 troops fighting against the Taliban and Al Qaeda. Pakistani militant groups now actively seek to kill Pakistani security forces. Many Pakistanis believe that the United States has inflamed the Taliban by the actions of U.S. forces in Afghanistan and along the border with Pakistan, and by forcing the Pakistani Army to engage in a deeply unpopular war against groups with whom they have long-standing connections.

According to public polls, more Pakistanis perceive the United States as a greater threat to Pakistan than the Taliban or Al Qaeda are. Since September 11 widespread distrust of the United States on the part of the Pakistani people has grown. According to a USIP/PIPA poll from February 2008, more Pakistanis (84 percent) see the U.S. presence in Asia as a threat to Pakistan than they perceive Al Qaeda (62 percent) or the Taliban (50 percent) to be. More than half of the respondents in a June 2008 Terror Free Tomorrow poll blamed the United States, rather than Al Qaeda or the Taliban, for violence occurring in Pakistan today. Some 58 percent believe that the purpose of the U.S. “war on terror” is to weaken the Muslim world, and another 15 percent believe it to be specifically intended to ensure American domination over Pakistan. Majorities perceive the “war on terror” as not the Pakistanis’, and believe the United States opposes democracy in Pakistan and is acting in opposition to Pakistani interests.
Continued linkages between Pakistani military and militant groups

Ties between the Pakistani security establishment (or at a minimum individuals within it) and specific militant groups have not been severed. The militants that now form the core of the Pakistani and Afghan Taliban and the Pakistani Army have long-standing connections and shared interests. During the 1980s, the United States used these linkages to funnel money to the anti-Soviet mujahedeen in Afghanistan (some of whom later formed the base of the Taliban) through the state’s major intelligence arm, the ISI. These linkages have continued as the ISI uses some groups, such as the Haqqani network and Kashmiri groups (e.g., Lashkar-e-Taiba), for intelligence purposes and as proxies to stem what they perceive as the rising influence of India by attacking India and Afghanistan.  

Following the ouster of the Taliban from power in Afghanistan in 2001, the United States pressured Pakistan to focus its most aggressive efforts against Al Qaeda, not the Afghan Taliban or local militant groups. Pakistan targeted Al Qaeda leadership and sectarian groups whose objectives did not align with the Pakistani military, and largely left others alone, including Kashmiri groups (who were reined in after 2004, but not fully eliminated) and the Afghan Taliban.  

The Pakistan military’s fears of an encroaching India, an Indian-leaning Afghanistan, and increased instability in Afghanistan convinced many in the Pakistani military establishment that they needed to maintain the Afghan Taliban and Kashmiri groups to hedge their bets. This thinking continues today. The result has been a tentative counterterrorism and counterinsurgency campaign by the Pakistani military. Reports indicate that as a result of this hedging, the Pakistani military has provided advance warning to favored militant groups in some cases, allowing them to avoid U.S. missile strikes.  

By allowing specific terrorist groups to remain untouched, the United States and Pakistan also inadvertently allowed Al Qaeda to strengthen itself through the existing terrorist infrastructure. The continued existence of local and Afghan militant groups enabled Al Qaeda to hide within the larger militant environment. The recent military operations in Swat, a district of Northwest Frontier Province, and Bajaur Agency in FATA are largely targeting Tehrik-i-Taliban Pakistan, whereas Al Qaeda’s major presence is in the South and North Waziristan Agencies of FATA.

Tensions with Afghanistan

Deep tensions currently characterize the Pakistan-Afghanistan relationship. Insurgents attacking Afghanistan boast safe havens in Pakistan. Amid rapidly escalating violence in Afghanistan over the past several years, Afghan leaders are increasingly blaming Pakistan’s leaders and its military for failing to stem the flow of suicide bombers and other insurgents across the border.
Pakistan, in contrast, views Afghanistan through the prism of India. For decades, Pakistan has attempted to create a pro-Pakistan government in Afghanistan. During the 1980s, they supported pro-Pakistani militant groups against the Soviets, and in the 1990s, they assisted their allies, the Taliban, in taking control over the Afghan government. Today, the Pakistanis believe the current Afghan government led by president Hamid Karzai is leaning too far toward India.

In addition, the two countries cannot even agree on the border separating them, the so-called Durand Line, a border that Pakistan recognizes but Afghanistan rejects. The British determined this borderline in 1893; it divides the Pashtun and Baluchi peoples between Afghanistan and Pakistan.

Still, there have been some positive bilateral developments between the two countries. Despite a particularly strained relationship between President Musharraf and President Karzai—with Karzai directly accusing Pakistan of supporting insurgent groups attacking Afghanistan—the two leaders in August 2007 convened a joint “jirga” of about 700 delegates from both Pakistan and Afghanistan. President Musharraf conceded at that meeting that insurgents attacking within Afghanistan were receiving support from elements within Pakistan. The jirga agreed to begin a dialogue of political reconciliation with the “opposition,” or the Taliban. Following this jirga, the two presidents met again in December 2007, issuing a joint statement that they would intensify their counterterrorism operations.

The relationship between these countries deteriorated, however, following the April 2008 assassination attempt on President Karzai and the bombing of the Indian embassy in July 2008. The government in Kabul accused the Pakistani military of being involved in these attacks and temporarily suspended bilateral and regional meetings with their Pakistani counterparts. President Karzai even threatened to invade Pakistan if action were not taken against these militant groups.
Now, the establishment of a civilian government in Pakistan offers new opportunities for rapprochement between the two countries. The PPP-led coalition government and President Karzai have indicated their willingness to work together. The Awami National Party, a secular Pashtun party that is a member of the ruling Pakistan coalition was, like Karzai, a major critic of President Musharraf’s previous dealings with militants, and has friendly relations with Afghan leadership.41 Pakistan Prime Minister Yousaf Raza Gillani and President Karzai met in early August around the South Asia Association for Regional Cooperation summit, and President Karzai attended Pakistan President Asif Ali Zardari’s inauguration ceremony in September, where they reaffirmed their commitment to working together.42 In September 2008 before the United Nations, President Karzai expressed support for Pakistan’s leadership and pledged to work with Pakistan in battling terrorism.43 Delegates from Afghanistan and Pakistan met in Islamabad as part of a “mini-jirga” in late October, where they emphasized the shared nature of the militant threat and authorized the creation of a contact group for meeting with potential reconcilable elements.

The United States is working hard to make this budding relationship between the civilian leaders of the two countries blossom into more stable bilateral ties. During the past year, top U.S. government leaders from the military, intelligence community, State Department, and Department of Homeland Security have traveled to the region for meetings with Pakistani officials—a number of times in the context of regional discussions that brought Pakistani officials together with Afghan officials.44

Other regional actors such as Turkey have also tried to mediate between Afghanistan and Pakistan. On April 30, 2007, for example, Turkey convened a trilateral summit with Presidents Musharraf and Karzai, at which the Ankara Declaration was released, expressing the two nations’ strong will to maintain dialogue, face the “common threat” of terrorism, and “deny sanctuary, training, and financing to terrorists” and other insurgents. The two nations also pledged greater intelligence sharing. Afghanistan, Pakistan, and Turkey also agreed to establish a “Joint Working Group” with high-level participation from the three countries to discuss issues of shared concern and cooperation in every area, and raise the welfare of the Pakistani and Afghan people.45

**Over-reliance on Pakistani military and military tactics**

From 2001 until only recently, the government of Pakistan attempted to curtail growing militancy in its border areas through an almost exclusive reliance on military operations by its regular Army. It did not attempt to work with local leaders, including political agents or residents of the tribal areas, to gain their support against the insurgents. Nor did it focus on the underdevelopment or political marginalization of FATA.

The use of Pakistan’s regular army for these operations has been problematic for a number of reasons. The Army is not trained in counterinsurgency operations; its heavy-handed operations, relying on conventional military artillery and airstrikes, have often led to large
numbers of civilian casualties. Second, the army is perceived by residents of FATA (where much of the fighting has occurred) as a foreign occupation force. The military is largely made up of members of the Punjab ethnic group, not Pashtuns who live in that area. The entry of the regular Army into the FATA in 2003 was the first time it had conducted major operations in FATA since Pakistan’s independence.

This counterterrorism strategy backfired, failing to weaken the militant groups while undermining traditional governmental authority and alienating the population in these areas. Many residents, including tribal and religious leaders and average Pakistanis, were killed or forced to flee. And, indigenous militant groups retaliated by attacking or kidnapping Pakistani security forces.

Recognizing the failures of his counterterrorism strategy, President Musharraf beginning in 2006 and continuing into 2007 began to shift his strategy to a more comprehensive approach in FATA. In addition to conducting limited military operations, his government developed a Sustainable Development Plan, a nine-year, $2 billion program to focus on the dire economic and social conditions of FATA residents through development assistance, strengthening governance programs, and increasing trade and employment opportunities. The United States agreed to support this plan by authorizing $750 million in aid for FATA over the next five years.

The United States also initiated a program to strengthen the Frontier Corps, a paramilitary force of approximately 85,000 members that is controlled by the Ministry of Interior, believing that it could be a more effective counterinsurgency force in the tribal areas than the regular military. While regular army officers staff senior Frontier Corps positions on two-year tours, the lower ranks of the Frontier Corps are largely Pashtuns who are recruited and trained locally.

The United States has provided at least $25 million to equip the Frontier Corps thus far, and estimates it will spend approximately $400 million over the next several years. After an initial souring in relations following a June 10, 2008 incident in which American warplanes were reported to have killed 11 Frontier Corps soldiers in a border bombing, the Defense Department has begun sending trainers to instruct Pakistani officers who will in turn train the Frontier Corps. However, questions exist about the loyalties of some members of these units. The Frontier Corps was a tool in the Pakistani military’s arsenal for supporting the Afghanistan mujahedeen against the Soviets and the Taliban in the 1990s. Some reports suggest that the Frontier Corps may have fired upon U.S. military units in the June 10th incident. Even General Dan McNeill, former commander of the NATO-International Security Assistance Force, expressed concern about whether the Frontier Corps was a reliable partner for the U.S. military through his recounting of the assassination of a U.S. military official by a member of the Frontier Corps in the spring of 2007.
For its part, the Pakistan Peoples Party-led coalition government since the election last year has based its counterterrorism strategy in part on Musharraf’s more comprehensive approach. On October 22, after two weeks of closed-session debates, the parliament issued a joint statement declaring the need for an “independent foreign policy” and emphasizing the need for dialogue with reconcilable elements, while still noting the government’s opposition to the use of Pakistani territory for attacks on any other country.

The Awami National Party, the party that controls the Northwest Frontier Province, has also put forward a $4 billion plan to decrease militancy in the NWFP. Their proposal includes increases for the provincial police and the Frontier Constabulary (another federal paramilitary force that has been merging with the Frontier Corps), as well as police reform. In a new controversial initiative, Pakistan’s military and intelligence agencies are now trying to raise local militias, known as “lashkars,” to challenge some Taliban groups.

The power struggles at the federal level, the continued dominance of the military, and disagreements among coalition members over the nature of the threat, have resulted in insufficient progress on addressing the militant threat. The military retains exclusive control of counterterrorism efforts, with limited involvement from elected officials. Prime Minister Gillani gave the army chief final decision-making power regarding military operations in FATA and NWFP. Furthermore, reports have indicated that the military remains in charge of the peace and prisoner negotiations, with civilian government officials complaining they are not consulted or informed of these arrangements.

The use of unilateral military strikes by the United States has also created a backlash among people in the tribal areas and throughout Pakistan. The United States had previously taken sporadic independent military action in Pakistan, using unmanned Predator drones and missiles to target Al Qaeda and the Taliban. But in 2008 it has escalated the use of this tactic as a result of a strengthened insurgency in Afghanistan. The United States has conducted at least two dozen missile strikes during 2008 alone, compared to 10 in 2006 and 2007 combined. And in September 2008, U.S. Special Forces allegedly entered Pakistani territory to conduct raids against suspected Al Qaeda-linked militants.

These strikes have had negative consequences for the U.S.-Pakistan relationship. They are deeply unpopular in Pakistan and inflame an already volatile domestic political environment. Insurgent groups use these attacks to bolster their anti-U.S. propaganda through arguing that they are fighting Americans who launch attacks on Pakistani territory. The military and the people feel deeply threatened by the strikes and may be more resistant to cooperation with the United States and to reorienting their military toward counterinsurgency. Pakistanis believe that these strikes violate state sovereignty, and their leaders have threatened retaliatory action.
Furthermore, the strikes have caused a number of civilian casualties while having little impact on the capabilities of these militant groups. Some reports have suggested that American officials, unprepared for the level of Pakistani backlash, have made the decision to suspend any further ground raids, while continuing missile strikes against perceived high-value targets.59

Ineffective peace agreements with militants

Beginning in 2004, the Musharraf government negotiated a series of flawed peace agreements with some local insurgents. The South Waziristan accords in April 2004 and February 2005 and the North Waziristan agreement in September 2006 with pro-Taliban militant groups did little to stem the violence or weaken the militants. Instead, the Musharraf government negotiated from a position of military weakness, with no verification or consequences for noncompliance.

Although the agreements included clauses nominally barring militants from carrying out operations across the border into Afghanistan, they went unenforced as Pakistani authorities were instead focused primarily on sparing their side of the border from further militant attacks.60 Indeed, these agreements were most likely negotiated to stem the worsening morale in the Pakistan military and to lessen the resentment held by the Pakistani people and their exhaustion with military operations.

President Musharraf attempted through these agreements to return power to the FATA tribes by holding them responsible for the peace agreements. But he failed to recognize how entrenched Al Qaeda and the Taliban had become within these areas and offered them little support against well-armed militant groups. These agreements broke down quickly. And soon after the North Waziristan agreement in 2006, for example, the U.S. government claimed that cross-border infiltration into Afghanistan by militants increased 300 percent.61 The government has signed new agreements with Taliban elements in North Waziristan, Swat, Dir, Bajaur, Malakand, Mohmand, and Khyber, and more recently, negotiations have also occurred in South Waziristan, Kohat, and Mardan.62 In most instances, the militant groups have not honored the terms of these agreements.

In October 2008, Pakistan’s parliament voted unanimously for a resolution that emphasized the threat of militant groups to Pakistan and advocated negotiations with these groups as the “highest priority” over military operations. The resolution supports dialogue with those groups that abide by the Pakistani constitution and rule of law.63 Moreover, at the end of October, Afghan and Pakistani leaders met in a “mini-tribal council” and decided to make contact with insurgent groups, including the Taliban, in order to face a peaceful resolution to the fighting.64
Pakistan’s nuclear arsenal

Pakistan’s status as a nuclear state underscores the importance of its long-term stability. Many U.S. observers have expressed public concern, particularly during recent periods of instability (such as following the November 2007 declaration of emergency rule by former President Musharraf and the December 2007 death of Benazir Bhutto) about the prospect of Pakistan’s nuclear arsenal being seized by militants, raising a worst-case scenario of nuclear terrorism.

Pakistan possesses an arsenal of between 50 and 100 nuclear warheads, although some estimates place that number higher. These fears are exacerbated by Pakistan’s history as a proliferator of nuclear technology and designs. The father of Pakistan’s atomic bomb, Dr. Abdul Qadeer Khan, was revealed in 2004 to have led an international network that traded nuclear material and expertise to North Korean, Iran, and Libya. Dr. Khan was placed under house arrest and the government of Pakistan declared the case “closed.” Since then, neither U.S. officials nor the IAEA have been provided access to him, and the full extent of the network’s reach remains unknown.

The U.S. government currently believes that the risk of outright nuclear theft by militant groups is low. Since 2000, Pakistan’s arsenal has been under a National Command Authority comprised of top civilian and military leaders. Intelligence assessments con-
ducted in November 2007 concluded that Pakistan's nuclear arsenal and its nuclear laboratories were secure. Chairman of the Joint Chiefs of Staff Michael Mullen stated at the time, “I don’t see any indication right now that security of those weapons is in jeopardy,” but he noted that the United States would remain watchful on the issue.

The United States provided approximately $100 million in assistance from 2001 to 2007 to improve the physical security of Pakistan’s nuclear arsenal through the transfer of so-called “permissive action links,” or PALS technology, which is used to keep weapons from being detonated without authorization. A screening program for employees working in Pakistan’s nuclear program, the Personnel Reliability Program, based on an American model, aims to ensure that no employees with ties to extremist political groups are hired.

Yet reports that Pakistan continues to buy components for enriching uranium and reprocessing spent fuel (in order to produce its own weapons-grade material) keep suspicions toward the program alive. The United States is reported to have contingency plans in place to deploy Special Forces operatives to seize nuclear sites in the event of a takeover by radical forces. Pakistani leaders have been highly reticent to share information with the United States and other foreign nations about the scope of its nuclear program and location of all weapons sites.

In mid-September, the Institute for Science and International Security warned that construction had been observed on two additional plutonium production reactors at the Khushab Heavy Water and Natural Uranium Research Reactor in Punjab province, raising worries that Pakistan may be seeking to expand its arsenal further, potentially upsetting the already tenuous regional nuclear balance.
Pakistan represents a critical national security concern that the United States must address by creating a comprehensive and coherent strategy that integrates military, diplomatic, and economic components. As the 9/11 Commission and the U.S. Government Accountability Office have previously recommended, the United States needs to work in coordination with Pakistan and with other international partners to develop a comprehensive counterinsurgency plan to address the growing militancy in FATA and beyond.

The recommendations below apply largely to the military and intelligence components of U.S. and Pakistani strategy. Pakistan will eliminate the threat posed by militant groups only if long-term political and economic reforms are implemented—military action is insufficient by itself. Recommendations for these other areas are presented in separate sections of this paper.

**Short-term recommendations**

Create a comprehensive counterinsurgency strategy for addressing militant groups. The Obama administration will need to immediately assess the current approach to Pakistan and outline a vision for defeating extremism in Pakistan. While the United States should develop the policy in agreement with the government of Pakistan, it must include contingencies if the government of Pakistan is unable or unwilling to implement a strategy. The United States needs to assist the Pakistanis in changing their focus and strategic calculus through reducing tensions with India and Afghanistan, and in supporting capacity building in Pakistani counterinsurgency and counterterrorism capabilities. Dismantling militant groups will require determined military action in some cases, such as with Al Qaeda, but political reconciliation may be required with other militant groups, including some Taliban with local political objectives. The U.S. government will need to coordinate this strategy with a larger development strategy.

Strongly encourage Pakistan’s government to adopt its own counterinsurgency strategy for the tribal areas and to increase efforts against militant groups. The United States should allocate military assistance to Pakistan in a way that seeks to support a transformation in doctrine, practice, and mindset regarding counterinsurgency. The new civilian government has pledged to increase development assistance and improve governance in the FATA. Specifically the United States should:
• Encourage Pakistan’s political leadership to take the lead in a counterinsurgency campaign. Delegating chief responsibility for military operations in FATA and NWFP to the army neglects the importance of legitimate political leadership in a successful counterinsurgency campaign and perpetuates the marginalization of civilian government from security affairs. As also noted in the governance section of this report (beginning on page 34), the United States must stop dealing with the Pakistani military as an autonomous institution and support civilian oversight of the military establishment.

• Increase training and technology programs in counterinsurgency, including professional military education opportunities for Pakistani military officers. The U.S. International Military Education and Training Program currently receives a budget of $2 million to engage approximately 200 Pakistani officers in professional and technical training. Such exchanges will be crucial for imparting the skills and strategic logic necessary for counterinsurgency campaigns for the next generation of Pakistani officers. Pakistani officers should be encouraged to attend courses at U.S. war colleges and the United States should support courses in counterinsurgency at Pakistan’s National Defense University.

• Support a reorientation of Pakistan’s intelligence collection. Currently, Pakistan’s intelligence capabilities remain fixated on India and its role in Afghanistan. The United States should support its reorientation toward gathering intelligence of militant groups, many of whom have had an intimate relationship with the ISI. U.S. intelligence agencies should examine ways that might foster closer working relationships of trust and mutual cooperation through programs that are similar to the International Military Education and Training Program with the Pakistani military.

Invest in Pakistani military at existing levels, but with greater oversight and accountability. The United States should continue supporting and working with the Pakistani military despite strains in the relationship. The stakes are too high to walk away from Pakistan’s military establishment. Not only does most of the materiel for the U.S. war effort in Afghanistan go through Pakistan, but the ISI is almost the exclusive source of information about international terrorist attacks perpetrated by Al Qaeda and its affiliates in Pakistan. Specifically the United States should:

• Target assistance toward specific shared objectives and tie it to Pakistan’s performance on stopping cross-border attacks into Afghanistan and conducting counterterrorism operations against militants in Pakistan.

• Increase the transparency and oversight of military assistance to Pakistan. For too long, the U.S. government has not sufficiently monitored the disbursement of U.S. taxpayer dollars, especially in regard to Coalition Support Funds. CSF funds should
be linked to concrete tasks and the “performance of specific objectives.” More U.S. funding should be allocated through the government of Pakistan, and not the Pakistani military.

- Support the Pakistani leadership’s objectives of creating a professional, non-political Army and ISI operating under civilian control with clearly delineated lines of authority. The civilian leadership should be setting Pakistan’s strategic direction. When meeting with Pakistani military officials, the United States should always keep the civilian leadership informed or included in the meetings.

- Support greater civilian control over the ISI (within the larger Army). The ISI should operate under professional military and civilian control and not collaborate with groups waging war against the United States and Pakistan.

- Undertake a comprehensive review of the intelligence-sharing relationship between Pakistan and the United States. The next U.S. administration should undertake a comprehensive review of its intelligence liaison relationship with Pakistan for the overall purpose of determining how and whether that relationship is advancing or hindering the policy goals outlined in this comprehensive new strategy and adjust the relationship as necessary to support U.S. policy goals.

- Establish U.S.-Pakistani working-level groups to develop and implement joint military and intelligence strategy. The United States should cooperate with Pakistani military and intelligence services when possible in tracking down Al Qaeda and other militant groups.

- Conduct a thorough review to determine whether support for the Frontier Corps should continue. As a locally recruited paramilitary force, the Frontier Corps has the potential to serve as a useful tool in a broader Pakistani counterinsurgency campaign in the FATA. Yet serious concerns exist about their loyalties and whether they have been infiltrated by extremists. If training and modernization of the Frontier Corps continues, close oversight of its officer corps and rank and file should occur to ensure U.S. assistance is being used to improve their capabilities, and not diverted to conventional military capabilities or, worse still, finding its way into the hands of militant sympathizers. Furthermore, they should most likely be used for supporting the delivery of humanitarian services, and not as a combat force.

Preserve U.S. capabilities to conduct military strikes in Pakistan, but use these strikes as a last resort, recognizing their negative impact on U.S. –Pakistan relations.

- Maintain capability to conduct military strikes in Pakistan when Pakistan lacks the capability or will to do so. Given the danger posed by Al Qaeda and Taliban safe havens in FATA, the United States must maintain this capability. Any military strikes
into Pakistan territory, however, must be made with extreme caution and only in cases where intelligence officials have the highest confidence that such strikes will be able to eliminate Al Qaeda and Taliban leaders whose removal would have the greatest effect on the rest of their networks.

- Develop high-quality human and technical intelligence on the political and security dynamics confronting FATA and other areas. The United States has been forced to rely too much on Pakistani sources, which regularly manage and control the flow of information.

**Increase security coordination with Pakistan’s neighbors and allies.**

- Convene a regional security summit with Pakistan, including China, UAE, Russia, Turkey, Iran, Afghanistan, Central Asian countries, and India, to discuss a shared strategy for assisting Pakistan in defeating extremism within its territory. The Friends of Pakistan model may be one forum to utilize for this purpose. Others recommend creating a contact group authorized by the U.N. Security Council, which would include five permanent members and perhaps others such as NATO and Saudi Arabia, to address the crisis in Pakistan and the region. All of Pakistan’s neighbors have a stake in the country’s success and can bring influence and resources to the table. Ultimately, however, Pakistan will need to take the lead role in coordinating assistance from its neighbors into a coherent policy for addressing its internal challenges.

- Consult with China more on security issues in Pakistan and the region. China and the United States are Pakistan’s primary military benefactors and should consult each other in order to maximize the Pakistani military’s ability to conduct effective counterinsurgency operations rather than large-scale conventional warfare. Although Chinese pressure on the issue has been much lower-profile than that of the United States, China has demonstrated a growing concern about militancy and extremism emanating from Pakistan. China has linked some Uighur separatists in its Xinjiang province, most prominently the East Turkistan Islamic Movement, back to Pakistan and Al Qaeda. Pakistan has sought to cooperate with their Chinese allies, turning over suspected Uighur separatist leaders, conducting operations against reported East Turkistan Islamic Movement camps in FATA, and establishing a “counterterrorism hotline” in 2004.

- Increase coordination with Saudi Arabia. The United States and Saudi Arabia should increase their security and intelligence cooperation. Saudi Arabia has a long history of working with Pakistan’s ISI and the military establishment, and has serious concerns over growing extremism in Pakistan. Former Saudi intelligence chief Prince Turki bin Faisal once called the intelligence connection “probably one of the closest relationships in the world between any two countries.”
Long-term recommendations

Support Pakistan’s efforts to identify reconcilable groups within the tribal areas and support their integration into the political process while continuing to pursue irreconcilable insurgent groups.

- Support negotiations. While most peace agreements with militant groups enacted after the civilian government came into power earlier this year appear to be having little effect, they have the potential to strengthen the legitimacy of the government effort. Pakistan’s civilian leadership needs time to show that they are not just fighting the U.S. “war on terror” to the Pakistani population. Negotiations are essential, even if only to buy legitimacy for subsequent military action.

- Require minimum conditions be met in peace agreements. Strict monitoring and enforcement by the government of Pakistan should follow any agreement. Insurgent groups should meet the following minimum requirements in any peace deal: They must respect the authority of the government of Pakistan, end violence, stop attacking across the border into Afghanistan, and end support for others who engage in cross-border attacks and international terrorism.

Provide assistance to support deradicalization programs for jailed Pakistani militants. Saudi Arabia, Indonesia, and Singapore have had some success with deradicalization programs, but they have not been tried in Pakistan. These programs involve counseling and education sessions with former militants or religious scholars, combined with job programs and in some cases financial support. While not all militants in Pakistan will be amenable to such outreach efforts from the state, Pakistani officials could potentially benefit from sharing best practices in countries that have spent years in building up their own counterradicalization programs.86

Restructure bureaucratically to address Pakistan regionally and to improve U.S. government response. The U.S. government must organize itself differently so that regional strategies are conducted, not just country-specific policies. Interagency and inter-regional teams within the U.S. government should be created to strategize across borders and subject areas. Currently within the National Security Council, Afghanistan is broken out of the region and connected to Iraq under Lieutenant-General Douglas Lute. In the Obama administration, Afghanistan, Pakistan, and India should be organized within the same regional department in the NSC. Furthermore, the way that different executive branch departments such as Defense and State organize themselves bureaucratically should be consistent across departments and agencies.

Reduce tensions with Afghanistan. The inauguration of a new civilian government in Pakistan has helped to defuse some tensions between Afghanistan and Pakistan. But as
long as militant groups continue to cross over the border to attack the Afghan government and international forces supporting them, more work will need to be done to bring the military establishment and the government of Pakistan into a stable relationship with their Afghan neighbors. Specifically, the United States should:

- Support regular bilateral consultations between the Pakistani and Afghan governments and their respective militaries. The United States and Turkey have already hosted summits for Pakistan and Afghanistan to increase communication and reduce tensions between these two countries. These summits should continue with greater frequency. The creation of a Pakistan-Afghanistan Peace Secretariat by the U.S. government should be considered.

- Increase the number of Tripartite Commission meetings between top-level Afghan, Pakistani, and NATO-International Security Assistance Forces military and intelligence officials to coordinate strategy for dealing with militant groups that threaten both states. Support the continued operation of the working-level Joint Intelligence Operations Center in Kabul and the development of more centers near the border itself.

- Assist in resolving the dispute over the Durand Line that marks the two countries’ borders. The United States could potentially guarantee the agreement.87 The United Nations should convene an international conference attended by all of Afghanistan’s neighbors and other concerned parties to create a multilateral accord that recognizes Afghanistan’s borders with Pakistan; pledges non-interference in Afghanistan’s internal affairs; affirms that, like the Congress of Vienna accord for Switzerland, Afghanistan should be internationally accepted as a permanently neutral state; and establishes a comprehensive international regime to remove obstacles to the flow of trade across Afghanistan.88

- Work with NATO allies and the Afghan security forces to vigorously patrol the Afghan border against infiltration from the Pakistani side. Whenever possible, conduct such operations with local Afghan forces in the lead, and U.S. military and intelligence elements in supporting roles.

- Support people-to-people exchanges on a civilian level between Pakistan and Afghanistan. This would include members of the business, civil society, and legal communities, as well as students and elected representatives of both countries, namely from their respective parliaments.

**Reduce tensions with India.** Until Pakistan feels more secure about its relationship with India, it will not reorient its military toward the insurgent threat within its borders. Nor is it likely to completely sever ties with militant groups who attack India and Afghanistan. Specifically, the United States should:
• Promote increased dialogue on Kashmir. The United States, along with others in the international community, should offer their strong support for Pakistan and India as they seek to resolve their long-standing dispute on Kashmir. India, which sees itself as benefiting from the current status quo on the ground in Kashmir, has resisted the involvement of third parties in the dispute and is skeptical of the United States’ ability to serve as an honest broker. With a growing rapprochement between the United States and India—as evidenced by the signing of a major civilian nuclear trade deal—Washington is better positioned to make the case to both countries that their interests lie in coming to a peaceful resolution in the disputed region.

• Support the current dialogue between Pakistan and India, with the goal of increasing trade and trust and to collaborate on shared regional objectives. The discussions between these countries may be strengthened if they are able to resolve some smaller disputes, such as the Siachen Glacier, the Sir Creek boundary, constructions of dams by India in Kashmir on rivers flowing into Pakistan, and easing of travel restrictions. The international community can encourage a result-oriented dialogue that may reduce tensions at a swifter pace.
Advancing a strategy for effective, representative, and inclusive governance in Pakistan

Challenge: weak governance

Pakistan’s civilian government is weak, divided among competing factions, largely unresponsive to its population’s needs, and rife with corruption. There is hope, however, that this debilitating mix can be overcome as the country’s first elected government in almost a decade enters a second year of governing.

In a peaceful transition of power through the ballot, nationwide parliamentary elections in February 2008 ushered in a new civilian government. A coalition was formed, initially composed of the Pakistan Peoples Party, the Pakistan Muslim League-N (PML-N), the Awami National Party, and other minor parties. Following an agreement to impeach President Musharraf, his August 2008 resignation, and a failure by the PPP to carry through on its promises to restore members of the judiciary deposed in November 2007, the PML-N withdrew its support from the coalition. A new coalition has since been created with the PPP in the lead. In early September 2008, Asif Ali Zardari, the head of the PPP and widower of former Prime Minister Benazir Bhutto, was elected president by the federal parliament and provincial assemblies.

This new coalition government offers opportunities for Pakistani leaders, supported by the United States, to strengthen their democratic system. The prime minister and president will face immense challenges and questions about the ability of their government to meet them. To assist the Pakistani leadership in doing so will require navigating a complex range of institutions, individuals, and interests. A new U.S. strategy toward the country must place a higher priority on engaging with a broad range of institutions, and working toward a new arrangement that, while more complex, will bring greater stability to the country in the long run.

The Bush administration viewed governance issues as an afterthought in Pakistan. It focused primarily on the military solution as the answer to Pakistan’s security problem, without appreciating how Pakistan’s weak governance contributes to growing instability in Pakistan and the region. The United States preferred to work exclusively with President Musharraf, whose growing illegitimacy made it difficult to secure popular support for serious political reforms or counterinsurgency efforts. It did not sufficiently reach out to the other parts of Pakistani society, including civil society, political party leaders, students, and more. Nor did it significantly support democratic programs or a strengthened judiciary.
Weak governance has contributed to growing militancy in Pakistan, economic troubles, and regional instability. Disgruntled Pakistani citizens, some who are marginalized economically and politically, chose to join militant groups to support their livelihoods or find a sense of purpose. Their disillusionment with a corrupt and inept government convinced them that the Taliban and affiliated militant groups offered more attractive alternatives.⁹⁹ Others, such as many residents in FATA, who are offered no protection by the state, are forced to ally with these groups for their own safety.

# Pakistan's political leaders

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<tr>
<th>Leader</th>
<th>Position</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Asif Ali Zardari</strong></td>
<td>President of Pakistan</td>
<td>Zardari is the husband of assassinated former Prime Minister Benazir Bhutto and leader of the PPP. He served as a member of the National Assembly and as environment minister during the second term of his wife’s premiership. For years he was seen as a political liability for the PPP, and was given the nickname “Mr. 10 Percent” due to his reputation for corruption. In the last two decades Zardari has been arrested numerous times on charges ranging from blackmail to murder and was imprisoned for a total of 11 years. However, many of these court proceedings are alleged to be highly politicized, and some of the cases against him have been dismissed. Following his wife’s assassination in December 2007, Zardari became co-chairman of the PPP. On September 6, Zardari was elected President of Pakistan despite opposition from the PML-N.</td>
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<tr>
<td><strong>Yousaf Raza Gillani</strong></td>
<td>Prime Minister of Pakistan</td>
<td>The descendent of a major landowning and political dynasty from Multan, Punjab, Yousaf Raza Gillani joined the Pakistan People’s Party in 1988, serving as a minister in the first Bhutto cabinet and as speaker of the National Assembly in the second, from 1993–1997. A staunchly loyal party member, he was arrested in 2001 by the Musharraf-instituted National Accountability Bureau on corruption charges, and was imprisoned until October 2006. Asif Ali Zardari and the PPP nominated Gillani for the position of Prime Minister of Pakistan following the February parliamentary elections, and he was elected by a large margin with the support of PML-N and other early coalition partners. Gillani was initially seen as a stand-in for Zardari’s own ambitions, and the latter’s subsequent election to the presidency has given the PPP broad control over the civilian federal government.</td>
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<td><strong>Nawaz Sharif</strong></td>
<td>Leader, Pakistan Muslim League-Nawaz (PML-N)</td>
<td>Sharif, the leader of the PML-N, began his political career in Punjab, where he served as chief minister under General Zia-ul-Haq. Sharif served as prime minister on two separate occasions: from 1990 to 1993 and from 1997 to 1999. He was overthrown in a coup led by Musharraf in 1999 and subsequently charged with hijacking and terrorism for blocking Musharraf’s plane from landing in Karachi in the heat of the coup. The Supreme Court disqualified Sharif from holding public office for 21 years, and he was exiled to Saudi Arabia. In November 2007, Sharif was allowed to return to Pakistan, but a Pakistani court banned Sharif from participating in parliamentary by-elections on the basis of his previous criminal convictions. While his party initially formed a coalition government with Zardari’s PPP, Sharif led the PML-N in resignation from the coalition after failing to come to an agreement on the reinstatement of judges or selection of a new president.</td>
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<tr>
<td><strong>General Ashfaq Pervez Kayani</strong></td>
<td>Chief of Army Staff, Pakistani Army</td>
<td>Kayani, the current chief of army staff, is a career Pakistani military officer as well as a graduate of the Fort Leavenworth Command and General Staff College. Kayani served as Benazir Bhutto’s deputy military secretary during her first term as prime minister. He then became director general of military operations, in which he oversaw troop movements during the 2001-2002 border standoff with India. Kayani gained Musharraf’s trust commanding the X Corps in Rawalpindi, leading the successful investigation of the two back-to-back suicide attacks against Musharraf in December 2003. This led to his promotion to Director General of ISI in 2004. He became Army Chief when Musharraf stepped down from the position in November 2007. He appointed new corps commanders and a new director of the ISI in September 2008, signifying a shift away from the Musharraf-era military.</td>
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<tr>
<td><strong>Pervez Musharraf</strong></td>
<td>Former President of Pakistan</td>
<td>As chief of army staff, Musharraf seized leadership of Pakistan from Nawaz Sharif in 1999 in a bloodless coup. In 2001 he appointed himself president of Pakistan, and in April 2002 he held a national referendum to extend his term five years from the October 2002 national elections, which passed despite boycotts by many Pakistani political groups and complaints of vote-rigging. In November 2007, Musharraf declared emergency rule, just days before the Supreme Court was to rule on the constitutionality of his re-election that October. During this period Musharraf dismissed over 60 justices and swore in replacements under a new Provisional Constitutional Order. In November the Pakistani Election Commission confirmed Musharraf’s re-election as president, and soon after he resigned as army chief. In the February 2008 national elections, Musharraf’s party, the PML-Q, lost its leadership status. Under pressure from both the PPP and PML-N and facing possible impeachment proceedings, Musharraf resigned on August 19, 2008.</td>
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Pakistan's political parties

Pakistan Peoples Party
Founded by Zulfikar Ali Bhutto in 1967, the PPP is based in Sindh province. Its support comes primarily from the rural poor, and it is generally identified as a center-left, secular party. Zulfikar was hanged in 1979 after a controversial murder conviction, and leadership passed to his daughter, Benazir. Following Benazir’s December 2007 assassination, her widower Asif Ali Zardari took control of the party, although he is acting as a caretaker for their 19-year old son Bilawal. The PPP succeeded in capturing the largest share of parliamentary seats in the February 18 vote, but was unable to secure an outright majority. It now holds a predominant position in the current coalition with the Awami National Party and several smaller parties. Zardari was elected president of Pakistan in September 2008 and retains his position as party co-chair.

Pakistan Muslim League-Nawaz
The Pakistan Muslim League was founded in 1962, and gained the “N” in 1993 for Nawaz Sharif, its leader. The PML-N’s roots lie in the Punjabi heartland. While former Pakistani Prime Minister Nawaz Sharif continues to lead the party, he is ineligible to serve as prime minister a third time and was barred from running in both the February elections and June’s by-election by the Election Commission on corruption charges. Sharif has declared a platform of “Islamic nationalism” and has been critical of the United States’ war on terror and previous support for President Musharraf. Following the February 2008 parliamentary elections, the PML-N joined the PPP in a coalition government. However, it quit the coalition in August 2008 over disagreements with the PPP over the reinstatement of the judiciary and President Musharraf’s replacement. The PML-N currently controls the Punjab provincial assembly and sits in opposition in the national parliament, although it has promised not to destabilize the PPP-led government.

Pakistan Muslim League-Quaid
Referred to as Musharraf’s “King’s Party,” the PML-Q was formed in 2001, principally from defectors from the original Sharif-led PML (as well as the PPP and other minor parties) and won control of the government in the 2002 parliamentary elections, which were widely alleged to have been rigged by Musharraf and the security services. During its time in office the PML-Q-led parliament acted principally as a rubber stamp for Musharraf. In the face of widespread dissatisfaction with his rule, the PML-Q was effectively routed in the 2008 elections, with even top party leadership suffering defeats in their constituencies. The PML-Q conceded defeat in the elections and now sits in opposition; both PPP and PML-N have courted its members’ support at the national and Punjab provincial levels.

Awami National Party
A secular, ethnically Pashtun party, the ANP was formed in 1986 when the National Democratic Party merged with several other progressive political and nationalist groups. The party has its strongest base of support in the Northwest Frontier Province, where it won decisively in the February 2008 elections over the incumbent MMA coalition of Islamist parties, who were viewed as corrupt and ineffective. The ANP is partnered with the PPP and PML-N in the new coalition government. ANP leaders have spoken out against terrorism and militancy, but also the United States’ “war on terror” strategy. They have indicated that they will push for negotiations and more outreach to disaffected tribes as a solution to the terror threat, and have called for the political integration of the Federally Administered Tribal Areas into the rest of Pakistan.

Muttahida Majlis-e-Amal
While the MMA is a coalition of six Islamist parties, Jamaat-e-Islami, or JI, and the Jamiat Ulema-e-Islam, or JUI, dominate the coalition. JI, which perceives itself as a vanguard Islamist movement, has been a vocal opponent of military rule and Musharraf’s alliance with the United States, and boycotted the 2008 elections. JUI, whose leadership is drawn from the Deobandi religious schools, participated and had previously supported the PML-Q. Both the JUI and JI are alleged to have links to Al Qaeda and the Taliban. During the 2002 elections they won 11 percent of the popular vote and majorities in the Northwest Frontier Province, where the MMA led the provincial government. The MMA was only able to secure five parliamentary seats in the 2008 elections, and its losses were principally attributed to a failure to effectively deliver services and good governance in the NWFP, and the decision by some of the members of the coalition to boycott the elections. The JUI subsequently joined the coalition government.

Muttahida Qaumi Movement
The Muttahida Qaumi Movement, or MQM, is an ethnic Mohajir party drawn from Urdu-speaking refugees from what is now India. The party is dominant in Karachi and has caucused both with and against the PPP and PML-N in the past. Outside of the urban centers and the narrow ethnic base of the Mohajirs, it does not have widespread support. The MQM has indicated that it will remain allied with the PML-Q; its past support for Musharraf’s party had caused many PPP and PML-N party workers to reject it as a potential coalition partner in a new government. Following the breakup of the PPP-PML-N coalition, the MQM backed Zardari for the position of president.
Pakistan’s fragile civilian institutions also pose great risks for Pakistan’s future stability. As in the past, the possibility remains that Pakistan’s military could conduct a coup if it perceives the government as inept. Or Pakistanis may rise up in protest due to the government’s inability to deal with economic issues. In the worst-case scenario, the country might face a full-scale breakup. All of these events would be disastrous for Pakistanis, the region, and the world.

The tasks facing this new coalition government are daunting, especially as they must escape from a long-standing track record of governance failures in Pakistan. Since its founding in 1947, Pakistan has been unable to maintain a functioning democratic system on a consistent basis. It has cycled between military rulers and civilian politicians as public support for their rule is exhausted by recurring patterns of mismanagement and/or corruption.

The country’s first constitution lasted less than two years before it was abrogated in the first of four military coups, and regular intervention into the political system by the Army and military intelligence services has continued ever since. The military has ruled for more than half of Pakistan’s existence. The few political parties with national reach have traditionally been dynastically controlled political machines rooted in different regions of the country, unable to exert full control when in government over the security agencies or provide for the needs of all of Pakistan’s citizens.

Throughout this volatile political history, the government of Pakistan failed to provide basic services to large segments of its population, such as security, education, economic opportunities, a functioning judicial system and police force, clean water, or electricity. These failures are disproportionately evident in some areas of Pakistan more than others, such as the Federally Administered Tribal Areas, the Northwest Frontier Province, and Balochistan, where many militant groups now operate.

U.S. policymakers are currently focused on FATA as the most dangerous threat to Pakistan’s stability and U.S. national security concerns due to the presence of Al Qaeda and the Taliban there. But FATA’s importance should not be overplayed. It remains a small slice of Pakistan, where only 3 million people reside of the more than 160 million total in Pakistan. Ultimately, instability in Punjab or in Sindh—the two most populous provinces and home to the two main competing political parties—would pose a much greater threat to Pakistan’s viability as a state than FATA alone.

**Governance failures**

Pakistan’s dysfunctional democracy stems from a number of factors. These include a politically active military establishment, tensions between the populous center of the country and its periphery, a weak judicial system, and a flawed electoral process. Each of these factors separately and in tandem contributes to repeated governance failures in Pakistan.
Politically active military establishment

Pakistan’s powerful military establishment has launched four outright coups d’etat in the country’s 60-year history. And through its control of the Inter-Services Intelligence directorate, or ISI, Pakistan’s premiere intelligence service, the military continues to carry out subtler manipulations of the political system during the periods when it has not held power directly. Even during periods of civilian rule, the military’s status as the country’s most powerful, cohesive, and publicly respected institution has stymied meaningful oversight over national security policymaking by elected civilian politicians.

The military establishment also has expanded far beyond its national security portfolio, entrenching itself in the Pakistani economy. In a detailed 2007 study of the private business holdings of the military, researcher Ayesha Siddiqa found military-owned economic assets collectively valued at nearly $20 billion, including 11.58 million acres of lucrative real estate (12 percent of all state-owned land), about half of which is owned by individual officers. Its commercial activities, estimated at $4 billion, form approximately 4 percent of the national GDP. Land grants, pensions that are five times the size of those offered to civilian officials, and guaranteed jobs following retirement all contribute to the enrichment of the military class.

What’s more, through its military welfare foundations and in some cases outright institutional ownership, the Pakistani military controls the National Logistics Corporation, the country’s largest freight transportation company; the Frontier Works Organization, the largest road and toll contractor in Pakistan; and numerous large-and small-scale businesses, ranging from agriculture to education to banking to gas stations to soap and cereal factories. Through its self-enriching business interests, the military maintains a controlling interest in the Pakistani political economy that perpetuates its hold on power.

The Pakistani civilian government and political parties, with limited governing experience after regular expulsions from power, have minimal oversight over the military establishment. Although the new civilian coalition took the important step of publicly releasing Pakistan’s defense budget for the first time in the country’s history, control over how that money is spent still rests with the Army general staff. Decisions on the direction of national military strategy similarly remain in military, rather than civilian hands.

The United States shares some of the blame for imbalance between military and civilian institutions in Pakistan. During the 1960s, 1980s, and since 9/11, the Pakistan military has been richly rewarded by the United States based on its status as a front-line state in the Cold War and then in the war against extremist terrorist networks. The United States has created perverse incentives by richly rewarding the Pakistani military in its promotion of unstable and insecure geopolitical situations on the other side of its borders, and then withdrawing our support if peace and stability return. The Pakistan military, meanwhile, uses the threat of India and the dispute over the Kashmir region to legitimize its leading role in Pakistan’s domestic politics and budget.
Some indications, however, suggest that current Army Chief of Staff Ashfaq Kayani is seeking to depoliticize the Pakistani military, although the extent to which he will accept civilian control over its affairs or reduce its involvement in the economy remains uncertain at best. Without a change in mindset by the Pakistani military establishment or a shift in the balance between the civilian government and the military, it is unlikely that the civilian government will be able to successfully dismantle militant groups within Pakistan.

Center-periphery tensions

Pakistan has also not resolved tensions over power and wealth sharing among its provinces, which have plagued the country from the beginning. To this day, Punjab remains the most powerful province in Pakistan, with 60 percent of the population. The other provinces of Balochistan, Sindh, and the North West Frontier Province, as well as the Federally Administered Tribal Areas, have often felt excluded from and resentful of the federal power structure in Pakistan.

These provinces have remained weak partially as a consequence of the intentional policies of Pakistan’s leaders, who fear that greater autonomy and power in the provinces might lead to secession. The Pakistani military, through the office of the presidency, has regularly attempted to undermine the provincial and national assemblies controlled by political parties. Local government systems have often been used by military governments to localize politics and play a divide-and-rule game. Politicians are forced to focus on the politics and patronage at the local level while national level politics remains the domain of the military.92

While representative democracy has functioned imperfectly in “settled” Pakistan proper, in the Federally Administered Tribal Areas, where numerous militant groups operate, it barely functions at all. Comprising over 27,000 square kilometers of mountainous, remote terrain, the FATA has existed as a partially governed border zone. The FATA is principally subdivided into seven different agencies (and six Frontier Regions), each one governed by a political agent appointed by the governor of the North West Frontier Province, who is in turn appointed by the president. The majority of the residents who live in FATA are Pashtun, an ethnic group living on both sides of the Afghanistan-Pakistan border. Pakistan leadership has intentionally marginalized this area, partially due to its concerns regarding the Pashtun population. They fear that a strengthening Pashtun population might demand to create a separate state from Pakistan, Pashtunistan, which would include parts of NWFP and Balochistan.93

Officially recognized tribal leaders, known as maliks (or elders), are additional intermediaries between the estimated 3.3 million inhabitants of FATA and the nominal government in Islamabad. FATA is governed not by Pakistani law, but by the Frontier Crimes Regulation, which was enacted by the British in 1901. Formal treaties between the Pakistani state and the tribal areas, not Pakistan’s laws, regulate the relationship of FATA to the state. The FCR relies on maliks to police their tribal followers in exchange for patronage from the central state.
FATA residents were only granted the right to vote in national parliamentary elections in 1997. Prior to this, their parliamentary representatives were chosen by the &Talib councils. The Political Parties Act, which governs the organization of political parties in Pakistan, has not been extended to the FATA, where candidates for office must run independently and without the benefit of party resources. The restriction on the organization of political parties in the FATA opens political space to groups that organize through religious institutions, as the Taliban and Al Qaeda have done, and denied the moderate majority the means to counter their rise.

Governance in FATA has been breaking down for over two decades through the weakening of these tribal authorities. This is due to a number of factors, including the widespread corruption of these leaders. Pakistan state policy under former Pakistan President Zia ul-Haq in the 1980s to empower religious leaders, or &Maulvis, rather than traditional authorities,94 and the deployment of Pakistan’s military to the region beginning in 2003 also undermined the power of the tribal administration by developing a parallel power structure.95

Militant groups have stepped into this vacuum with impunity. Just as in Afghanistan during the 1990s—when the Taliban swept in, spreading terror among the population with their public hangings, restrictions on women, and their widespread violence—the Pakistani Taliban and other militant groups are utilizing similar tactics to stifle all dissent. The Taliban have killed hundreds of &Maliks,96 and have even begun to take control of key national assets, such as the Ziarat marble quarry in FATA, which has enabled them to generate revenues after the government failed to exert control. 97

These center-periphery tensions, however, extend beyond FATA to Northwest Frontier Province, Balochistan, and Sindh. In many areas of Northwest Frontier Province, the Pakistani Taliban have established parallel authority in the absence of a strong government presence, as they have in FATA, in a process called Talibanization.98 The ineffectiveness of the Pakistani police force and courts system in NWFP has enabled the Taliban to expand their reach, as has reluctance on the part of the government to confront militant movements expanding out from the edges of the FATA.

The Pakistani Taliban regularly take advantage of the Pakistani justice system’s failures by attacking local criminals or establishing religious tribunals to pass out convictions, gaining popular sympathy. Afterwards, many of these criminal groups are co-opted into the Taliban movement to avoid persecution.99 In districts surrounding Peshawar, the Taliban have shut down girls’ schools, destroyed video stores, ordered locals to avoid government courts, and kidnapped and publicly executed those they deem to be criminals.100

Tensions between Balochistan and the central government have existed for decades. Between 1973 and 1977, an insurrection occurred against the central government by Balochis in which thousands of Balochis and Pakistani military were killed. A Baloch insurgency has simmered ever since, pushing its demands for greater provincial auton-
onomy, an increased distribution of resources to the Baluchis in Baluchistan, and more.\textsuperscript{101} The distribution of National Finance Commission funds (the main channel for allocating funds from the center to the periphery) is a contentious issue in Balochistan because the main criteria for awarding funds is population, benefiting Punjab over resource-rich but low-density provinces such as Balochistan.

The Pakistani military has responded harshly to the Baloch separatist movement, arresting large numbers of dissidents and dividing nationalist parties through co-optation or in some cases targeted killings. Military operations have displaced large segments of the population; an internal UNICEF report from July-August 2006 estimated some 59,000 women and children were living in refugee camps.\textsuperscript{102}

There are also widespread reports of Baloch dissidents being “disappeared” by members of the intelligence security services. The Baloch nationalist parties’ boycott of the February 2008 elections, low voter turnout, and alleged vote rigging allowed the Pakistan Muslim League-Q, or PML-Q, to win a majority of seats in the provincial assembly and in Balochistan constituencies for the national parliament. Due to these reasons and the fact that Balochs make up only 3.6 percent of the population mean that they remain politically marginalized within the national political establishment.

Both Balochistan and Sindh provinces are resource-rich, with Balochistan estimated to possess 19 trillion cubic feet of natural gas and 6 trillion barrels of oil reserves. Sindh is the home of the country’s largest port, largest stock exchange, and sizeable coal and natural gas deposits. But resources extracted from the provinces have not been matched by development money; Sindh, the largest contributor of tax revenues to the central government, receives only one dollar for every four it sends to the central government.\textsuperscript{103} Since its electoral victories, the PPP has pledged to end military operations in Balochistan, enact a more equitable federal system, and investigate alternatives to the current FATA legal system.

**Weak legal system**

Historically, Pakistan’s judicial system has been weak and ineffective at holding the country’s political and military leaders accountable. Its membership has been heavily politicized through regular manipulations of the appointment process by past presidents and prime ministers, elected and unelected alike. Following each of Pakistan’s four major coups d’etat, the Supreme Court retroactively endorsed the military’s takeover. For the majority of President Musharraf’s eight-year rule, the judiciary remained compliant, validating his initial 1999 coup, and it was subject to regular manipulation through the use of selective promotions, appointments, and removals.

In 2007, the Chief Justice of the Pakistani Supreme Court, Iftikhar Chaudhry, who was appointed by Musharraf, surprised observers by openly challenging the president
on a number of issues, opening investigations into reports of “disappeared” activists and Balochistan nationalist leaders, and ruling that the prime minister’s privatization of Pakistan Steel Mills was unconstitutional. In March 2007, President Musharraf demanded Chaudhry’s resignation, charging him with corruption and nepotism. The chief justice refused, becoming a cause célèbre, “the judge who said ‘no,’” for the lawyers’ movement that rallied in support of his reinstatement. A Supreme Court ruling eventually invalidated his dismissal.

Although the Supreme Court did permit an October 2007 referendum by the outgoing parliament and national assemblies on President Musharraf’s re-election while simultaneously holding the position of chief of army staff to go forward, they did not immediately ratify the results. Indications that the court was preparing to invalidate Musharraf’s re-election led him to declare a period of emergency rule, suspend the constitution, and institute a “Provisional Constitutional Order” instead. Approximately 60 justices—including Chief Justice Chaudhry, who was placed under house arrest—were dismissed, and new judges were sworn in under this new constitutional order to replace them.

The status of Pakistan’s judiciary was a major issue in the February 2008 elections, a source of contention between the major coalition partners, the PPP and PML-N, and a fundamental reason behind the PML-N decision to quit the coalition. After initially issuing a joint pledge to restore the justices deposed by Musharraf within a month, the coalition
partners were unable to reconcile differences over the method of restoration despite several extensions of their self-imposed deadlines. The PPP introduced a constitutional amendment package in parliament that would reinstate members of the judiciary removed by Musharraf, but would also retain the judges sworn in to replace them, expanding the size of the Supreme Court.

The retention of Musharraf’s judges would make it more difficult to overturn the National Reconciliation Ordinance, which was enacted by Musharraf and had dismissed corruption charges against Zardari from the 1990s. The PPP package would also institute new retirement rules that would diminish the role of former Supreme Court Chief Justice Chaudhry, an independent judicial leader, who had reportedly considered re-opening corruption cases against Zardari. The PML-N, which ran in the February 2008 election on the issue of reinstatement of the justices, demanded the restoration of the deposed judiciary members through a parliamentary resolution, rather than a constitutional amendment, and the removal of Musharraf’s appointed justices. Members of the Pakistani lawyers’ movement have reiterated their demands that the deposed justices be reinstated, a call echoed by the now-opposition PML-N.

The weakness of Pakistan’s national judicial system extends down to the local level, where district trial courts are frequently underresourced, overburdened, and plagued with corruption. The case backlog in the lower courts, which handle 75 percent to 80 percent of all cases, is estimated at 1.5 million. Prisoners are frequently forced to rely on bribes to secure access to a judge. Nationwide, prisons were overcrowded to 133 percent of capacity nationwide in 2007.

The higher courts, which have responsibility for overseeing the subordinate judiciary, have conducted only limited oversight of these bodies, either through a lack of capacity, inclination, or both. In some parts of the country, those seeking to counteract the influence of the state have exploited the failure of the legal system. In the loosely governed FATA region in particular, the Tehrik-e-Taliban Pakistan and other militant groups have instituted parallel courts systems to adjudicate disputes, offering harsh but relatively swift and transparent justice in a region otherwise sorely lacking in it.

Flawed electoral process

Despite initial widespread fears that the electoral process would be heavily rigged in favor of Musharraf’s party, the February 2008 parliamentary elections brought in a new civilian government. While the results were accepted and endorsed by all parties, and appear to be broadly representative of Pakistani public preferences, the process nonetheless revealed many systemic flaws in the democratic process that may detract from the legitimacy of this or future civilian governments.
President Musharraf appointed the leadership of the Election Commission of Pakistan, charged with administering the vote and evaluating any allegations of irregularities in the elections process, and its role as a neutral oversight body was highly suspect in the run-up to the election. Communication between the ECP and opposition parties was limited, and its decision making was criticized as lacking transparency.

Problems, however, also existed in the Electoral Commission’s basic capacity to enforce its mandates and respond to the litany of electoral complaints filed by the opposition parties against the incumbent government parties and President Musharraf in the lead-up to the February elections. Some people made similar allegations against the caretaker government charged with administering the country between the end of the final parliamentary session and the induction of new election winners. Pre-polling reports indicated that incumbent PML-Q legislators abused their access to state resources while campaigning, including government meeting spaces, transportation, and even local development funds.
Pakistan has never had an unbroken stretch of civilian government long enough to develop political parties and political leaders with sufficient competence and integrity to break the cycles of military intervention and corruption that have plagued it since its birth. Lasting improvements in the security and stability of the country will require the end of these cycles.

The United States should remain mindful that it possesses only limited means of effectively assisting Pakistan in strengthening its democratic processes, and that Pakistanis remain highly suspicious of the United States’ long-term intentions. Historically, the United States has opted to engage with military officials, a stance which has handicapped the ability of representative political parties to effectively charter national policy or settle internal disputes without fear of being overturned by an unelected but U.S.-recognized establishment.

A narrow, transactional relationship focused exclusively on U.S. security concerns has not built a broader strategic partnership between the two nations, and it has exacerbated Pakistan’s internal political problems to the ultimate detriment of U.S. interests. While the United States should be concerned about the new civilian government’s ability to formulate and enact policies, it should not subvert the democratic process. A new U.S. strategy toward the country must place a higher priority on engaging with a broader range of institutions, and working toward a new arrangement that, while more complex, will bring greater stability to the country in the long run. Should this coalition fail, U.S. leaders will have to work with its successor, and as such should retain contacts with the opposition.

**Short-term recommendations**

*Coordinate policy with the elected Parliament, through the office of the prime minister, and the president in order to strengthen civilian control over the military.* Specifically, the United States should:

- Ensure the president, prime minister, and his or her representatives in the federal Cabinet are included in all discussions of joint U.S.-Pakistani policy. As head of the government of Pakistan, the prime minister remains the chief executive responsible for formulating and conducting national policy. The United States should interact
with the Pakistani military as a component of the Pakistani government and not as an autonomous institution. U.S. policymakers should not be tempted to circumvent the new, less accommodating leadership by relying excessively on direct military-to-military or agency-to-agency contacts.

- Express explicit support for a professional, depoliticized, well-equipped Pakistani army capable of defending the country from both internal and external threats. Pakistan's own politicians and even its army chief have articulated these same objectives. The United States should support a military establishment under civilian control and with clearly delineated lines of operational authority.

- Support institutional reforms to gradually bring Pakistani military and intelligence agencies under greater civilian control. Encourage the Pakistanis to create a coordinating framework within their National Security Council for civilian, military, and intelligence institutions.

**Target U.S. development assistance to strengthening governance and the judiciary in Pakistan.** Specifically, the United States should:

- Enact legislation introduced in Congress by the Chairman and Ranking Member of the Senate Foreign Relations Committee, Sens. Joseph Biden (D-DE) and Richard Lugar (R-IN), authorizing up to $1.5 billion annually through fiscal year 2018 for the promotion of projects that promote just and democratic governance, including an independent judiciary, anti-corruption efforts at all levels of government and the legal system, and transparent accounting by all branches of government. The overwhelmingly military nature of current U.S. aid to Pakistan shows its people where American priorities lie, and fails to effectively counter the long-term drivers of instability that plague the country. This legislation addresses the imbalance in aid.

- Support Pakistan's judiciary. While recognizing the sensitivity of direct U.S. involvement in this issue, the United States should encourage a reform program that maximizes judicial independence from both the presidency and the elected parliament. Corruption and the slow or incomplete provision of justice directly harm the Pakistani state by undermining the legitimacy of the government. The United States should call on the Pakistani parliament to carry through on promises made by President Zardari, following his inauguration, to restore the balance of power in the Pakistani constitution by amending Article 58-2(b), which grants the president disproportionate powers of office. The United States should also encourage President Zardari to follow up on his promise to institute a Judicial Commission to guide high court appointments, as called for in the May 2006 Charter of Democracy.109

- Solicit assistance from other international partners for strengthening Pakistan's civilian institutions. The United States and Pakistan should seek additional non-military
assistance from other international partners for Pakistan’s judiciary and civilian institutions, especially key Pakistani allies such as Turkey, Japan, and the European Union. Many of these countries and organizations are already providing aid to individual programs, but greater coordination of efforts must occur.

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**Long-term recommendations**

**Support the reform of Pakistan’s police and law enforcement agencies, emphasizing accountability, merit-based performance, and depoliticization.** The United States should encourage Pakistani leadership to reform the police force. In order to professionalize and depoliticize the police force and reduce corruption in the ranks, the Pakistani leadership needs to enact serious reforms to the governing 2002 Police Order. Raising salaries, particularly at the lower ranks, establishing more oversight bodies, and tying promotions and appointments to merit-based performance rather than political connections should all be goals of any reform legislation passed by the Pakistani parliament. To the extent possible, the United States should assist these efforts through supporting mentoring programs and funds for professional training. Increased training for junior police officials and members of the Federal Investigation Agency, or FIA, by the United States offer opportunities for an expansion of U.S.-Pakistan cooperation.

**Support reforms in the electoral process.** The United States should increase aid to boost the capacity of the Election Commission of Pakistan. To ensure the transparent resolution of national, provincial, and local elections, the United States should continue to participate in international election monitoring missions and use democracy-promotion accounts to provide assistance both to the Electoral Commission of Pakistan and to domestic Pakistani observer organizations, such as the Free and Fair Election Network.

**Offer training and assistance programs for provincial and local-level government officials.** The United States should offer management and administrative training and assistance to local-level elected officials in coordination with provincial and federal leaders in order to improve on the delivery of services and increase the transparency of the government of Pakistan as a whole. This U.S. assistance and training, however, must recognize that subnational governance issues are first and foremost political problems rather than technocratic ones.

**Support internal Pakistani efforts to integrate the Federally Administered Tribal Areas into Pakistan’s existing national legal and political systems.** Many Pakistanis, including some residents of FATA (and even the United States during the Cold War) have benefited from the FATA arrangement for decades, but it is not sustainable. U.S. policymakers should express support for government of Pakistan efforts to integrate the FATA into the national political and legal systems of Pakistan. This integration will have to progress through a process of negotiations between local, provincial, and federal leaders.
(Recommendations related to economic development in FATA follow in the next chapter of this report). Steps to integrate FATA may include:

- Repeal the 1901 Frontier Crime Regulation and replace it with the constitution of Pakistan, granting inhabitants full legal rights and access to a courts system. Prime Minister Gillani has endorsed such an action, and parliamentary committees are currently considering the issue. A February 2008 poll found that 72 percent of the Pakistani population believed that the FCR should be modified or abolished entirely.110

- Support the Pakistan government’s extension of the Political Parties Act to FATA. The government of Pakistan is considering the extension of this act to FATA, which would allow the formation of political parties in FATA and enable these parties to field candidates for national parliamentary office. This might assist in building institutional counters to militant groups seeking to establish rival, parallel systems of governance.

- Encourage the Pakistan government to reform local governance in FATA. One option is to utilize directly elected Agency Councils, as administrators of each agency in addition to appointed political agents. (These Agency Councils are elected local representative bodies for the seven tribal agencies in FATA).111 Over time, the Pakistanis may aim to phase out political agents entirely in favor of these more representative bodies, which will likely validate existing tribal leadership patterns while simultaneously integrating them into a more formal legal structure.
Advancing a strategy for economic stability and growth

Challenge: an economy in crisis

The Pakistan economy in the first seven years of this decade posted mostly solid growth and rising investment, but these gains did not translate into broad-based economic development and prosperity for a majority of Pakistanis. The Musharraf government failed to consolidate the gains of this period to create an economic system that offered opportunity for the majority of Pakistan’s citizens, to establish social safety nets, to build infrastructure, and to invest enough in education.

Now, Pakistan’s economy is undergoing a severe crisis that threatens to undermine the nascent government. The country is at risk of going bankrupt in the near term. Pakistan’s government faces mounting fiscal and trade deficits, while inflation rises into the double digits. Pakistan currently has the highest interest rates and riskiest financial obligations in Asia, and as of October 2008 its currency had lost more than 21 percent of its value from the year before, reaching a record low against the dollar. Furthermore, the limited quality of the data may in fact be masking even worse economic circumstances on the ground.

The world financial crisis is only exacerbating Pakistan’s woes. The international community is reluctant to provide an infusion of cash into Pakistan’s budget to prevent it from defaulting on its debt. Despite their efforts, Pakistan’s friends such as China, Saudi Arabia, and the United States have been slow to provide significant aid packages to prevent their defaulting.

These problems all hold serious implications for the Pakistani population, the stability of its government, and the region. The current crisis facing the country exacerbates underlying long-term challenges of pervasive poverty, limited opportunities for productive employment, and persistent underdevelopment. Collectively, these economic challenges compound the new Pakistani leadership’s many other problems and remain the top concern for the Pakistani public.

In a poll of 3,484 Pakistani citizens conducted by the International Republican Institute this past June, 7 out of 10 Pakistanis said that their personal economic situation had worsened over the past year. Fully 71 percent said inflation was the most important issue facing Pakistan—followed by unemployment (13 percent), poverty (5 percent), and the lack of
basic services like electricity and water (4 percent). These basic needs are cited as much more important than law and order (2 percent), suicide bombings (2 percent), and democratic reforms (1 percent) as the most important issue facing Pakistan.115

While Pakistanis have demonstrated support for civilian-led democracy, that support could quickly erode in the face of sustained food shortages and electricity blackouts. Furthermore, a lack of job opportunities may increase the incentives for many young Pakistani men to join militant groups in Pakistan and Afghanistan.

The United States has primarily focused on Pakistan’s security, and until recently has given insufficient attention to Pakistan’s economy. Yet the right U.S. policies aimed at improving Pakistan’s economy would help foster political stability and a democratic future for Pakistan. The U.S. ambassador to Pakistan, Anne Patterson, and Adm. Michael LeFever, the senior U.S. military officer there, reportedly sent cables to Washington in early October warning that American foreign aid strategy in the country was disconnected from its political or security aims.116

Thus far, Pakistan’s leadership has not taken sufficient steps to turn the economy around by expanding a narrow tax base and investing in agriculture, education, and other employment-generating activities. The new government, however, reluctantly made a formal request to the International Monetary Fund for a $9 billion loan to avoid defaulting on the country’s foreign debt in early November 2008. The government of Pakistan says the country needs between $10 billion to $15 billion over the next two years to avert a balance-of-payments crisis, and $3 billion to $4 billion within a month to avoid defaulting on loans.117 The Pakistanis have also sought $1 billion from the World Bank and the Asian Development Bank in loans,118 as well as assistance from Saudi Arabia, China, and the United States.

Sources of Pakistan’s economic instability

Three interrelated elements contribute to Pakistan’s immediate economic instability. Domestic inflation linked in part to global food price increases; the growing fiscal deficit; and the country’s trade and current account deficits all are causing extreme domestic economic volatility, placing immediate and severe demands on the new government. Three longer-term development challenges also further compund these difficulties and represent major obstacles for the
country’s economic future: poverty and inadequate human capital investment; a lack of decent employment opportunities; and inadequate energy supplies and infrastructure.

Inflation and the food crisis

Inflation is the current top concern of the public amid sharp increases in the cost of food and energy that hurt household consumers and disrupt business plans. Inflation is driven largely by rising global food and oil prices, over which the government has little control. The government’s fiscal deficit and expansionary fiscal policy, however, add to inflationary pressures, fueled by borrowings from the central bank. The plummeting value of the Pakistani rupee is indicative of all these economic woes, with the currency falling to record lows against the U.S. dollar.

High inflation has hit Pakistan’s poor the hardest, especially through increasing food prices. World food prices increased nearly 50 percent in the last year, and in the month of September alone food inflation in Pakistan rose almost 30 percent. According to a poll conducted in May 2008, 86 percent of Pakistanis say they have difficulty obtaining flour for daily consumption. And food prices are expected to remain relatively high for the next few years.

The primary causes of the food crisis—poor international harvests, increasing demand on the global market for food by newly industrializing countries such as China, and the increasing input costs due to high oil prices—are largely out of Pakistan’s control. But domestic agricultural production problems in Pakistan also contribute to the problem. Some 12.5 percent of the nation’s wheat harvest, for example, is wasted in transit from the field to consumer areas.

The situation poses a difficult dilemma for the new civilian government as mounting inflation may create political instability. If the new civilian government is unable to control rising prices and their effect on the populace, then it may lose legitimacy in the eyes of the people at a crucial juncture for democracy in Pakistan. Yet government subsidies on electricity, wheat, and fertilizers—subsidies that ease the burden on the people of rising prices—also result in rising budget deficits, threatening the country’s long-term fiscal health.

To address this issue, Pakistan reduced food and fuel subsidies in this year’s budget while increasing aid to the most vulnerable people by introducing a “Benazir Income Support Program.” The program, with a proposed initial budget of $470 million, would offer small cash grants to low-income families through a computerized ID card system. But the relatively ad hoc processes for monitoring and disbursing these funds—relying on local members of Parliament nominating families from their districts to receive the ID cards—raise questions about the degree to which it will be effective in ameliorating poverty.
Fiscal deficit

The rise in global oil and food prices are partially to blame for Pakistan’s swelling fiscal deficit, which is expected to reach 6.5 percent of gross domestic product this year, and is well above the target of 4 percent and last year’s figure of 4.3 percent. Also a culprit is widespread tax evasion and unreported “parallel economy” income estimated at nearly half the country’s GDP, both of which result in less government revenue.

Rising fuel prices have increased the import bill for crude oil and petrol products fourfold over the past five years, according to President Zardari, and the food import bill for the government has doubled in the past year. As a result, this year’s budget is heavily financed by borrowing from the State Bank of Pakistan, which contributes to mounting inflation. The government has also increased borrowing from external sources, which leads to higher debt servicing costs in the future, and further budgetary woes.

In March, Saudi Arabia extended a grant of $300 million in budgetary support to Pakistan, and has agreed to defer payments for crude oil sales expected to be worth about $5.9 billion during the current fiscal year. China has offered two $500 million grants in June and November 2008 to help avoid financial collapse, and the Asian Development Bank has disbursed $500 million of a total $1.5 billion loan to the government of Pakistan. For their part, Pakistan’s leaders have decided to increase fuel prices to eventually eliminate subsidies by the end of the calendar year, and they also plan to eliminate electricity subsidies.

These steps will help trim the budget deficit, but not by enough to impress foreign investors. In early October 2008, credit-rating agency Standard and Poor’s downgraded Pakistan’s foreign currency debt rating to CCC-plus from B, just several notches above a level that would indicate default. A Ministry of Finance report put out in June warns that “the hard earned macroeconomic stability underpinned by fiscal discipline appears to have been evaporated.” There is no quick fix to the situation, and measures to balance the budget will most likely need to include difficult policies like cutting food subsidies as well as fuel and electricity subsidies amid a global food crisis.

Trade and current account deficits

Pakistan’s trade deficit widened to $11.6 billion between July 2007 and April 2008, a 75.6 percent increase against the comparable period last year. And since June 2008, foreign investors have withdrawn more than $250 million, leading economists to project a current account deficit of 8 percent of GDP this year. This erosion is driven by a growing trade deficit that is largely due to soaring oil and wheat price inflation and a decline in exports. But political and economic instability have led to a decrease in foreign investment, too. The Karachi Stock Exchange, for example, lost as much as 50 percent of its value in the six-month period from February to October; riots erupted in July as a result of this drop.
The current economic climate in Pakistan would have been far worse were it not for Pakistan’s substantial remittances from citizens working abroad, which totaled nearly $6.45 billion in fiscal year 2008 and were expected to reach $7 billion this year. Approximately 3 million Pakistanis work in Gulf Arab countries alone, sending home remittances that provide key economic support to Pakistan.

Still, a rising current account deficit is eroding Pakistan’s foreign exchange reserves, causing an acute liquidity crisis. They fell to $6.9 billion in early November—only enough to cover nine weeks of imports. Such instability hurts future economic growth and decreases foreign investment as confidence declines.

Poverty and inadequate human capital investment

The financial strains facing the Pakistani economy pressure a population in circumstances where socioeconomic indicators are already poor. More than 73 percent of Pakistanis live on less than $2 per day, and the most recent U.N. Human Development Index ranked Pakistan 136 out of 177 countries. More than 22 percent of the country lives under the national poverty line according to Pakistan’s Ministry of Finance; in rural areas, this figure is 27 percent, compared to 13.1 percent in urban areas.

The government of Pakistan has historically invested little in its health care system, resulting in low-quality health care and limited access for much of the population, especially in the rural areas. U.N. Human Development Reports indicate that Pakistan invested only 0.4 percent of its GDP in public health expenditures in 2004, the most recent year for which data was available. At these levels, Pakistan ranks above only Myanmar and is still considerably behind neighboring India and Bangladesh, both of which spent at least 0.9 percent of GDP on health care.

Inadequate health care in Pakistan has repercussions not only for individuals, but also for Pakistan’s economy. High incidences of disease lower GDP growth and the productivity of the workforce. Pakistanis also suffer from high infant and maternal mortality rates and malnutrition; 99 children out of 1,000 die before the age of five, and 31 percent of children under five are malnourished. Furthermore, many Pakistanis suffer from communicable diseases such as malaria and diarrhea, and vaccine-preventable disease including measles and hepatitis.

Pakistan’s future economic prosperity and political stability will also depend on the reform and expansion of its struggling education system. Many U.S. policymakers worry about Pakistan’s education system solely out of concern for links between Pakistan’s strict religious madrassah educational system and the radicalization of portions of its people. These accounts typically greatly exaggerate the share of madrassah-educated children in Pakistan. The exact numbers are uncertain, but most estimates range from half a million to 2 million
students, less than 1 percent of all students enrolled in a full-time school. Nor are the vast majority of these schools connected to violent extremism. Viewing the education system through a counterterrorism lens distorts the picture and exacerbates Pakistani perceptions that the United States is pushing education reform on them solely in the interests of U.S. national security.

Indeed, this focus on radical religious education in the country neglects the larger failings of the Pakistani public education system. Pakistani policymakers and educators face serious challenges. Only half of all Pakistani adults are literate, and only 35 percent of Pakistani women are literate. Less than one-third of the population is enrolled in secondary education, and postsecondary enrollment is less than 5 percent. Only 19 percent of the 10- to 19-year-old population is in school. The education system is especially dire in the areas that need it most, such as in FATA and Balochistan. There is a 20-percent gender gap in primary school education, disempowering many women and dragging down the nation’s productivity. Furthermore, the country’s youth population is growing rapidly. It is currently estimated at almost half of Pakistan’s total population, and it is projected to reach 132 million by 2030.

Pakistan’s neighbors, India and China, have made considerable strides in education in recent years, but Pakistan ranks last in all of Asia on the Asian Development Bank’s “Education for All” development index. It also has the lowest Net Primary Enrollment Rate, and spends a smaller portion of its GDP on education than any of its neighbors, including impoverished Bangladesh and Nepal. While the United States should encourage efforts to address this, the sustainability and effectiveness of Pakistan’s education sector will be contingent on Pakistani leadership and public demand for change, factors over which the United States has very little means of effective direct leverage.

Despite pledges to increase spending, the government of Pakistan’s own expenditures on education have remained at around 2.5 percent of GDP or lower for the last decade—a meager amount compared to other developing countries: India, China, and Brazil spend 9.2 percent, 10.2 percent, and 12.8 percent, respectively, on education. Only 11 other countries in the world spend less than 2 percent of their GDP on education. While Pakistan faces many competing demands on its limited financial base, long-term investment in education at all levels offers the best hope of transcending those limits in the future.

Current levels of U.S. aid and Pakistani investment in education and health remain far too low. From 2002 to 2007, U.S. aid going toward primary education and literacy amounted to only 2.4 percent of total aid, and basic health received only 2.1 percent. The U.S. Agency for International Development has spent a total of $255 million on education initiatives and $215 million for basic health in Pakistan over the period of fiscal years 2002 through 2007. Compared to money allocated for traditional security assistance measures in Pakistan, these amounts offer a stark illustration of U.S. government funding priorities.
Lack of decent employment opportunities

The current state of poverty in Pakistan is partially a result of a lack of gainful employment opportunities. The unemployment rate, which stands around 7.5 percent, does not reflect the substantial underemployment—those who work less than 35 hours a week and are seeking additional work—in Pakistan. The agricultural sector, a major source of income for the rural poor, is extremely underdeveloped and relies on outdated technologies. And many small-scale entrepreneurs are unable to start or sustain businesses because they have no access to credit.

With the help of the IMF and the World Bank, Pakistan embarked on an ambitious privatization program in the 1990s. Many sweeping reforms were introduced that aimed at liberalization, privatization, and deregulation. Under Musharraf’s rule the economy enjoyed sustained GDP growth at around 7 percent for several years, largely driven by foreign investment. But because these investments were largely targeted toward skilled labor—in real estate and the modern services sector, for example—lower-income groups were not able to access employment opportunities. They did not have the education or appropriate technical and vocational training in these areas.

The lack of economic opportunity increases the risk that individuals will join militant groups for the benefits that membership provides. The volatile FATA region is also the
most economically underdeveloped. Pakistan’s ambassador to the United States, Husain Haqqani, notes that for nearly three decades the only opportunities in this region have been “a service economy serving the industry of jihad.” Infant mortality rates in 2006 in FATA were 135 out of 1,000 births, compared to 69 out of 1,000 for the country at large. Per capita income for FATA residents is approximately half of the national average of $500; nearly 66 percent of households there live beneath the poverty line. Literacy rates for both genders in 2007 were estimated at 17 percent (only 3 percent of women are literate) in FATA, compared to 43 percent nationally.

Inadequate energy supplies and infrastructure

Pakistan experienced economic growth for most of the past decade, but it has not invested at the pace needed to bring its energy infrastructure in line with rising demand. Strained capacity has resulted in persistent shortages; some parts of Pakistan go without power for as many as 20 hours per day, and the poor, who cannot afford generators, suffer the most. These deficiencies represent both a drain on the economy as well as a threat to human health and safety.

Pakistan relies heavily on foreign imports of oil for a large portion of its power generation, exacerbating foreign trade imbalances when faced with rising worldwide oil prices. Pakistan could greatly benefit from a diversification of its energy mix, 80 percent of which is derived from natural gas and imported oil. Beyond the supply of energy, access to energy in poorer rural areas of Pakistan is still limited, and costly government energy subsidies frequently do not reach the poorest residents, who lack basic access to the national power grid, which itself is in need of better maintenance and expansion.

Pakistan’s five-year Medium-Term Development Framework, instituted by the Musharraf government in 2005, set ambitious goals in developing energy infrastructure, but implementation thus far has been ad hoc. The Ministry of Finance has said that 44 infrastructure projects are currently in planning, of which 21 are on the active list while the rest are being developed. The government is looking to foreign funding to finance the projects, which include mass transit, dams, and other power projects, but with only limited success.

Japan helped finance several large-scale construction projects, providing approximately $47 million for the Indus Highway linking Karachi and Peshawar and $27 million for expanding irrigation and electric power grids. And China announced in October that it would build two additional nuclear power plants in Pakistan. But from 1997 to 2006 there was no new foreign direct investment in Pakistan’s energy sector.

Pakistan is currently in negotiations for two separate gas pipelines that would run through the country, bringing both revenues and increased energy capacity. Under the Bush administration, the United States has opposed the construction of one of these pipelines, which would run from Iran through Pakistan and potentially terminate in India, out of a desire to isolate the Tehran regime.
Recommendations

Strengthen Pakistan’s economy and advance development

The economic growth experienced by Pakistan over the past several years has not been translated into sustainable economic development. The government has continued to shortchange investments in infrastructure, energy security, health care, and education, and the majority of Pakistan’s population has not seen improvements in their daily lives. The current economic crisis in Pakistan is now creating a silent tsunami that puts increasing pressure on an already vulnerable population and threatens the viability of Pakistan’s new civilian government.

The United States has not made development a priority in its approach to Pakistan. And its heavy financial investment in Pakistan’s military has neither improved security nor won over the Pakistani people. The neglect of human security in Pakistan has contributed to an unsustainable situation in Pakistan. The United States is now trying to play catch-up as Pakistan confronts an economic crisis, partially of its own making and partially due to a global crisis beyond its control.

The first step the Obama administration must take is to craft a comprehensive development strategy for Pakistan that is coordinated with its counterinsurgency strategy. This will be harder than it sounds, in large part because the U.S. foreign aid system is not geared to respond to the complex development challenges that countries like Pakistan represent. In 2007, the bipartisan HELP Commission, appointed by Congress and mandated to review U.S. foreign aid, reported that of over 100 government officials (both civilian and military), aid practitioners, foreign policy experts, academics, and private-sector representatives consulted, “not one person appeared before this Commission to defend the status quo.”

The next administration would be wise to fix our nation’s foreign aid system. It should utilize Pakistan as a model for change.

Short-term recommendations

Create a comprehensive interagency development strategy for Pakistan. The United States must work with the government of Pakistan and civil society, and with other bilateral and multilateral donors, to craft a development strategy in Pakistan that addresses Pakistan’s urgent economic crisis and the deeper sources of Pakistan’s under-
development. The United States should leverage additional assistance from the international community, and pursue a plan that is regional in scope, and in particular, linked to efforts in Afghanistan.

**Provide financial and economic support during Pakistan’s economic emergency.** The United States should encourage Pakistan to continue working with the International Monetary Fund to avoid defaulting on its foreign debt. Furthermore, it should support international efforts to provide additional assistance for Pakistan’s economy, such as through the U.N. Friends of Pakistan group. If needed, the U.S. government should also provide additional food aid to Pakistan through the U.N. World Food Program as part of a longer-term U.S. and international investment in agricultural production.

**Lay the groundwork for a new assistance approach to Pakistan while reviewing current programs.** Specifically, the United States should:

- Pass the Biden-Lugar legislation, which would authorize up to $1.5 billion annually through fiscal year 2018 for the promotion of projects that promote agricultural development, quality public health, public primary and secondary education, and private sector economic growth. This legislation represents a shift in U.S. assistance to Pakistan and should be the first step toward the creation of a new development strategy.

- Continue aid assistance to FATA, but conduct an assessment of its potential impact and incorporate the aid into a larger strategic framework. The United States has pledged $750 million to the FATA area, but concern remains over whether distributing such a large amount of money in a hostile area is even possible. The lack of governance and security in FATA means that the money could easily be funneled into individual pockets for nefarious purposes. The Obama administration must assess whether this program should continue or whether the money should be shifted to other areas of Pakistan. The United States should also not fall into a trap of creating perverse incentives where it only rewards the insecure areas, and does not provide more aid to secure areas that show results.

**Support an economic donors’ summit with key regional investors.** The United States should take the lead in convening an international conference to bring together donors and investors to assist Pakistan during its financial crisis and for its long-term economic stability. Saudi Arabia, China, the UAE, Japan, the European Union, the international financial institutions, the United Nations, and other key actors should meet to coordinate their assistance to the government of Pakistan toward resolving its current economic crisis and, when necessary, pressure the government of Pakistan to undertake needed economic reforms to restore its fiscal solvency.
Long-term recommendations

The core elements of a new development strategy should include efforts to decrease trade barriers and to focus on job creation and investment in human capital, including the development of social safety nets, investment in energy security, and infrastructure.

Support increased trade between Pakistan and neighbors to assist Pakistan’s economic growth and development. Specifically, the international community should:

- Create a regional development strategy that enhances regional links between Pakistan and its neighbors. China has already pledged $350 million to expand and rehabilitate the high-altitude Karakoram Highway, which links the two countries, in order to facilitate greater trade. Pakistan’s efforts to start trade across the Line of Control in Kashmir should be supported and expanded.

- Work to remove trade barriers. The United States, the European Union, and other countries should work toward free trade agreements with Pakistan, which would eliminate trade barriers on exports such as textiles, agricultural and manufactured goods, and increase the competitiveness of Pakistan’s exports. To ensure that the rising tide of gains from trade do assist the Pakistani population, these trade agreements should require that the signatories to the agreements adopt, maintain, and enforce in law and in practice the International Labour Organization’s core labor standards, as well as appropriate environmental standards. One idea worth exploring is the creation of Reconstruction Opportunity Zones, or ROZs. Legislation is pending in the U.S. Congress for ROZs, which would provide “duty-free access to the U.S. market for certain types of goods produced in factories in or near Pakistan’s tribal zones.”

Implement a comprehensive development strategy with the international community that includes the following:

- Adhere to best practices and harmonize aid practices with those of other donors in order to maximize effectiveness and reduce management burden on government and NGO partners on the ground in Pakistan. The group may want to designate leaders in sectors such as health and education in order to maximize aid effectiveness.

- Support education and vocational skills training in Pakistan. Education has received as little as 1.3 percent of total U.S. aid funds. Making comprehensive national education a concerted priority will be essential for Pakistan’s long-term economic growth. In shaping American assistance to Pakistan’s education system, U.S. policymakers should continue to fund increased capacity in Pakistani primary, secondary, and higher education systems, and partner with the Pakistani Education Ministry and private non-profit organizations to carry out their plans to improve the national
The United States should also increase funding, both through USAID and multilateral institutions, for Fulbright scholarships, the National Education University, and other teacher training programs at all levels to boost the quality and quantity of educators in Pakistan. The two countries should facilitate sister school partnerships between American and Pakistani institutions of higher learning, and the United States should increase support for vocational skills training. Pakistan should attempt to map out the skills needed by specific industries and service sectors in the formal and informal markets with assistance from the private sector, NGOs, and the academic community. 169

- Support greater access to and quality of health care in Pakistan. The United States should support programs that promote better quality and increased access to health care. As part of this, the United States should fully fund the U.S. share of resources required to achieve the commitments pledged at the Millennium Summit and among the Group of 8 nations with respect to infectious diseases, maternal and child health, basic education, water and sanitation, hunger, and extreme poverty reduction.

- Support Pakistan’s efforts in job creation, such as agriculture and infrastructure projects. The United States should support the government of Pakistan in creating public works programs such as infrastructure projects that simultaneously improve dilapidated infrastructure and create jobs. The agricultural sector continues to be the backbone of Pakistan’s economy and employs over 40 percent of the national workforce. The United States should support efforts to improve rural infrastructure and to enhance agricultural technology.

- Expand microcredit programs. While the United States currently supports microcredit programs in FATA, Balochistan, and Sindh, these should be increased in these areas and expanded into other provinces such as NWFP and Punjab to increase the poor population’s access to credit.

- Provide assistance for Pakistan’s energy sector. Pakistani leaders, with support from the United States and the international community, should work to increase both foreign and domestic investment in domestic sources of energy, including hydroelectric power and natural gas, both of which are relatively abundant in Pakistan. The United States should encourage Pakistan to convene a group of donors and investors to build energy infrastructure in Pakistan, including dams and irrigation systems.

- Assist in developing and improving water and sanitation networks, as well as agriculture irrigation systems, to help address Pakistan’s growing water shortage. Growing demand in Pakistan and India for water and India’s construction of several dams are straining previously brokered World Bank agreements between the two countries on Indus River water rights. Continued water shortages have the potential for exacerbating both internal and external political tensions if they are not seriously addressed.
• Fully fund U.S. obligations to the United Nations, World Bank, International Labor Organization, and other multilateral forums. These institutions’ assistance programs offer another avenue for bolstering the Pakistani economy and improving the government’s technical capacity. The United States should fund and maintain a leading role in these institutions as a way of complementing its other assistance measures to the country in a multilateral context.

• Reassess the U.S. stance on Iran-India-Pakistan pipeline. Pakistan is currently in negotiations for two separate gas pipelines that would run through the country, bringing both revenues and increased energy capacity. Under the Bush administration, the United States has opposed the construction of one of these pipelines, which would run from Iran through Pakistan and potentially terminate in India, out of a desire to isolate the Tehran regime. Such a pipeline would potentially offer an avenue for engagement with Iran, a boost to Pakistani and Indian energy reserves, and a move toward normalized relations between the two long-time adversaries.

Reform U.S. foreign aid. An effective development strategy for Pakistan cannot be realized given the constraints of the current foreign aid system. Given the strategic importance of Pakistan to the United States, the adoption of a development strategy should be accompanied by foreign aid reforms that can reinforce leadership within the executive branch and enhance the effectiveness of taxpayer-funded assistance. Specifically, the United States should:

• Improve the organizational structure of U.S. foreign assistance programs by consolidating assistance programs. There is no one single person that oversees and coordinates the operations of aid assistance programs. The aid program is fragmented across 25 government agencies, departments, and initiatives, which undermines policy coherence and reduces efficiencies.

• Consider creating a cabinet-level position to ensure that the necessary leadership is provided and that the development aspects of policy are fully integrated into policy deliberations.

• Coordinate foreign aid with defense and diplomacy. The U.S. government aid agencies and the cabinet-level government departments handling diplomacy and security concerns need to work together to secure Pakistan, strengthen its economy and government institution, and improve social conditions.170

• Improve management of foreign contractors. Reassess the contracting out of aid to expensive foreign aid contractors instead of Pakistanis and consider building capacity within USAID. The lack of accountability and limited oversight capacity of USAID officers makes it extremely difficult to track aid projects. The private contractor’s method of implementing a project reduces the efficiency of the aid that is provided to fund these projects.171
Conclusion

The challenges presented by the deteriorating situation in Pakistan are some of the most daunting the Obama administration will face, requiring sustained engagement by the full scope of the United States government and the international community. The Al Qaeda terrorist network and affiliated militant groups now enjoy safe havens in Pakistan’s western territory much like those afforded to them in Afghanistan prior to the September 11 attacks. A tense neighborhood feeds Pakistani fears of encirclement by India and translates into continued support of some dangerous militant groups by Pakistan’s military establishment.

Rising world food and energy prices contribute to growing inflation that hurts an already impoverished nation. A new civilian government struggles to establish itself after years of military rule amid serious concerns about its ability to effectively execute a plan to address Pakistan’s challenges. A military establishment with great influence continues to exert control over a narrowly defined national security strategy that is ill-prepared to heal the many internal fault lines threatening the country.

The Obama administration must seize this moment to undertake a major shift in how the United States approaches Pakistan. Pakistan’s security and stability will not be enhanced by military means alone. Strengthening Pakistan’s weak civilian government and improving the government’s responsiveness to its people; supporting policies that address Pakistan’s economic crisis and long-standing problems of underdevelopment; and finding regional solutions to Pakistan’s security and economic challenges, will all be imperative for Pakistan’s long-term health.

Attaining a stable Pakistan that has neutralized the threats posed by global and local terrorist organizations, reached accommodations with neighboring countries, and advanced economic growth and political reform will require working closely with an elected government of Pakistan and neighbors around the region. It will demand resources on the part of the United States and partner countries and reform on the part of the government of Pakistan.

The continual short-term crises that plague Pakistan will dominate the Obama administration’s time and resources. American leaders must address these issues forcefully, but also make a sustained commitment to Pakistan’s long-term future, moving beyond reactive policies that fail to address the country’s drivers of instability. Doing so will not be easy, but it will be critical to the security and stability of Pakistan, the region, and the United States.
# Appendix

## Overt U.S. aid and military reimbursements to Pakistan

FY2002–FY2009 (rounded to the nearest millions of dollars)

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Source: Congressional Research Services, Pakistan-U.S. Relations report; U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development.

Abbreviations: 1206: Section 1206 of the National Defense Authorization Act for FY2006 (PL. 109-163, global train and equip; Pentagon budget); CN: Counternarcotics Funds (Pentagon budget); CSF: Coalition Support Funds (Pentagon budget); CSH: Child Survival and Health; DA: Development Assistance; ESF: Economic Support Fund; FC: Section 1206 of the NDAA for FY2008 (PL. 110-181, Pakistan Frontier Corp train and equip; Pentagon budget); FMF: Foreign Military Financing; HRDF: Human Rights and Democracy funding; IMET: International Military Education and Training; INCLE: International Narcotics Control and Law Enforcement (includes border security); MRA: Migration and Refugee Assistance; NADR: Nonproliferation, Anti-Terrorism, Demining, and Related.
Endnotes


2 Two authors of the report, Caroline Waldhams and Brian Katulis, were election observers in the February 2008 parliamentary elections.


5 Numerous members of Congress have also shown a great interest in Pakistan including Senators Robert Casey (D-PA), Russ Feingold (D-WI), Chuck Hagel (R-NE), and Richard Lugar (R-IN), as well as Representatives Gary Ackerman (D-NY), Dan Burton (R-IN), Sheila Jackson Lee (D-TX), and John Tierney (D-MA).


In the past decade, China’s aggressive development of its westernmost province Xinjiang, populated principally by the Uyghurs, a Turkic Muslim minority group, has increased Beijing’s fears of terrorist links back to Pakistan. Beijing publicly practices a policy of non-intervention in other countries’ internal affairs, but it has demonstrated a clear interest in Pakistan’s continued stability. In China’s bordering province of Xinjiang, an influx of Han Chinese immigration, uneven distribution of the province’s resource wealth, and a concerted campaign to shut down any “splitist” voices have contributed to sporadic outbreaks of violence over the past two decades by disaffected members of the Uyghur minority. While the degree to which separatism in Xinjiang is broadly popular among the Uyghur community is uncertain, and the degree to which that popularity is driven by militant Islamist groups more so, the PRC has embraced the “war on terror” framework for dealing with the perceived Uyghur threat.

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80  In the past decade, China’s aggressive development of its westernmost province of Xinjiang, populated principally by the Uyghurs, a Turkic Muslim minority group, has increased Beijing’s fears of terrorist links back to Pakistan. Beijing publicly practices a policy of non-intervention in other countries’ internal affairs, but it has demonstrated a clear interest in Pakistan’s continued stability. In China’s bordering province of Xinjiang, an influx of Han Chinese immigration, uneven distribution of the province’s resource wealth, and a concerted campaign to shut down any “splitist” voices have contributed to sporadic outbreaks of violence over the past two decades by disaffected members of the Uyghur minority. While the degree to which separatism in Xinjiang is broadly popular among the Uyghur community is uncertain, and the degree to which that popularity is driven by militant Islamist groups more so, the PRC has embraced the “war on terror” framework for dealing with the perceived Uyghur threat.


86  Bergan, “A Man, A Plan, Afghanistan.”

87  Riedel, “Expand the U.S. Agenda toward Pakistan,” p. 3.


92  In 2001, President Musharraf enacted into law a local Government Ordinance, which concentrated more budgetary authority in local district-level officials, known as nazims. This ordinance, as was the case with previous “devolution” plans instituted by military dictators Ayub Khan and Zia ul-Haq (the “Basic Democracy” and “Local Body” systems), was interpreted as an effort to circumvent the elected provincial assemblies by diminishing their control over sources of patronage and keep nazims reliant on the federal, military-controlled center for their authority.

93  Tellis, “Pakistan and the War on Terror,” p. 17.


97  Ibid.

98  Hussain, “Are We Losing the War Against Militancy?”


100  Hussain, “Are We Losing the War Against Militancy?”

101  “No Sign Until the Burst of Fire”, p. 49.


104  Following several months of deadlocked negotiations between the two parties over the judges issue, in May 2008, Sharif and the PML-N announced their intention to withdraw from the federal cabinet, where they had held eight ministries. Some reconciliation appeared evident in August 2008, when the two parties agreed to pursue joint impeachment talks against Musharraf. Following President Musharraf’s August 2008 resignation and retirement from the political scene, the PPP nominated Zardari for the presidency and was unwilling to reinstate Chief Justice Chaudhry as it had pledged, leading the PML-N to finally quit the coalition.


107  Pakistani Institute of Legislative Development and Transparency, “Election to the National and Provincial Assemblies in Pakistan – 2008”, available at http://www.pildat.org/events%5C08%5C01-09%5Cpdp%5CPre-poll%20Assess ment%5C0Report.pdf (last accessed September 2008).

108  Ibid.


Economist, “Sweets and stones.”


Ibid.

Economist, “Sweets and stones.”


Ibid.


152 Ibid.
159 Markey, “Securing Pakistan’s Tribal Belt” p.3.
165 Ibid.
170 Ibid, p. 4.
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Caroline Wadhams is a Senior Policy Analyst for National Security at the Center for American Progress. She focuses on Afghanistan, Pakistan, and terrorism issues and leads the Center for American Progress-Foreign Policy Terrorism Index. Prior to joining the Center, she served as a legislative assistant on foreign policy issues for Senator Russ Feingold (D-WI). Wadhams also worked at the Council on Foreign Relations in Washington, D.C. as the assistant director for the Meetings Program and in New York as a research associate on national security issues. Prior to the Council on Foreign Relations, she worked at ABC News in New York. Her overseas experience includes work with the International Rescue Committee in Sierra Leone and two years in Ecuador and Chile. She served as a U.S. election observer of Pakistan’s parliamentary elections in February 2008. She is a 2005 Manfred Wörner Fellow with the German Marshall Fund and a term member at the Council on Foreign Relations. She received a master’s degree in international relations from the Fletcher School of Law and Diplomacy at Tufts University. Wadhams has been a guest analyst with numerous international, national, and local news outlets, including BBC, CSPAN, CBC, Voice of America, Al Jazeera, FOX, Reuters, and NPR.

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Katulis received a master’s degree from Princeton University’s Woodrow Wilson School for Public and International Affairs and a bachelor’s degree in history and Arab and Islamic studies from Villanova University. In 1994 and 1995, he was a Fulbright scholar in Amman, Jordan, where he conducted research on the peace treaty between Israel and Jordan. Katulis has published articles in several newspapers and journals, including the Washington Post, Los Angeles Times, Boston Globe, Baltimore Sun, and Middle East Policy, among other publications. Katulis speaks Arabic.
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Dr. Korb served as assistant secretary of defense (manpower, reserve affairs, installations, and logistics) from 1981 through 1985. In that position, he administered about 70 percent of the defense budget. For his service in that position, he was awarded the Department of Defense’s medal for Distinguished Public Service. Mr. Korb served on active duty for four years as naval flight officer, and retired from the Naval Reserve with the rank of captain.


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The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”