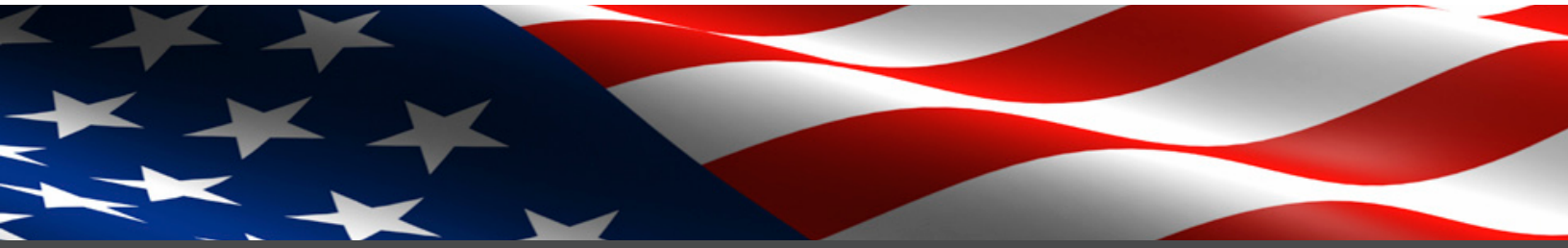

THE NEXT CHAPTER

THE UNITED STATES AND PAKISTAN

A REPORT OF THE
PAKISTAN POLICY WORKING GROUP
SEPTEMBER 2008

ABOUT THE PAKISTAN POLICY WORKING GROUP

The Pakistan Policy Working Group is an independent, bipartisan group of American experts on U.S.–Pakistan relations. The group was formed in January 2008 to assess the state of U.S.–Pakistan relations and to offer ideas to the next U.S. President and his Administration on managing this critical partnership. The group's efforts were guided by the understanding that Pakistan is and will remain one of the United States' foremost foreign policy and national security challenges, deserving of heightened attention in the new Administration.

The group met regularly for eight months to discuss topics involving Pakistan's domestic political situation, counterterrorism and internal security challenges, relationships within the region, and economic development and assistance. To inform the group's work, members traveled to Pakistan, where they interviewed government officials, academics, business leaders, and nongovernmental organization (NGO) workers. Various U.S. officials and Pakistani experts also joined the group's regular meetings to brief members on their areas of expertise. This report presents the findings of those meetings and research trips.

This report was reviewed and endorsed by Richard L. Armitage, former U.S. Deputy Secretary of State, and Lee H. Hamilton, former U.S. Representative and Co-Chair of the 9-11 Commission.

The findings in this report reflect a strong consensus view of the group but not necessarily every individual's specific views or those of their respective institutions.

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EXECUTIVE SUMMARY

Pakistan may be the single greatest challenge facing the next American President. The sixth most populous country in the world is suffering its greatest internal crises since partition, with security, economic, and political interests in the balance. With such turmoil, we find U.S. interests in Pakistan are more threatened now than at any time since the Taliban was driven from Afghanistan in 2001. The United States cannot afford to see Pakistan fail, nor can it ignore the extremists operating in Pakistan's tribal areas. Pakistan's nuclear arsenal (and past nuclear proliferation), al-Qaeda, and the war in Afghanistan keep U.S. national security firmly anchored in Pakistan. Afghanistan cannot succeed without success in Pakistan, and vice versa. As Americans learned to their great sorrow on September 11, 2001, what happens in Southwest Asia can profoundly affect their lives.

In the face of this challenge, Washington needs to rethink its approach to Pakistan. If we genuinely believe that a stable, prosperous Pakistan is in our interest, we must be much smarter about how we work with Pakistan and what sort of assistance we provide. As the September 19th bombing of the Marriott hotel in Islamabad demonstrates, there is little time to waste. Our options in Pakistan are diminishing rapidly.

Political developments in both Pakistan and the United States, however, make this an opportune moment to recalibrate U.S. policy. A new civilian government headed by the Pakistan People's Party has emerged in Pakistan, and President Pervez Musharraf has departed the scene after nine years of military rule. The upcoming U.S. presidential election will similarly bring a new set of policymakers to power and a potential willingness to consider fresh approaches to managing the difficult but exceedingly important U.S.–Pakistan relationship.

Some of the key recommendations for strengthening U.S. policy toward Pakistan presented in this paper include:

Pakistani Politics and the Challenges for U.S. Diplomacy

- Exhibit patience with Pakistan's new democratically elected leaders, while working to stabilize the government through economic aid and diplomacy. But at the same time, emphasize to the Pakistan government that U.S. patience is not unlimited, and that the U.S. is prepared to be patient only so long as the Pakistan government is achieving visible results in its efforts against the extremists in the tribal areas.
- Develop, invest in, and implement a far-reaching public diplomacy program that emphasizes common U.S. and Pakistani interests in combating extremism, creating prosperity, and improving regional relationships instead of highlighting the struggle against extremism in Pakistan as part of the "Global War on Terrorism."
- Invest in U.S. institutions and personnel in Pakistan to support long-term engagement in the region. Expand the mission of the U.S. Embassy and the U.S. Agency for

International Development in terms of physical structure and personnel and invest more in training diplomats and other government officials who will dedicate their careers to the region.

Counterterrorism and Internal Security

- Commission a fresh National Intelligence Estimate (NIE) to form a common operating picture within the U.S. government on what Pakistan and others are doing to counter and/or support militancy and what these actions say about their intent.
- Develop a strategy based on the NIE findings that seeks to adjust Pakistan's cost–benefit calculus of using militants in its foreign policy through close cooperation and by calibrating U.S. military assistance.
- Increase support for civilian institutions that would provide oversight of the military and the Directorate of Inter-Services Intelligence.

Regional Relationships

- Assign primary responsibility for coordinating and implementing Pakistan–Afghanistan policy to a senior U.S. official with sufficient authority, accountability, and institutional capacity to promote better ties between Pakistan and Afghanistan.
- Increase diplomatic efforts to encourage the bilateral peace process between New Delhi and Islamabad.
- Work more closely with our allies and regional countries to encourage Pakistan to stiffen its resolve against terrorism and extremism and to promote greater stability in the country. Raise Pakistan as an issue to a higher level in U.S. bilateral diplomacy, particularly with countries that have good relations with Islamabad, such as China, Japan, Saudi Arabia, and other Gulf states.

U.S. Assistance

- Support the approach to assistance proposed in the Biden–Lugar legislation, S.3263, "Enhanced Partnership with Pakistan Act of 2008," introduced July 15, 2008. Commit to including $1.5 billion per year in non-military spending in each of the Administration's annual budget requests. Such assistance, however, must be performance-based, and must be accompanied by rigorous oversight and accountability. The era of the blank check is over.
- Enhance access of Pakistani textiles to the U.S. market on favored terms, starting with passage of the long-awaited Reconstruction Opportunity Zone legislation, and consider increasing the number of product lines included in that legislation.
- Focus the majority of U.S. economic aid on projects in basic education, health care, water resource management, law enforcement, and justice programs, with the goal of developing state capacity to effectively deliver these services to the population.
- Redirect the focus of U.S. military assistance to providing systems and training that enhance Pakistan's counterterrorism and counterinsurgency capabilities.

The U.S. and Pakistan share numerous common interests that constitute a firm basis for a long-term, mutually beneficial partnership. At the same time, fundamental differences between U.S. and Pakistan thinking on counterterrorism threaten to overshadow our common agenda and could eventually lead to a hostile relationship between our two countries. To avoid going down this path, Pakistan needs to demonstrate an unambiguous commitment to severing any remaining links to terrorism in the region and to uprooting the al-Qaeda and Taliban safe havens. For its part, the U.S. needs to exercise more patience with Pakistan and effect smarter and more robust diplomacy to reduce regional tensions that fuel support for radical ideologies and terrorism.

Making progress in the U.S.–Pakistan relationship will take a Herculean effort. We should be modest in our expectations and prepared for a long-term effort. Yet for all the difficulties ahead, American desires for Pakistan are not in conflict with what most Pakistanis want for their country. That conviction and reality inform the recommendations presented in this report.

INTRODUCTION

As Americans learned to their great sorrow on September 11, 2001, what happens in Southwest Asia can profoundly affect their lives. Events in Pakistan directly affect Afghanistan, and the present U.S.–Pakistan relationship is rooted in the events of 9/11. The United States cannot afford to see Pakistan fail, nor can it ignore the extremists hiding in Pakistan's tribal areas.

The U.S.–Pakistan partnership is deeply troubled. U.S. interests in Pakistan are more threatened now than at any time since the Taliban was driven from Afghanistan in 2001. Pakistan's very integrity as a nation is challenged more directly than at any time since the country broke apart following the 1971 Indo–Pakistani war that led to the creation of Bangladesh.

Nuclear-armed Pakistan—the world's sixth most populous country—has no effective control over a large swath of territory along its border with Afghanistan. Dangerous extremist groups that are intent on attacking the United States, such as al-Qaeda, enjoy safe haven in these border areas. Ominously for Pakistanis, these terrorist groups are extending their reach into the more settled portions of Pakistan. Most Pakistanis either blame these problems on Pakistan's counterterrorism cooperation with the U.S. or tend to discount the threat. A recent poll by the International Republican Institute revealed that only 15 percent of Pakistanis think their country should cooperate with the United States to combat terrorism.

In addition to a rising wave of suicide bombings, terrorist attacks, and armed insurgency, the Pakistani government is facing simultaneous economic and political crises. Wheat and other food staples are scarce, and hunger is on the rise. Energy prices have soared, and electricity blackouts are everyday occurrences. Inflation is beginning to pinch even those who believed that they had achieved middle-class security. Large numbers of youth, poorly trained by Pakistan's dismal education system, cannot find jobs and see little hope for the future. Some find the siren call of jihad powerful or merely the only option for income. Meanwhile, it remains unclear whether the recently restored democratic political system can rise to the challenge or leading politicians and parties will concern themselves more with jockeying for power than governing effectively.

The largely successful election in February 2008 ended nearly nine years of military rule, but the civilian government still lacks effective control over the military and intelligence agencies. Recent reporting indicates that Inter-Services Intelligence (ISI) elements are engaged with groups that support the Taliban and are killing American, NATO, and Afghan troops in Afghanistan. The government of Afghanistan has accused ISI-supported elements of orchestrating an assassination attempt against Afghan President Hamid Karzai. Well-sourced media reports also suggest that the ISI had a role in the July 7 car-bombing of the Indian Embassy in Kabul that killed two senior Indian officials and more than 50 Afghan civilians. All of this suggests that the ISI is no longer certain the Coalition forces will prevail in Afghanistan and that it is using militant groups in an attempt to expand its own influence.

Understanding the importance of Pakistan after 9/11, the Bush Administration moved quickly to rebuild a partnership with Islamabad that had atrophied in the 1990s. Washington lifted nuclear and democracy-related sanctions. It forgave more than $1 billion of Pakistani debt. It resurrected bilateral military and intelligence cooperation and resumed weapons sales. It gave Pakistani President Pervez Musharraf an international stature and legitimacy that had previously eluded him. Most impressively, the American aid spigot was turned wide open. Over the next seven years, acknowledged U.S. assistance to Pakistan totaled more than $11 billion. Including clandestine aid would undoubtedly raise this figure considerably higher.

The United States has too little to show for this reengagement and largesse. Pakistani efforts to capture or eliminate hundreds of al-Qaeda terrorists in the years immediately after 9/11 were critical to weakening the organization. Today, however, Pakistan lacks both an effective counterterrorism and counterinsurgency strategy, and the situation in the country is grave and deteriorating. Pakistan may be the single greatest challenge facing the next American President. In fact, many American intelligence experts strongly believe that planning and training for another major terrorist attack against the United States will most likely originate in Pakistan. Furthermore, they assess that al-Qaeda is currently focusing most of its resources on the battle in Pakistan, undermining the state's authority and seeking to create a general sense of chaos and instability.

Washington needs to rethink its entire approach to Pakistan. If we genuinely believe that a stable, prosperous Pakistan is in our interest, we must be much smarter about how we work with Pakistan, with whom we work, and what sort of assistance we provide. We also need unity of effort and an overall strategic plan followed by all agencies of the U.S. government. The U.S. government's efforts to date have been piecemeal, confused, and disjointed, often lacking in strategic perspective and command.

Fortunately, political developments in both countries make this an opportune moment for recalibrating U.S. policy. Earlier this year, an elected Pakistani government took office following elections that, while imperfect, seem to have accurately reflected Pakistan's desire to move beyond a political dispensation dominated by the unpopular Musharraf. The upcoming U.S. presidential election, regardless of its outcome, similarly promises to bring a new set of policymakers to power and a potential willingness to consider fresh approaches to managing the difficult but exceedingly important U.S.–Pakistan relationship.

What the U.S. and Pakistan Want from Each Other

What does the United States want from Pakistan?

- A stable government enjoying the support of the Pakistani people and responsive to their needs.
- Unstinting support in the effort to track down those responsible for the 2001 attack on the United States.
- A common effort in the struggle to defeat the forces of extremism and terrorism, including in Kashmir.
- A safeguards system that makes virtually impossible the unauthorized use, transfer, or theft of Pakistan's most dangerous weapons and technologies.
- A state that lives in peace with its neighbors, most notably India and Afghanistan.

What does Pakistan want from the United States?

- Respect for Pakistan's sovereignty.
- A bilateral relationship that is not tied to other countries in the region or single-issue objectives.
- Assistance in obtaining greater transparency and cooperation from other stakeholders in the war on terrorism, including Afghanistan and India.
- While many Pakistanis remain suspicious of American policies, others want a predictable and proper long-term relationship with the United States.

PAKISTANI POLITICS AND THE CHALLENGES FOR U.S. DIPLOMACY

Pakistan's political system has been broken for some time, with the government vacillating between military government and weak civilian rule since its inception. The year-long protest movement and successful elections that swept Musharraf's military government from power in 2008 have created enormous expectations for the new civilian government. However, this transition is occurring amid a combined political, economic, and security crisis that even a well-entrenched government would be hard-pressed to handle effectively. As a result, the exuberance from the February 2008 elections seems to have already dissipated. Large numbers of Pakistanis are disillusioned with the new government's inability to address a wide array of pressing domestic problems, including rising inflation and food shortages created by global developments beyond the government's control. The country's economic crisis has deepened with widening trade and fiscal deficits and a slowdown in investment. Promises to deal with the challenges of extremism and violence, especially those identified with spreading Talibanization, have yielded little.

President Musharraf's resignation in August 2008 has helped to pave the way for a full transition from military to civilian rule. Yet civilian leaders must ensure that political infighting does not hamper consolidation of the democratic process and institutions. For now, Chief of Army Staff General Ashfaq Kayani has stated that he will keep the Army out of politics. However, if the politicians fail to focus on effective governance of the country, the Army could decide to intervene once again, especially if extremists are threatening the integrity of the state. In the past, democratic civilian rule in Pakistan has largely failed to advance stability and security in the country.

Further complicating the diplomatic landscape is the pervasive anti-Americanism across Pakistan. U.S.–Pakistan cooperation is impeded by suspicions about U.S. designs for the region, its reliability as a long-term ally, and the widely held view that Washington manipulates Pakistan's leaders and policies. Many Pakistanis hold former President Musharraf responsible for stoking militancy and extremism through actions designed to please American policymakers. Pakistanis also view the increasingly frequent U.S. unilateral attacks into the tribal areas—both missile strikes and, more recently, raids by U.S. forces—as direct threats to the country's sovereignty. Admiral Michael Mullen's recent, hurried trip to Pakistan was necessary to defuse the tension between Pakistan and the U.S. created by the attacks.

Effecting Smarter Diplomacy

In this environment laden with political unrest and palpable anti-Americanism, the U.S. is facing tremendous diplomatic challenges. Given the disappointments with Pakistan's elected government, some in the U.S. may feel nostalgia for the days when President Musharraf wore his uniform and commanded a docile parliament. But just as the U.S. was too slow in gauging the public disaffection with President Musharraf before the 2008 elections, it must not too quickly lose patience with Pakistan's elected leaders.

Many of today's problems are legacies of Musharraf's years in power. Most notable was his government's willingness to allow extremism to fester in the tribal areas and elsewhere and his adherence to a strategic doctrine on Afghanistan that tolerated, if not assisted, the Taliban. He also failed to invest in building civilian political institutions and to reform the system so that it would function more effectively upon return to elected government.

Rather than turn its back on the democratically elected leaders, the U.S. should strive to support the government through economic aid and public and private diplomacy. Expanding non-military assistance can help the government to gain confidence and capabilities and to consolidate popular support. We must demonstrate that our backing of democratic institutions is unwavering and, most importantly, that we support civilian rule over military rule. We must show patience with an elected government that will need considerable time to put its stamp on policies in the tribal areas and to build a public consensus behind more assertive strategies.

At the same time, the U.S. needs to overcome the widely held perception in Pakistan that it regularly meddles in the country's political affairs and to rectify past policies that reflected U.S. political favoritism. The frequent political upheavals in Pakistan often flummox Washington's diplomatic efforts with Islamabad. Given the volatile nature of Pakistani politics, the U.S. would be better served by focusing its diplomacy on shoring up democratic institutions rather than supporting particular personalities or political parties. It should be prepared to work with any parties committed to participating in a peaceful democratic process and that oppose extremism and terrorism.

To succeed with Pakistan, U.S. diplomacy must do a better job of distinguishing between what we believe we are doing and how Pakistanis perceive our actions. Too frequently, high-level visits to Pakistan have been ill-timed, and U.S. officials have failed to appreciate how their public statements could be misinterpreted. To the extent possible, U.S. policies must be more proactive in conveying our views to Pakistan's leaders and the Pakistani people, instead of merely reacting to their decisions. We must be more convincing that American objectives in Pakistan and the region are long-term and that our support for a stable and moderate Islamic democracy in Pakistan is not entirely self-serving.

We can achieve this in part by making tangible investments in U.S. institutions and personnel designed to support long-term engagement in the region. This would include the development and implementation of a far-reaching public diplomacy program that emphasizes common U.S. and Pakistani interests in combating extremism, creating prosperity, and improving regional relationships instead of highlighting the struggle against extremism in Pakistan as part of the "Global War on Terrorism." It also would require expanding the mission of the U.S. Embassy and U.S. Agency for International Development (USAID) in terms of physical structure and personnel and investing more in training diplomats and other government officials who will dedicate their careers to the region. Together with the Pakistani government, we need to make the case that U.S. strategic aims are compatible with Pakistan's national interests.

Strengthening the Democratic Process

The U.S. has an obvious stake in the success of elected government in Pakistan. Popular frustrations could lead to domestic agitation and violence. A deeply disillusioned public creates opportunities for a widening appeal of extremist groups and the possible ascendance of jihadi elements. If political fragmentation sparks divisions within the military, Pakistan's nuclear arsenal could fall into unfriendly hands.

It is appropriate, then, that the U.S. press Pakistan's political parties to achieve a level of reconciliation that allows the healthy exercise of constitutional and political power under the rule of law. In that context, partisan and personal motives, which are natural in any democracy, would not threaten the overall system. The U.S. should focus more attention on encouraging reform within the political parties and supporting those NGOs that have worked to improve the functioning of Pakistan's parties and assemblies. Because previous regimes have so often been de-legitimized by charges of corruption, reforms should also address means of increasing the accountability of public officials. Without such changes, political parties may be doomed to repeat the familiar cycle of de-legitimization, incomplete terms of office, and prolonged military intervention.

COUNTERTERRORISM AND INTERNAL SECURITY

Pakistan-based militant groups present daunting challenges for the United States and the international community. Pakistan has suffered tremendous loss of life since 9/11, in part because it decided to cooperate with the U.S. in the war on terrorism. It has also received hefty reimbursements and other forms of military assistance from the U.S. for its contributions. Yet despite this loss of life and hefty subsidy, Pakistan remains a source of active and passive assistance for a multitude of militant groups operating in the country.

Militant groups freely meet, train, and raise funds throughout Pakistan. High-level militants, such as Rashid Rauf have mysteriously escaped police custody to evade extradition, and others such as Masood Azhar continue to amass crowds without interference by authorities. Even Taliban leader Mullah Omar is believed to be living in Quetta.

Militancy in Pakistan is not a new phenomenon nor even a development since the Afghan jihad in the 1980s, as is often claimed. Since independence, the country has relied on a menagerie of Islamist militants and tribal armies to prosecute its foreign policies abroad, especially in India, Indian-administered Kashmir, and Afghanistan.

Pakistan's use of militants as a foreign policy tool has had a profoundly destabilizing impact on the region. Pakistan-supported militant activity in Indian-administered Kashmir was directly responsible for one war with India and contributed to other wars and crises. An attack on the Indian parliament by Kashmiri militants galvanized a tense Indo–Pakistani military standoff in 2001–2002, which led to the largest massing of military forces in India and Pakistan since the 1971 war.

Pakistan's approach to dealing with terrorist groups on its soil has evolved over time. Prior to 9/11, al-Qaeda operated through networks of Pakistani militant groups, and the Taliban recruited members from madrassahs and mosques supported by the Pakistani political leadership of the Jamiat Ulema-e-Islam (JUI). Many Pakistani militants were members of both sectarian and Kashmir-focused groups. These groups forged ties with the Taliban and al-Qaeda in Afghanistan, sharing training facilities and providing one another logistical support. Although militants associated themselves with different groups, they were linked through training, logistics, and a shared anti-Western pan-Islamic ideology.

President Musharraf's decision to side with the United States in the war on terrorism after 9/11 forced him to adjust Pakistani policy toward the various violent groups operating from Pakistan. Pakistan has, at times, aggressively pursued al-Qaeda terrorists, killing or capturing more senior al-Qaeda leaders than any other nation. Islamabad also reined in Kashmir-focused groups at certain points over the past several years, but it has failed to shut down these groups decisively, even when some turned against the Pakistani state. Contributing to the challenge of reining in these militants groups is the fact that they enjoy a degree of popular support for their charitable work in education and health care.

In all of this, U.S. government agencies appear divided over the nature and extent

of Pakistan's support to Taliban and other militants that undermine U.S. objectives in Afghanistan and elsewhere. While journalists in the region have reported on ISI support to the Taliban for years, media reports in recent months have more frequently cited CIA and other U.S. government officials about these links. Some U.S. officials have found it difficult to understand that Pakistan could be supporting the Afghan Taliban while taking losses fighting the Pakistani Taliban, al-Qaeda, and other foes of the state. It is unclear whether Pakistani agencies are working at cross-purposes or the Pakistani leadership is intentionally playing a double game.

Another aspect of the counterterrorism problem in Pakistan is that the Pakistan Army continues to dominate decision making in national security. Lack of a transparent democratic process means that the Pakistani polity is largely unaware of its country's activities at home and abroad. The Army's vertically integrated decision making and its failure to consult with the civilian leaders have often led to miscalculations about the effects of its actions.

The barriers to elected civilian governments asserting control over foreign and security policy in Pakistan are systemic. The military has built a civilian-proof system over many decades. Changing the system would require public support and the military leadership's understanding that the current system is unsustainable and harmful to the military's long-term interests.

Pakistan's ambiguous policy on support for militancy is unlikely to change as long as the military—currently, the only national institution—maintains an inordinate say in foreign and domestic policies and remains beyond the scrutiny of elected representatives. Thus, fixing the terrorism problem in Pakistan will require empowering the public to hold its government accountable and building robust civilian—not military—policymaking institutions.

The U.S. government should offer technical assistance and encouragement to Pakistan to build a new set of national security decision-making institutions that bolster the prime minister's capacity to oversee, monitor, and direct the budgets, policies, and operations of the armed forces.

Tribal Border Areas

Military operations in the Federally Administered Tribal Areas (FATA) over the past four years have provoked a wider Pashtun insurgency. This insurgency has taken the guise of the Pakistani Taliban, a group of militants loosely led by Baitullah Mehsud who also swear allegiance to Afghan Taliban leader Mullah Omar and seek to establish Islamic emirates in Pakistan and Afghanistan.

The Pakistani Taliban is undermining the state's sovereignty, and Pakistani security forces have been unable to gain the upper hand. The government has pursued peace deals in the region, which have given these groups a degree of legitimacy and have allowed them to operate more freely, crossing the border to fight Coalition forces in Afghanistan. Ultimately, these deals have strengthened the militant forces and resulted in increased insurgent activity in the region. The negotiations began to break down in mid-July, with Pakistan security forces resuming military operations, especially in the Bajaur

and Khyber agencies of the FATA.

Eventually, negotiations with the community and tribal leaders in the region will be necessary as part of a broader political process to end the insurgency. The current approach has two primary problems. First, deals have been made with militants who seek to buy time and to consolidate their control, rather than with community leaders seeking to improve the lives of their people. Second, the deals are not being enforced and have been aimed almost entirely at securing peace in Pakistan and ending the high rate of casualties among Pakistani soldiers, rather than the broader goal that includes minimizing sanctuaries of support for Taliban forces fighting in Afghanistan. The international community cannot accept the establishment of terrorist bases anywhere, including along the border with Afghanistan. So far, Pakistani peace deals have reinforced, not uprooted, those sanctuaries.

U.S. policy to assist Pakistan in eliminating terrorist bases in the FATA has thus far emphasized providing counterinsurgency training to the paramilitary Frontier Corps and development assistance to the people of the region. While these efforts can help over the long term, they will not succeed unless the leadership of the Pakistani security establishment fully embraces such efforts. Evidence suggests that some elements of the security establishment have not made the strategic decision to abandon the use of militant groups as a tool of foreign policy. In fact, some observers believe that Pakistan has long cultivated the FATA as an area for staging militant operations and has intentionally maintained a separate, but unequal legal status in FATA for this purpose.

U.S. Military Action in the Tribal Areas

Increasing U.S. frustration with the burgeoning terrorist safe haven in Pakistan's tribal areas and the lack of effective Pakistani action to deal with this threat have led the Bush Administration to authorize increasingly assertive U.S. military operations in the region. The U.S. has stepped up the frequency of Predator missile attacks against terrorist targets since the beginning of 2008 and has recently allowed U.S. ground forces to raid a suspected terrorist hideout in South Waziristan.

The U.S. government had long debated whether to send ground forces into Pakistan without the Pakistan government's express permission. Apparently, President George W. Bush did not authorize such action until July of this year. These unilateral U.S. actions have successfully eliminated several terrorist targets, but have also resulted in civilian casualties and charges of violating Pakistan's sovereignty, which have outraged the Pakistani public.

Ideally, Pakistani forces would be willing and able to deal with Taliban and al-Qaeda terrorists in the tribal areas, while the Coalition forces fight them in Afghanistan, employing an effective hammer and anvil approach. However, this strategy has not worked, and Pakistan's pursuit of peace deals with militants has instead provided the terrorists with more latitude to operate and emboldened them to conduct increasingly aggressive attacks inside Afghanistan.

A cost–benefit analysis must be made with each U.S. unilateral missile attack or ground incursion. These unilateral operations have likely already hurt U.S. long-term objectives

Background on the Tribal Areas

Harsh geography, poor education, and scarce infrastructure have tended to drive a wedge between Pakistan's tribal belt and the rest of the nation. With an estimated population of 3.5 million people, the FATA is roughly the size of the state of Maryland and shares a nearly 300-mile border with Afghanistan.

The FATA is the poorest, least developed part of Pakistan. Literacy is only 17 percent, compared to the national average of 40 percent. Per capita income is roughly $250, half of the national average of $500. The FATA's rough terrain serves to isolate tribal communities from markets, health care, education services, and other outside influences.

Invaders have crisscrossed the tribal areas for hundreds of years, and the Pashtun tribes pride themselves for their reputation of independence and martial prowess. Pashtuns living in the tribal areas affirm their unity through a code of conduct referred to as "Pashtunwali," which relates to concepts of hospitality, pardon, and revenge. Pashtuns have also developed the "jirga" process to help to govern their affairs. The jirga is a dispute resolution mechanism that relies on decisions by adult male members of the community rather than on formalized criminal statues applied by an impartial judge.

By virtue of FATA's semiautonomous status, the president of Pakistan directly administers the FATA through the governor of the North West Frontier Province and his appointed political agents. Although the FATA has elected representatives to Pakistan's National Assembly, national legislation does not apply to the FATA. Pakistani political parties are barred from operating in the FATA. Therefore, elected representatives from the region have no party affiliation. The FATA falls under the Frontier Crimes Regulation (FCR), a legal system rooted in British colonial tradition and lacking in democratic accountability and basic standards of human rights. Despite periodic calls for changes in the political status of the FATA, those empowered by the status quo have so far successfully resisted any changes. A recent survey shows that while FATA residents believe the FCR should be amended, there is little consensus on what should replace it.

Source: Daniel Markey, "Securing Pakistan's Tribal Belt," Council on Foreign Relations Special Report No. 36, August 2008.

Pakistan's Federally Administered Tribal Areas

Source: Central Intelligence Agency

in the region by eroding trust and confidence between U.S. and Pakistani leaders and by strengthening support for radical forces within Pakistani society. They have also had immediate operational consequences. After the September raid by U.S. ground forces in South Waziristan, the government of Pakistan immediately halted all fuel shipments to U.S. forces operating in Afghanistan. Any sustained interruption of supplies would seriously hamper our ability to operate in Afghanistan because 80 percent of the logistical support for the U.S. military operating in Afghanistan flows through Pakistan. It is unclear what options the U.S. would have if it loses access to the Karachi port to support operations in Afghanistan. While the U.S. may have to accept the necessity of Karachi port access in the near term, it should explore and develop other options for diversifying supply routes into Afghanistan for the future.

The Way Forward

The U.S. clearly needs to develop and implement a robust strategy to counter terrorism and extremism in Pakistan. First, the United States government needs a common operating picture of how Pakistan and others are supporting militancy and what these actions say about their intent. This process should start with commissioning an updated National Intelligence Estimate (NIE) on Pakistani support to the Taliban and allied militants in Afghanistan and elsewhere in the region. The NIE should also provide an in-depth assessment of the activities of other regional actors in Afghanistan, such as Russia, Iran, and India. Parts of this NIE should be made public to inform both American and Pakistani audiences.

The NIE findings should help to form the basis of a strategy that engages all aspects of U.S. national power to contain the terrorist threat in Pakistan. This strategy should be embodied in a national security presidential directive that sets the framework for a whole-of-government response. If possible, portions of the directive should be made public. It should be unveiled in a major speech early in the first year of the next Administration.

As part of this strategy, the U.S. should seek to adjust Pakistan's cost–benefit calculus of using militants in its foreign policy, whether in Afghanistan or in India. Pakistan has used these groups with relative impunity. Pakistan has legitimate security interests that the U.S. and international community should acknowledge, but these interests do not justify using violent proxies, especially when those proxies attack U.S. and NATO troops in Afghanistan.

Washington should encourage civilian control of the military and increase the capacity of civilians to govern. International Military Education and Training (IMET) programs with Pakistan provide a means to increase the army's understanding of the value of civilian control and of accountability and transparency in defense planning and budgeting. Washington should substantially increase the number and frequency of these kinds of training and exchange programs.

Similarly, programs should be conducted for civilians to increase their understanding of and tools for expanding civilian control. Further, we should encourage the extension of civilian oversight to the ISI, including appointment of a civilian to head the intelligence organization. Such steps are

necessary if Pakistan seeks to develop a government that is accountable to its people and allies. We should enlist the support of like-minded friends and allies in supporting reform of Pakistan's security services.

Regarding U.S. policy toward the FATA, the U.S. should use its military assistance to induce and assist a transformation of parts of the Pakistan Army and paramilitary Frontier Corps into an effective counterinsurgency force. Expanding and upgrading U.S.–Pakistan military-to-military consultations and joint exercises would help to build confidence between our militaries as we seek to strengthen our counterterrorism partnership. To ensure that U.S. economic assistance for the FATA is effective, the U.S. should encourage the Pakistani government to begin meaningful discussions about political liberalization of the region. Unless the institutional governance structures improve in the FATA, U.S. assistance may have little real impact.

Until the Pakistan government demonstrates that it is ready and willing to act aggressively against terrorist targets that threaten the international community, the U.S. may find it necessary to conduct unilateral strikes on targets in the tribal areas. However, the U.S. will need to be circumspect on the extent to which it relies on such strikes, recognizing that each strike carries the cost of undermining U.S. long-term objectives of stabilizing Pakistan and preventing radical forces from strengthening in the country. Meanwhile, the growth of suicide bombings against civilian targets in Pakistan's cities, including the devastating September attack on the Marriott hotel in Islamabad, should help focus public concern on the domestic impacts of militancy.

Finally, the U.S. should invest more resources in bolstering the rule of law in Pakistan by supporting the development of law enforcement and the judicial system. Several efforts, such as the Motorway Police and the Lahore Traffic Police, demonstrate that a livable wage, coupled with a rigorous system of accountability, permits professional policing that fosters belief in the system. Because these police are not vulnerable to accepting bribes, they have conditioned the public over time to stop offering bribes to members of these forces.

U.S. assistance should also focus on professionalizing the judicial system. The courts are overloaded, the judges are meagerly compensated and often corrupt, and the lawyers are poorly trained. To date, U.S. efforts to improve the police and judicial sector have primarily focused on constructing facilities (e.g., courthouses) and providing equipment (e.g., computerized caseload management systems). U.S. aid programs in these areas should focus more on building human capacity.

REGIONAL RELATIONSHIPS

Transforming the Pakistan–Afghanistan Relationship

Pakistan and Afghanistan are inextricably tied through shared borders, history, culture, and commerce. This interdependence creates a significant opportunity for collaboration between these two nations in the interest of greater stability and prosperity. However, mutual suspicions, geopolitical pressures, and a zero-sum mentality have led to a largely negative dynamic in the relationship. Reversing this trend will be difficult, but it is essential to the broader goal of combating extremism and stabilizing the region.

Cross-border extremist movements present a serious threat to both nations. Al-Qaeda's growing capabilities and the insurgency in Afghanistan cannot be addressed effectively until the sanctuaries in Pakistan are shut down. In turn, Pakistan cannot expect to address growing internal anti-statist elements in the FATA, North West Frontier Province (NWFP), and Baluchistan or to significantly expand economic development without a stable and friendly Afghanistan. The Pakistani civilian and military establishment must realize that using the Afghan Taliban as a political tool in their overall security strategy vis-à-vis India and Afghanistan is having serious negative security repercussions for Pakistan itself.

The long anticipated return of Afghanistan (and Pakistan) as a land bridge between South Asia and Eurasia and the Middle East has been tragically delayed. No single change would likely transform Afghanistan and Pakistan and their relationship more than a dramatic opening of trade routes traversing the two nations. This would connect the vibrant economies of South and East Asia to the markets and energy resources of Central and West Asia. The imperative for exchanging energy and goods between these regions is driving investment in alternatives, such as the Charbahar port in Iran and new road and rail links that circumvent Pakistan. At present, licit cross-border and transit trade between Afghanistan and Pakistan is dwarfed by illicit trade in opium, arms, and smuggled goods.

A solution to managing the long, porous Afghan border is to transform it from hostile frontier into an economic gateway. Enhancing licit trade and labor flows and enabling family and tribal coherence are important steps. The cooperation of communities that straddle the border is also essential. Therefore, the goals of the governments in Kabul and Islamabad must be more closely attuned to those populations. Programs that enhance community development, local governance, and capital investment should be pursued simultaneously on both sides of the border. At the same time, it would be beneficial to facilitate a framework that would address both sides' grievances and suspicions concerning the legitimacy of the Durand Line, which marks the border between Pakistan and Afghanistan. This should be approached with the understanding that final resolution of this issue may be a long-term prospect.

Each of these initiatives requires serious work by both governments, the political classes of both nations, and their allies, principally the United States. Efforts such as the Peace Jirga process started in 2007; the

trilateral military commission of the U.S., Pakistan, and Afghanistan; and exchanges of parliamentarians and other civil society leaders are critical to rebuilding positive relations. The U.S. needs to raise the profile of promoting better ties between Pakistan and Afghanistan by assigning primary responsibility for coordination and implementation of Pakistan–Afghanistan policy to a senior U.S. official with sufficient authority, accountability, and institutional capacity to promote better ties between the two countries. To support a more coordinated effort, the U.S. government should also work to break down the bureaucratic stovepipes between officials who deal with Afghanistan and Pakistan.

Arresting the Slide in Pakistan–India Ties

A transformation of Pakistan–Afghanistan ties can only take place in an overall context of improved Pakistani–Indian relations—facilitated by the U.S., if possible—that enhances Pakistani confidence in its regional position.

In recent decades, Indo–Pakistani hostility has mainly revolved around the dispute over the status of Jammu and Kashmir. Throughout the 1990s, Pakistani support to militant groups fighting in Kashmir fueled their conflict. A peace process started under President Musharraf in January 2004, which was preceded by a ceasefire initiated in November 2003 along the Line of Control that divides Kashmir, has helped to stabilize relations over the past five years. However, recent violence in Kashmir related to a controversial land deal has stoked Hindu–Muslim tensions in the region and could further complicate Indo–Pakistani peace talks. A recent increase in firing incidents along the Line of Control indicates that the ceasefire could be foundering.

To encourage better ties and more robust economic linkages between India and Pakistan, the U.S. should eventually reconsider its opposition to the proposed Iran–Pakistan–India (IPI) pipeline project. Uncertainties about the economic feasibility of this pipeline and lack of investor interest in the project due to ongoing political instability in Pakistan's Baluchistan Province and U.S. sanctions against Iran will prevent this project from materializing any time soon. Assuming that the situation in Pakistan stabilizes and the U.S. determines that the IPI would not undermine international efforts to dissuade Iran from pursuing a nuclear weapons program, the pipeline could help to stabilize the region over the longer term by providing Pakistan and India with a mutual economic interest.

Afghanistan as a Battle Ground

Afghanistan constitutes a new battleground for Indo–Pakistani hostility. Credible U.S. media leaks indicate that U.S. officials confronted Pakistani officials in mid-July with information linking Pakistani intelligence to the car bombing of the Indian Embassy in Kabul on July 7, 2008. The bombing killed two senior Indian officials and more than 50 Afghan civilians. While bilateral talks have not collapsed, Indian officials note that they are severely strained. A meeting between Pakistani Prime Minister Gilani and Indian Prime Minister Manmohan Singh in late July resulted in Gilani vowing to investigate claims that Pakistani intelligence was involved in the bombing.

Continued Pakistani ambivalence toward the Taliban stems in part from its concern that India is trying to encircle it by gaining influence in Afghanistan. Pakistani security officials calculate that the Taliban offers the best chance for countering India's regional influence. Pakistan believes ethnic Tajiks and other members of the former Northern Alliance in the Afghan government are receiving support from New Delhi and that India is fomenting separatism in Pakistan's Baluchistan province from its Afghan consulates near the Pakistan border.

India's traditionally cordial ties to Afghanistan have been consciously strengthened over the past six years, and India is now a major donor to Afghan reconstruction, pledging over $1.2 billion. New Delhi has developed a wide array of political contacts and has provided assistance for the new parliament building and a major highway in Nimruz Province. India has invested in the Iranian port at Charbahar to gain trading access to Afghanistan, given Pakistani reluctance to allow Indian goods to transit Pakistan. An estimated 4,000 Indians are in Afghanistan working on development projects. India has sent about 500 Indo–Tibetan border police to guard its workers following attacks, including an April 12 suicide bombing that killed two Indian engineers in Nimruz. India blames the attacks on Taliban militants backed by Pakistani intelligence.

Changing Regional Security Perceptions

Transforming regional security perceptions among the Afghans, Pakistanis, and Indians will be a monumental challenge, but is the only way to stabilize and secure Afghanistan so that it does not again become a terrorist sanctuary. Washington will need to step up diplomacy in South Asia, with a particular focus on promoting regional cooperation among all three countries and defusing conflict between New Delhi and Islamabad and between Kabul and Islamabad. This will require more frequent, intrusive, and intensive interaction between U.S. officials and Afghan, Pakistani, and Indian officials. More specifically, the U.S. will need to consider how to reduce Pakistani fears of Indian hegemony and how to improve U.S. ties with New Delhi without alarming Islamabad.

At the same time, the U.S. must convince Kabul that antagonistic relations with Islamabad are not in its national security interest. U.S. diplomatic initiatives toward Pakistan must also demonstrate that a convergence of U.S., India, and Afghanistan interests on terrorism does not mean the three countries are colluding against Pakistan or its core national security interests. Finally, the U.S. must find ways to give Pakistan a vested interest in Afghanistan's stability so that it no longer sees the value of supporting the Taliban or other Pashtun Islamist extremists in the region.

A policy goal of the U.S. should be to encourage a serious, consistent India–Pakistan security dialogue that permits the Pakistan Army to redefine itself to better tackle the raging insurgency within its own borders. It is in India's interest to ensure that its involvement in Afghanistan is transparent to Pakistan. The U.S. cannot impose normalcy between the two states, but it can continually point out that both countries' interests would be served—now more than ever—by building better relations because both face existential terrorist threats.

Further, the U.S. will need to manage its diplomacy toward Pakistan, India, and China in a way that keeps nuclear competition under control. The U.S.–India civil nuclear deal has stoked Pakistani fears that the U.S. is tilting toward India geostrategically. The U.S. can reassure Pakistan by emphasizing that it will remain strongly engaged in facilitating nuclear confidence-building measures between Pakistan and India. Washington should also continue to work closely with the Pakistani leadership to ensure that its nuclear arsenal remains out of the hands of terrorists.

Building Multinational Consensus on Pakistan

The fervid anti-Americanism in Pakistan has heightened the need to work with other nations to influence the direction of the country. The U.S. should expand its diplomatic efforts with countries that border Pakistan and those that retain some influence with its leaders and people to enlist their support in stiffening Pakistan's resolve against terrorism and extremism and in promoting greater stability in the country. It is critical that Pakistan understand the international community, not just the U.S., has a stake in uprooting terrorism from its tribal border areas.

This will require the U.S. to raise Pakistan as an issue to a higher level in its bilateral diplomacy. For instance, Washington should seek deeper engagement with Pakistani ally China, which shares U.S. concerns that Pakistan is becoming a hotbed of terrorists and Islamist radicals in the region. The Chinese were incensed when Islamic vigilantes kidnapped several Chinese citizens in Islamabad in the summer of 2007. China's anger over the incident likely helped to convince Pakistan to carry out a military operation to end the standoff at the Red Mosque. China and Pakistan have been strategic allies for decades, sharing a close military partnership that has included the transfer of sensitive missile and nuclear technology from Beijing to Islamabad.

Pakistan should also be a top priority in our dealings with other friends of Pakistan. The Saudis and Gulf countries are increasing their economic ties with and investment in Pakistan, and Pakistan relies on Saudi Arabia for much of its oil needs. Japan provides significant assistance to Pakistan, garnering public support for its engagement. The U.S. should mine these relationships in support of common interests to shape the environment around Pakistan so that the Pakistanis hear the same message from the U.S. as well as their other friends.

U.S. ASSISTANCE

Numerous public opinion polls confirm that anti-American sentiment is at its highest levels ever in the country, despite billions of dollars in U.S. military and economic assistance to Pakistan over the past seven years. According to a June 2008 poll by Terror Free Tomorrow, "trust in American motives has sunk to new lows: three-quarters of Pakistanis say that the real purpose of the U.S.-led war on terrorism is to weaken the Muslim world and dominate Pakistan." Fifty-two percent of the population blames the United States for the violence occurring in Pakistan compared to only 8 percent who blame al-Qaeda.

If positively influencing public attitudes toward the U.S. is an objective of U.S. assistance to Pakistan, our multi-billion-dollar investment has clearly not been successful. Today, the United States government is so unpopular in Pakistan that Pakistani politicians find it difficult to support any initiative associated with America. They increasingly reap political dividends by adopting anti-American populist rhetoric. This trend is dangerous and facilitates the agenda of Islamist extremist forces.

The vast majority of U.S. assistance to Pakistan since 2001 has focused on enhancing Pakistani conventional military capabilities, reimbursing the government for military operations in the tribal border areas through the Coalition Support Funds mechanism, reducing Pakistan's debt burden, and stabilizing its macroeconomic indicators. Most of our assistance and reimbursements, including Economic Support Funds (ESF), were delivered directly to the Pakistani treasury. Only about one-tenth of U.S. assistance to Pakistan has gone directly to education, health care, governance, and other socioeconomic projects. *(See Table 1 on page 29.)*

These U.S. policy choices on assistance have not played out well on the ground in Pakistan. The more public focus on military assistance played into the widely held belief in country that the U.S. is interested only in the war on terrorism and not in the Pakistani people. For many, it appeared that the U.S. was simply "buying off" the Pakistani military to fight a war the Pakistani people did not want. The budget support to the Pakistani government was felt only indirectly by the public, thereby deepening misconceptions about U.S. intentions. Meanwhile, in the United States, policymakers and legislators have argued that, despite our massive spending for border security operations by the Pakistan Army, al-Qaeda has been able to reconstitute itself in the tribal regions and has acquired many new allies.

Biden–Lugar Legislation

Chairman of the Senate Foreign Relations Committee Senator Joseph Biden (D–DE) and Committee Ranking Member Senator Richard Lugar (R–IN) recently offered legislation designed to shift this paradigm S.3263, "Enhanced Partnership with Pakistan Act of 2008," introduced July 15, 2008. The legislation aims to transform the relationship from what Senator Biden terms "transactional" to a deeper, broader effort that connects the Pakistani population to America.

Table 1: Direct Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2009

Program or Account	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (est.)	Program or Account Total	FY 2009 (req.)
1206	-	-	-	-	23	14	57	94	h
CN	-	-	-	8	29	39	55	131	h
CSF[a]	1,169e	1,247	705	964	862	731	255g	5,934	200i
FC	-	-	-	-	-	-	75	75	h
FMF	75	225	75	299	297	297	298	1,566	300
IMET	1	1	1	2	2	2	2	11	2
INCLE	91	31	32	32	38	21	22	267	32
NADR[b]	10	1	5	8	9	10	10	53	11
Total Security-Related	**1,346**	**1,505**	**818**	**1,313**	**1,260**	**1,115**	**774**	**8,131**	**545**
CSH	14	16	26	21	28	22	30	157	28
DA	10	35	49	29	38	95	30	286	-
ESF[c]	615	188	200	298	337	389	347	2,374	603j
Food Aid[d]	5	28	13	32	55	-	42	175	37
HRDF	1	-	2	2	1	11	-	17	-
MRA	9	7	6	6	10	4	-	42	-
Total Economic-Related	**654**	**274**	**296**	**388**	**539f**	**521**	**449**	**3,121f**	**668**
Grand Total	**2,000**	**1,779**	**1,114**	**1,701**	**1,799**	**1,636**	**1,223**	**11,252**	**1,213**

(Rounded to nearest millions of dollars)

Table Notes and Abbreviations

Sources: U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development

Abbreviations:
1206: Section 1206 of the National Defense Authorization Act (NDAA) for FY 2006 (P.L. 109-163, global train and equip)
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 (P.L. 110-181, Pakistan Frontier Corp train and equip)
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

Notes:

a. CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations. It is not officially designated as foreign assistance, but is counted as such by many analysts.
b. The great majority of NADR funds allocated for Pakistan are for anti-terrorism assistance.
c. Congress authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of about $1.5 billion in concessional debt to the U.S. government. From FY2005-FY2007, $200 million per year in ESF was delivered in the form of "budget support" — cash transfers to Pakistan. Such funds are being "projectized" from FY2008 on.
d. P.L.480 Title I (loans), P.L.480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs.
e. Includes $220 million for Peacekeeping Operations reported by the State Department.
f. Includes $70 million in FY2006 International Disaster and Famine Assistance funds for Pakistani earthquake relief.
g. Includes CSF payments for support provided through November 2007. The Consolidated Appropriations Act, 2008 (P.L. 110-161), and the Supplemental Appropriations Act, 2008 (P.L. 110-252), appropriated a total of $1.1 billion for FY2008 CSF payments to key cooperating nations, including Pakistan, which historically has received about 80% of such funds.
h. This funding is "requirements-based" for "urgent and emergent threats and opportunities." Thus, there are no pre-allocation data.
i. The Administration requested $900 million for continuing CSF payments in FY2009. To date, Congress has appropriated $200 million for such purposes (P.L. 110-252).
j. Includes a "bridge" supplemental ESF appropriation of $150 million (P.L. 110-252).

The premise for this plan relies on a successful experience born in disaster. Following the 2005 Kashmir earthquake, the U.S. devoted nearly $1 billion to relief efforts and reaped a greater reward in popular support than at any point in recent history. U.S. Chinook helicopters delivering life-saving support became the symbol of charity, humanity, and friendship. One senior official described the U.S. earthquake response as the most successful strategic confrontation to date in the battle with the terrorists in South Asia. The question is: Can the United States recreate this demonstration of commitment without the tragedy of a disaster?

The key provisions of the Biden–Lugar bill authorize $7.5 billion in non-military assistance over the next five fiscal years ($1.5 billion annually) and advocate an additional $7.5 billion over the subsequent five years, shifting the center of gravity in the U.S.–Pakistan relationship from military to non-military engagement. We support this shift.

But at the same time, such U.S. largesse will be possible only so long as the U.S. Congress and the American people believe that this assistance is being used effectively and producing tangible results. U.S. assistance must be performance-based, with benchmarks that must be met if further aid is to be dispersed. Moreover, the U.S. embassy and the U.S. Congress must exercise rigorous oversight and demand transparency and accountability in the use of these funds.

We must also consider the manner of providing this aid. In 2007, the Bush Administration, under pressure from Congress, decided to require all ESF for Pakistan to be spent on specific projects instead of in the form of direct budgetary support. Providing U.S. aid in the form of project support has the dual advantages of delivering more effective programs than are available through Pakistani ministries while also being perceived as an unconditional gift of the American people to the Pakistani population. The Biden–Lugar legislation does not require that all U.S. economic aid be "projectized," but it says that the aid should focus on programs that reach the people as directly as possible. While projectized aid has tangible benefits, we must remain mindful that some form of budget support may become necessary, especially given Pakistan's precarious macroeconomic situation. Ideally, U.S. aid would increasingly be provided through effective Pakistani government institutions, to enhance the credibility and influence of the government with its own people.

The next U.S. Administration will also need to consider which specific types of initiatives to support. U.S. economic and humanitarian aid currently focuses on health programs, basic education, and job creation. The Biden–Lugar legislation also points to the needs for clean water and better law enforcement and judicial institutions. All of these programs are critically important and should be supported, but with a keener eye in certain cases to the sustainability of that support. For example, in basic education, we have provided funding to build and outfit schools and to train teachers. Yet if Pakistan does not fund teacher salaries, the utility of U.S. support is largely diminished. In this regard, the U.S. should seek commitments from Pakistan to ensure that aid programs will be supported over time. If such commitments and actions are not forthcoming, the U.S.

should consider shifting support to programs that are more sustainable.

Further, there is the question of how the U.S. will manage the vast amounts of additional aid provided under the Biden–Lugar legislation. One potential criticism is that it gives insufficient attention to the mechanisms for providing and monitoring the aid. Embassy staffing in Islamabad is already under stress with existing programs. To the extent that there is a surge in assistance, it must be accompanied by a surge in the institutions and personnel needed to properly manage it, both in Pakistan and in Washington.

Thinking more broadly, the U.S. should also seek to maximize the impact of its assistance programs by working closely with other donor countries to improve coordination, transparency, and conditionality of assistance to Pakistan.

Shifting the Focus of Military Assistance

The majority of U.S. military assistance to Pakistan over the past six years has either contributed to improving Pakistan's conventional war capabilities or reimbursed the Pakistan Army for military operations in the tribal border areas that have so far been largely unsuccessful in uprooting the terrorist sanctuaries there.

The Pakistan military has focused its requests for military assistance on big-ticket items that would prove most helpful in its regional military confrontation with longstanding rival India. The delivery of these systems was considered essential to reestablishing a U.S.–Pakistan military relationship that had foundered in the 1990s, but they were not optimal for fighting terrorists and insurgents, a mission for which the Pakistan military remains ill-equipped and improperly trained.

The time has come to shift the focus of our military aid programs in Pakistan to enhance counterterrorism and counterinsurgency capabilities, as opposed to conventional war capabilities. Such programs should include technologies and techniques that provide a significant battlefield advantage for the Pakistan military over the terrorist enemy, including helicopters for mobility in the exceedingly difficult terrain of the tribal areas. The U.S. also needs to encourage essential organizational and doctrinal shifts within the Pakistan Army and Frontier Corps.

The Pakistani military, which remains fixated on competing with India, will not easily accept this shift to counterinsurgency. We should anticipate that this transformation will face bureaucratic opposition. Like most hierarchical organizations, militaries (including in the U.S.) tend to resist change. Fully institutionalizing the transformation will require shifting promotional paths and training for a new generation of officers.

The Pakistan military should understand that its failure to embrace this fundamental shift in outlook will significantly reduce U.S. military assistance. Indeed, Islamabad's continued unwillingness to cut its ties to terrorist groups and to collaborate with the U.S. in defeating these groups would leave Washington to conclude that the Pakistan military is disinterested in partnering with the U.S. and is therefore an unsuitable candidate for extensive U.S. aid. While Washington has muted this warning to Pakistan in the past, the next Administration must convey this

message explicitly and convincingly and then be prepared to follow through.

At the same time, the Administration should heed the recommendations of the General Accounting Office in its June 24, 2008 report, "Combating Terrorism: Increased Oversight and Accountability Needed Over Pakistan Reimbursement Claims for Coalition Support Funds." As with non-military assistance, the U.S. government at every level must exercise rigorous oversight and demand transparency and accountability in the use of these funds.

Boosting Pakistan's Textile Industry

In addition to providing assistance, the U.S. should encourage trade and private investment initiatives that will create job opportunities and begin to lift Pakistanis out of poverty. One of the most useful things that the U.S. can do to encourage trade and private sector investment is to give Pakistani textiles access to the U.S. market on favored terms, or at least on the same terms as textile exports from Africa, the Caribbean, Canada, Egypt, and Israel. The disparities are stark. We raise the same tariff revenue from Pakistan's $3.7 billion in exports to the U.S. as from France's $37 billion in textile exports to the U.S. The average U.S. tariff rate on Chinese exports to the U.S. is 3 percent, compared to 10 percent on Pakistani exports.

The Reconstruction Opportunity Zone (ROZ) legislation now before Congress, which would provide duty-free treatment for certain goods from designated ROZs in Afghanistan and Pakistan, is a step in the right direction, but U.S. lawmakers should consider whether the bill goes far enough in providing trade benefits for Pakistani textile exports. The U.S. should maximize the number of product lines receiving duty-free access, recognizing that the more generous the provisions in the legislation, the greater impact it will have in bringing economic and job opportunities to the troubled NWFP and eventually the tribal border areas.

The ROZ initiative (announced over two years ago) has moved slowly through the U.S. bureaucracy, and the legislation supporting it is caught in a web of U.S. domestic trade and labor politics. Given that the ROZ initiative is a vital component of our non-military efforts to uproot terrorism from the tribal areas, it is imperative that lawmakers adopt a bipartisan approach to this key legislation and find a compromise solution as soon as possible so that the bill can be enacted this year. The ROZ legislation will not only help to boost America's image in Pakistan, but also develop industry, provide jobs, and most importantly bring a sense of hope to an area where extremists are making inroads and threatening further instability.

While we understand the U.S. domestic political considerations involved in these proposals, we are also cognizant of the pressing challenges facing Pakistan and Pakistan's importance to our nation's well-being. Boosting Pakistan's textile industry is one sure way to improve the country's situation, and we should be willing to take that step if we are serious about our support to Pakistan.

SUMMARY OF RECOMMENDATIONS

Pakistani Politics and Challenges for U.S. Diplomacy

- Exhibit patience with Pakistan's new democratically elected leaders, while working to stabilize the government through economic aid and diplomacy. But at the same time, emphasize to the Pakistan government that U.S. patience is not unlimited, and that the U.S. is prepared to be patient only so long as the Pakistan government is achieving visible results in its efforts against the extremists in the tribal areas.
- Maintain neutrality toward Pakistan's internal political situation, focusing on democratic institutions and reform rather than on the day-to-day tumult of Pakistani politics. Be prepared to work with any parties that are committed to participating in a peaceful democratic process and that oppose extremism and terrorism.
- Invest significantly more time and resources in expanding embassy contacts across the spectrum of Pakistani society to improve understanding of how U.S. statements and actions will be interpreted—rightly or wrongly—in Pakistan. Factor this information into policy formulation and implementation.
- Develop, invest in, and implement a far-reaching public diplomacy program that emphasizes common U.S. and Pakistani interests in combating extremism, creating prosperity, and improving regional relationships instead of highlighting the struggle against extremism in Pakistan as part of the "Global War on Terrorism."
- Invest in U.S. institutions and personnel in Pakistan to support long-term engagement in the region. Expand the U.S. Embassy and USAID mission in terms of physical structure and personnel. Invest more in training diplomats and other government officials who will dedicate their careers to the region.
- Encourage reform within Pakistan's political parties and support those NGOs that have worked to improve the functioning of Pakistan's parties and assemblies.
- Support reforms that ensure the accountability of public officials and programs that strengthen the national assembly, senate, and provincial assemblies by imparting skills that help lawmakers govern effectively.

Counterterrorism and Internal Security

- Commission a fresh National Intelligence Estimate (NIE) to form a common operating picture within the U.S. government on what Pakistan and others are doing to counter and/or support militancy and what these actions say about their intent.
- Develop a strategy based on the NIE findings that addresses the threats of terrorism and militancy in Pakistan. Promulgate this strategy through the interagency as a national security presidential directive and publicize it in a major speech early in the next

Administration. As part of this strategy, seek to adjust Pakistan's cost–benefit calculus of using militants in its foreign policy through close cooperation and by calibrating U.S. military assistance.

- Use military assistance as an inducement and a process to transform parts of the Pakistan Army and paramilitaries into an effective counterinsurgency force.
- Increase support for civilian institutions that would provide oversight of the military and the ISI. Encourage appointment of a civilian head of the ISI. Increase funding for IMET programs that focus specifically on helping the Pakistan Army understand the value of civilian military control and teach them the tools of accountability, such as defending a budget.
- Encourage political liberalization in the FATA as part of the overall U.S. assistance efforts in the region.
- Invest more resources in bolstering Pakistani law enforcement and the judicial system.

Regional Relationships

- Assist Afghanistan and Pakistan in transforming their border from a hostile frontier into an economic gateway. Simultaneously pursue programs on both sides of the border that enhance community development, local governance, and capital investment.
- Assign primary responsibility for coordinating and implementing Pakistan–Afghanistan policy to a senior U.S. official with sufficient authority, accountability, and institutional capacity to promote better ties between Pakistan and Afghanistan.
- Break down bureaucratic stovepipes between U.S. government officials who deal with Afghanistan and Pakistan.
- Facilitate a framework that would address both sides' grievances and suspicions concerning the legitimacy of the Durand Line, with the understanding that final resolution of this issue may be a long-term prospect.
- Increase diplomatic efforts to encourage the bilateral peace process between New Delhi and Islamabad.
- To encourage better ties and more robust economic linkages between India and Pakistan, eventually reconsider U.S. opposition to the proposed Iran–Pakistan–India pipeline project.
- Work more closely with U.S. allies and regional countries to encourage Pakistan to stiffen its resolve against terrorism and extremism and to promote greater stability in the country. Raise Pakistan as an issue to a higher level in U.S. bilateral diplomacy, particularly with countries that have good relations with Islamabad, such as China, Japan, Saudi Arabia, and other Gulf states.

U.S. Assistance

- Support the approach to assistance proposed in the Biden–Lugar legislation. Commit to including $1.5 billion per year in non-military spending in each of the Administration's annual budget requests. Such assistance, however, must be performance-based and must be accompanied by rigorous oversight and accountability. The era of the blank check is over.

- Enhance access of Pakistani textiles to the U.S. market on favored terms, starting with passage of the long-awaited Reconstruction Opportunity Zone legislation, and consider increasing the number of product lines included in that legislation.
- Vastly expand USAID missions in Islamabad and Peshawar to administer augmented levels of aid, especially in the tribal areas, including mechanisms for monitoring the increased aid.
- Focus the majority of economic aid on projects in basic education, health care, water resource management, law enforcement, and justice programs, with the goal of developing state capacity to effectively deliver these services to the population.
- Where possible, coordinate closely with other foreign donors, especially Japan and the U.K., to maximize the impact of international assistance on Pakistan's broader economic indicators and development.
- Redirect the focus of U.S. military assistance to providing systems and training that enhance Pakistan's counterterrorism and counterinsurgency capabilities.
- Calibrate military assistance to Pakistani efforts to crack down on the Taliban and other militant groups.
- Implement the U.S. Government Accountability Office's recommendations on improving the distribution and monitoring of Coalition Support Funds.

APPENDIX: BIOGRAPHIES

Senior Reviewers

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