

A Perilous Course

U.S. Strategy and Assistance to Pakistan

A Report of the
Post-Conflict Reconstruction Project
Center for Strategic and International Studies



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Cover photos (clockwise from top left):

(1) Humvee at sunset near the Pakistan border in Paktika province, Afghanistan, August 3, 2006. U.S. Army photo by Spc. Bem Minor; (2) Karachi's Financial District, Shahra-e-faisal, by Siddiqui; (3) A U.S. Army CH-47 Chinook helicopter carries humanitarian relief supplies in Muzaffarabad, Pakistan, January 4, 2006. DoD photo by 1st Lt. Chad Leisenring, U.S. Air Force; (4) Students of Jamia Hafsa participate in a demonstration at Laal Masjid to protest against the demolition of mosques in Islamabad, January 28, 2007, by Sajjad Ali Qureshi; (5) Multan, by Steve Evans; (6) Northern Pakistan, by Steve Evans; (7) Police escorting the "Non-Functional" Chief Justice of Pakistan, Iftikhar Muhammad Chaudhry, to a hearing by the Supreme Judicial Council, March 13, 2007, by Sajjad Ali Qureshi; (8) Children at the Data Durbar Complex, Lahore, Pakistan, March 9, 2005, by Steve Evans; (9) George W. Bush and Pervez Musharraf walk together to their joint news conference at Aiwan-e-Sadr in Islamabad, Pakistan, March 4, 2006. White House photo by Shealah Craighead; (10) Pakistani men relocated from the surrounding mountains wait for the release of food and supplies to be offloaded from a U.S. Army CH-47D Chinook helicopter in remote village in Pakistan, November 3, 2005. U.S. Air Force photo by Master Sgt. Bruce Dzitko.

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in Pakistan, Ayub's counsel helped to ground this report more solidly in the reality of people's everyday lives.

Preface

The U.S. inability to anticipate and help prevent conflict and instability is an ongoing concern for the PCR Project at CSIS. In today's post-9/11 world, U.S. efforts to reduce the serious threat posed by small cells of terrorists with a global reach have the potential to destabilize entire countries and regions and to produce unforeseen and unwanted consequences.

When we first began thinking about Pakistan for this report in 2005, a high-ranking international official remarked to us that nothing could go wrong in this nuclear-armed country of roughly 170 million because "the consequences would be too horrible to think about." We wanted Pakistan to continue on its course of "enlightened moderation," but we worried that the U.S. government was neither prepared for an unexpected turn of events nor focused on Pakistan's long-term stability and prosperity.

The history of U.S.-Pakistan relations has been complicated, inconsistent, and marked by distrust. Subsequent interviews with a number of America's foremost experts on Pakistan have suggested that each country requires a more mature understanding of the other as an essential first step toward a true, long-term partnership.

In March 2006, PCR Project staff members traveled throughout Pakistan, from the earthquake-damaged area in the north to Peshawar and Mardan, from Islamabad and Lahore to Karachi and points in between. We sought out unconventional voices and listened to politicians, judges, business people, village elders, protesters, and leaders of both religious and civil society. The Pakistanis with whom we met were gracious hosts, irrespective of their feelings about U.S. foreign policy. Many simply felt that the United States had not lived up to its own standards and values.

We asked about the influence of U.S. assistance in Pakistan. Because money has been a critical component in the U.S.-Pakistan relationship, our research focused on all sources of U.S. government funding. We felt that the money trail would be a better indicator of U.S. strategy than would official rhetoric. In January 2006, the initial projected total for U.S. spending was approximately \$800 million per year.

Based on a series of interviews and a thorough review of multiple sources, we arrived at a significantly higher figure. U.S. government expenditures in Pakistan since 9/11 have amounted to at least \$10 billion, *excluding* covert funds. Initial objections to this higher figure have since given way to surprise and widespread acceptance. More research is needed, and one goal of this project is to inspire others to develop better means of accounting for and monitoring U.S. government spending across all agencies and departments for every country in the world—something that does not now take place.

The research for this project reinforced our existing perceptions about the lack of communication and coordination, even for a state as important as Pakistan, between different parts of the U.S. government, such as the executive branch and the Congress or the civilians and the military; between bilateral and multilateral

partners; between the U.S. government and nongovernmental organizations (NGOs); and between donor and host countries. None of this is new or surprising, but it is worth repeating. Many of the U.S. officials working on Pakistan with whom we spoke did not have a sure idea of what was happening on the same issue in other parts of the U.S. government or even outside their small circles.

At various times, this report was overtaken by events. In the fall of 2006, the PCR Project held a “tabletop gaming” exercise for former high-ranking U.S. diplomats and for current military and intelligence officials, aid personnel, and members of Congress and their staffs. The objective was to respond early to a slow-burning crisis. Many of the fictional scenarios used in this exercise have since transpired in real life in Pakistan. Pakistan’s uncertain future demands new and creative analytic approaches.

Our multifaceted research methodology focused on U.S. strategy since 9/11 and on the state of the U.S.-Pakistan relationship. Our methodology analyzed the main fault lines and drivers of conflict, instability, and extremism in Pakistan and attempted to account for all U.S. assistance to Pakistan in order to analyze its effectiveness. Our underlying assumption was that for U.S. assistance to be effective, it must address what matters most to Pakistanis—and yet we found that current policy does not focus enough on the Pakistani people’s most pressing concerns or aspirations.

Ultimately, the United States appears to exert less influence in Pakistan than either Americans think or Pakistanis fear. We hope that this report will contribute to the more constructive use of U.S. influence in the years ahead.

Rick Barton and Craig Cohen
July 25, 2007

Executive Summary

For U.S. assistance to be effective in a large-aid-recipient state such as Pakistan, U.S. aid must go beyond transactional, quid pro quo deals and must address the country's main drivers of conflict, instability, and extremism. Despite more than \$10 billion in U.S. assistance since September 11, 2001,¹ distrust, dissatisfaction, and unrealistic expectations continue to undermine the official U.S. goal of developing a strong, strategic, and enduring partnership with Pakistan.

Pakistan's main drivers of conflict, instability, and extremism include a culture of impunity and injustice, discontent in the provinces, ethnic and sectarian tensions, a rapidly growing and urbanizing youth population, and extremist views among traditional in-country allies. Militant groups exploit those underlying conditions to recruit followers on the basis of a narrative of shared suffering and injustice and of the state's failure to provide stability or prosperity.

The vast majority of U.S. assistance to Pakistan since September 11, 2001, however, has not been directed to Pakistan's underlying fault lines, but to specific, short-term counterterrorism objectives that focus particularly on the western border and on Afghanistan:

- The majority of the \$10.58 billion in aid dispensed since September 11 that CSIS was able to track—close to 60 percent—has gone toward Coalition Support Funds (CSF). Such funds are intended to reimburse U.S. partners for their assistance in the war on terrorism. They are considered by the U.S. government to be a repayment rather than assistance.
- Roughly 15 percent, or close to \$1.6 billion, has been dedicated to security assistance. The Pakistanis have spent most of this money on purchases of major weapons systems.
- Another 15 percent has gone toward budget support or direct cash transfers to the government of Pakistan. This money is intended to provide macroeconomic stability and to free up funds for social spending, but few transparent accountability mechanisms are built in.
- The remaining funds—roughly 10 percent—have been used specifically for development and humanitarian assistance, including the U.S. response to the October 2005 earthquake.

The immediate threat that al Qaeda and the Taliban pose is real, but in addressing it, the United States must be careful that it does not undermine its broader strategic goals in Pakistan or the region. A sustained U.S. military presence in the Federally Administered Tribal Areas (FATA) would likely lead to (a) uprisings on the western border, (b) an increase in radicalization and recruitment to militant causes from all parts of Pakistan, (c) the possible emergence of a hostile regime in President Pervez Musharraf's wake, and (d) serious repercussions throughout the Muslim world.

¹ Table A.1 in appendix A provides the Post-Conflict Reconstruction Project's best attempt at a full accounting of this assistance.

Americans need to recognize that we are entering a new phase of our relationship with Pakistan that will last 25 years or more. There is no walking away. Pakistan is vital to U.S. national security, to regional security, and to U.S. objectives throughout the Muslim world.

For U.S. assistance to be effective in Pakistan, Washington must do the following: (a) seek to broaden the partnership between the two countries beyond the “war on terror” and increase transparency, (b) better integrate its hard and soft power by devising an integrated strategy aligned with resources; and (c) become more catalytic and agile in its aid delivery. Specifically, the United States should take the following three initial steps:

1. Redefine the relationship.

- Develop a joint security and development strategy to guide the bilateral relationship for the next five years.
- Improve each country’s understanding of the other at governmental and nongovernmental levels.
- Broaden and diversify U.S. partners in the Pakistani government, military, civil society, and private sector.

2. Make the region safer.

- Encourage a regional approach to common security and development challenges.
- Develop an integrated strategy across the Pakistan-Afghanistan border for dealing with militants driven by U.S. personnel in the field rather than by Washington.
- Strengthen the rule of law within Pakistan by focusing on judicial independence and police capacity.

3. Structure assistance to priority needs.

- Develop a multidonor strategy to provide opportunities for youth.
- Continue the devolution of governance to the local level.
- Develop mechanisms for dealing with long-standing “taboo” issues.

The United States needs to chart a new course in Pakistan. The relationship represents a key challenge for the United States, one that if handled skillfully could make a significant contribution to U.S. security, as well as to the safety and prosperity of the region and beyond.

List of Abbreviations and Acronyms

ADB	Asia Development Bank
AsDF	Asian Development Fund
CBJ	Congressional Budget Justification
CSF	Coalition Support Fund
CSH	Child Survival and Health
DA	Development Assistance
EC	European Commission
ESAF	Enhanced Structural Adjustment Facility
ESF	Economic Support Fund
EXCOM	executive committee
FATA	Federally Administered Tribal Areas
FCR	Frontier Crimes Regulation
FMF	foreign military financing
FPI	foreign private investment
FY	fiscal year
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association (World Bank)
IFAD	International Fund for Agricultural Development
IFIs	international financial institutions
IMET	International Military Education and Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement
INL	International Narcotics and Law Enforcement
ISI	Inter-Services Intelligence
NADR	Nonproliferation, Anti-Terrorism, Demining, and Related
NGOs	nongovernmental organizations
NIC	National Intelligence Council

NIE	National Intelligence Estimate
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
OTI	Office of Transition Initiatives
PKO	Peacekeeping Operations
PRGF	Poverty Reduction and Growth Facility
RSP	Rural Support Program
SAF	South Asia Foundation
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNTA	United Nations Transitional Authority
USAID	U.S. Agency for International Development
WFP	World Food Programme (United Nations)

Chapter 1

U.S. Engagement since 9/11

Pakistan has become one of Washington's greatest worries. The country's western border serves as a sanctuary for Taliban and al Qaeda fighters who are trying to undermine U.S. reconstruction efforts in Afghanistan and who threaten the United States and its allies.¹ Despite the ongoing peace talks with India over Kashmir, Pakistan's eastern border remains a fault line between two nuclear powers that have fought three major wars since 1947. Moreover, Pakistan's internal stability continues to show signs of fragility, as it has for much of the nation's 60-year existence.

The U.S.-Pakistan relationship was thrust into the spotlight during the spring and summer of 2007 as a result of the constitutional crisis surrounding Pakistani president Pervez Musharraf's sidelining of Chief Justice Iftikhar Muhammad Chaudhry in March 2007; the U.S. National Intelligence Estimate's findings on the reconstituted al Qaeda safe haven later that month; and the Lal Masjid (Red Mosque) standoff in July. Since then, U.S. decisionmakers have grappled with the three questions:

1. Should the United States take direct action to eliminate or reduce the threat posed by al Qaeda in Pakistan's tribal areas, or will such action make matters worse?
2. Is Pakistan's president, General Pervez Musharraf, America's best alternative in Pakistan, or would supporting the return of exiled political leaders bring about a more legitimate and effective governing coalition?
3. How can the United States use its assistance to rid Pakistan of violent extremism in both the short and long terms?

For much of the past five and a half years, the United States has provided primarily military assistance² to Islamabad in return for Pakistani cooperation on counterterrorism and on the war in Afghanistan. This policy has tied U.S. fortunes to the Pakistani military, to the ability of Pakistan's intelligence services to deliver al Qaeda and Taliban leadership, and to General Musharraf's strategic objectives.

The results of this policy have been mixed:

- An overreliance on a leader who has made efforts to modernize but whose base of support is shrinking;
- Consistent formal military and intelligence cooperation that has delivered militants intermittently without seriously disrupting underlying networks;

- Sustained economic growth above 6 percent that has not trickled down to the majority of Pakistan's society; and
- The delivery of vital post-earthquake humanitarian relief that had only a short-term effect on Pakistanis' views of the United States.

Too often, the U.S. government has responded in a reactive fashion to events on the ground in Pakistan rather than anticipating or trying to shape the environment. Short-term military cooperation has been the hallmark of U.S. policy toward Pakistan with relatively less emphasis on integrated long-term planning, including how to encourage Pakistan's peaceful transition to civilian-based rule. The lower priority placed on developing a long-term strategy has made U.S. policy particularly vulnerable to a sudden, unexpected transition if Musharraf or the military should cease to be the guarantor of stability that Washington has come to expect.

The United States needs to chart a new course in Pakistan. The relationship represents a key challenge for the United States, one that, if handled skillfully, could make a significant contribution to Pakistan's security, as well as to the security and prosperity of South Asia and beyond.

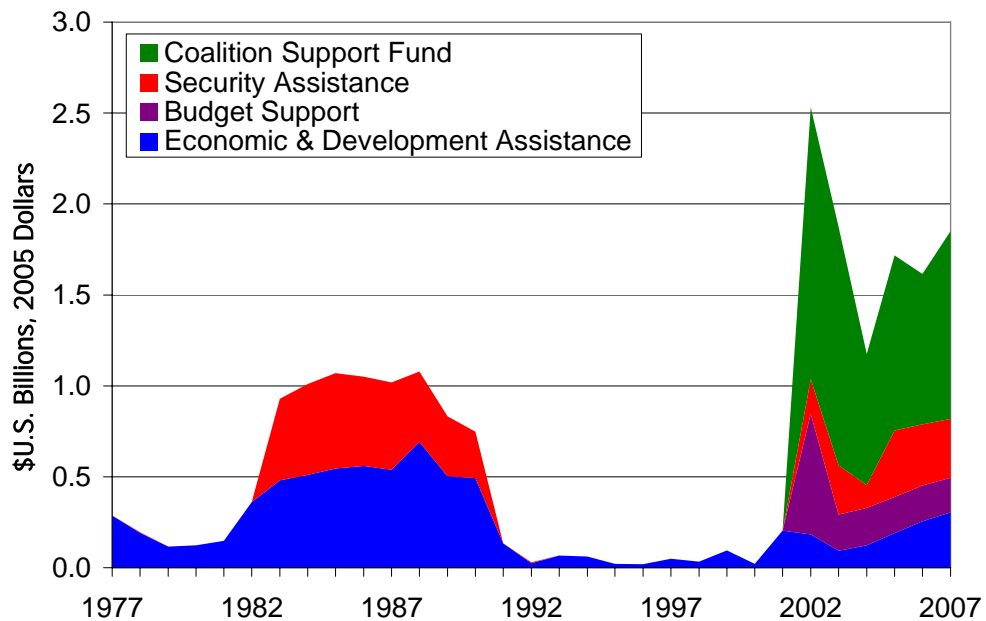
Past Is Prologue?

Between the end of the Cold War and the terrorist attacks of September 11, 2001, the United States distanced itself from Pakistan, closing off the financial spigots that had once flooded Islamabad with support aimed at driving the Soviets out of Afghanistan.³ The freewheeling days of funneling monthly stipends of \$200,000 plus weapons and supplies to anti-Soviet commanders through Pakistan's intelligence services were replaced with a web of sanctions intended to punish Pakistan for its nuclear program and, later, for a military coup.⁴

On account of Islamabad's then-undeclared nuclear program, in October 1990 the United States blocked the delivery of approximately 70 F-16 jets that Pakistan had already purchased—jets that composed the core of its conventional defense.⁵ New U.S. weapons purchases were terminated, and exchange programs with Pakistani military officers ground to a halt, causing U.S. policymakers to lose regular contacts with a generation of the Pakistani military who are slotted to assume leadership roles in the next 5 to 10 years. Nonmilitary support was also cut off. What had once been one of the world's largest U.S. Agency for International Development (USAID) offices, employing more than 1,000 staff members around the country, shrank to almost nothing virtually overnight.

The September 11 attacks precipitated a major U.S. reengagement with Pakistan, despite Washington's prolonged absence and prohibitive legislative restrictions. See Figure 1.1 for U.S. assistance to Pakistan, excluding covert funds, since 1977. Once it became clear that Pakistan would condemn the attacks, turn against the Taliban, and help the United States, Washington's immediate objective

Figure 1.1 Historical U.S. Engagement with Pakistan, FY 1977–2007



Note: Data from USAID Greenbook and Table A.1. Data do not include covert assistance.

became to secure logistical support for military operations in Afghanistan against al Qaeda and potentially against the Taliban regime.⁶

For its part, Pakistan offered six major supportive arrangements that still provide the foundation for the bilateral relationship.⁷ First, Pakistan allowed the United States to fly sorties from the south over Pakistani airspace into Afghanistan—vital because of Iran’s unwillingness to open its airspace to U.S. planes. Second, Islamabad granted U.S. troops access to a handful of its military bases, although insisting that the bases should not be used for offensive operations. Third, tens of thousands of Pakistani troops provided force protection for those bases and for U.S. ships in the Indian Ocean. Fourth, Pakistan provided logistical support for the U.S. war effort in Afghanistan, including vast amounts of fuel for coalition aircraft and port access for the delivery of vital supplies. Fifth, the Pakistani military deployed 80,000 soldiers to its western border in a mostly unsuccessful effort to capture or kill al Qaeda and Taliban leaders fleeing Afghanistan. And sixth, Islamabad provided Washington with access to Pakistani intelligence assets in Afghanistan and Pakistan. Much of this cooperation continues today.

No formal agreement or user fees were negotiated, nor was a repayment mechanism created for the assistance, yet a *quid pro quo* had been established.⁸ Musharraf saw his government’s effort as a concession for which he would pay a domestic price and for which, therefore, he needed a demonstration of U.S. support in return.⁹ President George W. Bush waived U.S. sanctions, reopened the

U.S. assistance pipeline, and promised to forgive \$2 billion of Pakistani debt and to encourage other creditors to do the same.

The vast majority of U.S. assistance to Pakistan since September 11 has not been intended to strengthen Pakistan's internal stability, but instead has been designed to achieve a specific counterterrorism and counterinsurgency objective focused on the country's western border and on Afghanistan. It is politically determined assistance, a thank-you to Musharraf's regime for the critical role that Pakistan has played and will most likely continue to play in Operation Enduring Freedom and in the "war on terror." This approach is why the 9/11 commissioners concluded that U.S. assistance had not "moved sufficiently beyond security assistance to include significant funding for education efforts."¹⁰ In this way, very little is unique about the current U.S.-Pakistani relationship. It is history repeating itself, resembling the relationship in the 1980s when the United States established a quid pro quo with General Muhammad Zia-ul-Haq to help fight the Soviets. Any efforts by U.S. officials to alter the terms of the arrangements to focus on internal reforms would prompt Zia's reply, "Sir, what you are proposing is neither part of the quid nor the quo."¹¹

The legacy of the initial post-September 11 arrangement persists today. According to discussions with Pakistan watchers in and out of the U.S. government, the strategic direction for Pakistan was set early on by a narrow circle at the top of the Bush administration, and that direction was largely focused on al Qaeda and the war effort in Afghanistan rather than on Pakistan's internal situation. The various U.S. departments and agencies continue to operate within this preexisting framework, even amid growing instability in Pakistan.

The U.S.-Pakistan defense relationship has reached new levels of cooperation under this arrangement. The U.S. Office of the Defense Representative in Pakistan expanded its staff from 4 Americans in 2001 to 40 today, headed by a major general.¹² The U.S. military also maintains a liaison cell in Pakistan to coordinate operational issues between U.S.-led operations in Afghanistan and the Pakistani general staff.¹³ For its part, Pakistan maintains a five-person liaison team for a similar purpose, headed by a brigadier general, at U.S. Central Command (CENTCOM) headquarters in Florida.¹⁴

A number of joint training exercises have taken place over the past few years, including four in 2006, as well as senior-level contacts through the Tripartite Commission established between Pakistan, Afghanistan, and NATO. The connective tissue holding the relationship together is military supply: U.S. weapons, U.S. money to help purchase those weapons, and U.S. training on how to use the weapons to achieve "shared objectives" in the war on terror.

For those in Congress who argue that U.S. taxpayers should be getting more for their money, the administration and Islamabad have had similar replies: that the terms of the agreement have been set. That view will change, of course, if the deal ultimately unravels.

Trouble on the Border

By July 2007, it was clear that Musharraf's strategy of striking deals with tribal elders in 2006 had failed to deny safe haven to al Qaeda forces, to stop cross-border raids into Afghanistan, or to stem the Talibanization of settled areas of Pakistan. Accordingly, the Bush administration has concluded that a modified strategy is required.

Many experts have long viewed Afghanistan's growing instability as a consequence of Pakistani weakness, if not its outright complicity with militants in the Pashtun border areas.¹⁵ Criticism focused on the September 2006 peace deal between Islamabad and local leaders in North Waziristan, one of the seven tribal regions on the rugged Afghan border that have historically fallen outside government control.¹⁶

Pakistan's initial military efforts in 2004 and 2005 to root out the Taliban and al Qaeda in both South and North Waziristan had failed. Army operations proved ineffective, and the country's heart was never in the fight.¹⁷ But Musharraf's decision in autumn 2006 to use tribal elders to rein in insurgents proved to be less a strategy for victory than a means for removing his army from an unpopular battlefield and confining soldiers to their barracks.¹⁸ Although the threat to Pakistani forces is real,¹⁹ and although hundreds of Pakistani soldiers lost their lives during fighting in 2004 and 2005, cross-border attacks into Afghanistan reportedly tripled in the months after the September 2006 deal was signed.²⁰

Musharraf's reversal of strategy in late 2006 has been closely watched by an increasing number of national security experts in Washington who view the Afghanistan-Pakistan border as a major front in the global war on terror against al Qaeda. Those experts are dissatisfied with progress against the Taliban, and they imagine that the road to a sustainable government in Kabul passes through Islamabad. When asked in December 2006 about the movement of the Taliban and al Qaeda fighters across the Pakistan border, then-U.S. national intelligence director John Negroponte, now deputy secretary of state, said that "sooner or later, [Musharraf's government] will have to reckon with it."²¹

Vice President Dick Cheney's visit to Islamabad in February 2007 reinforced the message that Pakistan must do more to deny sanctuary to the Taliban and al Qaeda. Cheney's visit followed earlier trips by the U.S. secretary of defense, by CENTCOM commander Admiral William Fallon, and by other senior U.S. officials, and was a clear signal of the Bush administration's concerns. Cheney's stop came after congressional testimony by Mike McConnell, the new director for national intelligence, suggested that any new al Qaeda attack on the United States was most likely to emerge from Pakistan.

The July 2007 National Intelligence Estimate (NIE) finally delivered the consensus view that had been months in the making, that al Qaeda had reconstituted a safe haven in the tribal areas of Pakistan. The NIE's findings sparked a debate, both on Capitol Hill and in the U.S. news media, that resonated throughout the summer of 2007 as to whether the United States should undertake direct military raids on "actionable targets" inside Pakistan. Although the Bush

administration maintained that all options were on the table, the preferred choice clearly remained reliance on indigenous Pakistani forces.²²

At the time of this writing, the Pakistani military appears poised to launch a new offensive in the tribal areas in the aftermath of the NIE and the Red Mosque standoff in early July 2007. U.S. officials considered Musharraf's decision to raid the mosque and kill as many as 100 militants who were challenging the writ of the state only blocks from Inter-Services Intelligence (ISI) headquarters as signifying a turning point in Musharraf's willingness to stand up to extremism. The raid ended the September 2007 border truce, thereby provoking a series of coordinated bombings and attacks by militants against Pakistani military, police, and public officials in which hundreds have been killed. Assistant U.S. secretary of state Richard Boucher said of the Red Mosque raid, "[I]t's pretty ... much crossing a line and there's no going back."²³

Whether this statement is true remains to be seen. Musharraf's show of force against militants in Lal Masjid came only after a string of escalating provocations from the mosque's leaders, dating back to January 20, 2006, that included the kidnappings of women and police, the establishment of a Shariah court that challenged the authority of the state, a fatwa against a government minister, street battles, and the murder of a respected military officer. With the threshold for action now set so high, and with Pakistani public sentiment already questioning the necessity of military force to end the standoff, Musharraf seems unlikely to order similar raids outside the safe confines of Islamabad. Musharraf's position may have been strengthened in the short term by the Red Mosque raid, but in time the "triumph" described by Prime Minister Shaukat Aziz may come to seem less like a turning point and more like a long-festering sore whose treatment sent the entire body into a period of shock and uncertainty.

Near-term instability in Pakistan is likely to ebb and flow in relation to the scale and effectiveness of military action in Pakistan's tribal areas and to the way Musharraf handles the run-up to parliamentary and presidential elections during the fall and winter of 2007. With Chief Justice Chaudhry's reinstatement to the bench in July, Musharraf's government is almost certain to face future legal challenges, especially as Musharraf seeks a new mandate as both president and army chief from the sitting parliament.²⁴ Washington prefers that Musharraf preside over a more moderate parliament with the religious parties sidelined, but such an outcome depends on too many variables—not the least of which are whether (and when) former prime minister Benazir Bhutto and Nawaz Sharif return from exile and challenge Musharraf for power and how Musharraf reacts.

Pakistan's border policy remains Washington's number one concern. Since the time of Vice President Cheney's visit to Pakistan in spring 2007, signs have emerged that the United States and Pakistan have charted a new course on the border, one adhering more closely to traditional counterinsurgency doctrine. Even before the truce breakdown, Pakistan surged its troop presence on the border by two brigades, and has since appeared to be relying on certain tribes as proxy fighters to dislodge foreign militants. Islamabad argued that the violence in South Waziristan directed at Uzbek nationals in March and April 2007 showed that this new strategy was working, while others saw the situation as more complex, noting

that Pakistan still refused to confront Taliban elements.²⁵ Washington, for its part, has sought to train and equip Pakistan's "Frontier Corps"—money sought under Pentagon "1206" authority—but so far has failed to get the money approved through this year's congressional supplemental appropriation. Congress did authorize \$150 million of a five-year, \$750-million aid package for FATA in an effort to address the underlying causes of extremism in the tribal areas.

One of the most difficult foreign policy challenges Washington faces today is what to do on the Pakistan-Afghanistan border. U.S. efforts to win the "long war" or the "war on terror" rely on developing a successful border strategy, but a bipartisan consensus has yet to emerge. Points of division include the following:

- Some U.S. officials believe that only the U.S. military can meet this threat, and if Pakistan were a true ally, it would allow U.S. air strikes or cross-border raids, despite the risk of civilian casualties or concerns about U.S. military occupation in a highly charged region.
- Others advocate that the United States should build its covert ability to recruit local actors to fight al Qaeda and Taliban elements, even though those operations may lack necessary oversight.
- Still others believe that the Pakistani military and its Frontier Corps, combined with increased U.S. training and supply, are the best options for denying safe haven to al Qaeda and the Taliban, even though the Pakistani military and Frontier Corps have demonstrated a mixed record of effectiveness and commitment to U.S. objectives.
- Another school of thought believes that no military solution can be achieved on the border and that military action by Americans or Pakistanis will provoke a backlash. In this view, only a political solution that co-opts local leaders will succeed, even though many tribal elders have been killed or have fled the area, and even though preexisting deals have done little to deny safe haven to militants.
- Some argue that in order to redress the underlying causes of extremism in the area over the long term, it will be necessary to build infrastructure and to deliver essential education and health services that draw people in the tribal areas away from supporting foreign militants—even though these efforts are for the long term and are indirect.
- Finally, there are those who believe that development aid should focus on the oppressive governance of the tribal areas, such as the outdated legal code, in order to transform citizens' relationship to the state and make the ground less hospitable to foreign fighters, even though such a strategy would likely disrupt traditional authority relationships and could provoke even greater instability.

The United States is still considering how best to combine its hard (coercive) and soft (attractive) power into a smarter approach that addresses the threat of terrorism in both the short and long terms, particularly in "ungoverned spaces" such as Pakistan's tribal areas that fall under the sovereign control of an allied government.

Does development assistance have much chance of “winning hearts and minds” when concurrent military operations are likely to result in civilian casualties? Does the United States have any trusted local partners in the region outside of Islamabad’s purview, and, if so, which part of the U.S. government should be charged with identifying and developing those networks? Could the United States be focusing too much on FATA at the risk of overlooking terrorist cells in Karachi or Sindh, or at the expense of broader goals in Pakistan?

Clarity of Purpose?

The U.S. approach to Pakistan has been heavily influenced by personal relationships at the top. When Presidents Bush and Musharraf met at the White House in September 2006, the U.S. president echoed many of the familiar themes he has voiced for the past five years on Pakistan. “When [Musharraf] looks me in the eye and says ... there won’t be a Taliban and won’t be al Qaeda, I believe him, you know?” Bush explained.²⁶ This tone, forged in the aftermath of September 11, has set the course of the U.S.-Pakistan relationship for the past five years.

After September 11, many U.S. policymakers believed that Pakistan was one place where they were justified in saying, “You are either with us or against us.” But despite the billions of dollars spent, the Bush administration has not made the necessary commitment to solidify the relationship for the long term. Such a commitment is not merely a function of the scale of assistance, but of its type. U.S. engagement with Pakistan is highly militarized and centralized, with very little assistance reaching the vast majority of Pakistanis. More problematic still, U.S. assistance has yet to reflect a coherent strategy. Rather, it remains a direct legacy of the initial, transactional *quid pro quo* established after September 11 and of a familiar menu of what the United States was already organized to provide.

What does the United States want from Pakistan? Is the highest U.S. priority to steer India and Pakistan away from the nuclear precipice, to prevent terrorists from acquiring nuclear weapons, to rebuild Afghanistan, to hunt down al Qaeda, or to support Pakistan’s long-term stability and prosperity? Arguing that support for Musharraf accomplishes all those goals obscures the key question of what Washington wants in the first place—and only reaffirms U.S. dependence on a man who might be gone tomorrow.

How deep this trust runs will play out over the coming months as Washington seeks to address the resurgence of al Qaeda and Taliban elements on Pakistan’s western border, and as Musharraf takes steps to ensure his election victory in late 2007 or early 2008. President Bush may consider Musharraf to be his man in Pakistan, but partnerships based on coercion and inducement often give the weaker parties unexpected leverage. Musharraf has demonstrated his skill at convincing Washington that he maintains just enough control over extremist forces to be reliable, but not enough control to prevent him from being vulnerable—with his vulnerability requiring the type of bolstering that Washington is well suited to provide.

The ultimate reason for the consistency of U.S. policy toward Pakistan, however, is not Musharraf's vision or trustworthiness, but the perceived lack of alternatives.²⁷ Pakistan's two centrist political parties and their exiled leaders, Benazir Bhutto and Nawaz Sharif, are considered by many Pakistanis and Pakistan experts to be hardly more democratic, honest, or capable than Musharraf's military rule.²⁸ The prevailing view holds in Washington that the military is the only effective institution in Pakistan and that the military will likely play the dominant role in politics for the foreseeable future.²⁹ Advocates of democracy must contend with the notion that even if Musharraf decides to take off his uniform and hold free and fair elections, the Pakistani military may still be calling the shots after the votes have been counted.

For all the talk of U.S. global dominance, and despite its considerable support to the Pakistani military, the United States finds itself with relatively little leverage to influence events in Pakistan.³⁰ Musharraf may believe that Washington needs him more than he needs U.S. support. Since September 11, the United States has given Pakistan a total of \$10.58 billion in assistance, which was channeled primarily through the Pakistani military. To put this assistance in perspective, Pakistan's new budget for fiscal year 2007–2008 is \$32.6 billion, including \$4.5 billion for defense.³¹ Assuming the accuracy of those numbers—with the caveat that Transparency International lists Pakistan as the 142nd most corrupt of 163 countries—the United States could soon be providing one-fourth of Pakistan's yearly defense budget. Yet what Pakistan gives in return may be only enough to keep the U.S. money coming.

Is it possible for the United States to convince Pakistanis of its interest in a serious, long-term partnership, rather than merely in a short-term alliance of convenience? Doing so will require a better U.S. understanding of Pakistan, as well as an assistance strategy more aligned with the needs of average Pakistanis.

Pakistanis' views of the United States and their willingness to share U.S. values are shaped not only by external events, such as the war in Iraq and the Israeli-Palestinian conflict, but also by how the U.S. government spends its money in Pakistan. Despite U.S. generosity, most Pakistanis do not believe the United States is on their side.³² This view is not only a function of U.S. foreign policy, but also of U.S. assistance efforts.

When the U.S. government urges military action in the tribal areas, or seeks to close madrasahs, or calls for curriculum reform, the perception in Pakistan is that the United States has a problem with Islam. How can the United States change this false perception and also meet its legitimate security concerns? Many Pakistanis, for instance, do not perceive the Taliban as a threat to their national interests, but either as simple religious men who have been used and then discarded by the Americans, or as a potential asset if the United States were to walk away again from Afghanistan. When the U.S. government channels billions of dollars through the Pakistani military but relatively little to Pakistani political party reform or to health and education programs, or when Washington supports "free and fair elections" without calling for the return of exiled political leaders with a legitimate chance to contest the elections, U.S. talk of democracy and development goes only

so far. Despite the assurances of a long-term U.S. commitment to Pakistan, those words ring hollow outside the fortress-like U.S. embassy compound in Islamabad.

The current U.S. approach toward Pakistan has been more about buying time than about adjusting means to goals. Elections and political transitions in both countries offer the opportunity to rethink U.S. interests and policy options. With the 2008 U.S. presidential election campaign under way and with Pakistani elections approaching, both Americans and Pakistanis deserve a more serious public debate on what the United States is trying to do in Pakistan and how the United States is trying to do it. Such a debate could be an important step toward addressing a problem that requires a unified, committed and consistent approach to U.S.-Pakistan relations.

Notes

¹ See “National Intelligence Estimate: The Terrorist Threat to the U.S. Homeland,” July 17, 2007, <http://www.whitehouse.gov/news/releases/2007/07/20070717-2.html>; see also former Director of National Intelligence John Negroponte’s “Annual Threat Assessment of the Director of National Intelligence” of January 11, 2007, <http://www.intelligence.senate.gov/070111/negroponte.pdf>.

² For a complete breakdown of U.S. military assistance to Pakistan, see chapter 3, the Balance Sheet.

³ See Stephen Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan, and bin Laden, From the Soviet Invasion to September 10, 2001* (New York: Penguin Press, 2004); George Crile, *Charlie Wilson’s War* (New York: Atlantic Monthly Press, 2003); America Abroad Media, “Pakistan: America’s Unstable Ally; An Interview with Ambassador Robert Oakley, Ambassador to Pakistan, 1988–1992,” February 6, 2004, <http://www.americaabroadmedia.org/media/Online%20line%20extra%20materials/Pakistan-Oakley.pdf>.

⁴ These sanctions include the Pressler Amendment, Glenn Amendment, and Brooke Amendment.

⁵ See America Abroad Media, “Pakistan: America’s Unstable Ally.”

⁶ See *The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States*, July 22, 2004, <http://www.9-11commission.gov/report/index.htm>.

⁷ See *The 9/11 Commission Report*; Pervez Musharraf, *In the Line of Fire: A Memoir* (New York: Free Press, 2006); Christine Fair, *The Counterterror Coalitions: Cooperation with Pakistan and India* (Santa Monica, CA: RAND, 2004).

⁸ Fair, *The Counterterror Coalitions*.

⁹ *The 9/11 Commission Report*.

¹⁰ Thomas H. Kean, Lee H. Hamilton, Richard Ben-Veniste, et al., “Final Report on 9/11 Commission Recommendations,” 9/11 Public Discourse Project, December 5, 2005, http://www.9-11pdp.org/press/2005-12-05_report.pdf, 4.

¹¹ Interview with unnamed former U.S. government official, Washington, DC.

¹² David O. Smith, “Facing Up to the Trust Deficit: The Key to an Enhanced U.S.-Pakistan Defense Relationship,” *Strategic Insights* 6, no. 4 (June 2007), <http://www.ccc.nps.navy.mil/si/2007/Jun/smithJun07.asp>.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ See Seth Jones, “Pakistan’s Dangerous Game,” *Survival* 49, no. 1 (Spring 2007): 15–32; Barnett R. Rubin, “Saving Afghanistan,” *Foreign Affairs* 86, no. 1 (January/February 2007): 57–78; Carlotta Gall, “At Border, Signs of Pakistani Role in Taliban Surge,” *New York Times*, sec. 1, January 21, 2007; Editorial, “From Pakistan With Jihad,” *New York Times*, sec. 1, January 23, 2007.

¹⁶ According to the last official census, the population of the Federally Administered Tribal Areas (FATA) was only 3.176 million people, or roughly 2 percent of Pakistan’s population. See “Demographic Indicators—1998 Census,” Population Census Organization, Government of Pakistan, http://www.statpak.gov.pk/depts/pco/statistics/demographic_indicators98/demographic_indicators.html.

¹⁷ See Samina Ahmed, "Pakistan's Tribal Areas: Appeasing the Militants," Crisis Group Asia Report no. 125, December 11, 2006, <http://www.crisisgroup.org/home/getfile.cfm?id=2672&tid=4568&type=pdf&l=1>; Jan Cartwright, "Musharraf's Waziristan Deal: Shrewd Strategy or Tacit Surrender?" South Asia Monitor, no. 100, (November 1, 2006): 1–3; Happymon Jacob, "US-Pakistan Military Operations in Pak-Afghan Border," Issue Brief 1, no. 3 (March 2004): 3 <http://www.observerindia.com/publications/IssueBrief/ib040317.pdf>.

¹⁸ See U.S. Senator Jack Reed's interview with Pentagon officials at the U.S. embassy in Jack Reed, "Trip Report: Pakistan, Afghanistan, and Iraq," U.S. Senate, October 3–9, 2006, <http://www.reed.senate.gov/documents/Trip%20Reports/tripreport%20oct06%20final.pdf>.

¹⁹ For instance, a November 2006 suicide attack killed 42 recruits just days after the military's air strike on a madrasah in the Bajaur border area. See Carlotta Gall and Salman Masood, "Suicide Bomber Kills 42 Soldiers at Pakistan Training Site," New York Times, sec. A, November 9, 2006.

²⁰ Additionally, Seth Jones in Survival cites that suicide attacks increased from 27 to 139 during 2005 to 2006, remotely detonated bombings doubled from 783 to 1677 during this time, armed attacks tripled from 1,558 to 4,542, and more than 4,000 deaths occurred in Afghanistan in 2006, making it the bloodiest year since 2001. See Jones, "Pakistan's Dangerous Game," 24.

²¹ See Walter Pincus, "Pakistan Will Have to Reckon with Tribal Leaders, Negroponte Says," Washington Post, sec. 1, December 15, 2006.

²² See Frances Fragos Townsend, the homeland security adviser, quoted in Brian Knowlton, "Pakistan Rejects Talk of U.S. Action," New York Times, July 22, 2007, <http://www.nytimes.com/2007/07/22/world/asia/22cnd-policy.html?ex=1185768000&en=542d3a275f657541&ei=5123&partner=BREITBART>.

²³ Richard Boucher, "Briefing on Pakistan," U.S. Department of State, July 17, 2007, <http://www.state.gov/p/sca/rls/rm/2007/88582.htm>.

²⁴ Hassan Abbas, "Pakistan: Musharraf Faces Danger if Instability Grows," Oxford Analytica, July 24, 2007.

²⁵ Jones, for one, asserts that Inter-Services Intelligence (ISI) has provided weapons and ammunition to the Taliban, paid the medical bills of wounded fighters, assisted with training and financial assistance to training camps, provided intelligence on tactical, and operational and strategic levels. ISI has even tipped off the Taliban to the movements of Afghan and coalition forces. Owen Bennett Jones, *Pakistan: Eye of the Storm*, (New Haven: Yale University Press, 2003), 18.

²⁶ See "President Bush and President Musharraf of Pakistan Participate in Press Availability, The East Room," Office of the Press Secretary, White House, September 22, 2006, <http://www.whitehouse.gov/news/releases/2006/09/20060922.html>.

²⁷ See "Pakistan: Ally or Adversary?" Atlantic Monthly 298, no. 5 (December 2006): 44.

²⁸ See James Astill, "Parliamentary Puppetry: The Messy Business of Pakistani Politics," Economist, July 6, 2006.

²⁹ See, for instance, General Barry McCaffrey (USA, Ret.), "Academic Afghanistan Trip Report," June 3, 2006, <http://www.mccaffreyassociates.com/pdfs/AfghanAAR-052006.pdf>. McCaffrey states that "the Pakistan Army is the only load-bearing institution holding the nation together." See also Teresita C. Schaffer, *Pakistan's Future and U.S. Policy Options* (Washington, DC: Center for Strategic and International Studies, 2004).

³⁰ Schaffer, *Pakistan's Future and U.S. Policy Options*. This conclusion also emerged out of a tabletop exercise for current and former U.S. government officials conducted by CSIS in November 2006 on a slow-burn internal crisis in Pakistan. The exercise was titled "Out of the Firing Line." (See appendix C.)

³¹ Pakistan's total 2007–2008 budget is 1.6 trillion rupees (\$32.6 billion) and defense expenditure of 275 billion rupees (\$4.5 billion). See the Associated Press, "Pakistan Announces Budget Hike as Musharraf Seeks Re-election," International Herald Tribune, June 9, 2007.

³² Based on CSIS field interviews with 150 Pakistanis in Peshawar, Islamabad, Lahore, Karachi, and other locations, in March 2006. The conclusion is also supported by a number of recent polls, such as Steven Kull, "Muslim Public Opinion on U.S. Policy, Attacks on Civilians and al Qaeda," World Public Opinion.org, April 24, 2007, http://www.worldpublicopinion.org/pipa/pdf/apr07/START_Apr07_rpt.pdf. This poll indicated that Pakistanis had a 15 percent favorable and 67 percent unfavorable view of the United States. A majority of 73 percent thought the U.S. goal was definitely or probably to weaken and divide the Islamic world, and only 2 percent of Pakistanis thought al Qaeda was behind the 9/11 attacks.

Chapter 2

Analysis and Anticipation

U.S. government concerns about Pakistan's future are nothing new. As one Pakistan expert remarked, "The warning lights have been flashing red for 60 years."¹ In fact, a declassified Special National Intelligence Estimate (NIE) for Pakistan produced by the Central Intelligence Agency (CIA) in 1982 shows that Washington's view of Islamabad has been remarkably consistent over time. The 25-year-old NIE is worth quoting at length:

Pakistan's President Zia-ul-Haq faces growing domestic problems but no immediate threat to his rule. His largely benign authoritarian regime has given Pakistan general political stability and substantial economic growth. Zia lacks an organized constituency outside the Army, however, and he could find his hold on power challenged.... Zia's visit to Washington will be paralleled by the arrival in Pakistan of the most visible symbol of the new U.S. relationship—the first six of 40 F-16 fighter aircraft,... [but] the Pakistanis continue to doubt the reliability of US commitments and U.S. steadfastness in times of crisis....

When change comes, it is likely to be abrupt and violent. The most likely event leading to Zia's downfall would be mass public unrest in Pakistan's major cities, probably stimulated by economic problems.... His likely successor would be another general ... [who] would be less likely to alter basic foreign policies, including relations with the United States. Ethnic tensions, especially in Baluchistan will continue to be an irritant, but do not threaten Pakistan's national integrity.

The prospect facing Pakistan, therefore, is one of longer term instability. No leader is likely to be able to heal the divisive and fragile nature of Pakistani politics. At the same time, Pakistan will continue to lose its façade of Western values.... Pakistan's future rulers will have a different world view and [will] share fewer assumptions with us.²

The official U.S. view of Musharraf's regime for much of the past five years has retained an optic similar to that of this older NIE. Despite the effect of major events over the past two decades—the breakup of the Soviet Union, the political rise and fall of the Taliban, the U.S. military presence in Afghanistan, and the formation of al Qaeda—recent NIEs for Pakistan might have looked quite similar if one substituted Musharraf's name for Zia's and incorporated the war on terror.

It is worth asking whether circumstances in Pakistan have remained as constant over the past 25 years as has America's view of Pakistan.

For instance, Pakistan analysts have only recently concluded that Musharraf's regime is in peril despite its narrow basis of rule and the ever-present possibility of assassination. Any underlying fear of violent change rests alongside the supposition that Musharraf's fall will not bring about new policies that are hostile to the United States. There is also an implicit willingness to tolerate low levels of insurgency at the country's periphery. A widespread sense exists that the United States will continue to seek influence through military sales to Pakistan despite the recognition that even F-16s have yet to bring about real trust or partnership. Persistent, negative, long-term trend lines predict a growing instability and anti-Western views in Pakistan that the United States may have little ability to influence. This composite view, however, also masks real differences in analysis within the Washington policy community.

Table 2.1 offers a better sense of this divide. Obviously, not every Pakistan watcher espouses such rigid positions, nor does every analyst adhere to all of the tenets in either of these two columns. As in many assessments, the truth often falls somewhere in the middle. At the same time, the basic tenor of much of the analysis on Pakistan appears to fall into one of these two camps. Column A tends to reflect the Bush administration's official views over the past five years, while column B suggests the dominant alternative analysis. The italicized portions (numbers 9–10) reflect prescriptive judgments rather than analysis of Pakistan's current situation.

Although not everyone in the Bush administration subscribes to the views in column A, some prominent critics outside of the administration do. Senator Chuck Hagel has said that Musharraf "rides a very unpredictable tiger every day, every hour, every minute," and that "we don't live in that dangerous part of the world, so it's easy for us to dismiss [his] problems."³ Former deputy secretary of state Richard Armitage wrote in a *New York Times* Op-Ed (August 2006) with Kara Bue that "Musharraf ... deserves our attention and support, no matter how frustrated we become at the pace of political change and the failure to eliminate Taliban fighters on the Afghan border."⁴ Ambassador James Dobbins has said that "It's not so much that [members of] the administration are dupes and don't understand the country. It's that they don't see any feasible way to increase pressure on Musharraf without provoking unanticipated and highly counterproductive consequences."⁵

Such support from nonadministration sources is important to consider almost four years after the U.S. invasion of Iraq and the famous "Downing Street memo," which argued that U.S. intelligence on weapons of mass destruction had been "fixed around the policy."⁶ Could today's U.S. analysis on Pakistan be similarly fixed around a policy forged at the highest levels of the U.S. government in the aftermath of 9/11? When the former U.S. ambassador to Pakistan Ryan Crocker argued that the problem is not Musharraf's vision but "the overall implementation of policy by his government,"⁷ is it because he has been sent to carry out specific instructions from Washington, or because the U.S. embassy's analysis supports this claim? The dominant wisdom in Washington—even outside administration

circles—has tended to agree that the problem is with Musharraf’s capacity rather than his will, and that he remains the best U.S. hope for Pakistan. U.S. encouragement of the return of Bhutto or Sharif ought to be seen as efforts to strengthen Musharraf, not to weaken his rule. This judgment may ultimately change, however, as Musharraf’s power diminishes in relation to that of opposition forces.

Table 2.1 Status Quo View and Activist Critique of U.S. Policy on Pakistan

	Status Quo View	Activist Critique
1	Musharraf is doing the best he can to root out the Taliban/al Qaeda	Musharraf is playing a “double game”
2	Pakistan’s military helps maintain stability	Military is the source of the country’s ills
3	Centrist parties are corrupt, feudal, untrustworthy	Centrist parties provide the best chance of a moderate and modern Pakistan emerging
4	Islamism is on the rise and military rule prevents its ascent	The “myth of Islamic peril” is used to justify anti-democratic forces*
5	Pakistan’s economy is strong	Inflation is rising and the economy is fragile
6	Most Pakistanis support Musharraf	People are deeply hostile to Musharraf
7	Musharraf has sought peace with India	Musharraf has refused to address Kashmiri militants
8	U.S. influence is limited	U.S. influence is greater than Washington admits
9	<i>The United States should encourage Pakistani action on the Afghan front</i>	<i>The United States should threaten or take direct action</i>
10	<i>The United States should demonstrate commitment to Pakistan</i>	<i>The United States should cut or place conditions on assistance</i>

Note: Created by the author.

*Frederic Grare, “Pakistan: The Myth of an Islamist Peril,” Carnegie Endowment for International Peace, *Policy Brief* no. 45 (February 2006), 1–7.

But many of the analysts who know Pakistan best have reached different conclusions from the dominant wisdom. One may argue that this opposing analysis has also been “fixed” around experts’ own advocacy for certain principles (democracy) or interests (Indian, say, or Afghan), or even against certain individuals (President Bush, for instance, or Musharraf). Yet increasingly this “activist critique” has eroded the dominant consensus. Senior scholars from organizations as diverse as RAND, the International Crisis Group, and the Center on International Cooperation have all recently charged the Pakistani government with benign neglect of the Taliban in Quetta and the tribal areas, as well as with

direct support, in the guise of medical care or material support, to Taliban fighters.⁸ A former CIA station chief and head of U.S. counterterrorism efforts stated publicly as early as September 2006 that the Pakistan-Afghan border has become al Qaeda's center of gravity.⁹ Those views have been increasingly reflected in official statements from Washington, such as the July 2007 NIE.

The notion that the Pakistan military and intelligence services are protecting or possibly funding the Taliban supports the conclusions by some analysts that Musharraf has maintained an unholy alliance with Islamist militants to "bolster his military dictatorship against democratic forces"¹⁰ in order to remain in power, or to hedge his bets on account of a lack of confidence in the U.S. state-building project in Afghanistan. A number of analysts argue that improved security for Pakistan and the region will be impossible unless and until the Pakistani military realizes "the time for its rule has passed."¹¹

Major media outlets in the United States and United Kingdom have tended to take up this critical stance. Both the *New York Times* and *Washington Post*, for instance, ran editorials in January 2006—after a U.S. predator strike on a madrasah in Bajaur—that "straight talk was needed on Pakistan" and that if terrorist "targets can be located, they should be attacked—with or without Musharraf's cooperation."¹² The *Economist's* in-depth feature on Pakistan in the summer of 2006 concluded that Musharraf is "unlikely to deliver on crucial promises."¹³ Numerous editorials running through the end of 2006 and early 2007 have maintained this line, including a recent flurry around the Chaudhry protests and the Red Mosque standoff that have ratcheted up the pressure for democratic elections and for direct U.S. military action.¹⁴ Even some U.S. critics on the right have taken up the line of argument that Washington ought to abandon its support for Musharraf, because this is what Ronald Reagan would have done.¹⁵ Perhaps more damaging still than the opinion pieces has been consistent reporting from the border region by both the *Times* and *Post* that has undermined the Pakistani government's claims that Taliban and al Qaeda leadership do not operate on Pakistani soil.

Given the growing uncertainty in Washington over Musharraf's reliability as a partner and the future direction of the U.S.-Pakistan relationship, it is worth reexamining what experts' fears for Pakistan actually are, and what chances there are for those fears to materialize. CSIS's Post-Conflict Reconstruction (PCR) Project's research suggests that too much focus has been placed on the prospects of Musharraf's assassination or of a "failed Pakistan." Many observers see the former scenario as unlikely to alter either the way Pakistan is governed or its relations with the United States, while the latter paradigm is seen as vague enough to lack any real analytic value.¹⁶

Potential Threats

The key question is whether any high-consequence, high-probability scenarios involving Pakistan exist today. Based on discussions and research, the three near-term scenarios most damaging to U.S. interests would be the following:

- Pakistani territory is used as a safe haven for terrorist organizations interested in striking the United States.
- Pakistani nuclear technology is shared with rogue states or terrorist groups.
- Nuclear exchange occurs during a war with India.¹⁷

It is easy to understand Washington's nervousness when one considers this list. Al Qaeda has reconstituted its forces on the Pakistan-Afghanistan border, including the establishment of "recruitment programs to bring recruits into ... Pakistan, particularly those that speak the right language, that have the right skills, that have the right base that they could come to the United States, fit into the population ... and carry out acts."¹⁸ Whether one sees the government of Pakistan's role in the A. Q. Khan affair as a sin of commission or of omission, Pakistan essentially served during this time, in the words of a number of commentators, as a "nuclear Wal-Mart." Khan himself remains off-limits to U.S. investigators and yet has also been the beneficiary of reduced restrictions during his house arrest. And although talks continue and a number of confidence-building measures have been carried out with India under Musharraf's tenure, Musharraf still has Kargil in his past. Pakistan has fought three major wars with India and has come close to war on a handful of other occasions.

Despite the criticism that Musharraf has faced and the precariousness of his rule, many experts believe something fundamental would have to change about the military's hold on power for any of these nightmare scenarios to become a reality. Three structural changes, none considered imminent in the short-term, are viewed as most likely to produce the conditions conducive to the above scenarios:

- The emergence of an Islamist state hostile to U.S. interests (whether through elections, a military coup, or a revolution);
- A divided Pakistan, or the "Talibanization" of key parts of the country; and
- A civil war along regional, ethnic, or sectarian lines.

Although some have argued that Talibanization has already occurred in settled areas of the Northwest Frontier Province (NWFP) and in other parts of Pakistan, and that the military has been either complicit or negligent in this handover of power, most analysts remain confident in the Pakistani military's ability to address militant activity on the border, to maintain a grip on state and nuclear control, to provide a moderating and pro-Western influence, and to hold the country together in the face of secession threats or sectarian strife.

The strength and character of the Pakistani military is a key assumption on which analysts base their judgments and is an assumption worthy of further scrutiny. U.S. military observers came away from the 2005 Pakistani campaign in the tribal areas believing that the Pakistani military lacked certain fundamental capabilities, such as placing mortar fire on a specific hillside.¹⁹ The inability of Pakistan's government to prevent the burning of a main public square in Lahore during the Danish cartoon riots in February 2006, as well as the prolonged ordeal

of the Red Mosque standoff and the lack of intelligence on the heavy weaponry and bunkers eventually found inside the Mosque, sent a signal to some that the military's domestic control may have its limits.

Others have argued that a generational divide exists in the Pakistani military between senior leadership and core commanders, a divide that could reflect a broader divergence of views toward the United States. Earlier this summer, Musharraf had his core commanders attest publicly to their loyalty and faith in his abilities, a sign to some of his own insecurity. In regard to the military's willingness to sideline extremists, Pakistan's commentator Husain Haqqani has pointedly remarked that if either Benazir Bhutto or Nawaz Sharif were hiding somewhere in Pakistan, rather than Mullah Omar or Osama bin Laden, the United States could rest assured that the Inter-Services Intelligence (ISI) would have found them already.

What would be the consequences if the Pakistani military were perceived as a "paper tiger" in Pakistan on account of its inability to do the stand up to violent extremists on the border or elsewhere in Pakistan; accommodate escalating street demonstrations without reverting to excessive violence or media crackdowns; dampen secessionist threats, insurgencies or resource disputes through political accommodation in Baluchistan, Sindh or NWFP; or a combination of these three? Fear could potentially spread through the population that would encourage those seeking an alternative model, perhaps in the form of a charismatic leader emerging from a younger and perhaps more religious, nationalist, and militant mindset.

One intermediary trend that some analysts consider to be catalytic in its ability to increase the likelihood of the emergence of an Islamist, divided, or warring Pakistan would be the marked deterioration of living conditions.

Historically, political disturbances in Pakistan have been the result of public dissatisfaction with the economy at home, in combination with criticism over a foreign policy viewed as too closely aligned with the West. Political unrest in both 1951 and 1958 was preceded by a growing disorder in the provinces caused by food shortages, unemployment, and inflation.²⁰ The 1968 and 1969 disturbances were led by journalists, lawyers, teachers, and students who rallied around Zulfikar Ali Bhutto in the belief that President Ayub Kahn may have won the 1965 elections but had "lost the people" because all sectors of society had failed to share in Pakistan's economic growth. Certainly Ayub's illness and the army's humiliation in 1971 (losing half the navy and one-third of the army, not to mention all of East Pakistan) enabled Bhutto's rise to power, but economic issues closer to home set the stage for political change.²¹

Even in the absence of severe economic crisis, unrest may spread more quickly today, however, as a result of the communications revolution taking hold across Pakistan. Television and internet reporting bring grievances into people's living rooms on a daily basis, even if viewers do not feel the crisis personally and directly. The prevalence of cell phones means that information and rumors can spread rapidly. In this way, perception can quickly become reality, and people are more easily politicized and mobilized. One can see this rapidly spreading political consciousness materialize in the way Chief Justice Chaudhry's sidelining came to symbolize broader grievances that Pakistanis feel toward Musharraf's military rule.

Protests could intensify if coupled with factors such as the perception of increased lawlessness, a fragile or inflated economy, provincial discontent, rising secessionist activity, increased militancy, outside pressure, and/or the advent of martial law.²² This sense of lawlessness could be compounded by growing dissatisfaction with the military's role in society or by divisions within the Pakistani military itself. Although Pakistan essentially functions as an authoritarian, military-controlled state, Musharraf's government requires a degree of political consensus to rule—through some combination of Punjabi powerbrokers, Islamist leaders, and the average Pakistani on the street.

Developing a set of warning indicators specific to Pakistan could help to identify areas of opportunity to strengthen the Pakistani state and to ease internal and external pressures. Such a list could include the following:

- **Grossly uneven economic development.** Despite a rocketing economy over the past five years, 35 percent of Pakistanis remain profoundly poor.²³
- **Military domination of the state.** The Pakistani military is essentially the same size as the U.S. army (550,000 soldiers) with expenditures consuming roughly 4 percent of gross domestic product (GDP) and rising, but the military role is determinative as both a political and economic actor.²⁴ One expert told us, “The political is the military is the economic elite.”²⁵ Active or former military personnel are in leadership positions throughout the cabinet, national universities, and military foundations,²⁶ and the military relies on the distribution of state lands as part of an extensive network of patronage.²⁷ The military's perception of “permanent, inevitable conflict with India” shapes all national security decisions and discussions.²⁸
- **General absence of rule of law.** In the words of one expert, “The police are viewed by most citizens as predators, not protectors.”²⁹ This belief has a huge effect on Pakistan's ability to confront terrorism, as people doubt the ability of the state to arrest and imprison suspicious persons, meaning that “critical intelligence is lost and criminal and militant elements alike can operate with relative impunity.”³⁰ The use of military force against Pakistani citizens in the Federally Administered Tribal Areas (FATA) and Baluchistan is perceived by some as proof that Pakistan remains a lawless society.³¹ Citizens often prefer to take extrajudicial means to solve problems rather than go through official channels. Musharraf's control of the high courts and the Supreme Court's sanctioning of his military coup stand as further proof of the judiciary's subservience to politics. Judges who drift too far are quickly sidelined or brought back in line. The support that Chaudhry has garnered for standing up to Musharraf is an indication of the hunger for rule of law, and the justice's reinstatement is an important and positive development in Pakistan's path toward becoming a lawful society. The Fall elections will provide further opportunity to affirm the judiciary's ability to provide checks and balances on the Executive's power.

- **Resource pressures that overwhelm weak political institutions.** Many analysts expect that conflicts over land, water, and natural gas will increase in the coming decade. Pakistan's institutions of governance are not yet robust enough to address such disputes. Unequal distribution of water (shorting Sindh) and of profits from the sales of natural gas (shorting Baluchistan) risk escalating interregional tensions.³² Pakistan's neighbors could potentially play a constructive role here, but significant obstacles remain, including U.S. opposition to the planned India-Pakistan-Iran gas pipeline.
- **Strong secessionist feelings.** Baluchistan remains in a state of low-grade insurgency, as it has been for decades, and its instability continues to remind Pakistan's government that "tribal and ethnic identities provide a political vocabulary when national identity and enfranchisement are absent."³³ The Punjabi center has been unable or unwilling to satisfy these demands.
- **Considerable sectarian and ethnic tensions.** Such tensions are exacerbated by inequality in the main organs of the Pakistani state. The military remains almost exclusively Punjabi and Pashtun.³⁴ Sindhis account for one-fourth of Pakistan's population but hold only a few of the top jobs in the water ministry, which remains a critical political issue in that province.³⁵ As many as 4,000 Shi'as died in sectarian violence over the past 15 years in Pakistan, particularly in Karachi.³⁶ Rising nationalist sentiments during the 1980s among Punjabis, Baloch, Pashtuns, and Sindhis led to a greater political salience of the Muhajir identity and the rise of the Muttahida Qaumi Movement (MQM) party. As one scholar writes, "Pakistan must learn to live with ethnic tension in order to prevent ethnic fragmentation, the nation's central challenge."³⁷
- **Large feudal landholdings.** As much as 40 percent of the agricultural land in upper Sindh and southern Punjab remains in the hands of feudal landholders, but land reform remains a "taboo area" for both the Pakistani government and the international community.³⁸
- **Militant Islamists.** Civil society has been fragmented between Islamists and reformers.³⁹ In the words of one analyst, there are two Pakistans—one connected by cell phones and computers to the global economy, and the other isolated and poor—and Islamists are poised to take advantage of this divide.⁴⁰ Some see the Pashtun belt as an "extremist base," and the Baloch provincial government as one controlled by pro-Taliban fundamentalist parties.⁴¹ The Islamic charities banned by Musharraf because of their links to terrorists often resurface under new names and operate with impunity. Between 10,000 and 40,000 madrasahs continue to operate with little oversight.⁴² The failure of public education in Pakistan has presented Islamists with multiple opportunities to successfully put forward their world view.
- **Regional and great power pressures.** Anti-Americanism is strong in Pakistan,⁴³ and U.S. pressure on Islamabad to confront the Taliban and al Qaeda has produced a negative backlash. In the words of one analyst, "To

Pakistani villagers, it looks as if a foreign army is waging war on their territory.”⁴⁴ Despite recent progress, India continues to exert pressure on Islamabad through its unwillingness to move from its Kashmir position, its closeness with the government in Kabul, and its nontariff barriers to trade.

- **Youth bulge.** More than half of Pakistan’s population today is under the age of 19,⁴⁵ and most young Pakistanis are increasingly urbanized.⁴⁶
- **Low social spending.** The Pakistani education system is collapsing and Islamic schools are beginning to take its place.⁴⁷ More than half of Pakistanis are illiterate. In a recent survey of 15,000 schools in Punjab, 4,000 had no teacher present in at least one class.⁴⁸ Pakistan’s health spending and statistics compare unfavorably to those of countries with similar income levels.
- **“AK-47 culture.”** By all accounts, Pakistan is awash in small arms.

Despite these pressures, the countervailing ability of the Pakistani state and society to persevere is considerable. The military has a monopoly on violence throughout key parts of the country. The economy has sustained 6-8 percent real GDP growth for four years.⁴⁹ The stock market index in Karachi is up hundreds of percentage points since 1999. Foreign reserves are up from \$1.7 billion in 1999 to \$13 billion in 2007. The government has privatized \$5 billion worth of assets.⁵⁰ The education levels of elites is on a par with that of the industrialized world. The Pakistani government delivers on basic infrastructure, and it has allowed a capable and critical news media to emerge, despite the crackdowns during the recent protests. International support since September 11 has been sustained.

The operative question, however, is which forces will win out? What combination of pressures could ignite a conflict or topple a government? What new political actors may exist below the U.S. radar?

The PCR Project relied on its interviews on the ground in Pakistan to determine a short list of five key drivers of conflict, instability, and extremism in Pakistan.⁵¹ Pakistani readers and Pakistan experts may dispute the importance of these trends for shaping events or may suggest others that they view as more critical. The contention here is not that this report depicts the only factors that matter in Pakistan, but (a) that too little thought is spent trying to determine what matters most and (b) that too little effort is spent trying to influence these trends in a constructive manner. The five drivers identified are the following:

1. **Impunity and injustice.** The recent protests stemming from Chaudhry’s suspension are telling. Many have pointed out that he was “nobody’s hero” but was a part of the existing power culture. That his suspension provoked such a passionate response reveals something of the depth of frustration in Pakistan today. PCR Project conversations with Pakistanis, however, revealed a sense that things could also get much worse. If Musharraf were to steal (or disregard) this Fall’s elections, people felt this potential event would send a negative signal that could ripple throughout society. Respondents also seemed to feel that a general deterioration of law and order, particularly in the more

secure parts of the Punjab, could lead to greater pressure from political elites who fear an ineffective state response to organized violence and random crime.

2. **Discontent in the provinces.** Water scarcity is a major issue in Pakistan, particularly in Sindh. The government's attempts to build major dam projects there have been foiled by the inability of political institutions to reach a political accommodation. Of a similar vein are Baluchistan's claims to revenues from its natural gas deposits, which have historically led to grievances against the Punjabi center. The Pashtun population in the Northwest Frontier Province (NWFP) could respond negatively to heavy-handed military operations on Pakistani soil arising from U.S. pressure and producing a violent backlash from militants. The Pakistani government has a history of poor performance in settling regional issues and problems at its periphery, most notably in the former East Pakistan (now Bangladesh).
3. **Ethnic and sectarian tensions.** The third rail in Pakistani society has always been ethnic and sectarian tensions. The current wave of discontent with Musharraf's rule has begun to take on an ethnic character, for instance, when the Mohajir-based MQM who are allied with Musharraf were blamed for violence in Karachi against the Chaudhry demonstrators. Sunni-Shi'i violence in the broader Middle East may eventually provoke sectarian tensions in Pakistan. The presence of foreign militants whose objective may be precisely to incite such hatreds is a direct threat to stability.
4. **Youth bulge.** Young people make up almost half of Pakistani society today. They are being educated in a system that fails to provide them the skills to compete in the modern world, while the economy does not provide enough jobs to satisfy demand—even with the economic progress made in recent years. How Pakistan's youth population emerges as a dominant societal force will shape the Pakistan of tomorrow. The role of young people in the current wave of protests could determine whether Musharraf remains in power.
5. **"Extremist" views among traditional allies.** Many Americans tend to view extremists in a certain light. For example, an extremist may be someone who is attends rallies, chants "death to America," promotes or fights jihad, and who is in poverty. Although such people do exist in Pakistan, the real danger may be found in the negative trend lines among natural U.S. allies in Pakistan—those who compose the "silent majority," the intended audience for Musharraf's calls for "enlightened moderation." PCR Project interviews with "moderate" Pakistanis in the military, media, aid community, the academic community, and elsewhere in Pakistani civil society provided a picture that would probably be considered "extreme" by U.S. standards. The respondents' views clearly arose from a deep frustration with the way things work in Pakistan and with their inability to shape their own and their country's future in a positive way, as well as with U.S. inability to address key Pakistani interests and aspirations. None of our respondents advocated violence, but a widely held perception was

clear among those interviewed that future leaders who speak the language of the growing ranks of frustrated, alienated Pakistanis could have enormous potential to mobilize Pakistanis politically and potentially toward violent ends.

In an effort to evaluate how well U.S. engagement has targeted those five drivers, the next chapter will examine U.S. assistance to Pakistan since 9/11.

Notes

¹ Interview with unnamed Pakistan analyst.

² Central Intelligence Agency, Special National Intelligence Estimate, "Pakistan: The Next Years," no. 32–82, November 8, 1982. The 1982 estimate is also remarkably prescient on Zia's "abrupt and violent" end—he died in 1988 in a mysterious plane crash.

³ "Principles and Interests: A Conversation with Chuck Hagel," *The National Interest*, no. 84 (Summer 2006): 16–19.

⁴ Richard Armitage and Kara Bue, "Keep Pakistan on Our Side," *New York Times*, sec. 4, August 20, 2006.

⁵ Paul Richter, "Pakistan's Arrests Leave U.S. Uneasy," *Los Angeles Times*, August 12, 2006.

⁶ See "The Secret Downing Street Memo," *The Sunday Times* (London), May 1, 2005, and Simon Chesterman, "Does the UN Have Intelligence?," *Survival* 48, no. 3 (October 2006): 149–64.

⁷ U.S. Senator Reed's interview with Pentagon officials in Jack Reed, "Trip Report: Pakistan, Afghanistan, and Iraq." Ambassador Ryan Crocker told us in a March 2006 interview, "Stay the goddamn course." Ambassador Ryan Crocker, interview with author, March 2006.

⁸ Seth G. Jones, "Pakistan's Tribal Deals Aren't Working," *International Herald Tribune*, December 28, 2006; International Crisis Group, "Pakistan's Tribal Areas: Appeasing the Militants," *Asia Report*, no. 125 (December 11, 2006): 1–34; Barnett R. Rubin, "Saving Afghanistan," *Foreign Affairs* 86, no. 1 (January/February 2007).

⁹ See Robert Grenier quoted in David Rohde, "Al Qaeda Finds Its Center of Gravity," *New York Times*, September 10, 2006.

¹⁰ Samina Ahmed and Andrew Strohlein, "Pakistan: Still Schooling Extremists," *Washington Post*, sec. 2, July 17, 2005. Also see Husain Haqqani, *Pakistan: Between Mosque and Military* (Washington, DC: Carnegie Endowment for International Peace, 2005).

¹¹ Paula R. Newberg, "U.S. and Pakistan: An Insecure Alliance," *Yale Global*, February 28, 2006; Frederic Grare, "Pakistan: The Myth of an Islamist Peril," *Carnegie Endowment Policy Brief* No. 45, (February 2006): 1–7; Manaz Ispahani, "Getting Things Done," *Slate*, October 14, 2005.

¹² Editorial, "Al-Qaeda's Sanctuary," *Washington Post*, sec. 1, December 21, 2006; Editorial, "From Pakistan, With Jihad," *New York Times*, January 23, 2007.

¹³ James Astill, "Too Much For One Man To Do," *Economist*, July 6, 2006.

¹⁴ See, editorial, "Pakistan's Dictator," *New York Times*, June 11, 2007, which argued that "Washington needs to disentangle America, quickly, from the general's damaging embrace."

¹⁵ See Max Boot, "The Musharraf Dilemma," *Wall Street Journal*, June 11, 2007.

¹⁶ Interviews with Pakistan analysts. Also see appendix B; Stephen Philip Cohen, *The Idea of Pakistan* (Washington, DC: The Brookings Institution, 2004); Stephen Philip Cohen, "With Allies Like This: Pakistan and the War on Terrorism," in *A Practical Guide to Winning the War on Terrorism*, edited by Adam Garfinkle (Stanford, CA: Hoover Press, 2004); Teresita C. Schaffer, *Pakistan's Future and U.S. Policy Options* (Washington, DC: Center for Strategic and International Studies, 2004).

¹⁷ See Stephen Philip Cohen, *The Idea of Pakistan*; Stephen Philip Cohen, "With Allies Like This"; Schaffer, *Pakistan's Future and U.S. Policy Options*.

¹⁸ See Mike McConnell, quoted in Karen DeYoung and Walter Pincus, "Al-Qaeda's Gains Keep U.S. at Risk, Report Says," *Washington Post*, July 18, 2007, sec. 1, <http://www.washingtonpost.com/wp-dyn/content/article/2007/07/17/AR2007071700099.html>.

¹⁹ Interview with unnamed defense analyst.

²⁰ Ian Talbot, *Pakistan: A Modern History* (New York: St. Martin's Press, 1998).

²¹ Ibid.

²² Teresita C. Schaffer, "Musharraf and the Chief Justice: Will Pakistan Unravel?" *CSIS Commentary* (Washington D.C.: Center for Strategic and International Studies, March 2007).

²³ Paula R. Newberg, "U.S. and Pakistan: An Insecure Alliance," *Yale Global*, February 28, 2006.

²⁴ Pakistan Office, Friedrich-Ebert-Stiftung, <http://www.fes.org.pk/>.

²⁵ Interview with unnamed Pakistan analyst.

²⁶ Frederic Grare, "Pakistan: The Myth of an Islamist Peril," Carnegie Endowment for International Peace *Policy Brief*, no. 45 (February 2006): 1–7.

²⁷ International Crisis Group, "Pakistan: Madrasas, Extremism, and the Military," *Asia Report*, no. 36 (July 29, 2002): 1–41.

²⁸ Ashley J. Tellis, "U.S. Strategy: Assisting Pakistan's Transformation," *Washington Quarterly* 28, no. 1 (Winter 2004/05): 102.

²⁹ Cohen, "With Allies Like This."

³⁰ See Christine Fair's comments in Christine Fair, "The United States and Pakistan: Navigating a Complex Relationship," Testimony before U.S. Commission on International Religious Freedom, June 30, 2005, http://www.usip.org/congress/testimony/2005/0630_fair.html.

³¹ Interview with unnamed Pakistan analyst.

³² Teresita C. Schaffer, "Pakistan's Future and U.S. Policy Options and Pakistan Office," Friedrich-Ebert-Stiftung, <http://www.fes.org.pk/>.

³³ Newberg, "U.S. and Pakistan: An Insecure Alliance."

³⁴ Adeel Khan, "Pakistan's Sindhi Ethnic Nationalism: Migration, Marginalization, and the Threat of 'Indianization,'" *Asian Survey* 42, no. 2 (March–April 2002): 213–29.

³⁵ Astill, "Too Much For One Man To Do."

³⁶ Ibid.

³⁷ Farhat Haq, "Rise of the MQM in Pakistan: Politics of Ethnic Mobilization," *Asian Survey* 35, no. 11 (November 1995): 990–1004.

³⁸ Pakistan Office, Friedrich-Ebert-Stiftung, <http://www.fes.org.pk/>.

³⁹ Ibid.

⁴⁰ Ispahani, "Getting Things Done."

⁴¹ Ahmed Rashid, "He's Welcome in Pakistan," *Washington Post*, February 26, 2006.

⁴² "The Future Looks Bearded," *The Economist*, July 6, 2006.

⁴³ Touqir Hussain, "U.S.-Pakistan Engagement: The War on Terrorism and Beyond," U.S. Institute of Peace *Special Report*, no. 145 (August 2005): 1–16.

⁴⁴ Newberg, "U.S. and Pakistan: An Insecure Alliance."

⁴⁵ Using 2005 population estimates, just over half of Pakistan's population is in the 0–19 age range. See U.S. Census Bureau, International Data Base, "IDB Summary Demographic Data for Pakistan," August 2006, <http://www.census.gov/cgi-bin/ipc/idbsum.pl?cty=PK>.

⁴⁶ Population Association of Pakistan, "Table 1.6: Population of Pakistan's Major Cities & Urbanization Rate, 1998, Pakistan," <http://www.pap.org.pk/statistics/population.htm#tab1.6>.

⁴⁷ Stephen Philip Cohen, "America and Pakistan: Is the Worst Case Avoidable?" *Current History* 104, no. 680 (March 2005): 131–36.

⁴⁸ Khan Dawood L. Khan, "Pakistan Under a Lens," *Pakistan Link*, August 11, 2006, <http://www.pakistanlink.com/Opinion/2006/Aug06/11/03.HTM>.

⁴⁹ In Pakistani fiscal years 2003-2004 to 2006-2007, Pakistan has experienced real GDP growth of 7.5, 8.6, 6.6, and 7.0 percent. See “Growth and Investment,” *Pakistan Economic Survey 2006-07*, Government of Pakistan, Ministry of Finance, June 8, 2007, 1, http://www.finance.gov.pk/survey/sur_chap_06-07/01-Growth.pdf.

⁵⁰ Astill, “Too Much For One Man To Do.”

⁵¹ For more on the PCR Project methodology to determine this short-list of key drivers of conflict, instability, and extremism, see appendix C.

Chapter 3

The Balance Sheet

The most interesting questions to ask Pakistan experts in and out of the U.S. government may be the simplest ones, such as how much money the United States provides to Pakistan, and what the money is meant to do. Over the past five years, the answers have typically varied. Since 2001, the United States has provided Pakistan with an estimated \$10.58 billion in military, economic, and development assistance. This amount has likely been matched, if not exceeded, by additional classified funds provided toward intelligence and covert military action. Included in this basket could be the “millions of dollars” in bounties or “prize money” that Musharraf’s memoir alleges were paid by the Central Intelligence Agency (CIA) to the Pakistani government for captured al Qaeda members.¹ Figure 3.1 provides the PCR project’s best accounting of U.S. assistance to Pakistan since 9/11.

Although the unclassified U.S. assistance numbers are public, not all official figures are easily accessible—even within the U.S. government—nor have they been aggregated and broken down for public consumption. That is one symptom of a much larger problem within the U.S. government’s fragmented approach to assistance: the various departments and agencies of the U.S. government see only limited pieces of the overall assistance budget.² Even those working for the U.S. embassy in Islamabad may not have access to all of the defense or intelligence money provided by the United States.³ Perhaps more surprisingly, not everyone at the National Security Council, at the Office of Management and Budget (OMB), or in Congress may be familiar with the full accounting of what the U.S. government is spending in Pakistan, at least in a form disaggregated by sectors and accounts. This lack of transparency raises a troubling question: How can anyone make informed strategic decisions about a country such as Pakistan, whose future is so vital to U.S. interests, without knowing the full nature of assistance involved from all arms of the U.S. government?

A former senior OMB official explains it this way: “The U.S. government engages the world through virtually all of its departments and agencies. The result is a breadth and depth of government funding and involvement that goes far beyond traditional diplomatic and foreign assistance operations.”⁴ It is no wonder, then, that the Pakistan assistance package is often uncoordinated and less than transparent. When PCR Project staff members asked nearly 100 current and former U.S. officials how much money the United States was spending in Pakistan, their replies ranged from \$800 million per year to more than \$5 billion per year.

Figure 3.1 Allocation of U.S. Assistance to Pakistan, FY 2002–2007



Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

Of the \$10.58 billion in assistance dispensed to Pakistan since 9/11, 60 percent has gone toward Coalition Support Funds (CSF). CSF is money intended to reimburse U.S. coalition partners for their assistance in the war on terrorism, and it is not considered by the U.S. government as assistance.⁵ Roughly 15 percent of the funds provided to Pakistan, or close to \$1.6 billion, has been dedicated to security assistance. The Pakistanis have spent most of this money on purchases of major weapons systems. Another 15 percent has been allocated toward budget support, which is offered as direct cash transfers to the government of Pakistan. This money is intended to provide macroeconomic stability and to free up funds for social spending, but few transparent accountability mechanisms are built in. This allocation leaves roughly 10 percent of U.S. government assistance provided specifically for development and humanitarian assistance in Pakistan, including the U.S. response to the October 2005 earthquake.

Education has been the showcase of programming by the U.S. Agency for International Development (USAID) in Pakistan. The 9/11 Commission Report concluded that educational assistance to Pakistan ought to be central to U.S. engagement because of its potential to play a moderating influence by providing alternatives to madrasahs. Yet U.S. educational assistance accounts for only \$64 million per year, divided among 35 million to 50 million primary and secondary school children, or an average of less than \$2 per Pakistani child per year. Despite

the public rhetoric recognizing the importance of education, the FY 2008 request for U.S. educational aid to Pakistan is lower than for any year since 2004. Table 3.1 details U.S. education spending as a percentage of total assistance by year.

Table 3.1 Education Assistance as a Percentage of Total Assistance to Pakistan
(\$U.S. millions, Historical)

	2002	2003	2004	2005	2006	2007	Total
Education Aid	10.0	21.5	28.0	66.7	69.3	60.8	256.3
Total assistance	2353.5	1782.3	1148.9	1717.3	1648.8	1931.4	10582.2
Education %	0.42%	1.21%	2.44%	3.88%	4.20%	3.15%	2.42%

Note: Data from USAID Congressional Budget Justifications, FY 2004-2008. FY 2002 through 2006 represent actual outlays. FY 2007 represents requested appropriations.

The U.S. administration, relying on a different interpretation of the figures provided in this report, argues that the U.S. government spends more than \$100 million per year on education in Pakistan.⁶ Washington computes this higher number first by including money for the separate Fulbright exchange program with Pakistan, a vitally important program that has been ratcheted up to become the largest one of its kind in the world, and for which fiscal year (FY) 2007 funds amount to more than \$20 million.⁷ The Fulbright program, however, differs qualitatively from general education assistance because Fulbright targets only a select few, awarding 100 grants for master's degrees and 60 for PhDs.⁸

In its tabulation of education assistance, the U.S. administration also includes another \$56.25 million per year in budget support that, according to Washington, the Pakistani government devotes to education on the basis of jointly formulated "shared objectives." That support is tracked by output indicators provided by Islamabad such as education spending as a percentage of gross domestic product (GDP).⁹ Although neither the shared objectives nor the output measures are transparent enough to allow for public oversight, Washington argues that this money is used to leverage the government of Pakistan's budget and makes it possible for Pakistan to spend more on education, including direct support of teachers' salaries. The government of Pakistan reports that the money it spends on education out of its federal budget has more than doubled since 2003.¹⁰

Whether U.S. spending on education in Pakistan amounts to \$64 million or \$135 million per year does make a difference, but neither number seems to fit either the scale of the problem or the importance that the United States places on turning Pakistan away from extremism over the long term. In either case, USAID's educational presence in Islamabad remains minimal, and although donor assistance and commitments for education in Pakistan from all bilateral and multilateral partners between 1997 and 2012 stand at roughly \$1.8 billion, Pakistan's overall literacy rate hovers between 40 and 50 percent. For women, the literacy rate is below 30 percent, and for women in the Federally Administered Tribal Areas (FATA), it is only 3 percent. In 2005, Pakistan's secondary school

enrollment stood at just 27 percent of eligible students and less than 5 percent went for tertiary education. The single greatest challenge to reforming education in Pakistan is the poor quality of its teachers, who lack skills and incentives and who often fail to show up for work on account of their low salaries. The result is that more Pakistanis are turning away from public education to attend private schools and madrasahs.

What follows is an overview of each of the four main categories of U.S. assistance to Pakistan.

Coalition Support Funds

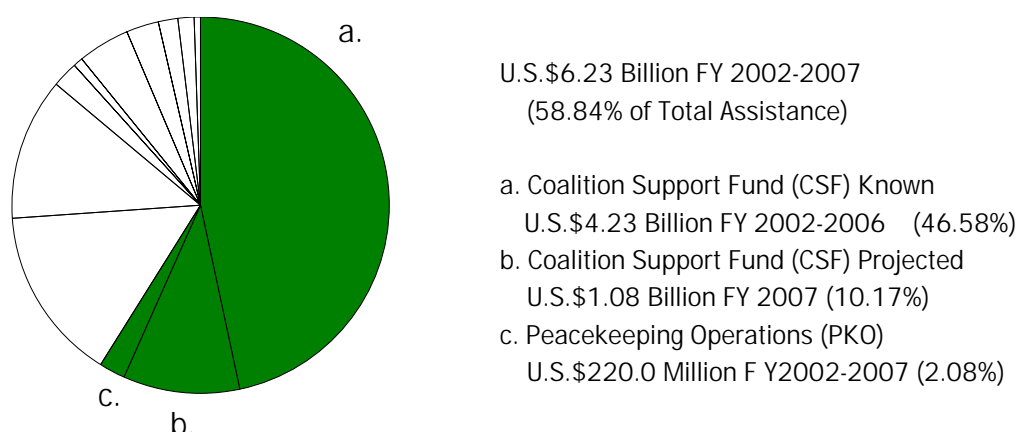
Coalition Support Funds (CSF), which account for the majority of U.S. assistance to Pakistan, are given to 20 countries, but Pakistan is by far the single largest recipient (see figure 3.2).¹¹ Officially, CSF is a reimbursement for food, fuel, clothing, ammunition, billeting, and medical expenses. The Pakistani government regularly provides receipts to U.S. Central Command (CENTCOM), which shares oversight duties with the Pentagon's comptroller, the Department of State, and OMB. The actual level of scrutiny, however, is uncertain. Some U.S. military officials in Islamabad, for instance, have recommended changing the program to allow payment for specific objectives that are planned and executed, rather than continuing to pay for whatever Pakistan bills.¹² CSF disbursements currently amount to \$100 million per month, raising the question of whether the CSF money is provided on the condition of performance or in exchange for political and military support that is more broadly constituted.¹³ Considering that the CSF flow continued at the same levels even after Islamabad struck peace deals with pro-Taliban elders in the tribal areas, it seems difficult to argue that CSF funds are in any way conditioned on performance.¹⁴

The argument in favor of continuing CSF is simply that the Pakistani military plays a key role in the global war on terror, particularly now that it appears ready to resume its fight against al Qaeda and the Taliban in the tribal areas. CSF thus ensures the Pakistani military's commitment and helps to build its capacity. The assumption is that the U.S. and Pakistani military forces share a common agenda in fighting terror, a bond that CSF helps to strengthen. The true resilience of this shared agenda may be open to question, particularly considering the U.S. government's less than thorough understanding of the complex culture and loyalties within Pakistan's military. As a former U.S. military attaché in Islamabad recently wrote:

The typical senior military visitor to Pakistan spends less than 24 hours on the ground, rarely travels outside Islamabad, and has time for no more than three or four one-hour calls on Pakistani counterparts before rushing off to India or Afghanistan.... American visitors often mistake such polite encounters for sincerity and believe, if they visit often enough, they have established a warm personal relationship with their counterpart and understand the Pakistani point of view. Nothing could be further from the truth, or more harmful to both sides' long-term understanding of each other. American visitors must

stay longer, travel more widely, meet more Pakistanis, and invest real time in building genuine personal relationships with their counterparts.¹⁵

Figure 3.2 Coalition Support Funds to Pakistan



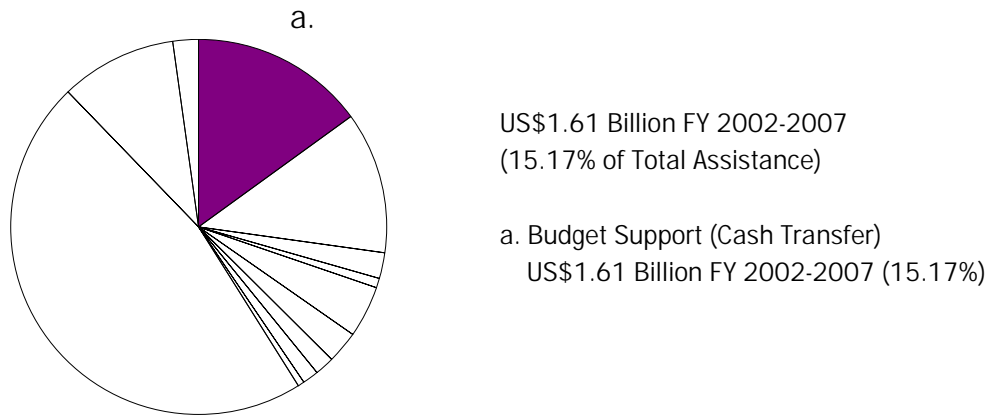
Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

Budget Support

Since 9/11, Pakistan has received \$1.6 billion in budget support from the United States (see figure 3.3). Pakistan is one of four countries that receive budget support from the United States, along with Israel, Egypt, and Jordan (see Figure 3.4). The official purpose of this direct cash transfer is to “provide balance of payments, budget, and policy reform support to the government of Pakistan during this time of economic hardship and political strain associated with Pakistan’s participation in the war on terrorism.”¹⁶ Budget support funds are, therefore, supposed to go toward economic stabilization, structural reform, and increases in spending for education, health, clean water, and earthquake relief.

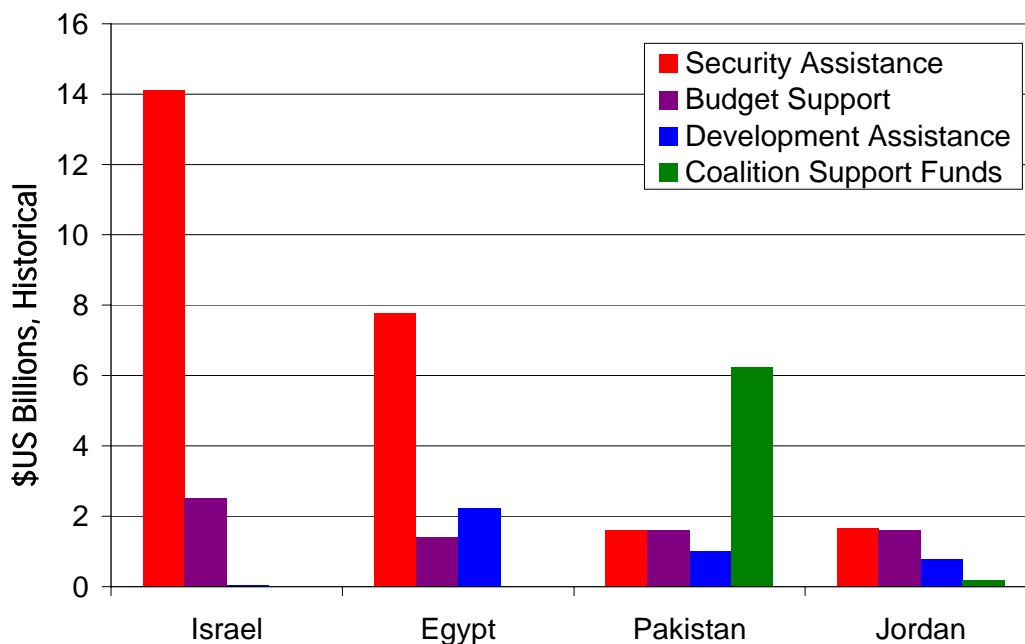
As creditors have eased Pakistan’s debt burden since September 11, its economy has enjoyed five straight years of dramatic economic growth, at an annual rate of between 5 and 7 percent. Privatization and access to global markets have led to a decline in poverty and to record foreign reserves of \$15 billion. Musharraf’s government recently announced its 2007–08 budget, proposing a 28 percent increase in education funding, to \$400 million, and a 10 percent increase in health spending.¹⁷

Figure 3.3 Budget Support to Pakistan



Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

Figure 3.4 U.S. Assistance Allocations to Budget Support Recipients, FY 2002–2007



Note: See Table A.4 for data and sources.

The U.S. government reports that its officials meet yearly with Pakistan's officials to develop "shared objectives" to decide jointly how budget support will be spent. Roughly one-fourth of this money is supposed to go toward education and one-fourth toward earthquake recovery, according to recent testimony by the administration officials.¹⁸ The entire process of budget support delivery—from the setting of shared objectives to efforts to monitor progress—is not transparent to public oversight. According to officials who have viewed those shared objectives,

they lack concrete numbers or benchmarks and are subject to various interpretations.¹⁹

The World Bank also delivers budget support to the government of Pakistan, but it does so in a way that offers greater accountability. Budget support provided by the multilateral donor is contingent upon the government of Pakistan meeting specific performance goals related to privatization and macroeconomic stability. During the past five years, budget support from the World Bank has been cut off at least once when the government of Pakistan failed to comply with such goals. The relatively unconditional nature of U.S. budget support is a sign to some that economic and social goals have been subordinate to U.S. political and military goals.²⁰

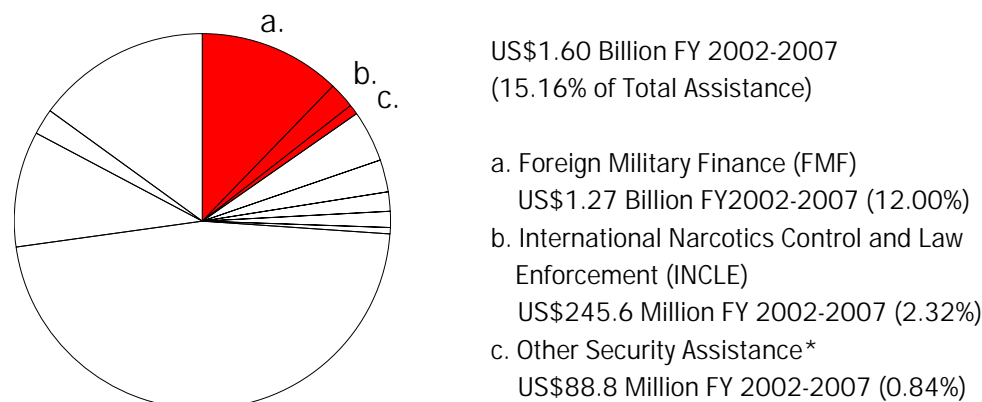
Conditioning the aid may offer the degree of U.S. oversight that certain members of Congress believe is required for Pakistan, but strong arguments exist that conditionality is never fully implemented, it does not produce the intended results, and it may even be counterproductive.²¹ The international financial institutions (IFIs) have experimented with alternatives to conditionality, but most donors still require some form of accountability mechanisms for the spending of public monies.

Most Pakistanis view conditionality as the first step toward a Pressler-like cessation of U.S. assistance. Surprisingly, a few young Pakistani women at a college in Peshawar told us that most Pakistanis would welcome conditioned aid, so long as the United States conditioned the money on free and fair elections rather than on improved counterterrorism cooperation.

Security Assistance

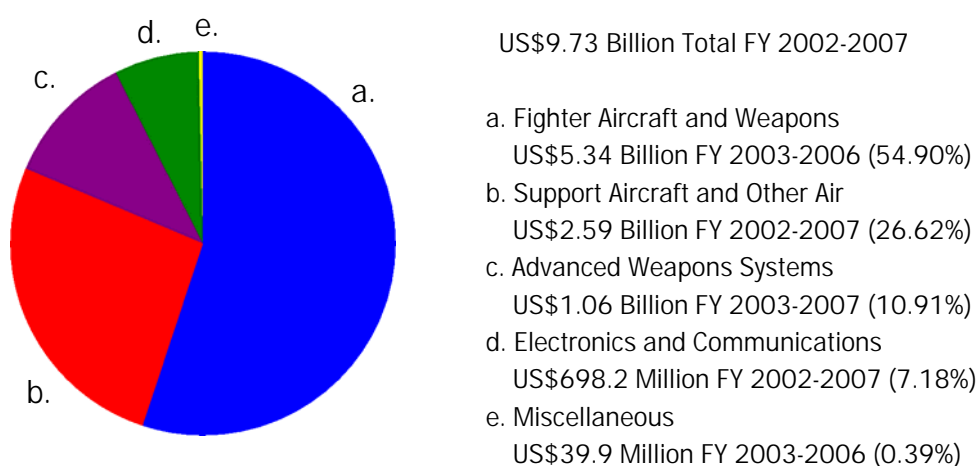
The vast majority of U.S. security assistance to Pakistan since 2001 has gone toward foreign military financing (FMF), although some funds have been spent on other types of “train and equip” programs or counternarcotics programs (see figure 3.5).²² FMF is often justified to Congress as providing weapons that play a critical role in the war on terrorism, but in reality the weapons systems provided are often prestige items to help Pakistan in the event of war with India.²³

When high-ranking Pakistani officials visit the U.S. secretary of defense, they are more likely to turn in a wish list for hardware than to engage in a discussion about strategy.²⁴ Between FY 2002 and FY 2007, Pakistan was approved for more than \$9.7 billion worth of weapons sales, including weapons purchased without the benefit of direct U.S. assistance and the FMF program. The vast majority of those purchases have involved advanced weapons, such as F-16s and other aircraft, antiship Harpoon missiles, and antimissile defense systems. Few of these weapons are likely to provide assistance in rooting out al Qaeda or Taliban elements. The new weapons are meant primarily to win major armed engagements with state actors rather than to be used for counterinsurgency or counterterrorism operations.²⁵ Figure 3.6 shows approved U.S. military sales to Pakistan since September 11, 2001.

Figure 3.5 Security Assistance to Pakistan

Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

* Non-Proliferation, Anti-terrorism, Demining and Related Programs \$42.6M FY02-07 (0.40%); Transfer from Excess Stock \$22.0M (0.21%); Drug Interdiction and Counter-Drug Activities \$11.2M FY02-07 (0.11%); International Military Education and Training \$9.3M (0.09%); Counter-Terrorism Fellowship Program \$3.7M (0.04%). See Table A.1 for details.

Figure 3.6 Approved U.S. Military Sales to Pakistan, FY 2002-2007

Note: Includes both Foreign Military Sales and Direct Commercial Sales.
See Tables A.5 through A.10 for data and sources.

FMF weapons sales are intended to reward Pakistan, bring it more closely into the U.S. orbit, and satisfy Pakistan's security concerns vis-à-vis India. Moreover, military training of Pakistani officers, which brings young officers to the United States and which has been accelerated since September 11, currently includes only 157 officers who were to be trained in 2006 through its International Military Education and Training (IMET) program. In 2006, a total of 306 Pakistani soldiers were trained in some type of U.S. military program.²⁶ By contrast, the

United States trained more than twice as many soldiers from Israel (729) and Kuwait (749) in 2006, and trained more Egyptian, Jordanian, South Korean, Thai, and Philippine soldiers than it did Pakistanis that same year. Those numbers are low, even for major non-NATO allies, if one considers that more than 14,000 Japanese soldiers were trained by the United States between 2000 and 2003.

Those familiar with IMET argue that the Pakistani military lacks the capacity to send any more of its officers to the United States in a given year, and that the program has been bolstered significantly since large-scale U.S. assistance resumed after the September 11 attacks. Furthermore, neither trips to the United States nor contacts with American officers guarantee that Pakistani soldiers will become more pro-Western in their orientation. And yet, at a time when U.S. policy relies so heavily on the Pakistani military, military exchanges should allow U.S. military personnel the opportunity to build relationships with their counterparts in a way that providing military hardware or making quick country visits does not permit.

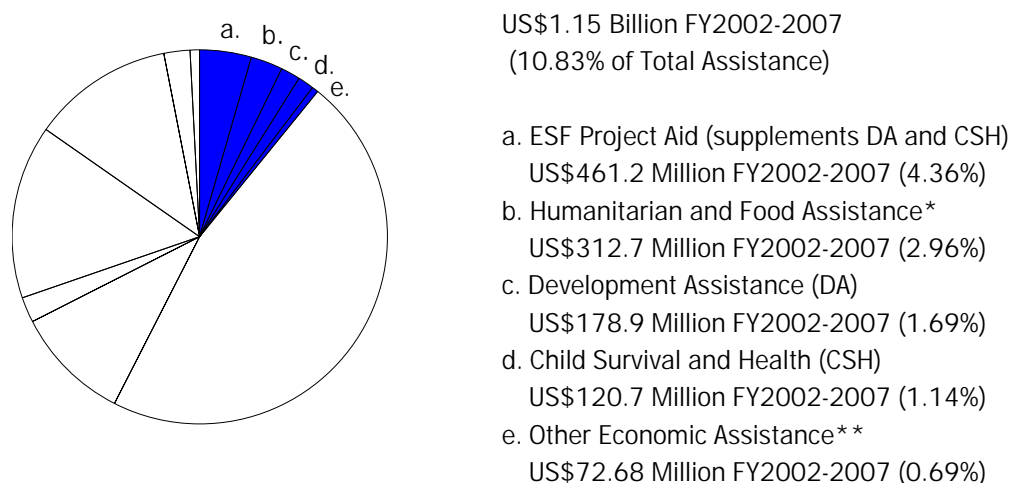
The U.S. Departments of State and Justice have a number of internal security-related programs focused on Pakistan's border areas, including programs in counternarcotics, antitrafficking, and police reform. More than 25 percent of poppies produced in Afghanistan, for instance, are trafficked through Pakistan. The value of goods and people smuggled through Pakistan each year has been estimated at more than \$30 billion, or roughly one-tenth of the country's official GDP.²⁷ According to Pakistan analysts, "Pakistan has only a limited capacity to deal with these myriad threats."²⁸ The Bureau of International Narcotics and Law Enforcement (INL) has focused its money on strengthening Pakistan's control of the border, improving Pakistan's law enforcement capacity, and enhancing its counternarcotics capabilities.

Such internal security assistance is highly valuable for a society with little real law enforcement capacity, particularly in the tribal areas. Pakistani police are woefully underpaid and highly corrupt. Moreover, the lack of police capacity leaves counterterrorism operations reliant on military and intelligence personnel, who may not be as familiar with local surroundings.

Development and Humanitarian Assistance

Development assistance accounts for almost 11 percent of the total reported U.S. spending in Pakistan, as shown in figure 3.7. A closer look at the breakdown of U.S. assistance since 2001 reveals that it took considerable time to scale up programmed U.S. development aid. Analysis also shows a fairly standard mix of what the United States provides in terms of assistance for primary education and literacy, basic health, food aid, and democracy and governance (mainly focused on elections). Figure 3.8 shows development assistance appropriated by objective.

Figure 3.7 Development and Humanitarian Assistance to Pakistan



Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

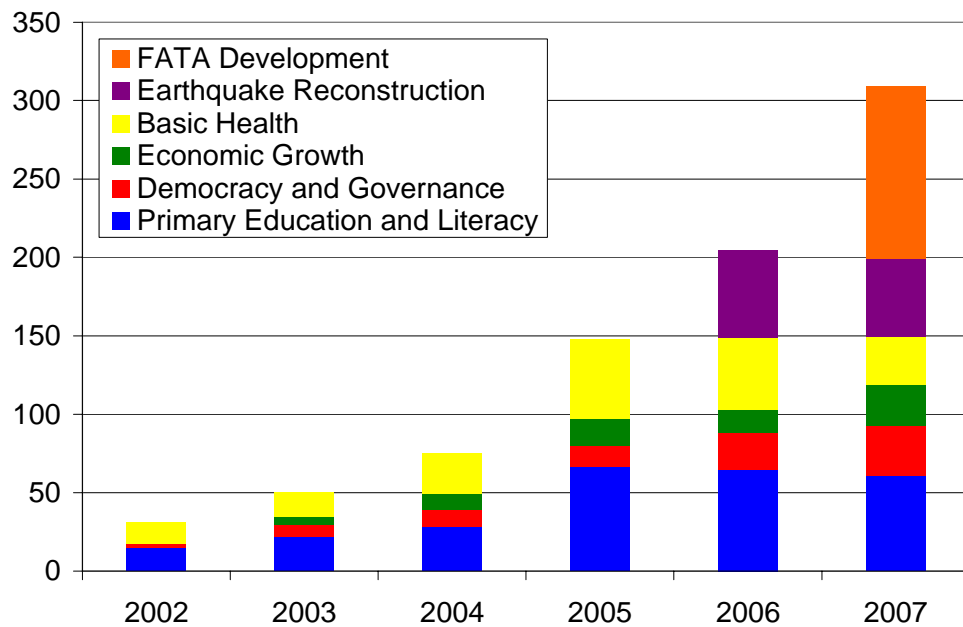
*Section 416(b) \$88.2M (0.83%); International Disaster and Famine Assistance \$70.0M (0.66%); Food for Progress \$43.0M (0.41%); P.L. 480 Title II \$33.1M (0.31%); Migration and Refugee Assistance \$27.3M (0.26%); Emergency Refugee and Migration Assistance \$25.0M (0.24%); Food for Education \$16.2M (0.15%); P.L. 480 Title I \$10.0M (0.09%). See Table A.1 for details

** Disease Control, Research and Training \$32.0M (0.30%); USAID Operating Expenses \$20.1M (0.19%); Salaries and Expenses, Departmental Management \$15.7M (0.15%); National Endowment for Democracy \$2.6M (0.02%); Trade and Development Agency \$1.7M FY02-07 (0.02%); International Affairs Technical Assistance \$0.4M (0.00%); Salaries and Expenses, Agricultural Research Service \$0.2M (0.00%). See Table A.1 for details.

It is not yet clear how the new “F-Process” reforms to align strategy and resourcing in the U.S. foreign assistance community will affect U.S. assistance to Pakistan. Pakistan was the first destination visited by the State Department’s former director of Foreign Assistance and administrator of USAID Randall Tobias, and it was designated a “fast track” or high-priority country,²⁹ leading some to wonder whether poverty goals would be subordinated to national security priorities. Despite both hopes and fears within the foreign aid community that this new process would radically alter business as usual, for Pakistan at least, early indications have been that those reforms will change very little in the short term.³⁰ The USAID mission in Pakistan has remained small, and severe restrictions remain in place on travel and choice of local partners.

In March 2007, however, the State Department announced a new initiative to channel U.S. aid to the Afghan border regions, including as much as \$750 million over five years for health and education to Federally Administered Tribal Areas (FATA).³¹ This clear prioritization of national security concerns in the delivery of U.S. aid is part of a counterinsurgency strategy to flood the area with U.S. assistance in the hopes of integrating one of the least developed regions into the rest of Pakistan while winning hearts and minds in the process. The government of Pakistan is set to provide an additional \$100 million per year for 10 years as a sign of its own interest in developing the tribal areas.

Figure 3.8 U.S. Development Assistance to Pakistan by Objective



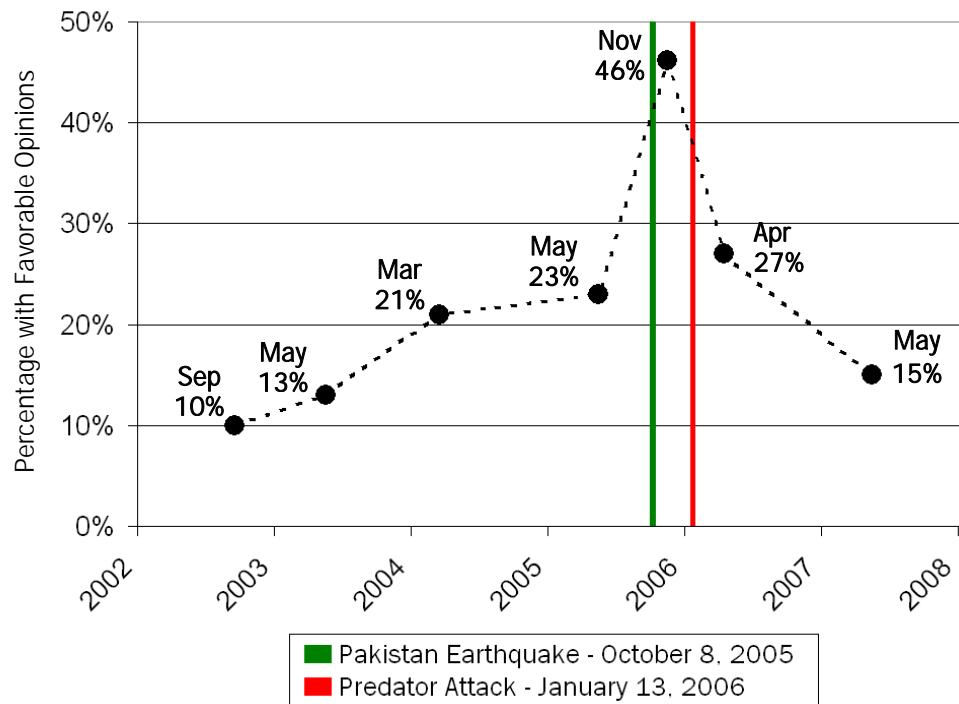
Note: Data from USAID and U.S. State Department Congressional Budget Justifications. See Table A.11 for details.

The effects of this initiative remain to be seen. Will implementing organizations and their intermediaries be trusted by local populations? Will the assistance reach the intended beneficiaries and have any real effect on winning hearts and minds while hard power continues to be exerted through missile strikes and military operations, and without addressing the underlying political status of the region? Will antipoverty efforts elsewhere in Pakistan suffer on account of this heavy focus on the country's northwest?

The earthquake relief in late 2005 and 2006 stands as a potential example both of what is possible and of what the limits may be to U.S. efforts for bringing Pakistanis to the U.S. side through the use of its soft power of attraction. The U.S. response to the October 2005 earthquake in Pakistan was the largest and longest relief effort in U.S. military history, employing more than 1,200 personnel at its peak, flying 5,200 helicopter sorties, ferrying 17,000 passengers, evacuating 3,751 casualties, and establishing two field hospitals that treated more than 35,000 patients.³²

Many in both the United States and Pakistan praised the U.S. military's speed, coordination, and public diplomacy efforts during the earthquake relief.³³ Favorable opinions of the United States increased from 23 percent of respondents in May 2005 to 46 percent in November 2005, just a month after the earthquake, while U.S. relief operations were under way.³⁴ Even though the Pakistani earthquake yielded a far smaller outpouring of assistance than the Asian tsunami of the year before,³⁵ U.S. efforts to lead in a large and visible way demonstrated that humanitarian relief remains an effective way of signaling U.S. commitment and good will, even in a country with negative views of the United States.

Figure 3.9 Favorability Ratings of the United States in Pakistan Opinion Polls



Note: Data from Pew Research Center and Terror Free Tomorrow. The "Favorable" poll ranking includes all subjects who indicated a "Very Favorable" or "Somewhat Favorable" opinion of the United States when given the question: "Please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of the United States?" The September 2002, May 2003, March 2004, May 2005, April 2006, and April–May 2007 polling was conducted by the Pew Research Center. See "Pew Global Attitudes Project: What the World Thinks in 2002," Pew Research Center, December 4, 2002, 77; "Pew Global Attitudes Project: Spring 2006 Survey," Pew Research Center, June 13, 2006, 4; and "Pew Global Attitudes Project: Global Unease With Major World Powers," Pew Research Center, June 27, 2007, 13. The November 2005 poll was commissioned by Terror Free Tomorrow. See "A Dramatic Change of Public Opinion in the Muslim World: Results from a New Poll in Pakistan," Terror Free Tomorrow, 2005, 7. The Pew and Terror Free Tomorrow polls used identical question wording and similar techniques and methodology, including contracting the same pollster, ACNielsen Pakistan to conduct the polls. See "A Dramatic Change of Public Opinion in the Muslim World," 5

Two notable points may have a bearing on future U.S. assistance efforts in FATA. The first is how quickly this bounce in support for the United States eroded in Pakistan. The U.S. favorability rating dropped to 27 percent of respondents by April 2006 and further—to 15 percent—in the most recent survey conducted in April and May 2007. Although many causes for this loss of support are likely, PCR Project interviews on the ground in the earthquake area and in other parts of Pakistan indicated that the U.S. military strike by an unmanned Predator aircraft on a Bajaur madrasah on January 13, 2006, played an important role in eroding the good will that the United States had built up after the earthquake. Figure 3.9 depicts this rise and fall of support.

Despite the U.S. military's success in delivering earthquake assistance, by many accounts relief efforts by Islamist groups were generally faster, more flexible, and better coordinated with local populations than the U.S. efforts. At least 17 organizations that were previously banned in Pakistan for links to terrorism were active participants in earthquake relief and closely coordinated their efforts with the army, in some instances aiding U.S. military and NATO response efforts.³⁶

Both of those issues point to the difficult context likely to confront U.S. assistance efforts in FATA, where Pakistani military operations continue and where militant bands hold sway. Although U.S. officials have argued that the U.S. government has successfully built schools and run health programs in the tribal areas through the use of contractors, and that the U.S. government is “not just going to dump money out of airplanes,”³⁷ the challenges of operating in this environment are considerable.

A 2003 assessment by the British government argued that the poverty of the tribal areas—where as much of 60 percent of the population lives below the poverty line, and where more than half of the population lacks access to clean drinking water—cannot be separated from the continued reliance on the traditional power structures of tribal *maliks* and the Pakistani government’s political agents. The British report argues, “There is a general acceptance that most rights are denied to most local people, particularly the poor. Women are the worst off.”³⁸ The Frontier Crimes Regulation (FCR), for instance, provides executive and judicial powers in a single authority and denies the right of appeal.

In such an environment, power is concentrated in the hands of a lucky few, and even membership in traditional *jirgas* is restricted to males from powerful tribes. Community improvement is not a priority, and the process of building schools and opening health clinics is unlikely to produce development in any broad sense. What is more likely to transpire is that the system of patronage used to maintain political authority will also co-opt the development funds provided to the tribal areas. The insecurity of the environment and the difficulty outsiders will face in monitoring results means that although a few residents may benefit from the assistance, the money may not alleviate poverty in the tribal areas in any meaningful way.

Pakistan’s FATA Sustainable Development Plan 2006–15 has been touted by U.S. officials as a comprehensive strategy that offers a way forward for spending \$750 million over the next five years. The plan’s goal is the right one: “FATA cannot continue to remain closed off from mainstream Pakistani society. Integration is the only viable option for the future.”³⁹ The plan’s poverty analysis concerning education, health, water supply and sanitation, and rural development is excellent. Despite the length of the report (161 pages), however, no mention of implementation and monitoring occurs until page 143, and the report devotes just three pages to a discussion of what is likely to be the principal challenge to developing the tribal areas.

Traditional civil authority is tied to the oppressive governance of the region, and civil society is virtually nonexistent. According to one development consultant, “The situation in FATA regarding civil society participation through NGOs and Rural Support Programs (RSPs) is dismal. The few NGOs that do exist in FATA cannot be entrusted with any major workload because of limited capabilities and absorption capacity.”⁴⁰ RSPs are the darlings of donors to Pakistan today. PCR Project researchers spent a morning visiting with an RSP in rural Punjab, and came away impressed with how community trust could be built around small-scale improvement projects. Whether such a model is transferable to what is likely to continue to be a conflict zone is less certain, however.

Perhaps the most promising option for working in the tribal areas is through public–private partnerships with existing private-sector companies that are already working in the region. A number of Pakistani and Pakistani-American companies operate in the tribal areas, using distribution chains and local networks that are more likely to be trusted than those used by the Pakistani government or by foreign donors. The feasibility of harnessing the private sector for development outcomes, however, is uncertain, because profit motives and the public good do not always coincide.

Official Development Assistance in Context

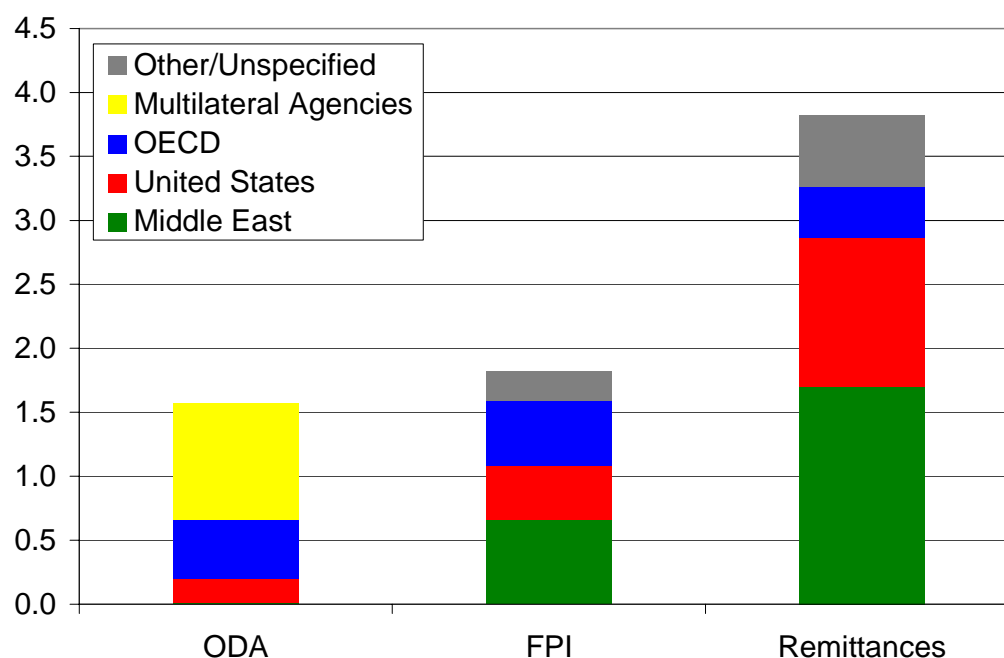
U.S. official development assistance (ODA) composes only a small portion of the financial flows dedicated to Pakistan by bilateral donors, multilateral donors, and non-state actors. Even so, multilateral assistance from the IFIs is heavily influenced by U.S. voting power on the boards of those institutions. U.S. investors provide roughly one-third of Foreign Private Investment (FPI) to Pakistan, with the bulk of the rest supplied by European, Japanese, and Gulf investors. Figure 3.10 details these financial inflows.

Like many ODA recipients, Pakistanis argue that trade policies have a much greater potential than foreign assistance to affect development. Although the United States is the main export market for Pakistani products, the Pakistani government has argued for more favorable terms of trade ranging from a reduction of restrictive tariffs on its textiles (which account for nearly 60 percent of Pakistani exports) to the elimination of travel warnings that discourage foreign investors and lead to visa difficulties that hinder the movement of Pakistani businesspeople. Figure 3.11 depicts Pakistan's annual trade with its major trading partners.

Islamabad has proposed opening American markets both as a way for the United States to earn goodwill and as a way to fight extremism that results from economic deprivation. A bilateral U.S. investment treaty or free trade agreement with Pakistan, for instance, such as that discussed by Presidents Bush and Musharraf in March 2006, could result in tens of thousands of more jobs for Pakistanis.⁴¹

The United States, however, is no longer the only option. Pakistan and China continue to grow closer economically. Pakistan's trade with China is on the rise, illustrated by Chinese efforts in building Gwadar port.⁴² Total Chinese investment in Pakistan in 2005 has been estimated at \$4 billion, up 30 percent from 2003. Chinese companies accounted for 12 percent of all foreign firms operating in Pakistan in 2005. In that year alone, China and Pakistan signed 22 trade agreements. China has recently announced that it is establishing an engineering, science, and technology university in Pakistan, and it has fixed a target of \$15 billion in bilateral trade over the next five years. Although the full scale of Chinese military assistance is not public, China and Pakistan have recently engaged in the joint production of a jet fighter, and China has sold Pakistan a number of navy frigates.⁴³

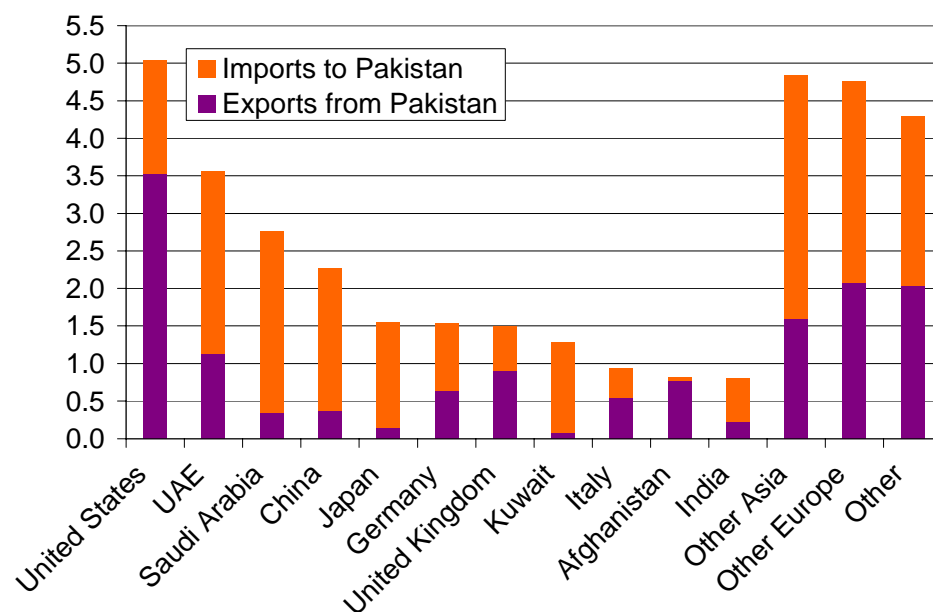
Figure 3.10 Reported Average Annual Financial Inflows to Pakistan



Note: See Tables A.13 through A.14 for details and sources. Official Development Assistance (ODA) is averaged over calendar years 2002 through 2005. Foreign Private Investment (FPI) is averaged over Pakistan FY 2003 through 2006. Remittances are averaged over Pakistan FY 2002 through 2006. The Middle East category includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and other unspecified "Arab countries." The OECD category includes: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, South Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. The Multilateral Agencies category includes: Asian Development Fund (AsDF), European Commission (EC), Global Environment Facility (GEF), Global Fund, Montreal Protocol, Nordic Development Fund, International Bank for Reconstruction and Development (IBRD)/World Bank, International Development Association (IDA), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Refugee Agency (UNHCR), United Nations Children's Fund (UNICEF), United Nations Technical Assistance (UNTA), World Food Programme (WFP), and various Arab agencies. The Other/Unspecified category consists of Hong Kong, Mauritius, Singapore, and other unspecified bilateral donors.

Pakistan's trade with India, meanwhile, remains stagnant. South Asia is one of the least economically integrated regions in the world. Intraregional trade accounts for less than 2 percent of South Asian GDP, compared to 20 percent of East Asian GDP.⁴⁴ International telephone calls provide a crude measure of integration—according to the World Bank, only 7 percent of international telephone calls originating in South Asia are to other countries in the region, compared to 71 percent of phone calls from East Asia that are intraregional.⁴⁵ Much of the trade between India and Pakistan is routed through Dubai, incurring significant additional costs. Reducing trade barriers between the two countries would eliminate those inefficiencies and would lead to substantially increased trade between them.⁴⁶

Figure 3.11 Pakistan's Average Annual Trade with Major Trading Partners



Note: See Table A.16 for details and sources.

The United States—through its direct government assistance, private investments, export market, and the opportunities it provides Pakistanis in the diaspora to send money home to their families—plays a significant role in supporting the Pakistani government, the country's civil society, and its private sector. Even so, the whole appears to be significantly less than the sum of its parts. The war on terror has come to define the Pakistan-U.S. relationship, and U.S. assistance is perceived by most Pakistanis as subordinate to that goal, rather than as money designed to assist in Pakistan's stability and prosperity.

Notes

¹ Pervez Musharraf, *In the Line of Fire*, (Free Press, 2006), 237.

² See Stewart Patrick, "Making Foreign Aid Reform Work," *The American Interest* (May/June 2007). Patrick states that U.S. assistance, excluding Department of Defense money, is delivered from 18 different spigots from the Department of State and USAID alone. Also see Gordon Adams, "Politics of National Security Budgets," Stanley Foundation, Muscatine, IA; February 2007.

³ Mark Mazzetti, "Military Role in U.S. Embassies Creates Strains, Report Says," *New York Times*, sec. 1, December 20, 2006.

⁴ Adams, "Politics of National Security Budgets."

⁵ See testimony of Richard Boucher in U.S. House Committee on International Relations, Subcommittee on National Security and Foreign Affairs, "Pakistan at the Crossroads; Afghanistan in the Balance," 110th Cong., July 12, 2007, <http://www.nationalsecurity.oversight.house.gov/story.asp?ID=1389>.

⁶ See testimony of Richard Boucher in U.S. House Committee on International Relations, Subcommittee on National Security and Foreign Affairs, "Pakistan at the Crossroads."

⁷ Interview with unnamed State Department official; see also "USAID, HEC expand Fulbright Scholarship Program," April 6, 2005, <http://www.islamabad.usembassy.gov/pakistan/h05040601.html>.

⁸ “Frequently Asked Questions about the Fulbright Graduate Student Program,” The United States Education Foundation in Pakistan, <http://www.usefpakistan.org/FulbrightFAQs.html>.

⁹ Richard Boucher, “Briefing on Pakistan,” U.S. Department of State, July 17, 2007, <http://www.state.gov/p/sca/rls/rm/2007/88582.htm>.

¹⁰ “Education,” Pakistan Economic Survey 2006-07, Government of Pakistan, Ministry of Finance, June 8, 2007, 170, http://www.finance.gov.pk/survey/sur_chap_06-07/11-education.PDF.

¹¹ Office of the Secretary of Defense, Coalition Support Fund Tracker, FY 2002–FY 2005, February 2006; Congressional Research Service.

¹² Senator Jack Reed, “Trip Report: Pakistan, Afghanistan, and Iraq,” (Washington, D.C., October 2006).

¹³ Interviews with unnamed Pentagon officials, Washington, DC, November 2006.

¹⁴ David Sanger and David Rohde, “U.S. Pays Pakistan to Fight Terror, but Patrols Ebb,” *New York Times*, May 19, 2007.

¹⁵ David O. Smith, “Facing Up to the Trust Deficit: The Key to an Enhanced U.S.–Pakistan Defense Relationship,” *Strategic Insights* 6, no. 4 (June 2007): 12–13, <http://www.ccc.nps.navy.mil/si/2007/Jun/smithJun07.pdf>.

¹⁶ U.S. Agency for International Development, “U.S. Emergency Economic Assistance to Pakistan,” <http://www.usaid.gov/pk/mission/news/eea.htm>.

¹⁷ “Pakistan Announces Budget Hike,” *International Herald Tribune*.

¹⁸ Boucher, “Pakistan at the Crossroads,” <http://nationalsecurity.oversight.house.gov/story.asp?ID=1389>.

¹⁹ Interview with unnamed U.S. Treasury Department official, Washington, D.C., February 2006.

²⁰ *Ibid.*

²¹ See the discussion of conditioning aid, particularly chapter 4, in Peter Uvin, *Human Rights and Development* (Bloomfield, CT: Kumarian Press, 2004).

²² Christine Fair and Peter Chalk, *Fortifying Pakistan: The Role of U.S. Internal Security Assistance* (Washington, DC: USIP Press Books, 2006).

²³ U.S. House Committee on International Relations, Proposed Sale of F-16 Aircraft and Weapons Systems to Pakistan, 109th Cong., 2nd sess., July 20, 2006, http://commdocs.house.gov/committees/intlrel/hfa28787.000/hfa28787_0f.htm.

²⁴ Interview with unnamed Pentagon officials, Washington, DC, May 2006.

²⁵ See table A.10 for a full listing of U.S. weapons sales to Pakistan between 2002 and 2006.

²⁶ U.S. Department of State, Bureau of Political-Military Affairs, “Foreign Military Training: Joint Report to Congress, FY 2005 and 2006,” September 2006, <http://www.state.gov/t/pm/rls/rpt/fmtrpt/2006/74686.htm>.

²⁷ C. Christine Fair and Peter Chalk, “United States Internal Security Assistance to Pakistan,” *Small Wars and Insurgencies* 7, no. 3, (September 2006): 333–55. See also USIP’s “Fortifying Pakistan: The Role of U.S. Internal Security Assistance,” by the same authors, 2006. (USIP Press, 2006).

²⁸ *Ibid.*

²⁹ USAID, Country-Level Foreign Assistance Extended Framework, “Proposed Fast Track Countries,” draft (May 2006).

³⁰ Interviews with unnamed State Department and USAID officials, Washington, DC, December 2006.

³¹ The \$750 million over five years was included in a budget request, pending congressional approval. See Richard Boucher, “Remarks by U.S. Assistant Secretary of State Richard Boucher at the Press Conference at U.S. Embassy, Islamabad, Pakistan,” March 15, 2007, <http://www.pakistan.usembassy.gov/pakistan/h07031501.html>.

³² Kenneth Braithwaite, “U.S. Humanitarian Assistance/Disaster Relief: Keys to Success in Pakistan,” *Joint Force Quarterly*, 44 (1st quarter 2007): 19.

³³ Husain Haqqani and Kenneth Ballen, “Our Friends the Pakistanis,” *Wall Street Journal*, December 19, 2005.

³⁴ See figure 3.9.

³⁵ John Lancaster, “A Wave of Aid That Doesn’t Match the Disaster,” *Washington Post*, sec. 2, November 13, 2005.

³⁶ John Ratcliffe, “Islamic Charities following the Indian Ocean Tsunami and Kashmir Earthquake,” in *Understanding Islamic Charities*, edited by Jon Alterman and Karin von Hippel (Washington, DC: CSIS Press, forthcoming).

³⁷ See testimony of Richard Boucher in U.S. House Committee on International Relations, Subcommittee on National Security and Foreign Affairs, "Pakistan at the Crossroads," <http://www.nationalsecurity.oversight.house.gov/story.asp?ID=1389>.

³⁸ "Pakistan Participatory Poverty Assessment, Federally Administered Tribal Areas (FATA) Report," UK Department for International Development, London, September 2003.

³⁹ FATA Sustainable Development Plan 2006–15, Government of Pakistan, 2006.

⁴⁰ Richard L. Smith, Ph.D. "Pakistan's Federally Administered Tribal Areas: Development Issues."

⁴¹ Simon Cameron-Moore, "Pakistan Sees U.S. Market Access to Fight Extremism," Reuters, March 28, 2006.

⁴² Sudha Ramachandran, "China's Pearl in Pakistan's Waters," *Asia Times*, March 4, 2005, www.atimes.com/atimes/South_Asia/GC04Df06.html.

⁴³ Owen Bennett Jones and Farzana Shaikh, "Pakistan's Foreign Policy Under Musharraf: Between a Rock and a Hard Place," Chatham House, Asia Programme (March 2006): 1–9.

⁴⁴ World Bank, Poverty Reduction and Economic Management Sector Unit, South Asia Growth and Regional Integration, December 2006, http://www-ds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/02/07/000020439_20070207135607/Rendered/PDF/378580SAS.pdf.

⁴⁵ World Bank, South Asia Growth and Regional Integration, 1.

⁴⁶ *Ibid.*, 137.

Chapter 4

Forging a New Partnership

Pakistan receives billions of dollars in assistance each year from the United States. For all intents and purposes, this U.S. money is tied to a specific national security rationale that originated on September 11, 2001. Most of the debate that occurs in Washington today focuses on how this money might be better used to bring about America's near-term security.

Some Americans believe that providing more money to the government of Pakistan will either eliminate or reduce the threat posed by al Qaeda and the Taliban, while others argue that threatening to provide less money, or none at all, will accomplish the same goals. Still others judge that no amount of money given to Musharraf will make U.S. soldiers fighting in Afghanistan or U.S. civilians any safer. They argue that new leaders ought to take power in Islamabad through democratic elections, or else the United States ought to take action into its own hands in Pakistan's tribal areas.

The basic premise underlying most of the U.S. assistance to Pakistan is that it buys cooperation by coercing or encouraging those who would otherwise act differently to take actions that meet U.S. objectives. This change is certainly how the effect of U.S. money is perceived by many in Pakistan—that U.S. assistance makes the Pakistani government beholden to the United States, rather than to its own citizens.

This problem is endemic throughout much of the post-colonial world. Donor assistance—just like natural resource wealth—actually weakens the bonds between the receiving state and its citizens because it diminishes the need for bargaining between rulers who require money and citizens who desire rights (the process by which citizenship emerged in the West). Instead, in countries with a relatively low domestic tax base, such as Pakistan, rulers deliver patronage in exchange for votes at home, and then compete with each other for the generosity of foreign donors in order to capture control of the spoils.

From the U.S. standpoint, judging the effectiveness of U.S. assistance that is intended to buy cooperation is relatively straightforward: it is a matter of whether U.S. objectives have been reached. The \$6 billion in U.S. Coalition Support Funds (CSF) provided to Pakistan since 9/11 ought to have denied al Qaeda and Taliban safe haven, but it has not done so. The \$1.6 billion provided to Pakistan in U.S. security assistance ought to have made Pakistan more secure both regionally and

internally, but even the result of this effort is uncertain. The \$1.6 billion provided in budget support may have helped Pakistan's economy to stabilize and take off, but Islamabad has done less well in spreading this newfound wealth to the poor and marginalized. The \$1 billion provided in development assistance and humanitarian aid has saved lives in the earthquake-affected zone and has undoubtedly improved existence for small numbers of Pakistanis throughout the country, but this U.S. assistance has done little to address the underlying fault lines in the Pakistani state or society.

What Is Effective Assistance?

U.S. foreign assistance has many aims, among them meeting urgent national security objectives, encouraging economic growth and opening new markets, reducing poverty, and saving lives. The central argument of this report is that for U.S. assistance to be effective in a nation like Pakistan, which receives a large amount of assistance, U.S. aid must go beyond transactional or quid pro quo assistance, and must instead address the key drivers of conflict, instability, and extremism in the country.

The United States must find ways of reducing the immediate threat posed by al Qaeda and the Taliban but must be very careful in doing so, either directly or through proxies. The United States must ensure that its aid does not increase the likelihood of conflict, instability, and extremism in Pakistan, thereby undermining broader U.S. strategic goals. The U.S. national security imperative of September 11 was many years in the making. Terrorist groups such as al Qaeda and the Taliban existed long before the attacks on the World Trade Center and the Pentagon. Al Qaeda and the Taliban require leadership, money, and safe haven to flourish, but those groups also exploit the underlying conditions in their environments: poverty; ineffective, corrupt, and illegitimate governance; impunity and injustice; sectarian and ethnic divisions; the lack of opportunities and education for youth; and the humiliation and disrespect felt by even those Muslims who are predisposed to ally themselves with the United States.

The United States must recognize that this new phase of its relationship with Pakistan will last for at least another quarter century. There is no walking away from it, as in the 1990s. Pakistan is and will continue to be vital to U.S. national security, regional security, and the security of the entire Muslim world. What the United States does now will help to lay the groundwork for what will arise in Pakistan in the next generation. The current U.S. administration is already making important strides in this regard, but the forward-looking outlook advocated here has generally been subordinated to short-term security objectives, and that outlook has not been well integrated into an overall strategy.

For U.S. assistance to be effective in a nation like Pakistan, the assistance must move toward the following five goals:

1. **Broaden the partnership.** Aid works best when donor objectives are aligned with the aims of local partners, are grounded in local realities, and are open to regular evaluation by local residents. This goal requires a better, fuller understanding of Pakistan. The limited number of U.S. scholars and practitioners who focus on Pakistan tend to see the country through a lens focused primarily on India or Afghanistan. The United States must become aware of the important ways in which Pakistan is changing. The current partnership must be broadened so that shared objectives involve input from legislators, civil society, the judiciary, and Pakistan's private sector. The United States should not establish too close a partnership with any particular leader or institution in Pakistan but must broaden the range of its diplomatic contacts to include conservatives in the Islamic world, who may well have a better sense than so-called moderates about local aspirations.
2. **Increase transparency.** This study has demonstrated that little transparency exists regarding how much money the United States spends in Pakistan and where U.S. assistance goes. After months of research, the PCR Project believes that billions of dollars might still be unaccounted for despite the availability of simple reporting mechanisms. This lack of transparency hinders policymakers' ability to make strategic decisions on the basis of all available information. It also breeds public distrust and cynicism in both the United States and Pakistan about the nature of the partnership.
3. **Become more catalytic and more flexible.** When a crisis arises, the cry to do something quickly is great, and the first response is often to increase the scale of what is already being done with the same partners. Such repetition is compounded by structural inflexibility in the way foreign aid is allocated and disbursed.¹ Once funds have been appropriated and programmed, shifting money to meet different or newer problems is rarely attempted. The United States should do more to encourage innovation and entrepreneurship with its aid delivery in Pakistan. The United States should recognize its own limitations in this regard and should seek instead to play more of a catalytic role in building local capacity.
4. **Develop an integrated strategy aligned with resources.** The PCR Project's research suggests that the United States does not have a well-integrated Pakistan strategy that cuts across all relevant departments and agencies. Points of collaboration may occur, but such collaboration is on an ad hoc basis, and is the exception rather than the norm. The United States must encourage a bipartisan group of key decisionmakers and budget experts from both the executive branch and Capitol Hill to confer and develop a prioritized funding strategy for Pakistan.
5. **Integrate hard and soft power.** No magic formula exists for striking the proper balance between coercion and persuasion in getting Islamabad to share Washington's goals. A clear imbalance of resources does exist, however, placing short-term security cooperation above longer-term relationship building. For example, only about 25 percent of U.S. embassy employees in

Islamabad represent the State Department, meaning that the civilian side of the U.S. government lacks the right people, training, and funds to function as a capable partner for either the Department of Defense or the U.S. intelligence community. Moreover, a strategy driven by security personnel is often skewed toward short-term, concrete targets, even when such targets account for a small portion of what is necessary to build long-term security in a counterinsurgency environment, such as the tribal areas. If a civilian–military consensus could be established on such issues as the importance of alleviating poverty and addressing poor governance, the U.S. development community would no longer have to fear subordination of its programs to national security priorities, even in a post-9/11 world. A consensus on both sides of the aisle would assume that poverty and alienation are underlying conditions, which are easily exploited all over the world, even if they do not directly produce terrorists.

The five years during which aid to Pakistan ramped up after September 11, 2001, may be too short a period to expect enormous change. Yet the recent trends appear worrisome, and the current mix of U.S. assistance does not seem to be affecting what truly matters in Pakistan today. Improvements are clearly possible. The place to start is with a redefinition of the U.S.–Pakistan partnership and with a common understanding of shared goals. What follows are three initial steps toward implementing that vision.

How Should a New Course Be Charted?

Redefine the Relationship

The United States and Pakistan must forge a new partnership in order to address the major challenges in Pakistan and across the South Asia region. To begin, both sides will need a better understanding of their respective roles and responsibilities.

The United States must take a more modest approach, one that accepts the premise that U.S. assistance can be only a catalyst in a country of Pakistan's size, complexity, and independence of mind. Well-directed and balanced aid, however, can make a difference. The United States must recognize its own limitations *and* the importance of its influence, which will require a careful pairing of short-term exigencies and long-term objectives. Funding may still come with expectations, and even conditions, but there must also be a better awareness of what is realistic and achievable on the ground in Pakistan.

Pakistan is at a critical point in its development, one at which an honest self-assessment is overdue. Pakistan is finding its own post-colonial voice and is benefiting from renewed international interest and regional economic growth. At the same time, Pakistan must address its primary social fault lines: (a) its culture of impunity and injustice, (b) the discontent in its provinces, (c) its widespread ethnic and sectarian tensions, (d) its shortage of natural resources, and (e) its growing population of ill-prepared youth. Pakistan is not a fragile state, but it shows signs of fragility in certain key areas, particularly those in which the

national government either cannot or will not deliver core functions to the majority of its people. How to tackle and resolve such issues and how to engage Pakistan's people in the process remain a widespread concern, particularly if Pakistan's military rulers continue to co-opt civil society rather than form an equal partnership with it.

With a greater sense of purpose, Pakistan can fulfill much of its national promise and can make itself and its neighborhood safer. The United States can help.

The PCR Project recommends that the following actions be taken by Pakistan and the United States:

1. **Develop a joint strategic agreement that will guide the bilateral relationship for the next five years.** The precondition for progress in the bilateral relationship between the United States and Pakistan is a publicly articulated agreement between the two countries. Transparency matters, as does the establishment of a broad-based dialogue that extends well beyond the usual suspects in Islamabad and Washington. The guiding goals should deal with security, governance, justice, and economic and social well-being.

The alignment of broad objectives between donor and recipient is central to any progress. Such an alignment makes possible the development of an integrated strategy. If agreement can be reached on the desired direction, then trust, balance, and a broader range of partners in both the United States and Pakistan will also become possible, as well as the likelihood of sustained bipartisan support.

Such an agreement, based on an understanding that there will be substantial responsibilities for both countries, is a critical first step toward developing an approach that is supported by the citizens of Pakistan and the United States. Shared objectives must be reinforced, rather than undermined, by the United States's overall assistance strategy.

2. **Improve knowledge between the two countries at all levels.** Fundamental misunderstandings between the United States and Pakistan are great, and the lack of key information about Pakistan presents real dangers. U.S. leaders who call for military action in the tribal areas clearly lack a full appreciation of the national crisis that such a move might precipitate. For too long, U.S. policymakers have relied too heavily on Pakistan's military as a source of information and considerable gaps now exist in U.S. knowledge of this vital institution.

Positive steps are under way. The opening of an entire region of Pakistan as a result of earthquake assistance has vastly improved the U.S. appreciation of many challenges in Kashmir. Similarly, the expansion of the Fulbright and International Military Education and Training (IMET) programs are positive steps, but much more needs to be done.

There is a need for a true center of gravity within the U.S. government, one that forces a wiser interpretation of Pakistan. A working-level executive committee (EXCOM)—that includes personnel from U.S. military, intelligence, diplomatic, development, humanitarian, treasury, trade, justice, health, agriculture, and homeland security agencies—could reach out to a broader network of contacts in Pakistan and in the United States in order to reassess Pakistan strategy and resources. The EXCOM members should be tasked with the following actions:

- Begin a cross-agency analysis of all parts of Pakistani society.
 - Develop an effective interagency planning process for various contingencies in Pakistan.
 - Complete a full accounting of funds being spent by the U.S. government in Pakistan, and encourage the public posting of this information in both countries on the Internet and in the media.
 - Engage Capitol Hill, and encourage the travel of key members of Congress into all regions of Pakistan.
 - Enhance public diplomacy to bring attention to the new approach within Pakistan.
 - Expand exchange programs so as to inspire a new generation of informed experts, journalists, and local leaders in both countries.
3. **Broaden the number of U.S. partners in Pakistan.** The exclusive handshake that has governed the U.S.-Pakistan relationship since 9/11 has run its course, and it is time to prepare for a smooth and democratic transition. At some point in the foreseeable future, President Musharraf will leave office. U.S. relationships must be established with a broader range of Pakistanis rather than with a single leader, institution, or party. Rather than complain that Musharraf is the only U.S. alternative or that the traditional Pakistani political parties are corrupt, the U.S. government should start contributing to the development of new leaders across Pakistan by taking initiatives such as the following:
- Identify accountable and respected municipal and provincial authorities in Pakistan, and encourage direct local programming and pilot projects.
 - Launch a Track II strategic dialogue with both Pakistani and U.S. think tanks and civil society organizations.
 - Build the FATA assistance program into a model of how to form partnerships with the widest possible range of local leaders and citizens.
 - Improve direct contacts with emerging political figures at the lower and middle ranks of major and minor Pakistani political parties.
 - Open American Presence posts in every Pakistani province.

- Encourage U.S.-hosted public events in Pakistan that reinforce U.S. interest in Pakistan's people, from cultural exchanges to Iftar dinners.
- Develop a paid media campaign that demonstrates U.S. interest in the views of average Pakistanis that invites Pakistani responses.

All of those efforts will require a significant investment of U.S. talents and time. Well-trained and well-prepared Americans must become part of a more robust and open effort to build a lasting U.S.-Pakistani partnership. Without such a commitment, the U.S.-Pakistan relationship will not mature.

Make the Region Safer

Pakistan faces a series of regional security issues that also must be addressed in partnership with the United States. As long as a perceived threat exists to Pakistan's national security, vital resources are unlikely to be redirected from its military sector to address the many challenges the country is facing. Further economic development of Pakistan requires a national sense of public safety that results in a confidence-driven investment strategy. Despite its high rates of growth, South Asia remains one of the world's least integrated economic regions, and this lack of integration will improve only if threats are reduced.

How Pakistan feels about India directly affects Pakistan's dealings with its other neighbors: Afghanistan, Iran, and China. No amount of military hardware will allow Pakistan to feel secure next to India unless a broader understanding first develops between these two neighbors. President Musharraf and the current leaders of India have successfully moved the discussion forward, and sustained U.S. encouragement can only help develop this broader understanding. The South Asia region presents a threatening mix of nuclear powers, war, terrorism, border disputes, criminality, illicit trading, and domestic insurgencies and disturbances. The United States should assist Pakistan and its neighbors to address those destabilizing challenges together.

An opportunity exists for the United States to assist in improving regional understanding by providing leadership when necessary and at other times playing a supportive role. America must reassure Pakistan that NATO's commitment to Afghanistan is a long-term commitment. Washington should also help to drive an agreement on Kashmir, as well as help to convene regional talks about nuclear controls between India, Pakistan, and China, perhaps through the United Nations. Valuable U.S. contributions should continue, such as assistance in opening of cross-border trade between Pakistan and India east of Lahore.

The United States should continue to help Pakistan deal with its terrorist elements. Although there is broad agreement that foreign terrorists are living in Pakistan, their exact locations continue to be a mystery. Attacks on the Pakistani military are rising, yet plans to separate terrorists from the people remain unclear. Without the presence of soldiers or peace agreements making the tribal areas safer, what will a successful strategy look like?

Pakistan's people lack national confidence in its system of justice. A general feeling of powerlessness pervades Pakistan, from lack of public safety in the streets,

to corrupt police and ineffective courts, to the military seizure of national power and businesses. With no official recourse available to them, the growing frustration of Pakistanis is a primary threat to the country's stability. Progress toward restoring national confidence will depend on a restoration of the rule of law.

The PCR Project recommends the following actions:

1. **Encourage a regional security approach.** The United States should promote the participation of all neighboring states in the development of a regional security plan for South Asia. First steps could include the following:
 - Convene a conference in the region of all U.S. ambassadors and key U.S. military leaders to develop an integrated strategy and define the U.S. role.
 - Recommend regional talks and the development of a peace-building agenda among Pakistan, India, Afghanistan, and potentially their neighbors.
 - Review the U.S. military assistance portfolio, and ensure that weapons sales and transfers prioritize terrorist threats.
 - Encourage continued talks on Kashmir and potential UN involvement.
 - Seek new incentives for cross-border initiatives to spur regional trade and integration, such as connecting roads and streamlining customs systems.
2. **Develop an integrated strategy for dealing with terrorists.** The presence of foreign terrorists in Waziristan and Baluchistan, Taliban elements along the Afghan border, and Taliban supporters throughout Pakistan is a threat to Pakistan, the United States, and U.S. allies. Until now, most efforts to deal with the problem have been ineffective. The U.S. perspective remains too dependent on a military approach.

A wiser approach would incorporate several new elements:

- Recognize that all internal military action must be led by Pakistan, with some possible covert assistance from the United States.
- Pursue broader cooperation in the tribal areas between Afghanistan, Pakistan, and NATO.
- Encourage more direct contacts by U.S. government representatives with the residents of the tribal areas.
- Change the way the central government deals with FATA.
- Recognize connections between the tribal areas and Pakistanis living and working elsewhere in Pakistan and abroad.

The development of a FATA assistance and counterinsurgency program holds promise. Still, a great need exists for better information, for cross-border initiatives, and for programming that will engage the people of the region.

The following actions would help:

- Disclaim the possibility of direct U.S. military action within Pakistan.
- Expand the collection of information in FATA.
- Build a communications network throughout the tribal areas that will facilitate two-way exchanges of information and the dampening of rumors.
- Encourage the U.S. government's FY 2008 FATA initiative of \$150 million to increase the role of Rural Support Program mechanisms that ensure local community involvement.
- Develop a massive public information campaign that emphasizes governance reforms in the tribal areas.

Reducing threats without producing greater complications should be the operating framework for any plan dealing with the tribal areas.

3. **Focus assistance on Pakistan's culture of impunity and injustice.** The central challenge of Pakistan's transition is the restoration of the rule of law. This is at the root of Pakistan's instability, yet U.S. assistance fails to sufficiently target the problem. Long after the controversy over the suspension and reinstatement of Chief Justice Chaudhry has passed, Pakistan will still require a strong and independent judiciary. The country's five chief judges of its provincial and national supreme courts play a determinative role in the delivery of justice in Pakistan. The United States and its allies ought to help Pakistan to pursue the following goals:

- Help to ensure that the succession of both Pakistan's president and prime minister will be constitutional and legal.
- Undertake a thorough, independent review of Pakistan's justice system with a particular emphasis on its role in constitutional crises, including the military's seizure of power.
- Demonstrate that Pakistani courts are allowed to deal fairly with the pending charges against past political leaders, perhaps through the Supreme Court's appointment of a small group of respected retired jurists to weigh in on the cases.
- Invest in dispute resolution institutions that will help to negotiate differences between Pakistan's four provinces, on matters such as energy and water disputes.
- Develop a national plan to professionalize the Pakistani police.

Structure Assistance to Priority Needs

The day-to-day pressures on the Pakistani state are great, and Islamabad must begin to face its largest problems in a way that provides tangible progress to its people. A combustible mix of taboo issues brewing for years needs both immediate and long-term attention. Those issues include the rapid growth of a young population, military controls and the fair distribution of land and natural resources.

With its massive and rapid population growth, Pakistan must focus on its youth. Half of Pakistan's 170 million people are under the age of 20, and the demographic shift will soon produce an even younger country. For decades, the deterioration of public education, coupled with the delivery of basic services by Islamist groups to the youth market, has heightened the importance of focusing on this critical population.

The oversized role of the Pakistani military continues to permeate all levels of governance and the business community. Public dissatisfaction with the shift is great, but there is also a sense that little can be done. Reform of Pakistan's security sector is overdue.

Pakistan's transition from colonial and feudal patterns of resource control to a modern and more equitable system must accelerate. If Pakistan is going to keep up with its neighbors, it must learn to navigate these difficult issues. All of these problems call for new mechanisms and approaches.

The PCR Project recommends the following actions:

1. **Develop a multidonor strategy to champion Pakistan's youth.** The United States should strive to become the country that brings opportunities to young Pakistanis, rather than remain the country perceived to be at war with Islam. The 9/11 Commission's emphasis on investment in education should be expanded, but in a targeted and catalytic way. A new approach, one broader than simple education, must capture the potential of Pakistan's youth through steps such as the following:
 - Invest in student exchanges and "virtual twinning" through the Internet between U.S. and Pakistani elementary and secondary schools.
 - Establish national youth projects for community improvements.
 - Create sports leagues and other recreational initiatives.
 - Develop mass communication efforts that use the Internet, television, radio, movies, and cell phones.
 - Send young Pakistani-Americans back to Pakistan for teaching fellowships.
2. **Encourage the devolution of responsibilities from Islamabad to the four provincial governments and to the local level.** Pakistan is too dynamic a country to be run effectively from the center. President Musharraf's devolution of authority, an important first step, did not decentralize enough responsibility from the federal government to the provinces. A domestic

regional strategy is needed. Among the steps that Pakistan should pursue are the following:

- Review national roles that could be carried out in the provinces and localities, and prepare a strategy for the transfer of authority.
- Build up the political and development capacity of regional governments.
- Invest in the development of capable local police forces within the regional legal systems.

3. **Develop mechanisms for dealing with long-standing issues in the provinces.** Multiple signs of internal stress are clearly visible inside Pakistan. The history of East Pakistan's separation weighs on the minds of national leaders, especially as provincial difficulties mount in Baluchistan, Northwest Frontier Province (NWFP), and Sindh. Resource disputes over water and energy will only compound the friction that exists over the armed deployment of a mostly Punjab-Pashtun military into regional disputes. Possible actions should include the following:

- Launch a national review of the regional composition of the Pakistan military, from its officer corps to its recruitment targets.
- Review the military's expansion into the business sector.
- Focus assistance on five national infrastructure projects with equitable distribution of benefits.
- Create a national hearing and mediation system rooted in civil society that provides a mechanism for resolution of sectarian and ethnic divisions.

U.S. assistance alone will not transform Pakistan, but U.S. assistance can help Pakistan transform itself. A more balanced U.S. approach toward assistance could well produce both short-range and long-term benefits for both countries.

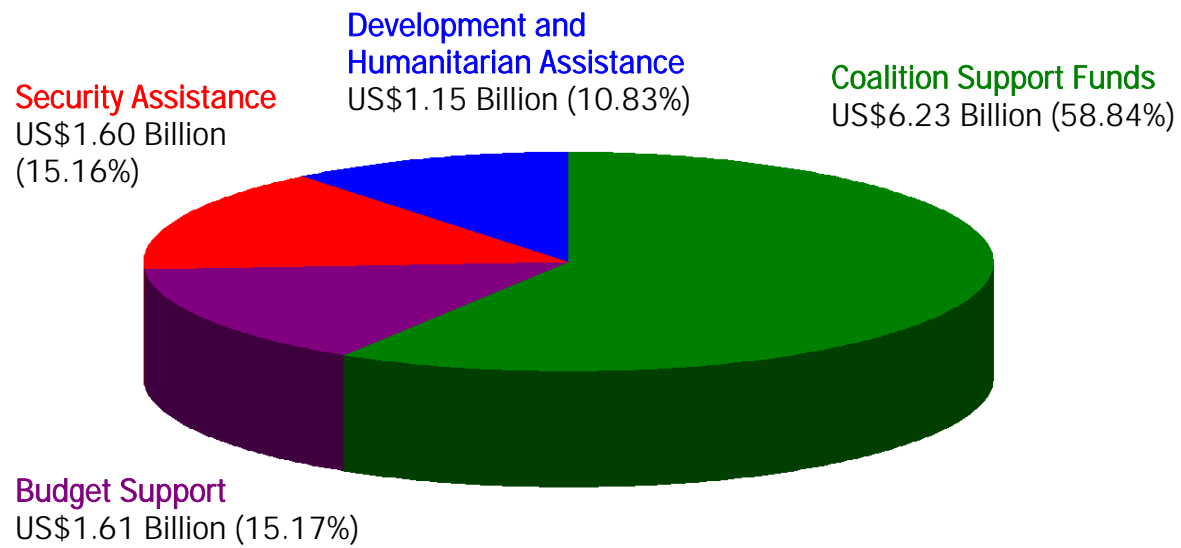
Notes

¹ For a discussion of congressional-executive relations on foreign assistance, see Charles Flickner, "Removing Impediments to an Effective Partnership with Congress" in *Security by Other Means*, edited by Lael Brainard, (Washington, D.C.: Brookings Institution Press/CSIS, 2007).

Appendix A

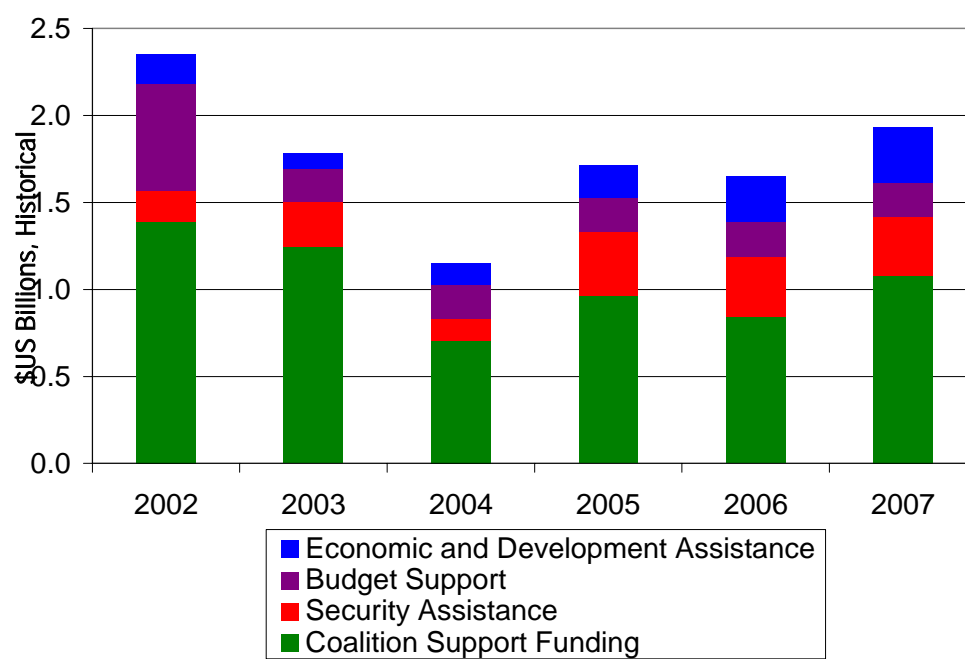
U.S. Assistance Data

Figure A.1 Allocation of U.S. Assistance to Pakistan, Total FY 2002-2007



Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

Figure A.2 Annual Allocation of U.S. Assistance to Pakistan, FY 2002-2007



Note: See Tables A.1 and A.2 for data and Table A.3 for sources.

	Programs & Accounts	A										F									
		2002		2003		2004		2005		2006		2007		2007		2007		2007		2007	
		Actual		Actual		Actual		Actual		Actual		Request		Request		2002-2007		2002-2007		2002-2007	%
CSF	CSF	1169.1		1246.6		705.3		963.8		844.9		0.0		0.0		4929.7		46.58%		46.58%	
		0.0		0.0		0.0		0.0		0.0		1076.6		1076.6		1076.6		10.17%		10.17%	
		220.0		0.0		0.0		0.0		0.0		0.0		0.0		220.0		2.08%		2.08%	
		617.5		188.0		200.0		200.0		200.0		200.0		200.0		1605.5		15.17%		15.17%	
		75.0		224.5		74.6		298.8		297.0		300.0		300.0		1269.9		12.00%		12.00%	
		0.0		0.4		8.6		13.0								22.0		0.21%		0.21%	
		0.9		1.0		1.4		1.9		2.0		2.1		2.1		9.3		0.09%		0.09%	
		0.0		1.3		0.7		0.7		0.7		0.3		0.3		3.7		0.04%		0.04%	
		90.5		31.0		31.5		32.2		35.0		25.5		25.5		245.6		2.32%		2.32%	
		10.1		0.7		4.9		8.0		8.6		10.3		10.3		42.6		0.40%		0.40%	
		0.6		0.0		1.4		9.2								11.2		0.11%		0.11%	
		7.0		0.0		0.0		97.6		96.6		260.0		260.0		461.2		4.36%		4.36%	
		10.0		34.5		49.4		29.0		27.0		29.0		29.0		178.9		1.69%		1.69%	
		14.0		15.6		25.6		21.0		22.8		21.7		21.7		120.7		1.14%		1.14%	
		76.6		0.0		9.6		2.0		0.0						88.2		0.83%		0.83%	
		0.0		0.0		0.0		0.0		70.0		0.0		0.0		70.0		0.66%		0.66%	
		0.0		9.0		6.0		10.2		17.9						43.0		0.41%		0.41%	
		3.4		5.5		8.4		0.0		15.7						33.1		0.31%		0.31%	
		8.7		6.9		5.8		5.9								27.3		0.26%		0.26%	
		25.0		0.0		0.0		0.0		0.0		0.0		0.0		25.0		0.24%		0.24%	
		0.0		4.2		0.0		5.8		6.2						16.2		0.15%		0.15%	
		10.0		0.0		0.0		0.0		0.0						10.0		0.09%		0.09%	
		5.8		5.5		11.7		9.0								32.0		0.30%		0.30%	
		0.9		2.6		2.9		3.3		4.5		6.0		6.0		20.1		0.19%		0.19%	
		7.7		4.0		0.0		4.0								15.7		0.15%		0.15%	
		0.2		0.4		0.4		1.6								2.6		0.02%		0.02%	
		0.1		0.6		0.6		0.4								1.7		0.02%		0.02%	
		0.4		0.0		0.0		0.0								0.4		0.00%		0.00%	
		0.0		0.0		0.2		0.0								0.2		0.00%		0.00%	
	Total	2353.5		1782.3		1148.9		1717.3		1648.8		1931.4		1931.4		10582.2		100.0%		100.0%	

Note: Sources for data in Table A.1 are listed in Table A.3. Data points and their corresponding footnotes are identified by row numbers and column letters. A summary of category totals appears in Table A.2.

Table A.2 Category Totals for Overt U.S. Assistance to Pakistan, FY 2002-2007 (\$US Millions Historical)									
Category	2002	2003	2004	2005	2006	2007	Sum	%	
Totals	Actual	Actual	Actual	Actual	Actual	Request	2002-2007	2002-2007	
Coalition Support Fund	1389.1	1246.6	705.3	963.8	844.9	1076.6	6226.3	58.84%	
Budget Support (Economic Support Fund Cash Transfer)	617.5	188.0	200.0	200.0	200.0	200.0	1605.5	15.17%	
Security Assistance	177.1	258.9	123.1	363.7	343.3	338.2	1604.3	15.16%	
Military Assistance (Subcategory)	75.9	227.2	85.3	314.4	299.8	302.4	1305.0	12.33%	
Internal Security Assistance (Subcategory)	101.2	31.7	37.8	49.3	43.6	35.8	299.4	2.83%	
Development and Humanitarian Assistance	169.8	88.8	120.5	189.8	260.6	316.7	1146.2	10.83%	
Development Assistance (Subcategory)	31.0	50.1	75.0	147.6	146.3	310.7	760.8	7.19%	
Humanitarian Assistance (Subcategory)	123.8	25.6	29.7	23.8	109.8	0.0	312.7	2.96%	
Other Assistance (Subcategory)	15.1	13.1	15.8	18.3	4.5	6.0	72.7	0.69%	
Total	2353.5	1782.3	1148.9	1717.3	1648.8	1931.4	10582.2	100.00%	

Note: Table A.2 summarizes data available in Table A.1. See Table A.3 for sources.

Table A.3 Overt U.S. Assistance to Pakistan Data Sources		
R	C	Source of Data
1	A	U.S. Library of Congress, Congressional Research Service, <i>Overt U.S. Assistance to Pakistan, FY 2001 – FY 2008</i> by Alan Kronstadt, Washington, D.C., 2007.
1	B	Ibid.
1	C	Ibid.
1	D	Ibid.
1	E	Ibid.
1	F	N/A
2	A	N/A
2	B	N/A
2	C	N/A
2	D	N/A
2	E	OSD-Policy Official, Correspondence with the author, June 8, 2007.
2	F	Ibid.
3	A	According to interviews, PKO was utilized like CSF in Pakistan before CSF was established. U.S. Department of State, Bureau of Research Management, <i>Fiscal Year 2004 Congressional Budget Justification for Foreign Operations</i> , Washington, D.C., 2003, http://www.state.gov/s/d/rm/rls/cbj/ , 436.
3	B	U.S. Department of State, Bureau of Research Management, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , Washington, D.C., 2004, http://www.state.gov/s/d/rm/rls/cbj/ , 457.
3	C	U.S. Department of State, Bureau of Research Management, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , Washington, D.C., 2005, http://www.state.gov/s/d/rm/rls/cbj/ , 487.
3	D	U.S. Department of State, Bureau of Research Management, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , Washington, D.C., 2006, http://www.state.gov/s/d/rm/rls/cbj/ , 511.
3	E	U.S. Department of State, Bureau of Research Management, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , Washington, D.C., 2007, http://www.state.gov/s/d/rm/rls/cbj/ , 564.
3	F	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
4	A	Budget Support is portion of ESF. U.S. Agency for International Development, <i>Congressional Budget Justification FY 2004: Pakistan</i> , Washington, D.C., 2003, http://www.usaid.gov/policy/budget/cbj2004/asia_near_east/Pakistan.pdf .
4	B	Budget Support is portion of ESF. U.S. Agency for International Development, <i>Congressional Budget Justification FY 2005: Pakistan</i> , Washington, D.C., 2004, http://www.usaid.gov/policy/budget/cbj2005/ane/pdf/pakistan_cbj_fy05.pdf .

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)

4	C	Budget Support is portion of ESF. U.S. Agency for International Development, <i>Congressional Budget Justification FY 2006: Pakistan</i> , Washington, D.C., 2005, http://www.usaid.gov/policy/budget/cbj2006/ane/pdf/pk_complete06.pdf .
4	D	Budget Support is portion of ESF. U.S. Agency for International Development, <i>Congressional Budget Justification FY 2007: Pakistan</i> , Washington, D.C., 2006, http://www.usaid.gov/policy/budget/cbj2007/ane/pdf/pk_complete.pdf
4	E	Budget Support is portion of ESF. U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 565 and 567.
4	F	Budget Support is portion of ESF. U.S. Agency for International Development, <i>Congressional Budget Justification FY 2007: Pakistan</i> .
5	A	U.S. Department of State, <i>Fiscal Year 2004 Congressional Budget Justification for Foreign Operations</i> , 436.
5	B	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
5	C	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
5	D	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
5	E	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
5	F	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
6	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> , Washington, D.C., 2005, http://www.qesdb.usaid.gov/gbk/ .
6	B	Ibid.
6	C	Ibid.
6	D	Ibid.
6	E	Unknown Value.
6	F	Unknown Value.
7	A	U.S. Department of State, <i>Fiscal Year 2004 Congressional Budget Justification for Foreign Operations</i> , 436.
7	B	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
7	C	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
7	D	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
7	E	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
7	F	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)		
8	A	OSD-Policy Official, Correspondence with the author, December 7, 2006.
8	B	Ibid.
8	C	Ibid.
8	D	Ibid.
8	E	Ibid.
8	F	Ibid.
9	A	U.S. Department of State, <i>Fiscal Year 2004 Congressional Budget Justification for Foreign Operations</i> , 436.
9	B	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
9	C	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
9	D	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
9	E	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
9	F	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
10	A	U.S. Department of State, <i>Fiscal Year 2004 Congressional Budget Justification for Foreign Operations</i> , 436.
10	B	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
10	C	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
10	D	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
10	E	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
10	F	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
11	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
11	B	Ibid.
11	C	Ibid.
11	D	Ibid.
11	E	Unknown Value.
11	F	Unknown Value.
12	A	U.S. Agency for International Development, <i>Congressional Budget Justification FY 2004: Pakistan</i> .
12	B	U.S. Agency for International Development, <i>Congressional Budget Justification FY 2005: Pakistan</i> .
12	C	U.S. Agency for International Development, <i>Congressional Budget Justification FY 2006: Pakistan</i> .

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)

12	D	U.S. Agency for International Development, <i>Congressional Budget Justification FY 2007: Pakistan</i> .
12	E	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
12	F	\$150,000,000 from U.S. Agency for International Development, <i>Congressional Budget Justification FY 2007: Pakistan</i> . \$110,000,000 from U.S. Congress, House, <i>Summary of the Fiscal 2007 Supplementary Funding Legislation</i> , 110 th Cong., 1 st sess., 2007, http://www.appropriations.house.gov/pdf/LongSummary.pdf .
13	A	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
13	B	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
13	C	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
13	D	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
13	E	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
13	F	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
14	A	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
14	B	U.S. Department of State, <i>Fiscal Year 2006 Congressional Budget Justification for Foreign Operations</i> , 487.
14	C	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
14	D	U.S. Department of State, <i>Fiscal Year 2008 Congressional Budget Justification for Foreign Operations</i> , 564.
14	E	U.S. Department of State, <i>Fiscal Year 2007 Congressional Budget Justification for Foreign Operations</i> , 511.
14	F	U.S. Department of State, <i>Fiscal Year 2005 Congressional Budget Justification for Foreign Operations</i> , 457.
15	A	U.S. Department of Agriculture, Foreign Agricultural Service, <i>Food Aid</i> , "Programmed U.S. Food Aid for FY 2002," Table II, 2002, http://www.fas.usda.gov/excredits/FoodAid/Reports/reports.html , 1.
15	B	U.S. Department of Agriculture, Foreign Agricultural Service, <i>Food Aid</i> , "Programmed U.S. Food Aid for FY 2003," Table II, 2003, http://www.fas.usda.gov/excredits/FoodAid/Reports/reports.html , 2.
15	C	U.S. Department of Agriculture, Foreign Agricultural Service, <i>Food Aid</i> , "Programmed U.S. Food Aid for FY 2004," Table II, 2004, http://www.fas.usda.gov/excredits/FoodAid/Reports/reports.html , 2.

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)		
15	D	U.S. Department of Agriculture, Foreign Agricultural Service, <i>Food Aid</i> , "Programmed U.S. Food Aid for FY 2005," Table II, 2005, http://www.fas.usda.gov/excredits/FoodAid/Reports/reports.html , 2.
15	E	U.S. Department of Agriculture, Foreign Agricultural Service, <i>Food Aid</i> , "Programmed U.S. Food Aid for FY 2006," Table IX, 2006, http://www.fas.usda.gov/excredits/FoodAid/Reports/reports.html , 1.
15	F	Unknown Value.
16	A	U.S. Library of Congress, Congressional Research Service, <i>Pakistani-U.S. Relations</i> by Alan Kronstadt, Washington, D.C., 2006, 29.
16	B	U.S. Library of Congress, <i>Pakistani-U.S. Relations</i> , 29.
16	C	Ibid.
16	D	Ibid.
16	E	Ibid.
16	F	Ibid.
17	A	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2002," 1.
17	B	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2003," 2.
17	C	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2004," 2.
17	D	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2005," 2.
17	E	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2006," 1.
17	F	Unknown Value.
18	A	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2002," 1.
18	B	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2003," 2.
18	C	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2004," 2.
18	D	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2005," 2.
18	E	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2006," 1.
18	F	Unknown Value.
19	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
19	B	Ibid.
19	C	Ibid.
19	D	Ibid.
19	E	Unknown Value.
19	F	Unknown Value.
20	A	U.S. Library of Congress, <i>Pakistani-U.S. Relations</i> , 29.
20	B	Ibid.
20	C	Ibid.
20	D	Ibid.
20	E	Ibid.
20	F	Ibid.
21	A	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2002," 1.
21	B	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2003," 2.

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)

21	C	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2004," 2.
21	D	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2005," 2.
21	E	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2006," 1.
21	F	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2002," 1.
22	A	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2002," 1.
22	B	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2003," 2.
22	C	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2004," 2.
22	D	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2005," 2.
22	E	U.S. Department of Agriculture, "Programmed U.S. Food Aid for FY 2006," 1.
22	F	Unknown Value.
23	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
23	B	Ibid.
23	C	Ibid.
23	D	Ibid.
23	E	Unknown Value.
23	F	Unknown Value.
24	A	U.S. Agency for International Development, "Table 1: Overseas Operating Expenses - Asia and Near East," in U.S. Agency for International Development, <i>Congressional Budget Justification FY 2005: Pakistan</i> , Washington, D.C., 2004, http://www.usaid.gov/policy/budget/cbj2005/ane/pdf/pakistan_cbj_fy05.pdf .
24	B	Ibid.
24	C	U.S. Agency for International Development, "Table 8: Overseas Operating Expenses," in U.S. Agency for International Development, <i>Congressional Budget Justification FY 2007: Pakistan</i> , Washington, D.C., 2006, http://www.usaid.gov/policy/budget/cbj2007/ane/pdf/pk_complete.pdf .
24	D	Ibid.
24	E	USAID Operating Expenses for FY 2006 are estimate levels, not actual levels as indicated by chart. Ibid.
24	F	Ibid.
25	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
25	B	Ibid.
25	C	Ibid.
25	D	Ibid.
25	E	Unknown Value.
25	F	Unknown Value.
26	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
26	B	Ibid.
26	C	Ibid.

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Table A.3 Overt U.S. Assistance to Pakistan Data Sources (continued)		
26	D	Ibid.
26	E	Unknown Value.
26	F	Unknown Value.
27	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
27	B	Ibid.
27	C	Ibid.
27	D	Ibid.
27	E	Unknown Value.
27	F	Unknown Value.
28	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
28	B	Ibid.
28	C	Ibid.
28	D	Ibid.
28	E	Unknown Value.
28	F	Unknown Value.
29	A	U.S. Agency for International Development, <i>U.S. Overseas Loan and Grants [Greenbook]</i> .
29	B	Ibid.
29	C	Ibid.
29	D	Ibid.
29	E	Unknown Value.
29	F	Unknown Value.

Note: Data points and their corresponding footnotes are identified by row numbers and column letters. A summary of category totals appears in Table A.2.

Table A.4 U.S. Assistance Allocations to Budget Support Recipients, FY 2002–2007

\$US Millions, Historical						
Israel						
	2002	2003	2004	2005	2006	2007
Development Assistance ¹	0.0	0.0	0.0	50.0	0.0	0.0
Budget Support ²	720.0	596.1	477.2	357.1	237.6	120.0
Security Assistance ³	2068.0	3086.4	2147.3	2202.5	2257.7	2340.3
Coalition Support Funds ⁴	0.0	0.0	0.0	0.0		
Egypt ⁵						
	2002	2003	2004	2005	2006	2007
Development Assistance	455.0	711.0	373.8	330.7	187.9	153.1
Budget Support	200.0	200.0	197.8	200.0	302.6	301.9
Security Assistance	1301.3	1292.8	1293.7	1291.3	1289.2	1303.1
Coalition Support Funds ⁶	0.0	0.0	0.0	0.0		
Jordan						
	2002	2003	2004	2005	2006	2007
Development Assistance ⁷	100.0	103.5	110.0	160.0	145.0	151.6
Budget Support ⁸	150.0	844.5	238.5	188.0	102.5	95.0
Security Assistance ⁹	103.6	608.5	210.0	309.5	213.4	210.7
Coalition Support Funds ¹⁰	21.6	52.1	98.0	0.0		
Pakistan ¹¹						
	2002	2003	2004	2005	2006	2007
Development Assistance	31.0	50.1	75.0	147.6	146.3	310.7
Budget Support	617.5	188.0	200.0	200.0	200.0	200.0
Security Assistance	177.1	258.9	123.1	363.7	343.3	338.2
Coalition Support Funds	1389.1	1246.6	705.3	963.8	844.9	1076.6

Note: Data from Foreign Operations and USAID Congressional Budget Justifications, the Coalition Support Fund Tracker, and Tables A.1 and A.3, as noted. Development Assistance includes ESF, DA, and CSH not allocated to Budget Support. Security Assistance figures include FMF, IMET, NADR. Budget Support is not well documented; only planned obligation amounts are available and actual outlays are not available. The revised assistance framework makes it more difficult to distinguish between project aid and budget support; a step backward. In the case of Jordan, for example, the State Department FY2008 CBJ lists actual FY 2006 economic growth allocations of \$184.5 million going to 11 different subcategories, the largest of which—"Monetary Policy"—presumably includes the Budget Support element. Note that "Approximately 45 percent of Jordan's ESF allotment each year goes towards a cash transfer to the GOJ [government of Jordan] for budgetary support." See: http://www.usaid.gov/policy/budget/cbj2008/fy2008cbj_full.pdf. For definitions see <http://www.state.gov/f/relases/factsheets2006/79645.htm>.

¹ Israel Development Assistance row data sources: U.S. Agency for International Development, *Congressional Budget Justification FY 2002*, Washington, D.C., 2001, <http://www.usaid.gov/pubs/cbj2002/>; U.S. Agency for International Development (USAID), *Congressional Budget Justification FY 2003*, Washington, D.C., 2002, <http://www.usaid.gov/pubs/cbj2003/>; U.S. Department of State, *Fiscal Year 2005 Congressional Budget Justification for Foreign Operations*.

² Israel Budget Support row data sources: USAID, Congressional Budget Justification FY 2004, FY 2005, FY 2006, FY 2007.

³ Israel Security Assistance row data sources: U.S. Department of State, Congressional Budget Justification for Foreign Operations Fiscal Year 2005, Fiscal Year 2006, Fiscal Year 2007, Fiscal Year 2008.

⁴ Israel Coalition Support Funds row data source: Office of the Secretary of Defense, *Coalition Support Fund Tracker*, FY2002-FY2005, February 2006; Congressional Research Service.

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Table A.4 U.S. Assistance Allocations to Budget Support Recipients, FY 2002–2007 (continued)

⁵ Egypt Development Assistance, Budget Support, and Security Assistance rows data sources: USAID, *Congressional Budget Justification FY 2003, FY 2004, FY 2005, FY 2006*; FY 2007; U.S. Department of State, *Congressional Budget Justification for Foreign Operations Fiscal Year 2004, Fiscal Year 2005, Fiscal Year 2006, Fiscal Year 2007, Fiscal Year 2008*.

⁶ Egypt Coalition Support Funds row data source: Office of the Secretary of Defense, *Coalition Support Fund Tracker*, FY2002–FY2005, February 2006; Congressional Research Service.

⁷ USAID, *Congressional Budget Justification FY 2004, FY 2005, FY 2007*, http://www.usaid.gov/policy/budget/cbj2007/ane/pdf/jo_complete.pdf.

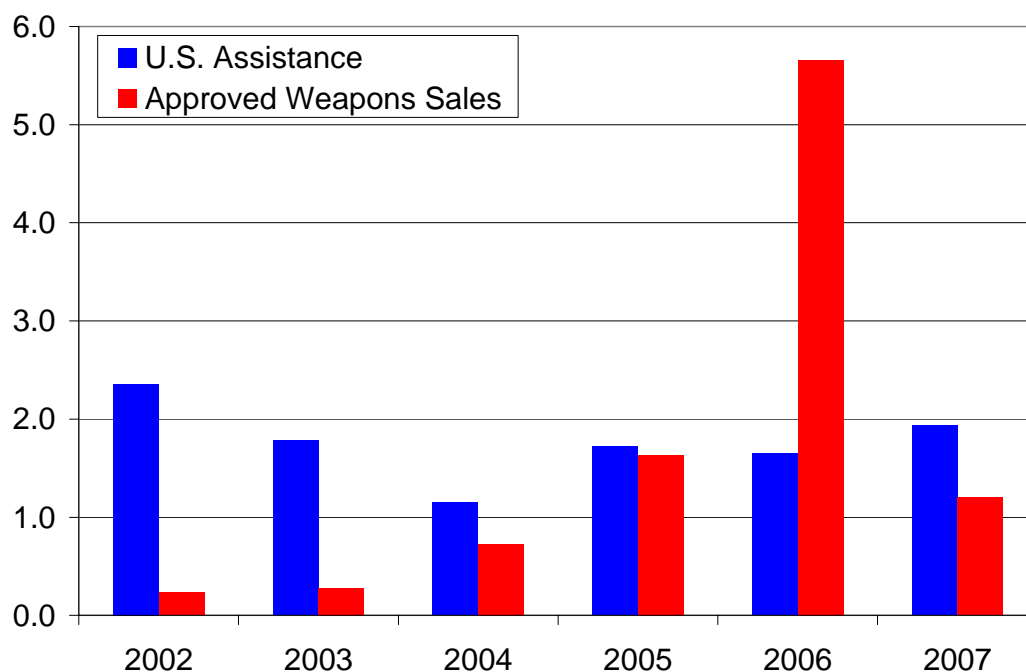
⁸ USAID, *Congressional Budget Justification FY 200, FY 2004, FY 2005, FY 2007*.

⁹ U.S. Department of State, *Congressional Budget Justification for Foreign Operations Fiscal Year 2004, Fiscal Year 2005, Fiscal Year 2006, Fiscal Year 2007, Fiscal Year 2008*.

¹⁰ Jordan Coalition Support Funds row data source: Office of the Secretary of Defense, *Coalition Support Fund Tracker*, FY2002–FY2005, February 2006; Congressional Research Service.

¹¹ See Tables A.1 and A.2 for data and Table A.3 for sources.

Figure A.3 U.S. Assistance and Approved Weapons Sales to Pakistan, FY 2002-2007



Note: See also Table A.5. See Tables A.1 and A.2 for data and Table A.3 for sources on U.S. assistance and Tables A.6 through A.10 for data and sources on approved U.S. weapons sales.

Figure A.3 compares U.S. assistance to Pakistan with approved U.S. weapons sales to Pakistan. Foreign Military Financing (FMF) may be used to help finance weapons purchases. The remainder is financed by Pakistan. Actual transactions of articles or services for funds are not necessarily conducted in the year weapons sales are approved. Approvals for sale of defense articles through the Direct Commercial Sales program, for example, "are valid for four years and may be used throughout their period of validity to carry out the authorized export transactions," according to U.S. Department of State, Directorate of Defense Trade Controls, "Section 655 Report: 2006," Washington, D.C., 2006, http://www.pmddtc.state.gov/docs/rpt655_FY06.pdf, 1.

Table A.5 Approved U.S. Weapons Sales to Pakistan, FY 2002-2007		
Portion	Amount (\$US)	Category
54.90%	5,339,553,948	Fighter Aircraft and Weapons
26.62%	2,589,166,759	Support Aircraft and Other Air
10.91%	1,061,139,976	Advanced Weapons Systems
7.18%	698,237,228	Electronics and Communications
0.39%	37,906,836	Miscellaneous
100.0%	9,726,004,747	Total Approved Weapons Sales

Note: See also Figure A.3. See Tables A.6 through A.10 for data and sources.

Table A.6 Fighter Aircraft and Weapons Approved Weapons Sales, FY 2002-2007

Foreign Military Sales		
FY	Amount (\$US)	Description
2006	3,000,000,000	F-16C/D Block 50/52 Aircraft ¹
2006	1,300,000,000	F-16A/B Mid-Life Update Modification Kits ²
2006	650,000,000	Weapons for F-16C/D Block 50/52 Aircraft ³
2006	151,000,000	F-16 Engine Modifications and Falcon UP/STAR Structural Upgrades ⁴
2005	46,000,000	AIM-9M-1/2 SIDEWINDER Missiles ⁵
Sub	5,147,000,000	52.92% of Total Approved Military Sales
Direct Commercial Sales⁶		
FY	Amount (\$US)	Description
2006	15,990,291	Engine Jet F-100 Spare Parts
2006	5,000,000	Aircraft, Trainer T-37, Spare Parts
2006	3,390,790	Aircraft, Fighter F-16, Spare Parts
2006	408,826	Engine Jet J-69 Spare Parts
2006	23,512	Missile, AIM Spare Parts & Sup Equip
2006	11,511	Missile, Sidewinder Spare Parts (Non-Specific Type)
2006	574	Engine Jet T-56 Spare Parts
2005	36,500,000	Engine Jet F-100 Spare Parts
2005	20,037,433	Engine Jet T-56 Spare Parts
2005	13,456,936	Forward Looking Infrared (FLIR) Systems
2005	5,067,202	Engine Spare Parts & Components Misc.
2005	4,008,000	Engine Jet J-69 Spare Parts
2005	500,745	Aircraft Fighter F-16 Spare Parts
2005	82	Engine Jet T-53 Spare Parts
2004	17,351,393	Aircraft Fighter F-16 Spare Parts
2004	5,000,000	Engine Jet F-100 Spare Parts
2004	2,133,216	Missile, AIM Spare Parts & Sup Equip
2004	859,945	Engine Jet T-56 Spare Parts
2004	607,800	Missile Spare Parts (Non-Specific Type)
2004	201,450	Engine Jet T-53 Series
2004	103,377	Aircraft Trainer T-37 Spare Parts
2004	37,000	Engine Jet T-53 Spare Parts
2004	37,000	Engine Jet T-53 Spare Parts
2004	24,600	Aircraft Fighter F-5 Spare Parts
2004	1,850	Aircraft Attack A-37 Spare Parts
2003	41,739,320	Aircraft Fighter F-16 Spare Parts
2003	13,014,560	Engine Jet T-56 Spare Parts
2003	5,475,000	Engine Jet F-100 Spare Parts
2003	1,345,825	Aircraft Trainer T-37 Spare Parts
2003	225,710	Engine Jet T-53 Spare Parts
Sub	192,553,948	1.98% of Total Approved Military Sales
Total	5,339,553,948	54.90% of Total Approved Military Sales

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Table A.6 Fighter Aircraft and Weapons Approved Weapons Sales, FY 2002-2007 (continued)

Note: Data from U.S. Department of State, Directorate of Defense Trade Controls, and U.S. Department of Defense, Defense Security Cooperation Agency, as noted.

¹ U.S. Department of Defense, Defense Security Cooperation Agency, "F-16C/D Block 50/52 Aircraft," Transmittal No. 06-06, Washington, D.C., 2006.

² U.S. Department of Defense, Defense Security Cooperation Agency, "F-16A/B Mid-Life Update Modification Kits," Transmittal No. 06-10, Washington, D.C., 2006.

³ U.S. Department of Defense, Defense Security Cooperation Agency, "Weapons for F-16C/D Block 50/52 Aircraft," Transmittal No. 06-34, Washington, D.C., 2006.

⁴ U.S. Department of Defense, Defense Security Cooperation Agency, "F-16 Engine Modifications and Falcon UP/STAR Structural Upgrades," Transmittal No. 06-11, Washington, D.C., 2006.

⁵ U.S. Department of Defense, Defense Security Cooperation Agency, "AIM-9M-1/2 SIDEWINDER Missiles," Transmittal No. 05-19, Washington, D.C., 2005.

⁶ Direct Commercial Sales in Tables A.6 through A.10 are collated by weapon type from data provided in State Department Section 655 Congressional Notifications from Fiscal Year 2003 through Fiscal Year 2006. Fiscal Year 2007 data was not yet available at the time of publication. For Fiscal Year 2003, see: U.S. Department of State, Directorate of Defense Trade Controls, "Section 655 Report: 2003," Washington, D.C., 2003, http://www.pmddtc.state.gov/rpt655_2003_intro.htm; FY2004, see: U.S. Department of State, Directorate of Defense Trade Controls, "Section 655 Report: 2004," Washington, D.C., 2004, http://www.pmddtc.state.gov/rpt655_2004_intro.htm; FY2005, see: U.S. Department of State, Directorate of Defense Trade Controls, "Section 655 Report: 2005," Washington, D.C., 2005, http://www.pmddtc.state.gov/rpt655_2005_intro.htm; FY2006, see: U.S. Department of State, Directorate of Defense Trade Controls, "Section 655 Report: 2006," Washington, D.C., 2006, http://www.pmddtc.state.gov/docs/rpt655_FY06.pdf.

Table A.7 Support Aircraft and Other Air Approved Weapons Sales, FY 2002-2007

Foreign Military Sales		
FY	Amount (\$US)	Description
2007	855,000,000	E-2C Hawkeye 2000 Airborne Early Warning Suite for P-3s ¹
2005	970,000,000	P-3C Aircraft ²
2004	97,000,000	Bell 407 Helicopters ³
2002	75,000,000	C130 Hercules Cargo Aircraft ⁴
Sub	1,997,000,000	20.53% of Total Approved Military Sales
Direct Commercial Sales⁵		
FY	Amount (\$US)	Description
2006	37,996,162	Aircraft, Cargo C-130 Series, Spare Parts
2006	12,743,133	Helicopter Spare Parts, Miscellaneous
2006	10,561,573	Aircraft, Spare Parts Miscellaneous
2006	1,800,000	Category VIII: Aircraft and Associated Equipment
2006	176,900	Helmets Pilot (All Models)
2006	172,900	Electronic Countermeasures Equipment
2006	31,250	Head-Up Displays (All Models)
2006	21,801	Technical Data Category VIII
2006	9,002	Flight Simulators, All Types
2006	5,600	Aircraft, Cargo C-130 Series
2006	5,000	Technical Data, Helicopter
2006	3,726	Aircraft, Patrol P-3, Spare Parts
2005	10,237,000	Category VIII: Aircraft and Associated Equipment
2005	6,271,444	Helicopter Spare Parts, Miscellaneous
2005	2,262,023	Aircraft Cargo C-130 Spare Parts
2005	1,451,703	Aircraft Spare Parts Miscellaneous
2005	940,000	Inertial Navigation Systems (All Models)
2005	206,015	Helmets Pilot (All Models)
2005	100,351	Technical Data Category VIII
2005	20,000	Flight Simulators, All Types
2005	9,672	Aircraft Patrol P-3 Spare Parts
2005	2,600	Aircraft Ground Support Equipment
2005	150	Technical Data Helicopter
2005	118	Breathing Equip (Airborne Models)
2005	1	Training Equipment (All Types)
2004	301,292,976	Category VIII: Aircraft and Associated Equipment
2004	12,000,000	Helicopter UH-1 Series
2004	8,928,599	Aircraft Spare Parts Miscellaneous
2004	3,937,336	Helicopter Spare Parts, Miscellaneous
2004	3,635,000	Inertial Navigation Systems Spare Parts
2004	1,000,000	Aerial Camera Spare Parts
2004	515,797	Engine Spare Parts & Components Misc.

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Table A.7 Support Aircraft and Other Air Approved Weapons Sales, FY 2002-2007 (continued)

2004	283,645	Helmets Pilot (All Models)
2004	276,931	Aircraft Cargo C-130 Spare Parts
2004	110,065	Aircraft Patrol P-3 Spare Parts
2004	47,527	Helicopter Supp Equip Spare Parts
2004	6,725	Aircraft Aerial Refueling Spare Parts
2004	6,079	Helicopter S-61 Series
2004	1,150	Technical Data Helicopter
2003	101,500,000	Category VIII: Aircraft and Associated Equipment
2003	24,571,185	Aircraft Spare Parts Miscellaneous
2003	22,305,233	Aircraft Cargo C-130 Spare Parts
2003	13,501,508	Helicopter Supp Equip Spare Parts
2003	8,093,491	Engine Spare Parts & Components Misc.
2003	3,900,000	Category VIII, XI: Aircraft and Associated Equipment, Military Electronics
2003	1,022,129	Aircraft Patrol P-3 Spare Parts
2003	152,106	Helmets Pilot (All Models)
2003	51,003	Parachutes (Personnel)
2003	150	Technical Data Category VIII
2003	0	Category XV: Spacecraft Systems and Associated Equipment
Sub	592,166,759	6.09% of Total Approved Military Sales
Total	2,589,166,759	26.62% of Total Approved Military Sales

Note: Data from U.S. Department of State, Directorate of Defense Trade Controls, and U.S. Department of Defense, Defense Security Cooperation Agency, as noted.

¹ U.S. Department of Defense, Defense Security Cooperation Agency, "E-2C Hawkeye 2000 Airborne Early Warning Suite for P-3s," Transmittal No. 07-03, Washington, D.C., 2006.

² U.S. Department of Defense, Defense Security Cooperation Agency, "P-3C Aircraft," Transmittal No. 05-07, Washington, D.C., 2004.

³ U.S. Department of Defense, Defense Security Cooperation Agency, "Bell 407 Helicopters," Transmittal No. 03-25, Washington, D.C., 2003.

⁴ U.S. Department of Defense, Defense Security Cooperation Agency, "C130 Hercules Cargo Aircraft," Transmittal No. 02-36, Washington, D.C., 2002.

⁵ Directorate of Defense Trade Controls, 2003; Directorate of Defense Trade Controls, 2004; Directorate of Defense Trade Controls, 2005; Directorate of Defense Trade Controls, 2006. See also Table A.6, note f.

Table A.8 Advanced Weapons Systems Approved Weapons Sales, FY 2002-2007

Foreign Military Sales		
FY	Amount (\$US)	Description
2007	185,000,000	TOW-2A Anti-Armor Guided Missiles ¹
2006	370,000,000	HARPOON Block II Anti-ship Missiles ²
2006	56,000,000	M109A5 155mm Self-propelled Howitzers ³
2005	180,000,000	HARPOON Block II Missiles ⁴
2005	155,000,000	PHALANX Close-In Weapon Systems ⁵
2005	82,000,000	TOW-2A Anti-Armor Guided Missiles ⁶
Sub	1,028,000,000	10.57% of Total Approved Military Sales
Direct Commercial Sales⁷		
FY	Amount (\$US)	Description
2006	8,500,000	Category IV: Launch Vehicles, Guided Missiles, Ballistics Missiles, Rockets, Torpedoes, Bombs and Mines
2006	3,590,128	Technical Data Category IV
2006	31,588	Missile Launcher Spare Parts & Supp Equip
2006	3,252	Weapon System, Close In (CIWS), Phalanx
2005	400,000	Category IV: Launch Vehicles, Guided Missiles, Ballistics Missiles, Rockets, Torpedoes, Bombs and Mines
2005	3,648	Technical Data Cat XII
2005	3,103	Technical Data Cat IV
2004	11,000,000	Ship Components and Spare Parts
2004	9,363,678	Fire Control System Parts & Components
2004	125,120	Technical Data Cat IV
2004	221	Technical Data Cat XII
2003	69,778	Torpedoes Spare Parts & Supp Equip
2003	49,460	Howitzer M109 (SP) Spare Parts
Sub	33,139,976	0.34% of Total Approved Military Sales
Total	1,061,139,976	10.91% of Total Approved Military Sales

Note: Data from U.S. Department of State, Directorate of Defense Trade Controls, and U.S. Department of Defense, Defense Security Cooperation Agency, as noted.

¹U.S. Department of Defense, Defense Security Cooperation Agency, "TOW-2A Anti-Armor Guided Missiles," Transmittal No. 07-02, Washington, D.C., 2006.

²U.S. Department of Defense, Defense Security Cooperation Agency, "HARPOON Block II Anti-ship Missiles," Transmittal No. 06-32, Washington, D.C., 2006.

³U.S. Department of Defense, Defense Security Cooperation Agency, "M109A5 155mm Self-propelled Howitzers," Transmittal No. 06-12, Washington, D.C., 2005.

⁴U.S. Department of Defense, Defense Security Cooperation Agency, "HARPOON Block II Missiles," Transmittal No. 05-18, Washington, D.C., 2005.

⁵U.S. Department of Defense, Defense Security Cooperation Agency, "PHALANX Close-In Weapon Systems," Transmittal No. 05-05, Washington, D.C., 2004.

⁶U.S. Department of Defense, Defense Security Cooperation Agency, "TOW-2A Anti-Armor Guided Missiles," Transmittal No. 05-06, Washington, D.C., 2004.

⁷Directorate of Defense Trade Controls, 2003; Directorate of Defense Trade Controls, 2004; Directorate of Defense Trade Controls, 2005; Directorate of Defense Trade Controls, 2006. See also Table A.6, note f.

Table A.9 Electronics and Communications Approved Weapons Sales, FY 2002-2007		
Foreign Military Sales		
FY	Amount (\$US)	Description
2007	160,000,000	Harris High Frequency/Very High Frequency Radio Systems ¹
2005	78,000,000	HF/VHF Radio Systems ²
2004	110,000,000	Air Traffic Control Radars ³
2004	100,000,000	AN/TPS-77 Air Surveillance Radars ⁴
2002	155,000,000	Aerostat L-88 Radar System ⁵
Sub	603,000,000	6.20% of Total Approved Military Sales
Direct Commercial Sales⁶		
FY	Amount (\$US)	Description
2006	15,833,190	Electronic Equip (Misc.)
2006	3,040,611	Communications Equipment & Components
2006	2,000,000	Category XII: Fire Control, Range Finder, Optical and Guidance and Control Equipment
2006	1,363,120	Sonar Systems (AN/SSQ Series)
2006	766,040	Antennas (Radio & Communications Types)
2006	481,922	Radar Systems Components & Spare Parts
2006	241,020	Technical Data Category XI
2006	134,088	Radio Set (Components & Spare Parts)
2006	125,314	Electronics Components & Spare Parts
2006	59,808	Computer Components and Spare Parts
2006	9,135	Amplifiers & Amplification Equip
2006	4,400	Transponders
2006	840	Oscillators
2005	10,407,715	Communications Equipment & Components
2005	2,600,000	Category XII: Fire Control, Range Finder, Optical and Guidance and Control Equipment
2005	930,777	Radar Systems Components & Spare Parts
2005	750,000	Category XI: Military Electronics
2005	474,075	Antennas (Radio & Communications Types)
2005	404,280	Electronics Components & Spare Parts
2005	316,933	Amplifiers & Amplification Equip
2005	191,686	Radio Set (Components & Spare Parts)
2005	62,130	Electronic Warfare Systems (AI Models)
2005	53,443	Electronic Equip (Misc.)
2005	30,246	Receiver Sets (All Models)
2005	21,305	Oscillators
2005	20,795	Modems (Communications All Models)
2005	17,481	Technical Data Cat XI
2005	2,028	Air Traffic Control System Spare Parts
2005	1,805	Headsets Communications (All Models)
2004	20,000,000	Category XI: Military Electronics

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Table A.9 Electronics and Communications Approved Weapons Sales, FY 2002-2007 (continued)

2004	6,568,815	Electronics Components & Spare Parts
2004	2,000,000	Aircraft Ground Support Equipment
2004	1,370,000	Category XV: Spacecraft Systems and Associated Equipment
2004	676,600	Radio Set (Components & Spare Parts)
2004	599,584	Radar Systems Components & Spare Parts
2004	533,475	Sonar Systems (AN/SSQ Series)
2004	300,000	Category XI, XIII: Military Electronics; Auxiliary Military Equipment
2004	182,825	Electronic Testing Equip
2004	119,000	Traveling Wave Tubes
2004	100,282	Communications Equipment & Components
2004	24,206	Electronic Equip (Misc.)
2004	17,728	Crypto Machines
2004	12,711	Amplifiers & Amplification Equip
2004	6,100	Technical Data Cat XI
2004	5,818	Oscillators
2004	3,998	Transmitters (All Models)
2004	2,330	Antennas (Radio & Communications Types)
2003	12,000,000	Category XI: Military Electronics
2003	5,348,260	Radar Systems Components & Spare Parts
2003	1,765,194	Electronics Components & Spare Parts
2003	1,736,876	Sonar Systems (AN/SSQ Series)
2003	685,669	Transponders
2003	559,246	Radio Set (Components & Spare Parts)
2003	110,660	Receiver Sets (All Models)
2003	100,694	Traveling Wave Tubes
2003	54,900	Radio Sets (AN/AR C,R,T Series)
2003	4,630	Aircraft Ground Support Equipment
2003	3,030	Antennas (Radio & Communications Types)
2003	410	Technical Data Cat XI
Sub	95,237,228	0.98% of Total Approved Military Sales
Total	698,237,228	7.18% of Total Approved Military Sales

Note: Data from U.S. Department of State, Directorate of Defense Trade Controls, and U.S. Department of Defense, Defense Security Cooperation Agency, as noted.

¹ U.S. Department of Defense, Defense Security Cooperation Agency, "Harris High Frequency/Very High Frequency Radio Systems," Transmittal No. 07-04, Washington, D.C., 2006.

² U.S. Department of Defense, Defense Security Cooperation Agency, "HF/VHF Radio System," Transmittal No. 04-22, Washington, D.C., 2004.

³ U.S. Department of Defense, Defense Security Cooperation Agency, "Air Traffic Control Radars," Transmittal No. 03-22, Washington, D.C., 2003.

⁴ U.S. Department of Defense, Defense Security Cooperation Agency, "AN/TPS-77 Air Surveillance Radars," Transmittal No. 03-19, Washington, D.C., 2003.

⁵ U.S. Department of Defense, Defense Security Cooperation Agency, "Aerostat L-88 Radar System," Transmittal No. 02-55, Washington, D.C., 2002.

⁶ Directorate of Defense Trade Controls, 2003; Directorate of Defense Trade Controls, 2004; Directorate of Defense Trade Controls, 2005; Directorate of Defense Trade Controls, 2006. See also Table A.6, note f.

Table A.10 Miscellaneous Approved Weapons Sales, FY 2002-2007		
Direct Commercial Sales		
FY	Amount (\$US)	Description
2006	3,058,563	Armored Personnel Carrier M-113 spare
2006	2,309,450	Thermal Imagers
2006	1,580,000	Night Vision, AN/PVS-13 Sight Gen III
2006	480,000	Howitzer M109 (SP) Spare Parts
2006	454,725	Image Intensifier Spare Parts
2006	285,000	Foreign National Employee
2006	228,921	Cartridges, Explosive
2006	168,814	Training Equip Components & Spare Parts
2006	166,200	Training Equipment & Spares
2006	159,625	Rifle (Non-Military, All Types)
2006	69,925	Night Vision Scopes Spares & Components
2006	37,477	Machine Gun Spares
2006	21,025	Miscellaneous Night Vision
2006	17,136	Protective Equipment Component Parts
2006	16,056	Pistols & Revolvers
2006	8,234	Ship Components and Spare Parts
2006	8,195	Technical Data Category XII
2006	4,155	Cartridges, .22 Cal Through .50 Cal
2006	2,504	Breathing Equipment (Gas Masks, Etc.)
2006	2,114	Breathing Equipment (Underwater Models)
2006	890	Pistols & Revolvers Spare Parts
2006	500	Technical Data Category IX
2006	500	Technical Data Category XIII
2006	350	Armored Vehicle Spare Parts & Sup Equip
2005	2,800,000	Battery Component Parts
2005	1,070,785	Armored Personnel Carrier M-113 spare
2005	316,064	Chemical Agent Detection Equipment
2005	119,000	Gyroscopes
2005	96,643	Batteries (All Types)
2005	92,878	Bomb Component Parts
2005	56,518	Cartridges, Explosive
2005	23,905	Gyroscope Components & Spare Parts
2005	23,693	Protective Equip Component Parts
2005	11,274	Pistols & Revolvers
2005	7,451	Training Equip Components & Spare Parts
2005	5,629	Generator Parts and Components
2005	4,798	MNFO (Misc. Military Equipment)
2005	2,336	Submarine Components & Spare Parts
2005	2,113	Protective Equipment (Suits, Gloves, Etc)
2005	1,825	Propellants

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Table A.10 Miscellaneous Approved Weapons Sales, FY 2002-2007 (continued)

2005	1,500	Technical Data Cat X
2005	1,100	Technical Data Cat II
2005	550	Decontamination Kit
2005	160	Technical Data Cat VI
2005	101	Technical Data Cat IX
2005	100	Technical Data Cat VII
2004	6,477,180	Armor Plate
2004	1,023,285	Armored Vehicle Spare Parts & Sup Equip
2004	650,183	Armored Personnel Carrier M-113 Spare
2004	400,000	Night Vision Scopes Spares & Components
2004	245,183	Protective Equip. (Suits, Glove, Etc)
2004	105,876	Bomb Components and Spare Parts
2004	44,643	Howitzer M109 (SP) Spare Parts
2004	29,114	Chemical Agent Detection Equipment
2004	20,618	Gyroscopes
2004	12,711	Armored Vehicle Spare Parts & Sup Equip
2004	11,840	Helmets Protective (All Models)
2004	10,663	Vehicle Military Components & Spares
2004	10,080	Ammunition Raw Materials
2004	10,000	Technical Data Cat II
2004	9,000	Protective Equip Component Parts
2004	7,352	Breathing Equip (Gas Masks Etc)
2004	6,875	Armored Vests (Personnel)
2004	4,360	Gyroscope Components & Spare Parts
2004	2,272	Pistols & Revolvers
2004	700	Technical Data Cat VII
2004	600	Technical Data Cat IX
2004	160	Technical Data Cat VI
2004	100	Training Equipment (All Types)
2003	10,500,000	Category IX: Military Training Equipment
2003	1,116,357	Vehicle Military Components & Spares
2003	1,002,974	Training Equipment (All Types)
2003	890,400	Generators
2003	800,000	Night Vision Goggles
2003	250,000	Bomb Detection Equipment
2003	152,220	Chemical Agents and Herbicides
2003	127,878	Night Vision Scopes Spares & Components
2003	70,290	Detonators
2003	67,935	Armored Vehicle Spare Parts & Sup Equip
2003	51,250	Oxygen Masks (All Models)
2003	23,855	Protective Equip (Suits, Gloves, Etc)
2003	17,500	Gyroscopes

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Table A.10 Miscellaneous Approved Weapons Sales, FY 2002-2007 (continued)		
2003	15,000	Training Equipment (Various Types)
2003	11,183	Protective Equip Component Parts
2003	5,185	Batteries (All Types)
2003	2,394	Armored Personnel Carrier M-113 Spare
2003	602	Riot Control Chemicals (Anti-Pers)
2003	186	Pistols & Revolvers
2003	50	Technical Data Cat VII
2003	0	Technical Data Cat III
Total	37,906,836	0.39% of Total Approved Military Sales

Note: Data from Directorate of Defense Trade Controls, 2003, 2004, 2005, 2006. See also Table A.6, note f.

Table A.11 U.S. Development Assistance to Pakistan Appropriations by Objective, FY 2002-2007

\$US Millions, Historical						
	2002	2003	2004	2005	2006	2007
Primary Education and Literacy	15.00	21.50	28.00	66.67	64.39	60.82
Democracy and Governance	2.00	8.00	11.20	13.23	23.43	31.60
Economic Growth	0.00	5.00	10.20	17.00	15.22	25.92
Basic Health	14.00	15.65	25.60	50.70	45.66	30.86
Earthquake Reconstruction ¹	0.00	0.00	0.00	0.00	55.84	50.00
FATA Development ²	0.00	0.00	0.00	0.00	0.00	110.00
Total	31.00	50.15	75.00	147.60	204.54	309.20

Note: For FY 2002 and 2003, see U.S. Agency for International Development, *Congressional Budget Justification FY 2005: Pakistan*. For FY 2004 through 2007, see U.S. Agency for International Development, *Congressional Budget Justification FY 2007: Pakistan*.

Development Assistance includes the Economic Support Fund (ESF), Development Assistance (DA), and Child Survival and Health (CSH) accounts. Fiscal Years 2002 through 2005 represent actual outlays, FY 2006 represents an estimate of obligations and FY 2007 represents the administration request. Categories used predate the establishment of the new assistance framework. \$1.5M in FY 2006 and \$1.5M in FY 2007 were allocated to the "Program Support Office" strategic objective, but are not represented in the table or Figure 3.10. CSH for FY 2002 is reported here (as in Table A.1) as \$14.0 million, in accordance with U.S. Department of State, *Fiscal Year 2005 Congressional Budget Justification for Foreign Operations*, 457. The USAID Congressional Budget Justifications for FY 2004 and FY 2005 incorrectly report the FY 2002 CSH value as \$5.0M.

¹ Earthquake Reconstruction was established as a new strategic objective in 2006. Program funding comes from CSH, DA, and ESF, not from humanitarian assistance accounts. Planned FY 2006 programs included: "Achieve Equitable Access to Quality Basic Education" (\$3,963,000 DA; \$14,738,000 ESF); "Address Other Health Vulnerabilities" (\$5,247,000 CSH; \$16,122,000 ESF); "Expand and Improve Access to Economic and Social Infrastructure" (\$9,235,000 ESF); and "Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress" (\$6,537,000 DA), according to U.S. Agency for International Development, *Congressional Budget Justification FY 2007*. Proposed FY 2007 programs include: "Achieve Equitable Access to Quality Basic Education" (\$4,104,000 ESF); "Address Other Health Vulnerabilities" (\$7,514,000 ESF); "Expand and Improve Access to Economic and Social Infrastructure" (\$30,178,000 ESF); and "Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress" (\$8,204,000 ESF), according to U.S. Agency for International Development, *Congressional Budget Justification FY 2007*. The revised framework for FY 2008 renames this program "Humanitarian Assistance" and notes that "funds will be used to rebuild hospitals and schools, strengthen the systems and capacities of public health works and district government officials, and rebuild livelihoods for affected Pakistanis," according to U.S. Agency for International Development, *Congressional Budget Justification FY 2008*, Washington, D.C., 2007, http://www.usaid.gov/policy/budget/cbj2008/fy2008cbj_full.pdf, 565.

² FY 2007 includes \$110M "under DoD for Pakistan" which was appropriated for FATA in the FY 2007 budget supplemental but not assigned to an established strategic objective, according to U.S. Congress, House, *Summary of the Fiscal 2007 Supplementary Funding Legislation*, 2006.

Table A.12 Official Development Assistance from Bilateral Donors, 2002-2005				
\$US Millions, Historical				
	2002	2003	2004	2005
Australia	1.5	3.3	4.8	17.3
Austria	0.7	1.1	1.8	6.9
Belgium	0.8	0.1	0.1	1.0
Canada	7.8	13.3	15.5	51.1
Denmark	-1.2	-7.9	-0.5	4.2
Finland	1.1	1.1	0.9	13.3
France	2.5	11.7	5.1	26.0
Germany	76.2	-4.7	20.4	34.1
Greece	0.1	0.3	0.3	3.8
Ireland	0.6	0.6	0.8	10.8
Italy	0.3	3.8	0.1	-0.8
Japan	301.1	266.2	134.1	73.8
Luxembourg	0.0	0.0	0.0	4.4
Netherlands	12.2	6.9	7.9	43.1
New Zealand	0.4	0.4	0.2	1.8
Norway	10.3	10.0	8.1	82.7
Portugal	0.0	0.0	0.0	0.0
Spain	0.7	0.9	0.1	4.6
Sweden	1.6	1.6	2.1	9.1
Switzerland	9.9	13.3	12.8	19.4
United Kingdom	66.9	112.1	90.8	63.1
United States	209.0	102.3	76.9	362.4
Czech Republic	0.1	0.0	0.0	3.7
Hungary	0.0	0.0	0.0	0.0
Korea	0.4	1.0	1.1	3.7
Poland	0.0	0.0	0.2	0.2
Slovak Republic	0.0	0.0	0.4	0.0
Turkey	0.1	0.1	0.3	126.2
Arab Countries	43.6	-2.7	11.8	0.0
Other Bilateral Donors	0.0	0.0	0.0	0.6
Bilateral Donors Subtotal	746.7	534.7	396.0	966.5

Note: Data from the Organization for Economic Co-operation and Development, *DAC2a Official Development Assistance Disbursements*, "Recipient: Pakistan," Table 202A: Developing Countries, 2006, <http://stats.oecd.org/wbos/default.aspx?DatasetCode=TABLE%202A>. Amounts represent calendar years.

Table A.13 Official Development Assistance from Multilateral Donors, 2002-2005

\$US Millions, Historical				
	2002	2003	2004	2005
AsDF (Asian Dev. Fund)	157.7	29.6	106.6	140.0
EC	42.6	33.4	43.1	43.0
GEF	0.0	0.5	0.4	1.2
Global Fund (GFATM)	0.0	1.7	4.9	3.2
MONTREAL PROTOCOL	2.4	0.5	0.6	1.0
Nordic Dev. Fund	-0.2	-0.5	-0.6	-0.6
IBRD	0.0	0.0	0.0	0.0
IDA	851.3	29.4	677.3	516.0
SAF+ESAF+PRGF(IMF)	282.3	377.6	137.3	-78.4
IFAD	-1.0	-1.7	1.5	1.3
UNDP	6.4	7.4	7.1	11.6
UNFPA	4.2	4.9	5.0	9.5
UNHCR	20.7	20.6	23.0	17.3
UNICEF	11.0	12.7	12.6	14.0
UNTA	3.7	4.5	4.0	5.2
WFP	4.4	11.3	8.6	10.7
Arab Agencies	-3.8	-4.7	-3.5	4.6
Multilateral Donors Subtotal	1381.4	527.0	1027.9	699.9
Official Development Assistance Total	2128.1	1061.7	1423.9	1666.5

Note: Data from the Organization for Economic Co-operation and Development, *DAC2a Official Development Assistance Disbursements*, "Recipient: Pakistan," Table 202A: Developing Countries, 2006,
<http://stats.oecd.org/wbos/default.aspx?DatasetCode=TABLE%202A>. Amounts represent calendar years.

Table A.14 Foreign Private Investment in Pakistan, FY 2003-2006				
\$US Millions, Historical				
	2003	2004	2005	2006
Australia	2.2	1.5	1.6	31.3
Germany	3.8	4.0	15.2	25.1
Hong Kong	5.2	4.9	61.2	55.2
Japan	13.8	11.7	41.8	48.2
Kuwait	1.7	4.5	38.5	21.0
Luxembourg	-0.7	1.4	19.4	22.5
Mauritius	0.1	7.2	65.3	83.0
Netherlands	3.1	12.0	59.8	120.4
Norway	0.3	146.6	31.4	252.6
Qatar	57.2	-8.7	-4.8	8.8
Saudi Arabia	43.6	5.3	18.2	278.5
Singapore	-5.0	-0.4	10.6	15.5
Switzerland	5.6	211.3	127.5	182.2
United Arab Emirates	120.0	146.5	417.3	1487.8
United Kingdom	184.8	41.9	199.1	224.5
United States	226.6	259.8	373.0	820.5
Other Countries	154.1	72.2	201.5	195.2
Foreign Private Investment Total	816.4	921.7	1676.6	3872.3

Note: Data from State Bank of Pakistan, Annual Report FY06, "Chapter 9: Balance of Payments and Foreign Trade," Table 9.9: Net Inflow of Foreign Private Investment by Countries, 2006, <http://www.sbp.org.pk/reports/annual/arfy06/stats/Chap9.pdf>. Pakistan's fiscal year begins July 1 and ends June 30.

Table A.15 Remittances to Pakistan, FY 2002-2006

\$US Millions, Historical					
	2002	2003	2004	2005	2006
Bahrain	39.6	71.5	80.6	91.2	100.6
Canada	20.5	15.2	22.9	48.5	81.7
Germany	13.4	26.9	46.5	53.8	59.0
Japan	6.0	8.1	5.3	6.5	6.6
Kuwait	89.7	221.2	177.0	214.8	246.8
Norway	6.6	8.9	10.2	18.3	16.8
Qatar	31.9	87.7	88.7	86.9	118.7
Saudi Arabia	376.3	580.8	565.3	627.2	750.4
Oman	63.2	93.7	105.3	119.3	130.5
United Arab Emirates	469.5	837.9	597.5	712.6	716.3
United Kingdom	151.9	273.8	333.9	371.9	371.9
United States	779.0	1237.5	1225.1	1294.1	1294.1
Other Countries	293.3	727.6	567.9	507.3	679.5
Remittances Total	2340.8	4190.7	3826.2	4152.3	4572.8

Note: Data from Pakistan Ministry of Finance, Pakistan Economic Survey 2006-2007, "Trade and Payments," Table 8.8: Workers Remittances, 2007, http://www.finance.gov.pk/survey/sur_chap_06-07/09-trade.PDF. Pakistan's fiscal year begins July 1 and ends June 30.

Table A.16 Pakistan Trade by Selected Countries and Territories, FY 2004-2006						
\$US Millions, Historical	Exports			Imports		
	2004	2005	2006	2004	2005	2006
Middle East and North Africa	2025.1	2307.3	2610.9	5225.9	6027.9	9714.2
United Arab Emirates	943.2	1095.5	1355.2	1708.2	1703.1	3892.3
Saudi Arabia	348.6	352.8	329.3	1779.2	2478.2	2994.1
Kuwait	71.8	79.5	72.6	991.1	940.6	1702.3
Iran	92.5	147.1	188.1	284.0	242.3	450.0
Turkey	218.8	258.4	304.3	77.8	102.8	188.9
Egypt	46.4	47.0	61.4	41.6	101.6	121.7
Morocco	16.9	14.9	11.5	61.4	101.0	147.3
Bahrain	38.0	42.4	45.8	74.4	58.6	53.9
Jordan	21.9	18.8	21.2	28.4	32.8	28.7
Other Western Asia	189.5	196.5	177.6	141.5	227.4	95.2
Other Northern Africa	37.5	54.4	43.9	38.3	39.5	39.8
Europe	3822.6	4220.9	4452.4	2945.2	4473.0	6300.9
Germany	606.6	688.6	626.4	611.9	896.6	1176.6
United Kingdom	940.9	893.5	894.3	438.2	532.1	805.0
Italy	454.1	588.3	585.3	312.7	363.7	523.6
France	338.7	367.5	336.7	160.6	207.5	340.5
Netherlands	335.1	345.0	399.0	220.3	146.8	249.6
Belgium	262.4	312.9	321.9	261.9	176.9	353.1
Switzerland	31.4	30.9	36.6	330.2	423.0	471.6
Spain	301.4	341.0	415.5	78.8	86.3	96.5
Russian Federation	20.5	43.9	52.4	134.3	279.2	459.2
Sweden	71.5	78.8	95.0	67.4	201.0	460.2
Finland	22.7	31.4	39.0	57.9	154.9	445.3
Ukraine	10.6	19.5	34.0	49.7	192.1	287.3
Denmark	45.3	47.3	54.5	28.3	55.8	107.2
Greece	90.1	102.1	82.2	9.0	24.8	23.1
Hungary	18.4	18.0	24.7	17.9	59.1	35.8
Norway	27.3	38.6	60.7	7.0	16.0	9.1
Romania	5.0	7.7	9.5	20.9	34.7	43.0
Other Western Europe	24.8	30.2	93.5	36.1	435.1	165.7
Other Southern Europe	113.0	118.6	141.2	37.0	44.2	33.7
Other Eastern Europe	45.5	54.6	60.6	24.1	74.5	148.0
Other Northern Europe	57.3	62.5	89.4	41.0	68.7	66.8
Americas	3331.1	3905.7	4722.2	1631.5	2012.0	2418.3
United States	2944.2	3446.6	4192.7	1328.9	1562.6	1657.4
Canada	181.7	194.0	209.0	205.4	196.6	321.3
Brazil	5.0	9.0	19.4	33.5	145.6	333.0
Argentina	22.2	28.5	37.4	45.6	66.8	45.9
Mexico	53.1	60.4	57.3	5.9	10.9	18.5

(continued next page)

Table A.16 Pakistan Trade by Selected Countries and Territories, FY 2004-2006 (continued)

Uruguay	2.5	2.6	1.8	0.7	0.3	6.0
Other South America	62.8	93.7	110.9	5.5	15.0	17.0
Other Central America	44.5	53.1	65.6	3.0	3.1	6.1
Other Latin America	14.9	17.6	27.6	2.3	9.5	12.6
Other North America	0.2	0.2	0.5	0.7	1.6	0.5
East Asia	1255.6	1342.3	1526.5	2822.5	4219.2	5660.9
China	288.1	354.1	463.9	1153.7	1842.8	2706.0
Japan	134.8	164.5	128.1	936.4	1448.8	1839.9
Hong Kong	582.0	557.9	679.2	146.2	94.6	163.7
Korea Republic	201.9	185.1	191.2	380.5	554.8	616.7
Other Eastern Asia	48.8	80.7	64.1	205.7	278.2	334.6
South East Asia	369.5	354.6	334.0	1763.8	2108.6	2673.5
Malaysia	83.4	65.6	64.0	602.6	678.5	708.5
Indonesia	44.5	70.5	58.0	357.7	574.9	758.1
Thailand	63.3	77.0	67.5	269.2	413.9	650.1
Singapore	117.0	56.8	38.0	491.4	373.3	463.2
Other South East Asia	61.3	84.7	106.5	42.9	68.0	93.6
South and Central Asia	907.1	1418.4	1806.0	539.8	735.8	1012.9
Afghanistan	493.2	747.7	1063.5	47.4	39.0	47.5
India	93.8	288.1	293.3	382.2	547.5	802.0
Bangladesh	195.0	205.8	268.5	45.9	61.1	64.6
Sri Lanka	97.8	155.8	159.2	48.4	44.8	71.3
Other South-Central Asia	27.3	21.0	21.5	15.9	43.4	27.5
Africa	434.0	685.4	833.8	340.3	437.7	511.3
South Africa	122.4	196.8	260.6	98.5	127.3	188.6
Kenya	59.9	64.5	65.4	142.7	170.3	168.1
Mauritius	38.3	32.2	33.9	1.0	1.1	1.3
Tanzania	14.1	12.3	20.4	18.7	10.5	19.2
Other Western Africa	111.4	229.5	280.2	45.5	51.5	28.1
Other Eastern Africa	61.1	85.7	123.6	17.7	53.6	87.2
Other Middle Africa	25.6	58.1	38.1	11.7	9.9	10.4
Other Southern Africa	1.2	6.3	11.6	4.5	13.5	8.4
Oceania	166.3	152.8	162.1	321.7	581.7	281.7
Australia	130.2	111.3	123.0	307.4	559.3	244.1
New Zealand	36.1	35.6	38.6	14.3	21.8	36.1
Other Oceania	0.0	5.9	0.5	0.0	0.6	1.5
Other Territories	2.0	3.8	3.0	1.0	2.0	7.3
	Exports			Imports		
	2004	2005	2006	2004	2005	2006
Pakistan Trade Total	12313.3	14391.2	16450.9	15591.7	20597.9	28581.0

Note: Data from State Bank of Pakistan, Annual Report FY06, "Chapter 9: Balance of Payments and Foreign Trade," Table 9.13: Exports and Imports by Selected Countries/Territories, 2006, <http://www.sbp.org.pk/reports/annual/arfy06/stats/Chap9.pdf>. Pakistan's fiscal year begins July 1 and ends June 30.

Appendix B

Methodology

While researching *A Perilous Course*, the PCR Project team focused on three primary questions:

1. Does the United States have a coherent strategy for Pakistan?
2. Where and how is the U.S. government currently spending its resources in Pakistan?
3. How can the U.S. government pursue a more integrated approach toward Pakistan?

To reach the report's conclusions, PCR project staff members undertook a range of research activities that included the following:

- Conducted an initial **literature search and ongoing media review** of hundreds of Pakistan-related articles from both U.S. and Pakistani sources.
- Interviewed more than 100 former and current U.S. government officials and experts on Pakistan in Washington between January 2006 and early 2007.
- Completed a **month-long research trip to Pakistan in March 2006**, interviewing more than 150 Pakistanis in Islamabad, Peshawar, Lahore, Karachi, the earthquake area, and points in between. Interviewees ranged from former presidents to people in rural communities who lacked the basic necessities of life. Interviews were open-ended and part of an iterative process.
- Developed a model for evaluating assistance to Pakistan through consultations with Pakistan experts, in-country interviews, and an analysis of existing early warning models and methods. The PCR Project team conducted research and interviews specific to **early warning models** for conflict and instability, as well as to **U.S. assistance for fragile states**. The results of this research and its applications to Pakistan are discussed briefly in appendix D and are part of an ongoing project.
- Attempted to compile a full accounting of U.S. assistance to Pakistan, termed the "Balance Sheet." One researcher spent two months examining congressional budget justifications, the USAID and Pentagon "greenbooks,"

and a number of other sources to decipher the full scale of **U.S. assistance flows to Pakistan**. Additional information came from off-the-record interviews with current and former U.S. government personnel.

- Presented preliminary findings to a number of experts and practitioners for feedback, gave **briefings** of ongoing work to officials in various agencies and departments of the U.S. government and in Washington's expert community, and published a journal article in the *Washington Quarterly* and op-eds in the *Washington Post*. PCR Project staff members also convened a number of public and private **roundtables** and talks addressing U.S. engagement with Pakistan. Roundtable subjects included Pakistan's role in Afghanistan's instability, decentralization of the Pakistani state, U.S. assistance to Pakistan, and future scenarios for Pakistan.
- In November 2006, performed a half-day **tabletop exercise** titled "Out of the Firing Line," with more than 30 former and current U.S. government officials from the defense, diplomatic, aid, and congressional communities examining a fictional "slow-burn" internal crisis in Pakistan. The PCR Project report draws on insights from that 2006 exercise, as well as from the other sources listed above. A more detailed description of the tabletop exercise can be found in Appendix C.

Appendix C

Tabletop Exercise

Out of the Firing Line

On the basis of discussions with a small group of Pakistan country experts, CSIS developed a fictional, scenario-based, tabletop exercise on a “slow-burn” internal crisis for Pakistan. The audience for the half-day event in November 2006 included 30 former and current senior-level U.S. government officials from the defense, intelligence, diplomatic, aid, budgeting, and Congressional communities. The goal of the exercise was to determine how U.S. officials might respond to increasingly negative trend lines in Pakistan, and what tools might be used to forestall a crisis before it occurs.

The first scenario was based on a coordinated series of Taliban attacks in Afghanistan that lead to U.S. pressure on Islamabad to do more to rein in militants. The participants discussed U.S. goals, U.S. tools to influence the situation, and concrete U.S. policy options. The second scenario sought to ratchet up the pressure on U.S. policymakers by outlining a failed American “hot pursuit” of Taliban fighters from Afghanistan into Pakistan that resulted in the capture of a U.S. soldier.

Two important insights emerged from this exercise that are relevant to U.S. ability to anticipate future problems in Pakistan.

First, U.S. decisionmakers consider Pakistan to be in a state of perpetual, low-level crisis.

Even the first scenario, which tracked more or less with current events at the time, produced short-term crisis-response thinking. The short-term desire to “cauterize” the problem quickly undermined any proposals to re-orient U.S. engagement on a broader scale, such as altering the mix of elements in the U.S. aid package. It was clear that although development experts were in the room, their views were marginalized on account of their long-term, indirect approach and their perceived lack of credibility on national security matters. This marginalization undoubtedly tracks with how decisions are currently made in the U.S. government.

Second, an uncomfortable dependence emerged on information from Pakistani elites, particularly the Pakistani military.

The major fear lurking behind the second scenario was that if the Pakistani military were to break up into factions—or deviate from its well-established command-and-control patterns—such a breakup would pose major problems for both regional and international security. The consensus in the room was that the integrity of the Pakistani military would remain intact through a crisis, even though it was acknowledged that advance warning of any fundamental change in military cohesiveness would be limited, and the consequences would be particularly grave. In the end, concern was expressed over the limited U.S. contacts with potential leaders in Pakistan, both military and civilian, such as those from the lower ranks of the military and ISI, as well as those other segments of Pakistani society who are not represented in Islamabad today.

The major conclusion drawn from the tabletop exercise was that the U.S. foreign policy apparatus is not nimble enough to respond to crisis situations that are merely festering but not extreme enough to call for some sort of U.S. military response. The United States may know how to send in the Marines, but it lacks the ability to mobilize its civilian tools of national power and to make those tools part of a coherent, integrated strategy. Subsequently, the United States falls into familiar patterns in which principals are deployed to capital cities for brief visits to signal support for a certain policy or to deliver a particular message. There is little sense in U.S. national security circles of how to use aid strategically to help forestall crises before they happen. All of these conclusions had an important effect on this final report.

The tabletop scenario exercise will be available for viewing on the PCR Project Web site at www.pcrproject.org.

Appendix D

Early Warning Discussion

Early warning models aim to provide a way of monitoring longer-term, society-wide, structural variables to help forecast the complex dynamics that can result in conflict or instability. In discussions with decisionmakers in Washington about the use of early warning models, however, PCR Project staff members heard a similar refrain: such models have minimal value beyond confirming what is commonly known. One official referred to the National Intelligence Council (NIC) “watch list” as “conventional wisdom watch.” It was clear from those conversations that few U.S. decisionmakers rely on such lists when it actually matters—either to take politically risky decisions to shift resources or to take preventive action in advance of crisis. A country may receive more attention if the lights are flashing red, but the chasm between early warning and early action remains as great as it has ever been. The reasons for this chasm are numerous and have been well articulated elsewhere. A short list includes the following:

- Difficulty in distinguishing a signal from the noise (i.e., identifying unambiguous indicators of conflict and instability from other events in volatile countries).
- Risk of politicization.
- Bureaucratic imperative toward caution.
- Desire not to hear bad news.
- Distrust of the raw data.
- Lack of faith in a computer model that has too “narrow” a view.
- Naturally optimistic and can-do nature of many officials in government that prevents thinking of worst-case scenarios.¹
- Difficulty in convincing Congress to fund preventive measures (because a success means that nothing happens).

The proponents of early warning models, however, claim a success rate in predicting conflict or instability of between 75 and 90 percent. In 2005, Pakistan was the 34th ranked country in one such “failed state index,” but in 2006 it

jumped to 9th place—one spot ahead of Afghanistan—due in large part to the October 2005 earthquake.² This change prompted the Pakistani government to call the news of its fragility the “joke of the year.”³ In 2007, Pakistan continues to be grouped among the “critical” countries, holding the 12th spot.⁴ The 2005 earthquake no doubt contributed to both massive displacement and new pressures on the Pakistani state, but by most accounts the Pakistani military responded ably to the crisis with U.S. assistance, and Pakistani civil society congealed in a manner that it rarely has done before.⁵ Is it realistic to conclude that the earthquake alone made Pakistan less stable than Afghanistan, its western neighbor, which barely had a functioning government or military? If not, what does this perception suggest about the reliability of early warning models in general?

The PCR Project has analyzed the primary indicators used by 30 open-source early warning models developed by national governments, international organizations, private corporations, the academic community, think tanks, and nongovernmental organizations (NGOs). In their models, the major indicators of conflict and instability are as follows:

1. poor governance and weak institutions,
2. macroeconomic fluctuation, and
3. structural inequalities and social tensions.

In many ways, early warning indicators align with the basic premise pervasive in today’s post-conflict and fragile state interventions—namely, that state effectiveness is critical. If the state can be strengthened, then the potential for political instability, conflict, and extremism will diminish, and positive development outcomes become more likely. This strengthening typically takes two forms: assistance and training, which frequently form the backbone of donor-led interventions in fragile states.

Of course, little evidence exists to indicate that external donors are particularly good at institution building. One thing that donor governments do know is that strong local buy-in and initiative for any such efforts are imperative. In Pakistan, many citizens are concerned about the country’s weak civilian government institutions and the potential for their capture by narrow political interests. Musharraf’s solution for strengthening weak civilian ministries has been to appoint military men as their leaders. This approach may make the ministries more effective in the short term, but it does little to instill confidence in civilian rule over the long term.

The essential problem with all early warning models is that no agreed-upon theory exists for the causes of conflict, political instability, or terrorism.

Poverty may be a component of all three problems, but it is not at all clear that poverty is a driving factor in any of these three.⁶

In an effort to develop a predictive model, one must inevitably reduce variables. How does one small event lead to a fundamental change? History may

be a guide, but even it cannot account for first-time events, such as an Islamist government winning elections in Palestine, one of the world's most secular Arab societies, or the religious *ulama* in Iran, after centuries of quietist behavior eschewing politics, seizing power in a revolution.

The reality is that Pakistan—similar to other countries going through multiple transitions—is a complex and often contradictory society. It is a state still shaped by both its colonial and early post-colonial legacies. It is at once over-centralized and yet too weak to maintain control at the periphery. It is on the cusp of riding the Asian economic tiger but still restrained by persistent questions at the core of its national identity. Such dynamics impede efforts to predict the future. To develop a set of key indicators for Pakistan, the PCR Project set priorities to use as a means of evaluating the effectiveness of U.S. assistance.

The operating assumption behind the PCR Project report is that U.S. assistance must address the future challenges most likely to arise in a strategically vital country such as Pakistan. It is essential that U.S. assistance help to promote a stable, moderate, and prosperous Pakistan over the long term. Yet only rarely is U.S. assistance considered in such terms by policymakers. Although offices such as USAID's Office of Conflict Management and Mitigation conduct "conflict and instability assessments," many U.S. ambassadors are reluctant to embrace such reviews. The prevalent response has been, "we've got it covered," with little incentive to disrupt bilateral relations or political guidance from Washington.

The PCR Project team searched for "drivers" that could do the following:

- **Influence events six to nine months ahead.** The PCR Project team deemed a shorter time frame as being too unreliable and a longer time frame as being largely irrelevant to policymakers.
- **Cut across a number of possible scenarios.** Rather than look for one grand overarching theory of conflict, instability, or growing extremism, the PCR Project sought a mixture of relevant factors.
- **Signal a "phase transition" or "tipping point."** This transition is the point at which equilibrium is disturbed and new patterns of stability or instability emerge.⁷ Such fundamental changes within a society may be indicative of greater, more dangerous changes to come.
- **Indicate diminished state effectiveness,** or the absence of institutionalized relationships between citizens and their state. Such trends are often the focus of international efforts to strengthen fragile states or to help states rebuild after conflict.
- **Adhere closely to the views of Pakistanis interviewed.** At the core of this project is the view that local actors often have a better sense in their collective wisdom of both the problems facing their countries and the solutions to those problems than do the experts.

William Nolte, former U.S. deputy assistant director of central intelligence, wrote recently that “many American journalists, academicians, business professionals, and others spend more time ‘on the ground’ or in conversation with persons in foreign places of concern to the United States than do their counterparts in the intelligence profession.”⁸

In the more than 150 interviews conducted by the PCR Project throughout Pakistan—with respondents ranging from former presidents to opposition protesters—PCR Project staff members asked people what worried them the most about the future and what made them most hopeful. The conversations took place as part of an iterative process, recognizing the inherent element of subjectivity, but believing that their replies would provide a reality check for both the experts and the early warning analysis. We hope that this report does justice to what these Pakistani respondents shared.

Notes

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