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U.S. Strategy in Pakistan: High Stakes, Heavy Agenda

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Mr. Chairman, thank you for inviting me to share my views with the Committee. Your discussion of Pakistan is timely and important. Pakistan's future matters profoundly to the United States. Policy toward Pakistan has always attracted more than its share of controversy, in part because of the heavy list of U.S. interests that are in play, and in part because of the internal stresses that have affected Pakistan over the years.

I believe that the United States needs to adopt a comprehensive strategy toward Pakistan, or risk failing in all of our objectives. Focusing primarily on one goal, even a vitally important one like counter-terrorism, is a false choice, because the issues we face in Pakistan are so intimately connected. I recommend that we use our assistance and our diplomatic leverage in three ways:

- Generous economic assistance, most of it specifically programmed toward the rebuilding of Pakistan's institutions rather than in cash;
- A security relationship conditioned on a Pakistani foreign policy compatible with U.S. security interests; and
- An active diplomatic posture, encouraging India and Pakistan to work toward robust nuclear risk reduction and a durable settlement.

I will go through each of these elements in turn, but first, let me set the context.

The United States has extraordinarily ambitious hopes and objectives in Pakistan.

- *Combating terrorism*: The United States seeks to put out of business the terrorist organizations that have operated from Pakistan and Afghanistan, as well as the organizations that have given them support and sanctuary. I'm referring chiefly to Al Qaeda and their supporters in the Taliban, but also to radical militant organizations that have established a base in Pakistan.
- *Maintaining peace in the region:* The United States wants to reduce and if possible eliminate the risk that the two nuclear-armed rivals, Pakistan and India, will go to war, and to provide appropriate support for a durable peace process. It also wants Pakistan and Afghanistan to build a constructive relationship, despite their complicated history.

- *Ending nuclear transfers:* The United States seeks to ensure that Pakistan's nuclear assets and know-how are not transferred outside of Pakistan, and that the nuclear bazaar maintained by Pakistani scientist A.Q. Khan is fully revealed and fully disabled.
- *Rebuilding Pakistan's political and economic institutions:* Finally, the United States wants to help Pakistan restore the health of its institutions, and move toward sustainable, effective, and decent government. I believe that this means democratic government, and that this is what most Pakistanis want, but I do not believe that full democratic government will happen soon.

This is a heavy agenda, which the United States has attempted to deal with by "policy triage" and by focusing on the personal leadership of President Musharraf. In practice, high-level dialogue between Pakistan and the United States has been dominated by the anti-terrorism issue, and the U.S. government has looked on Musharraf personally as the man who needed to deliver Pakistan.

Both these concepts are flawed. By focusing such a high percentage of our dialogue on anti-terrorism, I fear we are leaving Pakistan with the impression that as long as Pakistan satisfies the most urgent U.S. demands on the anti-terrorism front, the United States will look the other way if our policies diverge with respect to relations with India, nuclear transfers, or Pakistan's internal rebuilding efforts. We have already seen that a crisis in India-Pakistan relations (as happened in 2002) or on nuclear transfers (as happened late last year) can quickly bring these issues to the top of the U.S. "to do" list.

More importantly, "triage" neglects the connections among the issues on the U.S. agenda. Pakistan's long-standing hostile relationship with India and its grievances over India's possession of the most important parts of Kashmir have led it to support armed insurgency in Kashmir. It has maintained a substantial extremist infrastructure within Pakistan, one that has come to threaten President Musharraf's life. But even this threat has not led Pakistan to dismantle that infrastructure, because of the links between these extremists and Pakistan's yearning to change the status quo in Kashmir. In other words, if we really want Pakistan to dismantle the terrorist infrastructure, we have to help Pakistan deal with its other ramifications, in Kashmir and in India-Pakistan relations, and we have to address the ties between India-Pakistan rivalry and the nuclear commerce conducted out of Pakistan.

I also believe that the U.S. tendency to build its policy around the person of President Musharraf is a mistake. Clearly, leaders are important, especially in troubled times. President Musharraf dominates the power structure in Pakistan, and many of his decisions have been helpful to the United States. My argument is that we need to have a broader base to our policy. He is not the only person who matters, especially if one believes, as I do, that Pakistan's ability to face down its internal extremists ultimately depends on its ability to rebuild viable political and economic institutions. We need to act as if these institutions mattered, even when President Musharraf does not.

This brings me back to the U.S. strategy for dealing with Pakistan. A comprehensive strategy would have many elements to it, but I would like to address three that are intimately connected to issues the Congress will be asked to vote on.

First, *economic assistance*. The administration has requested $350 million in economic assistance for FY 2005 under ESF and DA. It proposes to provide $200 million of that in cash and the remainder under specific programs. I believe that two-thirds rather than half of the total U.S. assistance package – that would be $400 million in ESF plus the planned $50 million in DA – should be devoted to economic assistance, and that at least $250 million per year should be programmed, half of it for activities that rebuild Pakistan's institutions and its educational system. This economic

assistance should be provided without foreign policy conditions. Pakistan's economic recovery and institutional rebuilding are profoundly important to the United States, and helping them should be a central element in U.S. policy.

Which institutions? I would start with the judiciary, the civil service, the police, and the institutions that administer water and power. The Pakistan government has tried to make a start by reforming the Central Board of Revenue, their equivalent of the I.R.S. The effort was incomplete but shows that there is an interest in this type of reform, and plenty of talent available to devise a reform program. The possibility of significant financial support would make institutional reform an even more attractive option. Other reform targets include political institutions, including the parliament and provincial governments.

These are the institutions on which any kind of decent government depends. If, as I firmly believe, Pakistan's military-dominated government has become an important part of its domestic problems, the solution has to involve developing robust institutions that can eventually stand up to the power of the military and the presidency. This is, to my mind, the way to structure a serious democracy policy. It will not bring democracy soon, but it is the only approach that has a chance of helping democracy grow over time.

A word about education. I'm sure the other witnesses will have words of wisdom on the effort to reform madrassas. This is an enormous task, which may be beyond the capability of Pakistan's the Education Ministry. I would like to put in a plea for rebuilding Pakistan's public schools. The schools themselves exist. They need staffing, supervision, books, equipment, and repairs. A couple of dedicated NGO's have taken on the task of mobilizing corporate philanthropy to "adopt" non-functioning schools, restore them, and run them. This type of effort is likely to have a quicker payoff and a better chance at the institutional support it needs.

Economic assistance is also supposed to help the economy grow. Pakistan today is in better economic shape than it has been in many years. But two ingredients are still needed for a healthy economic environment. One is increased investment, initially by Pakistanis and eventually, one hopes, by foreigners as well. Pakistan last year devoted only 16.5 percent of its GDP to investment in productive enterprises. This is abysmally low by international standards. More importantly, it cannot begin to provide jobs for Pakistan's rapidly growing working age population. Underemployed young people are ripe for recruitment into terrorism and other anti-social activities.

The other needed element is increased social investment. In principle, our cash aid has been conditioned on increased allocations to health and education. In practice, this has had relatively little effect. Budget expenditures on health and nutrition have risen from 0.7 to 0.84 percent of gross domestic product, but spending on education is virtually unchanged as a share of GDP since 1998, and is well below the level of 1995 (1.8 percent, compared with 2.8 percent in 1995). The ineffectiveness of this effort to encourage a reallocation of Pakistan's resources based on a handshake is a powerful argument for programming a higher share of our economic assistance.

The second strategic element I wish to discuss is a *security relationship.* Both the nature of Pakistan's problems and the historical role of its military make it essential to keep up active communication between their military and ours, and a serious dialogue between the two governments on security issues. Pakistan has a long-standing sense of insecurity stemming from its rivalry with a much larger neighbor; its friends need to take that seriously.

But the United States should be selective about military supply. For many years we provided generous military supply on the theory that a robust conventional force would reduce Pakistan's perceived need to depend on nuclear weapons. There is something to that argument, but it is also true that Pakistan has periodically undertaken reckless policies that were strongly contrary to U.S. interests. The incursion into Kargil is a case in point; so is Pakistan's

unwillingness to abandon the option of returning to active support for the Kashmir insurgency. Because the possibility of war between South Asia's two nuclear rivals is a major issue for the U.S., I believe that U.S. supply of major weapons systems should only proceed if we are confident that Pakistan's foreign and security policy is compatible with U.S. interests. Some of the items Pakistan would like to buy, such as the F-16 aircraft that were denied it in 1990 (and for which we finally reimbursed the funds Pakistan had spent in 1998), would currently be inadvisable.

The third element, *an active diplomacy on India-Pakistan peace*, is the other side of this coin. The reason Pakistan's security policy has been so problematic for us is that Pakistan has an unresolved dispute with India. Pakistan's own policy has fed that dispute, especially by encouraging insurgency and ultimately risking conflict with India. But India's reluctance to come to grips with the Kashmir issue is also part of the problem. Happily, India and Pakistan have resumed an active dialogue, and they have now restored their bilateral relations to roughly the situation prevailing before the bombing of the Indian parliament in December 2001.

I hope that the coming months will see real decisions by India and Pakistan, to create some visible successes in the short term and to lay the groundwork for peace in the longer term. Two great places to start would be by opening the road between the two parts of Kashmir, and by negotiating an electric grid connection between the two parts of Kashmir (which effectively means between India and Pakistan).

Another useful early step would be to strengthen the risk-reduction measures that India and Pakistan have agreed on from time to time. I was pleased that the Indian and Pakistani Foreign Secretaries agreed last month to strengthen the hotlines between the two countries' Directors General of Military Operations, and to reinstate a largely dormant hotline between the two Foreign Secretaries.

Let me diverge for a moment to tell the Committee about an interesting exercise that I participated in earlier this year. My colleague Robert Einhorn from CSIS organized three meetings with a distinguished group of former military officers, civilian officials and academics from India and Pakistan and a small team of Americans knowledgeable about the region and about nuclear risk reduction. The purpose was to see whether the concept of Nuclear Risk Reduction Centers could be adapted to become a useful mechanism for India and Pakistan. The group concluded that the model used by the United States and Russia was not suitable for India and Pakistan, but that a new communications mechanism would be useful. This mechanism would provide a dedicated, secure means for each side to do three things:

(1) Notify the other about activities or events on its territory that might be misperceived or misinterpreted and lead to conflict;
(2) Exchange information that the two countries are obliged to under existing security agreements; and
(3) Seek and receive clarifications about ambiguous events on the territory of the other. The group also concluded that the infrastructure in the region could support such a mechanism for a relatively modest cost.

The Indian and Pakistani members of the group shared our report with their respective governments. It is now up to the governments to decide whether these ideas are useful.

Coming back to U.S. policy, the key point is that the United States needs to be actively, strategically and discreetly involved in helping India and Pakistan move their peace process forward. Its quiet presence will be most needed when the process runs into snags, as it inevitably will. The new government in India will need some time to figure out how it is comfortable interacting with the United States on this sensitive issue. But I remain convinced that a serious and sophisticated U.S. diplomatic effort will be very important to the success of this enterprise.

It will also be a key element in dealing with Pakistan's broader problems. Pakistan's chronic insecurity stems largely from its tangled relationship with India. In the final analysis, the only way to craft a sustainable U.S. security relationship with Pakistan is to help India and Pakistan build a new and peaceful relationship.

Let me conclude with a thought about "hyphenation." The United States had long sought a situation in which its relations with Pakistan and India could proceed on their own independent tracks. That is a proper goal, but both India and Pakistan make it hard to achieve. They relentlessly keep score on U.S. affections. Each of them, ultimately, needs to understand that a close tie with Washington is not going to diminish American ties with the other. That's a tough message. Pakistan is understandably suspicious about the blossoming of U.S.-Indian relations in the last few years, the more so because they have had doubts for decades about the reliability of their ties to the United States. The strategy I suggest here is in no way incompatible with the expansion of U.S.-India ties, which I consider to be one of the key elements of U.S. policy toward Asia.