



Prospects for Pakistan

Jonathan Paris



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Legatum Institute

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PREFACE

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EXECUTIVE SUMMARY

This Report analyses the prospects for Pakistan over a one to three year time horizon. It looks at economic, political, security, and bilateral issues. There are three possible scenarios for Pakistan over this relatively short time horizon; Pakistan probably will avoid becoming a “failed state” and is unlikely to find a “pathway to success” but, as Pakistan confronts a myriad of vexing challenges, the most likely scenario is that it will “muddle through”.

I. Economy

Looking at the economy optimistically, in just over 20 years, Pakistan will surpass Indonesia and become the fifth most populous country and the one with the most Muslims. Its youth bulge provides it with a baby boom which, if educated and employed, could provide its economy with a demographic dividend long after the equivalent bulges in China and India have aged and retired. Pakistan has an opportunity to leverage its domestic consumer market to attract multinationals and build up competitive economies of scale in industries like food, electronics, autos and engineering for the export market. Peace with India would turn Pakistan into an energy transit point and geographic hub for a possible South Asian boom.

Looking at the economy pessimistically, one sees a persistent leadership and public management deficit, loss of credibility in the international markets due to political instability and the extraordinarily long period of sustained growth required for Pakistan to make a dent in its poverty, unemployment and underdevelopment. The lack of investment in education makes it difficult for Pakistan to emulate India in becoming a high-tech hub, and the growing violence does not make tourism a viable option in the short term. In meeting the developmental challenges ahead, it does not help that the population is growing at a high 2.7% and that the youth bulge in its demographic profile shows few signs of abating any time soon. This author finds the pessimistic economic view somewhat more likely, especially in the next one to three years.

IMF emergency funds together with tough prescriptive fiscal policies were needed initially to stem Pakistan’s rapidly eroding reserves. Going forward, the IMF might consider, to

the extent possible, counter-cyclical policies that stimulate much needed economic growth. Friends of Democratic Pakistan and other donor bodies can also seek ways to increase private sector investment and FDI as Pakistan searches for an exit from dependency on IMF emergency funds.

2. Civilian-Military Issues

Never in the history of Pakistan has a civilian government been able to complete its term. Will the Zardari government be the first? There are three scenarios for the evolution of the civil-military relationship: increased military dominance, continuation of the status quo, or democratic consolidation. The military will likely continue the status quo and find ways to exert influence short of a coup. The public probably cannot easily support a military takeover now, and the current army commander prefers to remain behind the scenes. But even if civilians continue to fill the positions of President and Prime Minister, it is unlikely Pakistan will see development of sustainable democratic institutions beyond the family fiefdoms that lay behind the two main parties, the Zardari-Bhutto PPP and the Sharifs' PML-N.

Pakistan is likely to remain a combination of autocracy and democracy, in effect, what Aristotle called a mixed constitution. Given that the two main political parties have not produced any new leadership in over 20 years, one could imagine a future charismatic populist emerging from a new urban-based party with the mass support of the working poor flocking to the cities, and the adroit use of the largely unregulated media to forge a nationalistic, anti-American, blame-the-outside-world message. The fact that such a charismatic leader has not emerged since the rise of Zulfikar Bhutto nearly 40 years ago suggests an interesting paradox in Pakistani politics: not quite able to become fully democratic, Pakistan is surprisingly resistant to the totalitarian impulse. However, there is always a first time.

3. Islamist Trends

The fortunes of the religious parties in the political space will continue to wax and wane, but not approach anything like a takeover of the government, much less the state. Religious parties are more likely, instead, to pressure the relatively liberal tradition of the Pakistani legal system through their influence in future coalition politics (especially in any Nawaz Sharif government). Invocation of Sharia law, further marginalisation of Ahmedis and Christians, more public displays of piety, and pressure from religious parties – including street protests – to reject overt cooperation with the US are all likely in the future. Interestingly, despite Nawaz Sharif's support for Islamist groups and parties, he has a good record in preventing sectarian violence against the Shia and has, in the past, cracked down on attacks by Sunni extremist groups.

As for radical Islamists, Al Qaeda (AQ) remains the 'outsider' in Pakistan in that it has a relatively small presence, probably mostly in FATA and perhaps Karachi. Some experts believe that most AQ were picked up in Jamaat-e-Islami (JI) facilities or houses since 2001, which makes sense given the potential link in terms of social class and ideology, although not in terms of violence.

As Pashtun groups located outside of Punjab, the Pakistan Taliban are not as threatening to the state as those Punjabi militants located in the Punjab heartland of Pakistan. Punjab is also the dominant area from which soldiers and officers are recruited into the army. The danger for the army, and for Pakistan generally, is not Talibanisation but Islamisation from Punjab-based militants and their allies. Nominally “apolitical” Islamist groups, such as the Tablighi Jamaat and, separately, the madrassa networks of the Deobandi and Ahl-e-Hadith, as well as Islamic welfare organisations, are positioned to continue to play a significant role in shaping the opinions of both the rural villagers and those newly urbanised and working poor who leave the villages, indirectly promoting extremism by providing cover for radical groups. The Tablighi Jamaat and Deobandis have allowed recruitment by the militants at their gatherings and none of the Pakistani Deobandis has spoken out against recent suicide bombings while India Deobandis have. Jamiat Ulema-e-Islam (JUI) and JI also have stayed away from criticising attacks on mosques and civilians for fear of physical attacks on them by the militants. In sum, the trend in Islamism is for an increase in soft power without an overt Islamist takeover.

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4. The Future of Pashtun Nationalism

Pashtun nationalism today is weaker than it has been in the past, and a Pashtunistan movement on both sides of the Afghan-Pakistani border does not threaten the territorial integrity and internal stability of Pakistan. The provincial government of the Northwest Frontier Province (NWFP), where the Pakistani Pashtun are concentrated, is economically dependent on Islamabad for over 90% of its operating budget. They do not want to become part of a Pashtunistan with their brethren across the Afghan border who have a lower standard of living. But that does not mean Pashtun ethno-nationalism is going to disappear. They will demand greater provincial autonomy for the NWFP and greater use of Pashto language in schools, etc.

More broadly, one is struck by the antagonisms between the urbanised Mohajirs, who come from India and have settled mainly in Karachi, and those Pashtun who have also migrated to Karachi, as well as between the Baluch and Pashtun in Baluchistan. The Punjab-centredness of the army limits its ability to contribute to nation-building among these disparate groups, but the army does manage to exploit Mohajir-Pashtun-Baluch antagonisms to carve out an indispensable role as maintainer of the peace and thereby keep these distinct ethno-linguistic groups from breaking away. One of the reasons the Pakistani army is so worried about US cross-border or drone attacks on Quetta and elsewhere in Baluchistan is the precariousness of the Baluchistan insurgency. To be more precise, Pashtun support for the army in Baluchistan, which is so vital in the army's attempt to contain the Baluch insurgency, would evaporate if the Pakistani army's partner, the US, were to target ethnic-Pashtun Afghan Taliban in Quetta.²

² Professor Anatol Lieven pointed out these complex relationships between the army, Pashtun and Baluch in the context of the ongoing Baluchistan insurgency. Conversation, December 17, 2009, London.

How likely is the Pakistan Taliban to take over the Pashtun narrative among the Pashtun in NWFP, Baluchistan, Karachi and elsewhere? The secular Pashtun are fighting uphill against Islamic momentum within Pashtun society. The Taliban have been able to change the conversation about Pashtun identity, making it more religious and less focused on traditional nationalist grievances such as provincial autonomy. One danger of a heavier US footprint in Pashtun areas on the Afghan side of the Durand Line is that it will allow the Pakistan Taliban to pose more convincingly as defenders of the rights of the Pashtun.

5. The Future of the Pakistan Taliban

There are at least six specific strategies that the Taliban have used, and will likely continue to use, as the basis for their expansion in the frontier. The advantage for the Taliban is that only two or three out of the six strategies have to work for them to make incremental gains.

The Swat and South Waziristan campaigns show that the army can carry out a policy of “forceful” containment. However, Islamabad tends to fall short in the follow-up civilian reconstruction, and one has the feeling that the Pakistan Taliban are biding their time and will return once the army loses interest. A war of attrition probably favours the Taliban in that its continuing suicide bombings will sap morale. How many suicide bombing attacks can Peshawar and other Pakistani cities take before conceding to the Pakistan Taliban? Already, there is anecdotal evidence that young officers are voicing criticism of the kinetic campaigns against the Taliban. That said, major Taliban advances in the frontier over the coming years are likely to come by way of a series of negotiated, face-saving government capitulations rather than an outright collapse of government authority.

6. The India-Pakistan Relationship

The prospects for a viable peace process transforming long time enemies into partners are not terribly auspicious. But there are signs of new thinking in India where there is a growing realisation that a failed neighbour will prevent India from attaining global power status. Kashmir, the Mumbai attack of November 2008, water and energy shortages, Pakistan's perception of India's role in Afghanistan and mutual distrust of each others covert security services are all flashpoints for escalation as well as agenda items for negotiation. Miscalculations and intelligence failures in all of the previous crises and the feeling among some South Asian analysts that a threatened Pakistan might escalate a future crisis into the unthinkable are not grounds for comfort.

The good news is that more Pakistanis are beginning to understand that the danger to Pakistan is not from an invasion by the Indian army but from their own internal problems. The recent British Council survey of young people in Pakistan found that more than five times as many identify themselves as Muslim than as Pakistani and that as many want Sharia Law as democracy.³ For Pakistan, this survey reconfirms the need to redistribute funds from

³ See “Pakistan: The Next Generation”, British Council Report, November 2009 at: http://graphics8.nytimes.com/packages/pdf/world/20091122_pstan.pdf. See also Sabrina Tavernise, “Survey of Pakistan's Young Predicts ‘Disaster’ if Their Needs Aren't Addressed” *The New York Times*, November 22, 2009 at: <http://www.nytimes.com/2009/11/22/world/asia/22pstan.html?emc=eta1>

defence to under-budgeted education, health care and jobs for its burgeoning youth. It is in India's own interest to engage with Pakistan directly rather than leave it to the US to do all the heavy lifting, especially when the US has eclipsed India as being the most unpopular among the Pakistani public. India's Prime Minister understands the problem but finds it difficult to gain the necessary consensus within Congress leadership.

7. China-Pakistan Relations

No country has been more central to Pakistan's foreign policy and security interests than China. In contrast to the US, whose relationship with Pakistan has been both episodic and heavily conditioned, that with China has been consistent, predictable and until recently without conditionality. The Pakistan-China relationship is described as an all-weather relationship, in contrast to the United States, which is perceived as only a fair-weather friend.

One new tension in the relationship is China's increasing concern about Uighur protests and Islamic radicalisation in Xinjiang, which now colours China's view of Pakistan-exported militancy. Given China's increasing ties with India, its continuing close relations with Pakistan, and its expanding investment in and political links with Afghanistan, China is likely to emerge in the coming decade with significant leverage over the key countries in South Asia. As China grows more comfortable in discharging its responsibilities as a global power, it may be able to coax its ally, Pakistan, into stabilising regional arrangements. China wants stability in the Af-Pak area given dangers to China from Pakistan's export of extremism into China's own provinces. At the same time, China is uncomfortable with the US in its backyard.

8. US-Pakistan Relations

Both sides recognise there is a need to move away from the on-again, off-again fair-weather friend perception to something more permanent. It is not just a matter of the US consulting Pakistan on grand decisions but actually giving Pakistan a role to play in the execution of a regional strategy. For example, rather than wait the US/NATO out for another 18 months and then try to forge its own regional strategy without the US, Pakistan could work together with NATO now to forge a regional strategy. One possible place to start is to consider whether the Pakistani Inter-Services Intelligence (ISI) might play a role in contributing to a political settlement in Afghanistan. The difficulty is that Pakistan retains an immediate security interest in expanding the influence of the Afghan Taliban in Afghanistan. The Pakistanis are fully aware that the Obama strategy could morph into a light footprint scenario in 2011 with the possible drawdown of US/NATO troops without a clear defeat of the Taliban, and this possibility serves to maintain the Pakistan army's incentive to hedge its bets with their Afghan Taliban clients. Can Messrs. Holbrooke, Petraeus, Mullin, McChrystal and other Administration figures persuade Pakistan to serve as an altogether different kind of bridge between US/NATO and the Afghan Taliban, similar to the role Pakistan played in the US outreach to China in the early 1970s?

Predicting the future of Afghanistan and its impact on Pakistan. It seems likelier that the Afghan Taliban will be neither completely defeated nor victorious, and that what may emerge

in Afghanistan is a *de facto* partition of Afghanistan with a nominal central government in Kabul. This is not necessarily bad news because the Afghan Taliban will not prevail over most of Afghanistan as they did in the late 1990s. Instead, they will be naturally contained by the internal balance of power dynamics within Afghanistan (i.e. fighting the Northern Alliance and others), leaving Pakistan relatively free from their imprecations. The impact of the eventual withdrawal of NATO in the face of a *de facto* partition of Afghanistan on the Pakistan Taliban is not clear. By reducing NATO pressure on the Pakistan army to fight the Pakistan Taliban, a stable *modus vivendi* might emerge between the Pakistan Taliban and the army. Or the army may decide to crack down on the Pakistan Taliban, whose Afghan Taliban cousins will be unable to help as they become preoccupied in intra-tribal-ethnic conflict inside Afghanistan.

In the near term, the Pakistanis are concerned about a widening of the war beyond the operations against the Pakistan Taliban as a result of US pressure to go after Afghan Taliban sanctuaries inside Pakistan. Pakistan sees its home-grown Taliban differently from the Afghan Taliban, who are not viewed as Pakistan's enemy. US-Pakistani relations will progress only if the divergent objectives of the two sides can be resolved. US pressure on the Pakistan army to expand its war or else acquiesce in US direct attacks on Afghan Taliban leaders in Baluchistan may trigger dissension within Pakistani society and especially within its army that leads to serious destabilisation of the country. The overriding concern in the US is and will be to prevent the country and the army from fragmenting, which would in a worst case scenario threaten the security of the Pakistani nuclear programme.

The Kerry-Lugar-Berman Aid programme is a step in the right direction in targeting socio-economic development at the civilian population, but both countries need to ensure that the implementation of the programme does not disappoint either Congress or the Pakistani public. The hostile 2009 reception in Pakistan to Kerry-Lugar-Berman was most alarming to those who thought that it was the right thing to do; Pakistani opinion is so anti-American that sometimes it is hard to figure out what the US should do in Pakistan.

INTRODUCTION

Pakistan today faces five main challenges:

1. Threat of fragmentation and the loss of state control over various territories that undermine the integrity, sovereignty and solidarity of the country;
2. Security and terrorism throughout the country;
3. Economy;
4. Governance issues including corruption; and
5. Rebuilding the Pakistan Brand.

How Pakistan meets these challenges will determine which of three possible scenarios,

- Failed State
- Muddling Through
- Pathway to Success

is most likely to evolve over the next one to three years. The Pakistani state has shown itself to be both the source and recipient of instability, but it has also been remarkably resilient.

- Pakistan's problems are by now well known and they are multi-sectoral. They affect not only stability of the Pakistani state itself, but also its immediate neighbours as well as the West.
- The international community has a major investment in stability between Pakistan and India, which perhaps is the most dangerous nuclear flashpoint in the world today. The 2001/02 Crisis is but one example of the potential for conflagration.
- US and Europe are concerned that Pakistan remains a proliferation risk.
- A review of the voluminous "Af-Pak" literature also demonstrates that the U.S. increasingly sees the future of its Afghanistan Project – building a viable state and preventing militant safe havens – as being inextricably linked with Pakistan's stability, perceived strategic objectives and capabilities. In fact, privately some US policymakers

acknowledge that Pakistan is the bigger problem than Afghanistan, but the US can apply resources directly to the latter in a way that cannot to the former:

- Finally, the US, UK and others are concerned about Pakistan's continued base as a safe haven for Al Qaeda and other militant groups targeting the West. The nuclear potential of Pakistan is a big driver of US anxiety.

This analysis takes these problems and international and regional concerns as a point of departure and looks out over one to three years at trends, challenges and possible scenarios. Towards that end, this Report goes into some detail on eight topics which are of particular importance:

- **Economy**, an under-examined factor in Pakistan's stability;
- **Civilian-Military Issues**, which form the backdrop for the state's effectiveness and for its decision-making on national security issues that matter to the West;
- **Trends in Islamism**, which point to practical ways in which Islamic politics are likely to impact Pakistan over the coming years;
- **The Future of Pashtun Nationalism**, important and changing factors in Pakistan's cohesion;
- **The Future of the Pakistan Taliban**, which has implications not only for Pakistan's internal stability, but also the Pakistan state's use of Islamist proxies in Afghanistan;
- **The India-Pakistan Relationship**, which, at least in the Pakistani strategic consciousness, frames its options and concerns;
- **China-Pakistan Relations**, which have been strong for decades and are now transforming into a broader regional role for China in South Asia;
- **US-Pakistan Relations**, which currently ranks as perhaps the most pressing bilateral relationship for both countries.

CHAPTER I

ECONOMY

This Report begins with an analysis of the economy for two reasons. First, although economic issues are more likely to be felt in the longer term than in a one to three year horizon, the economy, together with the place of the army in society and the country's geopolitical relationship with its neighbours, chiefly India, are intrinsic to political stability. Lasting prosperity is one of the keys to resisting the siren calls of extremism.

Second, given Pakistan's often precarious macro-economic position, the economic situation in the next few years could have a direct bearing on political stability and US-Pakistan relations. Urban riots last summer over power shortages and Pakistan's regular pleas to the international community for funds all point to the importance of the economic piece in the short to medium term.

One peril in economic forecasting is the tendency to be overly swayed by the current mood. Those reports issued up to mid-2008, after the economy had posted several years of solid growth and rising investment, were overly bullish. Similarly, the think tank reports written for the incoming Obama Administration during the 2008 political meltdown of Pakistan, aggravated by the global economic recession, were overly bearish. This Report attempts to present a balanced picture by setting forth both a "glass half-full" and "glass half-empty" viewpoint.

Glass Half-Full

There is positive potential for the economy, based on several underlying factors. First, consider that Pakistan is the sixth largest country in the world and is likely to pass Indonesia between 2030-35, according to the UN medium fertility variant projection, published in 2009. With a population of nearly 170 million people and over 100 million under the age of 25, Pakistan's rapidly growing population can be viewed from the glass half-full perspective as an opportunity if Pakistan can provide its youth with education and jobs.⁴

Pakistan shares with the three other Asian giants, China, India, and Indonesia, a large domestic market of future consumers and the potential of being one of the workshops of the world.

4 Long term projections for Pakistan's population growth are just under 250 million by 2030 and just under 300 million by 2050. UN Population Division. 2007. "World Population Prospects, the 2006 Revision" United Nations: New York.

These Asian mega-states can leverage their potentially huge domestic consumer markets to stimulate the growth of local manufacturing. From this perspective, Pakistan is in a more favourable position than even China and India, whose populations are older. Pakistan will be able to reap a demographic dividend from its current youth bulge over the next several decades.

Critical to Pakistan getting on the pathway to success is a steady incremental increase in the wealth of Pakistanis so that they can consume the products from their embryonic manufacturing sector. The more they consume, the more jobs can be created which, in turn, increases earned income and leads to more goods for the domestic market for them to consume. What makes the optimistic scenario of "pathway to success" credible for the future is the fact that this virtuous cycle was beginning to take place in the 2002-2007 economic boom that was driven by a strategy of privatisation, deregulation and liberalisation. During that period, the Pakistan Brand could cite some dramatic progress:

- Official GDP growth went from around US\$65 billion in 1999-2000 to US\$165 billion in 2007-08, a factor of 2.5 times.
- Foreign investment, which averaged only around \$500 million per year in the 1990s, exceeded \$8 billion in 2008.
- Remittances that were around \$1 billion in 1999 surpassed \$6 billion in 2008.
- Development spending that was \$1.5 billion in 1999 reached \$7.5 billion in 2007.
- Exports went from \$7.5 billion in 1999 to \$18 billion in 2007.
- Public debt to GDP ratio dropped from 100% in 1999 to 54% in 2008.⁵

Other examples of the Pakistan economy's dynamism during this period are:

- Global wholesale food companies like METRO and MAKRO came into Pakistan in 2005 and started connecting farmers through their warehouses to retail shops.
- In 1999 Pakistan produced 30,000 autos and 80,000 motor cycles per year. In 2008 production rose to 250,000 autos and around a million motor cycles. At that point, an ancillary auto-parts industry had grown up and is starting to export. Toyota, Honda, Suzuki, Hyundai, and Chevrolet then set up assembly plants initially for the domestic market, creating numerous local part vendors. Pakistan mainly assembles imported parts with local manufacturing of spare parts, which may be a big opportunity for complementing China's auto industry. At this stage there are no design capabilities and the focus is on producing components for global brands and ultimately integrating into the global supply chain of components. This is desirable as it creates employment and transfers technology. The local content in motorcycles is around 90% and for cars it ranges from 40% to 80% and tractors up to 90%.⁶
- Investment began to flow in 2005 to buy banks in Pakistan as foreign banks could see a large potential domestic market in financial services in a country with only 20 million bank accounts for 170 million people.⁷

⁵ Dr. Salman Shah, "The Economic Way Forward," unpublished, October 2008.

⁶ Shah, *ibid.*, email, December 18, 2009.

⁷ Investment flowed in from foreigners, particularly in the Gulf, in large part because the government made a policy decision to sell off public bank assets.

These are important examples because they show that Pakistan can diversify its economic base beyond the traditional manufacturing of specialised textiles.

After the fall. After a series of shocks beginning with the Musharraf political meltdown, Benazir Bhutto's assassination and a spike in food and energy costs, Pakistan's economy went into free fall. It has recovered somewhat since 2008 as (i) a new government headed by the PPP was democratically elected in a large turn out, (ii) energy and food prices dropped precipitously, and (iii) Pakistan discovered it was somewhat insulated from the developed world's financial crisis, in part because of the enormous size of its black/grey market.

Despite widespread criticism, the Zardari government adopted some helpful measures:

- Pakistan was able to get assistance from the IMF and other international financing institutions, perhaps in part because the international community was pleased with the government of Pakistan's response to militancy in Swat and the steps that the Zardari government had taken after the Mumbai attacks of November 2008. The civilian government has not done everything that the US or India requested, but it demonstrated a willingness to take on terrorist organisations like Laskhar-e-Taiba (LeT), and the international community wanted to show its support to these democratically elected actors. The international community watches these events closely and the government's body language does matter for international funders.
- Moody's has upped the debt rating of Pakistan to "stable" and legislation is being offered to encourage foreign investment by establishing an arbitration commission, putting in place bankruptcy laws consistent with Western business practices and moving the Investment Board directly under the Prime Minister's authority to give it greater power.⁸
- In August, 2009, Finance Minister launched a Pakistani Remittance Initiative to facilitate the continued rapid growth of remittance inflows from Diaspora Pakistanis, which has become an important source of liquidity.⁹

The international community watches these events closely and the government's body language does matter for international funders

Ten Steps to getting to the Pathway to Success. The 'glass half-full' takes the view that Pakistan's current economic problems are not endemic but are fixable by taking the following policy steps:

1. **Improving security.** In order to attract foreign investment, a prerequisite "must have," as opposed to merely a recommendation, is improvement in the security situation in which the pockets of normalcy are expanded and the pockets of violence are shrunk. Otherwise, foreign businessmen simply will not come to Pakistan. Even if 75-80% of Pakistan is normal, the "CNN effect" creates the perception of much wider insecurity.

⁸ Harlan Ullman, "A Glimmer of Optimism?" Owls and Eagles, August 26, 2009.

⁹ "Country Report on Pakistan", Economic Intelligence Unit, September 2009, p. 3.

2. **Changing IMF policies.** Given that the international private capital markets were closed to Pakistan due to a global dysfunction of the capital markets and the free fall in Pakistan's political stability and economy, the IMF emergency loan package was needed. However, the IMF policies that were attached to the funding package focused on keeping deficit rates low rather than stimulating economic growth. Usually, and in other country packages since the global economic recession, the IMF has encouraged counter-cyclical policies. Pakistan is the anomaly. As its public revenues fell short, it has been required to raise taxes thereby exerting further downward pressure on economic activity.¹⁰ By contrast, India, which has a fiscal deficit nearly twice that of Pakistan (8% versus 4.9%) has achieved a much lower commercial bank interest rate (6% versus Pakistan's effective rate of 16%) resulting in a significantly higher economic growth rate of 6-7% versus Pakistan's current anaemic 2.7% growth rate.¹¹
3. **Expand FDI.** A surge in economic activity is more likely to be driven by the private sector than the public sector. The \$5 billion proposed refinery plant by the UAE is one such example of foreign direct investment that impacts the real economy. The Friends of Democratic Pakistan could build on the UAE investment by encouraging CEOs of multinational companies to invest in Pakistan.
4. **Textile access.** In the short term, getting zero-rated access for Pakistani textiles to the US market would help Pakistan compete with China and India, which already have large market shares in textile exports to the US.¹² A Free Trade Agreement, though desirable, will take much more time to gain US legislative approval.
5. **Thermal energy.** The Indus River provides a flow of water with sufficient force to generate enough hydro-electric power to replace costly oil imports. Hydro-electric costs are 10% of the costs of oil-based energy.
6. **Food and water.** Large multi-purpose dams provide not only cheaper energy but also water reservoirs that enable farmers to better exploit both the melting glaciers and the monsoon rainfall that contribute to the water flow of the Indus River.
7. **Agro-business.** The long term rise in global food prices gives Pakistan's farmers a chance for the first time to become profitable commercial producers. As the fieldworkers flock to the cities, many remaining farms can shift from subsistence to commercial agro-businesses, provided they can rely on a predictable water supply (see above). Pakistan's representative at the IMF noted the record wheat harvest of 24 million tons earlier in 2009 and suggested that Pakistan could achieve a 5-6 % growth rate by further developing its agricultural base.¹³

10 The IMF is also pressuring the government to begin collecting taxes from new sectors. Pakistan collects almost no taxes on agriculture and other sectors. Whilst one can criticise increased tax collection for depressing growth, improving tax collection will generate over the mid- and long-term additional revenue for education and health care that are necessary for long term growth.

11 The IMF was constrained from pursuing such a countercyclical policy in Pakistan because at the time Pakistan approached the IMF, Pakistan's reserves were dwindling at an incredibly fast pace. Unlike India, Pakistan did not have access to alternative resources to fund its deficit. Its high budget deficits and worsening inflation required the IMF policy medicine of contraction. Commercial interest rates cannot come down further and faster in large part due to lack of liquidity in Pakistan, with the IMF funds and the Tokyo Donor Package the only outside funds currently available to the government of Pakistan. With such limited liquidity, the IMF will hesitate to agree to a deficit higher than 4.9%, which in today's reality, translates into an even higher deficit of 6.0%.

12 With excess capacity in its textile industry, a free trade agreement with the US and EU would help bring Pakistan's trade deficits into balance. Unfortunately, there is deep resistance on Capitol Hill to zero rated access from the textile lobby. The New York Times lead editorial, entitled "Pakistan and the War," recommended that the "White House should press Congress to pass long-stalled legislation to establish special trade preference zones in Pakistan." December 7, 2009.

13 Ehtisham Ahmed, IMF, in Atlantic Council meeting in Washington, D.C., March 27, 2009. As part of a trend toward more large scale farming in the future, which coincides with small farmers moving to the cities, Saudi Arabia and UAE are considering leasing large tracts of agricultural land in Pakistan to cultivate for import.

8. **Rapid urbanisation as basis for future manufacturing hubs.** Whilst agriculture can boost the GDP with a string of good harvests like the current one, the agriculture sector is still overmanned and will shed people who must be absorbed in manufacturing and services. Already people are leaving farms for the cities in droves.¹⁴ Only 10% of Pakistan's population is needed for agriculture, not the current level of 60%. This continuing demographic migration to the cities means that Pakistan's future growth will come largely from the urban-based manufacturing and service sectors, which requires FDI and technology transfers from foreign manufacturers and skills development for the new migrants to the cities.
9. **Transit point for energy pipelines.** Pakistan at peace with India can maximise its unique geographic location in between Central Asia and the Gulf, China and India. Pakistan is well located to participate in the coming South Asian boom that many predict will emulate the success of the East Asian boom. In the energy sector alone, Pakistan could be a transit point for the proposed energy pipelines from Iran through Pakistan to India (IPI) and from Turkmenistan to Afghanistan through Pakistan to India (TAPI).¹⁵
10. **Transport infrastructure.** The National Trade Corridor is a major highway in various stages of implementation to connect the southern ports of Karachi and Gwadar up to the Chinese border in the North and Afghanistan border in the Northwest to reduce the time of transit.

Glass Half-Empty

One can take the same facts and come to a much less optimistic conclusion.

Demographic time bomb. Take for example the high population growth of Pakistan. In contrast to neighbouring Iran and Bangladesh, Pakistan has been unable to get its total fertility rate or TFR below 4.1¹⁶. Some Pakistanis may be rationalising a failure at a critical aspect of development (reducing the rate of population growth) into a positive advantage (leaving Pakistan with a larger potential work force). It is equally plausible that Pakistan's current high TFR (and high population growth rate of 2.7%) will perpetuate the youth bulge generation after generation, overwhelming the state's capacity to deliver education, health care and jobs to an ever-expanding pool of young people. How will Pakistan be able to supply the classrooms and qualified teachers for this burgeoning generation, let alone future ones?¹⁷ Demographers have shown that perpetual youth bulges are not conducive to stable,

14 Pakistan has two megacities comprising Karachi (16 million) and Lahore (10 million) followed by a second tier of cities with 3-4 million: Multan, Faisalabad, Rawalpindi, Peshawar, Quetta, and a third tier of more than 12 cities with a population of over 1 million. Cities are magnets for people coming in from the fields and could become the manufacturing hub for the Pakistani baby boom.

15 IPI and TAPI are in very different stages. IPI basically looks like it is going to happen; at least the Iran-Pakistan part is on the verge of a deal. Indian involvement is on-again-off-again, and it has not been settled yet. If India decides to opt out of IPI, China may step in as it is interested in an overland energy supply route from Iran to hedge against naval blockades. See Chapter 7 infra. Pakistan seems likely to get access to Iranian gas over a 25-year contract horizon. <http://www.gjgroup.com/News/IPI-not-yet-over-Iran-India-still-in-bed-with-each-other-43430.html>. TAPI is something else entirely, and is only in its conceptual stage now. It would have to flow through southern Afghanistan (e.g. Helmand), which is a risky proposition currently for energy planners at big oil companies.

16 TFR (total fertility rate) is an estimate of average lifetime childbearing (children per woman).

17 Half of all Pakistanis and nearly two-thirds of Pakistani women are illiterate. See Center for American Progress "Partnership for Progress" November 2008, p. 50-51. In the FATA area, an astonishing 97% of women are illiterate. See Hilary Synnott, "The Transformation of Pakistan", IISS (2009), p. 112.

liberal democracies.¹⁸ The only mitigating factors are the likelihood that population growth will decrease as increasing incomes take hold and rapid urbanisation continues because women in the cities tend to bear fewer children than in the rural areas.

Creating responsible stakeholders. That brings us to the next challenge, which is the low level of absolute income per family. In the eight years from 1999-2007, Pakistan went from US \$300 per capita to \$1,000 per capita. As impressive as that is, Pakistan needs sustained GDP growth of 20 years to really change the lives of the average Pakistani family. When per capita income reaches \$3,000 people are more likely to become stakeholders in the system. At today's level of \$1,000, the former field worker coming into the city and living below the poverty line

The Economic Intelligence Unit forecasts 2.7% growth for the year ending mid-2010, which puts Pakistan somewhere between a failing state and just muddling through

has little incentive to resist the messages from charismatic "messiahs" with extremist messages for changing the status quo.¹⁹ Pakistan's inability to generate sufficient economic growth will make it difficult for the masses to join the political elites and security forces in resisting terrorism if they have so little to lose. Put another way, at a 3% economic growth rate, one million jobs are created. At 7% growth, 2.5 million

jobs are created. If Pakistan has only 3-4% growth, it will be at the precipice all the time. The Economic Intelligence Unit forecasts 2.7% growth for the year ending mid-2010, which puts Pakistan somewhere between a failing state and just muddling through.²⁰

Other reasons for pessimism on Pakistan's economic outlook

- The lack of investment in education makes it difficult for Pakistan to emulate India in becoming a high-tech hub, and the growing violence does not make tourism a viable option in the short term.
- The systemic problems with Pakistan's economy include its overreliance on external, private flows of investment, its undeveloped and under-diversified export capacity (mainly confined to textiles), its very small tax base and its weak public institutions.²¹
- Punjab in the 21st century will soon have over 100 million people living on the increasingly less arable land. Even with peaceful relations with India, which controls the head of the important rivers traversing Pakistan, a water shortage is looming.

18 See Richard Cincotta, "Afghanistan's sky high birth rate seems to be declining and that is a very good thing," www.ForeignPolicy.com November 16, 2009. In an email dated November 17, 2009, Cincotta refers to the "South Asian Syndrome" as a pattern where, having failed at some aspect of development, the interlocutor rationalises something positive from it. As an example, he describes how Indians are rationalising the similarly high growth rates in Pakistan's rural Punjab areas across the Indian border in Uttar Pradesh (UP) and Bihar, which he calls India's Pakistan-type nightmare. The population explosion and poverty have created in those northern Indian states an increasing Naxalite threat, which is a Maoist-type insurgency. Yet some Indians see the glass half full, by which those newborn Uttar Pradesh and Bihar Indians will be the next generation of software engineers and skilled labourers.

19 Whilst the political ramifications for instability are apparent with unemployed workers flocking into cities, some argue that radicalisation is more of a problem in the rural areas where few alternative views are available other than the local imam, however militant and backward his views. Conversation, Syed Mohamed, Shell Political Risk, at Oxford Analytica Conference, September 17, 2009.

20 EIU Country Report on Pakistan, *ibid.*, p. 3. This rate is down from 3.7% in the previous fiscal year 2008/09.

21 For a summary of the state of the Pakistan's economy in early 2009, See "Urgent: Needed: A Comprehensive US Policy Towards Pakistan" The Atlantic Council of the United States (February 2009), p. 20-23. The author was a member of the Working Group for this Report, which is currently being updated.

- The self-inflicted wounds from Pakistan's chronic leadership deficit and incompetent economic management may be ingrained in the political system.
- The security problem, symbolised by the attack on the Marriott Hotel in Islamabad on September 20, 2008 and a plethora of attacks throughout Pakistan in 2009, may make it difficult to regain the confidence of international investors, attract FDI and restore the Pakistan Brand.²²
- Pakistan's economy is sensitive to exogenous shocks in energy and food prices, as was seen over the last two years. A spike in crude prices could spur urban riots and bring down the current civil government.
- Although long-term non-military aid packages such as the \$1.5 billion per year, five year Kerry-Lugar-Berman Bill are significant (although one might not notice this given the initial cold welcome in Pakistan to news of the Aid Programme), trade may be even more important for the real economy. It is unclear, however, whether Pakistan will achieve significantly better trade access to US and EU markets. The US-Pakistan bilateral investment treaty has foundered, in part because of opposition by US industries to opening certain sectors to Pakistan. The creation of Reconstruction Opportunity Zones (ROZs)²³ is another item of congressional legislation that has still not passed, and if and when it does, many of the most important textile categories are likely to be excluded. Pakistan cannot even count on zero rated access to U.S. textile markets. The US textile lobby is just too strong. Perhaps there will be some trade concessions in terms of infrastructure investments from the US in the energy and transportation sectors.

For Pakistan's economy to achieve sustained growth, it will have to diversify exports. The engine for such economic growth and diversification may be the indigenous Pakistani middle class. Vali Nasr, currently advisor on Pakistan to Richard Holbrooke, the US Special Representative for Af-Pak, has written a book on the transformative power of the new Muslim middle class throughout the Arab and Muslim world, which suggests prospects for the rise of an urbanised Pakistani middle class that buys into a stable political process.²⁴

What to watch for:

- More rapid growth is possible, given Pakistan's strategic location, demographic situation, and resource base. Targeted growth in food and energy could help stabilise Pakistan's political system. The challenge is hooking into a regional economy in South Asia, which may be the least integrated region in the world.
- See how well the government can rebuild the Pakistan Brand which attracted over \$8 billion FDI in 2007. This may be difficult to replicate again because much of the Musharraf era FDI was through privatisation programs of public industries, and other

22. Foreign investors are still very nervous about direct investment in Pakistan because the political situation is so unpredictable. See comments by Jacob Lew, Deputy Secretary of State, about problems investing in Pakistan, particularly in the energy sector; at <http://www.state.gov/s/dmr/remarks/2009/129154.htm>. There are foreign energy companies interested in investing, but they need guaranties from the government that they will get fair access to the market, and not be bypassed by politically-connected domestic energy firms.

23. Reconstruction opportunity zones are designated areas where goods produced in Pakistan's tribal areas receive duty free access to the US market, (not a full free trade agreement). See "Partnership for Progress: Advancing a New Strategy for Prosperity and Stability in Pakistan and the Region," Center for American Progress, November 17, 2008, p. 59.

24. See Vali Nasr, "Forces, Fortune and the Muslim Middle Class" (2009).

than the troubled state steel enterprises, much of that low-lying fruit has already been picked.²⁵ Beyond the current short-term emergency, foreign investment and private capital markets are the future for Pakistan. Both agro-business and manufacturing have domestic and export market potential. An important determinant of exploiting manufacturing success is how well Pakistan uses its growing population to its advantage by providing the requisite education and job opportunities.

- A higher likelihood of urban unrest may result from rapid urbanisation; e.g. the recent riots in summer 2009 over electricity outages and protests over the oligopoly pricing of sugar. Pakistan could become an urban dystopia.
- Even half-hearted attempts at dealing with militancy can be incredibly expensive. Pakistan has limited fiscal space, and major operations in NWFP and FATA put pressure on the budget. The refugee crisis in Swat will cost billions of dollars to resolve over the mid- and long-term.
- The current government is under pressure to enact populist policies which are slowing privatisation. Putting money into schemes like the Benazir Income Support Program (BISP), which provides a direct cash transfer of approximately \$33 every two months to 3.5 million needy families, is seen as a patronage operation. Continuing large subsidies on imported food staples and energy may not go on forever, especially under the IMF programme. If and when Pakistan makes hard choices about these fiscal policies, there could be political repercussions.

25 Critics of the Musharraf government argue that he oversold and misrepresented the state of the Pakistan economy, and that the US was eager to believe him. Originally, when Musharraf took over, the country was on the edge of bankruptcy, the US rescued it, but did Musharraf actually change the basics? Perhaps no one could have changed Pakistan's economy by then without accommodating India and opening up the borders for trade, which were politically impossible even for a military dictator.

CHAPTER 2

CIVIL-MILITARY ISSUES

Since the early years of Pakistan, when General Ayub Khan assumed control over the state in 1958, the country has gone back and forth nearly every decade between army rule by martial law and civilian rule with the army very present in the background. Civil-military relations are only part of the structural problem of an overly centralised political system. Both civil and military elites have governed by trying to reduce the power of the provinces and increase that of the centre for reasons which are complicated but which often have to do with the need to unite the state against India.

Despite the volatile nature of Pakistani rule, one can detect patterns in the relationship between civil and military authorities. The patterns, described below, do not preclude change, but they make change less likely.

The army is dominant. The army has dominated political decision making, even under nominally civilian governments. The army has exercised nearly complete policy control especially in foreign policy, including Pakistan's relations with its important allies and adversaries.

The military takes on the most important policy matters. On important internal and external matters, the division of labour between civilian and military sectors has fluctuated, but only within narrow boundaries. The military typically retains its own prerogative over:

- foreign policy decision making, particularly with regard to India, Afghanistan, and the United States;
- its own internal system of promotions and privileges;²⁶
- its reach deep into the industrial, transportation, and communications sectors through corporations and welfare trusts;²⁷
- war-making, that is, the use of the military to confront domestic insurgencies and foreign powers;

26 It may not be such a good idea to have civilian control over army promotions. The result of PPP and Nawaz Sharif each picking their favourite candidates for promotion would be to politicise the army.

27 See Ayesha Siddiqua, "MILITARY, INC.: Inside Pakistan's military economy" (London Pluto Press, 2007).

- the overall budgetary framework which prioritises defence expenditures over social services and infrastructure development; and
- its control over decisions regarding the potential use of Pakistan's nuclear arsenal.

The military routinely overextends itself. There is the tendency of the military to return to the barracks and allow for nominal civilian governance after its own legitimacy as a governing body has seriously eroded. The current phase under Chief of Army Staff (COAS) General Ashraf Kayani, who is scheduled to step down in November 2010, is unmistakably a “return to barracks” moment, partly because of the overextension of his flamboyant predecessor, Pervez Musharraf, and partly because of Kayani’s professional demeanour. As the military has discovered time and again, it is fundamentally not equipped to run the government and at the same time maintain its legitimacy and credibility in the eyes of the public. Hence the cycle of leadership, in which governance in Islamabad alternates between a military and civilian “face”.

Even military regimes are forced to “civilianise”. During those periods in which military leaders exercise explicit control over the government, they still recognise the need for legitimacy through the appearance of democratic procedures, thus the paradox of military influence in Pakistan. On the one hand, the army is the primary institution that controls the most important levers of state power. At the same time, the army needs to co-opt civilian political parties and their leaders in order to gain domestic and international legitimacy. Whilst the army has no real institutional competitors within the Pakistani state system, it cannot exercise its authority as head of state without the acquiescence of civilian political and bureaucratic elites.

The civilian leadership, by contrast, has a number of domestic, economic, and development portfolios, a measure of influence over dealing with internal challenges to state authority (from, e.g., Taliban groups), foreign relations with second-tier bilateral and multilateral partners, and the day-to-day administration of the state.

Under Zardari, there are faint glimmers that the civilian leadership is attempting to become more assertive in areas hitherto under the military domain, although they keep getting slapped down by the military. Any increased space that the civilians have may be attributable to the current reluctance on the part of the military to be out front right now, and that reluctance could change at any time. The civilians tried clumsily to bring the ISI under civil oversight, and had to immediately recant. On Afghanistan it was the Pakistani military, not the civilian government, that floated trial balloons earlier in 2009 to establish more direct military-military talks with India, or at least be a more above-board interlocutor in the bilateral talks. Civilian assertiveness has been confined mainly to domestic areas, not real security issues, and even this assertiveness can prove to be dangerous and destabilising.²⁸

28 It would be interesting to name the Zardari leadership; who really counts, besides Zardari himself? Whilst the December 16, 2009 Supreme Court ruling lifting NRO immunity among many ministers serving in the government is in itself an example of civilian assertiveness by the judiciary in providing some corrective action to reign in Zardari’s extraordinary powers, the consequent resignations of ministers may reinforce the narrow base of the Zardari government. Still, there are bold and energetic ministers such as Shaukat Tarin, Minister of Finance, who is attempting to make some major changes in tax policy and administration among other things. See Jane Perlez, “Pakistan strikes down amnesty for politicians,” *The New York Times*, December 16, 2009 at http://www.nytimes.com/2009/12/17/world/asia/17pstan.html?_r=1&hp Shuja Nawaz has written a thoughtful article on the NRO controversy’s implications in “Pakistan’s Year of Decision,” *New Atlanticist*, Dec. 17, 2009 at http://www.acus.org/new_atlanticist/pakistan-year-decision

Given these patterns, what can we say about the next few years? Here are three scenarios for civil-military relations going forward:

I. First scenario is increased military dominance.

This could come about either from military institutional encroachment into the civilian domain or civilian institutional attrition (i.e. ministerial corruption, incompetence, mismanagement and/or paralysis in governance).

- The most likely trigger for military encroachment would be a war with India. A conflagration with India provides the military an excuse to expand the purview of its policy making prerogatives and possibly to retake control over the government. Even an engagement as limited as the Kargil war in 1999 could present the military with this opportunity at least in the short run. It did for General Musharraf soon after Kargil.
- However, Pakistani history suggests that an external shock would have to be quite significant in order to result in a *sustained* increase in the scope of the military's role in state decision making.

A more likely case, on balance, would be that of civilian institutional attrition. Under this case, a proliferation of internal conflicts of the kind and scope that the civilian government was unable to address would create the political space for the military to take on a greater structural and functional role in state decision making. Such cases are not difficult to imagine.

A Taliban insurgency which spread from the Frontier areas to Baluchistan, and then Karachi and the Punjab heartland could easily overwhelm the civilian bureaucratic state, and provide opportunities for the military to take over governance functions at all levels of the state.

It is also possible that a crippling financial shock, and consequent rioting or mass protests could debilitate the civilian bureaucratic structures and force the army to step forward into the governance void. In such a case, however, the military is likely to seek out civilian representatives to be the "face" of the Pakistani state, so as to deflect popular antagonism away from the military institutions.

What would this military-dominant scenario look like? It could be a sustained period of direct army rule, or a dual-hat arrangement of the kind employed by Pervez Musharraf, who served simultaneously as President and Chief of Army Staff. The institutions of representative governance, such as the national and provincial assemblies, would continue to function on a nominal basis, but would be gutted of any policy functions (which are today already quite limited) and transformed purely into mechanisms for the distribution of patronage.

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2. Second scenario is a continuation of the status quo.

The military recognises the costs of pursuing a coup and finds other ways to protect its interests. We might see an increase in army/ISI manipulation of the political process (disqualification or blackmail of political figures, etc). The nationalist fringes in the army/ISI could encourage their nationalist counterparts in the media to campaign for the removal of Zardari, perhaps replacing him with Nawaz Sharif, who is deemed more ideologically compliant. Before that happens, if it ever happens, the army will seek to extract promises from Sharif over a range of issues sensitive to the military including his agreeing to stay out of selection of army officers for promotion.

Bangladesh Model: Technocrat government as civilian face. The Pakistani military has no doubt taken careful note of the “Bangladesh model,” particularly as it operated from 2007-2009. Faced with political gridlock, rampant corruption, and disillusionment with the political process, the Bangladeshi military set up a two-year civilian “caretaker government” to enact reforms and prepare the country for a return to elected civilian rule. By establishing a civilian face for the army-designed reforms, the military was able to salvage a measure of public credibility, maintain some level of plausible deniability, and restructure the state system in a way that maintained its core interests. Whilst Bangladesh was a specific case not precisely applicable to the Pakistani situation, the general model is likely to be appealing to Pakistan’s military and business elites.²⁹ But these Pakistani elites would not agree to strategic subordination to India, as has Bangladesh, nor would they be willing to have the international community steer the state, as the international community does through aid missions in Bangladesh.

3. Third scenario is a movement toward democratic consolidation.

This envisions a fundamental transformation of civil-military dynamics in which the institutions of civilian rule in Pakistan are strengthened, including

- expansion of civilian oversight of military activities;
- placing intelligence operations under elected rather than military or bureaucratic leadership;
- increased transparency of military procurement; and
- placing foreign policy decision making under the leadership of civilian institutions.

Such a transformation may be too much to imagine or expect in a short-term horizon. There has been little in the period since the return to civilian rule in February 2008 to suggest that the civilian government is gaining significant ground with respect to the military establishment. But there could be movement in this direction in several ways:

²⁹ Shahzad Hussein, a Karachi-based businessman, advocates precisely this Bangladesh model of a military takeover to install a technocratic government. He believes that a technocratic government could address the economic crisis without getting caught up in patronage politics and corruption that plague the civilian political parties. Conversation, July 28, 2008, London.

i. Incremental civilian gains. A sustained period of competent, popular governance could buy time and build the political capital of the elected and bureaucratic elites vis-à-vis the army. This is likely to be a slow process with very gradual movement in terms of civilians gaining influence in foreign policy and military affairs.

Urban middle class. If there is one social group driving this trend toward democratic consolidation, it is the emerging Pakistani middle class, which – absent a restructuring of the state – is almost certain to fall behind its Indian peers in the coming decades. The middle class (particularly the urban middle class) may be highly nationalistic, but is also inclined to prioritise material gains and the benefits which accrue from trade liberalisation. The urban middle class could constitute a powerful constituency for economic normalisation with India, a process which would inevitably be linked with greater civilian influence over bilateral relations and domestic resource allocation.³⁰

ii. Abrupt change. Far more unlikely is a convincing military defeat of the Pakistani army that so shocks the political system that the army loses its institutional credibility, and a civilian coalition has the opportunity to reshape the internal balance of power. Such a defeat would have to be substantial, given that not even the 1971 Army loss in the war with the Bangladesh freedom movement (aided by India) fundamentally altered the long term civil-military relationship in Pakistan.

The next war may have a different impact domestically. Much, however, has changed in the intervening four decades. The Pakistani public, whilst still wary of Indian intentions, is now less inclined than before to see it as an existential threat. A military defeat could call into question the utility of Pakistan's confrontational posture toward India, as well as the high levels of defence expenditure that confrontation justified. It is also possible (though relatively unlikely) that the military could lose credibility by overplaying its hand in a conventional or low-level nuclear confrontation with India. If, for example, the army deployed tactical nuclear weapons in a manner that was not explicitly defensive in nature, thus garnering massive international (or even domestic) condemnation, it could be vulnerable to civilian alternatives.

Ultimately, the relationship between civilian and military institutions does not exist in a vacuum; it is linked most directly to the nature of Pakistan's relationship with India, and secondarily to its relationships with Afghanistan and the United States. So long as the Pakistani army can conjure up, or suitably manufacture, the perception of an existential Indian threat or even an immediate threat from domestic terrorism, it will be exceptionally difficult for a civilian coalition to assert its control over the vast functions which are now controlled by the military decision-making apparatus. The most likely scenario is continuation of the status quo where the military rules substantively behind a civilian "form".

30 At the same time, there is a rising nationalistic and Islamist sentiment among the newly urbanised middle class that is broadly sceptical of America and that buys into the simple black-and-white explanations peddled by some of the right-wing media. See Sabrina Tavernise, "Pakistani Politics takes on a Nationalist Tone", *The New York Times*, November 20, 2009 <http://www.nytimes.com/2009/11/20/world/asia/20mood.html?hpw>

What to watch for:

- **Civilian review.** Do parliamentary committees demonstrate any ability to investigate or review military spending patterns and/or holdings in the "private" economy?
- **Who will succeed General Kayani?** His term as Commander of the Armed Services ends in November 2010 and the Pakistan army's war against the Pakistan Taliban and US-Pakistan relations depend to some extent on the temperament and vision of his successor.
- **Military engagement in peace process.** Does the Pakistan military take a more overt role in bilateral talks with the government of India, that is, step outside of the almost nonexistent military-military dialogue?
- **National Security Council (NSC).** Does the civilian government create any institutional decision-making mechanisms which integrate military leadership but establish a precedent for civilian authority? The Pakistan National Security Council could have become one such civilian mechanism but never did. The benefit of the NSC is that it would bring together civilians and military, and keep the military from making policy decisions in a vacuum.
- **Civilian-led clamp-down on militants.** Do the civilians seem to have leverage in directing the security infrastructure of the state to move against domestic militant groups such as LeT, sectarian organisations, etc.?
- **Polling.** Watch the recurring polls conducted by Gallup Pakistan and IRI, which track the public's approval ratings for the civilian leadership, the political opposition and the army.

CHAPTER 3

TRENDS IN ISLAMISM

One of the main drivers of the Pakistan policy analysis industry today is a palpable fear in the West that Pakistan is on the brink of a takeover by the Taliban or radical Islamic groups, and that such a takeover will not only destabilise the region and especially India with its large Muslim minority, but will also enable international terrorist networks to gain access to Pakistan's nuclear weapons. This Report rejects this scenario. Such cases that envision a wholesale reconfiguration of state power and interests are relatively unlikely to occur – particularly over the next several years. It is, however, quite likely that Islamist groups will continue to play a significant and multifaceted role in Pakistan over this period.

1. Religious parties are not about to dominate domestic politics

Pakistan has two main religious parties: Jamaat-e-Islami (JI) and Jamiat Ulema-e-Islam (JUI). The JI operates in the modernist tradition with close ideological linkages to the Muslim Brotherhood movement out of the Middle East, which calls for the replacement of secular governments with rule under Islam and Islamic law. JI is deeply ideological, politically disciplined, and rooted in middle class urban communities. It is also non-sectarian. JI has never won more than 11% percent of the popular vote, and is driven by a long-term vision to structurally change the Pakistani state. Its foreign policy interests are focused not only on India and the Kashmir issue, but also globally; it has strong links to the UK and growing links in continental Europe. It also is believed to retain informal (and deniable) links with a variety of transnational Islamist organisations, including Al Qaeda.³¹ Some experts believe that most AQ were picked up in Jamaat-e-Islami (JI) facilities or houses since 2001, which makes sense given the potential link in terms of social class and ideology, although not in terms of violence.

The other main bloc is led by the Jamiat Ulema-e-Islam (JUI), and particularly the dominant Fazlur Rehman (JUI-F) faction.³² The JUI emerged out of the Deobandi revivalist movement in northern India in 1867, ten years after the British conquest of Muslim India,³³ and has developed

31 See Joshua T. White, "Pakistan's Islamist Frontier: Islamic Politics and U.S. Policy in Pakistan's North-West Frontier, Religion & Security Monograph" Series, no. 1 (Arlington, VA: Center on Faith & International Affairs, 2008), available at <http://www.cfia.org/go/frontier>.

32 There is another Sami ul-Haq faction, JUI-S, which is considerably weaker electorally.

33 See Gilles Kepel, "Jihad: The Trail of Political Islam" (4th Ed. 2006), pp. 57-8.

deep roots in the Pashtun-dominated frontier region and in parts of Karachi. Unlike the more ideological JI, the JUI is a clerical movement, focused on protecting and advancing the interests of the madrassas. Its foreign focus is centred on Afghanistan rather than India. Its ideology is inseparably intertwined with tribal Pashtun social norms regarding gender and honour. As a party, it is decentralised, undisciplined, frequently riven by faction, and surprisingly pragmatic. It is more likely to be concerned with state actions toward the madrassas, and the prospects of state patronage, than it is with grand notions of Islamising the state of Pakistan. The JUI first came to the public attention of many in the West as the informal political representative of the Afghan-based Taliban movement in the mid-1990s. It retains linkages (mostly at low levels) with a number of Taliban and Taliban-like groups.

Whilst the JI and the JUI together dominate the Islamist party scene in Pakistan, their combined electoral influence is quite modest. At no point in Pakistan's history have religious parties accounted for more than 19% of the seats in the national assembly, and their share of the vote is even lower. Their success at the provincial level has been similarly limited except for a manipulated election result in the NWFP in 2002 in which a religious party coalition secured more than half of the NWFP Assembly seats.³⁴

There is little reason to expect that the religious parties will substantially increase their share of the electorate in the foreseeable future. The JUI's electoral base is concentrated in the NWFP and a few small pockets of Punjab province. The factors which constrain its electoral growth have less to do with its rhetoric and policy positions than with the structure of the Pakistani party system, namely,

- the presence of a credible, aggregating right-of-centre mainstream party, the Pakistan Muslim League led by Nawaz Sharif;
- the JUI's close association with Pashtun leaders and ethnic issues; and
- the party's madrassa-based platform.

The more extroverted JI, with its ideological relations to the Muslim Brotherhood, has greater potential to expand its voter base over the long-term as it is less bound to specific geographic or ethnic constituencies. JI has proven it can build support among new ethnic and social groups. But it too is likely to encounter trouble breaking out of its role as a niche/swing player in the Pakistani party system. Whilst it has shown time and time again that it is able to shape the public debate on issues of Islam and national security, it has not shown that it can attract a mass following. Participation in the JI requires high commitment, and many sympathisers choose instead to join right-of-centre parties such as the PML-N which have a better chance of electoral success and follow-on benefits from patronage.

To summarise, the fortunes of the religious parties in the political space will likely continue to wax and wane, but not approach anything like a takeover of the government, much less the state.

³⁴ This coalition party in the NWFP was called the Muttahida Majlis-e-Amal (MMA). They had a moderate Chief Minister named Durani, who grew a beard to satisfy the mullahs of the MMA.

A Taliban takeover of the state is also unlikely

Recently there has been concern about the expansion of Taliban influence from the frontier areas toward major population centres like Islamabad and Lahore. This specific threat is addressed in the next section. The Taliban, both ideologically and operationally, are a real threat to Pakistan's internal stability over the next several years. They have already taken over provinces of the state and it remains to be seen whether this space can be regained and held by Pakistan? But the Pakistan Taliban are highly unlikely to credibly threaten the state itself.

Speculation of a Taliban takeover dramatically overestimates the willingness of the political and military elites to surrender power to the Taliban.³⁵ Even if there is tacit support for the anti-American agenda of the Taliban, these worst case scenarios overstate the ability of a few thousand tribal militants who, by and large, are not popular with the population, to forcibly wrest control of a state with one of the world's largest standing armies.

This is not to say that the Taliban cannot take territory, bargain with the government, win concessions and even attack targets in the heart of Islamabad or Lahore. There is abundant evidence that the military elites have used, and will probably continue to use, Taliban and other militant groups for their political advantage in Afghanistan and Kashmir. But there is little to suggest that those elites will hand over real power to Taliban or Taliban-like ideologues.

Although religious parties are not in a position to gain political dominance, they threaten the stability of the state in several ways:

I. Pressure for Islamisation. In the first place, the threat is likely to come indirectly by way of Islamist party participation in broader political coalitions rather than through direct dominance of electoral politics. Their threat is focused on the relatively liberal and tolerant tradition of the Pakistani legal system, much of which is borrowed from the British colonial legal order. The threat is acute because of the conspicuously slow, corrupt and arbitrary application of the official legal system especially towards the less advantaged and non-elite. Sharia law looks like an attractive alternative to anyone who has had to deal with the Pakistani legal system.³⁶

Religious parties which gain leverage in coalition governments will push for

- a wider role for Shariah courts, especially in family law and inheritance issues;
- modest changes to the banking system for "Shariah compliance;"
- changes in laws pertaining to women's rights and their presence in the public square;
- increased public displays of piety; and
- laws which further marginalise minority religious communities, such as the Ahmedis, Christians, and, to a lesser extent, Shia.

35 See, for example, Bruce Riedel, "Armageddon in Pakistan," *National Interest*, July/August 2009. <http://www.nationalinterest.org/Article.aspx?id=21644>

36 The infamous Mughtiar gang rape case is still winding its way through the legal system while the perpetrators remain unpunished. See "Gang Rape for 'Honor'", reprinted December 17, 2009, at <http://www.boloji.com/wfs/wfs084.htm>. See also <http://www.wiuml.org/node/2083>

Further delays in the repeal of the Blasphemy Laws. Expanding on the last point, a rightward shift in public sentiment in Pakistan could also have gradual, but significant, implications for religious minorities, particularly Ahmedis, Christians, Sikhs, and Hindus. The Ahmedi community has suffered decades of official discrimination, often stirred up by the religious parties, and their treatment serves as a sort of bellwether of trends in official intolerance of minority groups. The Christian community, though small, has been recently at the centre of anti-minority violence, particularly in the Punjab province. Christians have been the victim of mob attacks and continue to be accused under Pakistan's exceptionally broad blasphemy law, which can be used as a political tool against disadvantaged groups. Following a massacre of Christians in Gojra, Punjab, in August 2009, there were calls for reforming the blasphemy law and providing greater protection to minority groups; these efforts were, however, met with resistance from the religious parties and some members of the right-of-centre PML-N. If Pakistani public opinion continues to shift in a more conservative, nationalistic direction, religious intolerance toward vulnerable minority communities is also likely to grow.

2. Pressure for accommodation toward other Islamists. Another potential impact is in deterring the state in its interaction with and control over Islamic organisations. The religious parties have generally been opposed to any police or military action taken against any group which is nominally religious – everything from the Madrassas to the Taliban. The increased presence of religious parties in coalition governments could produce sustained pressure on the state to take a more accommodating position toward Islamist organisations which challenge state authority, engage in vigilante behaviour, set up parallel systems of justice, and demand the imposition of conservative gender norms. From the perspective of the United States, the Islamist parties' pressure on the state may prove to be deeply problematic, further constraining the political capacity of the military-bureaucratic leadership to take decisive action against militant or vigilante Islamist groups which operate in both regional (e.g. Kashmir) and global jihadi contexts.

3. Pressure to reject cooperation with the US. Third, increased religious party influence contributes to a popular rejection of a strong Pakistani partnership with America. The religious parties depend upon anti-American rhetoric in order to bolster their own position domestically. This pattern need not continue indefinitely as one could imagine a major threat which would displace the United States as the object of Islamist vitriol (for example, an unlikely but possible scenario of Indian or Indo-Afghan joint action against Pakistan to which the US was not seen to be sympathetic). More likely, however, is the correlation of increased Islamic political representation with increased pressure on the state to reject public cooperation with the US. That is the likely trend ahead.

Threats posed by radical Islamists

An appeal to local grievances. As great as the threat of Al Qaeda is to the West, it does not pose an existential challenge to the Pakistani state. The more realistic danger in Pakistan is not that an outside force topples the state order, but that the internal influence of quasi-

political Islamist groups displeased with the state slowly transforms Pakistan into a country that is even less friendly to US and UK interests, or is less able to act in accord with US and UK interests in public when it so desires.

The most problematic radical Islamist groups are those which are able to appeal to local grievances, and which are engaged with the political process just enough to be able to make demands on behalf of the “public.” Further and continuing decline in the capacity of local government institutions could open the door to Islamist groups which begin by “representing” the people with demands to the state, and then move to consolidate influence over population centres and key lines of communication.

The dangers of a consolidated Islamist alliance. On the one hand, there is the danger of consolidation of radical Islamists. The formation of alliances like the Frontier Area Taliban known as the TTP are troubling to the US, UK and Pakistan. The Taliban operating in Pakistan have shown a desire and a capacity to coordinate their operations across different factions.

The dangers of a fragmented Islamist “free-for-all”. That said, the opposite danger from the fragmentation of Islamist movements in Pakistan, and the increasingly local nature of their alliances, is also cause for concern. Fragmentation makes it difficult for the state to find credible interlocutors and to exert its leverage over problematic Islamist groups in a unified and effective way. What the state gains in being able to co-opt one fragmented faction against another, it loses in being unable to deal with complex and shifting subterranean alliances that remain hidden to the authorities.³⁷

Fragmentation has an added tactical advantage of enabling radical Islamist groups to undertake a “swarm” approach to troubled areas wherever those troubled areas may be. In 2008-09, some regions of the Frontier have become a magnet for a variety of Islamists including:

1. Kashmir-oriented, and formerly Kashmir-oriented- Punjabi groups,
2. Sectarian organisations focused on disempowering Shia communities,
3. Arabs and Chechens affiliated with Al Qaeda,
4. Taliban commanders linked with local tribes, and
5. Charities affiliated with religious parties like the Jamaat-e-Islami.

The Pakistani government is practically at a loss on dealing with an anti-state movement which manoeuvres through so many divergent organisations. A diminution of this increasingly free-style and entrepreneurial form of Islamism is unlikely over the next one to three years.

What to watch for:

- **The first thing to watch is, ironically, the behaviour of some of the more benign “apolitical Islamists.”** Take, for example, the Tablighi Jamaat, a Deobandi-oriented transnational movement which has its roots in 1920s India. The Tabligh, as it is known, is

³⁷ It is hard enough for the US Intelligence Community to keep track of all of the Punjabi and Pashtun extremists now, let alone if they fragment into tiny free-lance groups with little discipline and hierarchy. On the other hand, fragmented groups are less likely to project beyond the region and become part of the global jihadist movement than existing cohesive groups like Lashkar-e-Taiba, which have expanded their transnational funding and ideological focus.

pietistic and formally apolitical, but indirectly facilitates Islamist political aims by hosting large rock-concert-sized gatherings that attract representatives from divergent Islamic movements. It attracts millions of followers to its annual convention in Raiwind, outside Lahore, and observers suspect that its global missionary networks are occasionally infiltrated and co-opted, knowingly or unknowingly, by more radical groups seeking to take advantage of the Tabligh's sterling reputation in the Muslim world. The Tablighi Jamaat and Deobandis have allowed recruitment by the militants at their gatherings. The Tabligh has a prominent role in fostering linkages between Islamist organisations in Pakistan, Bangladesh, and the Gulf states.

Just as important, perhaps, is its role within the Pakistani domestic scene. The Tabligh has proven to be successful in propagating its apolitical Islamic philosophy among the middle classes. Whilst viewed with some condescension by secular elites, the Tabligh is seen as a respectable and attractive avenue for religious devotion by middle class professionals, government and military bureaucrats.

One piece of good news is that in a surprising move, the Tabligh leadership earlier in 2009 spoke out against the Taliban's "shariah by gunpoint".³⁸ Whilst usually careful to refrain from political statements, the Tabligh are clearly troubled by the Taliban's expansion into major urban areas. It will be important to watch the attitude of groups like the Tabligh toward the Taliban and AQ, since the Tabligh serve as opinion-shapers, especially for those fence-sitters wavering between peaceful religious practice and militancy. It is noteworthy that none of the Pakistani Tablighi Deobandis has spoken out against recent suicide bombings while India Deobandis have.

- **The second thing to watch is the continuation of a long-standing trend toward the "Hamatisation" of both apolitical and militant groups.** There are compelling reasons for apolitical groups such as educational networks, Islamic welfare trusts, and pietistic movements to keep expanding their linkages with more radical anti-state elements. The Lal Masjid (Red Mosque) takeover by militant Islamists³⁹ in the summer of 2007 in Islamabad was one such instance of what appeared to be an apolitical entity (the mosque and affiliated madrassas) which, in fact, had been for some time allying itself with vigilantist, anti-state forces like Jaish-e-Muhammad (JeM) and Laskhar-e-Jhanghvi (LeJ).

At the same time that apolitical groups are reaching out to militant organisations, militant outfits are making greater efforts to form apolitical welfare and educational wings. A bifurcated, segmented organisational structure – with one wing devoted to militant activities and another to popular outreach – brings advantages to militant Islamist movements. Not only do education and welfare wings create environments of public support for Islamist organisations, but having these "soft wings" make it more difficult for the Pakistani state to close down an organisation comprehensively. Segmentation gives Islamist organisations a second front from which to agitate for their agenda.

³⁸ See the second editorial at: http://dailytimes.com.pk/default.asp?page=2009\11\18\story_18-11-2009_pg3_1

³⁹ Parenthetically, some analysts see President Musharraf's precipitous decision to use the military to retake the mosque from the militants as triggering a decision by the Taliban and other militant groups to go after the Pakistani Army. Such analysts note that the Army went from being simply a nuisance to a 'fatwa-legitimate' target of militants from that point on with catastrophic results for Pakistan to this day. Meeting with Afzal Amin (Captain in British Army), November 20, 2009.

A key question in the next few years is whether the Pakistani Taliban will branch out beyond providing “judicial services” (in the form of Shariah courts) and begin to provide other services which will appeal to the local population. Are Taliban-sympathising groups using their welfare wings in places like Swat as a way to maintain Islamist presence in those areas after military operations?

- **The third thing to watch for is shifting public opinion toward government military action or, conversely, toward the Pakistan Taliban.** One of the real surprises of the spring of 2009 was the shift in Pakistani public opinion away from the Taliban and in support of the government’s efforts to deal with militancy. The movement of the Taliban into Buner district, just 60 miles from Islamabad, together with the terrorist attacks in Punjab, helped change public opinion. Even right-of-centre parties like Nawaz Sharif’s PML-N made statements supporting government policies against militancy. Whilst public opinion is not the ultimate determinant of government policy toward militancy, it plays an important role in providing the civilian government political space to take difficult steps.
- **The fourth thing to watch for is the use of “soft power” by Islamists in the legal sector.** If the current left-of-centre government decides to pursue liberalising reforms relating to gender or minority issues, the religious parties and other less political Islamist groups might react strongly, challenging the state regarding both the nominally Islamic content of the legal code, and the freedoms granted to minority religious groups. Islamist “soft power” is also likely to condition the state bureaucracy’s response to incidents of vigilante Islamic “justice” carried out by quasi-political Islamist organisations. It is also likely to shape public attitudes about Pakistan’s relationship with the West, and America in particular. In this sphere, there are few solid constitutional or political checks to prevent Islamist organisations from exerting influence on the state and gradually conforming it to a mildly Islamist vision of a social and political order. These changes, in fact, would probably feed into the interests of the military-bureaucratic elite, which have a continual need to frame Pakistani state identity in explicitly religious Islamic terms.

In sum, radical Islamism in Pakistan is not likely to be a successful political force that can challenge the state militarily. But there is ample room for political and quasi-political Islamist organisations to move the state further toward so-called “Islamic” values – as has occurred in the past – and to use sporadic violence to pressure the state to adopt such reforms. Moreover, the Islamist scene in general is likely to become increasingly fragmented and entrepreneurial. As new free-style Islamists emerge who do not play by the old rules and who are unmoored from established institutions such as madrassa networks and the major religious parties, swarms of new militant alliances may crop up that outstrip the ability of the government to contain.

CHAPTER 4

THE FUTURE OF PASHTUN NATIONALISM

Pakistan's northwest frontier, encompassing the NWFP and the Federally Administered Tribal Areas (FATA), together constitute the most volatile and troubled regions of the country. This ethnically Pashtun-dominated frontier has a long history of agitational politics and anti-state jihadi movements. In recent years, the area has become associated with safe havens for Al Qaeda and other transnational terrorist groups.

One of the most persistent fears in the international community is the failed state scenario in which Pakistan balkanises along ethno-linguistic lines, degenerating into a geographically truncated and substantially weakened state. One focus of this fear has been the restive Baluchistan province, in which the Pakistani army has been fighting tribal insurgencies for several decades.⁴⁰ The international community's deepest fear of balkanisation, however, is with respect to the Pashtun tribes in the NWFP and FATA.

Pashtun nationalism has a long and rich history in the frontier. In addition to the existence of a common Pashto language and poetic tradition, the Pashtun ideal was elevated by British colonial writings, which portrayed the tribesmen as martial in character, fiercely honour-bound, and deeply tied to their ancestral lands. This self-image of the Pashtuns, reinforced by British stereotypes, inspired ironically the most famous Pashtun leader in the 20th century, Khan Abdul Wali Khan (known as the "Frontier Gandhi") to lead a nonviolent Pashtun uprising against the British in the 1920s and '30s. Wali Khan's movement became the ideological and organisational forbearer of Pakistan's modern-day Pashtun nationalist parties.⁴¹

Since its founding following partition, the government in Islamabad has worried a great deal about the rise of Pashtun nationalist sentiment. By the 1970s, the new generation of Pashtun nationalists were not only disrespectful of the British-demarcated Durand Line, which was in Pakistani eyes a legitimate international border, but had taken on a strikingly leftist character, and developed close linkages with pro-India political blocs in Kabul. Naturally,

40 The 1970s under Zulfikar Ali Bhutto and the 2005-07 period under Pervez Musharraf were characterised by sustained, forceful and often-times harsh thrusts into Baluchistan by the Punjab-dominated Army to thwart separatist movements. See Selig S. Harrison, 'Pakistan's Baluch Insurgency', *Le Monde Diplomatique*, October 2006.

41 When asked about his primary allegiance, Wali Khan said "I have been a Pashtun for 6,000 years, a Muslim for 1,300 years, and a Pakistani for 25 [years]. Hilary Synnott, "Transforming Pakistan: Ways out of Instability," International Institute for Strategic Studies (London 2009), p. 107.

this troubled the Pakistani elites, and caused them even greater concern about the political and strategic consequences of the formation of a larger “Pashtunistan” that would stretch across the Durand Line.

A realistic threat?

How real is the threat of Pashtun nationalism likely to be over the coming years? Does a Pashtunistan movement genuinely threaten the territorial integrity and internal stability of the Pakistani state? No and no. The Pashtun nationalism of today is relatively weak, and there are few indications that it will re-emerge as a potent political force in the frontier. Although an affinity between Pashtuns in Afghanistan and those in Pakistan persists, the potential for coordinated and politically meaningful cross-border movement is slim.

Pashtuns in Pakistan see the government of Afghanistan as dysfunctional, poor and under-resourced, and unable to provide basic services.⁴² They have little desire to see the Afghan state extend into the Pakistani Pashtun belt. The concept of an independent pan-Pashtun state is also a chimera. Even most Pashtun nationalists agree that such an entity would not constitute a viable state. The government in Islamabad currently provides over 90% of the operating budget of the NWFP. Without the support of the central government of Pakistan, the political leadership in the NWFP cannot function.

Nationalist models

For these reasons, Pashtun ethno-nationalism is unlikely to be a highly destabilising political force. But neither is it likely to disappear. What then is its future?

1. Party politics. In the first place, ‘Pashtunism’ will remain the primary organising principle for one or more political parties in the NWFP. The Awami National Party (ANP) carries on the nationalist tradition, making use of nationalist imagery from the nonviolent campaigns of Wali Khan in the 1930s. The Pakhtoonkhwa Milli Awami Party (PKMAP) plays a similar role in Baluchistan.

2. Pro-Kabul and pro-India orientation. Second, Pashtun nationalism will continue to exist as political shorthand for a pro-Kabul and pro-India political orientation among secular Pashtun elites.⁴³ Pashtun nationalist leaders in the NWFP historically retained close ties with the Congress Party in India, and these sentiments remain. The ANP supported Hamid Karzai’s relatively India-friendly government, and looked the other way when his cabinet was

42 In terms of relative affluence, an apt analogy might be the way Israeli Arabs (many of whom consider themselves Palestinians) look at the nascent state of Palestine in the West Bank. Few are likely to give up the benefits and entitlements of Israeli citizenship to move east across the future border line and become Palestinian citizens if and when a Palestine is established.

43 This notion of pro-Indian Pashtun elite appears counterintuitive given significant Pakistani Army and ISI solidarity with Pashtun Taliban fighting NATO in Afghanistan. The key distinction is ANP/secular/elite versus Islamist/Taliban Pashtun. There are two different Pashtun traditions relative to India. The first, ‘Classic’ Pashtun nationalism, opposed the creation of Pakistan, had ties to the Indian Congress Party, and is now found in the ANP. It is pro-Kabul and generally pro-India (relative to other Pashtuns). The other groups are essentially the Taliban and Talibanised Pashtuns, which the ISI used, and still uses. They are helpful to the government of Pakistan because their agenda aligns with that of the Pakistan security elites. Pashtun nationalism refers to the ANP tradition.

dominated by Northern Alliance Tajiks. Although this political and strategic orientation of many Pashtun nationalists worries the Pakistani establishment, the linkages with Kabul and Delhi are so loose and ineffectual that they are unlikely to make much of a difference in strategic terms.

3. Provincial autonomy. The most important expression of Pashtun nationalism in Pakistan comes in the form of continued demands for greater provincial autonomy for the NWFP, including greater:

- discretion in appointing government officers;
- revenues retained by the province from NWFP-based hydroelectric resources; and
- use of Pashto language in schools, etc.

Pashtun nationalists have long agitated for increased provincial autonomy, but the central government has historically kept tight control over provincial matters. Even when parties such as the ANP participate in coalitions at the central government level, they are granted

few concessions. It is likely, therefore, that Pashtun nationalist parties will continue to push for provincial rights, but to relatively little effect.⁴⁴

The central government appears to be giving some modest concessions to the NWFP and to other provinces in the recent negotiations over the NFC (national finance commission) awards. There are two debates with respect to the NFC: first, the question of vertical distribution, that is, how much of this pot of tax revenues goes to the centre versus the provinces; and second, the question of horizontal distribution, that is, the formula by which distributions are allocated among provinces. The new formula will give a bit

more advantage to the NWFP, Sindh and Baluchistan⁴⁵ at the expense of Punjab, and a little more to the provinces overall relative to the centre. NWFP is also finally receiving the net hydro-electric royalties that it was promised. NWFP may also get a special credit for dealing with the costs associated with terrorism and militancy. However, even if all of these negotiations go the way that the NWFP wants, it does not fundamentally shift the centre/province dynamic.

A detour into the Baluchistan Insurgency and the Antagonisms between Mohajirs, Pashtun, and Baluch

More broadly, one is struck by the antagonisms between the urbanised Mohajirs, who come from India and have settled mainly in Karachi, and those Pashtun who have also migrated to Karachi, as well as between the Baluch and Pashtun in Baluchistan. The Mohajirs have built up

⁴⁴ Currently, the central government and the provinces are negotiating a new centre-province finance formula, which may concede more benefits to the NWFP, but not to quell the Pashtun quest for greater autonomy.

⁴⁵ See Prime Minister Gilani's address, "We apologise for neglecting Baluchistan in the past," *Dawn*, November 24, 2009 at: <http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/04-balochistanpackage-qs-10>

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their own political party, the Muttahida Qaumi Movement (MQM), an urban middle class party in frequent confrontation with Pashtun groups in Karachi.

It is fair to say that internal violence between these distinct and antagonistic ethno-linguistic groups might be greater without the presence of the army. Although the Punjab-centredness of the army limits its ability to contribute to nation-building among these disparate ethnic groups,⁴⁶ the army does manage to exploit Mohajir-Pashtun-Baluch antagonisms to carve out an indispensable role as maintainer of the peace. The centre thereby keeps these distinct ethno-linguistic groups from breaking away.

The Baluchistan insurgency

The army has had a difficult time, recently and historically, in containing the insurgency in Baluchistan, which erupts from time to time. The army needs to keep the sizeable Pashtun population in Baluchistan on its side given Islamabad's weak support among ethnic Baluch. One of the reasons the Pakistani army is so worried about US cross-border or drone attacks on Quetta and elsewhere in Baluchistan is the precarious situation for the army in the midst of the continuing Baluchistan insurgency. Current Pashtun support for the army in this volatile province would be jeopardised if the army's US partner were to target fellow ethnic-Pashtun Afghan Taliban in Quetta.⁴⁷

Talibanism as Pashtun Nationalism

One of the most troubling aspects of the Talibanisation of the Pakistani frontier since 2005 has been the way in which the Taliban writ large – as an idea more than as an organisation – has supplanted traditional ethno-nationalist narratives as the primary expression of trans-Durand Line Pashtun identity. Even though the leftist nationalism of Wali Khan may yet make a mild comeback in the coming years, the real worry is that the Taliban may find ways to successfully position themselves as the true defenders of the Pashtun people, in opposition to a “Persian”⁴⁸ (that is, Northern Alliance plus Indian) power base in Afghanistan, and a Punjabi power base in Islamabad. NATO forces are immediately concerned with this growing Taliban opposition force in Afghanistan. Whilst harbouring longer term Pashtun vs. Punjabi separatist concerns, many in the Pakistani army sympathise with and tacitly support the Pashtun Taliban in Afghanistan, which Pakistan historically saw as providing it with strategic depth against India.

Thus far, the Pakistan Taliban have made only limited attempts to supplant ‘Pashtunism’. But already, their role as a *de facto* symbol of Pashtun grievances has reshaped the political landscape in the frontier. The MMA religious party alliance, which governed from 2002 to 2007 in the NWFP, gave Pashtun grievances an Islamic colour, positioning the religious parties as the best representatives of Pashtun interests.

46 Some experts see the general resentment of non-Punjabis toward the Punjabis as a critical feature of Pakistan. As the army extends its recruitment beyond Punjab over time, it will become less associated with Punjab by the non-Punjabis and more like a national institution.

47 See editorial, “Pakistan: Dangerous escalation,” *The Guardian*, December 9, 2009 at <http://www.guardian.co.uk/commentisfree/2009/dec/09/pakistan-dangerous-escalation-barack-obama>

48 Persian refers to the Tajik-speaking Northern Alliance, whose language is a form of Persian.

When the Awami National Party (ANP) resoundingly defeated the MMA in the 2008 NWFP elections, it was heralded by many as the return of traditional Pashtun nationalism to the frontier. In reality, the trend toward Islamic Shariah measures continued in the NWFP because the Taliban was able to essentially impose it on the region through the threat of violence to ANP. In this way, the Taliban have been able to change the conversation about Pashtun identity – making it more religious, and less focused on traditional nationalist grievances such as provincial autonomy.

As the Taliban make efforts over the coming years to identify themselves more forcefully as a Pashtun movement, they are likely to elicit a mixed reaction from the Pakistani establishment. On the one hand, Pakistani military elites will see a more self-consciously Pashtun Afghan Taliban movement as a strategic asset that could serve as a dagger against the Northern Alliance in Afghanistan, putting pressure on Kabul to accommodate Pashtun grievances. On the other hand, the rise of a more Pashtun nationalist Taliban could raise fears that the territory in the frontier controlled by militant groups could be used as a basis for separatist claims at the expense of the Pakistani state. The reality is that the Taliban constitute the most potent representative force for Pashtuns in both Pakistan and Afghanistan, and could easily evolve into a much more forceful advocate for Pashtun rights and Pashtun identity in a way that would be seen as highly problematic in both Kabul and Islamabad.

What to watch for:

- Explicit Taliban appeals to Pashtun identity, either in Pakistan, or across the border in Afghanistan especially as the Obama surge peaks in Afghanistan.
- Whether third party organisations, from Al Qaeda to religious parties, explicitly portray the Taliban as representing Pashtun concerns.
- Whether the central government gives way in its negotiations with the Pashtun nationalist parties, providing more provincial autonomy, including revenue transfers from the centre, and accommodating the demand that NWFP be renamed “Pakhtunkhwa”.
- The escalation of confrontations between the Mohajirs and Pashtun in Karachi.
- The impact of any future US/NATO attack on Afghan Taliban leaders in Quetta on the Pakistan army's ability to control both Pashtun and Baluch in Baluchistan.

CHAPTER 5

FUTURE OF THE PAKISTAN TALIBAN

The strength of the Pakistan Taliban has dramatically ebbed and flowed over the last couple of years. By early Spring 2009, the Taliban had taken hold of the Swat valley, wresting territory from the government and establishing its own system of local administration. When the Taliban groups in Swat moved into nearby Buner, only 60 miles from Islamabad, many thought that the Taliban onslaught would continue and overrun major urban areas.

Just months later, however, Taliban strength seemed to be at an ebb: the army had displaced the militants from much of Swat and Buner, and US drone strikes had killed senior TTP leaders, including Beitullah Mehsud. To those concerned with Pakistani internal stability, at least, the Taliban now seemed more of a nuisance than an existential threat. The army's public rollout on the South Waziristan operations is consistent with this low-key presentation of the Taliban threat.

It is conceivable that this ebb and flow will continue for some time with each side testing the other. Whilst it is difficult to predict precisely what shape the Pakistan Taliban movement will take in the coming years, this Report considers various strategies that the Taliban might employ in the frontier, and how the Pakistan state might accommodate or respond to those strategies.

The Pakistan Taliban as it exists today is not a cohesive whole; it is, at best, an umbrella movement with numerous factions and overlapping objectives. Nonetheless, six broad Taliban strategies are in evidence in Pakistan today, and may determine the scope of its future advances in the frontier:

I. Engage Multiple Fronts. It is often unclear the extent to which Taliban operations in the frontier are coordinated at a strategic level. But clearly there is coordination, and the Taliban have recognised that they can gain a tremendous advantage vis-à-vis the government by engaging multiple fronts simultaneously. The Pakistani army is incapable of fighting militants on the frontier on more than two fronts at the same time, and appears in any case unwilling to do so. By gaining access to multiple strategic locations in the frontier, many of which, for topographical reasons, are isolated from one another and yet easy to transit between,

the Taliban can keep the army engaged almost constantly. The Pakistan Taliban are already rooted in many regions throughout the frontier, and have shown themselves able to effectively tie the military down.

The Taliban are extending this strategy by leveraging their linkages with militant Punjabi groups in southern Punjab. Because the army is wary of sending large unit formations to the Punjab heartland to confront these militants – some of whom still have utility vis-à-vis India or within the country – Taliban links with militant Punjabi groups pose problems for the government in Punjab, in addition to the frontier.⁴⁹ The Taliban could also complicate life for the army in the mega-city of Karachi, where the Taliban might use the Pashtun areas/slums as a base from which to cause trouble for the government.⁵⁰ However, a possible result of increased Taliban activity in Karachi is increased clashes with the secular MQM and their Mohajir constituents.

Based on historical patterns, the government's strategy is one of limited containment: it will try to "fight fires" one or two at a time, and ensure that no one conflict deeply threatens the establishment interests of the military, garners too much international criticism, or compromises strategic interests in Afghanistan. The question is whether the government strategy will work when it is being pressed on so many fronts at the same time without having to abandon the India threat as the organising principle for the military.

2. Leverage Local Demands. The most effective Taliban approach to win the support of local populations has been to take advantage of local grievances. In some regions, these grievances have centred around the inadequacy of the Pakistani justice system, such as its inability to resolve land and inheritance disputes in a timely manner, and related anti-landlord sentiment. In other regions, the Taliban have begun confronting local crime networks in an effort to build goodwill with the community. In still other regions, the Taliban feed on vague local demands for Islamic law, or local concerns about the presence of NGOs and other "foreign influences". Once Taliban groups gain a foothold, however, they often establish criminal enterprises of their own, or introduce a reign of terror through harsh "Shariah" practices.

The government is typically slow at responding to the Taliban's co-option of local resentments. Even in the face of fifteen years of demands for an improved legal system in the Swat Valley, for example, the government did little to address the "justice" problem until the Taliban had essentially taken over the region in early 2009. It is likely that the Taliban will continue to look for ways to root themselves in local issues and exploit local grievances. One positive trend for the government is that because many Pashtun Swatians have witnessed the Taliban's horrific brutality in Swat and Buner, these locals may be less likely to believe Taliban rhetoric and promises in the future.⁵¹

49 See Haider Mullick, "Pakistan's New Taliban", *Newsweek*, September 19, 2009. <http://www.newsweek.com/id/215759>

50 The Taliban are likely to prefer to keep Karachi as a relatively quiet logistics hub rather than see another conflagration there as happened in the 1990s between Pashtuns and Mohajirs.

51 In an early essay on countering rising radical Islamism in the Middle East, the author argued that one possible strategy is to let the Islamists rule for a period, thereby so alienating the population through their harshness and/or incompetence that the experience immunises that population from the Islamist impulse forever. See Jonathan Paris, "When to Worry in the Middle East," *Orbis* (Winter 1993). <http://www.icsr.info/images/cmsimages/When%20to%20Worry%20in%20the%20Middle%20East%20%20Orbis%201993.pdf>

3. Pursue Soft Control of Urban Areas. During the Taliban's build-up in the Swat valley in early 2009, many dire media reports predicted a Taliban "takeover" of the frontier. Though a legitimate fear, the Taliban are more likely to infiltrate than confront the state head on. The Taliban have usually been content to exercise *de facto* control whilst allowing the government to retain a nominal presence, particularly during daylight hours. By intimidating local government officials and infiltrating institutions such as the police, universities, and transport associations, the Taliban have been able to advance their objectives without confronting the government outright.

This 'soft control' Taliban strategy is especially difficult for the government to combat because, on its face, it provides few compelling reasons for the military to take action against militants. In Swat, the Taliban inexplicably abandoned this strategy and went for 'hard control,' thereby provoking the harsh army response because the military felt that its key lines of communication were being threatened and that the loss of Swat would substantially diminish the credibility of the army as the guarantor of a cohesive and unified Pakistani state. The high cost to the Taliban from a Swat-like takeover makes the indirect approach more likely in the future.

4. Exploit Sectarian Conflict. Like many insurgent organisations, the Taliban are willing to entertain secondary causes if it helps them to garner support from other militant groups with complementary agendas. In the frontier, this has often taken the form of loose alliances between local Taliban and sectarian groups which seek to exploit rifts between majority Sunni and minority Shia communities. The Taliban engage in sectarian conflict in a few select areas of the frontier which have substantial Shia communities, such as the Kurram tribal agency, the Dera Ismail Khan district in southern NWFP, and parts of Peshawar.⁵² However, much of this sectarian violence is often driven by the Pakistan Taliban's allies, namely Punjabi militants LeJ and JeM.

Several advantages accrue to the Taliban by exploiting the sectarian conflict in the frontier. They are able to gain the support of majority Sunni communities by playing off grievances against Shia. Second, they can sponsor attacks on Shia institutions or celebrations – or even on police who are protecting such institutions or celebrations – and then blame "foreign hands" or "sectarian militants". Third, and most important, the Taliban use the sectarian issue to form ad hoc alliances with well-armed sectarian militias, many of whom hail from regions of Punjab where there is a history of Sunni-Shia conflict. These Punjabi militants appear eager to relocate to the frontier to "swarm and fight" alongside local Taliban whilst laying claim to a reciprocal collaboration in the future in Punjab, Kashmir or elsewhere.

At a minimum, local Taliban in the frontier will continue to use Punjabi sectarian groups as a force multiplier and pursue limited partnerships based on mutual interests. Under a worst-case scenario, the Taliban will gradually establish a more lasting and substantive alliance with sectarian groups. This could encompass adopting anti-Shia rhetoric and violence as an increasingly integral part of Taliban ideology in the southern regions of the NWFP, Shia cities in the Northern Areas such as Gilgit, and Shia concentrations in Punjab. Beyond

52 See Mariam Abou Zahab, "Unholy Nexus: Talibanism and Sectarianism in Pakistan's Tribal Areas", Sciences Po/CERI 2009 at: http://www.ceri-sciencespo.com/archive/2009/juin/dossier/art_mz.pdf

anti-Shia activity, The Taliban may also exploit other religious fault lines by targeting Christian institutions (churches, schools and missionary hospitals) as “foreign” and “corrupting” influences on Pashtun society.

5. Present a Unified Front. Self-described Taliban groups in Pakistan’s frontier have, on multiple occasions, united under a common name such as Ittehad Shura-ul-Mujahideen and Tehrik-e-Taliban Pakistan, headed until recently by the late Beitullah Mehsud who was killed in a US drone attack in South Waziristan in August 2009. Are these umbrella organisations simply clever marketing schemes, or do they constitute disciplined, cohesive cadres capable of operational planning? Some experts view the Pakistan Taliban as a loose coalition analogous to competing Marxist/Leninist groups that cannot act in a concerted way over time. Local Taliban groups have incentives to affiliate with an umbrella organisation, which provides them legitimacy, access to resources, and protection from other militant or tribal groups.

Currently, the fractured nature of Pashtun tribal society is such that umbrella organisations are rarely hierarchical and operationally important over the long term. The ability of the TTP to find an effective successor to the charismatic and shrewd Beitullah Mehsud, someone who can further consolidate Taliban groups into a functional and relatively disciplined organisation capable of real strategic planning, would be a troubling development for the state of Pakistan. Although the presence of a strong central Taliban organisation would make it easier for the state to negotiate with the insurgents as a unitary actor, a strong organisation would dramatically improve the Taliban’s ability to outmanoeuvre the government and convince more people that it is the true representative of the Pashtun people.

6. Press for Compromise Arrangements. “Peace deals” between the government and Islamist groups have been a regular feature of the frontier for decades. They can be useful to both parties. The government has an interest in cutting deals in order to mitigate separatist activity and flagrant disregard for state authority which might spur copycat insurgencies in other regions of Pakistan. The Taliban have an interest in signing deals that legitimise their tactical gains at the local level and make it more difficult for the army to push back against their gradual advances.

Historically, the Pakistani government chooses to make deals with Taliban and Taliban-like militants when it is in a position of relative weakness. These deals, only sometimes helpful in bolstering state legitimacy, often end up advantaging the militants, allowing them to solidify incremental gains and bargain for a further pull-back of army presence from the territory that the Taliban wish to control. The deals have also often displaced militant activity across the Durand Line into Afghanistan – an outcome amenable to both parties, but not to outside players such as the United States.

Whilst the tide of opinion, both among the public and Pakistani policy makers, seems to have turned against deal-making with the Taliban for the time being, it is almost certain that the government has not foreclosed this option. The late 2009 military operation in South Waziristan notwithstanding, the government is particularly likely to continue negotiations in the FATA, where it has few viable military options.

What to watch for:

- Will the government pursue peace deals with Taliban groups in the FATA and elsewhere?
- Does the government try to pre-empt the Taliban's appeal by implementing Shariah statutes?⁵³
- Are Punjabi groups – such as anti-Shia sectarian organisations – being integrated into the broad Taliban alliances in the frontier, or are they merely cooperating as loose affiliates? In other words, are we seeing the beginning of a broad reciprocal relationship among these militant groups, or just one in which Punjabi groups are trying to join the action on the Afghan border/front? On balance, the evidence may suggest that this alliance is just a marriage of convenience.
- Will the Pakistan Taliban return once the army leaves Swat and South Waziristan?
- Does a war of attrition using suicide bombings throughout Pakistan favour the Taliban by eroding civilian and military morale? How many suicide bombing attacks can cities like Peshawar take before throwing in the towel? How willing are young officers and soldiers to continue fighting the Taliban in difficult terrain like the FATA areas?

Whether or not the Pakistan Taliban are able to advance in the coming one to three years has much to do with how well they carry out the six strategies. At the end of the day, they probably cannot carry out all six of them well, and they do not have to

The future of the Pakistan Taliban

To some extent, the events of the last year have shown that the military can carry out a policy of forcefully containing the Taliban when it has the will to do so. The military prevailed, at least nominally, even though it took heavy losses in the operations in the Swat valley and in the FATA. But the military may still be inclined in the medium to long-term to pursue deals with militants in terrain that is inhospitable to the Pakistani military. The South Waziristan operations are a test case. The army may decide eventually that it can accomplish its objectives, though perhaps not America's, by trying to swing deals that divide the various tribes within FATA rather than invading FATA and adding to its own casualties as well as the number of internally displaced persons.

Whether or not the Pakistan Taliban are able to advance in the coming one to three years has much to do with how well they carry out the six strategies discussed above. At the end of the day, they probably cannot carry out all six of them well, and they do not have to. By deploying two or three of the strategies at a time, the Taliban creates a wholly unmanageable situation for the state. But the prospect of Taliban advance also has much to do with how much space the state decides to give them. The Taliban know that they can get a great deal of what they want – territorial control, access to resources, Islamisation, recruitment and mobilisation of local populations against Western forces – simply by avoiding the government's red lines. These red lines are:

53 The government did a deal with the Nizam-e-Adl in Malakand division in NWFP. This deal eventually failed and, as in Swat, the government gave away too much. At the same time, even in failing, the government may have built some support for subsequent military actions, again as in Swat.

- a. the formation of viable separatist and/or ethno-nationalist movements;
- b. an unduly embarrassing loss of control of the government's sovereign territory; and
- c. militant presence in the frontier which curtails the state's ability to effectively project influence into Afghanistan.

As long as the Taliban generally avoid crossing these red lines, there is a wide zone of possible agreement between the militants and the state, a situation that is likely to result in the continued implicit acceptance by the state of Taliban presence in the FATA, and even gradual Taliban advances.

CHAPTER 6

THE INDIA-PAKISTAN RELATIONSHIP

It is beyond the scope of this Report to address the long history of India-Pakistan relations. This section provides a brief historical context and then analyses prospects for a viable peace process and transformation of Indian-Pakistani enmity into partnership.

I. The historic context of the relationship

Pakistan's identity has been defined both by religion and by a sense of differentiation from India, the partition of which, in 1947, gave rise to Pakistan's existence as a separate nation state.⁵⁴ The relationship has been characterised from the start by a sense of antagonism and suspicion bordering on paranoia. Partition resulted in massive population shifts in both directions and large-scale inter-communal pogroms. But the issue that has more than anything come to define Indo-Pakistan relations is the fate of the princely state of Kashmir:

Pakistan has fought and, to all intents and purposes lost, three wars with India, in 1947, 1965 and 1971. Whereas the first two wars centred around the Kashmiri dispute, the most recent of those wars, in 1971, led to the loss of the eastern half of Pakistan's territory and the creation of Bangladesh. Whilst India's size provides it with strategic depth, major Pakistani metropolitan areas like Lahore and Karachi are within easy reach of an Indian conventional military assault. This basic sense of vulnerability is further exacerbated by the realisation that India's economic potential will over time result in Pakistan being left far behind.

India's army is three times the size of Pakistan's, the air force five times and its navy six times the size, although size alone is not a predictor of the outcome of war. Despite the enhanced confidence which Pakistan may have derived from nuclear deterrence, attitudes towards India remain characterised by high levels of distrust. Lacking any possibility of defence in depth within its own borders in the face of an attacking Indian force, Pakistan's military has

54 The differentiation from India historically was on the part of a segment of the Indian Muslim elite and middle classes, especially in Uttar Pradesh and East Bengal. Today, as Shuja Nawaz, Director of the South Asia Center of the Atlantic Council, points out, "62 years after independence, Pakistan exists as a reality and not as an anti-India entity (much the way France exists or any other European country exists. Let us deal with that reality." Email to author, December 16, 2009.

long focused on a policy of defence in depth (DID) to the rear. For Pakistan, 'strategic depth' means using Afghanistan as a place to which to retreat and regroup in the event of attack by India.⁵⁵ Partly for this reason, Pakistan has always had a strong interest in seeing a Pashtun-dominated government in Kabul, and has been extremely wary of perceived efforts by India strategically to outflank Pakistan by developing a pro-Indian government in Afghanistan.⁵⁶ Urban myths abound in Pakistan about the current extent of Indian influence in Afghanistan, with some versions speaking of as many as 16 to 21 Indian consulates in Afghanistan. (There are only four consulates, all with relatively low levels of staffing).

2. The Composite Dialogue

Following an aggressive but unsuccessful foray into Kashmir by the Pakistani army led by then Chief of the Army Staff Pervez Musharraf in 1999 at Kargil, and mass attacks by Pakistani militants on Indian legislatures in Kashmir and in India in late 2001, India mobilised forces at the border with Pakistan leading to a prolonged crisis between two nuclear powers.

War was averted narrowly through the engagement of the international community in efforts to de-escalate the crisis, together with US pressure on Pakistan to crack down on terrorist groups in the wake of 9/11, leading to a re-engagement between India and Pakistan in the form of the India-Pakistan Composite Dialogue in 2004. This engagement has produced some practical outcomes in the form of improved cross-border communication and trade, and a framework for efforts to resolve some other outstanding territorial demarcation disputes.⁵⁷

3. State of the peace process from the end of Musharraf's rule to Mumbai

Towards the end of 2007, some have suggested that Pakistan and India were close to a resolution on Kashmir via back channel negotiations.⁵⁸ Ironically it was General Musharraf, the architect of Kargil, who earned much of the credit in India for the resumption of talks and the relaxation of tensions.

However, neither side had taken any steps to prepare their own populations for a significant shift in policies towards Kashmir. The veneer of improved relations and cooperation masked the reality of fundamentally opposing and irreconcilable positions. Pakistan regards Kashmir as unfinished business, an exercise in conflict *resolution*. It actively courts international engagement to help resolve the issue. India, on the other hand, sees the issue as one of conflict *management*, based on an acceptance of the status quo. India ostentatiously rejects

55 Experts differ on the current meaning of DID. A charitable view of Pakistan is expressed by General Kayani, who says that Pakistan's security on its western borders follows from a stable Afghanistan. Others view the notion of strategic depth as superfluous in an era when Pakistan and India are nuclear-armed, and that what Pakistan is really driving for is an extension of influence to Central Asia via Afghanistan.

56 By Pashtun is meant the Ghilzai Pashtun who comprise the bulk of the population in the Federally Administered Tribal Areas of Pakistan, the NWFP and southern Afghanistan, a predominantly rural and unsophisticated population, in contrast to the more urban, sophisticated Durrani Pashtun who have traditionally formed the governing elite in Afghanistan.

57 Later rounds of the Composite Dialogue discussed the Siachen glacier, Sir Creek and Indian plans to construct dams on the Chenab River which, though permissible under the Indus Waters Treaty of 1960, is still a matter of concern to Pakistan.

58 Steve Coll, *The New Yorker*, March 2, 2009.

any suggestion that third parties might have any role to play.⁵⁹ The Indian position is that borders cannot be changed but can be made irrelevant and that the future of Kashmir should be built around a further facilitation of cross-border communications leading in due course to a trade agreement, customs union and economic union.⁶⁰ From the Pakistani perspective, the Indian approach is seen as arrogant, coercive and insensitive, and reflects a generic Pakistani sense of a pervasive Indian threat.

4. Impact of the Attack on Mumbai

The modest progress represented by the Composite Dialogue has come under threat as a result of the attack on Mumbai carried out by a group of terrorists, almost certainly from the Lashkar-e-Taiba (LeT), on November 26, 2008. Though India generally and Mumbai in particular are no strangers to terrorism, Mumbai has been seen by India's political class as different from anything before – if only because for the first time, terrorism has directly affected an articulate and politically aware urban middle class who are unwilling to accept the attack as an inevitable cost of doing business.

Although no serious Indian politician believes that the civilian administration of President Zardari knew of or approved the attack on Mumbai, according to Western intelligence officials, a number of details were known in advance by Indian and US intelligence. They had a sense of the timing and some of the targets, but not the method of the attack or a complete understanding of which targets would be hit. Given the degree of control and monitoring Pakistan's intelligence service, ISI, is thought to exercise over LeT, it is hard to imagine that nobody in ISI was aware of the extensive preparations that had been taking place for many months in advance of the actual attack. There is a sense of anger in India that with organisations like LeT, Pakistan's ISI has created a Frankenstein's monster which it appears either unable or unwilling to control. One ominous aspect of the Mumbai attack was the inclusion of Western targets and especially the Chabad Jewish Centre, suggesting that LeT has moved away from a purely Kashmir-focused agenda towards a more global jihadi one that appeals especially to funders from the Gulf.

5. India opts for continuing the peace process

Notwithstanding Mumbai, the 2009 Indian re-election of the moderate Manmohan Singh, and his continuing willingness to reach out with conciliatory gestures to the Zardari government suggests at least a small possibility that a more vibrant peace process could transform the historic enmity into a partnership. Whilst India is not budging on its negotiating positions and continues to bracket Kashmir; the cordial Sharm el Sheikh Egypt talks between Prime Minister Singh and Pakistan Prime Minister Gilani on July 16, 2009 were noteworthy in Singh's stated willingness to look into Pakistani allegations of Indian assistance to the Baluch rebels. Still, the situation is brittle as evidenced by the criticism from the Indian press and elite for their government's appearance

59 India has been particularly firm on this position since the Simla Accords in July, 1972 in which India and Pakistan agreed to resolve their disputes on a bilateral basis.

60 Ambassador G. Parthasarathy, former Indian High Commissioner to Pakistan, speaking at the International Institute for Strategic Studies (IISS), London in July 2008.

of being too conciliatory in Sharm. Another Mumbai attack would likely precipitate an end to the Composite Dialogue and a much more belligerent Indian response.

6. New Indian thinking on Pakistan

It is becoming increasingly obvious to many in India that weakening Pakistan no longer serves India's interest.⁶¹ In fact, a Pakistan that is too weak will undermine Project India (i.e. India's bid to become a comprehensive global power). If Pakistan begins to fragment and the centre in Islamabad loses control over areas outside Punjab and Karachi, refugees (and terrorists) may spill across the border into northern India, which is already experiencing high population growth and Naxalite rebellions. An unstable Pakistan is likely to lead to more Mumbai-type attacks and to making stabilisation in Afghanistan even more challenging. The ISI would be less constrained from stirring up ethnic nationalist revolts in India's troubled Northeast region and among the Sikh separatist movements. An unstable Pakistan would be unable to link up with India in cross border energy projects like IPI and TAPI, and would miss out on bilateral trade opportunities. Finally, a failing Pakistan would probably be driven into an even closer relationship with India's long-term rival, China, which already has a foothold in the Indian Ocean through its construction of the port of Gwadar in the south of Pakistan's Baluchistan province.

What can be done? Given the stakes that India has in a stable neighbour, what can India do to facilitate partnership and to lessen tensions? Trade concessions might be a place to start. India's much stronger economy means that it can afford to give a little in order to gain much by helping Pakistan's stagnant economy. India could also propose regional talks aimed at limiting the expansion of their respective nuclear arsenals. Both sides could engage in three additional areas: reducing suspicion of each other's intelligence services; engaging in talks over water management, and Kashmir.

7. India's RAW (Research & Analysis Wing) versus Pakistan's ISI

A secret war between the intelligence services of Pakistan and India over the past few decades has been an unhelpful source of tension. This war has been fought opportunistically through the use of proxies.⁶² In principle it should be easier for India, whose intelligence apparatus is subject to control by a civilian government, to begin taking steps to end this constant tit-for-tat sequence of retaliation than for Pakistan, whose efforts to date to bring ISI under civilian control have been notably unsuccessful.⁶³ A move away from the current

61 Not everyone agrees with this premise, however, "[Some] Indians do not know whether they want to play cricket and trade with Pakistan, or whether they want to destroy it." Stephen P. Cohen, address to the International Development Research Centre, Ottawa, Canada, April 9, 2009.

62 India's secret services have been accused of giving support to the long-running Baluch separatist movement and financial support to the avowedly secular Awami National Party which supplanted Pakistan's religious parties in the 2008 elections. Pakistani intelligence sources also claim that India's RAW has been providing assistance to the late Beitullah Mehsud's TTP in the FATA. Pakistan's ISI, on the other hand, has been accused of providing support to the Sikh separatist movement and has sought to exploit a range of ethno-separatist movements along India's north-eastern borders in addition to its use of jihadist groups both in Kashmir and increasingly in India proper, starting with the 1992 bombing of the Mumbai stock exchange.

63 On July 26, 2008 the Pakistani government announced that ISI would henceforth come under the control of the Interior Ministry. This decision was subsequently reversed twenty-four hours later in response to objections from the Army Corps Commanders. Similarly in early December 2008, it was announced that ISI's Political Department, responsible for collecting intelligence on domestic political groups (and for rigging elections), was to be closed down. To date there is no sign of this having happened.

karmic cycle of covert retaliation might do more than anything to set Indo-Pakistani relations on a more positive track.⁶⁴

8. Water and Kashmir

Chief among the factors with the potential to introduce significant additional strain into the India-Pakistan relationship is water. The Indus Waters Treaty, which governs the sharing of water resources between India and Pakistan, has proven remarkably resilient. But as the Himalayan glaciers which account for much of northern India's water supply start to melt at an increasing rate, India, which already has severe problems with the availability and quality of water, may find itself under greater pressure to take account of the needs of its own population at the expense of Pakistan. For Pakistan, a country which by the admission of its own government is teetering on the brink of water insufficiency, any disruption of existing supplies could have a devastating impact and would be seen as an existential threat.

The problem with confronting Kashmir head on is that it is currently a zero-sum situation. If, however, the Kashmir issues were subsumed under a broader regional discussion on water and environmental issues, Kashmir by its location would play an important part in non-zero-sum regional discussions between India, Pakistan, China, Nepal and Bangladesh.⁶⁵

9. Indian role in Afghanistan is a continuing flashpoint

Pakistan may have an exaggerated view of the extent and depth of Indian involvement in Afghanistan but even paranoids have enemies. This reflects Pakistani suspicion of India's long-term motivation in providing aid to Afghanistan and the Pakistan military's obsession with having strategic depth in its western neighbour. In economic, political and security terms, India has far more to gain from détente with Pakistan than from an alliance with Afghanistan. The Obama Administration's view that Pakistan, not Afghanistan, is strategically more important in the current war, is relevant to India. Indian assurances to Pakistan on its objectives in Afghanistan might help harmonise US and Pakistan policies on promoting stability in Afghanistan. Conversely, as long as Pakistan sees a stable Afghanistan as suspiciously synonymous with an encircling Indian-Afghan alliance, then Pakistan will oppose stability in Afghanistan.

⁶⁴ The difficulty for India is that its actions, however minor, tend to confirm Pakistan's paranoia and gives the Pakistani military an excuse to pursue its anti-India agenda. India could take conciliatory actions outside of the public domain, but given political pressure in India it cannot make public concessions without looking like it is rewarding bad behaviour. Some experts are not entirely convinced about the innocence of RAW. India has a history of seeking to destabilise Pakistan (e.g. East Pakistan/Bangladesh; Sindh; Baluchistan) and, as with the ISI, intelligence agencies like RAW can do their own thing and are slow to change perspectives. The more problematic issue is how energetically India is in trying to restart the dialogue. See Siddharth Varadarajan, "Hard line diplomacy is not homeland security," *The Hindu*, December 15, 2009 <http://www.hindu.com/2009/12/15/stories/2009121555420800.htm>. Other experts take a less charitable view of Pakistan's motivations in drawing attention to RAW activities. Their argument goes like this: many civilian and military Pakistanis have come to terms with India, but they now feel that India has surpassed them, which provides all the more reason to destabilise India rather than make peace with it. RAW is up to no good in Afghanistan, but the Pakistanis exaggerate and are trying to get the US to monitor what the Indians are doing. No matter what India is doing, goes the argument, its activities do not compare with what Pakistan has done; the official Pakistani line that they do not use force against India proper, but only against disputed Kashmir; is belied by the LeT 2008 operation in Mumbai.

⁶⁵ See Stephen P. Cohen, Ottawa speech, *Ibid.*, April 9, 2009.

10. Looking ahead

Miscalculations and intelligence failures in all of the previous crises and the feeling among some South Asian analysts that a threatened Pakistan might escalate a future crisis into the unthinkable are not grounds for comfort. Whilst recognising the complexity and difficulty in resolving the Indo-Pakistan disputes, it is worth noting that other countries in the region have managed to grow economic relations despite bilateral tensions. India has a regional rivalry and numerous border disputes in the north with China and, yet, India has deepening diplomatic relations with China. Taiwan and China have managed to overcome their once existential conflict with flourishing people-to-people, economic, trade and institutional ties.

In economic terms, a different relationship between India and Pakistan would have considerable benefits for an energy-hungry industrial giant like India in terms of its ability to exploit the potential of oil and gas pipelines transiting Afghanistan and Pakistan from Iran and Central Asia and simultaneously developing exports markets in these locations. For Pakistan, the economic benefits of a better relationship with India would be proportionately greater. But for India, an improved relationship may be necessary to facilitate its rise to great power status. Genuine détente with India could also result in some of Pakistan's defence expenditure being redirected towards education and health care, the current lack of which constitutes a major impediment in Pakistan's progress towards modernisation.⁶⁶

The one auspicious feature that has never existed before is the agreement among all the relevant global powers that the collapse of Pakistan is a real and present danger and that Pakistan needs urgent attention. Pakistan is no longer viewed by the international community as just a terrorism problem. The current focus on the integrity of the Pakistani state by the US, NATO, China, Japan, the EU and the Gulf could be leveraged by fresh and creative thinking in India to transform its psychological and political relationship with its western neighbour. But India cannot sit back and let the US and others take the lead in rescuing Pakistan. Given recent polls in Pakistan that suggest negative perceptions of India are now overshadowed by more negative public attitudes towards the US,⁶⁷ the US may not be India's best conduit to finding common ground with its western neighbour. India's Prime Minister understands the problems but finds it difficult to gain the necessary consensus within the Congress Party leadership to move forward toward a substantive peace treaty.

⁶⁶ See Sabrina Tavernise, "Survey of Pakistan's Young Predicts 'Disaster' if Their Needs Aren't Addressed" *The New York Times*, November 22, 2009 <http://www.nytimes.com/2009/11/22/world/asia/22pstan.html?emc=eta1>

⁶⁷ See the 2009 Pew Global Attitudes survey of Pakistan at <http://pewglobal.org/reports/display.php?ReportID=265> or <http://pewglobal.org/>. Maleeha Lohdi, former Pakistani Ambassador to the US and UK, notes that the younger generation of Pakistanis are less bothered by India than the veterans of the Indian wars. Except in the Pakistani army, where Carey Schofield notes that the fear of India's military is palpable and memories of the humiliation of 1971 still fresh, most Pakistanis are concerned less about being invaded by India than being "dominated" in the way India's smaller satellite neighbours are dominated by its larger neighbour. Conversations, Carey Schofield, November 17, 2009 and Maleeha Lohdi, March 3, 2009. Stephen Tankel points out that whilst the people may dislike the US more than India, the army still dislikes India the most. (Comment on earlier draft, December 1, 2009). This suggests that at the military to military level, the US may have an intermediary role to play, perhaps as part of a regional initiative.

What to watch for:

- India is struck by another 'Mumbai' attack, only this time, India would not have the luxury of responding with the reserve it showed after the November 2008 attack. A variation might be two sequential attacks, where one of the attacks targeted India's political core including the parliament and political leadership.
- Does the US take any steps to assuage Pakistan's concerns about Indian presence in Afghanistan?

CHAPTER 7

CHINA-PAKISTAN RELATIONS

No country has been more central to Pakistan's foreign policy and security interests than China. Initially suspicious of Pakistan's status during the 1950s as a US ally, China warmed to Pakistan as its relations with India deteriorated to the point of war in 1962. China quickly settled its outstanding border disputes with Pakistan and began to cultivate a strategic relationship in which Pakistan served as a hedge against India, and Pakistan found in China a reliable diplomatic ally and a source of financial support, economic investment and military hardware. The relationship has been described by one Pakistani scholar turned diplomat as follows: "[F]or China, Pakistan is a low-cost secondary deterrent to India and for Pakistan, China is a high-value guarantor of security against India."⁶⁸ In contrast to the US, whose relationship with Pakistan has been episodic and heavily conditioned, that with China has been consistent, predictable and until recently devoid of conditionality. Pakistani political commentators have described it as an "all-weather" relationship, in contrast to the US, which is perceived as only a fair-weather friend.

A long time ally of Pakistan and covert facilitator of Pakistan's nuclear capability, China has been adopting recently a more instrumental policy toward Pakistan that is less generous with unconditional aid and more quick to apply pressure. In the Lal Masjid (Red) Mosque takeover, when Muslim extremists kidnapped Chinese sex workers in Islamabad, China was quick to pressure Musharraf to launch a military operation on the mosque in order to free the Chinese hostages.

Perhaps the most significant strategic change in the relationship is China's increasing concern about Uighur protests and Islamic radicalisation in Xinjiang, which now colours China's view of Pakistan-exported militancy. China is concerned especially with the linkages between the extremist Uighur ETIM group and Pakistani groups.⁶⁹ One indirect result of China's new concerns is the convergence between China and the US in countering terrorism and promoting stability in Afghanistan and Pakistan as reflected in the November 17, 2009 joint statement of Presidents Hu Jintao and Barack Obama in Beijing.

68 Hussein Haqqani, currently Pakistan Ambassador to the US and previously with the Carnegie Endowment for International Peace, cited in "China and Pakistan: A Deepening Bond", Council on Foreign Relations, March 8, 2006 by Esther Pan.

69 On a flight from Urumchi to Beijing at the beginning of the 2008 Olympics, a young Uighur woman was caught trying to set off a crude explosive in the airplane's bathroom. The handler of this suicide bomber originated from Pakistan, according to Chinese insiders. Conversation, Lanxin Xiang, Geneva, September 13, 2009.

China is becoming a major player in South Asia

How will China use its growing influence in the future? One can look at China's construction of a port in Gwadar, southern Baluchistan as a geo-political move to balance India's power in the Indian Ocean and to provide China closer access to energy in the Gulf. Still, China's vulnerability to a blockade of the sea lanes from the Straits of Hormuz to the Indian Ocean and beyond to Indonesia gives China an incentive to look for blockade-proof overland energy route from Iran and the Middle East through Pakistan to the Chinese border.

China is in an interesting position as an ally of Pakistan against India, whilst increasing direct contacts with India. Given its increasing ties with India, its continuing close relations with Pakistan, and its expanding investment in and political links with Afghanistan, China is likely to emerge in the coming decade with significant leverage over the key countries in South Asia. As China grows more comfortable in discharging its responsibilities as a global power, it could become a key player in a regional architecture to keep the peace in Afghanistan. By coaxing its Pakistan ally into such regional stabilising arrangements whilst developing its own bilateral ties with India, China could exert a positive effect on Islamabad's regional relationships. China wants stability in the Af-Pak area given growing perceived dangers to China from Pakistan's export of extremism into China's own provinces.

At the same time, China is uncomfortable with the US in its back yard. An important element for gaining more proactive Chinese engagement in South Asia will be for the US to point out repeatedly to China that the US does not aspire to retain long-term military bases in the region, including in Afghanistan, and that a substantial reduction in extremist violence and the associated threat of terrorism would be the best way to guarantee an earlier US military withdrawal from the region.

One indirect result of China's new concerns is the convergence between China and the US in countering terrorism and promoting stability in Afghanistan and Pakistan as reflected in the November 17, 2009 joint statement of Presidents Hu Jintao and Barack Obama in Beijing

CHAPTER 8

US-PAKISTAN RELATIONS

The contours of US-Pakistan relations are by now well known. The US-Pakistan cold war partnership that began in the 1950's was followed by on-again, off-again relationships that reached high points in the cooperation in the Afghan war against the Soviets in the 1980's, and then again, after the "about face" that Pakistan made after 9/11 under US pressure. The off-again periods such as the costly one following the defeat of the Soviets in 1989, when the US went absent in South Asia as the Taliban emerged, led to the Pakistani characterisation of the US as a "fair-weather friend". From the US perspective, there was disappointment in Pakistan over its sponsorship of militant groups and deception about its nuclear proliferation.

The US has important interests in Pakistan since 2001, some of which existed earlier but which the 9/11 attacks highlighted:

1. Nuclear proliferation.
2. Flashpoint potential with India as evidenced by US negotiations to end the India-Pakistan standoff during the 2001/2 conflict.
3. A US interest in denying AQ and Afghan Taliban safe havens in Pakistan that can be used to launch attacks against US forces and allies in Afghanistan and against targets in Europe and the US.
4. Stability of the (nuclear armed) Pakistani state itself given internal threats by extremists.

Several variables affect these interests but the outcome of US policy in Afghanistan touches almost all of them (with the partial exception of the nuclear issue). It might make sense to look at how US choices on Afghanistan policy impact US-Pakistan policy and Pakistan's own stability.

Is Af-Pak a misnomer? The term emerged out of President Obama's formulation of Afghanistan as the right war without treating the war as part of a larger South Asia issue

that affects India. Moreover, the tacking on of a hyphen to Pakistan is an example of one of the perennial features in the US attitude that views Pakistan as a means to achieve some other larger goal, whether it be for building an alliance against Soviet Communism in the 1950s or finding a way into Mao's China in the early 1970s or defeating the Soviets in Afghanistan in the 1980s or fighting the global war on terrorism against Al Qaeda after 9/11. Now, Pakistan again is needed by the US to help it and the international community stabilise Afghanistan. However, the Pakistanis do not see their primary mission as one of helping the US make the Obama strategy work. And herein lies the tension between the US and Pakistan.

The US Strategy for Afghanistan. President Obama's Afghan policy seeks a midpoint between those who want an all-out war against the Afghan Taliban and those who want a rapid withdrawal of NATO forces from the area. His policy of a troop surge of 30,000 announced on December 1, 2009 is designed to show sufficient resolve to stay the course, degrade the Afghan Taliban militarily, and ultimately bring them to the negotiating table that will leave in place a functioning and viable non-Taliban Afghan government.⁷⁰ The Administration hopes that this policy may be the least bad from the point of view of US-Pakistan relations and the most likely to contribute to stability in Pakistan.⁷¹

The Pakistanis had feared that an all-out massive US/NATO surge would have led to a confrontation between the US military and the Pakistan army over how to deal with the Afghan Taliban and its allies in Quetta and North Waziristan. The Obama surge may still lead to this confrontation.⁷² A successful US campaign also raises the prospect that the Taliban in Afghanistan will be pushed back across the border into FATA, raising pressure on Pakistan (from the US/NATO) to undertake operations against those Afghan Taliban forces. This in turn generates renewed political pressure within Pakistan by opposition parties (and, also, among officers within the army who are uncomfortable fighting fellow Muslims) against Pakistan's backing of the "American war" in Afghanistan.

Alternative Scenario: A light footprint in Afghanistan.⁷³ The strategy not chosen by President Obama, a light footprint scenario beginning with a rapid withdrawal of NATO forces, could have led in a worst scenario to the replacement of the Karzai government with the Taliban. The perception of failure by the US and NATO (which would have called into

The Pakistanis had feared that an all-out massive US/NATO surge would have led to a confrontation between the US military and the Pakistan army over how to deal with the Afghan Taliban and its allies in Quetta and North Waziristan. The Obama surge may still lead to this confrontation

70 See "US in back-channel talks with Taliban, *Dawn*, November 24, 2009 <http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/11-us-involved-in-secret-talks-with-senior-taliban-11-06>

71 Some critics see the new policy as analogous to President Nixon's expansion of the war in Vietnam, which gave war one last chance, permitting him to withdraw "with honour," dumping the South Vietnamese and destroying Cambodia. Is Pakistan the new South Vietnam, only this time with nukes?

72 See David Sanger, Eric Schmitt, "Pakistan Told to Ratchet Up Taliban Fight" *The New York Times*, December 7, 2009. See http://www.nytimes.com/2009/12/08/world/asia/08policy.html?_r=1&hpw

73 The light footprint strategy, associated with Vice President Biden's views in the early weeks of the Obama strategy review, is more counterterrorism-oriented and designed to peel off AQ and other militants from the ordinary and more populous Taliban.

question the separate matter of the future of NATO) would have handed a psychological boost to AQ and likely led to a reconsolidation of Afghan Taliban control in much of the areas bordering Pakistan. The Obama strategy can still morph into a light footprint scenario in 2011 with the possible drawdown of US/NATO troops. One potentially adverse consequence of the Obama plan's 18-months window as a policy instrument, even though it is not a real withdrawal date, is that the target date perversely encourages the Pakistanis to do the opposite of what the US wants, namely, continue to hedge its bets and support groups like the pro-Afghan Taliban Haqqani network based in North Waziristan.

ISI as mediator. How will the Obama strategy impact US-Pakistan relations? One potential strong positive for the relationship would come about if the US/NATO chooses to explore with the Pakistani government ways in which the army and the ISI, in particular, might act as a bridge to the Afghan Taliban, who could also benefit from much needed diplomatic expertise and advice from the ISI.⁷⁴ This insertion of the Pakistanis as a bridge between the Afghan Taliban and NATO is faintly reminiscent of the role Pakistan played in the Kissinger approach to Mao's China in the early 1970s.

If the Obama strategy works and an Afghan government is able to achieve stability over much of the country, leaving pockets of Taliban resistance but no more, then the days for the Pakistan Taliban would appear to be numbered. But what if the outcome is neither defeat nor victory for the Afghan Taliban, and Afghanistan becomes an amalgam of different ethnic and tribal groups, each with outside countries supporting them? A kind of *de facto* partitioned Afghanistan loosely ruled from Kabul is not all bad news because the Afghan Taliban will likely be naturally contained by the internal balance of power dynamics within Afghanistan. Most of their energy will be spent fighting the Northern Alliance and other ethnic and tribal rivals, leaving Pakistan relatively free from their impredations.

In the unlikely event that an eventual NATO withdrawal is followed not by *de facto* partition but by a clear Taliban takeover of Kabul as in the late 1990s, notwithstanding the myriad of opposing Afghan tribes and ethnic groups with support from a myriad of outside countries, then an *inspired* Pakistan Taliban across the border could escalate its confrontation against the Pakistani government in the hope of indirectly causing its collapse and replacement with a government more accommodating to the Pakistan Taliban's agenda. But this scenario of a victorious Afghan Taliban and a cut-and-run NATO is highly unlikely, and so is the follow-on scenario of a march on Islamabad by the Pakistan Taliban. Falling South Asian dominoes may be a chimera.

How will the Pakistan army deal with the Pakistan Taliban in the likely scenario where the Afghan Taliban are neither dominant nor defeated in Afghanistan? Without NATO in the region, the pressure on the Pakistan army to fight the Pakistan Taliban would subside, leaving open the possibility of a stable *modus vivendi* between the Pakistan Taliban and the army.⁷⁵ Given reduced US leverage following any assumed NATO withdrawal from

74 See Anatol Lieven and Maleeha Lodhi, "Obama Needs a 'Plan B'", *The New York Times*, Dec. 9, 2009 http://www.nytimes.com/2009/12/10/opinion/10iht-edlieven.html?_r=1&scp=1&sq=anatol%20lieven&st=Search

75 The cancer became malignant after President Musharraf decided to attack the militants at the Red Mosque in 2007, turning the Pakistan Taliban against the Pakistan army. The continuing confrontation could, arguably, recede once US pressure on the army to fight the Taliban in Pakistan ceases. Conversation with Afzal Amin, Captain, British Army and lecturer for the UK Defence Academy's Research and Assessment Branch, November 20, 2009.

Afghanistan,⁷⁶ and continued anti-American sentiment from the continued use of drones to attack terrorists inside the Pakistan frontier; the Pakistani military might pursue a nuanced approach with the Taliban, striking a deal where possible but resorting to force if suicide bombings continue especially in the major cities. However, one should not rule out the possibility that the army may decide to crack down on the Pakistan Taliban, especially when its Afghan Taliban cousins are preoccupied in intra-tribal-ethnic conflict inside an Afghanistan with a light US footprint.

A negative outcome to avoid. One senior Pakistan military officer told the author that as of December 2009, the red line for US drone attacks is anywhere outside the tribal belt and especially Baluchistan. He added that the red line for US 'boots on the ground' is anywhere in Pakistan period. The problem with crossing these red lines in his view is not only the negative public reaction that creates pressure on the government and within the army but also the undermining of current embryonic efforts by Islamabad to reach out to Baluchistan through the new National Finance Commission award that provides for better revenue sharing among the several provinces. US actions would also send the wrong signal to India that cross-border raids by air or ground are acceptable behaviour whenever India is provoked. Perhaps as a quid pro quo for the US easing of pressure on the Pakistan army to go after the Afghan Taliban inside Pakistan, the Pakistani army and ISI might take steps to decrease demonstrably and verifiably its support for the Afghan Taliban inside Afghanistan.⁷⁷

Looking ahead, US-Pakistan tensions will persist, even with eventual understandings with the Taliban on both sides of the border if, as expected, the Taliban renege on their (hypothetical) 'agreements' not to allow AQ and international terrorists to use Taliban-controlled territory as training sanctuaries. Terrorist sanctuaries could lead to more active US Special Operation Forces, drone attacks and US threats that further alienate any government in Islamabad. If, in addition, Islamabad perceives that India is gaining a foothold in an anti-Taliban government in Kabul featuring a significant Northern Alliance element, there will be considerable sentiment within the Pakistani military to return outright to its pro-Taliban policies of the 1990s.

Refocusing the US-Pakistan relationship on normalisation between India and Pakistan.

One possible way to mitigate tensions arising from differing US and Pakistani interests in

76 The question of who holds more leverage in the future is a speculative one. On the one hand, the US gains leverage as it no longer needs Pakistan help in resupplying Bagram and other US bases in Afghanistan. On the other hand, the winding down of the war in Afghanistan could see a reduction in ancillary US military funds available for Pakistan, thereby reducing US leverage over the Pakistani army. Some argue that in the future, Pakistan will have increased leverage over US because of the latter's concern about the continued viability of the state of Pakistan. This perspective sees perverse incentives at play: Pakistan's view may be that the weaker it is, the more the US cannot afford to ignore Pakistan's concerns even if those concerns contradict US interests in Afghanistan and India. That does not mean the US or the UK will accommodate Pakistan in all instances. One policy that the US and UK will likely not tolerate is Pakistani government acquiescence in Taliban sanctuaries where AQ can train and direct young Muslims in international terrorism from Bradford, Leeds and London as well as from continental Europe and even the US (see e.g., recent arrest in Pakistan of the 'Washington suburb five', '5 US Men arrested in Pakistan Said to Plan Jihad Training, *The New York Times*, December 10, 2009 http://www.nytimes.com/2009/12/11/world/asia/11inquire.html?_r=1&hpw). The magnet of these sanctuaries is why the drone attacks are likely to be a permanent feature of the US-Pakistan landscape.

77 One opinion in a Pakistani newspaper suggests sending those generals still supporting the Afghan Taliban inside Afghanistan as part of achieving strategic depth against India to "re-education camp." See Ayaz Amir, "The sharp head of the tempest brewing," *The International News*, December 11, 2009, at http://thenews.jang.com.pk/daily_detail.asp?id=212634.

Afghanistan is for the US to encourage normalisation between India and Pakistan.⁷⁸ Although some feel the Pakistan army is likely to maintain an institutional interest in continuing tension with India as a justification for the army's privileged role within Pakistan as defender of "Muslim" Pakistan against "Hindu" India, many Pakistanis are beginning to see their economic future in a de-hyphenated Pakistan that is neither part of an India-Pakistan or an Af-Pak dyad, but that is favourably situated in the middle of the transit routes between the Gulf, Central Asia, South Asia and Southeast Asia. From this economic and trade-oriented perspective, Pakistan's natural interests lie in a stable South Asia, which happens to be America's strategic vision for this region.

Implementing the New Kerry-Lugar-Berman Aid Programme. Another new dynamic in the US-Pakistan relationship is the way in which the Kerry-Lugar-Berman aid money plays out (along with other assistance such as military aid). If it appears that the aid is being mismanaged, lost, or grossly ineffective, Congress is unlikely to continue with aid programs at substantial levels, which will reinforce Pakistan's view of the US as a fair-weather friend. The obtrusiveness of the language in the Aid Bill has already generated criticism within the Pakistani army and elite.⁷⁹ If the large aid package disappoints and fails to show tangible results to the US public and Congress, it could sour the relationship in a way that reinforces the worst of both Pakistan's complaints against the US, and vice-versa. The programme's proposed use of NGOs, rather than government ministries, to disburse the Kerry-Lugar-Berman Aid may work provided the Pakistan-based NGOs remain immunised from waste and corruption.⁸⁰ Using accounting firms to monitor and audit the expenditures of the aid should be helpful.

The main US interest in Pakistan is to increase the Pakistani government and army's stability. US and UK leverage over Pakistan is not growing. It is decreasing. Pakistani society is moving toward anti-Americanism and toward more Sharia law. The recent British Council survey showed that five times as many Pakistani young adults identify themselves as Muslim than as Pakistani. The army reflects society in that young recruits come from an environment influenced by this increasingly hostile narrative.

When the US talks about the need to get Pakistan to cease supporting the Afghan Taliban, and for the ISI to stop its double game, this makes perfectly good sense in terms of trying to execute the Obama strategy to stabilise Afghanistan. But how does this play within the Pakistani army? It is difficult to measure how serious the secular/Islamist (or

78 Several articles make this point. See Christian Brose and Dan Twining, "Our Pakistan Problem" *Weekly Standard*, September 14, 2009. <http://www.weeklystandard.com/Content/Public/Articles/000/000/016/917/ttdv.asp> Although the US can and does encourage normalisation, it is not willing -- for pretty decent reasons -- to get too involved in the Kashmir issue. Solving Kashmir and normalising relations with India and Pakistan would have a salutary effect on the region and on synchronising US/NATO strategy in Afghanistan with Pakistan security interests. Solving the Israeli-Palestinian conflict would also reap benefits throughout the Middle East. The benefits of resolving these conflicts are considerable but, realistically, neither of these 62-year-old conflicts are likely to be resolved soon.

79 See Asif Zardari, "How to Mend Fences with Pakistan," *The New York Times*, December 10, 2009 at <http://www.nytimes.com/2009/12/10/opinion/10zardari.html>

80 Actually, the balance to be struck is between US and international contractors on the one hand, and giving money to the government of Pakistan ministries and NGOs on the other. NGO capacity is exceptionally limited in Pakistan. NGOs probably will be unable to channel more than 10% of the Kerry-Lugar-Berman disbursement per annum directly, so if the US wants to indigenise the program (away from US and international contractors) it would have to do so through the Pakistani government ministries, which poses its own challenges of accountability and transparency. One solution is to have a team of outside experts attached directly to the ministries to help manage the program and spend the disbursements effectively.

pro-American/anti-American) divide is within the army. Some experts believe that army discipline and the economic incentives of moving up the officer ranks are so strong that it would take a series of robust US ground raids and drone attacks in Baluchistan and elsewhere to create a crisis within the army. That may be so but if one takes the view that there are growing splits within the army, then as time goes on, US and Western interests are better served by maintaining cohesion inside the Pakistani army than by trying to persuade the Pakistani army to do NATO's bidding in support of its strategy in Afghanistan for what may appear to Pakistan as the narrow national security reasons of NATO members.⁸¹ Many Pakistanis fear they are being sucked into an open-ended conflict as a consequence of acquiescing to US pressure to open up new fronts against the Afghan Taliban in the tribal belt and Baluchistan.

If the Obama strategy in Afghanistan can somehow avoid producing deeper rifts within Pakistan society and its army, then the chances that Pakistan's army will hold together, and that Pakistan will do no worse than 'muddle through,' are enhanced. When Washington says that the most important strategic objective in the Af-Pak arena is the stability of Pakistan, then the logical conclusion is to think carefully about the impact of US/NATO policies on the cohesion of the Pakistan polity and its army. The overriding concern in the US is and will be the security of the Pakistani nuclear programme in a worst case scenario where the country and the army begin to fragment. Focusing on the long term impact on Pakistan means that in the process of formulating and executing a policy, Washington avoids this worst case.

81 There have been several commentaries from Pakistan criticising the Obama strategy. See Munir Akram, "New US strategy and Pakistan's response" in *The International News* (Pakistan), December 14, 2009 at http://www.thenews.com.pk/editorial_detail.asp?id=213161. Another writer for the same paper makes the point that from Pakistan's point of view, "the war is spreading. We need to contain it....We have to fight this war on our own, within our borders, without being seen as an American appendage. It is time to loosen, not tighten, the American connection." See Ayaz Amir, "The sharp head of the tempest brewing," *The International News*, December 11, 2009, at http://thenews.jang.com.pk/daily_detail.asp?id=212634.

CONCLUSION

What are the challenges facing Pakistan over the next one to three years in terms of the expected and the unexpected?

1. Some 'Expected' or 'Predictable' challenges are the slow effects of Pakistan's demographic (rapidly expanding population) trajectory, anticipated economic problems, the dysfunctional US-Pakistan relationship, and the challenge of the US Kerry-Lugar-Berman Aid package and its potential political fallout, to name a few predictable challenges.
2. Some "Unexpected" or "Unpredictable" challenges are another food shock or similar economic crisis which results in the fall of the elected Pakistan government; any US outcome in Afghanistan aside from the likely grey scenario (for instance, on the upside, an unexpectedly strong Karzai government; on the downside, a wearying war of attrition that turns into a quicker than expected cut-your-losses US/NATO withdrawal). Other unexpected challenges might be a war or near-war between Pakistan and India, or a major Taliban/militant offensive in the Punjab heartland of Pakistan.

The expected challenges seem to point to muddling through. It is the unexpected challenges that make it so difficult to predict even the next one to three years in Pakistan. Few people predicted the spike in food and energy prices, the aggressiveness of the Taliban in Malakand Division (including Swat) and the decisiveness with which the military pushed back the Taliban, and the Mumbai attack.

On balance, Pakistan is likely to muddle through or slightly worse. Absent a major unexpected shock, Pakistan is not destined to become a "failed state".

The Pakistan army is strong enough and sufficiently invested in the state that, if the army truly has the will, it can deal relatively well, though imperfectly, with a range of internal security challenges. The US is also invested in seeing a stable Pakistan. US proactive engagement with the Pakistani government and army, and its clout with international financing institutions like the IMF, World Bank and ad hoc donor groups like the Friends of Democratic Pakistan, should help avert a major political or economic collapse. Pakistan will likely muddle through as it has done in previous crises.



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