

America's Pakistan Policy: in urgent need of a fresh start January, 2009

As America attempts to repair its image in the Islamic world, Pakistan—a long-standing US ally, and now a central theater in the global effort to combat terrorism—will likely be a frontline in the battle to win the hearts and minds of Muslims around the world. Despite its considerable potential, Pakistan has found itself consistently troubled by a cocktail of severe problems on simultaneous fronts. America's historical policies towards Pakistan have exacerbated the problems by focusing on military support, and paying relatively scant attention to institutional reforms and social development. Far from working to alleviate these problems, the US has used Pakistan as an instrument – first in the Cold War, and more recently, in the so-called War on Terror. Today, this nuclear power finds itself besieged by rampant poverty and an assortment of destabilizing internal and external forces, and is at nontrivial risk of collapse. The world cannot afford to let Pakistan devolve into a failed state; the international community, and in particular, the US needs to make urgent, substantial investments to ensure that it does not.

Key issues

Most of the problems historically faced by Pakistan still persist today, and over time, have come to reinforce each other in a vicious circle. Key among these are:

1. **Islamic fundamentalism**, once deliberately cultivated by political leaders as a military tool, has grown beyond the government's control; Pakistan's fundamentalist factions have become a destabilizing force internally, as well as an active part of the global campaign of Islamic militancy. One measure of the spread of fundamentalism is the growth in the number of *Madrassas* (religious schools): at the time of Pakistan's creation (1947), there were fewer than 200 across the country, and by many accounts, they mostly followed the rich, centuries-old tradition of apolitical Islamic learning. Since the 1980s, they have rapidly multiplied: with the official sanction of then-President Gen. Zia-ul-Haq, financial support from Saudi *Wahabis*, and the widely popular cause of the *Mujahadeen* fighters during the Soviet Union's invasion of Afghanistan. Today, there are well over 25,000 *Madrassas* across Pakistan; a number of them espouse and teach virulent [mis]interpretations of Islam, thereby rendering the phrase "Islamic fundamentalism" synonymous with terms such as militancy and terrorism.
2. Pakistan suffers from **widespread poverty, an inadequate educational infrastructure and limited access to healthcare**¹. At least a quarter of Pakistanis live in poverty, and less than half of the country's population is literate. Even more alarmingly, 40% of the population is below the age of 14, and does not have meaningful access to education (Pakistan is one of only 12 countries around the World that spends less than 2% of its GDP on education). The poverty rate, combined with a troubling environment for women's rights, results in a high incidence of maternal and infant malnutrition and mortality. There is also high incidence of specific communicable (malaria, diarrhea and acute respiratory illness) and vaccine-preventable diseases (measles, hepatitis and neonatal tetanus). With 75% of Pakistan's medical costs out-of-pocket, most Pakistanis find healthcare unaffordable; with a severely limited infrastructure, they also have very limited access to it. A related issue is the prevalence of modern-day feudalism, as a result

¹ Sources: CIA World Factbook, Congressional Research Service reports and the WHO.

of which only 2% of Pakistan's households control almost half of its rural land. Currently, the United Nations Development Program ranks Pakistan 136th out of 177 countries on the Human Development Index. While these problems are present all over the country, they are particularly acute in the remote provinces described below, and are acknowledged as a chief contributor to the explosion of *Madrassas* and militancy.

3. **Large portions of the country are politically splintered, lawless, and extremely underdeveloped.** When Pakistan was created in 1947, perhaps the only characteristic its citizens had in common was religion; beyond that, the nation is an amalgam of many different peoples, separated by ethnicity, language and in several cases, fierce, centuries-old traditions of autonomy. All but one (Punjab) of its major regions² have either a history of separatism³, or a provincial loyalty that arguably supersedes national allegiance. This is particularly true in the Northwest Frontier Province (NWFP), Baluchistan, and the Federally Administered Tribal Areas (or FATA, the most prominent of which are North and South Waziristan). Most of these regions are tribal, and governed by their own laws, with Pakistani federal law holding minimal sway; for long, they have been neglected by the central government in Islamabad, and are severely lacking in essential infrastructure and access to even the very basic of amenities (e.g., water and healthcare). Over time, the lingering ethno-nationalism combined with continued neglect by Islamabad, have led to cross-border alliances with militant factions in Afghanistan, and subsequently, the “*Talibanization*” of these areas; this has triggered aggressive military action from Islamabad (and, in several instances, from the US) which, in turn, has served to increase the mutual alienation. The NWFP is a part of the broader ethnic “Pashtunistan”, severed from Afghanistan by the artificial Durand line which was imposed by the British in the late 1800s; today, while this line serves as the international border between Afghanistan and Pakistan, it is porous, barely recognized by the Pashtuns on either side, and crossed frequently by militants seeking refuge or training. Baluchistan has, for decades, been in the throes of an intense struggle with the Pakistani military for identity and autonomy. The FATA, suspected of hosting some of the most wanted extremists, is currently the scene of heavy military activity. All this calls into the question the fundamental nature of Pakistan's territorial unity: is it a single nation state, or a forced affiliation of fractured provinces?
4. **Excessive power rests in the hands of the military and the intelligence services (ISI)**, which often act independently—sometimes in contravention—of the civilian government, whose control of these institutions is tenuous, if not nonexistent. Both the military and the ISI are thought to be, at best sympathetic to, and at worst, active sponsors of *Jibadi* elements. Individuals entrenched in these institutions also control a significant portion of Pakistan's land, wealth and industry. Potentially as a result of the dominance of this establishment, there is a severe **dearth of strong civilian institutions and civil society**.
5. **Pakistan and India** have fought three major wars; even during times of relative calm, there are occasional border skirmishes and massive troop buildups along the border. While there are a host of historical reasons for the animosity, ranging from the violent partition of 1947 to the secession of Bangladesh, the biggest flashpoint has been control over the disputed region of **Kashmir**. Even though diplomatic resolutions are possible, the opportunity for political profit from stoking nationalist sentiments has proven too high for politicians on either side of the border to forego. As a result, both countries

² Pakistan is comprised of four provinces (Punjab, Sindh, Baluchistan and the Northwest Frontier Province), and the Federally Administered Tribal Areas (FATA). In addition, Pakistan retains administrative control over Azad Kashmir and the Federally Administered Northern Areas (FANA), although their status is under dispute.

³ Pakistan has already lost one region to a separatist movement; in 1972, what was once East Pakistan became the independent nation of Bangladesh.

have been at a constant state of high-alert, and substantial resources—that could otherwise be applied to solving critical development problems—are dedicated to bolstering the military. Currently, as much as 25% of Pakistan’s national annual expenditure goes towards its military. Fortunately, the past 5-6 years have seen a marked improvement in the relationship between the two countries, and capitalizing on this trend is critical to the long-term stability of the region. Events like the recent bombings in Mumbai, however, threaten to reverse these recent improvements, and underscore the urgent need for diplomatic resolution of the dispute.

6. The bureaucracies in Pakistan, like those in many other developing countries, are rife with **corruption**. The *Guardian*, for example, estimates that up to 70% of a recent, massive aid package to Pakistan was misappropriated. Even if this level of misappropriation is anomalous, it demonstrates the governance challenges of distributing aid. Perhaps even more problematic is the dubious reputation of key individuals in the current government.

Our recommendation: a five-pronged policy tailored to address region-specific issues

America’s policy towards Pakistan must fundamentally change into one that is much more informed, constructive and engaged. Of the issues described in the previous section, some can be addressed at the national level; the rest, however, require region-specific approaches that recognize the most pressing provincial needs, the local security situation, political realities, as well as the sensitivities to—and hostilities towards—foreign involvement. Hence, we recommend a 5-pronged approach that addresses (a) national-level concerns, with simultaneous efforts in (b) the relatively stable provinces of Punjab and Sindh; (c) the NWFP, which has very close ties to the Pahstun groups and events in Afghanistan; (d) Baluchistan, which harbors ambitions for greater autonomy; and (e) the FATA (particularly North Waziristan), which is a de facto war zone against *Al Qaeda* and *Taliban* operatives.

America’s policy must also be holistic, and incorporate all elements of the “3D” paradigm: thoughtful counsel on critical *diplomatic* issues, supplemented by a robust, long-term commitment in *development* and institution-building, as well targeted *defense* support where necessary. Of the three “Ds”, development is the dimension that is most likely to achieve sustainable change; it is also the area which requires the greatest departure from America’s historical Pakistan policy. At the same time, it is clear that such large-scale development efforts in Pakistan can easily be undermined without supporting initiatives in diplomacy and defense. Please note that this policy brief focuses on development and, to a smaller extent, diplomacy. The authors do not consider themselves knowledgeable in military matters; rather, we point out the need for targeted actions in areas where we believe it is necessary to establish stability.

Please note that the following includes recommendations for direct American policy, as well as for policy imperatives by the Pakistani government that should be encouraged by the US (if not demanded as a condition for aid).

- a. *National-level strategy*: Kashmir, institution-building and healthcare infrastructure

Kashmir: A significant portion of Pakistan’s fiscal and emotional energy is spent on the issue of Kashmir, and the related dispute with India. This dispute gives the military both reason, and excuse to maintain a constant state of high-alert, and diverts resources from other priorities. Kashmir also serves as a major rallying cry for *Jibadi* recruitment. The Kashmir issue—like that of Jerusalem, in the Middle East—is a complicated one in which there are simply no solutions that would be fully satisfy all parties, and will likely require

some compromise from all involved. The US has a great opportunity to be a genuine neutral mediator to help Pakistan and India reach a resolution to the dispute. Our perspective is that rather than aim for a “permanent” resolution to this issue, the parties should strive for an interim agreement (e.g., with a 25-year horizon) emphasizing (i) respect for the status quo territorial control (i.e., the current line-of-control remains in place); (ii) rapid demilitarization of the Kashmir Valley by the Indian military, with a commitment to the human rights of the Kashmiri people; (iii) credible, tangible actions—and ongoing vigilance—by the Pakistani government to control cross-border incursions by militants; and, based on a set of clear preconditions, (iv) broader demilitarization between the two countries. Even though a longer-term solution must be negotiated at some point in the future, the necessary conditions do not appear to be currently present. One important consideration is that the US may have to engage in bilateral negotiations with India, and likely grant major concessions in order to ensure continued cooperation in the (likely) event of isolated incidents of terrorism in the future (such as the Mumbai bombings).

Empowering federal civilian institutions, creating transparency & accountability, and building a civil society: Now that Pakistan is under civilian control—albeit tentatively—the US must push for realignment of the national power structure by shifting influence (and finances) away from the ISI and the military, and building stronger civilian government institutions. In particular, effective ministries are required for the treasury, health, and education, along with a strong judiciary and law enforcement. At the same time, the development of civil society institutions should be supported, particularly the media and watchdog groups for corruption and human rights (especially women’s rights). Finally, the US should demand a high degree of transparency into the use and impact of its financial aid.

Access to healthcare: Pakistan has been spared some of the seemingly insurmountable pandemics such as HIV/AIDS. Most of the healthcare issues in Pakistan (e.g., maternal/infant health, malaria, diarrhea) can be controlled with relatively straightforward, although still major, investments in healthcare infrastructure (e.g., a network of primary-care clinics), clean water, etc. Building such an infrastructure, therefore, offers a “quick win” development opportunity.

b. *Punjab and Sindh:* Broad economic development, and education

Broad economic development: Based on the core belief that creating economic opportunity for Pakistan’s poor will cut-off the pipeline to militancy, the US should shift aid dollars from the military to a two-part economic development program: (a) in the short-/medium-term, an infrastructure development program that will quickly create jobs and provide access to transportation, energy and water to areas of critical need; (b) building Pakistan’s long-term economic competitiveness by improving the export capacity of existing resources and capabilities (such as textiles, rice, leather, marble/granite, oil & gas), and developing additional capabilities in some of the “new economy” service sectors that have contributed to the economic boom in neighboring India (e.g., IT, BPO and call centers). While economic development is clearly a need throughout the country, the security situation suggests that the initial focus should be Punjab and Sindh, with expansion into the other areas as circumstances permit.

Education: There is also great need for an educational infrastructure throughout the country, but Punjab and Sindh offer a more favorable environment for initial launch. Every aspect of the education system in Pakistan needs major investment – schools, teachers, curricula, books and governance; it is also important to consider economic incentives for poor families whose dire conditions make it economically more feasible to put children to work. There should be equal—and simultaneous—emphasis on developing systems for K-12, higher education and vocational training, the latter being the most relevant to immediate

employment opportunities. Also important is ensuring access to education for girls and women. Finally, the curricula should combine modern advances with a respect for the richness of Islam, so that the two are not perceived as being mutually exclusive. A number of NGOs (such as those working with the National Education Foundation) have demonstrated very effective models which can be replicated and scaled.

- c. *The NWFP*: Build trust by providing basic amenities, and conduct targeted military actions in conjunction with local tribal leaders

Build trust by reliably providing basic amenities: Given the history of neglect by the Central Government and the extraordinarily high level of hostility towards Islamabad, one of the foremost challenges in the NWFP will be to build trust by delivering basic services in extremely difficult security conditions. The specific needs are clean water, sanitation, and basic health.

Conduct targeted military actions in conjunction with local tribal leaders: Perhaps the most difficult challenge in Pakistan is to improve the security situation in the NWFP; since we do not consider ourselves experts in military strategy, we will merely highlight the need for targeted military support focused on defeating extremist elements, and leave the strategic planning to military experts. Whatever the specific strategy, it is extremely important the military actions be (a) as much as possible, enlist support from local anti-*Taliban* tribal leaders and political parties (notably, the Awami National Party); and (b) highly targeted, and ensure the protection of civilians – an issue that has exacerbated tensions.

- d. *Balochistan*: Recognize local identity, develop economy based on natural resources, and improve access to amenities

Recognize local identity: Balochistan has, for long, been involved in a nationalist movement that has been the target of a military campaign from Islamabad. Even though Balochi nationalism has historically had little to do with the religious extremism in the nearby regions, the combination of neglect and force has hardened nationalist sentiments, and even created some form an alliance with extremist *Talibani* elements. Recognizing and respecting local identity (even if means granting partial autonomy), easing the military presence, and allowing fair and free local elections will alleviate some of the tension.

Economic development: Balochistan is rich in resources such as oil, natural gas and minerals; these resources can form the basis of an economic development program with an emphasis on local empowerment.

Improve access to amenities: Like other remote parts of Pakistan, Balochistan has a very poor access to basic amenities; here, too, delivering basic services clean water, sanitation, and basic health may repair ties.

- e. *The FATA (particularly North Waziristan)*: Targeted military actions to lay the groundwork for stability

Targeted military actions: North Waziristan is considered, according to several media reports, the most patronized safe haven for *Al Qaeda* and *Taliban* escapees from Afghanistan. While there are clear development needs, our opinion is that this region is not secure enough for meaningful development activity. Hence, targeted military action will likely be required in order to create the environment required for investing in development. As soon as a meaningful measure of stability is restored, a development program should be launched, much like in the other regions.

Key success factors

Any policy or strategic framework is only as effective as the tactical measures taken to ensure relevance in the context of the “on the ground” realities. This is particularly true in the case of Pakistan, where the underlying realities are influenced by several complicated contextual currents. As the US develops its Pakistan policy, it is important to recognize that in the past, large amounts of aid—military, development or otherwise—have simply disappeared into the various bureaucracies involved. Achieving these ambitious and challenging objectives in Pakistan will require going well beyond simply donating aid dollars: it will require active, accountable engagement throughout the development process which will likely last well over a decade. Also critical to recognize is the suspicion with which many Pakistanis view the US; hence, America’s Pakistan strategy cannot be seen—by the Pakistani government, Pakistani citizens, or the rest of the Muslim world—as unilateralist.

The appointment of Ambassador Richard Holbrooke as Special Envoy to the region sends a strong signal about America’s recognition of the urgency of the situation. We believe the following additional measures will increase the probability of success:

- *Authority, measurement and accountability:* Given the need for a coordinated “3D” approach, the Ambassador should have control and accountability over planning and execution in all three areas (notwithstanding the effort required to coordinate across the relevant agencies). There should also be a process in place to create and track meaningful and measurable short- and medium-term metrics—at the regional and national levels across all three areas—to assess progress over clearly defined time-frames.
- *Engage the religious moderates:* Any far-reaching initiative in Pakistan will likely require the support—ideally active, but at least passive—of moderates among religious leaders and parties. Creating and soliciting the support of, for example, a “Council of 200” of such moderate leaders may be an effective way of spreading key messages. Such an approach comes with a nontrivial element of risk, particularly with respect to individual agendas and power-politics.
- *Collaborate with the important powers in the Islamic world:* The “Islamic World” is a complex quilt⁴ of many different nationalities, ethnicities and cultures, and the issues facing Pakistan are closely intertwined with those in some other parts of the Muslim World. The US should enlist the support of—if not craft the policy in collaboration with—key powers in the Muslim world such as Saudi Arabia and potentially even Iran and Turkey.
- *Actively involve key members of the Pakistani American diaspora:* In the same vein as the above recommendation, American diplomats need to engage and involve a small corps of Pakistani-Americans who are well-versed in the region-specific issues and well-connected with relevant individuals in Pakistan.
- *Transparency in Pakistan:* Aid dollars should be tied to transparency, ranging from an auditable accounting of funding, to appointment of qualified personnel to oversee and implement critical components of the plan.
- *Don’t forget India:* The Ambassador’s specific mandate over Pakistan and Afghanistan, presumably to the exclusion of India, poses the risk that US support of a resolution of India-Pakistan issues may not be coordinated with its broader Pakistan strategy. As we point out above, achieving some meaningful resolution of those issues (albeit medium-term) will be essential to enabling diversion of resources away from the military, as well as to neutralizing a major rallying cry for militants in the region. Hence, the Ambassador should work closely with the officials in charge of America’s India policy.

⁴ In an effort to describe the place Pakistan occupies in the broader Islamic World, Annex 1 proposes a strategic framework for “grouping” the countries in the Muslim World based on their internal and external-facing issues.

A recent informal poll conducted by one of the authors found that a large majority of surveyed Pakistanis want stronger ties with the US (as well as with India and the rest of the outside world). America's reputation, however, is badly damaged as a consequence of decades of non-constructive policies towards Pakistan and the Muslim World. All indications are that there is as much hope in Pakistan, as in the rest of the World, that the new American administration will prove a turning point. With tensions high along both of Pakistan's borders—and incidents like the Mumbai bombings—threatening to raise tensions further, the US has a short window within which to act constructively and turn things around.

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Dalberg Global Development Advisors is a multinational strategic consulting firm focused on global development, with eight offices around the world. We work with governments, international multilateral institutions, NGOs, foundations and corporations on some of the most urgent issues impacting developing countries, such as economic development, health, education, sustainable energy, post-conflict reconstruction and institutional reform.

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Annex 1 – A framework for “grouping” Muslim countries on the basis of internal and external issues

1. *The “majors” requiring individual strategies and one-on-one engagement*
 - *Saudi Arabia*, home to Mecca – the birthplace of Islam, where millions of Muslims from around the world go for *Hajj* (pilgrimage, required of every practicing Muslim at least one in their lifetime). Saudi Arabia provides—officially and through it many wealthy citizens—large amounts of funding to various Islamic causes around the world; while most of these causes are likely legitimate, some have reported links to extremist groups. Saudi Arabia has historically been a strong US ally.
 - *Iran*, the new regional power-broker in the aftermath of the invasion of Iraq, is controlled by hard-line *Mullahs*, and has declared nuclear ambitions. Many Iranians feel (arguably justified) grievances against the US (such as the 1953 supplantation of the popular Prime Minister Mohammad Mossadegh with the US-backed *Shah*, American support for Iraq during the Iran-Iraq war, and the 1988 shooting down of a civilian aircraft by an American warship).
 - *Pakistan*: the world’s only Muslim nuclear power, and a long-time ally of the US. Elements in Pakistan also appear to have demonstrable links to Taliban, Al Qaida, Lashkar-e-toiba and other militant/terrorist groups. In a long-term standoff—albeit somewhat diminished in recent times—with India. Pakistan is also at some risk of becoming a failed state.
 - *Turkey*: one of the few Muslim countries in the World with decidedly secular governance, and the closest to joining the fraternity of “Western” nations (e.g., potential EU membership).
 - *Egypt*: Historically one of the largest recipients of American foreign aid, and an important member of the Arab league.
2. *Oil-rich Gulf Arab states*: A group of small, stable and autocratic countries (e.g., Kuwait, Oman, UAE, Qatar and Bahrain), these states have actively been attempting to engage with the Western World through progressive commercial ties and participation in multilateral trade pacts. Still, reconciling their burgeoning commercial modernity with the religious conservatism of their peoples is proving to be a challenge.
3. *Israel’s neighbors (excluding Egypt)*: Jordan, Syria, Lebanon and the Palestinian territories, are currently bound by their focus on the Israel-Palestine issue.
4. *Former pariahs*: Libya has recently emerged from the shadows of its *pariah* status and is aiming to actively and constructively engage with the West. Over the next few years, others will likely emerge, and present an opportunity for the West to continue growing the fold of friendly Islamic nations.
5. *Failed, failing or unstable states/regions*: Somalia, Western Sahara, North Yemen, Sudan, Chad, Afghanistan and Iraq are examples countries/territories which have failed, are on a clear trajectory to fail, or have otherwise become ungovernable by their sovereign governments. As the example of Afghanistan—and now Somalia—are proving, such states can become magnets for *Taliban*-esque groups which gain initial popular support by providing stability and security to these areas, and then attempt to turn them into *jihadist* centers. Arguably, the NWFP, FATA and Baluchistan regions of Pakistan also belong to this group.
6. *North African states (excluding Egypt)*: Morocco, Algeria and Tunisia have not engaged much with the US, but have large expatriate communities in their former colonial powers, Spain and France.

7. *Central Asia and the Balkans*: created out the collapse of the Soviet Bloc (e.g., Uzbekistan, Bosnia-Herzegovina, Chechnya, Albania, Kosovo), and with little in common with Muslim countries in the Middle-east or North Africa, these countries have grown out of nationalist ambitions more than religious identity. The challenges they face tend to be more related to organized crime than *jihad*, although there are several examples of places like Bosnia and Chechnya receiving substantial support from Afghanistan-based *Mujahideen*.
8. *South/Southeast Asia*: Bangladesh, Indonesia, Philippines and Malaysia, despite having very large Muslim populations (Indonesia is the largest Muslim population in the World), have historically aligned around ethnicity more than religion, and had only marginal ties to Islamic movements in the Middle-east. Recently, however, emergent groups like *Jemaah Islamiyah* and appear to have found common cause with the likes of *Al Qaeda*, and are threatening destabilize the region.
9. *All other* countries with national or regional Muslim-majority populations (e.g., Nigeria): Even though many of these countries have not had deep religion-based ties to other Muslim countries, some of the global trends appear to be impacting them as well (e.g., the recent push to impose *Sharia* law in Muslim-majority parts of Nigeria).

Of the above groups and countries, the issues facing Pakistan are likely most closely connected to those in Saudi Arabia (a major source of funding), Afghanistan (shared porous border a topic of much recent discussion in the context of the *Taliban* and *Al Qaeda*), and to a smaller extent with Israel's neighbors (share the Palestinian cause), the Gulf Arab states (large numbers of migrant workers) and Iran (a neighbor, sometimes a regional rival, and a potential partner in initiatives such as the Iran-Pakistan-India pipeline). The group of failed, failing or otherwise unstable states can also offer important lessons in managing some of Pakistan's regional tensions.