

Testimony, for the record by  
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Financial Management, Government Information, Federal Services, and International Security

On

"From Strategy to Implementation: Strengthening US-Pakistan Relations"

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Mr. Chairman, Ranking Member Senator McCain, members of the subcommittee: I am honored to appear before you today to share my thoughts with you on what works and what could work in Pakistan, and how we can make the United States a better partner in building Pakistan safer and stronger. I speak as a Pakistani but also as someone who has lived and worked in the United States since 1972.

While the situation in Pakistan may appear bleak, it is not hopeless. I remain optimistic. Yet there is cause for concern. As a friend of mine reminds me often: a pessimist is simply an optimist with experience.

Pakistan is a complex country, struggling nearly 62 years since independence to define its nationhood. Repeated military and autocratic rule, both civil and military, have left its key institutions stunted. The limitations of its military rulers have been matched by the incompetence and short-sightedness of its civil leadership. Most political parties are run as personal fiefdoms and family businesses, or on feudal patterns. Rarely do they allow internal democratic systems to emerge. Ironically, only the major religious party, the Jamaat i Islami, actually holds elections at various levels and routinely elects new leaders from the rank and file.

I welcome President Obama's and the US Congress' moves to change the relationship with Pakistan to focus on a longer-term commitment to the people of Pakistan, not an alliance with any single person, party, or institution. In this season of bipartisan support for help to rebuild Pakistan and reshape US policy, I offer below some information and suggestions.

- First, we must recognize the emerging demographic shape of Pakistan: over 60 per cent of its population is below 30 years. Most of its youth are disenfranchised, disconnected with the economy and polity, and unemployed. They are disaffected and vulnerable to the blandishments of their radical co-religionists, who have used a convoluted interpretation of Islam to attract Pakistani youth to their side.

- Yet, Pakistani society has strong sinews: when given the chance, its people work hard and do well. They have helped build Britain's textile factories and help run the economies of the Gulf States and the Arabian Peninsula. They remit about \$6 billion a year to their homeland. A recent World Bank study showed that over 1980-2007, Pakistan ranked second only to China's 9.9 per cent average GDP growth rate with its 5.8 per cent. All this, I maintain, in spite of government. Today Pakistan has a Middle Class of some 30 million with an average per capita income of \$10,000 per year on a purchasing power parity basis.
- How do we engage this complex Pakistan so we can leverage its strengths and build a long lasting relationship with the United States? Not by threats or coercion, for Pakistanis are a proud people and do not respond well to the carrots and sticks approach. In any case, such an approach is not employed by most of us in our personal friendships. Why would we use it with another country? Rather, we need to build trust on the basis of understanding. A glance at the roller coaster history of US-Pakistan relations will prove this point. Whenever the US has pushed Pakistan to change without creating the environment inside Pakistan to favor change, the reaction has been negative and detrimental to friendship. Sanctions have not worked to deter Pakistan away from working on its nuclear capability, for example.
- Pakistan's military now appears to have recognized that the internal threats are more immediate than the looming presence of a powerful India to the east. But it does not have the full training or the equipment to fight an insurgency. When the US talks of Counterinsurgency training it sounds to the Pakistanis that they must abandon conventional defense. We must clarify that this is not the case. Till Pakistan's threat perceptions change, we must be prepared to support its military in creating a hybrid force ranging across a spectrum of capabilities. This will allow them to shift from COIN to conventional, as needed. Pakistan badly needs support that will allow it to move troops rapidly on either of its eastern or western borders and between them. It operates on the basis of the capability of India to the east to inflict damage, if it chooses. Yet, it cannot match India's military might in numbers. Pakistan's security demands the maintenance of a conventional force with a concurrent capability to fight an internal insurgency. But the latter needs to be accelerated to help it regain territory in the North Western part of the country.
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How can the US become more effective?

1. USAID is broken badly by years of neglect. It must be rebuilt, empowered; given the staff to strategize and manage its projects, develop relationships inside Pakistan, and effectively deliver aid where it is needed. USAID is aptly named: most of its aid money stays in the United States. This must stop. USAID needs to stop being a contract management agency and become again a powerful partner of US diplomacy, working directly with local counterparts to solve local problems. The model of the Office of Transition Initiatives, involving working with recipients of aid on the ground and crafting projects that meet urgent needs in a manner that empowers the locals seems to be working. USAID as a whole might want to move faster toward that model. In



Pakistan OTI has had successful pilot projects as has the Narcotics Assistance Section of the US Embassy there. It is not a question of absence of information or experience. Congress should try to move USAID away from wholesale outsourcing of its work to a select few Washington-based organizations with political clout to aid recipients and local NGOs.

2. We must also find better ways to coordinate assistance, so DOD, State, Treasury, Commerce, USTR, DOE and other agencies work together rather than autonomously or at cross purposes. Congress needs to support the Special Envoy's work in this regard.
3. Trade can be a huge supplement to aid. Politically difficult moves such as a Free Trade Agreement and removal of quotas on textiles imports would allow Pakistan to help itself. A study by the Peterson Institute for International Economics of Pakistan's textile trade with the United States supports this idea. But, we must encourage Pakistan to move up the value-added ladder toward manufactures, if it is to stay ahead of the population growth curve.
4. A related issue is the Reconstruction Opportunity Zones. These can be useful as a temporary though subsidized salve, not a permanent solution. China's experience indicates that ROZs need to be near major population centers and communications hubs. The Federally Administered Tribal Areas or FATA are too remote a location to give the ROZs long-term viability. There is also the danger of carpetbaggers from other provinces coming in to take advantage of tax holidays and leaving when those facilities disappear.
5. There is a better and faster way to create jobs immediately in FATA. A calculation by ex-World Bank economist Khalid Ikram, melds with my own thinking on this topic. We can employ the young males in the 17 per cent youth bulge in FATA's 3.5 million population by launching major infrastructure projects: major roads linking FATA to Pakistan, small dams and tube-wells to help irrigate cash crops, would help mop up the roughly 300,000 Pakhtun youth who are now the target of Taliban recruitment efforts. Detailed recommendations along these lines were recently made by us in the Atlantic Council's Task Force Report on Pakistan and in my paper for the CSIS on FATA. In my own meeting with 23 Maliks in North Waziristan last year, they were looking for help in building the irrigation infrastructure so they could produce cash crops and process them for export to the Gulf. Locals also appreciated greatly a boat bridge over the Tochi River that reduced travel times by hours. Such civil works would create immediate employment for youth in FATA. And roads linked to Pakistan proper would produce their own spin-off benefits, as tea houses, hotels, repair shops etc. would create an informal sector for more employment of locals.
6. On retraining the military, we must recognize that the Pakistan army also needs help in keeping up its conventional force, even while we build up its mobility and ability to fight militants in rough terrain on its western borders. Mr. Chairman, four helicopters will not do the trick. The US can and should divert larger numbers of helicopters and other COIN-oriented equipment to Pakistan, as it replaces the fleets of European allies, for example. Pakistan badly needs heli-lift capability to fight a mobile militant force in its mountainous north. For its eastern border as well, it needs to be able to move troops rapidly to meet any Indian threat. Mobility would also help reduce a large standing and immobile army and over time reduce the strain on the budget.
7. We must also replace the Coalition Support Funds with regular foreign military funding, with milestones and benchmarks proposed by Pakistan's military and agreed to by the United States.

This will help transform the current patronage relationship from an army for hire to an army fighting Pakistan's own war. In my conversations with army officers in FATA I found great resentment up and down the ranks for the payment of monies by the US to compensate Pakistan for sending troops into FATA. Even more galling were the requests for detailed accounting of all expenses, especially when over time a larger proportion of those expenses were challenged or denied in succeeding years. This has not won any friends inside the Pakistan army. Direct military aid with agreed benchmarks would be a better way to handle this situation. And coupled with enhancing Pakistan's capacity to track expenditures, would allow Pakistan to make better use of these monies while meeting Congress' desire for accountability.

How do we track aid monies and make their use transparent?

I believe in accountability and responsible use of domestic and foreign funds. Pakistan does not have the ability to track its civil or military expenditures effectively. We must help Pakistan create these systems so it can better manage its resources. A comprehensive financial tracking system in the Ministries of Finance and Defence should help not only management but also improve civilian control of military spending, while increasing transparency. It is in Pakistan's interest to set up strong management of aid programs and independent monitoring entities to prevent misuse of aid by bloated bureaucracies. The Pakistani Diaspora can provide the backbone for such efforts. On its part the US government must make transparent all its aid and defense contract awards so both the US and Pakistani populace can track the use of aid monies.

Mr. Chairman, I return to the complexity of Pakistan, its strategic choices and external and domestic challenges. Understanding its regional insecurities, the US must work behind the scenes to understand Pakistan's security concerns and to alleviate them. India is a key player in the region. For the first time in years, a strong central government has been elected in India. The US must use its new influence with India to show, in the words of my friend Peter Jones, "Strategic altruism". Confidence building measures need to be picked up and the Track II channels that brought the two countries close to solutions of at least three of their major four issues of contention two years ago need to be revived. Both India and Pakistan must leap frog the hurdles of historical distrust and conflicts to fight the common enemies of poverty, terror, and religious extremism. There is no acceptable alternative to this direction.

Thank you, Mr. Chairman.