Testimony before the
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"When $10 Billion Isn't Enough:
Rethinking U.S. Strategy and Assistance to Pakistan"

A DRAFT Statement by

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Mr. Chairman:

I would like to thank you and your colleagues on the Subcommittee on National Security and Foreign Affairs of the House Committee on Oversight and Government Reform for the invitation to speak today on the subject of, "Extremist Madrassahs, Ghost Schools, and U.S. Aid to Pakistan: Are We Making the Grade on the 9/11 Commission Report Card?"

I am the author of a forthcoming study from CSIS on U.S. strategy and assistance to Pakistan since September 11, 2001. It is my privilege to sit before you today to share our findings and suggest a few thoughts for shaping a new approach for this critical relationship.

Need for a New Strategy

The current relationship between the United States and Pakistan is based on the legacy of a deal made in the aftermath of September 11: U.S. assistance in return for Pakistani cooperation on counterterrorism and the war in Afghanistan. This was the right deal for the United States to make after 9/11, but it has now run its course. The costs of continuing to pursue the current approach to Pakistan could potentially be severe for both Americans and Pakistanis alike.

The danger of a failed policy is evident. Pakistan's western border serves as a sanctuary for Taliban and al Qaeda fighters with the potential to undermine America's reconstruction efforts in Afghanistan and threaten the United States and its allies. Pakistan's eastern border remains a fault line between two nuclear powers that have fought three major wars since 1947. Pakistan's internal stability is showing increasing signs of fragility, with some speculating that President Musharraf is already facing the beginning of his political end.

Washington's lack of leverage and policy alternatives in Pakistan is alarming, and its long-term plan not well articulated. Pakistan is not a front-burner foreign policy concern at present, but it could quickly become one. Even in the absence of a near-term crisis, the decisions made by the United States today will help shape the country that will emerge in the next 10 to 20 years. This is a country of 165 million Muslims, more than half of whom are under the age of fifteen.

The essential problem is this: The United States has no real Plan B in Pakistan beyond a hope that General Musharraf will find the will and capacity to live up to his rhetoric of "enlightened moderation" before he disappears from the scene. Musharraf's government, on the other hand, appears incapable of committing to a Plan A. Its own insecurity has led it to adopt a hedging strategy in which it is never fully in and never fully out. This is why five-plus years after 9/11, the United States is still wondering if Musharraf is playing a double game on combating extremism.

Balancing American Objectives

U.S. policy toward Pakistan is often described as a juggling act. The problem with juggling is that it does not permit looking ahead.

The United States has more objectives in Pakistan than it has means of achieving them. Furthermore, U.S. goals are not clearly prioritized. Different agencies and departments have different priorities, including:

- Internal, short-term stability
- Improving relations with India
- Eliminating Taliban safe havens
- Pursuing al Qaeda
- Securing Pakistan's nuclear arsenal
- Democracy
- Human rights and religious freedom
- Countering extremist ideologies
- Long-term stability and prosperity

Supporting Musharraf is not a formula for accomplishing all of these objectives any more than is simply supporting free elections. The challenges in Pakistan are complex, and all good things do not go together.

The Bush administration, though, has sent mixed signals to the Pakistanis and failed to clearly articulate what we expect in return for U.S. assistance. This has allowed Pakistan to minimally satisfy a number of U.S. demands without committing whole-heartedly to any.

From our conversations with close to 100 current and former U.S. government officials, a consensus emerged that the United States needs to balance its short-term counter-terrorism objectives with the long-term stability and prosperity of Pakistan. Most believe the current approach has been too focused on the short-term.

The 9/11 Commission got it right when it said that U.S. assistance to Pakistan must move beyond security assistance, and that we must make the "difficult long-term commitment to the future of Pakistan."

Making a Long-term Commitment

Despite the rhetoric on both sides, the U.S.-Pakistan relationship remains an alliance of convenience. There are three primary reasons for this:

- Divergent interests. Most American decision-makers do not ultimately share Pakistan's security establishment's fixation on the Indian threat. Similarly, most Pakistani decision-makers do not share America's fixation on the threat posed by "anti-coalition militants."

- Lack of trust. The history of the American-Pakistani relationship has been a roller coaster of intense engagement followed by long periods of separation. Pakistanis believe they will be left hanging out to dry once America decides its interests have been served in Afghanistan or the costs of a continued presence become too great.

- Domestic politics. Pakistan lacks a strong domestic constituency in America. At the same time, Pakistani politics continue to view U.S. foreign policy as inherently hostile to Islam.

Does the United States have enduring strategic interests in Pakistan? Do these interests align with long-term Pakistani interests? How can U.S. assistance help to achieve shared objectives?

A stable, prosperous Pakistan over the long-term is essential to U.S. efforts to help develop positive models that resonate within the Muslim world and alleviate grievances exploited by al Qaeda. The more the United States can effectively employ its non-military tools today to help achieve such outcomes, the less it will have to rely on military options in the future.

The right balance of assistance and engagement must have both a long-term and short-term pay off. Over the long-term, the United States should help to address poverty and inequality, encourage economic growth, create incentives for peace, moderation and democracy, and prevent future crises. In the short-term, we should demonstrate that America is on the side of the Pakistani people, not just the Musharraf regime, without sacrificing American security.

The relationship has become personalized, and this has hurt us. Civilian institutions in Pakistan need the support of the United States. Unfortunately, the current approach to assistance has reinforced the notion that America stands primarily behind Musharraf and the Pakistani military.

U.S. Assistance to Pakistan since 9/11

The United States has provided Pakistan with over $10 billion in military, economic and development assistance in the past six years (inclusive of FY02 through the FY07 request). Here is the breakdown of this assistance:

- The majority, close to 60 percent, has gone toward reimbursing the Pakistani military for their assistance in the war on terrorism through Coalition Support Funds.

- Roughly 15 percent has gone for security assistance. The vast majority of this money has been used to purchase major U.S. weapons systems of minimal value in combating extremism.

- Another 15 per cent has been budget support, or a direct cash transfer to the government of Pakistan with few real accountability mechanisms built in.

- This leaves about 10 percent for development and humanitarian assistance, including the response to the October 2005 earthquake.

When high-ranking Pakistani officials visit the United States, they are more likely to provide wish lists of military hardware than have a discussion about long-term strategy. If prevailing in the fight against extremism is a battle of ideas that depends on successful parnterships, material items have become the basis of these relationships.

Investing in Education

Investing in people and institutions is a better long-term strategy. Education, which has been the showcase of USAID's programming in Pakistan, comes in at only $64 million per year for over 55 million school-aged children, or a little over one dollar per child per year.

This is not to say that USAID has had no impact on education in Pakistan. But consider the scale of the problem:

- Pakistan's literacy rate hovers between 40-50%; under 30% for women.
- Secondary school enrollment in 2005 stood at only 27%; under 5% for tertiary education.
- Pakistan's government spends only between 2-3% of its GDP on education, up from under 2% five years ago but short of the 4% many experts suggest.

Donor assistance and commitments between 1997 and 2012 for education in Pakistan stood at roughly $1.8 billion. The Asian Development Bank has focused on decentralization, the Canadians on teacher training, and the World Bank and the UK's DFID on budgetary support. USAID has sought a niche in strengthening management systems and institutional capacity.

The single biggest challenge in reforming education in Pakistan is the poor quality of teachers. Teachers lack skills and incentives and often fail to show up for work. Poor education is related to poor governance. Donors hesitate to pay teachers directly out of fear that this will create parallel structures that would undermine the state. The state, however, may simply lack the capacity to manage the job in the short-run.

The end result is that more Pakistanis are attending private schools and madrassahs. The real correlation between international terrorism and madrassahs is uncertain, and madrassahs play a valuable social service role within Pakistan. Certain problem madrassahs, such as Jamia Hafsa, however, need to be challenged when they confront state authority or incite violence. Musharraf has failed to do so,

perhaps out of fear of generating backlash, perhaps for more cynical reasons such as signaling the Islamist threat and his indespensibility.

Pakistan is not Turkey where hundreds of thousands march in favor of secularism. Education in Pakistan will continue to be based on Islam as the principal source of values. The most constructive debate on these issues will come from within Pakistan, absent American pressure. The problem with education is not that it is losing its secular quality, but that it is dysfunctional.

Toward a New Approach

Neither the Bush administration nor Musharraf's regime are likely to voluntarily reassess the terms of the deal crafted after 9/11. The U.S. Congress has considered three main options for exercising oversight:

- Do nothing, and hope the current arrangement works for U.S. interests;
- Condition U.S. funding on visible progress tied to combating militancy or to democracy;
- Set benchmarks based on shared objectives.

There have been some genuine gains from the past five-plus years of cooperation—on al Qaeda, economic growth and relations with India—but there is also too much that is troubling at present for Congress to simply do nothing. Our current approach may actually be counterproductive.

Domestic pressure on Musharraf is increasing, and Pakistan's military may not prove to be the guarantor of pro-Western stability that Washington hopes if Musharraf were to disappear from the scene. Action now could result in a better course.

Conditioning aid, however, ties our hands and is likely to have little real effect other than further convincing Pakistanis of American hostility and hypocrisy.

What is needed is action in five areas that could be taken in the near-term and will have significant long-term payoff:

1) Have a real strategic conversation. The U.S.-Pakistani relationship needs more frequent, honest and transparent communication on more important issues, more inclusive of a broader cross section of government and society. Congress could seek to pressure Washington and Islamabad to revitalize and transform the stalled strategic dialogue process.

2) Trust but verify. Out of these conversations must quickly come a clearer understanding of Islamabad's responsibilities and Washington's obligations for Congress to maintain current funding levels. Congress needs a clearer accounting of all the money on the table and what that money is intended to do. Benchmarks should be created on both sides around shared objectives.

3) Provide a new mix of assistance. U.S. assistance should be better targeted to the main future drivers of extremism, instability and conflict in Pakistan. Aid should provide incentives for avoiding future conflicts over energy and water resources, strengthening police and the judiciary, and marginalizing madrassahs by making public education alternatives more attractive. This may take shifting money away from short-term military cooperation and finding alternative ways to address Pakistan's security concerns vis-à-vis India.

4) Use all the tools in our toolbox. The United States should look to build new opportunities in Pakistan through increased trade, energy cooperation, harnessing remittances, and increasing exchanges. China sees the value in this approach—it signed 22 trade agreements with Pakistan in 2005, and is opening a new science and technical university. It has a target of $15 billion in bilateral trade over the next 5 years. Congress could also encourage the economic integration of South Asia. It is currently one of the least integrated regions in the world, with interregional trade at only 2% of South Asian GDP, compared to 20% in East Asia.

5) Encourage Musharraf to have a George Washington moment. The upcoming elections provide an opportunity for the United States to demonstrate its commitment to the opening of political space in Pakistan by encouraging Musharraf to either take off his uniform or walk away from power. Our inability to do so is likely to result in a rockier transition ahead. America needs to find creative ways of getting on the side of Pakistan's moderate middle. How we are perceived in Pakistan conditions the effectiveness of everything we do.