

**OVERSIGHT OF U.S.-PAKISTAN RELATIONS: FROM
AD HOC AND TRANSACTIONAL TO STRATEGIC
AND ENDURING**

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY
AND FOREIGN AFFAIRS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

SEPTEMBER 24, 2008

Serial No. 110-181

Printed for the use of the Committee on Oversight and Government Reform



Available via the World Wide Web: <http://www.gpoaccess.gov/congress/index.html>
<http://www.oversight.house.gov>

U.S. GOVERNMENT PRINTING OFFICE

51-517 PDF

WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HENRY A. WAXMAN, California, *Chairman*

EDOLPHUS TOWNS, New York	TOM DAVIS, Virginia
PAUL E. KANJORSKI, Pennsylvania	DAN BURTON, Indiana
CAROLYN B. MALONEY, New York	CHRISTOPHER SHAYS, Connecticut
ELIJAH E. CUMMINGS, Maryland	JOHN M. McHUGH, New York
DENNIS J. KUCINICH, Ohio	JOHN L. MICA, Florida
DANNY K. DAVIS, Illinois	MARK E. SOUDER, Indiana
JOHN F. TIERNEY, Massachusetts	TODD RUSSELL PLATTS, Pennsylvania
WM. LACY CLAY, Missouri	CHRIS CANNON, Utah
DIANE E. WATSON, California	JOHN J. DUNCAN, JR., Tennessee
STEPHEN F. LYNCH, Massachusetts	MICHAEL R. TURNER, Ohio
BRIAN HIGGINS, New York	DARRELL E. ISSA, California
JOHN A. YARMUTH, Kentucky	KENNY MARCHANT, Texas
BRUCE L. BRALEY, Iowa	LYNN A. WESTMORELAND, Georgia
ELEANOR HOLMES NORTON, District of Columbia	PATRICK T. McHENRY, North Carolina
BETTY McCOLLUM, Minnesota	VIRGINIA FOXX, North Carolina
JIM COOPER, Tennessee	BRIAN P. BILBRAY, California
CHRIS VAN HOLLEN, Maryland	BILL SALI, Idaho
PAUL W. HODES, New Hampshire	JIM JORDAN, Ohio
CHRISTOPHER S. MURPHY, Connecticut	
JOHN P. SARBANES, Maryland	
PETER WELCH, Vermont	
JACKIE SPEIER, California	

PHIL BARNETT, *Staff Director*

EARLEY GREEN, *Chief Clerk*

LAWRENCE HALLORAN, *Minority Staff Director*

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

JOHN F. TIERNEY, Massachusetts, *Chairman*

CAROLYN B. MALONEY, New York	CHRISTOPHER SHAYS, Connecticut
STEPHEN F. LYNCH, Massachusetts	DAN BURTON, Indiana
BRIAN HIGGINS, New York	JOHN M. McHUGH, New York
JOHN A. YARMUTH, Kentucky	TODD RUSSELL PLATTS, Pennsylvania
BRUCE L. BRALEY, Iowa	JOHN J. DUNCAN, JR., Tennessee
BETTY McCOLLUM, Minnesota	MICHAEL R. TURNER, Ohio
JIM COOPER, Tennessee	KENNY MARCHANT, Texas
CHRIS VAN HOLLEN, Maryland	LYNN A. WESTMORELAND, Georgia
PAUL W. HODES, New Hampshire	PATRICK T. McHENRY, North Carolina
PETER WELCH, Vermont	VIRGINIA FOXX, North Carolina
JACKIE SPEIER, California	

DAVE TURK, *Staff Director*

CONTENTS

	Page
Hearing held on September 24, 2008	1
Statement of:	
Curtis, Lisa, senior research fellow, Asian Studies Center, Heritage Foundation; C. Christine Fair, Ph.D., senior political scientist, the Rand Corp.; Daniel Markey, Ph.D., senior fellow for India, Pakistan, and South Asia, Council on Foreign Relations; and Brian Katulis, senior fellow, Center for American Progress	9
Curtis, Lisa	9
Fair, C. Christine	11
Katulis, Brian	23
Markey, Daniel	14
Letters, statements, etc., submitted for the record by:	
Katulis, Brian, senior fellow, Center for American Progress, prepared statement of	26
Markey, Daniel, Ph.D., senior fellow for India, Pakistan, and South Asia, Council on Foreign Relations, prepared statement of	17
Tierney, Hon. John F., a Representative in Congress from the State of Massachusetts, prepared statement of	4

**OVERSIGHT OF U.S.-PAKISTAN RELATIONS:
FROM AD HOC AND TRANSACTIONAL TO
STRATEGIC AND ENDURING**

WEDNESDAY, SEPTEMBER 24, 2008

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN
AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:10 a.m. in room 2154, Rayburn House Office Building, Hon. John F. Tierney, (chairman of the subcommittee) presiding.

Present: Representatives Tierney, Higgins, McCollum, Van Hollen, Welch, Shays, and Platts.

Staff present: Dave Turk, staff director; Davis Hake, clerk; Andy Wright, counsel; MaryAnne McReynolds, graduate intern; Alexandra McKnight, fellow; A. Brooke Bennett, minority counsel; Christopher Bright, minority senior professional staff member; Todd Greenwood, minority professional staff member; Mark Lavin, minority Army fellow; and Nick Palarino, minority senior investigator and policy advisor.

Mr. TIERNEY. Good afternoon, everybody.

I guess I can't apologize for the vote since it is not something I have any control over, but I have to start the hearing late. I understand in about an hour or so there will be another series of votes, so I apologize in advance for what might be an interruption at that time, but we are going to begin our hearing.

I thank all of our witnesses for being here today and for assisting us by getting their information to us beforehand.

A quorum is present and the Subcommittee on National Security and Foreign Affairs hearing entitled, "Oversight of U.S.-Pakistan Relations: From Ad Hoc and Transactional to Strategic and Enduring," will come to order.

I ask unanimous consent that only the chairman and the acting ranking member of the subcommittee be allowed to make opening statements. Without objection, so ordered.

I ask unanimous consent that the hearing record be kept open for 5 business days so that all members of the subcommittee be allowed to submit a written statement for the record. Without objection, so ordered.

This hearing constitutes a continuation of our sustained oversight of the U.S. national security interests in Pakistan and our

strategic interest in the absolutely critical Afghanistan-Pakistan border region.

Since 2007, this subcommittee has held seven related hearings, and we have dispatched three separate congressional delegations to the region.

The purpose of today's hearing is to step back, to take a look at the big picture of U.S.-Pakistan relations 7 years since 9/11, and, most importantly, to explore options and opportunities for going forward.

The challenges the Pakistani people currently face are multi-faceted and immense. Pakistanis are being hit by skyrocketing food and fuel prices. There have been runs on their stock market. Their two main political parties remain in dispute over the reinstatement of judiciary members. And militancy and extremism is continuing to hit home, most recently with the brazen bombing of the Marriott Hotel in Islamabad.

At the same time, the U.S. national security interests in Pakistan are as acute as they have ever been, and the challenges will be hard to overcome. Many in the United States are understandably frustrated at the lack of progress in pacifying the terrorist safe havens in western Pakistan, which has led to increasing U.S. cross-border attacks, including reportedly raids by U.S. troops.

Pakistan's military and civilian leadership have reacted strongly, stressing the imperative to protect their sovereignty.

Not all, however, is lost. In fact, our two countries stand at an ideal time to strengthen our relationship in a strategic and enduring manner. For too long our relationship has been characterized by ad hoc and short-term arrangements. We have too often treated Pakistan as a means to an end rather than as a partner. Our hope is that leaders from both of our countries can work together to satisfy the long-term interests of both countries, leading to real security and prosperity for both our peoples.

I am optimistic about the prospect for this sea change for three primary reasons. First, both countries have, or will soon have in the United States' case, new leadership. Earlier this year Pakistan held very promising elections and the new civilian leadership is now fully in place, most recently with Asif Ali Zardari being elected president.

The phenomenon of new leadership for both countries will hopefully lead to an interest and ability to reassess and strategically update our relationship without the baggage of either side not being able to admit past wrongs.

Second, there appears a general recognition by both countries on the need to implement a new, long-term strategic plan. I am heartened in particular about recent statements made by our military and Defense Department. Admiral Mike Mullen, chairman of the U.S. Joint Chiefs of Staff, recently testified in Congress as follows. He said, "I intend to commission a new, more intensive strategy for the region, one that covers both sides of the border. . . . Absent a broader international and interagency approach to the problems there, it is my professional opinion that no amount of troops and no amount of time can ever achieve all the objectives we seek. . . . We can't kill our way to victory."

Secretary Gates added, "We must continue to work with the Pakistani government to extend its authority in the tribal region and provide badly needed economic, medical, and educational assistance to Pakistani citizens there."

Third, I am hopeful that the recent tragedies inflicted on Pakistanis and the setbacks in Afghanistan will lend a seriousness and urgency of purpose. The Pakistanis lost one of their most beloved leaders last year with the assassination of Benazir Bhutto. Just this weekend they faced a horrific hotel bombing in Islamabad. And recent setbacks in Afghanistan, including the deaths of many of our brave troops, have collectively refocused our country's attention back to where it needs to be.

Secretary Gates put it this way: "The war on terror started in this region. It must end there."

My hope is that out of this tragedy and out of these setbacks can arise the impetus, focus, and urgency to do this right, instead of just muddling along, as we have been doing for far too long.

The U.S. Coalition Support Funds program is just one example of the need for a more strategic, effective, and enduring approach to Pakistan. What began as a temporary, ad hoc program to reimburse Pakistan for certain assistance in the lead up to the invasion of Afghanistan morphed into a \$6.3 billion behemoth that suffers from serious accountability, effectiveness, and diplomatic challenges.

In our year-long investigation of this program, I was struck by how this program seemed to continue based simply on inertia, as opposed to satisfying any rigorous or strategic analysis, despite the fact that Coalition Support Funds have accounted for over half of the overall U.S. funding to Pakistan since 9/11.

The New York Times ran an editorial earlier this week on the situation in Pakistan with the header, "Running Out of Time." My hope is that years from now the people of Pakistan and the United States will look back at this time not as a last gasp effort, but rather as when we began to turn the corner to a brighter future for both of our countries and our peoples.

I am delighted that we have such an esteemed panel of experts with us today to help chart our way forward. We appreciate all of the expertise and hard work that you bring to this hearing, and we are eager to hear your analysis and your ideas.

Our panel has also traveled extensively in Pakistan and consults regularly with Pakistani leaders and their counterparts, for any strategic and enduring solutions must surely come from the two countries and people working together.

In an interview earlier this week Pakistan President Zadari stressed "Let's sit together. Let's find a solution." I would add let's do so with a sense of urgency and seriousness that these times demand.

With that, I defer to Mr. Platts for his opening statement.

[The prepared statement of Hon. John F. Tierney follows:]

**Subcommittee on National Security and Foreign Affairs Hearing Entitled,
“Oversight of U.S.-Pakistan Relations: From Ad Hoc and Transactional to Strategic
and Enduring”**

Opening Statement of Chairman John F. Tierney

September 24, 2008

Good afternoon. This hearing continues our sustained oversight of U.S. national security interests in Pakistan and our strategic interests in the absolutely critical Afghanistan-Pakistan border region.

Since 2007, our Subcommittee has held seven related hearings, and we have dispatched three separate Congressional delegations to the region.

The purpose of today’s hearing is to step back; to take a look at the big picture of U.S.-Pakistan relations seven years since 9/11; and, most importantly, to explore options and opportunities going forward.

The challenges the Pakistani people currently face are multifaceted and immense. Pakistanis are being hit by skyrocketing food and fuel prices; there have been runs on their stock market; their two main political parties remain in dispute over the reinstatement of judges; and militancy and extremism is continuing to hit home, most recently, with the brazen bombing of the Marriott hotel in Islamabad.

At the same time, U.S. national security interests in Pakistan are as acute as they have ever been, and the challenges will be hard to overcome. Many in the United States are understandably frustrated at the lack of progress in pacifying the terrorist safe havens in western Pakistan, which has led to increasing U.S. cross-border attacks, including, reportedly, raids by U.S. troops. Pakistan’s military and civilian leadership have reacted strongly stressing the imperative to protect their sovereignty.

Not all, however, is lost. In fact, our two countries stand at an ideal time to strengthen our relationship in a strategic and enduring manner.

For too long, our relationship has been characterized by ad hoc and short-term arrangements; we have too often treated Pakistan as a means-to-an-end rather than a partner.

My hope is that leaders from both our countries can work together to satisfy the long-term interests of both our countries, leading to real security and prosperity for both our peoples.

I am optimistic about the prospect for this sea change for three primary reasons.

First, both our countries have (or will soon have in the U.S.'s case) new leadership. Earlier this year, Pakistan held very promising elections and the new civilian leadership is now fully in place, most recently with Asif Ali Zardari being elected President.

The phenomenon of new leadership for both countries will hopefully lead to an interest and ability to reassess and strategically update our relationship without the baggage of either side not being able to admit past wrongs.

Second, there appears a general recognition by both countries on the need to implement a new, long-term, strategic plan. I am heartened, in particular, about recent statements made by our military and Defense Department. Admiral Mike Mullen, Chairman of the U.S. Joint Chiefs of Staff, recently testified in Congress, and I quote:

I intend to commission a new, more comprehensive strategy for the region, one that covers both sides of the border.... Absent a broader international and interagency approach to the problems there, it is my professional opinion that no amount of troops in no amount of time can ever achieve all the objectives we seek.... We can't kill our way to victory.

Secretary Gates added "We must continue to work with the Pakistani government to extend its authority in the tribal region and provide badly needed economic, medical, and educational assistance to Pakistani citizens there."

Third, I am hopeful that the recent tragedies inflicted on Pakistanis and the setbacks in Afghanistan will lend a seriousness and urgency of purpose.

The Pakistanis lost one of their most-beloved leaders late last year with the assassination of Benazir Bhutto. Just this weekend, they faced the horrific hotel bombing in Islamabad.

And recent setbacks in Afghanistan – including the deaths of many of our brave troops – have collectively refocused our country's attention back where it needs to be. Secretary Gates put it this way, and I quote: "The War on Terror started in this region. It must end there."

My hope is that out of tragedy and setbacks can arise the impetus, focus, and urgency to get this right, instead of just muddling along as we've been doing for far too long.

The U.S. Coalition Support Funds program is just one example of the need for a more strategic, effective, and enduring approach to Pakistan. What began as a temporary, ad hoc program to reimburse Pakistan for certain assistance in the lead-up to the invasion of Afghanistan, morphed into a \$6.3 billion behemoth that suffers from serious accountability, effectiveness, and diplomatic challenges.

In our year-long investigation of this program, I was struck by how this program seemed to continue based simply on inertia as opposed to satisfying any rigorous or strategic

analysis, despite the fact that Coalition Support Funds have accounted for over half of the overall U.S. funding to Pakistan since 9/11.

The New York Times ran an editorial earlier this week on the situation in Pakistan with the header, "Running Out of Time."

My hope is that years from now, the people of Pakistan and the United States will look back at this time period not as a last gasp effort but rather when we began to turn the corner to a brighter future for both our countries and our peoples.

And I'm delighted that we have an esteemed panel of experts with us today to help chart the way forward. We appreciate all of your expertise and hard work, and I am eager to learn from your analysis and ideas.

Our panel has also traveled extensively in Pakistan and consults regularly with Pakistani leaders and their counterparts, for any strategic and enduring solutions must surely come from our two countries and peoples working together.

In an interview earlier this week, Pakistan President Zardari stressed, and I quote, "Let's sit together. Let's find a solution." I would add let's do so with the sense of urgency and seriousness that these times demand.

Mr. PLATTS. Thank you, Mr. Chairman. On behalf of Ranking Member Shays and myself, thank you for holding this well-timed and essential hearing on U.S. relations with Pakistan. Ranking Member Shays will be in attendance in the near future, and we are going to play tag team. I apologize to our witnesses. I am going to get to take in your testimony in writing, but do have to depart after sharing Ranking Member Shays' statement, and then hopefully will be able to return for a later part of the hearing before we complete this important hearing.

When Congressman Marshall and Ranking Member Shays visited Pakistan in August of this year, they found it to be one of the most unstable and dangerous countries in the world. Its government is weak. It possesses nuclear weapons. And it has not successfully neutralized the Taliban and al Qaeda forces operating along its border with Afghanistan. In fact, over the last few years the situation there has continued to worsen.

Congressmen Marshall and Shays also found the government of Pakistan is not just fighting the Taliban and al Qaeda, coping with the judicial crisis, or dealing with the fractured coalition government; it is also trying to stabilize its economy during one of the worst periods in the country's history.

The bottom line is: Pakistan is in turmoil and is a haven for terrorists.

Most Pakistanis believe they are fighting a war for the United States, not for themselves, against the Taliban and al Qaeda. An independent survey of Pakistani citizens by the International Republican Institute concluded only 15 percent of Pakistanis believe their government should cooperate with the United States in the war against terrorism.

However, Islamic extremists in Pakistan are using that country as a safe haven, crossing the border into Afghanistan and attacking our forces. We cannot allow this to continue.

Both the United States and the international community need to provide additional funds and personnel to train Pakistan's Frontier Corps. We must also provide the Pakistani military additional equipment such as helicopters, night sites, and night vision goggles.

Of Pakistanis, 84 percent believe inflation and unemployment are the most important issues facing their country. A falling rupee, soaring inflation, and dwindling currency reserves are among their mounting economic problems. The International Monetary Fund recommends Pakistan receive a substantial injection of international funds to improve its economic situation.

While it is important for Pakistan to take action correcting the economic situation themselves, the United States and the international community must consider stepping up and providing Pakistan additional financial assistance during its economic crisis. Our assistance will obviously depend on how they respond to this help.

The politics of Pakistan remain closely linked to the military. Although Pakistan was founded as a democracy, the Army is the most powerful political force, but a powerful military is not the only problem with Pakistan's political system. Some believe the guiding principle in Pakistani politics is that there are no principles. The people of Pakistan believe the country is heading in the

wrong direction, and their politicians are the problem. Additionally, only 41 percent of Pakistanis believe the government is working to resolve the country's problems.

Pakistan's problems affect not only their country, but their neighbors and, in fact, the entire world. Consequently, we and the rest of the international community must come to grips with how we interact with Pakistan. Understanding the complexities of these events and taking the appropriate action requires an informed judgment. This is why we are here today: to learn from experts who understand Pakistan's problems and have the background and intelligence to make wise recommendations.

On behalf of Ranking Member Shays, I thank each of you for your testimony and participation in the hearing. I do look forward to returning and having a chance to participate in the hearing a little later on this afternoon.

Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you, Mr. Platts.

The subcommittee will now receive testimony from the witnesses that are before us today. Let me just briefly introduce each of them before we start.

Ms. Lisa Curtis is a senior research fellow with the Heritage Foundation. Her areas of expertise include Afghanistan, India, and Pakistan. Formerly, Ms. Curtis was a professional staff member on the Senate Foreign Relations Committee under Chairman Luger and a senior advisor in the State Department's South Asia Bureau. She has also formerly served as a member of the U.S. Foreign Service, in part based in Pakistan.

Ms. Curtis, we thank you for testifying before the subcommittee today. I read with great interest the report entitled, "The Next Chapter: The United States and Pakistan." And you and Dr. Fair and many other renowned Pakistan experts have worked so diligently to put it together. Dr. Markey, I think you were involved in that, as well. I think it will be valuable as an aid, and we look forward to what we are going to do strategically on this situation.

Dr. C. Christine Fair is a senior political scientist with the RAND Corp. She focuses on the security competition between Pakistan and India, Pakistan's internal security, the causes of terrorism in South Asia, and the U.S.' strategic relations with India and Pakistan. Dr. Fair also served with the United Nations assistance mission to Afghanistan and Kabul and for the U.S. Institute for Peace and Center for Conflict Analysis and Prevention. She is the author of several books, including *The Madrassas Challenge: Militancy and Religious Education in Pakistan*, and holds a Ph.D. in South Asian languages and civilizations, all from the University of Chicago.

Dr. Daniel S. Markey is a senior fellow for India, Pakistan, and South Asia with the Council on Foreign Relations. From 2003 to 2007 he held the South Asia portfolio on the policy planning staff with the Department of State. In addition, Dr. Markey formerly served as the executive director of the research program International Security at Princeton University, where he also received his Ph.D.

Mr. Brian Katulis is a senior fellow at the Center for American Progress specializing in U.S. national security policy in, among

other places, Pakistan. He is the author of The Prosperity Agenda and has served as a consultant to various U.S. Government agencies, private corporations, and non-governmental organizations on projects in two dozen countries. Mr. Katulis previously served on the State Department's Policy Planning staff and as a fellow at the National Security Council's Near East and South Asian Affairs Directorate.

The subcommittee thanks all of you for being here with us today. As you know, we have held several hearings on the relationship between these two countries, and we think that now is a critical time for the relationship of those two nations. We look forward to hearing your testimony.

Ms. Curtis, we will start with you, please, but first I want to do a little bit of housekeeping. We usually swear our witnesses in, so if you would all be kind enough to stand and raise your right hands. And if there is anybody who is going to be testifying with you, they should also stand, please.

[Witnesses sworn.]

Mr. TIERNEY. The record will please indicate that all witnesses have answered in the affirmative. We thank you. Your full written statements will be put into the hearing record, so we have 5 minutes of testimony. We don't have a clock or a light to go on and off, so Mr. Hake is going to give an indication as to when you might start winding down your comments, if you would, so we will have some time for questions and answers. Thank you.

Ms. Curtis.

STATEMENTS OF LISA CURTIS, SENIOR RESEARCH FELLOW, ASIAN STUDIES CENTER, HERITAGE FOUNDATION; C. CHRISTINE FAIR, PH.D., SENIOR POLITICAL SCIENTIST, THE RAND CORP.; DANIEL MARKEY, PH.D., SENIOR FELLOW FOR INDIA, PAKISTAN, AND SOUTH ASIA, COUNCIL ON FOREIGN RELATIONS; AND BRIAN KATULIS, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS

STATEMENT OF LISA CURTIS

Ms. CURTIS. Thank you. Mr. Chairman, distinguished members of the subcommittee, thank you for inviting me here today. I will speak on behalf of the Pakistan Policy Working Group, which is an independent, bipartisan group of U.S.-Pakistan experts. I want to point out that the co-chair of this group, Ms. Kara Bue, is here in the audience. Ms. Bue is a partner at Armitage International and a former Deputy Assistant Secretary of State in the Political Military Affairs Bureau. This group has held regular meetings over the last 8 months to discuss various aspects of U.S.-Pakistan relations. We have drafted a report of recommendations on managing this critical partnership, the findings of which both myself and Dr. Fair will be discussing.

This report was reviewed and endorsed by former U.S. Deputy Secretary of State Richard Armitage and former U.S. Representative and Co-Chair of the 9/11 Commission Lee Hamilton.

The situation in Pakistan is grave and deteriorating, as evidenced by the horrific truck bombing last Friday night at the Marriott Hotel that killed over 50 and injured hundreds. The bombing

demonstrates we have little time to waste in developing effective policies that help stabilize Pakistan and contain the terrorist threat emanating from the region. Pakistan may be the single greatest challenge facing the next American President.

The United States has achieved far too little in its relations with Pakistan, despite having provided \$11 billion in military and economic assistance over the last 6 years.

Washington needs to rethink its approach to Pakistan. If we genuinely believe that a stable, prosperous Pakistan is in our interest, we must be much smarter about how we work with Pakistan and what sort of assistance we provide. Fortunately, political developments in both countries make this an opportune moment for recalibrating U.S. policy.

Earlier this year an elected Pakistani government took office following a largely successful election, and the upcoming U.S. Presidential election will bring a new administration and the potential to consider fresh approaches to managing U.S.-Pakistan relations.

I will now summarize briefly our working group's findings related to Pakistani domestic politics and Pakistan's regional relationships, while Dr. Fair will discuss counter-terrorism and U.S. assistance programs.

Our group's first recommendation is that Washington be patient with Pakistan's democratic leadership and work to help stabilize the government through economic aid and diplomacy. With the myriad problems facing Pakistan on the economic and terrorism front, some in the United States may feel nostalgia for the days when President Musharraf wore his uniform and commanded a docile parliament. But, just as the United States was too slow in gauging public disaffection with President Musharraf before the 2008 elections, it must not too quickly lose patience with Pakistan's elected leaders. We must demonstrate that our backing of democratic institutions is unwavering and, most importantly, that we support civilian over military rule.

The United States needs to overcome the widely held perception in Pakistan that it meddles in the country's political affairs. We should maintain neutrality toward Pakistan's internal political situation, focusing on democratic institutions and reforms rather than on the day-to-day tumults of Pakistani politics.

To succeed with Pakistan, U.S. diplomacy must do a better job of distinguishing between what we believe we are doing and how Pakistanis perceive our actions. We must be more convincing that American objectives in Pakistan and the region are long-term. This will require investing in a far-reaching public diplomacy program that emphasizes common United States and Pakistani interests in combatting terrorism, creating prosperity, and improving regional relationships instead of highlighting the struggle as part of the global war on terrorism.

We need to expand the U.S. Embassy and the USAID mission in terms of both physical structure and personnel, and invest more in training our diplomats and other Government officials who will dedicate their careers to the region.

The United States also must step up its regional diplomacy in order to assist Afghanistan and Pakistan in transforming their border from a hostile frontier into an economic gateway.

Pakistan and Afghanistan are inextricably linked through shared borders, history, culture, and commerce. This inter-dependence creates an opportunity for collaboration in the interest of greater stability and prosperity; therefore, our group believes that the new U.S. administration should assign primary responsibility for coordinating and implementing Pakistan-Afghanistan policy to a senior U.S. official with sufficient authority, accountability, and institutional capacity to promote better ties between these two key nations.

A transformation of Pakistan-Afghanistan ties can only take place in an overall context of improved Indo-Pakistani relations that enhances Pakistan's confidence in its own regional position. Afghanistan constitutes a new battleground of Indo-Pakistani hostility. Continued Pakistani ambivalence toward the Taliban stems in part from its concern that India is trying to encircle it by gaining influence in Afghanistan. The United States must, therefore, find ways to give Pakistan a vested interest in Afghanistan's stability so that it adopts a tougher position toward the Taliban and no longer sees the value of allowing them to operate.

A policy goal of the United States should be to encourage a serious, consistent India-Pakistan security dialog that permits the Pakistan army to redefine itself to better tackle the raging insurgency within its own borders.

Last, the United States should work more closely with U.S. allies and regional countries to encourage Pakistan to stiffen its resolve against terrorism and to promote stability in the country. This means we have to raise Pakistan as an issue to a higher level in U.S. bilateral diplomacy, particularly with countries that have good relations with Islamabad, such as China, Japan, Saudi Arabia, and other Gulf States.

That concludes my oral presentation. Thank you.

Mr. TIERNEY. Thank you, Ms. Curtis.

Dr. Fair.

STATEMENT OF C. CHRISTINE FAIR

Ms. FAIR. Thank you, Mr. Chairman and esteemed colleagues, for the opportunity to discuss this report.

As Ms. Curtis explained, these are not my personal views but those of the Pakistan Policy Working Group. And, as she also explained, my remarks are going to focus upon counter-terrorism and internal security, as well as our suggestions for re-optimizing the way in which the United States provides assistance to Pakistan.

Mr. TIERNEY. Could I be rude enough to just interrupt for a second? I will give you whatever extra time you need for that.

Ms. FAIR. Sure.

Mr. TIERNEY. Both of you went out of your way to say that these are not your personal views, they are the views of that report. Are there substantial ways that the report deviates from each of your personal views?

Ms. CURTIS. Not substantially. No. There might be one or two small points, but not substantially. I agree with the thrust of the arguments and recommendations.

Ms. FAIR. I think I do, too. I think if you were to arrange all of the folks on the optimism/pessimism side, over the last several

years a number of questions for me personally have arisen about whether or not we actually have partners for change in the various institutions that we are trying to engage, and without significant partners for change I am very skeptical. But I think that we have to try, because the opportunity costs of not making an effort are really quite large.

But I do believe very strongly—and I think many people in the working group would agree—we need to have contingencies. Pakistan may be the preferable partner for a number of reasons, but if it chooses to be unsuitable, as the report says, for U.S. assistance, then we really do need to find contingency arrangements.

Mr. TIERNEY. Thank you. I apologize again for interrupting, but I think it is helpful for us to know on that.

Ms. CURTIS. I think the group shares that opinion that she expressed.

Ms. FAIR. Yes. Exactly. Good. We are on the same page.

With respect to counter-terrorism and internal security, Pakistan's militant groups present daunting challenges for the United States and the international community, and also for Pakistan, itself. Despite having received some \$11 billion in overt assistance, Pakistan is more, not less, insecure, and sanctuaries have expanded, not contracted. Worse, the state's passive and active assistance to a raft of militant groups persists, despite the obvious threat they pose.

While it has moderated the activity of some militants, Pakistan has yet to strategically abandon militancy as a tool of achieving its foreign policy objectives. Alarming reports of ISI and Frontier Corps and even active Army support to the Taliban, despite massive American support to the Pakistan Army, undermine our goals and imperil American and Allied troops in Afghanistan.

There are very serious conflicts of national interest held by Pakistan in the United States, despite Washington's largesse. Some, but not all, of these differences are due to the army's domination of that state and its active efforts to suppress developments of democracy and civilian capability.

While the tribal areas and the various peace deals with the militants there concentrate the attention of Washington, many of the ongoing efforts to secure the federally administered tribal areas [FATA], have stalled, in part because they misdiagnosed the problem. Pakistan, itself, has yet to decide that FATA should not be a sanctuary.

Yet, despite the pervasive and sanguinary violence perpetrated against largely Pakistani victims, Pakistanis believe that they are under attack, not because they confront an enemy opposed to their way of life, but because of Pakistan's alignment with the United States. Pakistanis are outraged by U.S. actions in FATA; therefore, the cost/benefit calculus of each strike must be weighed and arguably unilateral action is not sustainable when Washington is completely dependent upon Pakistan for logistical supply for the war in Afghanistan.

I want to remind you that most of our logistics for the war move through the port in Karachi, through Pakistan, and up into Afghanistan.

The United States has been hesitant to act because of disagreement within the U.S. Government and between its allies on the nature of Pakistan's support to militant groups and its strategic objectives; therefore, the working group suggests that the U.S. commission a fresh national intelligence estimate to form a common operating picture within the U.S. Government about Pakistan's support to militants and the extent thereof and what the support suggests about Pakistan's intentions.

Second, the United States should develop a strategy on the basis of NIE and adjust cooperation and military assistance in an effort to influence Pakistan's cost/benefit analysis of using militants in its foreign policy, whether in Afghanistan or in India.

Third, the United States should use its military assistance to turn parts of the Pakistan army and the para-military organization, the Frontier Corps, into an effective counter-insurgency force subject to the possibilities. We can discuss that in the Q and A.

Increase support for civilian institutions that can provide enhanced civilian rule of law, including oversight of the military and ISI, and encourage political liberalization in the tribal areas and elsewhere.

With respect to U.S. assistance, despite the highest level of American aid to Pakistan, anti-Americanism and distrust of Washington is pervasive in the country. This anti-American populist rhetoric is dangerous and facilitates the agenda of militants.

Unfortunately, despite these large sums, the average Pakistani hasn't benefited from American generosity. The preponderance of funds has gone directly to the Pakistani treasury through CSF, as you know, and has not been used to advance the well-being of the citizenry. The military focus of our aid has fostered the belief that Washington is "buying off" the Pakistan military and is indifferent to the democratic aspirations of the people.

The United States should reorder its assistance priorities to more directly help the citizens and democracy and incentivize Pakistan to work with Washington to advance our mutual interests.

The working group puts forth a number of suggestions to developing a more broad-based relationship with Pakistan by moving away from the transactional relationship with the Pakistan military.

First, support the approach or an approach similar to that advanced by the Biden-Luger legislation. The next administration should commit to \$1.5 billion per year in non-military spending. Establish reconstruction opportunity zones, as proposed in the legislation long before the Congress, and consider increasing the number of product lines included in the legislation.

Focus the majority of U.S. economic aid on projects and basic education, health care, water, and other resource management, law enforcement, and justice programs rather than on budgetary support to the Pakistan government.

Fourth, restructure and redirect the focus of U.S. military assistance to providing systems and training that enhance Pakistan's counter-terrorism and counter-insurgency abilities.

Since the issue of CSF was discussed, I will note in conclusion that we will always need some sort of reimbursement mechanism as long as Pakistan is engaging in activities in support of the glob-

al war on terrorism or whatever that activity may be renamed, but we all know that CSF needs to be more accountable. GAO has put forth a number of ways to do so.

That being said, I think another approach to dealing with CSF is to move many activities currently funded under CSF to FMF. This has two immediate benefits.

Mr. TIERNEY. You might want to spell out FMF for people that are in the hearing.

Ms. FAIR. I am sorry, Foreign Military Financing. There are two immediate benefits of this in broad-stroke terms. First, we actually have more control over those funds and we can actually direct more effectively where they go. The problem with CSF is that once they go into the Pakistan treasury they become sovereign funds and then it becomes an issue to demand accountability for what happens to those moneys.

Secondarily, it would require more cooperation with the Pakistanis in terms of activities and programs to be acquired through FMF, and it would force the United States and Pakistan to buttress institutions like the Defense Consultative Group, which have really failed to live up to its name.

We can talk about this perhaps more in Q and A, but this is the end of my formal remarks. I thank you for the opportunity.

Mr. TIERNEY. Thank you, Doctor. You will find that some of your comments on the Coalition Support Funds track the staff's report to us that will be released tomorrow, so that is good.

Dr. Markey.

STATEMENT OF DANIEL MARKEY

Mr. MARKEY. Thank you, Mr. Chairman, and thank you, members of the subcommittee. I really appreciate this opportunity to appear before you to enter into your ongoing discussion about Pakistan and U.S.-Pakistan relations. I would like to focus my remarks on the topic of the tribal areas along the Pakistan-Afghanistan border.

These remarks are based primarily upon this report that should have been distributed to you, a Council on Foreign Relations Special Report entitled Securing Pakistan's Tribal Belt.

I want to use my time here today to basically do three things: first, describe the nature of the national security challenge that I think we face, and I will do that very briefly; second, assess the range of relevant alternative strategies that we actually have before us; and, third, offer a few discrete suggestions for U.S. policy that would follow from this.

First, the challenge. I see the challenge that we face—and I think some of my colleagues have already sketched this out—as a series of nested challenges, layers. We begin with the one that everybody is most familiar with, the challenge of the headlines of violence, al Qaeda, Taliban, sectarian violence, tribal militancy, and so on, within the tribal belt.

If we step back from that, though, we see a second layer, a layer of development challenges, political development, lacking political structures within the tribal regions, and economic development, deep poverty that is persistent throughout this area.

If we step one step back from that we see all of this nested within the challenge of Pakistan, the nation, the fragility that we have talked about in terms of its own political institutions, its own economy, its own security that extends well outside this tribal area.

And if we step one step back from that, we look at this from a U.S. perspective, we see the challenge of working with a partner in Pakistan, which has been incredibly frustrating over the years, and so we see this series of challenges.

What are the options that we have? If we were to begin with a fresh slate, what would we have on the table? I think the first option that we would consider would be containment or deterrents of this threat that is very immediate to U.S. security. The problem with detainment or deterrence I think here, of course, is that we are dealing with sub-national threats, al Qaeda and Taliban. These are very difficult to contain and deter, as compared to nation states.

What would be the next alternative? Coercion. Normally we would seek to coerce countries or states that are doing things we don't like. The problem here, although we have tried a certain amount of coercion with Pakistan, is that it risks alienating this partner rather than actually getting them to do the kinds of things we would like.

Third would be unilateral action. Of course, there have been a lot of headlines about the kinds of unilateral strikes that the United States has reportedly made over the past year, and especially over the past month. But here, of course, there is a political cost. There is a cost bilaterally in terms of the U.S.-Pakistan relationship, and of course there is a cost that is imposed upon the region, itself, in terms of local tribes really rejecting this use of U.S. violence.

So that leaves me with a final alternative, which is the one that I support, which is inducement. In the report I entitle this the least-worst option, not because it is an ideal solution, but because it is the least of all these bad options.

Here the goal, of course, is to try to use assistance protection to shape the interests and the behavior of our partner in Pakistan and to do it in a way that builds a lasting partnership.

How to do this? It is going to be incredibly difficult. And for the most part, I certainly endorse the statements that have been made by my fellow panelists and the report that they have just released. I have signed on to that report.

But if we look specifically at the strategy within the tribal belt, if we narrow it down to that tribal belt area, I make a number of suggestions in my report and I place them in what I have termed a phased approach, a time line of sorts. It begins with the most urgent. In the urgent near future I believe that we need to support the use of targeted military action of the sort that we are seeing. These are real threats to the United States. They are real threats to our troops in Afghanistan. They cannot be diminished. And in many ways the Pakistanis, themselves, are incapable of dealing with them in the near term, and so therefore in the very near term we need to do that.

I think we can calibrate these attacks and I think we can mitigate them with better cooperation with the Pakistanis on the other side. I would recommend that, as well.

Getting past the urgent, we have the near term. In the near term I think we need to complement these kinds of strikes and all of the Pakistani military operations with economic and political overtures. To some degree, this was contained in sort of small scale, small-bore development programs that are designed to win over allies within the tribal belt.

I would also include here, and I note in the report, a suggestion that we should be funding a civilian conservation corps of sorts, a plan to basically soak up young men in the area, provide them with near-term opportunities in terms of economic opportunities, and longer-term opportunities that will allow them a career path and a way out.

If we look to the longer term, what I suggest in the report is that we really need to be looking to try to transform the Pakistani military. What we need to be doing is trying to turn it into a military that is capable of doing counter-insurgency. I make a number of suggestions about how that would be the case, but right now I would say it is not possible unless we seriously invest in that military.

Then, if we look even further out, I see a generational challenge. This is the challenge of transforming this tribal region, of developing its economy, of developing its politics, of creating a sustainable governance system that actually works, unlike the FATA system that we have seen so far.

Now let me just conclude, because I have really tried to summarize in brief terms, but conclude by saying that obviously I am advocating what looks like a very costly and long-term commitment. This is a commitment that is likely to test our patience, and it is also a commitment that may fail ultimately. I recognize that. But after a review of the alternative basic strategies that I see out there, I think that the threats warrant this kind of attention. And I am also convinced that the costs associated with those other strategies in the near, in some cases, and certainly in the long run are likely to run higher than even this approach, which is based on inducement and assistance and working in partnership with the Pakistanis.

I thank you for your time.

[The prepared statement of Mr. Markey follows:]

**COUNCIL *on*
FOREIGN
RELATIONS**

1779 Massachusetts Avenue, NW, Washington, DC 20036
tel 202.509.8400 fax 202.509.8490 www.cfr.org

September 24, 2008

Testimony of

**Daniel Markey
Senior Fellow, India, Pakistan, and South Asia
Council on Foreign Relations¹**

**Before the
United States House of Representatives
Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs**

**Oversight of U.S.-Pakistan Relations:
From Ad Hoc and Transactional to Strategic and Enduring**

¹ The Council on Foreign Relations takes no institutional position on policy issues. All statements of fact and expressions of opinion contained in this testimony are the sole responsibility of the author.

Thank you Mr. Chairman and Members of the Subcommittee. I thank you for the opportunity to appear before you today to discuss Pakistan's tribal areas in the context of U.S.-Pakistan relations.

Today, few places on earth are as important to U.S. national security as the tribal belt along Pakistan's border with Afghanistan. The region serves as a safe haven for a core group of nationally and internationally networked terrorists, a training and recruiting ground for Afghan Taliban, and, increasingly, a hotbed of indigenous militancy that threatens the stability of Pakistan's own state and society. Should another 9/11-type attack take place in the United States, it will likely have its origins in this region. As long as Pakistan's tribal areas are in turmoil, the mission of building a new, democratic, and stable Afghanistan cannot succeed.

Nearly seven years after 9/11, neither the United States nor Pakistan has fully come to terms with the enormity of the challenge in the tribal belt. Washington has failed to convince Pakistanis that the United States has positive intentions in the region and is committed to staying the course long enough to implement lasting, constructive change. Pakistan, for its part, has demonstrated a disturbing lack of capacity and, all too often, an apparent lack of will to tackle head-on the security, political, or developmental deficits that have produced an explosion of terrorism and extremism within its borders and beyond. Islamabad's conflicted views and priorities with respect to this fight have deep roots; for much of its history, the Pakistani state has employed militants as tools to project power and influence throughout the region.

In order to begin making progress in the tribal areas, the United States must build strong working relationships with Pakistani leaders and institutions, both military and civilian. The alternatives, ranging from reluctant, piecemeal cooperation to an outright rupture in bilateral relations, are bound to be far more costly and counterproductive to American interests over the long run. And despite the inevitable frustrations that will plague the U.S.-Pakistan partnership, it

cannot be founded on coercive threats of U.S. sanctions or unilateral military activity. Such coercion is profoundly counterproductive because it empowers those in Pakistan who already suspect U.S. ill intentions and it undermines Washington's real and potential allies in the Pakistani political system.

Rather than threats, Washington should employ a strategy of enhanced cooperation and structured inducements, in which the United States designs its assistance to bring U.S. and Pakistani officials closer together and provides Pakistan with the specific tools required to confront the threats posed by militancy, terrorism, and extremism.

In his first six months in office, the new U.S. president should articulate a formal, comprehensive vision for U.S. policy in the tribal areas, one that prepares both Americans and Pakistanis for a cooperative effort that extends to other facets of the bilateral relationship and will—even if successful—far outlast the next administration. The U.S. government should place Pakistan/Afghanistan second only to Iraq in its prioritization of immediate national security issues, and should move quickly to reassess assistance programming and to invest in U.S. personnel and institutions required for a long-term commitment to the region.

Recommendations for U.S. policy toward Pakistan include:

Strategic Shift: Formalize Directives and Refocus Bureaucracy

- Designate a new deputy-level coordinator for Pakistan-Afghanistan and task him or her to draft a National Security Presidential Directive for Pakistan's tribal areas.
- Build the United States' capacity for maintaining a sustained commitment to Pakistan's tribal areas by investing in expanded institutions and specialized personnel, particularly within the State Department, the U.S. Agency for International Development, and the Office of Defense Representative, Pakistan.

Bilateral Policy: Intensify Partnership with Pakistan and Build Capacity

- Establish a new U.S.-Pakistan Joint Security Coordination Committee to improve bilateral confidence and information sharing on political dynamics related to the tribal areas.
- Convene bimonthly meetings of a “U.S.-Pakistan Defense Consultative Group” to improve military-military cooperation.
- Publicly express support for basic reform measures in Pakistan’s Federally Administered Tribal Areas, including the extension of the Political Parties Act and amendment of the Frontier Crimes Regulation.
- Provide advisers to assist Pakistan’s strategic communications effort.
- Clarify U.S. objectives and specific redlines for Pakistani negotiations with tribal leaders.
- Task the Defense Consultative Group to develop a road map for greater coordination and integration of the various Pakistani security forces in the tribal areas.
- Enhance USAID’s “virtual” forward presence in the FATA by investing in communications technologies to connect with the field offices of Pakistan’s political agents.
- Establish a civilian conservation corps for the FATA.
- Press for, and support, efforts by the Pakistani government to implement a mechanism for consultations between tribesmen and the government regarding a road map for political reform in the FATA. Work with Islamabad and provincial governments to formulate alternative strategies to reform the judiciary and improve the government’s capacity to deliver services throughout the tribal areas, and press Islamabad to formulate a long-term development plan for Balochistan.
- Support the formation of a new National Security Council–like institution in Islamabad charged with enhancing coordination between civilian, defense, and intelligence agencies.

Multilateral Policy: Coordinate with Other Concerned States

- Propose that the NATO's North Atlantic Council should open a diplomatic mission in Islamabad.
- Facilitate India-Pakistan normalization efforts through quiet diplomacy, and use more frequent meetings of the Defense Consultative Group to brief Islamabad on the character of U.S.-India cooperation efforts.
- Organize a multilateral donor/investor group, including China, Saudi Arabia, the United Arab Emirates, Japan, and the European Union to improve coordination, transparency, and conditionality of assistance to Pakistan.
- Support a permanent Pakistan-Afghanistan peace secretariat with a headquarters and binational staff.
- Develop plans for enhanced land trade between South and Central Asia with outreach to members of the Regional Economic Cooperation Conference on Afghanistan.

Resources: Treat Pakistan's Tribal Areas as a Top-Tier National Security Threat

- Following strategic review and budgetary assessment, seek bipartisan congressional approval for long-term assistance guarantees to Pakistan for both military and civilian programming at or above existing levels.
- Employ quick impact programming as a political tool to establish inroads with tribal leaders in the FATA.
- Assist the expansion of a new provincial rapid-reaction police force in the North-West Frontier Province.
- Identify and fund high-profile "U.S.-Pakistan Friendship" development projects in the tribal areas as well as a variety of other projects with less prominent U.S. "branding."

- Press ahead with U.S. Reconstruction Opportunity Zones only if combined with infrastructure development projects to enhance profitability and to ensure that tribal populations benefit from the new economic opportunities.

Expand U.S. military assistance on equipment and training to bolster the Pakistani army's commitment to counterterror and counterinsurgency missions.

Mr. TIERNEY. Thank you very much.
Mr. Katulis.

STATEMENT OF BRIAN KATULIS

Mr. KATULIS. Thank you, Mr. Chairman and members of the subcommittee. I appreciate the opportunity to testify before you today.

At the Center for American Progress, under the leadership of my colleague, Caroline Wadhams, and under John Pedester's leadership at the center, we have also convened a working group of distinguished experts on Pakistan to examine U.S. policy there. We plan to release a report next month with much detailed analysis and recommendations, and my testimony today is based on the work of that group plus three recent trips to Pakistan that I have made since December. I might add, though I am not a member of the working group that Lisa was a part of, I largely agree with many of its recommendations and analyses. There is a lot of good thinking going around town on Pakistan, and I think it is really important.

Today I want to focus my remarks on a very specific challenge. Dan talked about urgent challenges. I want to drill down on one thing that I think needs immediate attention, a component of security in Pakistan that requires urgent attention, and that is economic security.

The immediate economic challenges that Pakistan faces have potential for further undermining Pakistan's fragile internal stability. If Pakistan's economy experiences further collapse, the government could lose further support of the people, and this would be tragic.

If you look at the basic economic statistics, they paint a very dire picture. Two-thirds of the Pakistani population lives on less than \$2 a day. Though the Pakistani economy has been experiencing growth, 5.8 percent in the last fiscal year, that growth has slowed, like it has in many countries around the world, and much of that growth has not reached the vast majority of Pakistanis.

In my most recent visits to Pakistan, when I got outside of that elite bubble that many of us travel in, and talked to ordinary Pakistanis, it was clear that the focus of ordinary Pakistanis were these basic needs. This is confirmed in the polling results that others have mentioned by the International Republican Institute from this June, where 7 in 10 Pakistanis said that their personal economic situation had worsened over the last year.

When asked about the most important issues facing Pakistan, fully 71 percent said that inflation was the most important issue, followed by unemployment, poverty, and basic services like electricity and water.

These basic needs ranked even higher than law and order or suicide bombings or even democratic reform in the eyes of ordinary Pakistanis.

The silent tsunami of global food prices, as others have noted, has hit ordinary Pakistanis. In a separate poll conducted in May by Terror Free Tomorrow, 86 percent of Pakistanis said that they had trouble obtaining flour each day. In that same month, food prices increased nearly 28 percent.

Pakistanis are also finding it difficult to meet their energy needs because of the rising cost of oil and gas. The subsidies provided by

the Pakistani government have put pressure on the government's budget. Overall inflation has skyrocketed to a 30-year high, reaching 24 percent in July and, according to some reports, 31 percent in the first week of September.

In addition to these food and fuel price increases, parts of Pakistan have experienced electricity shortages. In my last visit to the country, the capital of Islamabad actually experienced rolling blackouts due to electricity shortages, and Pakistanis have rioted in recent months in cities such as Multan and Karachi due to these electricity shortages.

So my first point is that these economic troubles and these challenges in delivering basic services can have a de-stabilizing impact on a country that is already facing enormous internal stability. In a sense, these troubles combined with that internal insecurity are creating a vicious cycle.

Just a few notes on the Pakistani government and its fiscal crisis. The Pakistani government is facing a very severe financial crisis and is actually in danger of defaulting on its debt. This is in large part, again, due to the fuel subsidies and other economic obligations. Pakistan's budget deficit of \$21 billion is the highest in a decade, and its current account deficit in July and August, the first 2 months of the fiscal year in Pakistan, is about 1.6 percent of gross domestic product.

Pakistan's government debt is considered the riskiest in the world. Yesterday Moody's cut the ratings outlook for Pakistani government bonds from stable to negative because of the drop in foreign currency reserves. In June, Standard and Poor's cut its rating on Pakistan's debt, and there may be another downgrade ahead. So this significant decline in Pakistan's cash reserves is an immediate crisis that actually is being addressed this week in New York at a meeting that President Zadari has tried to pull together I believe on Friday.

Other economic indicators: the rupee has lost 20 percent of its value and is near record lows, and the Karachi Stock Exchange has lost 40 percent since April 2008.

Pakistan has started to look for external assistance. Though it has rejected an IMF restructuring program, sources in the Pakistani Finance Ministry said that they hope to obtain commitments between \$3 to \$5 billion at a Friends of Pakistan Forum to coincide with the U.N. General Assembly testifying week, and there are hints that perhaps the Asian Development Bank and the World Bank may offer anywhere from \$1.5 to \$2 billion.

Last week the Finance Minister of Pakistan unveiled a four-point plan to attempt to stabilize the economy, including key steps such as eliminating subsidies on fuel and power, trying to hold the budget deficit to 4 percent by increasing revenue by taxes, increasing savings, and a whole host of schemes, including privatization perhaps of the oil, gas, and power sectors.

But there is a real crunch happening, and it is happening right now, and it is happening in the coming weeks and months, and it is perhaps one of the most urgent crises that needs to be addressed. I think many of the recommendations that were offered here and are offered in the task force's report are essential.

I would like to conclude by making two immediate points. I think first the United States needs to work with other countries to assist the Pakistani government to move through this time of economic reform and economic trouble. There are key powers—China, Saudi Arabia, many of the Gulf countries—have a vital role in shaping Pakistan’s economy, and coordination often is not as strong as it could be between these international actors.

Second, as Christine noted, the United States should redirect its economic assistance to those Pakistanis most affected and refocus its development assistance projects. There are a lot of good ideas along that front, and I think it is vitally important.

But, in conclusion, I think, two overall points, and in our working group session and I suspect in your working group session, too, we talked about the need to make a shift in U.S.-Pakistan policy, and one common thread in all of these discussions was the urgent need for national security reform on the part of the United States; that many of the recommendations that you will find, I think, in the task force’s report, both the one that you heard about today and the one that we will release later next month, talk about investing more in the civilian capacity of the U.S. Government.

In my trips to Islamabad, I have seen in our U.S. Embassy out there very dedicated professionals, but I am concerned about the lack of investment in our capacity to deliver development assistance to do the sorts of things that are necessary, particularly on the economic development front, and I think we need a closer look at our capacity to do that. This is something, quite frankly, Defense Secretary Robert Gates has talked about in a very general and global context, but I think Pakistan is going to be a test case in terms of investing in the other structures of U.S. national security power to be able to address these challenges.

Second, there is going to be a need for stronger oversight. This committee has done incredible work, I think, over the last few months in looking at the oversight in terms of the financial assistance provided to Pakistan, but if all of these recommendations we offer have a price tag on them, I think, given our experience in Pakistan, we need a closer look on following the money and seeing where that assistance is being delivered.

That concludes my opening remarks.

[The prepared statement of Mr. Katulis follows:]

Addressing Pakistan's Economic Challenges

Testimony by Brian Katulis, Senior Fellow, Center for American Progress Action Fund, before the

Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
United States House of Representatives

September 24, 2008

Brian Katulis
Senior Fellow
Center for American Progress Action Fund
1333 H ST NW
10th Floor
Washington, DC 20005
202-682-1611

Chairman Tierney, Ranking Member Shays, and other members of the subcommittee. I appreciate the opportunity to testify before you today. At the Center for American Progress Action Fund, my colleague, Caroline Wadhams, and I have organized a working group of distinguished experts on Pakistan and national security policy to examine U.S. policy. We plan to release a report next month with a detailed analysis and recommendations. My testimony is based on the work of this group, as well as my three visits to Pakistan since last December.

The devastating bombing of the Islamabad Marriott this past weekend highlighted the deteriorating security situation in Pakistan—and other members of the panel have stressed in their remarks the complicated security dynamics inside of Pakistan. I will focus my remarks on another component of security often overlooked in Pakistan—economic security. For far too long, U.S. policy has focused almost exclusively on the military and intelligence aspects of our relationship with Pakistan without enough attention on the impact that economic dynamics have on stability in Pakistan.

In the past year, rising food and commodity prices have hit the Pakistani economy hard, leaving many Pakistanis vulnerable as their country attempts to make a crucial transition from military rule to democracy. The newly elected government faces interlinked challenges: tackling emboldened militant groups and terrorist organizations, advancing political reform, and stabilizing the economy. U.S. policymakers cannot afford to ignore any one of these challenges. In particular, the economic troubles that Pakistan faces have potential for further undermining Pakistan's fragile internal stability. If Pakistan's economy experiences further collapse, the government could lose further support of the people.

Economic challenges for ordinary Pakistanis. The basic economic statistics paint a dire picture. Two-thirds of the Pakistani population lives on less than \$2 a day, with one-third of the population living below the poverty line. While the Pakistani economy expanded 5.8 percent in the last fiscal year, this rate of economic growth was the slowest since 2003 and is expected to fall to 4.6 percent this year. But the benefits of this economic growth have not reached the vast majority of Pakistanis.

Pakistanis are increasingly having a hard time meeting their basic needs. In a poll of 3,484 Pakistani citizens conducted by the International Republican Institute this past June, 7 in 10 Pakistanis said that their personal economic situation had worsened over the past year. Fully 71 percent said inflation was the most important issue facing Pakistan—followed by unemployment (13 percent), poverty (5 percent), and basic services like electricity and water (4 percent). These basic needs are cited as much more important than law and order (2 percent), suicide bombings (2 percent), and democratic reforms (1 percent) as the most important issue facing Pakistan.¹

¹ International Republican Institute, "IRI Index: Pakistan Public Opinion Survey," poll conducted with 3,484 Pakistani adults June 1-15, 2008, results available at: <http://www.iri.org/mena/pakistan/pdfs/2008%20July%2017%20Survey%20of%20Pakistan%20Public%20Opinion,%20June%201-15,%202008.pdf>

The “silent tsunami” of global food price increases has hit ordinary Pakistanis particularly hard. In a separate poll conducted by Terror Free Tomorrow, 86 percent of Pakistanis reported in May of this year that they had trouble obtaining enough flour each day.² That same month, food prices increased 28.5 percent. Pakistanis are finding it increasingly difficult to meet their energy needs. From July 2007 to July 2008, the Pakistani government spent \$11.35 billion on foreign oil, a two-thirds increase over the previous year. This year, oil imports may cost up to \$14 billion, further exacerbating Pakistan’s economic crisis. Overall inflation has skyrocketed, reaching a 30-year high of 24.3 percent in July and hitting 31.55 percent by the first week of September. In addition to the food and fuel price increases, parts of Pakistan have experienced electricity shortages. In my last visit to the country, the capital of Islamabad experienced blackouts due to electricity shortages, and Pakistanis rioted in the city of Multan because of electricity shortages. In June, the port city of Karachi experienced riots due to electricity shortages.

In the Federally Administered Tribal Areas—the heart of the Taliban insurgency and a safe haven for the global Al Qaeda movement—economic conditions are even worse. Per capita income stands at \$250, half the overall national income. Almost two-thirds of those living in FATA are below the poverty line. These statistics are indicative of a politically isolated region, left to languish with little to no support from the center.

Pakistan’s fiscal and monetary crunch. In large part due to fuel subsidies and other economic obligations, Pakistan’s budget deficit of \$21 billion is the highest in a decade, and the current account deficit is 8.4 percent of GDP. In all of Asia, Pakistan has the highest interest rates, least valuable currency, and riskiest financial obligations. As a result, Pakistani government debt is considered one of the riskiest in the world. Pakistan’s currency, the rupee, has lost 20 percent against the falling dollar and is now near record lows. The Karachi Stock Exchange—Pakistan’s oldest and largest stock exchange—has lost 40 percent of its value since April 2008. Just last August, the KSE put a floor on the index to keep shares from falling even further.

Pakistan foreign currency reserves have dropped significantly due to the unstable political and security situation. In less than a year, Pakistan’s foreign reserves have dropped from an all-time high of \$14 billion last November to just under \$6 billion today. This sum will only cover two months worth of imports. Foreign investment, which had been increasing since 2001, became stagnant last year.

While Pakistan will likely receive some support from the World Bank, the Asian Development Bank, the Islamic Development Bank, and countries like Saudi Arabia, its financial requirement of \$8 billion to \$10 billion will probably not be met through international support. The Pakistani government reportedly expects to obtain commitments of between \$3 billion and \$5 billion from a “Friends of Pakistan” forum to coincide with the UN General Assembly this week.

² Terror Free Tomorrow, “Results of a New Nationwide Public Opinion Survey of Pakistan,” poll conducted with 1,306 Pakistani adults May 25 – June 1, 2008. Results available at <http://www.newamerica.net/files/TFTPakistanPowerPointv3.pdf>

In the past week, the Pakistani Finance Ministry has unveiled a four-point plan to attempt to stabilize the economy, including four key steps: 1) eliminating subsidies on fuel and power; 2) holding the budget deficit at 4.7 percent by increasing revenue through taxes and cutting development expenditures; 3) increasing saving through National Saving Schemes, Pakistan Investment Bonds, and other measures; and 4) the privatization of oil, gas, and power sectors.

While the Pakistani government rejected International Monetary Fund assistance in crafting these reforms, they broadly align with standard IMF recommendations for structural economic reform. As such, these reforms emphasize curbing inflation and reducing budget deficits over investing in the Pakistani people and helping them meet their basic needs. The government plans to reduce fuel subsidies before the end of this year, and it also plans to eliminate electricity subsidies. Pakistan will need external assistance as it moves through this economic transition at a time of great internal instability and continued threats from extremist groups. It is therefore imperative for the security interests of the United States to get the Pakistani economy moving again.

What should the United States do? First, the United States needs to work with other countries to assist the Pakistani government in implementing a reform agenda that guards against any potential increased internal insecurity resulting from economic troubles. The United States should support Pakistan's efforts to organize international assistance through the "Friends of Pakistan" group convened at the UN General Assembly this week. Other global and regional powers such as China and Saudi Arabia play a vital role in shaping Pakistan's economy, and a more organized international effort to help Pakistan address its economic difficulties is necessary.

Second, the United States should redirect its economic assistance to support those Pakistanis most affected by increasing food and commodity prices. Additional food aid and energy assistance should be provided from the United States to poor Pakistanis to help them weather the storm while the Pakistani government attempts to rein in inflation and deficits. In addition, USAID should support basic infrastructure and agricultural development programs to help lay the foundation for better economic prospects in the future. In particular, the United States must also provide more development assistance to FATA coupled with better oversight. Without economic and political integration into the rest of Pakistan, it is unlikely that the national security threat from FATA will diminish any time soon.

Finally, as the United States works to provide Pakistan with much-needed economic support, it should more closely monitor the Pakistani military's extensive involvement in Pakistan's economy, which has contributed to problems of corruption and lack of transparency. Sooner or later Pakistan will have to reckon with the deep military penetration of its economic structure.

All of this means that the U.S. policy approach toward Pakistan is in need of a major overhaul—a more expansive approach that looks at all components of U.S. power –

military, political, and economic. Earlier this summer, Senators Biden and Lugar took a step in the right direction in introducing legislation that seeks to change the nature of the U.S.-Pakistani relationship. Among other provisions, the legislation would authorize \$7.5 billion over the next five fiscal years in non-military aid to Pakistan. An emphasis on so-called "soft power" measures will be vital in the years to come in Pakistan—and we cannot afford to focus solely on military solutions to the challenges of stabilizing Pakistan.

One final closing note—in order to adopt a new policy towards Pakistan that advances our country's interests, we're going to require substantial reform of our national security agencies here at home. Defense Secretary Robert Gates has stressed this point in a series of speeches that have not received the attention they deserve. Secretary Gates has argued that while military force will continue to play a role in the central fight against terrorist networks and other extremists, "we cannot kill or capture our way to victory." Instead, he says we must expand our diplomatic and development capabilities. In a speech last November, Gates argued, "One of the most important lessons of the wars in Iraq and Afghanistan is that military success is not sufficient to win: economic development, institution-building and the rule of law, promoting internal reconciliation, good governance, providing basic services to the people, training and equipping indigenous military and police forces, strategic communications, and more—these, along with security, are essential ingredients for long-term success."

In the months and years ahead, Pakistan will be a major test case for whether the United States will reform its overall approach to national security. In the struggle to help Pakistan achieve greater internal stability, the United States will need to have a comprehensive strategy—one that puts more attention on eliminating terrorist safe havens and advancing political reform, but also keeps a focus on helping Pakistan address its economic troubles.

Mr. TIERNEY. Thank you.

I want to thank all of you for your comments and your expertise.

A lot of what you say falls very clearly where the trend has been at hearings in front of this committee on the idea of needing a new strategy for the United States in this region, about the need to concentrate on getting our civilian capacity up and maintaining that, and about focusing on a better economic development aid package and the way it is delivered out there.

But the dilemma seems to be this: everybody cautions patience. The United States has to have patience. I suspect there is some of that in the report that will come out tomorrow on the CSF. But then you have the military telling us you can't have patience. You know, we understand that every time we intercede in Pakistan it creates a violent reaction by a lot of different people there, but we have to protect our troops.

So how do we resolve that contradiction in design here? One is that obviously we don't want to be creating new enemies and enlarging the recruitment of people in these militant groups, and we understand how that might even undermine some of the other things we have recommended in terms of buttressing up the economic efforts of the Pakistani government. How do you reconcile that with what our military is telling us, that they think they need to go in there and have some sort of kinetic action in Pakistan if they are going to be more protective of our troops in Afghanistan.

You can start in any order you want to start. Dr. Fair.

Ms. FAIR. As you noted, I have had the opportunity to serve with the U.N. in Afghanistan. My concern has really been that there has been a tendency to externalize major policy failures in Afghanistan to FATA.

There are a number of realities. FATA is a sanctuary. It has been a sanctuary. It is going to remain a sanctuary because that is in Pakistan's national security interests.

I like to give the example of the Indians. They have been dealing with the Pakistan base insurgency in Kashmir now for decades. They know full well, they can even see with their binoculars the training camps across the LOC, but they don't bomb the LOC, they don't even make hot pursuit incursions across the LOC unless it is an accident. They have about 300,000 individuals involved in the counter-insurgency grid in the area of Kashmir. So in some sense we have real problems with the way we are conducting that war in Afghanistan. We have inadequate troops. NATO, with the caveats, there are whole issues with NATO there, as well.

What my fear has been is that in great measure we are externalizing serious policy failures in Afghanistan and Pakistan and the cost/benefit of these strikes are very dubious to me. Some of them may have operational advantages. I doubt that they have strategic advantages on the main.

The problem is, of course, that there is no media that are allowed to operate in FATA, so as soon as the ordinance lands we have already lost the perception management campaign because they will always say it killed women and children. There may be not a single woman and child killed, but there is no way we can prove or disprove that.

So I think my approach to this is that we really need to rethink the war fighting strategy in Afghanistan. These so-called rat lines are not new. These are the same rat lines that militants have been using to crawl into Afghanistan for decades.

So I think I am a little bit concerned that we are not better at eliminating these individuals as they cross, and that by relying solely upon expanded unilateral action we really have put ourselves and our relationship with this pivotal country in peril.

Not only that, Pakistan engages more U.S. equities than Afghanistan ever will, if for no other reason than its population mass, because of its nuclear weapons, because it is the source of insecurity and therefore the source of possible security should it normalize its relations with the neighbors.

I think that would be summarizing my views on the subject.

Mr. TIERNEY. Does anybody else feel compelled to respond to that? Dr. Markey.

Mr. MARKEY. I would just say, Mr. Chairman, I think you put your finger on a legitimate dilemma. There are some things that you just can't reconcile, and this may be one of them. In other words, I believe firmly that we are facing urgent security threats that the Pakistanis are unable or unwilling to address and that the United States may need, in certain cases, to take unilateral action.

Mr. TIERNEY. So you disagree with Dr. Fair, who says that she doesn't fail to perceive the threats, but she thinks it is counter-productive to go in and—

Mr. MARKEY. Well, I would agree with her that it may also be counter-productive, and that is why it is a dilemma. In the broader sense of the relationship with Pakistan, we are seeing the cost of this. We are seeing it in terms of the statements out of their leaders, out of their Army chief. We see it on the ground in precisely the way that Christine has suggested in terms of the cost that we pay.

So sometimes you can't have both things that you want, and I think this is one of those instances.

If I may just make a couple of suggestions about ways that we could try to mitigate the cost of taking new strikes—because I do see the disruption as being potentially useful—would be to coordinate with Pakistanis whenever possible. I am not convinced that we have the level of coordination with them in terms of these actions that we could. Part of that is a trust deficit that we face and that they face.

Mr. TIERNEY. So part of it also is that fact that they, at least as a public posture, have to say they don't want us doing it.

Mr. MARKEY. Right. That doesn't mean that necessarily in the background you wouldn't.

Mr. TIERNEY. Perhaps.

Mr. MARKEY. And then also I think we need to maybe set the bar a little bit higher in terms of our target selection. There are targets in the tribal areas that would be more acceptable to even the locals than other targets. Arab foreigners, Uzbeks, Chechens, these are ones that we should really go after, and I think we have more leeway to go after.

Mr. TIERNEY. And that comes down to that issue of intelligence.

Mr. MARKEY. Exactly.

Mr. TIERNEY. Mr. Katulis, Ms. Curtis, do you want to respond to that?

Ms. CURTIS. I think it is an issue of short-term versus long-term interests. As you said, the military feels it needs to take these actions. And what we have said in our report is that until the Pakistanis demonstrate they are willing and capable of getting at some of these targets, that we will have to continue unilateral actions. However, we have to do a cost/benefit analysis, probably for each incursion, realizing that there are long-term costs, that these incursions would strengthen radical forces in the country. That is certainly something we don't want to do. And obviously it is going to create distrust when we have not asked for permission ahead of time with the Pakistani leadership.

So I think we just need to have our eyes wide open as we move forward, but if there is a threat and it is an immediate threat, then obviously the United States has to do something about it.

This raises another issue. Dr. Markey talked about inducements in terms of getting more cooperation from the Pakistanis. I think we all agree the Pakistanis aren't doing enough to address the threat.

Now, we did not come to a firm conclusion on the nature of support that might be going toward groups that are opposing our interests, even killing United States and Coalition forces. That is why we called for the commissioning of an NIE. But if we do decide that there is support, then I think we have to assess why the would Pakistanis be engaging in such risky behavior, and we really have to think about that hard and we have to deal with that.

I think it is hard to understand if you have an ally that there may be links to groups that oppose your interests, but you have to understand they have their interests, as well. We just have to figure out how to deal with that. I would argue it is carrots and sticks, not just inducements, but it is careful leveraging of smarter diplomacy, and just being very smart about how we deal with this and coming to terms with issues that maybe our interagency has not made a final decision on.

Mr. KATULIS. Just one point. I am deeply concerned about the lack of information and knowledge that we have about dynamics in places like FATA and NWFP. I am sure you have seen this, too, but our intelligence, if we are going to conduct these strikes, I think needs to be a lot better. In my discussions with U.S. Government officials, expanding our reach—and when I talked about reforming national security structures, I wasn't just talking about development assistance in upping the level of USAID employees that are out there to the extent that we can.

It is also, I think, a human intelligence concern. I am deeply concerned about managing the short-term threats. We need to be better informed. I worked in Iraq and other places, and I worry that our level of knowledge about certain parts of Pakistan are equivalent to our level of knowledge in Iraq in 2002. We don't, I think, understand the internal dynamics, not only inside these areas but also inside the Pakistani government.

Mr. TIERNEY. Mr. Shays, do you want some time to settle in on that?

Mr. Shays joins us at the moment. He is having a great day for complex issues dealing with this one in Pakistan and also in the Financial Services Committee, so we will give him a little time to settle in.

Mr. HIGGINS. Thank you, Mr. Chairman. I just have a couple of questions.

Dr. Markey, you talked about the trust deficit. Whatever you read, particularly in western journals, about Pakistan and the United States' relationship with Pakistan, it is replete with contradiction. Pakistan is said to be a strategic ally of ours. They are said to be assisting in repressing Islamic terrorists. But at the same time there is ample evidence to suggest that they are assisting the militant terrorists.

When you look at American investment in Pakistan, some \$11 billion over a 5-year period, for both economic and military aid, when you look at proposals to increase that for non-military aid, it seems as the situation in Pakistan is characterized consistently as grave and deteriorating, it seems as though there is almost an incentive to have the situation always grave and deteriorating because it always results in more money. It is typically U.S. money.

The real question I suppose I have is where is the tipping point? Where is the game change? Where is the sense that we really have a true partner, because as recently—the articles that are outlined in our packet today from Time, from the New York Times—there is a pervasive sense of conflict as to whether Pakistan is really an ally of ours.

Response?

Ms. CURTIS. I guess I would argue that I don't think we want to see the game changer. I would just argue that I think our group came to the conclusion that we need to find a way to partner with this country. It is in the U.S. national security interest that Pakistan become a stable, prosperous, moderate Islamic democracy. I think that this serves U.S. national interests. I think it serves global interests.

We certainly have not had policies that have brought us to that point up until now, and I think that is why we search for new ways of dealing with the issue. But I think that is just what I would say. When you say game changer, my alarm bells go off because I think of game changer as Pakistan going in a very different direction than we would like to see it go.

Mr. HIGGINS. Well, I would respond that the status quo is unacceptable, that this duplicity that exists at great expense to American taxpayers, to American military men and women, and our strategic interests in the area are highly problematical. When there is a situation that is grave and deteriorating and your report recommends that Washington be patient with this fledgling Pakistani government, I see some concerns there.

I just want to know what is the ideal. What does this place look like in 24 months?

Ms. CURTIS. Just to quickly clarify, when we argue for patience we argue for being patient with the democratically elected government. We do believe that a stable Pakistan rests on democracy succeeding there. That is the point that we are making.

A wholly separate issue is the issue of whether or not there are links between the military or the ISI and the Taliban militancy. There are sort of two separate issues, and we believe by being patient with democracy and the elected civilian leaders we are actually going to help in impacting the overall situation in terms of not having the public become more radical or seeing increased support for militancy.

Mr. HIGGINS. In reality who currently controls the federally administered tribal area?

Ms. FAIR. Well, technically the president does, and so there are debates about how unstructured it really is. Actually, FATA does have a government structure, it is just not one that we terribly approve of, and it is one that actually worked for the Pakistanis for many years until you can put the clock ticking variously between 2002 and 2004. Somewhere in that time period the alignment of the military, the militant, and the mullahs came out of phase and the structure ceased to work.

But I actually wanted to address the question that you led with, because I share your skepticism, and I also don't have a good answer. But I think it is important to think of a couple of important periods.

In 2001 we did make a number of commitments to the Pakistanis about what their alignment with us would guarantee. We told them that we would take their equities in Afghanistan into consideration; yet, if you actually looked at who attended the Bonn conference, it was basically a conference of Pakistan's defeat. We told them we wouldn't let the northern alliance take Kabul, yet they did. We demonstrated very early on that we were not interested in nation building. We used Pakistan's traditional enemy of its proxy, which was supported by Iran and India, to be the sort of receptacles of our out-sourcing of security.

In point of fact, we were not interested in the Taliban. If you go through any of the recent records of the last several years, we didn't want to lean on Pakistan, on the Taliban, because we thought it would detract from the fight against al Qaeda. We thought that the Taliban had been vanquished. We were only very episodic in our leaning on them to go after the militants operating in India in Kashmir. I believe Lisa, many of us at this table, were opposed to this policy of segmenting the militancy, because for many of them they shared overlapping membership, so you can't actually say this militant is not dangerous to us but that one is.

But, in fact, we were complicit in Pakistan's policy of thinking that some militants were protected. It wasn't until 2005, when we began having the inkling the Taliban were back and that, in fact, they had sought and received extensive sanctuary in FATA, it wasn't really until 2006 and with great intensity 2007 that we began leaning on the Pakistanis to deal with the Taliban. In the meantime, Pakistan made a number of conclusions about activities in Afghanistan.

So we are also complicit. Analysts who have been going to the region for many years had raised issues about the Frontier Corps supporting the Taliban, about ISI complicity. But because there had been so much discord within the U.S. Government, nothing really happened until this summer.

Also I want to go back to the point that Brian made. We have been shackled by our own ignorance. I am struck at how many things are actually written about FATA when, in fact, we don't have a clue about FATA. Anyone who says they know about FATA who isn't actually from FATA in the last 6 months is simply engaging in deception. We have no access there. We rehearse these narratives from 19th century British political agents. The most recent scholarship, which is recycled, dates back to the 1970's. So we are actually forging policy about an area about which we know nothing, and we are not really taking responsibility for our own complicity in allowing Pakistan to target our troops while accepting \$11 billion from the U.S. taxpayer.

Mr. MARKEY. Could I just make one very quick note on that?

Mr. HIGGINS. Sure.

Mr. MARKEY. On this issue of the game changer question, just as a basic point I would suggest that we are engaged in the competition to identify allies in Pakistan that we can work with, so it is not so much a matter of waiting to see which way Pakistan falls; it is a matter of cultivating ties within Pakistan, both at the local level and I think at the national level. That is why some of this assistance programming is actually vital, even if it is frustrating and expensive from our side, because it helps us try to win that and make the answer the one that we want to hear rather than the one that we fear.

Both of them are, in fact, I think, true, and you said hypocritical. We are seeing a lot of that. You are right. It is because it is a society I think that is rended by these divisions within it, within its own institutions, and that is why we see these contradictions.

Mr. KATULIS. If I could add, I share your skepticism at your initial question, not only about Pakistan but about many other countries around the world. Egypt, even the leadership of Iraq, where we are spending far much more money, Saudi Arabia—we don't deliver development assistance there, but there are a lot of countries that play seemingly a double game.

Going back to the central point I was trying to make in one of my responses, we need to have better intelligence about who we are dealing with, and one of the ways to do that is to not only put more boots on the ground—I don't think the military is a strong solution to the challenges in Pakistan—but having more knowledgeable experts in our Government in our intelligence agencies knowing who we are dealing with in Pakistan. We need to project power in that sphere a lot more than we have over the last couple of decades.

Mr. TIERNEY. By way of editorial comment on that, our intelligence apparatus and personnel are a long way from being of a type that would allow us to infiltrate human assets into that area. If you look at what our people look like, what they sound like, languages they use, or whatever, there is a substantial need to buttress all those things, and it is not going as well as it should be at this point in time.

Ms. McCollum.

Ms. MCCOLLUM. I have to thank you again for holding this hearing, because our relationship is critically important. I debated between asking about the unmanned drone missions and what is

going on there and the question that I am going to pose to you today. Both of them have to do with our military mission over there, because I have serious concerns about our relations are very threatened and that they are, in fact, eroding.

Today the Financial Times reported that the Pentagon is developing an alternative supply line for U.S. shipments to Afghanistan after Pakistan blocked an important supply route to protest U.S. military action inside their territory. There goes my question, what I was going to first ask about, the drones.

According to the Financial Times, 80 percent of the cargo and 40 percent of the fuel used by U.S. military in Afghanistan travels along the Pakistani supply routes. General James Cartwright, Vice Chairman of the Joint Chiefs, told the Senate Armed Services Committee, "It would be challenging to sustain our presence without Pakistani logistic support."

Our supply lines for Afghanistan are also threatened by a recent breakdown in our relationship with Russia. Russia is warning that it might prevent NATO aircraft from using its air space because of the West's criticism of Russia's role in the Georgian conflict.

From a logistics standpoint, is it realistic to maintain our increased U.S. operations in Afghanistan without access to Pakistan's supplies or Russia's air space?

And then I would ask what other options do we have to move fuel, food, and materials to Afghanistan? When I compare the current list of U.S. allies and the list of Afghan's neighbors, I don't see much overlap. For those of you who don't have a map handy, Afghanistan borders Pakistan, Iran, Turkmenistan, Uzbekistan, Tajikistan, and China.

Ms. Fair, I kind of tried to look through in the report if there was anything I saw on this. I did not. You alluded to it just very briefly in your testimony. If you would, please lend us any insights you have.

Ms. FAIR. You have identified it. Now, the fact is the Russia situation has only become problematic this summer, but we have had 7 years, and increasingly throughout the course we have known about this problem of the Janus-faced nature of Pakistan support. I mean, I have been a very vocal opponent of single sourcing logistics now for some time. But we actually do have options.

The Central Asian Republics do have rail. We do have a memorandum of agreement with the Russians that would provide non-lethal support, i.e., basically petroleum products. I believe that memorandum was signed in April. There was no subsequent follow-through. Unfortunately, Russia doesn't share a border.

There is another option, which I hesitate to throw out, but in the absence of other alternatives, as you noted, I know the Indian-Iranian relationship has attracted a lot of flak, but the fact of the matter is the Indians are building and expanding the deep water port at Chabahar. They are also working to expand the rail link that links Chabahar to Delaram and Zarange, and they are also building the ring road in Afghanistan.

There is some merit in thinking about Indian direct sales to NATO where Iran is merely the transport. We don't object to India shipping other relief goods through Iran to Afghanistan.

I think that there is absolute merit to begin very vocally hunting for alternatives, because it signals to the Pakistanis that it is not just inducement, it is not just a free lunch. For too long Pakistan—and every time I get onto CENTCOMM I swear I get a new gray hair, because I hear repeatedly we do need the Pakistanis more than they need us, and I object to this rigorously. Chinese military assets? Good luck with that. We may need the Pakistanis for logistical supply, for support, the global war on terrorism. Pakistan needs us to be a successful, modern, stable state, and we have to keep this symbiosis intact.

I think that the value of talking to Russia, of talking to the Indians, to even begin creating the activity of lessening our dependence on Pakistan could be an important step in shaping their view of our intent to find alternative options and their intent to undermine our intentions in Afghanistan.

Mr. TIERNEY. Mr. Van Hollen.

Mr. VAN HOLLEN. Thank you. I thank you, Mr. Chairman, for holding these hearings and thank you to all of you for your work in this area.

I have two questions. One relates to the control of the new democratically elected government over control of the military in Pakistan. I think we all welcomed the transition to democracy. In fact, I think most of us on this subcommittee thought that the administration put too many eggs in the Musharraf basket for too long. But, given the current situation, you know, we talk about whether the ISI is a free agent or operating independently. The question I have is how much control does the current new president of Pakistan have over the military, and, if there is no control there, how do we get at that relationship in dealing with the Pakistanis, both through the military side and the governmental side?

And then, given the sort of inevitable tension that is going to exist that you all talked about when you were asked the question about how do you choose between, on the one hand, the long term and the short term, it seems to me that one thing that we have to do is signal to the Pakistanis that we are not just interested in them whenever Afghanistan comes into play, whether it was with the Soviet invasion or whether it is with 9/11, but that we have long-term interests in engaging there.

You have emphasized a lot the economic component. If you could just state what you think the urgency is with respect to moving forward on the ROZ—the reconstruction opportunity zone—legislation which many of us have been pushing for. It has been in the works for a long time. A lot of us have argued that we need to look at this more in the national security frame than squabble over some of the trade issues that come into play in much larger trade agreements. And, second, the Biden-Luger legislation. Just talk about how important that is politically within Pakistan for us to be sending that signal that we are engaged in the long term.

Ms. CURTIS. Well, to answer your first question, I think the blunt answer is the civilian leadership doesn't have control over the military. This is a transition that we are seeing, and I think that we have to accept that. That is why I think in our report we have argued for supporting democracy, supporting the civilian leadership,

but realizing that it is from the military that we need to see the commitment to reigning in militancy and terrorism in the FATA.

The ROZ legislation I think is enormously important, and I think it is more important now than ever because of the actions that we have felt compelled to take, the unilateral military actions, which unfortunately have resulted in civilian casualties, which has outraged the Pakistani public. We need to show that we are interested in the people of the region, in the social uplift of the region as part of a holistic strategy to uprooting terrorism in the region.

I know this ROZ initiative was announced in March 2006, I think by President Bush, so it has been out there for a very long time, and I think it is extremely important that we move forward.

I understand there are some political issues there, but in terms of our own national security this is absolutely the kind of initiative that we should be pushing right now, and even if we have the tensions with the Pakistan military, this is the kind of legislation that reaches out to the people, creates jobs, economic opportunity, and pretty much the same for the Biden-Luger legislation focused on economic assistance showing the Pakistani people we have a long-term interest in the country.

Ms. FAIR. I have a couple of comments about this civil military issue. You know, the United States loves to pick our guy, or sometimes our gal in the case of Benazir Bhutto, but there are some really significant structural impediments to true civilian control of the military.

In June there was a lot of hullabaloo and excitement that the Pakistan army submitted—gasp—a four-page budget to the Senate, and that for the first time in the Senate's history it actually debated the budget.

What was, unfortunately, lost in all the enthusiasm for this great moment of civilian triumph over military budget request was that, under the Pakistan Constitution, neither the Senate nor the National Assembly is authorized to alter the Army's budget request. So this is just one example.

I think Kayani, the chief Army staff, is very clever. He knows that we want to see a greater civilian face in the military, and it is these sort of dramatic events that we shouldn't be fooled by.

That being said, when I have had the opportunity to talk to Pakistani legislators, they are actually flummoxed. They don't actually know how to exert control of the military. They will say, for example, well, we don't really have the right because this all involves national security issues. You have to remember the average educational level of the average Pakistani legislator.

I actually think that one area of focus, we always talk about an IMET for the military. What we need is an IMET for the bureaucrats and the civilian political workers. They need to be competent.

Whenever I tell them the U.S. Senate, the U.S. House of Representatives has committees where there are special people who can hear about complex things that involve issues of national security, many Pakistani legislators are absolutely floored by this. It really strikes me that we have a tremendous opportunity to try to impart this kind of competence.

This opportunity—I really want to emphasize it—the Pakistan Army is down and it is out. Probably never since the 1971 war has

this Army been so emasculated. It is loathed. It is despised. Even in the IRI opinion polls, you see the opinion tacking upward, but it is still an Army that doesn't feel comfortable amongst the people. So there is this window of opportunity to really help the civilians put into place legislative structures that will, over time. But if we don't take advantage of this opportunity, I fear that, as the civilians continue muddling along, the cyclical contempt for the civilians will set in, the Army won't look so bad, and Kiyani's term will end in about 2 years, even if he is the democrat, which I doubt he is.

Mr. TIERNEY. Thank you. Mr. Katulis, did you want to make a brief remark?

Mr. KATULIS. Very briefly. I think to do the sorts of things that Dr. Fair talks about, which I think are extremely important, goes back to one of the points I made in my opening remarks. We need to reform how we do business. I am deeply concerned about how our military-to-military relationship is often stovepiped and away from all of the other structures of potentially developing the bureaucrats or the civilian capacity. I think in a certain sense we don't often present an integrated face out there. I think there may be an opportunity, given all of the good ideas in these reports, to restructure how we do business in Pakistan as perhaps the most urgent case that we face in doing that.

Mr. TIERNEY. Thank you.

Mr. Shays.

Mr. SHAYS. Thank you, Mr. Chairman. I thank my colleagues for participating in this hearing.

I had the opportunity to be in Pakistan and Afghanistan in August, and while I have been to Iraq many, many times, this was my first visit. I was struck by the fact that Pakistan seems to be obsessed with India and ignores the fact that it is being eaten up from inside in its northern territory and the FATA region. I am just interested, is there any possibility that we can get them to work better with India, not use so many resources to defend themselves against India, and get them to wake up to the fact that while they worry about India they may be eaten up from within?

Mr. MARKEY. This I think is exactly what we need to do in terms of a transformation of not only the public, although that is important, but particularly within the military. In order to transform pieces at least of the military—if not most of it—so that it understands its mission differently and is capable of doing counter-insurgency, they first need to have this change of mindset of the sort you are describing.

Now, on the plus side, despite the fact that you heard a lot of obsession about India, the relationship with India is actually better now than it has been at many other points in their history. There is something to build upon and there is reason to believe that on the civilian side, in terms of their leadership, they are eager to do that. At least the Pakistan People's Party leadership recognizes that they would like to have a better working relationship with India, that there is money to be made, that there is a relationship to be improved there.

This has not filtered down through the ranks of the Pakistani Army, which is indoctrinated with a kind of mentality that you

have suggested, and that is one of those kinds of challenges that requires a real shift in doctrine, a shift in training, a shift in organization. I suggested at points that the only way to do that is to provide them incentives.

If you look at the way that other militaries have transformed themselves in various instances, including our own, it is a long-term process that requires a different pathway to success within the Army, but all of this requires a top-down decision to begin with, and that is why that relationship with Kiyani, for instance, is an important one.

Mr. SHAYS. Dr. Fair.

Ms. FAIR. A couple of thoughts on that. I generally agree with Dan, but, too, insurgents, the infiltration has increased this summer, so there is evidence that the old gain of insurgency in Kashmir is back on. This is actually a situation where India should also be very much put to test. Though Musharraf had many detriments, one of the things that you could certainly say about him was that he was willing to abandon Pakistan's traditional unworkable position on Kashmir. He was actually very out of the box.

The Indians were actually the ones that were not willing to move on any of Musharraf's suggestions. It is actually very unfortunate that, of all of the things that could have been obtained from the Indo-U.S. nuclear deal, a commitment from India to work more proactively to resolve the Kashmir issue really wasn't one of them. So India really should be a point of discussion, because it is India that really has been the one that has been sticking that up.

Second, many of Pakistan's apprehensions in Afghanistan draw from its apprehensions of India, so when the Pakistanis talk about the Indian presence in Afghanistan, I actually take those concerns very seriously.

The Indians, the activities they are engaging in in Afghanistan are very disruptive from Pakistan's point of view. Similarly, the relationship that Pakistan has with Afghanistan on the border that remains unsettled is another opportunity that we should be leveraging to try to find some way of ameliorating this. In other words, if you look at Pakistan on a map, the majority of its borders are undefined, and that is a serious shaper of the way in which Pakistan behaves in its region.

Mr. TIERNEY. Let me ask if our witnesses are willing and able to come back in about a half hour after we finish this round of voting. There are some more questions Mr. Shays would like to ask. I have a couple that I might. Would that be a serious imposition to any of you or something you can do?

[No response.]

Mr. TIERNEY. Fine. So we will recess until after the last vote, which should be approximately 20 minutes to a half hour. Thank you for your indulgence.

[Recess.]

Mr. TIERNEY. I know it is a little presumptuous of us to rush everybody to their seat after having a half hour more delay, but we do want to give you an opportunity to respond to some other questions, us given a chance to ask them, and then everybody a chance to call it a day.

Mr. Shays, we interrupted you for the vote, so why don't we go back and see if you have some other questions.

Mr. SHAYS. Thank you.

I wrestle with what we failed to do in Iraq, which I think now we are doing much better, but when I went to Afghanistan I saw the same mistakes that we made early on in Iraq we are making in Afghanistan.

I would like you to describe to me, I have a sense, without the knowledge to really back it up, but the sense that the FATA region is almost like what Afghanistan was under the Taliban; in other words, that it really is a pretty lawless area and that the Taliban, whether they are Afghan Taliban or Pakistani Taliban, are able to operate fairly freely. I want to know if they have that same freedom in the Northwest Frontier or the northern areas. I would love you to just talk to me about this part of Pakistan.

Mr. MARKEY. I do think that it is similar, in a certain sense, to Afghanistan before 9/11 in the sense that you obviously have groups that are very dangerous that are operating there. There are very important distinctions, though, that I would make between the FATA and the NWFP, Balochistan. Parts of Pakistan that are outside the FATA are technically supposed to come under the governance of the normal state within provincial authority.

Mr. SHAYS. Right.

Mr. MARKEY. That doesn't mean that there is always a lot of control, but there is a very different institutional arrangement.

Within the FATA, you have these seven agencies which are technically supposed to be essentially run, in terms of their internal affairs, by tribal authorities, so that is very different, even from the Afghanistan before 9/11, where you had warlords operating but you had a sense that Afghanistan should be a state. There is a difference. In some ways it is even more difficult.

But the last thing I will say is to get back to a point that Christine made, which is that entry into the FATA is so incredibly difficult for journalists, certainly for scholars, for anybody who is not well armed and well connected, that our level of ignorance about precisely what level of control is held at any given point is very high.

Mr. SHAYS. But I have the sense that even the Pakistani government has a level of ignorance about what is going on there.

Mr. MARKEY. I think you are probably right. I think that the nature of the relationship that Pakistan has had in that area has been through their political agents, which is a holdover from a colonial system, and through their intelligence services and through the relations between those groups and the local tribesmen.

I think that they have been at a loss at a number of points to really understand the dynamic. I can only say this, not because I know the answer, but because I have had different Pakistanis in positions of power tell me very different things about what they thought was going on, so different, night and day different, and criticizing each other for having no clue how the tribal areas work, that it leads me to wonder whether any of them really have a deeper sense, even those who have been based there for some period of time. It is a difficult area to get a handle on.

Mr. SHAYS. Before going a second round and taking over, could you just explain to me, is the Northwest Frontier or the northern areas similar to the FATA in terms of are they much more governable?

Mr. MARKEY. Well, the Northwest Frontier province is under provincial authority.

Mr. SHAYS. Right, but I am just wondering if the Taliban have—

Mr. MARKEY. Yes, they have. Parts of that, including Swat, which is the most well-known, have had trouble in terms of governance, in part because of the way that the provincial authority has tried to implement judicial reform. That has been one of the key sticking points.

Mr. SHAYS. Do the northern areas represent a problem for Pakistan?

Mr. MARKEY. Not in the same way.

Mr. SHAYS. So those are the two regions?

Mr. MARKEY. And parts of Balochistan, which includes Quetta, which is where most people suggest there is a strong Afghanistan Taliban presence.

Mr. SHAYS. What I want to do on the second round is to talk about the relationship of Afghanistan and Pakistan. I can't imagine that you would be experts about Pakistan without having some real sense of where we are in Afghanistan. Would that be accurate?

Thank you.

Mr. TIERNEY. Thank you.

There is a group that is getting together that I think we will be a part of pretty soon to talk about the difference in the different regions, the different ethnic groups throughout Pakistan, which is, of course, itself a real dilemma, particularly as it bleeds over into Afghanistan. So there is so much that is complicated and complex.

I didn't hear anybody really address it except Brian Katulis at the end of his remarks as one of his remaining two points, about the need for us to really have a larger contact group to look at this as a region and to sort of have a lot of people that are involved in this determine what is the security role of Pakistan in that region and what is everybody else's role in securing that, whether it is the borders or providing some security in other ways. In such a group I would think you would need not only China and India and the Stans that border it and Afghanistan, but also Iran. Is there anybody that disagrees with that? If so, why?

Mr. KATULIS. I don't disagree with that. I would even expand the group, if possible. I am struck by how important the oil-rich Gulf Arab countries are to Pakistan and its economy.

We talk a lot about bilateral development assistance. We talked somewhat about ROZs and all of these important things, foreign direct investment, but people forget that there are, I think, nearly 3 million Pakistanis that live in Gulf Arab countries that send remittances back home that are terribly important for their economy.

It is also important to note that the Saudis and the leadership in the UAE play, I think, a very important role as interlocutors in some of the internal political disputes. You see this and you saw this particularly over the last year. So I think some sort of comprehensive approach, a strategy that Pakistan shouldn't solely

focus on what we are doing. It will need to actually discuss all of the countries that neighbor Pakistan, including Iran, as difficult and as complicated as that is with its nuclear program and its impact on dynamics in the Middle East, but even more extensively we will need to include countries that aren't contiguous with Pakistan.

Mr. TIERNEY. It is going to require more than just the friends of Pakistan in terms of financial investment; it is going to include identifying where—I mean, the money is coming from somewhere to arm and train all of these militants in Pakistan. I mean, they are tremendously sophisticated in their tactics and in their equipment, to a certain degree, on that. So getting people that have been involved in that to be part of the solution as well as cutting off some of these borders where people from other countries have flown back and forth and becoming part of the militant organizations.

I didn't mean to cut you off, Dr. Fair. You wanted to say something?

Ms. FAIR. Yes, if it is OK.

Mr. TIERNEY. It is always OK. Sure.

Ms. FAIR. A couple of questions about remittances. Actually, I wanted to make this point earlier about our ignorance of FATA. I am often dismayed by journal articles often recycling the same stuff about Pashtunwali, the changeless code of the Pashtunes. Nothing could be farther from the truth. That thing has changed so much.

A couple of notable things to think about. Aside from the last three decades of warfare and displacement internally and otherwise has actually been the role of remittances. Lisa Curtis and I are from the same home town in Indiana, and I actually like to joke that your average Pashtun family living in the tribal areas is more globalized than my family in the sense that they have relatives living in the Gulf because there are no opportunities in the tribal areas. The strategy has been since the 1970's to export labor. Not only are they living in the Gulf; they are also living throughout Karachi, so much so—

Mr. TIERNEY. Could be Irish.

Ms. FAIR. Exactly. That is exactly it. And so we often, I think, fail to remember that not only have remittances transformed Pakistan's economy, they have also transformed FATA.

If you look at the way in which the Pakistani Constitution governs FATA, the Frontier Crimes Regulation, there is a relationship that Pakistan the center has with the agencies. They pay the tribes basically a welfare payment based upon their demographic distribution, last negotiated about 60 years ago or so. So you have this power structure set between the Center and FATA that has been completely undermined by these remittances and other social cleavages that we are largely ignorant of. So I think the remittance point is actually very important.

The other thing I would like to talk about a little bit, Iran. I think it is sometimes assumed that Iran has cozy relations with Pakistan. Actually, I was fortunate enough to do some field work in Iran in 2001. Iranians are actually fairly chary of Pakistan. Though they got much of their nuclear technology from Pakistan, they actually view Pakistan as a reckless nuclear power. They

nearly came to fisticuffs in 1998 when their diplomats were killed in Afghanistan. They blamed the ISI for that.

So when I look at some of Iran's equities in the region, obviously leaving aside the enormous differences, they share a lot of interests with us in Afghanistan, despite the fact that they are presently tactically supporting the Taliban. In the big picture, they have similar objectives vis-a-vis Pakistan and Afghanistan, and obviously they have very similar objectives with the Indians because they are working with them on a number of issues. It does merit exploring how we can exploit these tactical and operational, even strategic, similarities with the Iranians in the context of these huge differences. I think that the cost may not be as high as the benefit from that engagement.

Mr. TIERNEY. We had a series of hearings that I recommend to people that might be interested in that. We brought in some former administration officials that were dealing with the Iranian matters right after 9/11. We talked about the level of cooperation and the opportunities that existed then for reaching some accord on some of these issues. And it means they are probably not foreclosed forever from trying to reach some accord in the future.

Dr. Fair, in your remarks you talked about your skepticism about Pakistan being the partner for the United States the way things are going and said that we have to give it a try, you want it to work out, but if Pakistan turns out that it is not the right partner for the United States we will have to explore other options. What are those other options?

Ms. FAIR. Well, all of this is really a game of chicken. It is a question about are you comfortable with throwing your steering wheel out the window. In Afghanistan, like I said, we have made some serious mis-steps. I don't think we had enough troops. I am not sure that we still have enough troops. That said, I am not sure the Afghans will tolerate more troops. We might be at that point of diminishing margins of return.

That being said, Pakistan is, I think, the most desired ally for a number of reasons, but if Pakistan can't or won't turn its back on the Taliban, if it can't or won't put its ISI under constraint so that it is not actively targeting our troops and that of our allies, there are other options.

The Indians have certainly shown to be a combustible presence in Afghanistan. It may not be very pleasant, but, as I said, the Indo-Iranian relationship is there. There is a logistical supply route. It may be politically and diplomatically costly from where we are standing today, but if you look at the distance between Chabahar and the Afghan border, it is actually a lot shorter than Karachi to Torcom. So we actually do have some options.

As has been said repeatedly—and I hesitate to talk about this in an open forum, because I don't want to be taken out of context—so far we have only talked about inducements. I actually think that, should Pakistan not cease and desist or find some way of approach with us on these core issues, that it actually becomes a compellence problem. How do we compel Pakistan to cease doing what is in its national interest? You could imagine working through the U.N. Security Council Resolution to redefine Taliban and what assistance to the Taliban means. This has been a very

sensitive political issue. It has been defined, the Taliban as well as assistance, to basically cater to Pakistani equities. One could get a lot more nasty there.

The unilateral attacks that we are engaging in right now, obviously I am not a fan of them in general unless it Bin Laden and you know it is him and you can get him. I think the cost/benefit analysis needs to be evaluated in each case. But why are you basically poking at the bear but not killing the bear? The Courtisure is not called the Courtisure because it is in Kandahar. So, you know, there are, in fact, a range of very unpleasant things that could be done.

I think the United States should actually be thinking about what are the unpleasant contingencies. What are Pakistani counter-reactions? We actually haven't done a very good job of that. The threat of the port hasn't really galvanized us to come up with very many alternatives, but I think we really do have to think about the fact that the carrots may not do it. Pakistan's interests in Afghanistan may be more important than what we want it to do on the global war on terrorism. And to simply pretend that those divergences don't exist, I mean, we really do that at our peril. We need to think about the serious conflicts of interest and what do we do about it.

Mr. TIERNEY. Thank you for that.

The whole issue of aid, when we travel over there and we speak with President Karazi and others—it happened to be one of the visits we were on where they just issued a report about aid and saying that the K Street Gang takes 40 percent off the top for arranging the aid, it gets to locally and people take 40 percent off of the remaining 60 percent for their role in distributing and running the programs, and by the time it gets through where the rubber meets the road, not much happening on that. And then we insist on not necessarily letting the locals do it but coming in and paying contractors and others to do it.

I think that your reports and other comments that we have heard say how much more preferable it would be to get the smaller projects perhaps going with local people, with good advice and counsel where it might be necessary, or even some of the larger projects with local people working on them, whether it is a road or a well or anything else. How do we get to that point? How do we get to that point? We don't have as many Greg Mortensons as we would like in the world who I think deserves some credit for all that he has done in terms of the education aspect of that. But, while there are other agencies out there, are there enough other local agencies like that? How do we move in the direction of putting the aid in the way we want to put it in, be accountable, and get the results that we want?

Ms. FAIR. I think everyone sort of talks about the fact that we don't have a big enough footprint in the U.S. Embassy. USAID is a booking agency. USAID doesn't have the density of educational specialists. They don't have hydrologists or—

Mr. TIERNEY. Used to, right?

Ms. FAIR. Used to.

Mr. TIERNEY. Used to.

Ms. FAIR. And it is not just USAID. It is CETA, all of the major national aid organizations have a very similar business model. It is simply not working.

I am somewhat concerned about the Biden-Luger legislation, because if it goes forward as planned I don't know how you are going to put all of these resources through a relatively tiny pipe.

I have to say I very much share your skepticism, and I think without reinventing the agencies—and I think this is a point that Dan has made. I think we are all in agreement. We need to do aid differently. The average Pakistani just hasn't seen what we have tried to do.

I think we also have to think about benchmarks. I am a very strong proponent that unless we have a partner for change it is absolutely pointless. Building schools and the number of schools built is not the relevant measure; it is, rather, are we having a better educational system, are more children being educated, is literacy increasing.

So not only do we have to re-tool the way we deliver aid; we have to re-tool how we engage our partner. What I see a lot of in the United States and in Afghanistan is what I call supply driven aid. We do what we want to do, irrespective of whether or not there is a recipient there who is interested in the program, and then the objective is: has the money been allocated? This is a very disturbing development. It also corrodes governance. It doesn't foster it, because there is no accountability as to where these funds actually go once it is in the Pakistani treasury.

Now, I am very lucky. I speak Urdu, so I get to go wherever I want to and talk to folk. I have been going to Pakistan since 1991, and I have never had anyone say this to me, much less just hanging out in Anarkali Bazaar in Lahore. You Americans throw so much money at our corrupt government, it is as if you want to encourage corruption. I heard this repeatedly. Never before had I heard it. I really took it to heart that we have to redo the way we do business.

Mr. TIERNEY. Doesn't that present you with a dilemma, though? On the one hand you want to enforce a democracy and a new government to sort of empower them to run their government, which means that they are going to want to have the money to allocate out so people understand that they have responsibility for exercising it, and they are a force to be dealt with. On the other hand, you are saying that they are so corrupt that their own people are saying don't give it to them, they are not going to manage it properly, so give it directly to these other organizations. What does that then do to the strength or the power of the local government?

Ms. FAIR. I actually am a proponent of the former. I actually, when you do—I think there is a consensus in the aid community that off-budget aid actually circumvents governments learning to be responsible in its distribution of resources.

Let's just focus upon Pakistan. My concern is that right out of the door—and you said this in your opening remarks—it became very transactional and it became focused on CSF. The strategic dialog, such as it is, wasn't even formed until 2006. It is neither a dialog, nor is it strategic. I would like to give the example of the way in which Indo-U.S. relations have been transformed. We actually

did have a strategic dialog. It had multiple bodies convened. We multiply discussed our objectives and how we were going to proceed with those objectives.

What the United States does, it claims to have Pakistani buy-in, but in fact if you look at some of the areas that we are targeting they are actually the ones that are least resistant outstanding change. For example, the Ministry of Education. I am a huge fan of primary education, but it is not just the number of schools, it is the curriculum. This is a sovereign issue, so when we say we want to affect their curriculum, nothing turns Pakistanis off more than discussion of curriculum change. So this is a really good example of how we have to have a strategic dialog with the Pakistanis that is really strategic, and we actually have to invest in those areas where, A, we have a partner who has the ability to lead and the ability to execute. And we have to bring into this government structure non-governmental actors so that the relationship becomes institutionalized and no longer subjected to the vicissitudes of a particular individual or even a particular government.

I think that is our challenge.

Ms. CURTIS. We do need to buildup capacity in Pakistan. It is not where Afghanistan—

Mr. TIERNEY. In general, unfortunately.

Ms. CURTIS. But in general. So, yes, how you do that, I think you have to move very carefully. But, just to reiterate again, we need a bigger aid mission. We need more embassy staff.

Mr. TIERNEY. What we have been struck with is the fact that even with the diminished structure of people at the State Department and USAID and all that, they didn't even keep enough people on with the credentials to manage and oversee the subcontractors. So once they made the decision to go out and subcontract, they didn't keep enough people in house with the expertise to make sure the subcontractors were actually doing the work and being held accountable for it, and that is a problem.

Brian, I want to get to you in a second, but my next question is this: how long is it going to take us to buildup that capacity? I mean, suppose we had all the money in the world and we said, OK, here is the blank check for that, it is still going to take a lot of time to rebuild that capacity. Or are there enough people out there with the expertise that we can entice to come back in and participate as Government employees in those areas? Brian.

Mr. KATULIS. First, Mr. Chairman, I have an anecdote based on my experience out there in terms of USAID employees. I think we have a lot of committed individuals out there; they are just stretched thin.

I was struck by how the democracy in governance officer that USAID had in the run-up to these elections in February, they didn't have a permanent democracy in governance officer. They were rotating people in for 6 weeks at a time during a period where it was a very tumultuous and historic period in their democratic transition, very important work to be done, election monitoring, all of the work that NDI does.

I am of the mind—and this is why I highlighted this in my opening remarks and it is in the book that I wrote and gave to you there—it is going to take a long time globally to restructure our na-

tional security agencies. Pakistan is an important test case, and if we can commit resources to it—and I would like to hear what the other experts on the panel have to say—a new administration could up the level of resources in a matter of weeks or months and present a new face out there. That will require a political dexterity that I think has not been exhibited by some of our agencies, a moving quickly that I think, if you will look at the experience of Iraq—and Mr. Shays talked about this—I think we have learned from some of our mistakes in Iraq, but some of these institutional cultures inside the U.S. national security agencies require fundamental reform.

I think if you could look at Pakistan as a test case, a pilot project, an urgent test case for our national security to present a new face on national security with General Petraeus coming in on the Central Command leadership, I think he is fairly attuned to looking at all of these other components of American power and how do you update and revive that. I don't think you will cure it overnight, but I think with urgent action and a high-level Presidential and congressional engagement on this issue you could actually move pretty quickly. I don't know if people would disagree with that.

Mr. TIERNEY. I think we can say, from our testimony here, that Secretary Gates is obviously leaning in that direction and has appreciation for it, and there was money in the President's budget for about 1,000 new positions in State. It is now incumbent on Congress to do something about getting it funded and then decide how we bring it up to scope even beyond that.

Dr. Markey.

Mr. MARKEY. If I could just layer upon that, I agree that these very big changes may need to be made in terms of the way that State and aid do business, but I think that it may be useful, just given how heavy a lift that is going to be, to really start with the Pakistan-Afghanistan case first. Invest in building these kinds of physical institutions and also people that we don't have in place.

Just one quick anecdote. When I was in Showar the last time I met with a young American working as a contractor for an international organization that has been essentially contracted by USAID to do business there, and I asked him very directly, would you be willing to work for the U.S. Government if there was a flexible hiring authority that would bring you in and allow you to do very similar work, the kind of work you are doing right now, but report directly to the U.S. Government, and I got a, well, maybe, but yes, I think I might consider it very seriously.

So I am not saying he is necessarily the kind of expertise that you are looking for, but there are some people out there who are right now essentially being contracted through several layers.

One other example within USAID, I met with somebody who is very senior who is handling global kinds of issues, and I said, You know, you are quite expert in this particular area. Why are you handling all these other issues? And she said, well, professionally I am encouraged not to stay within one area of expertise. I am very strongly encouraged to bounce all around the world or to handle a much wider portfolio. That is the structure within the organization

that actually needs to be changed. Develop a core group of really expert people.

If we intend to be in this particular region for a while, we need less flexibility and more staying power, and that is how you need to develop it.

So maybe it doesn't mean changing the entire institution right away, but building a core of expertise for a problem that we all agree is real.

Mr. TIERNEY. Mr. Shays, do you have some more questions?

Mr. SHAYS. Yes, I do.

Mr. TIERNEY. Please.

Mr. SHAYS. Thank you.

I would like to bring Afghanistan into the picture here. Briefly, where is Afghanistan similar to Pakistan? I am not looking for a long list. Are there similarities, and where are they quite different. I mean, from a population of Sunnis, you have 80 percent Sunni in Afghanistan, 77 percent in Pakistan. But are they very different countries? And where are there some similarities?

Ms. CURTIS. Pakistan is much more economically developed than Afghanistan. You really can't compare the economies. I mean, you have a functioning economy, you have a stock market, you have developed urban areas. But I guess the similarities are what we are really interested in. The security issue, which is the FATA, where you do have Pashtuns. You have Pashtuns in Afghanistan and Pakistan, and particularly that tribal border area where you have people who move back and forth and don't really recognize the border. So in that respect, that area is similar to Afghanistan.

Mr. SHAYS. Has Afghanistan ever really had the industrial age? Has the FATA region ever had the industrial age?

Ms. CURTIS. Not really. No. That is where it is similar.

Mr. SHAYS. OK. Any other comments?

Ms. FAIR. I think a couple of interesting differences. One is the whole structure of governance. If anything, Pakistan has had a history of a very overly strong central governance. Local governance structures have rarely functioned and they don't really have the capacity or legitimacy that the central government does, for better or for worse.

In Afghanistan it is kind of interesting, I think. Coming out of the whole Yugoslavia experience in the post-Taliban Afghanistan, the United States and its allies were insistent upon making Afghanistan a strong central government. Now, there were periods in Afghanistan's time where you could say it perhaps had one, but in reality the central government for most Afghans doesn't really exist, and the real center of power actually is local.

Mr. SHAYS. See, this is really what I am getting into. If Afghanistan wasn't next to Pakistan, I am not sure I would care about Afghanistan.

Ms. FAIR. I would agree with you.

Mr. SHAYS. And we are making decisions like we have trained about 443,000 national security force, 65,000 army, 78,000 police. The rule of thumb basically is we need 20 per 1,000 when you are trying to control insurgencies. That would mean that you would need about 620,000 security personnel. We have 143,000 and we are planning to get 200,000, which is one-third of what we need.

So even if we take 2 years to get to the one-third, we are still two-thirds short.

When we talk about this being the “good war” in Afghanistan, I am not sure why we mean it. I could make an argument clearly that we shouldn’t have gone into Iraq, but once we were there and disbanding the Army I can make a very strong argument, and I think I do, of why we couldn’t leave. But at least I saw a strategic interest, and that was we couldn’t allow terrorist organizations to control a region where two-thirds of the world’s oil, gas, energy is.

But I don’t see that in Afghanistan, and what I see in Afghanistan is a corrupt government, highly corrupt, open trade that at least Pakistan has made some effort to control but Afghanistan hasn’t. So this gets to my question. Do we make things worse in Pakistan by trying to do what we are doing half-heartedly in Afghanistan, and do we make Pakistan a more dangerous place because of that? Nodding of heads doesn’t get recorded.

Ms. FAIR. I will say yes. I mean, I absolutely agree with that. I don’t think you were here. I argued earlier in this session that the way we went into Afghanistan in 2002, obviously breaking all the commitments that we made to Pakistan about how Kabul would fall by whom and the security arrangements that we set up basically relying upon the Taliban’s foes, which is by proxy Pakistan’s foes, really conditioned Pakistan’s beliefs about how Afghanistan would shape. I continue to believe that this is why we are seeing this sort of Janus-faced participation. In the end they have to live with Afghanistan, we don’t, and they are very hesitant to let go of Haggani. They are very hesitant to let go of Haggani because the time will come they believe when we leave and they have to deal with that.

From the Afghan side, we have enough troops to deliver insecurity in the form of civilian casualties. We kill as many civilians as the Taliban do, which is not exactly an encouraging metric.

Mr. SHAYS. Are you saying in Afghanistan?

Ms. FAIR. In Afghanistan we kill just as many civilians as the Taliban do, so if you look at the death tolls there, we run neck and neck with the Taliban every single year. We rely upon—

Mr. SHAYS. I don’t think that is accurate.

Ms. FAIR. It is pretty darn close. Depending on the year and depending on what period you are looking at. Now, there has been some improvement in recent years, but if you go back to the beginning we do run very close. Part of it is these air strikes. Different data bases say different things. When I worked with UNAMA, our UNAMA data suggested that they were similar.

But the problem for your average Afghan is that there are enough troops to provide insecurity but not enough troops to provide security. If you look at the public opinion polling data, there are issues with polling in Afghanistan, for sure, but if you look at the trend what you see is that support for Taliban is certainly inching up, support for the government is declining.

Mr. SHAYS. Let me just jump in. That is kind of my concern. My concern is that we met with students who said, you know, about Afghanistan, 70 percent of our population can’t read or write. They believe that the failure to come to grips with the insurgency is something that we prefer because that allows us to occupy. They

think we want to occupy. I am concerned that if we are not going to train enough of their own troops, we have to bring in more of our own, and then we become the occupier.

But I am really trying to bring this to Pakistan, since this is our topic, and understand whether what we are doing in Afghanistan is helping Pakistan or hurting it and then what the alternative would be. I guess I would end with that question. I would like to ask all of you.

Ms. FAIR. There is a chain reaction. What we do in Afghanistan, and not just what we do but also how it is depicted in the Pakistani media, the vast majority of which is in Urdu, the vast majority of which we have no assets to monitor in a comprehensive way. Folks in FATA who are co-ethnic with many people in Afghanistan, this reflects, they look at what we are doing in Afghanistan. It affects a wider radicalization. We are taking heat from the Taliban. We put pressure on the Pakistanis to act in FATA, which it can't, therefore we do unilateral action, which is then reverberated throughout the entire Pakistani population as also an invasion of their sovereignty.

So there is this enormous ripple effect, and people do forget that Pakistanis, like folks elsewhere in the region, watch TV, listen to radio, thoroughly globalized media.

Mr. SHAYS. I hear what you are saying. Let me hear from some other folks so we can wind this up.

Ms. CURTIS. Sir, your comments make me nervous. We cannot afford to have Afghanistan fall back to the Taliban and become a terrorist safe haven again, first off.

I was in Pakistan in the mid-1990's. I served in the Embassy there. A month after I arrived, the Taliban was rolling into Afghanistan. The situation is much worse now, so in a sense it is similar to the Iraq situation. We can't afford—

Mr. SHAYS. The question is can we afford to have the Afghans believe we are occupiers? Can we afford to do what historically has happened in Afghanistan, and that is occupiers unite the Nation against them. You know, those are the questions I am asking can we afford.

Ms. CURTIS. No, we can't, and that is why we need to focus on the training, the ANA. Before I came here we had General Wardak, the Minister of Defense from Afghanistan. He laid out a very clear plan of what he is doing to train out the Afghan forces, acknowledging that ultimately it is the Afghan forces, the Afghan institutions that have to take control of security and stability.

Mr. TIERNEY. Can I interject something here? Chairman's prerogative on this a little if I can. We spent considerable time in both countries, Afghanistan and Pakistan, talking to a wide range of people, from the business community to the media folks to educators, government officials, NGO's. I think staff with me and others, all we heard is, what are you so focused on the military for? We definitely need security. Here is a quote—Samina Ahmed who works in the International Crisis Group said this, but I think it is representative of what we heard from a lot of people. "Militaries are blunt instruments. They are not good at counter-insurgency. The police would be a far more effective instrument."

If we really trained out the local security forces, the police in Afghanistan and Pakistan, you can't ignore the military. But aren't we missing the boat if we don't really ramp up the local police that are right at the level where people want the most interaction with them, the ones who know people and could probably persuade them to address this a little bit better than the military marching in and thumping them around?

Brian. Dan.

Mr. KATULIS. I agree with that. I am sorry to go back to my Johnny one note point. Do we have the capacity to do that? I mean, I think we have increased it—

Mr. TIERNEY. There is international capacity to train up.

Mr. KATULIS. Exactly. And are we marshalling that?

Mr. TIERNEY. No.

Mr. KATULIS. Yes, I think we need to do a better job on that front. I think that the local police, this is a challenge in Iraq as you well know, too. But we don't have a structure inside of the U.S. Government. We have had friends in other think tanks, like John Nagl at CNAS, say we need a corps of trainers—

Mr. TIERNEY. But other international organizations—

Mr. KATULIS. They could do that.

Mr. TIERNEY [continuing]. Have good trainers, other countries have good trainers, and we can certainly find a way to do it if that is a good part of the answer.

Mr. KATULIS. Yes.

Mr. TIERNEY. Which we are hearing from a number of experts and a number of people here that it is.

Mr. KATULIS. I agree that it is an important part. Going back to one of the things I was stressing, when people in Pakistan in the public opinion polls talk about security, they talk about very localized issues in their own community. I think that is essential to re-shift our policy levers and work with others to help develop that capacity. Tremendous challenges in doing that, and I think the rest of the panel—

Mr. TIERNEY. Unless there is any extraordinary disagreement to that?

[No response.]

Mr. TIERNEY. I will try to bring this meeting to an end.

Mr. SHAYS. Let me just make a comment if I could.

Mr. TIERNEY. All right.

Mr. SHAYS. And that is that your comment about there never being a strong central government makes me believe that our game plan is hugely flawed, and that ultimately what we are going to do is de-stabilize both regions. I hope whoever is the next President really comes to grips with this issue, because one of the Pakistani leaders—I think it may have been the Governor from the northern region—was saying to us that what Karzai has to do is he has to bring all the tribes together and make peace, and it is not going to be the kind of peace that we want as Americans, but that is the only way there has ever been peace.

Mr. TIERNEY. Well, thank you, Mr. Shays, and thank all of you for your testimony and your conversation with us here today. I think it has been extraordinarily helpful to get into some of these issues a little deeper and have some thoughtful approaches to it.

The people that weren't here, you can trust that they are not disinterested. There is a lot else going on this week, as you know. They will read your testimony. They will also look at the video, which will run on our Web site, the subcommittee Web site. I am sure others will, as well. And I hope many people do, because I think it has been very insightful and helpful and I thank all of you for joining us and helping us today.

We are adjourned.

[Whereupon, at 4:40 p.m., the subcommittee was adjourned.]

