

Pakistan 2020

Scenario One: Radicalization

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Perceived military threats, spiraling economic losses, and political infighting ignite populist fervor that leads to the democratic election of a conservative military officer. The new regime aims to strengthen Pakistan, and the wider Muslim world, through a radical Islamic agenda reinforced by Pakistan's growing nuclear capability.

Scenario Two: Fragmentation

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Devolution of resources to local and provincial authorities weakens federal control and legitimizes separatist movements, while internal and external defeats reduce loyalty in the army. Patronage networks come to dominate socio-economic relationships, regions operate independently of each other and nuclear material is, at best, insecure.

Scenario Three: Reform

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A growing, urban middle class unites with expatriate entrepreneurs to spark a centrist political movement for consensus-based economic reforms. The movement forms a political party that prioritizes increased trade with regional partners and co-opts political and military elites by sharing the economic gains.

PROJECT OVERVIEW

The scenarios presented in this document are based on the Pakistan Scenarios workshop, held on April 29, 2011 at the Center for Global Affairs at New York University. This was the seventh in a series of workshops organized by the CGA Scenarios Initiative, which aims to reduce surprise and illuminate U.S. foreign policy choices through scenario-building exercises. Previous events focused on Iraq, Iran, China, Russia, Turkey, and Ukraine. The workshops on China, Russia, Turkey, Ukraine, and Pakistan were funded by the Carnegie Corporation of New York.

In both official and academic policy debates, the future is often expected to parallel the recent past. Potential discontinuities are dismissed as implausible, information that conflicts with prevailing mindsets or policy preferences is unseen or viewed as anomalous, pressure for consensus drives out distinctive insights, and a fear of being “wrong” discourages risk-taking and innovative analysis. This conservatism can obscure, and thus reduce, foreign policy choice. Our experience, through several workshops, is that experts tend to underestimate the degree of future variability in the domestic politics of seemingly stable states. This was the case with the Soviet Union, as it is now in the Middle East. Globalization, financial volatility, physical insecurity, economic stresses, and ethnic and religious conflicts challenge governments as never before and require that Americans think seriously about both risk and opportunity in such uncertain circumstances.

The CGA Scenarios Initiative aims to apply imagination to debates about pivotal countries that affect U.S. interests. The project assembles the combination of knowledge, detachment, and futures perspective essential to informing decisions taken in the presence of uncertainty. The project comprises long-term research on forces for change in the international system and workshops attended by experts and policymakers from diverse fields and viewpoints. The workshops examine the results of current research, create alternative scenarios, identify potential surprises, and test current and alternative U.S. policies against these futures.

Michael Oppenheimer, the founder of the project, has organized over thirty such projects for the State and Defense Departments, the National Intelligence Council, the Central Intelligence Agency, the U.S. Institute of Peace, the Brookings Institution, the Council on Foreign Relations, and the President’s Science Advisor. He is a professor at the Center for Global Affairs at New York University.

FOREWORD

Over the past decade, Americans have gotten used to reading about Pakistan in the morning newspaper headlines. Home to top al-Qaeda leaders and many of the essential NATO supply routes for the war in Afghanistan, Pakistan's fate is inextricably tied to top U.S. security concerns. Yet because of Pakistan's domestic turmoil, from assassinations and suicide bombs to devastating floods and earthquakes, predicting its long term future with confidence is a hopeless enterprise.

Straight line projections of present trends often fail in far less spectacularly turbulent countries than Pakistan, so it is not uncommon for analysts to chart "alternative scenarios" in an attempt to understand the factors that have the potential to shape Pakistan's future. For this reason, when Michael Oppenheimer first approached me with the idea of the Pakistan 2020 project, I had some concerns that it might turn out to be an academic replay of the many Pakistan "war-games" and scenario-building exercises that have become routine in Washington, both in and outside government. However much these exercises give lip service to the "long run," most of the time and attention tends to fall on immediate policy issues, such as, how can Washington get better counter-terror cooperation out of Islamabad? Or what role, if any, can Pakistan play in facilitating a peace in Afghanistan?

Other such exercises suffer from an expert bias to predict more of the same, to see the past as prologue, and to focus on "most likely" or "worst case" scenarios at the expense of other possibilities. These tendencies are hardly surprising; because Pakistan has so many moving parts—it is a state and society in extreme flux—many seasoned experts simply throw up their hands in despair when asked to contemplate a future more distant than the coming year. As a consequence, analysis of the future ends up looking an awful lot like analysis of the present and recent past.

Fortunately, Michael Oppenheimer and his team at the Center for Global Affairs at New York University managed to avoid these pitfalls. Their successes can be attributed to at least two factors. First, they assembled a first-rate group of experts, a good number of whom were strangers to one another. Given the small size of the Pakistan-watcher community in the United States, this diversity of experience and perspectives was itself impressive. It made the conversation livelier, and it introduced issues that might otherwise have gone without mention. Second, Michael kept a discipline and focus to the discussion that forced these participants to

imagine how and why Pakistan might pursue paths towards three distinct futures, while somehow balancing that discipline with a measure of flexibility and creativity that encouraged genuinely new ideas. Rarely have I left a workshop as impressed with the range and depth of the substantive discussion.

At this writing, U.S.-Pakistan relations are at historic lows. The future looks uncertain, but more bleak than hopeful. Yet I believe that the NYU workshop provided me and other participants with useful tools to stretch our imaginations and play out how various pieces of the Pakistan puzzle might be rearranged over the next decade. In that creative spirit, I believe this report will be especially useful for American policy makers who are charged not simply with accepting and responding to the dire realities of the present, but with imagining a brighter future and thinking seriously about ways to get closer to it.

November 2, 2011

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INTRODUCTORY NOTES

The Pakistan Scenarios workshop was designed to facilitate a free-flowing discussion on plausible scenarios for the future of Pakistan to the year 2020. It was not a formal simulation with assigned roles, but an open dialogue among 15 participants of diverse expertise related to Pakistan. The objective of the session was to identify and develop three plausible, distinct, and consequential scenarios that merit the attention of U.S. foreign policy-makers. The launching point for the discussion was a paper prepared by the CGA Scenarios Initiative team (see Appendix) that identified five “drivers of change” in Pakistan: identity formation, civil-military relations and governance, economics, security, and foreign policy orientation. Each of these “drivers of change” has exhibited considerable variability in the past and has the potential to diverge significantly from its current trajectory in the future.

Scenarios, as conceived in this project, arise as such “drivers of change” evolve and interact over time, to the extent that a country could be described substantially differently in the year 2020 than at present. We have consciously chosen to deemphasize—without ignoring—the role of external forces in shaping change based on an impression we have gained from previous workshops that country experts tend to underestimate the variability of factors internal to countries. Seemingly stable states surprise observers when they suddenly unravel—the USSR being the classic example, the Middle East the most recent. Expectations of stability often turn out, in retrospect, to have reflected limited information, embedded mindsets, political biases, and/or excessive caution. This observation does not amount to a general prediction of imminent instability, but recognizes that states today are subject to an extraordinary combination of internal, as well as external, demands. An “inside-out” approach to scenario building, then, affords an opportunity for structured speculation about how a country’s trajectory might change unexpectedly due to internal developments. In the case of Pakistan, whose course is often viewed as inextricably linked to the U.S.-led war in Afghanistan, this exercise has particular value—especially considering the risks associated with Pakistan’s nuclear weapons, technology, and materials.

The workshop began with fragmentary scenario ideas suggested by the CGA Scenarios Initiative team based on considerations of “drivers of change” in Pakistan, as well as current literature on the subject. Panelists were asked to consider how Pakistan in 2020 could plausibly differ

from today. They discussed the ideas presented, added to the list and made suggestions for eliminating redundancies. The following three scenarios were selected by the panelists on the basis of their plausibility, distinctiveness, and potential relevance to U.S. foreign policy:

- **Radicalization:** Perceived military threats, spiraling economic losses, and political infighting ignite populist fervor that leads to the democratic election of a conservative military officer. The new regime aims to strengthen Pakistan, and the wider Muslim world, through a radical Islamic agenda reinforced by Pakistan's growing nuclear capability.
- **Fragmentation:** Devolution of resources to local and provincial authorities weakens federal control and legitimizes separatist movements, while internal and external defeats reduce loyalty in the army. Patronage networks come to dominate socio-economic relationships, regions operate independently of each other and nuclear material is, at best, insecure.
- **Reform:** A growing, urban middle class unites with expatriate entrepreneurs to spark a centrist political movement for consensus-based economic reforms. The movement forms a political party that prioritizes increased trade with regional partners and co-opts political and military elites by sharing the economic gains.

None of these scenarios are intended to represent the most likely future; rather, each embodies plausible developments that would be highly impactful were they to occur, and that challenge both our assumptions and our preferences. None of the scenarios assumes that Pakistan will have arrived at some stable end-state in 2020.

The remainder of the workshop was spent fleshing out the selected scenarios. In each case, the panelists discussed: What would Pakistan look like in 2020? What factors and events would precipitate and drive the emergence of the scenario? How would potential hindrances to the emergence of the scenario be rendered unimportant? In these discussions, we attempted to suspend disbelief, set aside probabilities, and build the most persuasive case we could for each scenario.

The scenarios that follow are based on the discussions that took place at the workshop, as well as supplementary research. Each scenario was constructed around a particular conception of Pakistan in 2020 and includes a narrative of a plausible path to that outcome. The narratives

are not the only paths to the hypothetical end state, but rather illustrate how plausible events and developments could affect significant change over the course of a decade. Since the narratives all begin in the present, their early years are structured around similar events, namely the U.S. raid to kill Osama bin Laden in Pakistani territory and the run-up to the 2013 elections. As actors—from the political, military and religious establishment, as well as from Pakistan’s vocal civil society—respond differently to emerging realities, the scenarios begin to take on unique characteristics that by 2020 produce divergent end points with distinctive implications for Pakistan and for U.S. foreign policy.

We hope that each scenario is plausible and thought-provoking, revealing challenges and opportunities for U.S. policy not apparent in extrapolations or in current policy-driven debates about the future of Pakistan.

Michael F. Oppenheimer
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The scenarios presented in this document were prepared by faculty and students at the Center for Global Affairs, based on discussions at a full-day workshop and additional research. The group of experts who participated in the workshop was assembled by Michael F. Oppenheimer, Clinical Professor at the Center for Global Affairs.

Please note that the views expressed in this report are those of the authors at New York University's Center for Global Affairs and do not necessarily reflect the views of the Carnegie Corporation of New York or of workshop participants.

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Scenario One: Radicalization

INTRODUCTION

Regional threats squeeze Pakistan from east and west as the Afghanistan war rages and tensions with India escalate. The extraterritorial U.S. raid on Osama bin Laden's compound provokes a deepening political crisis as the breach of national sovereignty strips credibility from the country's military and Inter-Services Intelligence agency (ISI). To stem the erosion of their influence, fundamentalists in the Army align with ultra-conservative Islamic clerics behind a radical domestic agenda, in the hopes that a strong commitment to Islam will restore the legitimacy needed to preserve power in Pakistani politics and society. Meanwhile, the government responds to public demands to distance Pakistan from the U.S. by seeking non-Western sources of funding, and by publicly inviting Islamic countries under their nuclear umbrella as a guarantor of Islam against interference from Western powers. This nuclear posture, alongside escalating ISI-enabled terror attacks on Indian interests in Afghanistan, and in India itself, once again raises the specter of India-Pakistan armed conflict.

Pakistan fails to address the structural economic problems that have forced it to seek external patrons. These problems, coupled with the contagious effects of the Arab Spring, lead to violent public protests. The protests are motivated by two distinct grievances: first, students and provincial tribal members oppose the greedy ruling elites of Punjab. Second, Islamic conservatives mobilize worshippers to fight against corruption through a return to stricter, traditional values and Sharia interpretation of existing laws. This movement consolidates around anti-Western rhetoric that blames internal problems on the government's appeasement of U.S. interests. The protests reach their height before the 2013 elections, and help to produce a coalition government led by the PML-N that includes both the MQM and small, radical Islamic political parties.

The coalition's power is short-lived as Prime Minister Nawaz Sharif resigns for personal health reasons soon after the election and his politically weaker brother, Shahbaz, assumes the role of care-taker PM. The governance vacuum accelerates into an economic free-fall. As Europe and the U.S. suffer from continued slow growth, sovereign debt, and credit crunches, Pakistan's fragile financial conditions finally implode under

the cumulative weight of high inflation and unemployment. Increasing insecurity on the India-Pakistan border, where local skirmishes have occurred over water sharing issues, leads to the promotion of an ambitious colonel chosen for his close relationship with clerics powerful in military circles. Colonel Masood Khan gains trust throughout the army ranks for innovative defense plans, and becomes the public face of the army.

With security concerns at their highest level after a terrorist bombing in Kashmir in 2016, Pakistan and India come to blows. After Colonel Khan foils an Indian covert operation, the officer becomes a national hero. Patrons in both Sharif's PML-N party and the military urge him to take up the political reins dropped by Prime Minister Sharif in time for the 2018

The public began to distrust both the capability and willingness of the armed forces to defend against breaches of sovereignty and protect Pakistani citizens.

elections. Khan, a reformer at heart, takes the opportunity to transform Pakistan into a democratically elected, ultra-conservative Islamic state. By 2020, Pakistan's military, government, and judiciary are aligned behind a fusion of nationalism and radical Islam: domestically, laws are rewritten to favor Shariatic punishments and relations

are legitimized between the military and externally-focused terrorist networks; internationally, Pakistan's foreign policy centers on building networks with Islamic countries to contain threats from India and the West and to create a common Islamic security regime. While economic imbalances persist, the public is hopeful that prioritizing religious ideals will reduce corruption and provide opportunities for Pakistan to prosper.

DRIVERS OF THIS SCENARIO

- **Identity:** Corruption, repeated economic setbacks, and pro-U.S. sympathies of secular politicians fuel populist anger among Pakistanis. This anger is amplified by protest movements that seek to mirror the successes of the Arab Spring by forcing politicians to address imbalances between wealthy, land-owning elites and working-class citizens. Elected officials, who have strong ties to the elite class and depend on Western aid to fund policy programs, respond with hollow promises for change. Sectarian and ethnic divisions pitting Sunni versus Shia, and Punjabis against others, provoke grass-roots mobilization. This combative environment sets the stage for a charismatic leader whose reform proposals aim to bind the restive and divided populace behind a populist and nationalist agenda.

- **Civil-Military Relations:** Civil-military relations are under the most significant strain in Pakistan's history as the Osama bin Laden raid opens the role of the Army to public debate. The Army, cognizant that power is quickly slipping away, signals a deeper commitment to fundamentalist Islam just as politicians assuage the public by elevating the political role of radical clerics. The convergence of ideologically-driven goals with security threats from India and from domestic terrorist actors, leads to both a larger budget for the Army, and the elevation of Colonel Khan from the public face of the Army to the Prime Minister of the nation.

- **Economic Trends:** The combined effects of worsening unemployment, ineffective tax collection, military spending, and global recession trigger a financial collapse in Pakistan, hastening central bank insolvency in 2013. GDP growth, already sluggish at two percent by the end of 2011, slows to less than half a percent by 2013, as credit access and foreign direct investment dry up. Income inequality, in part reflecting demographic trends that leave substantial numbers of the country's burgeoning youth population perpetually unemployed, heightens resentment towards the political elite; after the elections of 2013, media revelations of financial impropriety among political clans contributes to rising populism.

- **External Actors:** After the killing of Osama bin Laden, the relationship between the U.S. and Pakistan reaches its nadir. As Pakistan shifts away from the U.S. and turns to China, its efforts to pull its northern neighbor closer prove ineffective: China, unwilling to risk spurring Islamic tensions within its own borders by allying too closely with a fundamentalist Pakistan, limits itself to opportunistic partnerships predicated on trade and resource procurement. Pressured by regime changes in the Middle East and North Africa, Saudi Arabia—along with expatriate networks in Dubai and Bahrain—increases financial assistance to Pakistan, augmenting its nuclear and military resources and building towards a nuclear Islamic defense regime.

THE PATH TO 2020

2011–2013: A Security Crisis

At the start of the decade, Pakistan was a country besieged. With India relations still tense over the 2008 Mumbai bombings, rampant insurgent activity along the border between Pakistan and Afghanistan and continued American drone attacks, the killing of Osama bin Laden in Pakistan in 2011 provoked a full-blown political crisis. Before the Abbottabad raid, the military was the undisputed power-broker in Pakistan; afterwards, the army was put on the defensive. The ISI-directed beating death of a journalist critical of the military regime,¹ and sustained attacks on Pakistani soil by both American drone strikes and terrorist assaults, caused the army and ISI to lose credibility with the public.

The public began to distrust both the capability and willingness of the armed forces to defend against breaches of sovereignty and protect Pakistani citizens; right-wing columnists and broadcasters accused the military of having “gone rogue” after years of alliance with America. Hard-line conservative clerics opined in the mosques and media that the military had become too Westernized and had lost sight of both Pakistan’s security needs as well as its responsibility to the Islamic nature of the state. Critics claimed that by allowing the U.S. to abuse Pakistan’s trust, the military was causing the death of fellow Muslims and projecting an image of national weakness to enemies like India. Citizens openly questioned the Army’s ability to respond to either conventional or nuclear threats.

The previous policy of maintaining good relations with the U.S., led by army General Ashfaq Kayani and politicians like President Asif Ali Zardari, was undermined from two directions: first, the government responded to public outcry over the Abbottabad raid by punishing the military through budget cuts; second, senior U.S. military advisors continued to hammer the ISI on its connections to terrorist organizations carrying out major attacks on Western interests in Afghanistan.² Official U.S. aid to Pakistan was drastically reduced by Congress, though money continued to flow secretly through remaining CIA channels.

The reduction in aid and desire to shift away from U.S. influence spurred Pakistan to seek closer alignment with China as a partner in both security and financing. Ownership over the deep-water port of Gwadar and stakes in coal, copper and rare earth mines were proffered by Pakistan to its

northern neighbor, but China engaged only at arms-length, tempered by fears of insurgent violence within its borders and against its international assets. Quid pro quo arrangements were struck to China's advantage whereby it provided arms and financial assistance in exchange for access to Pakistan's resources. This sub-optimal arrangement further stoked fears of security isolation within Pakistan.

By late 2011 Pakistan's defense concerns dictated a more muscular nuclear posture: weapons were put on alert status in fear of U.S. and Indian raids, and a doctrine of tactical battlefield use was seriously debated by Pakistan's policy-makers and academics. Although Army reinforcements were doubled around both weapons storage facilities and nuclear power and arms manufacturing centers, the public, as well as some government officials, remained anxious regarding the military's ability to keep nuclear sites protected from accidents or theft by terrorist actors.

India's attempts to scale down its conflict with Pakistan in 2010 were reversed after 2011 due to Pakistan's heightened nuclear focus and joint U.S./India pressure on Pakistan to turn over militant groups to Western forces. Over 20,000 Indian Army troops were amassed along the Kashmir border by the beginning of 2012 and maneuvers frequently resulted in brief but bloody skirmishes. This reignited the vicious cycle of nuclear threats between the two countries.

Fed up with the perception of military incompetence, radicalized Army officers consolidated their power within the ranks. Aware of the restlessness among the younger, more conservative soldiers, older and retired officers with fundamentalist views joined young Islamist officers in promoting a more radicalized military agenda. In an effort to demonstrate commitment to reform, the senior officers engaged conservative Pakistani clerics as "guides" in the promotion of younger officers. The clerics provided the military with lists of criteria that would satisfy their expectations of a credible Islamic defense force; additionally, the clerics and officers agreed on a joint appeal to politicians for budget increases to provide greater religious training to young officers in the hope of eliminating any pro-Western tendencies among them. In light of continuing U.S. drone flights over Western Pakistan and India's perceived provocations, politicians were willing to oblige. Consequently, threats of cuts to the military's budget in 2011 were forgotten, and instead, the defense budget increased by 30 percent in 2012.

As Islamicized democracies emerged from the Arab Spring across North Africa and the Middle East, Saudi Arabia—along with Pakistani expatriate networks in Bahrain and Dubai—sought to ally with the Pakistani military as additional defense against rising and unstable regimes; billions in aid dollars were sent to fund Pakistan’s nuclear program, and a deal was hatched in 2012 for Pakistani paramilitary teams to be made available for Saudi Arabia’s own territorial security, should the need arise.

Internal insurgent activity put further pressure on Pakistan to resolve domestic security problems. Pakistan Taliban (TTP) suicide bombers and insurgent groups attacked police and military sites on a regular and ongoing basis from 2011 through late 2012, culminating in a bombing in Rawalpindi in the run-up to the 2013 elections—signaling their intent to confront the seat of Punjabi power.

2013: A Bloody Election

The elections of 2013 were marked by violence. Sindh university students led political protests in the months before the vote. As supporters of the Sindh-based Muttahida Quami Movement (MQM) party, their grievances were directed against the Punjabi elite, who were perceived as ethnic oppressors and censors of political dissent—a key concern in light of the overwhelming popularity of the Punjabi-based PML-N party that was poised to win. A handful of protest organizers, taking a cue from the Arab Spring, proposed a political compromise to reduce conflict and nationalize the MQM’s mandate by finding opportunities to work with PML-N, particularly in regards to the use of Sindh land and natural resources. Though this cause was taken up by a small percentage of MQM supporters, most rejected compromise and instigated bloody, chaotic and generalized protests over the threat of Punjabi control.

Pre-election fervor included sectarian conflict sparked by Islamic groups like the Jamaat-e-Islami and the Jamiat Ulema-e-Islam. Through mosque gatherings, clerics spurred citizens to call for an ultraconservative Islamic political agenda, designed to restore stability through a return to Pakistan’s “traditional values.” Decrying Western influence on liberal elites, they demanded bans on music and dress that were deemed insufficiently Islamic, as well as automatic death penalties for non-Pakistanis caught breaking the law. A coalition of imams began a pressure campaign against the legal establishment to install new laws intended to generate strict

Sharia interpretations. Many supportive Sunni Punjabi Muslims, both civilian and military, took this up as a basis for protest in opposition to the Sindh-based Muhajirs, whose more liberal views ran counter to the right-wing Punjabi cause. More savage demonstrations ensued.

At the height of the violence in 2013, Nawaz Sharif's PML-N sought coalition partners for the upcoming election. In an attempt to shore up PML-N's conservative credentials as well as to assert control over the insurgent Balochistan and Khyber-Pakhtunkhwa (KP) regions, Sharif approached Jamaat-e-Islami and the Jamiat Ulema-e-Islam to form a partnership. Although the MQM did not naturally fit Sharif's preferred agenda, his popularity had waned somewhat since 2011 and he knew he needed to take bold action to quell pre-election fractiousness. Consequently, he invited MQM into his election alliance, leveraging additional support from the Sindh student movement by holding several direct meetings with activist leaders. Although PML-N's and the religious parties' conservative Islamic objectives remained far apart from the progressive MQM's core platform, they reluctantly coalesced into a fragile union to promote economic enterprise opportunities to reduce poverty and unemployment.

The tri-partite coalition won handily over Asif Ali Zardari's incumbent PPP. Damaged by endless corruption charges and affiliation with the U.S. and its raid on Osama bin Laden, Zardari's party was ousted with less than 20 percent of the vote.

2013–2015: Resignation of a Prime Minister and Economic Collapse

Two months after the elections, Nawaz Sharif's deteriorating health forced his resignation.³ His brother Shahbaz, President of the PML-N, took over leadership of the party and tried to keep the coalition members together, but in-fighting among the party principals spun the union apart. New unrest broke out in Punjab and Sindh among PML-N and MQM supporters who saw each other's agendas as antithetical. Sharif was forced to call for mid-term elections in 2015. With a view towards keeping office until then and beyond, Sharif sharpened his support for radical Islamist objectives in a bid to hold religious parties on his side. He publically appealed to the judiciary to implement Western music and dress bans as introductory moves towards a greater legal enshrinement of conservative Islam.

Meanwhile, the price of oil hit the U.S. \$140-\$150 range in 2013. Europe had been sent into a secondary recession as a result of the continued sovereign debt problems of European Monetary Zone member states; Italy had its own debt crisis in 2012, followed by full-blown default in 2013. The market panic and combined euro and dollar strains restricted access to credit. In Pakistan, commodity prices soared, exacerbated by a drought-induced, record-low cotton harvest. Consumer price inflation jumped to 15 percent as the country's economy, shaky at the start of 2013, tipped into collapse by the end of 2013 when the central bank effectively ran out of usable foreign currency reserves. A government inquiry into the state of Pakistan's finances requested by Shahbaz Sharif revealed the hazardous state of reserve liquidity: the combined effect of imbalances in foreign exchange payments, lack of tax revenue collection and military spending that had more than doubled since the end of 2011 dropped foreign exchange reserves to less than 15 percent of their previous value. Unemployment stood at 20 percent and GDP growth slowed to less than one percent. Power outages and food shortages rapidly increased, causing unrest to spread from the border regions to Punjab province.

In a desperate effort to bolster finances, Shahbaz Sharif called for an emergency consumption tax, which only served to heighten public protest. To make matters worse, an investigative reporter digging into financial improprieties of the Sharif clan uncovered details of illegally obtained family holdings as well as similarly questionable holdings of other Punjabi elite landholding families. Calls for the arrest of Shahbaz Sharif in the press reached their height in 2014, but bribes and his contact network allowed him to evade attempts to relieve him of power, while reporters investigating the improprieties were harassed into silence by agents of the military. Assisted begrudgingly by radical Islamist coalition members who sought to keep their political visibility, Sharif managed to remain in office after the 2015 mid-term elections. However, he was made aware of his tenuous position by clerics who criticized him for the PML-N's coalition with MQM, a party they considered a mouthpiece for India and liberals.

As student-led protests in Sindh resumed with fervor after the election, a grass-roots movement among the poor from Balochistan gathered pace in 2015. Both groups blamed the elite landowning Punjabi kleptocracy for Pakistan's stagnant economy. Sharif used military and insurgent contacts to crack down on protesters in an effort to prevent anarchy, but some senior

officers were uncomfortable with attacking fellow Muslims and refused. General Kayani, ousted before his anticipated retirement in 2013, had been replaced by a conservative career general who, working with other Army and ISI colleagues, directed the grooming of a few attractive officers into mouthpieces for the new ultra-nationalist Army. In early 2015, one of these officers, Colonel Masood Khan, was authorized by his commanders to be interviewed about Muslim-on-Muslim violence and won a favorable following in the press. Highly respected by the younger soldiers for his relationships with senior clerics, Colonel Khan espoused security through Pakistani unity. While he did not offer specifics on resolving Sunni and Shia sectarianism, his charisma galvanized public opinion.

2015–2017: Border Clashes and Resource Disputes

In 2015, tensions between India and Pakistan remained dangerously high; in a widely disseminated Indian newspaper interview, Indian sources were quoted as supporting a Balochi bid for statehood at the UN, inflaming new Pakistani rhetoric against India. The U.S.—still maintaining a political and economic presence in Afghanistan—offered to mediate between India and Pakistan but was summarily rebuffed.

As Pakistan and India focused their aggression towards each other, China's damming of the Indus River at Senge-Ali in Tibet for hydroelectric power began aggravating already serious drought conditions in both India and Pakistan. Pakistan blamed India for violating the 1960 Indus Waters Treaty⁴ by ignoring the guidelines set out by the International Court of Arbitration⁵ in constructing the Kishanganga hydropower project in Kashmir. Kishanganga was seized upon by the Pakistani press as being responsible for the drought that caused the 2013 cotton crop collapse and the widespread food shortages that propelled civilian conflict. Towards the end of 2015, Pakistan threatened India with force over Kishanganga. China publicly avoided choosing sides and covertly supplied aid to both countries in an effort to draw attention away from its own dams.

In early 2016, a suicide bomber associated with Lashkar-e-Taiba detonated a device at the Kishanganga facility, thereby rendering it inoperable. Several Indian dam workers were killed and India threatened retaliation. The United Nations Security Council engaged for a vote, but abstentions from China and Russia prevented concrete action. As the trade in artillery

fire between the two countries along the Kashmir border increased, indirect nuclear threats were made by both India and Pakistan.

Prodded by Shahbaz Sharif, the re-energized military dispatched the British-educated Colonel Khan to establish an outpost on the Kashmir border and serve as a leader in the anti-Indian efforts there. Khan's technical skills enabled him to integrate the tactical operations along the border, which helped the military manage the area's increasingly chaotic situation.

In early 2017, a covert Indian Army Research and Analysis Wing (RAW)⁶ team based in Kashmir attempted to infiltrate and steal Pakistani nuclear weapons. Signal intelligence led to interception of the RAW group by a Pakistan army division under Colonel Khan's command. The RAW team was killed; pictures of the dead and accounts of the attack were heralded in Pakistan. India, humiliated by the defeat, lowered the heat of its rhetoric against Pakistan, although it still maintained a security presence of 15,000 troops on the border. The Punjabi colonel, now in his late 30s, was celebrated by the media as a national hero.

Tension along the Kashmiri border remained, but a jubilant Pakistan's attention focused squarely on Khan as a savior figure. An embattled Shahbaz Sharif and other members of the PML-N, sensing a political opportunity, approached Khan to co-opt him into becoming the new face of the PML-N. The ambitious colonel, a strong supporter of such PML-N platforms as anti-blasphemy laws, anti-U.S. positions, a strong native nuclear program, and a return to conservative Islamist values, accepted the PML-N advances.

At the end of 2017, Colonel Khan resigned his position as a military officer in order to begin campaigning as the new leader of the PML-N. Part of his campaign involved extensive tours of Sindh and Balochistan in an effort to reach out to aggrieved citizens. He outlined his ideas for equitable land redistribution and nationwide educational programs to reduce tensions between Sunni and Shia. He retained good ties with his military brethren, including both older, hard-line generals as well as more radical younger Army corps members.

2018–2020: An Economically Challenged but Stable, Conservative Islamic Pakistan

By the beginning of 2018, a groundswell of support for the hero colonel all but secured his election later that year. Proclaimed by the press as untainted and incorruptible, Khan, now leader of an unallied, rechristened PML-Khan, won by a landslide. His reputation was further strengthened at the end of the 2018 when a massive drought brought starvation to several areas of Pakistan. Prime Minister Khan, with Sharif in a supportive role as President, was shown directing Army teams to bring food support (mostly provided by China) to stricken areas.

As part of his reform platform, Khan embarked on a nationalist agenda, supported by external actors: with the help of expatriate Pakistani financiers based in Dubai and bankrolled by the Saudi royal family, he undertook educational reform, attempting to create an institutionalized state system of madrassas that blended religious core learning with engineering and vocational skills. Khan called upon expatriate Pakistanis to submit remittance taxes, revoking citizenship rights for those who did not comply. He also cracked down on government corruption by cleaning house, inside and outside the PML, by denouncing certain politicians to the media—although most Sharif family members were exempted from scrutiny.

The judiciary assisted Khan in his reformist pursuit: as key judges and lawyers allied to Khan's party helped to bring swift corruption convictions against the worst offenders, they were also active in introducing new laws slanted towards Shariatic interpretation. The adoption of the modified legal text led to an acceptance of radical Islam as the guiding principle behind Pakistan's democracy. Thus, Khan's government and the judiciary entered into a symbiotic relationship where the two branches of government worked together in the quest for domestic stability. Nationalist ideals were not only encouraged through adherence to more conservative laws, but were also constantly visible through large displays of patriotic symbols on the streets of Pakistan.

Khan, in agreement with his military and civilian patrons, took an aggressive stance towards India (and by association, the U.S.) by continuing verbal threats of nuclear force, especially as it regarded Kashmiri incursions; however, the investigations of the RAW incident caused soul-searching

within India (much as the Abbottabad raid did in Pakistan), thereby reducing immediate tension between the two countries. The Indian retreat allowed Pakistan to prioritize nationalist reforms over action in Kashmir.

Despite Khan's headway in unifying public spirit, the economic situation in Pakistan remained dire. Still, public acquiescence began to swing towards the nationalist agenda. Grassroots movements, like that of Sindh students and the Baloch tribes (financed by India), continued protesting against what they saw as Punjabi hegemony, but the ferocity of their protests waned as citizens eagerly awaited Khan's enactment of promised reforms. Khan engaged supporters and detractors alike in a series of widely publicized question-and-answer gatherings in an effort to show his integrity and maintain stability.

To continue his unifying efforts, Khan encouraged the rise of a youth movement that brought together nationalist Islamic sentiment and bolstering of the Army. Military enrollment swelled. Khan changed the long-standing policy of using terrorist organizations as proxy fighters as he legitimized their relations with the military by creating an official

paramilitary structure. The U.S., backed by NATO, vigorously objected to the opening of Pakistan's national security to known perpetrators of attacks against the West, but the international outcry only solidified Khan's conviction that the Islamic community of nations needed an overt collective security regime. Khan's democratic, free and fair

The adoption of the modified legal text led to an acceptance of radical Islam as the guiding principle behind Pakistan's democracy.

election complicated U.S. efforts to build opposition to Pakistan's new security policies. At home, suicide bombings continued, but with far less frequency than during the start of the decade. As with the economic restructuring, the security efforts were still too new to assess their relative success at reducing violence domestically or defending Islamic nations.

By 2020, Pakistan's economic environment and its relationships with great powers like India and the U.S. were still deeply troubled, but at the domestic level, a measure of stability was achieved. The public mood firmly supported the ex-colonel. A new consensus between conservative members of the Pakistan populace and more progressive groups among students and the judiciary emerged with the arrival of Khan on the political landscape.

IMPLICATIONS FOR U.S. FOREIGN POLICY

The plausibility of this scenario, in its broad outlines, is largely a matter of extrapolating from current trends. Pakistan's perception of encirclement and growing insecurity; the internal strengthening of radical Islamic groups; a weakened Army seeking to restore its legitimacy by embracing radical Islam; continued economic decline—all are currently apparent, and could precipitate the formation of a state pursuing radical Islamic strategies in domestic and foreign policy.

The increasingly adversarial character of current U.S.-Pakistani relations is in full evidence in this scenario. Pakistan seeks leverage inside Afghanistan through the Taliban and, as U.S. forces withdraw, more openly through its own Army/ISI presence. It steps up efforts to attack Indian interests in Kashmir, and directly inside India through terrorist proxies. Its nuclear weapons program continues to accelerate, while it adheres to a doctrine of first use in the event of an Indian conventional attack. As its economy falters, the temptation to leverage its nuclear weapons and materials for commercial purposes becomes stronger. The deepening conflict with India and growing isolation from the West offers opportunities for China (though without any certainty that China will respond). Pakistan's active support for terror groups operating inside its own territory, and in Afghanistan and India, strengthens these groups for global attacks against the U.S. and its allies, and raises the specter of a catastrophic terrorist action employing WMD.

There is some good news in this scenario only if we accept the plausibility of the second, which we call Fragmentation. After several years of increased internal and external conflict, a coherent and representative state does emerge in this scenario. Although its interests are largely opposed to our own, it is capable of acting on cost/benefit calculations, subject to the influence of diplomacy, deterrence and force by outside powers, and able to mitigate (with some help from others) the worst consequences of fragmentation. These consequences, described in the second scenario, include a free hand for Pakistan-based radical insurgents operating regionally and globally, competitive intervention by outside powers, spillover of internal conflict into the region, loss of control over nuclear weapons and materials, and economic collapse. In understanding Radicalization and Fragmentation as two possible outcomes of current trends, we should ask ourselves how to discourage the first, without making the second more likely.

U.S. policy issues fall into two categories: how to move current trends away from radicalization and towards reform (scenario three) rather than fragmentation; and how to manage, contain, or otherwise blunt the effects of the scenario if it should unfold as presented. As for prevention, the U.S. has only limited leverage, given its commitment to substantial withdrawal from Afghanistan, to curb radical tendencies inside Pakistan. Its restraint in reacting to Pakistan's tolerance/support for insurgents operating across the border, and the volume of U.S. aid devoted to development and military assistance have been considerable, and to no obvious benefit. Enhanced access to the U.S. market for Pakistan's exports might incentivize reform, but recent developments in our relationship are weakening an already difficult case for bilateral free trade. Meanwhile, drone attacks have succeeded against global terrorist groups, but not against the Afghani Taliban and its allies. We might have some influence on Pakistan's balance of political power by ratcheting up the pressure on the government to combat insurgents, but these internal consequences should be viewed as unintended, and just as likely to be negative. They will also be transitory, diminishing along with our footprint in Afghanistan.

Collective prevention of radicalization in Pakistan has greater appeal, by spreading costs and increasing leverage. There is at least a superficial coincidence of interest among several major actors—the U.S., China,

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India, the EU, Saudi Arabia, the Gulf states—in avoiding having to deal with a radical Islamist regime in Pakistan. These common interests include prevention of increasing Islamic radicalization within their own societies; non-proliferation of WMD; management of the India-Pakistan conflict; stabilization of Afghanistan; and economic development. All major external actors have an interest in mitigating potential conflicts in their own relationships, and are aware of the complications to these relations arising from a

radicalized (or fragmented) Pakistan. Whether this compatibility is strong enough to trump the usual limits to collective action, as well as those specific to this group of states—India's ambitions in Afghanistan, China-India rivalry, the growing tension in U.S.-China relations, the EU's internal preoccupations—is uncertain, but the effort is worth making.

The list of trends contributing to radicalization suggests areas of potential common preventive action: a substantial drawdown of U.S./NATO troops in Afghanistan (is any wider burden-sharing for a small, long term presence possible?); growing conflict with India (can India be convinced to keep itself out of the picture, and for how long?); radicalization of the Army (can the U.S. and China use their collective capacities to leverage reform and moderation in the Army?); and economic decline (can this be reversed through a combination of market opening, development assistance and IMF oversight?).

The distinction between preventing this scenario from happening, and managing its consequences, is not perfect. Collective policies developed now to ameliorate the effects of radicalization can change the current calculations of Pakistani actors as they contemplate the challenges of governing Pakistan under united external opposition. However, the common interests cited above are more likely to kick in should this scenario come to pass. The question is whether the plausibility of the scenario is deemed sufficient to provoke a sense of urgency among the major actors that encourages preventive action.

The nexus of nuclear weapons, radical Islamists in power, and existential (as seen from Pakistan) conflict with India should be grave enough to generate strong collective efforts. The good news is the existence of a democratically-elected government that can be held accountable both for its formal policies, and for the consequences of its internal weaknesses. Limiting the damage from a radicalized Pakistan would involve some combination of deterrence and containment: holding Pakistan fully responsible for actions taken outside Pakistan by internally supported/tolerated terrorist groups; hard sanctions to raise the cost of deliberate or inadvertent proliferation of nuclear weapons or materials; covert actions inside Pakistan against terror groups and their government enablers; security guarantees to states threatened by Pakistan or its surrogates (such as India or Afghanistan); and standing offers of mediation among Pakistan, India and Afghanistan.

But the fact remains that the solutions to Pakistan's problems, whether eventuating in radicalization or fragmentation, lie primarily inside Pakistan. Given the draw down in Afghanistan, no single or group of external actors has the leverage to determine the shape of Pakistan's politics. Indeed, given the popular basis of the radical Islamist regime, any efforts to this effect would only reinforce its legitimacy. The major policy investment should be in containing/limiting the damage, collectively when possible, but unilaterally if necessary.

Scenario Two: Fragmentation

INTRODUCTION

The decade begins with Pakistan facing serious structural economic problems and a divided government that has little power to make concrete changes. Devolution of power to the provinces accelerates, keeping existing elites in control while narrowing their power bases. Informal patronage networks determine socio-economic relationships: rampant corruption allows available jobs to be filled only through vertical networks, forcing citizens to align with patrons that protect their economic interests and provide public goods that were previously the responsibility of the federal government. These networks increasingly develop along ethnic and sectarian lines, so that each group links to separatist nationalist movements that support self-determination for Pakistan's provinces. Economic inequality deepens, further consolidating influence at the top of patronage networks, where elites selectively redistribute resources to marginalize residents that disagree with their political views. By 2016, the most organized area, Punjab, signs preferential economic and security treaties with China, leaving the peripheral provinces to fend for themselves.

The army suffers defeat after defeat in the wake of the U.S.'s raid on Osama bin Laden's Abbottabad compound. While compulsory internal investigations erode the military's legitimacy, intelligence gathering from overseas exposes concrete and sustained connections between the ISI and

terrorist actors. Tensions with India escalate after terror attacks on India's interests in Afghanistan are linked to Pakistan-based terrorist networks, while joint Chinese-Pakistan hydroelectric projects threaten India's agricultural security. These pressures lead directly to a skirmish in Kashmir with a clear Indian territorial victory. Pakistan's civilian government, humiliated by the defeat, takes control of the military budget,

stripping its assets and using the remaining institutional capacity to spy on and undermine rival politicians. The lack of army resources stunts military loyalty, re-concentrating security to a regional level and weakening

Conservative Islamic mullahs associated with the Taliban consolidated public trust in the FATA and KP provinces by protecting those who lived according to the strictest Muslim lifestyles.

nationwide command and control of nuclear assets.

Poor management of state funds coupled with a stagnant economy and low tax revenues suppresses salaries of law enforcement personnel and lower ranking soldiers, who begin to abandon their posts. Lucrative private security firms provide some of these newly jobless men with steady careers, but most find their training best applicable to petty crime. Violent crime is becoming increasingly organized as large portions of the population do not trust security forces, and as the “haves” make easy targets for kidnappings and extortion. Although cities continue to hold a heterogeneous population, neighborhoods are gang dominated. As such, acts of terrorism are difficult to complete because strangers in a neighborhood draw immediate attention, but incidents of terrorist attacks rise as competing gangs try to shift the city-wide balance of power. The public feels increasingly insecure, and devotes time and money to personal protection.

By 2018, trust in the government is at an all-time low. Elites own individual press outlets, and are increasingly responsible for administration of justice, allowing each patron to frame current events in their own best light—and to spoil attempts at regional or nationwide cooperation. An election boycott in 2018 is so pervasive that Pakistan’s status as a democracy is in question. The international community is deeply troubled by Pakistan’s nuclear program, but due to hardening divisions within the military and civilian government, cannot find a single person or institution that can make strong guarantees about the safety of its weapons. As a last resort, external actors champion their preferred regional leaders, but the international community finds little optimism for reuniting the country in the near future. By 2020, Pakistan is a state in name only.

DRIVERS OF THIS SCENARIO

- **Economic Trends:** Pakistan fails to address structural economic problems because solutions would involve painful austerity measures. Instead, economic inequalities create vertical patronage networks, where citizens look to clan leaders to divvy up state resources within communities. As state revenues dry up and banks become insolvent, these local leaders create their own economic structures to collect taxes and distribute services, a process that grants legitimacy to separatist movements developing in the provinces.

- **Civil-Military Relations:** The military's clout with the Pakistani public is all but destroyed following a loss of territory in Kashmir. The civilian government takes over the military budget when Nawaz Sharif comes in as a strong leader from the 2013 elections, but he causes widespread defections by channeling soldiers to personal economic and security projects. As a result of the severely weakened army, Pakistan is unable to reconcile local differences when centrifugal forces threaten the country's unity.
- **Decentralization:** Citizen loyalty transfers to local levels as basic services become the responsibility of each province or region following a political bargain reached in 2014. Regional leaders defy technocratic advice and set up mirrors of existing federal institutions, without addressing the structural problems that make these institutions unsustainable. These leaders build and maintain their own factions, creating insular groups that refuse to cooperate with each other.
- **Identity:** Identity divides (class, sect, and political affiliation), reinforce clan politics and relocate security functions at the community level as police forces defect and informal security forces grow. The rights of women become extremely curtailed, and arranged marriages become dispute settlements between rival clans. Education, technical training, justice and security are all defined at the local level, with clan leaders taking over the responsibilities of the state. Every region sees an increased desire for autonomy as self-determination movements grow.
- **External Actors:** The civilian government enters mid-decade vowing to cut U.S. assistance, but this move pushes leadership towards a much less patient China. As fragmentation deepens, external actors pledge aid and security reinforcement but fail to coordinate efforts, leading to widespread graft and deepening competing goals among local leaders. Punjab signs their own security and economic treaty with China, acting as a representative for all Pakistan, but other regions and districts receive funding through obscure channels. By the end of the decade, a nuclear scare forces coordination of the international community to account for and contain Pakistan's existing nuclear material.

THE PATH TO 2020

2011–2013: Muddling Down

In the wake of the unilateral U.S. raid in Abbottabad that killed Osama bin Laden, the TTP intensified attacks on military and police targets. A series of close-call terrorist attacks at major points of Pakistani infrastructure, including naval bases and nuclear facilities, pushed the federal government to consider civilian oversight of military budgets and activities in order to root out any soldiers passing on critical logistical information to terrorist actors.⁷ The Pakistani Parliament continued to take the ISI to task over their involvement with international terrorist organizations, especially as U.S. government linked terrorist attacks in Kabul to networks allegedly funded by the ISI.⁸ Prime Minister Yousef Gilani, concerned that the perception of the ISI as a shadow Pakistani government was hurting his leverage in peace talks with neighbors, began rounding up senior ISI leadership for public hearings and private interrogations.⁹

Media coverage of the U.S.'s Abbottabad raid described the sovereignty breach as humiliating and began to question the military's ability to keep outside forces from meddling in domestic affairs. Meanwhile, U.S. administered drone attacks in Western Pakistan continued to feed the public's perception that Pakistan's regime was unable to curb Western aggression. Caught between cooperating with international demands to sever ties to militant groups and internal pressure to defend territorial sovereignty, military and civilian leaders issued contradictory statements, which only served to reinforce Pakistan's reputation as a dysfunctional and unreliable partner. After a major suicide bombing on an Indian base in Afghanistan, the U.S. provided credible intelligence linking the perpetrators to funding and equipment provided knowingly by the ISI. The diplomatic ties between Pakistan and India that had warmed in recent months now faced severe pressure, and a series of planned, high-profile meetings were indefinitely postponed while Pakistan started internal investigations into the ISI.

For Zardari and Gilani, scrutiny of the ISI was a welcome respite from attempting economic and social reforms. The IMF was willing to restructure loan conditionality so Pakistan could deal with its immediate security problems, allowing the PPP to avoid taking unpopular political positions that would have led to a break down of the governing coalition. However,

the attention on security allowed existing economic problems to persist or worsen. Street protests over electricity shortages became so widespread and disruptive that many businesses were not able to take advantage of the scant hours of electrical connectivity.¹⁰ Investigative reports were launched on inequality of electrical delivery, revealing collusion between Pepco and the wealthier districts to divert electricity in periods of lowered capacity. The PPP tried to reduce electricity subsidies to stem rampant

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circular debt, but failed to sell its long-term solution to the urban MQM, whose members were disgusted by what was perceived as yet another attempt to favor the wealthy at the expense of the poor. The PML-N, positioning for the 2013 elections, sided with the MQM and threatened to destroy the governing coalition if subsidy elimination was passed. The PPP was forced to withdraw its proposal.

Although technocrats in all parties warned repeatedly that failure to address the structural problems would only reduce electrical capacity, no party could come to an acceptable compromise solution on this or any other painful austerity measure. Inflation rose, city slums widened, and delivery of services became increasingly controlled by landlords loosely affiliated with political patrons who felt little guilt over skimming off the resultant bribes.

With the PPP's hands tied on economic reform, Zardari and Gilani had to look outside their borders for political successes. India ramped up threatening rhetoric in the wake of multiple ISI-funded terrorist attacks on India's investment projects in Afghanistan, demanding justice in the form of extradition of senior ISI members. In an attempt to cool temperaments, Gilani made a public statement suggesting that extraditions might be possible after Pakistan completed internal investigations. This statement was exaggerated in the media and met with widespread derision, forcing Gilani to take back any suggestion that India might be allowed to try Pakistani military leadership. This exchange, coupled with attempted suicide bombings at nuclear facilities in Punjab that were closest to disputed Kashmir, drove an intense troop buildup on the India-Pakistan border.

While the army focused on these escalating tensions and counter-terrorism measures on key infrastructure targets, the conservative Islamic mullahs

associated with the Taliban consolidated public trust in the FATA and KP provinces by protecting those who lived according to the strictest Muslim lifestyles. Mosque membership became the defining factor of socio-economic success as clerics petitioned for and received state contracts and services, which were subsequently allotted to their followers. With the drawdown of U.S. combat troops in Afghanistan, refugee camps in border areas swelled, allowing resourceful clerics to scout for followers that were given direct relocation assistance in exchange for adding technical expertise to their new neighborhood. Many were willing to conform to a more conservative Islamic lifestyle, trading the dangerous life of a refugee for food, shelter, an education for their children and a modest income.

The elections of 2013 were dominated by two narratives. First, class divisions played a greater role than ever before as the MQM picked up significant support in the urban slums by railing against corruption and decrying the privileges of the rich.¹¹ Although critics pointed out that MQM had its own system of landlord-client relationships and were thus part of the problem, the poor's loyalty to their own patrons kept the criticism from resonating. Instead, their landlords were largely framed in Robin Hood rhetoric—cutting through bureaucracy to deliver services that had been diverted from the poor to the rich. Furthermore, both the MQM and the PML-N established a practice of paying for protestors, allowing the poor to double-down on their political support to collect fees from both parties.

Second, the PPP was framed as inept for failing to address economic problems over their term, and treacherous for prioritizing better relations with India while India amassed troops at the border. It became clear early in the campaign that the PPP were not going to win a majority of the seats, causing some party members to distance themselves from party leadership, publicly second-guessing the attempt to improve relations with India. Although the PPP defended itself by pointing out that their economic agenda had been undermined time and time again by threats of coalition breakdowns, the policies they had wanted to pursue were so unpopular that this argument only strengthened support for the spoilers. The PML-N trumpeted their history of opposition to the PPP, campaigning on a sovereignty platform that derided the IMF as a tool of Western powers designed to keep Pakistan from prospering.¹² The PML-N won the election by a comfortable margin, and MQM picked up enough seats to become the second largest party in Parliament. These two parties joined

with several smaller, conservative Islamic parties that had performed well in the FATA and KP provinces, allowing for a coalition that did not include the PPP.

2013–2018: Decentralization and the Breakdown of Social Order

Once in power, Prime Minister Nawaz Sharif and the PML-N quickly became stuck in their own election narrative. First, their base of support still included significant corporate interests, which invalidated the possibility of raising taxes to fix economic imbalances. Second, their strict stance on sovereignty forced the governing coalition to look to alternate sources of foreign aid. China gave the Pakistani government a generous loan at the beginning of Sharif's term, allowing the government to push economic troubles aside for a short period. However, China recognized that the new financial leverage over Pakistan gave it an opening to push completion of privatized hydroelectric projects upstream on the Indus.¹³

India believed that these Chinese-backed projects unfairly targeted upstream water sources allotted to India under the Indus Water Treaty, and thus accused Pakistan of colluding with China to cause droughts.¹⁴ Pakistan responded with similar accusations detailing India's noncompliance with the treaty. In retaliation, Indian soldiers stormed a small but agriculturally important piece of Pakistani Kashmir. In a 10-day battle, Pakistan's army was forced to retreat and relinquish the land to India. The world community put pressure on India to stop marching immediately, fearing the possibility of all-out nuclear conflict, and India did eventually halt its offensive while loudly proclaiming victory over a weak Pakistani military.

This small war prompted a radical shift in civil-military relations. Nawaz Sharif was able to leverage the army's defeat to install a conservative Islamic General to head the army, and put a distant younger relative (who could be easily controlled) in charge of the ISI, which was already internally weakened by the government investigations of 2012. Sharif was able to push through a constitutional amendment ceding military budget planning to the civilian government by arguing that the army's competing interests and lack of direction allowed a victory for India and weakened Islam in the region. Once in control of military funding, the governing coalition cut all military aid from the U.S., severely reducing the military budget and shifted most military resources towards the India-Pakistan border.

Meanwhile, security in most provinces was deteriorating as the TTP and separatist nationalist movements took advantage of the military's eastward move. The easiest way to escape terrorism in most provinces was to align with an Islamic cleric that paid protection money to violent groups—sometimes by allocating a portion of state funding to this purpose. In and near Peshawar, these clerics grew in numbers and influence as they became the *de facto* rulers of certain areas, whether neighborhoods, cities or rural regions. The clerics, already aligned with the smaller parties of the governing coalition, demanded a solution for structural economic problems, arguing that pervasive poverty enhanced recruitment for terrorist actors. Their main demand was for more decentralization of institutional power (and thus greater control over state resources).

Sharif faced a difficult choice as these smaller, conservative parties threatened to pull out of the governing coalition: he could either acquiesce to their demands or realign with the PPP to create a new governing coalition. Eventually, Sharif's advisors realized the value of further decentralization—while they would lose control over quite a bit of funding, they would also lose the responsibility of enacting painful but necessary austerity measures. In effect, the worsening economy would be the fault of local leaders, and the PML-N could continue its willful ignorance of structural economic problems—and overlook the imbalances created by their own wealthy constituencies. Sharif made the deal with some critical caveats: the central government would maintain control of transportation networks and trade tariffs, as well as full control of the military budget. A constitutional amendment was passed to legalize these negotiations.

Although the will to provide local solutions to local problems was strong, the provincial leaders lacked capacity to effectively reshape institutions. The provinces began to establish institutions that mirrored the federal level entities—accompanied by their existing structural problems. For example, each province set up its own bank to make loans,¹⁵ but failed to complete a rigorous screening of applicants, resulting in astronomical non-performing loan rates. Microloan programs, seen as an empowerment solution for the poor and widely touted as a key benefit of localizing state banks, heightened tensions within conservative Muslim communities because of their focus on social requirements and lending to women. The severely altered microloan programs that did exist were embedded with impossibly high interest rates, leading to indentured servitude for those that succeeded in securing the loan.

Devolution of power created tension among the provinces, as resources were further parsed. Electricity contracts were renegotiated with Pepco on a regional basis, but often in Pepco's favor as technocratic expertise varied across regions, and increased competition among provinces for access to electricity led to the artificial inflation of prices. Water sharing became contentious early as Chinese hydroelectric projects came online, with downstream Sindh threatening to cut port access to other regions should irrigation resources become scarce. Meanwhile, local governments diverted education budgets towards infrastructure construction in the hope of fostering independent economic growth, allowing for a proliferation of madrassas backed by wealthy external sources such as the Saudi royal family.

Class warfare intensified as the economy worsened and the middle class all but disappeared. The MQM was finally able to pass land reform in Sindh,¹⁶ but the newly empowered farm laborers quickly turned violent. The media widely distributed images of decapitated landlords and their brutalized families, prompting the wealthy in all regions to employ private security firms, staffed by retired military.

Sharif's hope of sidling away from economic problems was realized, but his plan to increase federal resources failed miserably as the IMF, Asian Development Bank and other loan granting institutions refused to cede oversight of fund dispersal to Islamabad. Instead, Sharif continued to negotiate with an increasingly frustrated China to fund his personal patronage network. Representing Punjab, Sharif signed preferential security and economic agreements with China, receiving Chinese funding in exchange for allocating army resources to the safe passage of goods between Gwadar port and their end-markets—whether over the Karakorum highway to China's domestic markets or towards the Central Asian export markets. Other provinces loudly protested this arrangement, as it involved the use of Pakistani troops to protect Chinese merchants and their goods against the demands of Balochistan citizens to share in the gains provided by the port.¹⁷ Lower ranking troops that had been hired through the army's diversity programs under Generals Musharraf and Kayani began to abandon their posts en masse, even after Sharif put out directives that deserters would be tried for treason and executed. Other politicians countered Sharif's announcements with amnesty programs for former soldiers, in the hopes that building local defenses would bolster their leverage in provincial-level struggles.

However, the economy continued to implode, to the point where the governments could no longer afford salaries for law enforcement, the judiciary, or other basic state services. People turned to their clan and religious networks for support, justice and protection. Crime raged between neighborhoods, districts and regions as the social fabric became increasingly torn into ever-smaller pieces. Nationalist movements consolidated power within provinces, and used their resources to forcibly expel non-aligned citizens. Some army defectors and former policemen found employment in security, but there was far more profit in organized crime. Kidnappings of heirs and heiresses became a frequent occurrence. The distinction between neighborhood watch committees and gangs became increasingly blurred as families and their networks hunkered down to protect themselves.

Industry became unrecognizably altered as banks were no longer considered safe and credit was choked to a trickle. Instead, jobs, real estate, even newspapers themselves became fully controlled by the non-affiliated heads of vertical networks. While this oligarchic class had come to power through diversion of state resources, they turned post-election to private tax collection from their followers as public funding ceased. The importance of remittances was renewed in this environment—a little extra money, greasing the correct palms, could secure more creature comforts, like larger living quarters or extra protection for travel to other areas. Illegal emigration became another crime-dominated industry as some of the least connected citizens sought to exit the country at any price. Those trained in specialized industries—from low-tech plumbing to high-tech computer espionage—were the most prized and coveted members of any patron's network. Meanwhile, education had become so based on religion and indoctrination into one's network that this type of specialized training was only available through apprenticeship, and apprentices were often the children of the trained.

Religion remained a dividing factor between groups—even fellow Sunni groups, funded by the same external Saudi patrons, would parse specific practices of their rival Sunnis from other provinces as un-Islamic. The rights of women were sharply curtailed—both because of their vulnerability to crime if they ventured outside their groups' area and because of the necessity of arranged marriages to cement clan pacts. Justice was determined and administered at the local level with a high incidence of public punishments. However, the number of terrorist attacks actually

decreased as scrutiny of all strangers improved. Instead, terror attacks were isolated but more devastating in impact, such as hostile takeovers of an entire city block in disputed turf areas or car bombs barreling through checkpoints.

The sum of economic, security and social pressures forced citizens into these insular groupings—and severely hampered all attempts at cooperation. Acquiring money from external sources was a sole occupation of the new leadership class, a process which took on characteristics of foreign policy as separatist leaders petitioned foreign governments for funding that was usually funneled through private citizens in the donor country to avoid embarrassing confrontations at international institutions. By 2017, Pakistan began to resemble a theater for proxies in a new global cold war: China supported Punjab and the remaining army; the Saudis gave heavily to Sunni groups from all provinces; the moderate Islamic business community from the Gulf states continued to invest in MQM factions; Iran funded the Shiite minority groups; and the U.S. and Europe worked diligently on behalf of non-Islamic minorities. While nuclear weapons were still technically under the command and control of Sharif’s army, coordinated desertions suggested a low level of army loyalty. The international community began to fear a real civil war in Pakistan—one with potentially devastating nuclear consequences. Still, the efforts to reign in Pakistan and provide mediation lacked cohesion or leadership. Thus, each external actor funded their preferred groups, adding to the escalating domestic tension and working against cooperation among clans.

Outside Punjab and Sindh, the politicians elected in 2013 were a laughingstock of the public for their irrelevance to matters of everyday life. In the beginning of 2018, political campaigns faced harsh criticism as citizens pointed out the failings of the civilian government. The leaders of nationalist separatist movements urged their supporters to boycott elections. Newspapers, now owned and controlled by these powerful men, concentrated on picking apart platforms of cooperation and reconciliation. Every person who held influence with their clan saw more to lose by conducting elections than letting the current situation stand. Elections were held as scheduled, but turnout was at an embarrassingly low 15 percent—some cities did not cast a single vote, while others found ballots in gutters and garbage yards. Technically, the PPP ‘won’ the election, but Sharif declared the votes invalid and held off international criticism by planning a new vote for 2020 while retaining power in the

interim. This met little resistance, as Sharif's actions as Prime Minister touched but a small section of the population.

2019–2020: Who Speaks for Pakistan?

In 2019, India uncovered a major, nuclear terrorist attack plot planned for Mumbai, which originated from organized terrorist networks in KP province. Not only did the informant claim that these terror groups had already bought nuclear material from soldiers tasked with protecting nuclear facilities, but also claimed that Pakistan's separatist movements were courting nuclear scientists to reduce the dependence for regional security on Sharif's Punjabi network. Sharif loudly protested that he could not be held responsible for the actions of breakaway terrorist cells, but the nuclear component of the plot silenced his passionate defense.

Emergency meetings of the UN, NATO, the Shanghai Cooperation Organization, and other regional alliances were held in the wake of this exposed weakness inside Pakistan. Most perplexing was the origin of the allegedly loose nuclear material, as no one could say for sure which Pakistani facility had experienced the security breach. Patron states threatened to cut off financial flows if Pakistan's nuclear facilities were not immediately checked for missing material and locked down. However, Sharif had little inclination to send Punjabi technocrats to other provinces to complete these inspections, as he felt he could no longer trust nuclear experts to remain loyal to his patronage system. In sum, there was no one single person or entity that could vouch safe Pakistani nuclear material. In what was heralded as a new era of cooperation among political rivals, the UN Security Council unanimously passed a resolution condemning Pakistan's tactical nuclear program and demanding access for a U.N.-appointed inspection team to catalogue potentially missing material. A concurrent resolution, calling on Pakistan to hold new elections under the watch of the international community, was vetoed by China as Russia abstained.

Some provinces were humbled and frightened by the cohesion of the international community, and opened their borders to UN inspectors, as well as voluntarily allowing NGOs to assess their aid needs. Balochistan, concerned that neighboring Iran was ready to invade in order to route out nationalist separatists,¹⁸ became the first province to unilaterally ask for foreign assistance. China decided it was in their best interests to spearhead

this development program, and formally requested help from the EU in securing and developing Balochistan, a province that now housed a Chinese naval base and was a crucial conduit between Asian goods that traveled through Central Asia to Europe on new infrastructure recently built by the Chinese. Most local leaders in Balochistan saw hope in the inclusion of the two economic powerhouses: the Chinese could deal directly with provincial authorities to secure contracts for Balochistan's natural gas, fulfilling Balochistan's economic needs; the EU had previously provided critical support for separatist movements in Kosovo and Libya, a step towards the Balochi goal of full and legal independence.

NATO troops that retained military bases in Afghanistan amassed at the Afghanistan-Pakistan border, ready to invade if the FATA and KP leadership did not show compliance with the UN resolution. Inside these provinces, leaders still believed they could stave off becoming wards of the international community as long as superficial progress was made. The FATA and KP began working together to grant access to UN inspectors, but their leverage to use inspections as a bargaining chip for foreign aid was limited because most of the weapons and storage facilities remained in Punjab. Meanwhile, Sharif refused to allow UN inspectors into Punjab, and condemned the intrusion as an attempt by the international community to violate Pakistan's sovereignty during a period of internal weakness. Saudi Arabia went to work on the international community on Sharif's behalf, lobbying to recognize Sharif's position as the legitimate ruler of Pakistan. Chinese and Saudi support allowed Sharif a little breathing room.

As the decade closed, the international community was at a loss on how to deal with Pakistan's internal problems, but recognized that the status quo was a danger to all. Inside Pakistan, renewed calls for national unity were met with increasing street violence, as bloody examples were made of the most vocal critics of the cartel system that characterized Pakistan's economic and social relationships. The demands of the UN were framed as an attempt to undermine Islamic supremacy in South Asia and, without credible opposition voices, most Pakistanis were unable to discuss alternate viewpoints without being accused of colluding with Pakistan's enemies. Pakistan's expats began to organize a movement designed to "free" Pakistan from its patronage networks, though divisions within the Diaspora mirrored those inside Pakistan.

IMPLICATIONS FOR U.S. FOREIGN POLICY

This worst-case scenario combines elements of radicalization with the triumph of centrifugal forces already much in evidence in contemporary Pakistan. Potentially integrative institutions—the Army, government ministries, political parties—hollow out under the pressure of defeat in conflict with India, continued economic decline, political immobility and strengthening radical Islamist forces. The provinces fall under the sway of corrupt patronage networks organized along clan or religious lines. They attempt to provide social services, security, justice, revenue generation and eventually, direct links to outside powers. Punjab establishes independent trade and military relationships with China. Saudi Arabia reaches out to Sunni populations in all provinces, as does Iran to Shiite groups. The U.S. and the EU attempt to protect non-Islamic minorities. Radical Islamist groups dominate FATA and KP.

The provinces find themselves in deepening conflict with each other, competing for electricity, water and other resources. The Army maintains nominal control over nuclear weapons and materials, but as loyalty to the Army declines and the institution begins to fragment, these controls weaken. Outside powers are caught between their common interests in preventing nuclear proliferation and the cross-border spillover of conflict, and the temptation to seek special advantages over their regional rivals by intervening in support of local allies.

The impacts of such developments on U.S. interests combine the challenges of an adversarial Pakistan with the absence of effective governmental control over dangerous weapons, materials, and terrorist groups. The former makes direct intervention difficult, whether done collaboratively or on our own. Crumbling central authority eliminates accountability, and makes deterrence ineffective. The potentially disparate, competitive reactions of outside powers—including our main rivals—to these events further impede effective responses, could spread these internal conflicts well beyond Pakistan's borders, and put at risk our large investments in stabilizing Afghanistan and in building productive relationships with India and China.

The magnitude of these damages suggests prevention as a high priority. This of course may require tolerance, even active support, for the present, nominally civilian central government which defines its interests in

Afghanistan as diametrically opposed to ours, seems indifferent to the forces driving its country towards fragmentation, and exhibits weaknesses that may become fatal regardless of any preventive actions we take. The

The impacts of such developments on U.S. interests combine the challenges of an adversarial Pakistan with the absence of effective governmental control over dangerous weapons, materials, and terrorist groups.

Obama Administration's growing pressure on Pakistan to curb terrorist activities emanating from its territories, help stabilize Afghanistan and exert control over its own military and intelligence services, combined with direct pressure on the military backed by cuts in military assistance, suggests that our patience is limited, and may push Pakistan towards more cooperation without weakening its internal legitimacy.

But the fact remains that the current highly unsatisfactory status quo would not be the worst plausible future, and may require continued forbearance lest the extreme leverage we would like to exert tilts Pakistan towards fragmentation.

Beyond doing no harm, continued bilateral development assistance and IMF support conditioned on economic reforms could reinforce the government's authority over the longer term, but will require outside oversight, something the current government is unprepared to accept. Improved stability inside Afghanistan would diminish the centrifugal forces operating within Pakistan. Unfortunately, Pakistan is itself a spoiler here, prepared to support Afghani stability only if guaranteed a voice within a future Afghan government, and its chosen instruments are anathema both to Afghanistan and to India. India is ambivalent on the virtues of stability in Pakistan, seeing opportunities in Afghanistan as Kabul seeks outside protection against the Pakistani supported Taliban. This chain of conflicting interests and mutually reinforcing insecurities has been partially suppressed by the U.S. presence, but all players are now envisioning, and actively preparing for a post-occupation Afghanistan. To alter these expectations seems beyond our capacity.

Thus, effective action may be possible only when we are confronted with the reality of a fragmenting Pakistan. The risks will at this point be undeniable: a free hand for Pakistan-based radical insurgents operating regionally and globally, competitive intervention by outside powers, spillover of internal conflict into the region, loss of control over nuclear weapons and materials, and economic collapse. The huge U.S. investment

in a stable Afghanistan will be imperiled. China and India will find themselves in deepening security competition, as will Saudi Arabia and Iran. U.S.-China relations will be vulnerable to fears of the others' special advantages inside Pakistan, and Indian demands on the U.S. to deliver on the strategic partnership. While all major regional actors would deem these costs greatly excessive given the dubious benefits of enlarged influence in a fragmenting Pakistan, the short term advantages of fragmentation for some, superimposed on existing security competition in the region, could easily lead to a worst case scenario both for Pakistan and for Asia.

This scenario should thus prompt us to prepare for these risks, and to address them when their immediacy no longer permits denial. Recognizing, and acting on, common interests among outside powers in a stable Pakistan will be difficult in any case, but the better these relationships are as the scenario unfolds, the better the chances for collective action. Such actions might include stepped up monitoring of, and penalties for, transfers of nuclear technology, materials and weapons; joint counter-terrorism operations against groups inside Pakistan and within the region; regional and global agreements to avoid empowering regional entities, and to reinforce central authority; bilateral and regional transparency, confidence-building and consultations to reduce misperceptions and prevent inadvertent escalation of local conflicts; collaboration to stabilize Afghanistan, even as the U.S. presence diminishes, by opening alternate supply routes for NATO forces and enlarging financial support for an extended presence and for development assistance. To the extent that the Pakistani government accepts the plausibility of fragmentation, regional powers acting in concert might be able to leverage internal reforms and policy shifts that could pull Pakistan back from the brink. Barring this, a collective acceptance of Pakistan as a regional/global problem might enable us to contain the damage.

Scenario Three: Reform

INTRODUCTION

By 2020, Pakistan is slowly emerging as a progressive Islamic state, its political landscape has been transformed and the economy is liberalizing and integrating into the South East Asian region. Pakistan still faces numerous challenges, but the mix of political, economic, and social conditions make the country's prospects as hopeful as they have ever been.

Pakistan's political environment is transformed by the reformist wing of the PML-N that eventually leads to the formation of the National Justice Party (NJP). The NJP's platform includes moderate Islamic ideas, economic reforms, and issues-based politics. An economic crisis triggered by endemic corruption and mismanagement, along with the growth of the urban professional middle-class, enables both the entrepreneurial diaspora and the progressive elements of the PML-N and PPP to form a broad coalition, and to initiate the incremental, structural reforms that eventually change Pakistan's trajectory. Arif Naqvi, a former private equity investor and philanthropist, becomes the face of the NJP and leads Pakistan towards modernization. Decades of economic stagnation, systemic corruption, and civilian-military antagonism finally start to wane, while more transparency, accountability, and equity usher in a new era of democratic politics.

The once all-powerful army begins to cede power to the civilian government on issues not directly related to military combat. The NJP is well supported by the emerging urbanized professional middle-class, and prioritizes job creation and equitable wealth distribution. The improving economy coupled with government expressions of moderate Islam not only undermine the appeal of radical Islam, but also enable the NJP to gain legitimacy among a wide-range of constituencies throughout Pakistani society.

Relations with India steadily improve and mutual dependency between Pakistan and the U.S. enables the two allies to compromise on contentious issues. Internationally, Pakistan slowly starts to show its economic competence by upgrading its power generation industry and maintaining its competitive advantage in certain agricultural products and textiles, while managing to reduce the amount of internal corruption and disorder that characterized its politics for years.

DRIVERS OF THIS SCENARIO:

- **Urbanization/Demographics:** Rapid urbanization produces a major demographic change and contributes to the emergence of a growing professional middle-class. The growth of the urbanized middle-class establishes the basis for significant change in economic, social and political life. These citizens challenge traditional norms and values while demanding better economic opportunity, education, healthcare, a greater voice and better, more accountable governance. The balance of power shifts to the urban areas and diminishes the political influence of landowning elites.
- **Media:** Relaxation of the regulatory environment and technological innovation under President Musharraf contributed to a proliferation of private cable channels, and electronic and print media. This diversity of outlets creates the potential for wide cultural and political changes. The media provides a platform for citizens to highlight issues and rally public opinion. The press freely criticizes governmental policies, increases public debate and viewpoints, and ultimately contributes to greater accountability and awareness of citizen's rights. Additionally, press freedoms provide a greater role for investigative reporting and coverage and analysis of critical issues.
- **Civil-Military Relations:** The raid against Osama bin Laden deep inside Pakistan's territory and an increase in militant attacks focus domestic and international pressure on the military, altering the power balance between Pakistan's military and civilian governments that has historically contributed to the destabilization of democratic governance and to stop-and-go economic performance. The army's institutional strength survives the repercussions, but questions about its competence, complicity, and ability to secure and protect strategic assets exposes its weaknesses and opens up opportunities for a recalibration of the military-civilian relationship.
- **External Actors:** Previous U.S. policies of engagement and subsequent abandonment contribute to Pakistan's fear that the U.S. could abruptly leave Afghanistan, exposing it to India and other hostile neighbors. Cognizant that Pakistan possesses legitimate interests and concerns in Afghanistan as well as the broader region, the U.S. encourages Pakistan to play a constructive role in stabilizing Afghanistan.¹⁹ Additionally, both the U.S. and India have an interest in stabilizing Pakistan and

in checking China's rising influence. A slow improvement in India relations, confidence-building measures, and an increase in foreign trade lead to a diminished sense of existential threat and create political space for reduced military influence and other internal reforms.

- **Economic Reforms and Development:** With a rising middle-class and the associated economic opportunities, the diaspora investors and entrepreneurs (possessing technical skills and capital) invest in Pakistan's economy over the decade. Their local market knowledge enables them to take advantage of opportunities that multinational corporations and investment banks deem too risky given Pakistan's political and economic instability. Economic and structural reforms (tax agriculture and real estate) lead to macro-economic stability and jump-start economic growth.

THE PATH TO 2020

2011–2013: Rebalancing of Civil-Military Relations

The rebalancing of power between the civilian government and the army began shortly after the U.S. raid against Osama bin Laden. The army's institutional strength was challenged as questions grew about its competence, complicity and ability to secure and protect strategic assets. The extended briefing by the security leadership to parliament in which ISI chief, Shuja Pasha, offered his resignation evidenced the severity of the problem.

The escalation of conflict with militants, especially the attacks on the Naval Station in Karachi and on other military installations, made apparent the ineptitude of the army's 'business as usual' approach. Picking and choosing which militants to utilize as foreign policy tools and which to eliminate was too difficult a task. It finally became apparent, through repeated investigations, that the ranks of the military were penetrated by radical Islamists who were aiding militant attacks across the country.²⁰

The once all-powerful army came under unprecedented criticism from various segments of the country's establishment, especially the activist media. Some lawmakers and the media questioned the justification for the military's outsized budget given growing suspicions of complicity with insurgents and the demonstrated ineptitude in protecting Pakistan. The

media began to investigate and report on militant penetration and alleged cooperation within certain military and security ranks.²¹ The military attempted to bully and silence the media but their methods backfired. Ultimately, the military's inability to protect the country's territory from militant attacks and foreign raids, as well as the blatant attempts to silence the media, slowly began to erode the institution's legitimacy.

The killing of Osama bin Laden, the rising cost of the war in Afghanistan, and the shift of General Petraeus (the main supporter of the Afghanistan counterinsurgency strategy) to the CIA presented the U.S. with new strategic considerations. Washington re-examined its initial military withdrawal plans, gauging the possibility of a steeper and quicker reduction of forces in Afghanistan.²² The U.S. needed Pakistan's cooperation to forge a political compromise among the different Afghan groups. Pakistan wanted to assist with the eventual U.S. exit strategy, but also desperately needed continued U.S. aid and engagement in defending itself against India.

This mutual dependency provided Washington with greater bargaining power in demanding a commitment from Pakistan to sever its relationships with all militants in exchange for continued military assistance, and a role in the negotiations shaping the politics of post-war Afghanistan.

Militant attacks and U.S. threats to cut military aid convinced the army to begin purging jihadist elements from its ranks and to re-examine its strategic relationships with certain militant groups. Militancy was becoming a serious threat to national security and its strategic value was now less clear. This shift had a profound impact on the upper echelons of the army as they slowly realized that Pakistan's conventional military resources on their own could not match India's. The U.S.'s dependence on Pakistan for its regional strategy provided the army with an opportunity. In exchange both for more aggressive and wider attacks on militants, including the Haqqani network, and for greater civilian government coordination, the U.S. was willing to address Pakistan's legitimate concerns in Afghanistan and to assist with any future rapprochement with India.

Both the U.S. and India had a direct interest in stabilizing Pakistan and checking China's foreign policy influence. India recognized that an

For the middle class, the IMF reforms were a solution to confront economic underperformance and the culture of kleptocracy associated with the current political establishment.

unfavorable foreign policy situation had developed, with a nuclear power of two hundred million agitated people on its border that had closer relations with a rising China. The Pakistani government relied on the assistance offered by the U.S. to improve relations with India. One of the key confidence-building measures was renewed water cooperation on the western rivers with the goal of controlling future droughts and floods in the region. Additionally, negotiations and agreements towards increasing bilateral trade were concluded. Given the risks to India of an unstable and aggrieved Pakistan, and the new upside in India-Pakistan relations, India acceded to U.S. pressure and avoided open attempts to seek strategic advantage in Afghanistan, further facilitating a negotiated end-game acceptable to Pakistan.

The U.S. also prioritized serious engagement with civilian institutions, further chipping away at the army's dominance. For a long time the U.S. preference for stability and the associated aid policy had benefited the army and the country's narrow elite at the expense of Pakistani people and the promotion of democratic governance. The U.S. re-examined its aid policy with the aim of diverting a greater share of funds to the development of the private sector, social progress, and support for democracy.

The Economic Crisis

The global economic recovery continued, but was taking place at different speeds across countries and regions and thus producing tepid global growth overall.²³ The U.S. economy, reeling from both the worst financial crisis and the most acute housing downturn since the Great Depression was recovering slowly and having difficulty producing any meaningful labor-market improvements. Europe was facing severe sovereign credit issues and struggling to resolve the economic divergence between the core and peripheral economies of the union. Japan was stuck in everlasting economic stagnation, especially in the aftermath of the tsunami and nuclear disaster. The emerging markets, led by China, were growing relatively strongly but had to implement restrictive monetary policies due to heightened inflation.

High commodity prices, uneven global growth, continued regional economic problems, coupled with Pakistan's endemic corruption, and the mismanagement of the power generation sector further contributed to a deterioration of macroeconomic conditions. The relatively low installed capacity of electricity and the associated power outages were obstructing

industry and contributing to unemployment. Annual inflation was running around 20 per cent and Pakistan's external and domestic debt of around USD 120 billion was becoming unsustainable.²⁴ Furthermore, the repayment of loans to the IMF for the program instituted in 2008, to avert a balance of payment crisis, added stress to the economy. To avert a balance of payment crisis, Pakistan needed to enter into a new IMF program once the current one expired.

The looming balance of payment crisis and the unexpected collapse of one of Pakistan's largest government-owned development banks precipitated an economic crisis. The bank had made hundreds of millions of dollars in questionable loans without proper documentation or collateral.²⁵ The political establishment helped the Pakistan's Central Bank attempt to cover up the scandal. However, the turmoil further spread as the media reported that shareholders, including high-ranking politicians as well as active and retired military officers, had lent themselves millions of dollars. These loans were used for risky private purchases, such as luxury real estate properties in Dubai and United Arab Emirates, as well as investments in speculative projects.

To avert a total collapse of the exchange rate and a full-scale economic meltdown, Pakistan had no choice but to enter into a new IMF program. Due to the lack of implementation of planned reforms and to endemic corruption and mismanagement of the economy, the rescue package came with extremely stringent preconditions, but did include subsidy provisions to minimize the negative impact for the most vulnerable citizens. Previously agreed-upon reforms from the 2008 IMF program—a general sales tax, additional spending cuts and a faster rate of privatization—had to be rapidly implemented. Additionally, Pakistan was required to implement major fiscal reforms to substantially increase its tax-to-GDP ratio, which was one of the lowest in the world. If implemented properly, the package would place Pakistan on a sustainable economic growth path.

The economic crisis and the IMF bailout spurred discontent and street protests. What initially started as decentralized and diverse protests converged into two primary but distinct protest movements. The first was led by Islamists who, true to tradition, led single-issue protests on the extent of U.S. involvement in Pakistan's domestic affairs. They were already deeply resentful of the political elites for their perceived complicity with the U.S. and saw the privatization demands as further diminishment of sovereignty—merely an additional U.S.

instrument designed to control Pakistan and undermine Islam. However, without a credible, alternative economic platform to address and correct the current situation, their anti-IMF rhetoric failed to gain support with the wider population.

The second movement was composed of disparate groups rallying against the political establishment responsible for the continuous corruption and economic mismanagement that was negatively impacting their standard of living. This group had a reformist agenda, representing a wide section of society: the MQM, the professional middle-class, the judiciary, civil society, the media and even some of the traditional constituency of the PML-N. Corruption, serious power shortages and continuous economic disruption were disproportionately reducing the living standards of the middle-class as well as having a very negative impact on privately owned industry. For the middle class, the IMF reforms were a solution to confront economic underperformance and the culture of kleptocracy associated with the current political establishment.

The PML-N and PPP become more vocal and demanded more accountability and transparency from the army. However, despite the upcoming elections, they had no interest in resolving their differences and offered no credible solution to the current state of political and economic stagnation. Instead they prepared for elections with a business-as-usual attitude, even amidst a disenfranchised and angry electorate. Both parties shared responsibility for massive failures, but with the current crisis occurring under PPP's watch, it was likely to be punished by the electorate; a majority win for the PPP was considered a long shot.

The long-awaited national census not only revealed a demographic change, but also provided an early glimpse of a potential PML-N victory. An expansion of the young urban population and the associated rise of the middle-class signaled new challenges to traditional power centers. The PML-N, cognizant that capitalizing on the rising discontent of the middle-class would benefit the party, campaigned on a progressive economic reform agenda, including implementation of the IMF reforms and greater oversight of the military budget.

2013–2018: The Rise of the Technocrats

With a majority win, PML-N formed a government and promoted a few

reformers to mid-level posts. The professional middle-class, with its newly gained momentum, formed a crucial progressive element within the PML-N, and pushed for greater and quicker reforms, greater cooperation with India, and stronger anti-corruption laws. The party was able to enact certain changes by instituting smaller reforms in various economic sectors. Due to the deep-rooted interests of PML-N and PPP's key constituents, efforts to properly tax real estate and agriculture failed. However, a progressive income tax system was enacted with exemption levels that favored the lower middle-class and poor. Unfortunately, the expected increase in revenues fell below projections due to the lack of a strong enforcement mechanism. Still, the marginal increase in national tax receipts contributed to a slight stabilization of the fiscal situation. Additionally, the Planning Commission was restructured to kick-start smaller scale administrative reforms, which made it easier for entrepreneurs to start and operate small businesses.

The civilian government made a serious attempt to exercise greater control over the Ministry of Defense, including greater oversight of military expenditures and intelligence-related issues. Initially, the army resisted and refused to cooperate but the media brought the issue to the forefront, highlighting the relatively large size of the defense budget, lack of accountability, and persistent corruption. These issues forced the military to compromise and subject itself to the supervision of a joint civilian-military committee.

The reformist wing of the PML-N was making some gradual progress, but the family-dominated politics of the PML-N and PPP coupled with the entrenched structural patronage system acted as constraints to comprehensive structural reforms and development. The reformers acknowledged that weakening the embedded elite's economic and political power was an unattainable goal under the current political arrangement. In order to more closely cooperate and better coordinate their efforts, the PML-N reformers formed the National Reform Council (NRC). NRC quickly grew into an issues-based, non-partisan, technocratic forum that attracted professional pragmatists from various parties along with the influential diaspora investors and entrepreneurs.

Possessing technical skills, capital, and a deep cultural and business understanding of the country, the diaspora investors and entrepreneurs leveraged experience from decades of investments in Pakistan's economy. Their local market knowledge enabled them to take advantage of

opportunities that multinational corporations and investment banks deemed too risky, due to Pakistan's political and economic instability. The diaspora investors and entrepreneur's skills and economic competence gave them instant credibility among the technocrats. These economic practitioners quickly became the leading voices of the NRC.

The media and civil society focused on official economic mismanagement and corruption and emerged as unofficial voices for NRC's agenda. Improved information technology enabled the media to spread NRC's message to a wider cross-section of society. Emphasis on economic opportunity, fairness, and justice was well received by the growing urban middle-class, conservative rural communities, and moderate Islamic groups.

The constant delay and stalling of full implementation of the required IMF reforms developed into a divisive issue between PML-N and the progressive

wing of the party. The IMF's threat to stop disbursement of funds because of the government's failure to fully comply with the loan conditions provided the reformist wing of the PML-L with the opportunity to break away from the party. The NRC rapidly morphed into a national movement and officially became a new party, the National Justice Party (NJP). NJP modeled itself on the Turkish AKP party's issues-based progressive

The media and civil society focused on official economic mismanagement and corruption and emerged as unofficial voices for NRC's agenda.

Islamic platform. The leadership promoted an agenda of economic growth, effective structural tax reforms on agriculture and real estate, and normalization of relations with India. Additionally, they encouraged private initiatives and promoted social safety net programs to assist the poor and middle class.

Arif Naqvi of Abraaj Capital, a Dubai-based investment fund and one of the largest private equity firm in the global emerging markets, emerged as the face of the party. He was one of the earliest private investors in Pakistan, focusing on education, health services, communication, as well as various forms of physical infrastructure. Naqvi was also a philanthropist promoting human development and financing numerous nonprofit centers throughout Pakistan, which provided educational and basic healthcare needs. As a charismatic, self-made millionaire and one of the most successful emerging market investors, he was well connected with the Pakistani and Indian

elites. He fostered these relationships through his board memberships and his work on the Pakistan Human Development Fund. Naqvi had been recognized as the New Asian Leader by the World Economic Forum in 2003, and in 2006 awarded the Sitari-e-Imtiaz, the highest civilian honor in Pakistan. His pedigree, energy, ideas, and philanthropic work in education and healthcare swiftly lent him credibility throughout society.

Pakistan's instrumental role in the formation of a coalition-based Afghan government along with steady progress against militant spoilers started to pay dividends. An acceptable negotiated settlement in Afghanistan between the Karzai administration and the Taliban addressed Pakistan's national interests and enabled the U.S. military to finally unwind its operations. Learning from its past mistakes, the U.S. realized that a long-term commitment to economic development in the region was essential to ongoing stability. Additionally, concerns about the growing economic and military strength of China provided both the U.S. and India with incentives to sustain support of Pakistan's security and economic interests.

The U.S. committed to long-term economic development with investment and engineering assistance in the power generation industry. With vast domestic reserves of natural gas, measures were undertaken to convert crude oil based thermal power generation to natural gas. Additionally, a plan was devised to take advantage of the immense hydroelectric potential of the Indus River Basin.²⁶ Moreover, Washington debated expanding legislation for low tariffs and preferential access to U.S. markets for Pakistani exports. Trade between India and Pakistan continued to increase and India seriously examined Pakistan's potential for trans-shipments of energy from Central Asia. With a good faith attempt on both sides to improve relations and with U.S. assistance, sincere negotiations were initiated to resolve Kashmir border disputes.

Retired General Kayani become NJP's military adviser and acted as a liaison between the military and the NJP. Realizing that true structural reforms would require the cooperation of the army, NJP offered the army positive inducements in exchange for greater civilian oversight. Part of NJP's appeal was the military's realization that the technocratic leadership of the party possessed the support and confidence of the international financial system. The military saw this cooperation from international businesses and organizations as a means to economic stabilization and expansion. Kayani was able to convince the army that economic liberalization would lead to

sustained growth and thus benefit the army. Furthermore, he brokered technical assistance to raise productivity for military-based businesses. These new civil-military dynamics created an understanding that the army would support NJP's reformist agenda in the upcoming elections, including a stronger legal basis for civilian oversight of the military.

NJP began an early campaign to spread its message across the country. They directly challenged the elitist representation of the PML-N and PPP and clearly highlighted their reformist agenda and the associated benefits. Naqvi's emphasis on education and self-reliance, along with his self-made personal narrative, untainted reputation and emphasis on fairness and justice resonated well not only among the urban middle-class, but also among the conservative, struggling rural communities. This was the first time that a party campaigned on policies and issues that affected a wide section of society instead of targeting issues that protected and enhanced the interests of a narrow constituency. Realizing that NJP's issues-based policies were catching on nationally, the PML-N and PPP attempted to offer their own reforms, but this only further alienated some of their previous supporters. With the help of the media and the activist middle-class, NJP's campaign gained momentum as the election approached.

2018–2020: Economic Reform

With the largest share of votes and the assistance of the MQM, NJP quickly formed a government, which focused on the most pressing issues and quickly attempted to fulfill its campaign agenda:

- To strengthen macroeconomic performance, Parliament passed a law ensuring the independence of the Central Bank. Additionally, the Fiscal Responsibility and Debt Limitation Act was strengthened by the imposition of sanctions against any breach of targets.
- A comprehensive structural reform was enacted that taxed agriculture and real estate. Taxes were going to be eased in over a 5-year period with severe financial punishment for non-compliance. Concurrently, to build more support for increased taxes, the NJP ran a wide public campaign highlighting diverse public projects that the increased tax revenue would permit.
- A multi-billion U.S. dollar public-private partnership fund was formed to jumpstart growth, focusing on homegrown, young entrepreneurs

and on improvement of productivity in the textile, agricultural, and power generation sectors.

- The government successfully lobbied Washington to pass legislation for low tariffs and preferential access to U.S. markets for Pakistani exports, thus proving its long-term commitment to the Pakistani people.
- The parliament enacted legislation that brought the Ministry of Defense under civilian control. The law exposed military expenditures to parliamentary debate, created a parliamentary intelligence committee, placed the ISI under civilian control, and assigned top military appointments and promotions to parliamentary approval.²⁷
- Normalization of relations with India became a reality. Pakistan and India reached an agreement on Kashmir on the basis of no territorial exchange, gradual demilitarization of the Line of Control, and joint administration by the Indians, Pakistanis and Kashmiris.

By 2020, Pakistan finally was showing signs of a potential success story. The rise of the middle-class, along with incremental economic progressions over the decade and the initiatives enacted after the elections of 2018, set Pakistan on a positive path. A complete correction of imbalances was attainable over the following decade, to 2030, given the positive correlation between economic reforms and political popularity.

However, these reforms did create a new class of expatriates that moved out of Pakistan to protect their wealth from the new tax regime. Anxious to undermine the attempts at reform so they could continue business as usual, these external spoilers began to fund terrorist organizations with the hope that a larger military budget could be used to fund a military coup. Preying on entrenched fears over the potential for the West to dominate and subordinate Islamic states, the economic “losers” of the NJP reforms took every opportunity to subvert diplomatic progress between the U.S., India, and Pakistan. These expatriate actors used the deregulation of media outlets to start fundamentalist outlets that challenged the sustainability of the NJP’s dominance and created rumors of corruption within the NJP’s top echelon of politicians and business leaders. Most importantly, these new media outlets took to task the NJP’s Islamic credentials, spreading questions about the NJP’s priorities to consumerism and wealth over moral obligations of Islam. Some members of the judiciary, aligned with

conservative Islamic clerics, periodically called for investigations into high-ranking NJP members' personal spending.

This opposition movement remained weak due to the economic success of the NJP platform and to the advancement of the media as a partner in ensuring institutional transparency. Overall, unemployment started to decrease, wealth was redistributed more equitably throughout the country, and infrastructure—both physical, like roads, energy, transit, and soft, like education, health, and communication—started to improve.

IMPLICATIONS FOR U.S. FOREIGN POLICY

This is obviously the best case, for Pakistan and for outside powers, and also the biggest challenge to plausibility given current trends. The easiest futures to imagine are some variant of “business as usual” or “muddling through”, and these often become the default option in scenario exercises. Such expectations, however, can either blind us to plausible upsides or provide false comfort. They are the enemies of prevention, encouraging complacency (reducing support for upside possibilities) and guaranteeing that mitigation (in the event of downside futures) will begin too late to be fully effective. They are also in this case among the least likely futures, given the fragile and conflicted nature of contemporary Pakistan and its regional environment.

The reform scenario is driven principally by forces internal to Pakistan, namely the continued growth of a professional, urbanized middle class with demands for effective governance, an active civil society and free press mobilized behind these demands, and a deepening economic crisis which increases the leverage of outside players, including aid providers, global investors and the IMF. Additional external factors encourage these trends: a U.S. drawdown in Afghanistan and the lack of a China option for Pakistan that makes continued U.S. security assistance an effective source of leverage on Pakistan's government; agreement by India to maintain a low profile in Afghanistan, in the interests of Afghan stability; and a growing appreciation of the economic promise of political reform, through enlarged access to the U.S. market, greatly expanded trade with India, and inward investment. The result, towards the end of the decade, is the emergence of a progressive—though still fractious—Islamic democracy looking to Turkey as a model; a professionalized, less politicized Army focused on external challenges to national security; stronger civilian leadership; and expanding trade and financial interdependencies with its neighbors.

The incentives among outside powers to invest in this scenario, despite its perceived low probability, are greater if we accept the plausibility and consequences of the other two, Radicalization and Fragmentation. Placing the demands of helping Pakistan to succeed in the context of the costs should it fail, may enable us to generate some impetus towards the Reform scenario. Although internal developments are drivers of the scenario, we might provide inducements to reform through market opening, continued development assistance, flexible conditionality for IMF support (especially rule of law, reduced corruption, educational reform, altered budget priorities, improved tax collection), private investment guarantees, and support for civil society. Direct pressure on the military to support strengthened civilian governance, with the now credible threat of withholding military assistance, could also be effective. These measures would further empower the rising professional middle class, providing it with a greater voice and expanded resources. Continued pressure on the government to act against the Afghani Taliban and its allies, is of course also essential. The more we can cooperate with other interested actors in promoting these measures, the better.

Placing the demands of helping Pakistan to succeed in the context of the costs should it fail, may enable us to generate some impetus towards the Reform scenario.

Equally important is helping to create an external environment conducive to internal reform. India can be very helpful in Afghanistan, by not eliciting further Pakistani security paranoia, and by maintaining a dialogue on Kashmir despite the inevitable provocations by Pakistani spoilers. China can support positive outcomes by continuing to keep the Pakistan military at arms length (which enhances our leverage), while actively seeking stability through trade and investment. China and Russia can help to facilitate a positive end game and orderly drawdown of NATO troops from Afghanistan, and by supporting, along with the EU, a stabilizing residual presence.

Among external variables, clearly Afghanistan is pivotal. All three scenarios assume that the NATO presence post-2014 is modest, with substantial withdrawal driven by resource constraints and lack of political commitment. The Reform scenario therefore rests either on a high degree of sustainable success in Afghanistan achieved over the next two years, or on a discovery that the inevitable drawdown generates some unexpected U.S. leverage over the antagonists, which succeeds in containing Afghani spillover into the

region. This would depend on convincing Pakistan that the only opportunity for stabilizing Afghanistan, and for preserving its own sovereignty, is by leveraging the transitory NATO presence, not by empowering 'surrogates' that will prove impossible to control; India, that tactical gains in Afghanistan are not worth the costs of an escalating scramble for influence once NATO departs; and the Afghan government, that the best power-sharing deal is obtainable during the period before this departure.

These measures—a combination of inducements and pressures—are compatible with the policy requirements of Radicalization or Fragmentation. Acting both to prevent these downsides and to encourage Reform draw from the same toolkit: building more effective governance in Pakistan, and attempting to stabilize the neighborhood, preferably through collective action with outside actors whose interests are potentially in alignment. Clearly, once we assume the end conditions of each scenario, policy reactions diverge: deterrence in the case of radicalization; containment in the case of fragmentation; consolidation in the case of reform.

APPENDIX

Drivers of Change in Pakistan

Pakistan is unique among states because it was created as a sanctuary for Muslims but housed inside a territory of diverse peoples who had little history of banding together for national goals. The name for ‘Pakistan’ is an amalgamation of the tribes native to the region—P for Punjabis, A for Afghans, K for Kashmiris, ‘istan’ for Balochistan—but also means ‘land of the pure’ in Urdu,¹ the country’s primary spoken language. Pakistan has struggled since independence to reconcile many different interpretations of religion’s role within the state, and the state’s proper role in society. The resulting confusion is not confined to internal debate but influences all matters of national importance, from security to governance to foreign policy.

Pakistan is a study in contrasts – a modern state with a rapidly growing urban population but an inadequate infrastructure to accommodate demographic changes; a Muslim democracy where women in professional roles are highly respected but where blasphemy is still punishable by death under federal law; a country where sovereignty rests with the people, but where the military is more trusted with governance than elected leaders; a crucial international partner to Western interests in the region, but at odds with strategies and priorities to achieve long-term security. With so many competing ideals and expectations, Pakistan’s path to 2020 is full of both obstacles and opportunities. Will it resolve the underlying economic inequalities that empower Islamic extremists? Will it set aside decades of suspicion to forge a meaningful partnership with India? How will Islam influence and shape internal and external decision-making?

DRIVERS OF CHANGE

This paper identifies five areas where trends evident today could vary widely over the next decade, driving change in Pakistan: identity formation, political development and governance, economics, security, and foreign policy orientation. How will these ‘drivers of change’ shape Pakistan’s trajectory into the next decade? What will enable or constrain their influence on Pakistan’s future?

Identity—Diversity, Divisions and Civil Society

Pakistani society is comprised of distinct – at times competing – ethnic, sectarian and class identities. When asked, most Pakistanis identify themselves first as Muslims rather than citizens of Pakistan.² Furthermore, polling data shows that Pakistani youth attach great importance to their ethnic and sectarian identities.³ Thus, public debates are often initially framed as identity disputes, with each group casting a suspicious eye on the intentions of the other.

Diversity and Divisions. Pakistan is comprised of four major provinces (Punjab, Sindh, Balochistan, and Khyber-Pakhtunkhwa, or KP), plus three additional territories (Federally Administered Tribal Areas or FATA, Gilgit-Baltistan, and Azad-Kashmir). At independence, these boundaries denoted Pakistan's four major ethnic-linguistic groupings: Punjabi, Sindhi, Pakhtun, and Baloch. Over time, these groups have migrated internally, and each province now has a mixed ethnic makeup.⁴ This movement of peoples has brought separate ethnic groups into ever closer contact, increasing contention between ethnicities and classes, and providing an audience for leaders who use these divides to maintain and strengthen their individual power. In fact, a census has not been completed since 1998, over fears that results would reveal new ethnic majorities in each province, as well as redistrict National Assembly seats.⁵

Pakistan has a history of secessionist movements, the most significant and successful of which was the exit of East Pakistan in 1971. The Pakhtun and Balochi ethnic groups have historically felt little connection to the Punjabi dominated central government,⁶ eroding state loyalty even as their members move into Punjabi or Sindhi dominated areas. FATA and KP provinces, along with Balochistan, are the least economically developed regions in the area and have the least access to the media,⁷ so national messages are likely filtered through local sources. While appeasing these groups through greater provincial autonomy is a quick solution to immediate problems, federalism without consolidating political interests at the national level could reinforce calls for self-determination.

Class divisions serve to exacerbate ethnic tensions in a country where power and wealth is concentrated among a narrow class of mostly Punjabi elites: 22 families own 66 percent of industry (including 80 percent of

banking), and landlords owning more than 500 acres possess 15 percent of Pakistan's land.⁸ 54 percent of the landless citizenry live in poverty, suggesting a system of inequity comparable to feudalism.⁹ Land reforms have been attempted at several points in Pakistan's history, but have failed to make significant changes in the landlord-tenant balance of power. This social inequity is further exacerbated by the military's interest in maintaining its own agricultural and industrial empire; workers on the Okara Military Farms "have been subject to harassment, intimidation and abuse by the military" over plans to organize and protect their rights to the land.¹⁰ The rural poor have been marginalized by the failure to carry out comprehensive land reform, and are thus receptive to anti-government rhetoric propagated by the Taliban and other terrorist organizations.¹¹

Role of Islam in the State. Pakistan was founded as a secular nation, but the movement for independence was carried out by Muslims seeking a home free of religious oppression. Encompassing these ideals at the first national assembly, founder Muhammad Ali Jinnah stated: "You are free; you are free to go to your temples, you are free to go to your mosques or to any other places of worship in this State of Pakistan. You may belong to any religion or caste or creed – that has nothing to do with the business of the State."¹² However, in the same speech, Jinnah voiced expectations that Pakistan would use the opportunity of a fresh start to build a state free of corruption and bribery. Today's support for Sharia law and an expansion of Islam within the state are, in part, a reaction to Pakistan's failure to meet these high political standards.

Although Pakistan remains technically secular, politicians have always relied on Islamic clerics to legitimate their positions of power, and which clerics are chosen for support informs the role of Islam in the state. In the 1960s and 1970s, rulers such as Ayub Khan and Zulfikar Bhutto relied primarily on rural-based spiritual leaders and guardians of local shrines, producing a state that leaned on socialist and inclusionary Islam.¹³ However, Bhutto also recognized that support by the urban-based Islamic clerics, or ulema, would be critical to maintaining power.¹⁴ He conformed to their standards of a 'proper' Islam by stripping the Ahmedi sect of their status as Muslims, as well as banning alcohol, closing nightclubs and outlawing gambling.¹⁵

The influence of the ulema was further strengthened by their explicit partnership with General Zia-ul-Haq in the 1980s, who took power from

Bhutto with an intense desire to strengthen the role of Islam in the state.¹⁶ In return for providing social legitimacy for Zia-al-Haq's military regime, the ulema began to demand and receive patronage in the form of state resources, funding madrassas to advance Islamic education. As long as ulema demands fit into Zia-al-Haq's objective "to ensure that Islamization remained a state-sponsored and state controlled exercise," he gladly took the opportunity to simultaneously appease conservative Islamic clerics and "widen the reach of the state."¹⁷ Most of Pakistan's youth and young leaders today grew up under Zia-al-Haq's Islamized education system, leading some to conclude that there is a "lost generation" of civil servants who have not been presented with a viable alternative to a radicalized Islamist worldview.¹⁸ As such, loyalty among Pakistani youth is first dedicated to a wider Muslim brotherhood that to civic nationalism.¹⁹

Yet Islam in Pakistan is not homogenous, reducing the probability of a theocratic revolution. Rising sectarian violence against the Shia minority exposes deep societal rifts over which version of Islam is "correct" for Pakistan. For 2010, the South Asia Terrorism Portal reports 57 incidents of sectarian violence in Pakistan, killing a total of 509 people and injuring 1170.²⁰ The vast majority of sectarian violence is directed at minority religions and is thought to be inspired by Wahhabi ideology, which is itself another take on global Muslim brotherhood that can be realized through dissolving the nation-state.²¹ Recently, intra-Sunni conflict has exposed divides within the state's majority religion.

The public divide over the role of Islam in the state has increasingly taken the form of violence. The recent assassinations of Punjab Governor Salman Taseer and Minister of Minority Rights Shabaz Bhatti show that public dissent on Islamic issues is exceedingly dangerous. In this environment, where does real power lie? If the politicians cannot act independently from clerics, elections hold little value. However, while Islamic political parties like Jamaat-e-Islami are able to mobilize prominent public displays of support against general concepts, such as street protests against the repeal of the Blasphemy Laws, these parties have historically garnered little consolidated support at the ballot box.²² Instead, Pakistanis seem more comfortable voting for secular leaders based on the opinions and recommendation of Islamic leaders, rather than combining the two centers of power into one political structure.

Civil Society. Civil society in Pakistan is comprised of NGOs, community-based religious centers (including madrassas), and burgeoning social movements. These groups interact with media outlets to amplify societal demands, consolidating opinions on major political issues as well as reinforcing commonly held values. The increasing variety of media outlets²³ and the penetration of mobile technology spread the scope of populist messages. Civil society in Pakistan does not necessarily espouse Western values, often rejecting Western democracy in favor of an identity that strongly reflects Pakistani independence and Islamic ideals without expressing civic nationalism.²⁴

Pakistan is highly unlikely to become “the next Egypt” because the public already has political agency and because elections are, as of late, free and fair, even if patronage systems dominate the voting process.²⁵ The Lawyers Movement of 2008 brought together many societal groups and competing identities to protest authoritarian rule, and was successful in bringing about significant change. However, the focus of civil society movements has since shifted in favor of violent protests; although the Lawyer Movement was instrumental in delegitimizing ousted President Musharraf, the lawyers’ support for Governor Salman Taseer’s assassin suggests a limited commitment to rule of law standards, especially when these standards create friction with Islamic interpretations.²⁶ Meanwhile, protests have been increasingly disruptive to daily life as agitators block traffic and disrupt the flow of commerce.²⁷ Although there is little to no impetus for a revolution in Pakistan as it stands today, increased access to technology may allow both easier organization and specific targeting of contentious protests.

Identity in Pakistan is inseparable from politics, religion, security and economics—clan-like power structures dominate the institutional landscape. How can Pakistan change incentives to promote more cooperation among its dissimilar regional groupings? Does the consolidation of identity necessitate a powerful external enemy or can Pakistan find a new common goal to unite its people? Will Pakistan readdress a formal definition of the role of Islam in society, or does the vagueness of Islamic principles help the state manage competing interests?

Interrupted Political Development and Governance

Pakistan's political development has been repeatedly interrupted by both authoritarian military takeovers and failure to form effective governments. These periods have been so frequent and long-lasting that the current parliament is likely to be the first to serve a full term in three decades.²⁸ As a result, democratic institutions such as an independent parliament, strong rule of law norms, as well as accountability and transparency, have yet to be fully developed. Instead, the influence of the military on political decision-making remains strong, especially in areas such as foreign policy and defense.²⁹ The lack of accountability and transparency, coupled with the stymied development of political interest aggregation, produces political parties led by strong personalities who preside over patronage systems.³⁰ The result is a state greatly receptive to popular protests over high-visibility social issues – such as the gas tax or the blasphemy laws – but lacking either will or power to make long-term, concrete improvements in living conditions.

Civil-Military Relations. In Pakistan, the military is a far more trusted and stable institution than the government, and the country has been ruled outright by a military autocrat for more combined years than by a civilian government. This level of comfort with a military state has roots in political development under the Raj – Punjab and the FATA were seen by the British as too fundamentally insecure to be included in strategies to forge a civil service.³¹ Since independence, the precarious balance of power in civil-military relations has never tipped in favor of government, and the country has seen three extended periods of military rule: under General Ayub Khan in the 1960s; under General Zia-al-Haq in the 1980s; and under General Pervez Musharraf in the first decade of the 21st century.

Both civilian and military leaders sought changes in government structure to expand their power, and these changes have had long-term effects on Pakistan's political development. Significantly, Pakistan's constitution has been chopped and repared by successive leaders, oscillating between a parliamentary system and a strong President.³² The recent passage of the 18th amendment restores the federal parliamentary system, stripping the President of power to arbitrarily dismiss the parliament.³³ These changes vest more control with the Prime Minister while hedging against the type

of back-and-forth power plays that characterized the Bhutto-Sharif feuds of the 1990s, in which no elected government could complete a term without dismissal and which set the stage for Musharraf's takeover in 1999 by justifying the benefits of a strong, central ruler.³⁴

With a constitutionally guaranteed parliamentary system, there are fewer opportunities for the military to present itself as a more stable alternative to the civilian government, short of a full-scale war or a rising and powerful secessionist movement. Recent legislation has cleared the path for General Kayani to continue his leadership role through 2013, and thus setting up a change in military leadership at the same time as the next civilian elections.³⁵ Possible successors may continue Kayani's approach of selective political intervention,³⁶ but could also step up as an adversary of civilian leadership, especially if the institution perceives security threats from governmental initiatives. A major deciding factor of the stability of civil-military relations is the personality of each institution's leader – providing wide variability for both cooperation and dissent after leadership changes.³⁷ As Pakistan's two most influential political parties are run as dynasties, civilian leaders must also overcome their own long histories with the military to regain control over security and foreign policy decision-making.³⁸

The military is an entrenched institution that justifies its 20 percent share of the federal budget by invoking security concerns – and is therefore incentivized to perpetuate a permanent state of insecurity, while controlling the orientation of foreign policy. If the civilian government makes peace with India or terrorist groups, the army itself would be in jeopardy. This perverse incentive can only be overcome by opening alternative space for army or drastically reducing its scope and size, and would have to develop in conjunction with a program of good governance in the civilian leadership.

Governance and Institutions. The army's legitimacy to interfere in domestic and international policy is reinforced by the government's failure to provide basic services to the Pakistani people. Power politics in Pakistan has been dominated by two parties since the death of General Zia-al-Haq in 1988: the Pakistani People's Party, led by the Bhutto clan (PPP); and the Pakistan Muslim League, led by Nawaz Sharif (PML-N). While each party has a distinct ideology – the PPP favors social equity while the PML-N rests on corporate issues – neither these nor other political parties, such as the rising urban

and secular party MQM, have produced a platform to translate ideology into legislation.³⁹ For a country that sees democracy as its natural state, only half of Pakistanis view elected representatives as governing “completely” or “a lot.”⁴⁰ High expectations for elected officials will continue to erode if the government cannot improve its delivery of basic services.

Demographic challenges will likely reinforce the need for government competence in resource procurement, and could expose yawning gaps in the government’s capacity to respond to the people’s needs. Pakistan’s population is currently estimated at 175 million people and expected to nearly double in size by 2050.⁴¹ More than half the population is under the age of 25, a reflection of the high total fertility rate of 4.1.⁴² With population growth averaging 2.7 percent and no concerted movement towards establishing women’s education programs to decrease fertility, the youth population will continue to bulge, “overwhelming the state’s capacity to deliver education, health care and jobs to an ever-expanding pool of young people.”⁴³

Indeed, Pakistan’s low ranking on the World Bank’s Human Development Index (125th out of 169) is reflective of the budget allocation for education (1.7 percent) and for health services (0.3 percent).⁴⁴ 73 percent of the education budget goes to tertiary education, producing a country with developed universities.⁴⁵ However, the average Pakistani sees 4.9 years of primary schooling (and this number decreases significantly for rural girls), which would not qualify most for entrance into the universities.⁴⁶ 60 percent of Pakistani children are educated in public schools, despite emerging evidence that private schools, including madrassas, are becoming more affordable and provide better education.⁴⁷ The success of the private sector takes pressure off the government to enact meaningful reform—but does so at the high cost of diminishing public trust.

The 18th amendment shifts power to the provincial level, by both setting minimum resource allocation levels and devolving specific areas of legislation (including educational curriculum, marriage, labor, and contracts) where federal law had formally prevailed.⁴⁸ While the institutional capacity of provincial assemblies to make the most of these changes has been questioned,⁴⁹ the move could combat the growing societal influence of non-state actors. Islamist groups have been actively positioning themselves against the government, and have successfully used foreign religious funding to provide social services in rural, insecure areas – thus

expanding the soft power of independent Islamist groups and contributing to militant movements.⁵⁰ Decentralization is gaining momentum as Pakistan recovers from yet another decade of authoritarian military rule, but the pace of this restoration of federalism will determine its success or failure. If power is drained too quickly from the central government, space will open for secessionist movements, which could in turn lead to another military takeover justified by the need to keep the country together. If federalism is not realized, the central government will need to improve the delivery of basic goods to remote provinces.

The judiciary has historically been complicit in legitimizing military coups and slanted legislation, but has been granted new autonomy by the 18th amendment, which removes the control of appointments from the President and Prime Minister.⁵¹ The newly independent judiciary could, however, become an impediment to the development of political agency, should it follow the army's path of complete autonomy and establish a third center of gravity within the political system.⁵²

Despite the emergence of an independent central judiciary, the vast majority of Pakistanis enjoy little rule of law. Corruption is endemic in the political and legal system: Pakistan ranks 143rd in the Corruption Perceptions Index from Transparency International.⁵³ Sharia law is seen as a remedy for corruption, as most believe it would restore morality to public service.⁵⁴ While there is little evidence to suggest that a strict interpretation of Sharia law is likely to become the primary justice system in the next decade,⁵⁵ each politician's stance on Sharia may become an important determinant of their overall political platform.

Without strong rule of law norms, the public environment is ripe for conspiracy theories. External actors, specifically the United States, have taken advantage of a weak regulatory climate to insert security agents under cover of diplomatic administrative officers or private contractors.⁵⁶ With the release of Raymond Davis, a U.S. CIA operative accused of killing two Pakistani men under mysterious circumstances, the public distrust of the justice system is likely to be deepened – and the U.S. role in Pakistan is likely to continue to be framed in conspiracy rhetoric.

Although corruption and the poor quality of government-run services remain entrenched problems, Pakistan's parliamentary assembly has accomplished a significant overhaul of the constitutional system with the

passage of the 18th amendment. The trust deficit between the parties can continue closing with subsequent cooperation – though the tendency remains to shelve unpopular measures when public pressure rises. Most importantly, the government has yet to demonstrate to the Pakistani people that they will gain more from compromise than dissent. Who stands to lose if basic services are improved and the government gains power? What measures might the losers take to stop political development?

National Security and the Global War on Terror

Since the 1971 civil war that resulted in the secession of East Pakistan (now Bangladesh), the military has cultivated a network of relationships with Islamist paramilitary groups to hedge against India and advance Pakistan's interests in the regional theater. However, Islamist paramilitary groups have increasingly evolved into uncontrollable non-state actors that use tactics of terrorism to express their frustrations. These terrorist actors have come to be linked with a wider jihadist movement intent on overthrowing the governments of South Asia, Central Asia, and the Middle East.⁵⁷ Overall, terrorist attacks in Pakistan have risen dramatically in the last decade: the South Asian Terrorism Portal estimates that 33,638 people have been killed by terrorist violence in Pakistan since 2003, and only starting in 2008 did terrorist and insurgent deaths outnumber deaths of civilians by terrorist violence.⁵⁸

For all of Pakistan's faith in a powerful military institution, the actions of the army reveal a deep sense of insecurity. ISI's continuing partnerships with terrorist networks, including Lashkar-e-Taiba (LeT), undermine the central government and military leadership's ability to develop an effective counter-terrorism regime, even as military leaders acknowledge that extremist groups are a major threat to state stability.⁵⁹ Though Pakistan has lately embraced the United States' counter-insurgency strategies,⁶⁰ the parsing of terrorist organizations between those 'good' for Pakistan and those 'bad' for Pakistan inhibits a wide organizational crackdown on Islamist groups using violence against civilians to advance their agenda. For example, it is common for police in FATA province to arrest terrorist leaders, only to have the ISI overturn their work and release those captured.⁶¹

This confusion of motives is in large part due to insecurity over India's military strength and may also have roots in the defeat perceived by the military following the secession of Bangladesh. The dispute over the

princely states of Jammu and Kashmir informs the ideology of the army.⁶² As the populations of these areas are primarily Muslim, Pakistan seeks the control of these states as a victory over Indian military domination and a measure of how well Pakistan is fulfilling its own purpose as a protectorate of Muslim peoples.⁶³ Therefore, the conflict in Kashmir has a strong emotional component and is not expected to be resolved in the near future.⁶⁴

Kashmir, as an ideological flashpoint, has nourished the idea that Pakistan exists to protect (and perhaps liberate) all Muslims in India by any means necessary – including support of paramilitary groups. Speculation abounds as to the ISI's involvement in LeT attacks on Mumbai in 2008.⁶⁵ Some analysts also believe that Indian military investment in Afghanistan is complicating efforts to sever ties between the Pakistani military and terrorist organizations; Pakistan fears being surrounded by a hostile neighbor that has recently become the largest arms importer in the world.⁶⁶ With mutually assured destruction by nuclear technology cooling the prospects for a full-fledged war, independent terrorist groups are seen as an effective, selectively-employed strategy to shift the regional balance of power.

Further complicating Pakistan's internal security strategies is the perception by top military leaders that force against the Tehrik-i-Taliban-i-Pakistan (TTP) would not be supported by lower level police and soldiers, much less by the Pakistani population at large—though this perception is changing in light of TTP suicide attacks against civilians.⁶⁷ The TTP or Pakistani Taliban is a “network of breakaway factions from various militant groups that are not all necessarily linked with the tribal areas, but use the territory as a hideout.”⁶⁸ Some of the factions have links to the al Qaeda global terrorist network, and the TTP has taken responsibility for many acts of violence against civilians, including the bombing of Internally Displaced Peoples (IDPs) waiting to collect food and the assassination of Minorities Minister Shabhz Bhatti.⁶⁹

Although the frequency of suicide bombings attributed to the TTP may be galvanizing public opinion against the Taliban, the vociferous extremist minority has drowned out the moderate, liberal majority.⁷⁰ These sentiments are reinforced by the repeated shelling of the KP province and the FATA by U.S. drone attacks. Drone attacks are seen by the West as a necessary and favorable alternative to violating state sovereignty

through ground troop invasions. However, the reported inaccuracy of drone-deployed weapons unfairly affects the local populations and provides endless opportunities for the media and other non-state actors to demonstrate the callousness and brutality of the West.⁷¹

While the Afghan Taliban and TTP share an aversion to Western presence in the region, each group has developed independently.⁷² However, each group operates from the same areas inside Pakistan—and thus provides the very reason for drone attacks inside Pakistani territory.⁷³ The instability in Afghanistan has increasingly bled into Pakistan's security dilemmas as Afghan Taliban and other forces opposing the U.S.-backed Hamid Karzai government are pushed into Pakistan over the disputed Durand line that barely serves to divide the Pakhtun peoples living on each side. Given the historical relationship between Afghan paramilitary groups and the ISI, Pakistan would like to be seen as a legitimate broker of peace talks between the U.S., Karzai, and opposition forces.⁷⁴ However, any potential peace talks have been frustrated by the lack of a U.S.-articulated “end-game” in Afghanistan.⁷⁵ Pakistan is growing increasingly disturbed at the lack of trust and clarity on the part of NATO and the U.S. especially given the Obama administration's pledge to withdrawal combat forces starting in 2011.⁷⁶

Resource security concerns are growing in prominence as internal and external actors fret over control of vital, and potentially dangerous, resource assets. Regional control over shared water resources is currently governed by the Indus Water Treaty of 1960, which is viewed as the single most successful water sharing treaty in history for having survived wars between India and Pakistan without violations.⁷⁷ However, the agreement is under pressure as India continues to build upstream dams that could result in Indian control over Pakistan's main water resource.⁷⁸ While India has maintained a highly decentralized and virtually unregulated system of water-related infrastructure, Pakistan's concerns over potential violations stem from India's rapidly growing population and from the dams' location in the disputed areas of Kashmir and Jammu.⁷⁹ Since more than 97 percent of Pakistan's water withdrawals are for agricultural irrigation, it is no surprise that Pakistan fears India control over the source of growth for its largest industry.⁸⁰

Second, the internal security of nuclear weapons is a worldwide concern, given the rise of terrorist groups who actively promote their use against

enemies near and far. Although Pakistan has taken several measures to secure its nuclear weapons and facilities since the 9/11 attacks in New York, there are limits to public knowledge on the specifics of this security.⁸¹ However, the very existence of nuclear weapons magnifies the importance of state stability to outside actors—a group of extremist Islamists with a nuclear weapon might well be classified as the Western world’s greatest fear, and therefore gives Pakistani military a significant amount of leverage to procure aid, weapons, and training.

Security in Pakistan must be achieved in order to grow the economy and ease ethnic and sectarian tensions. Recent evidence has shown that security has gotten worse, not better, since the 9/11 attacks and the subsequent invasion of Afghanistan by the United States.⁸² Regardless of how terrorist groups were funded and who is responsible for their increased leverage, they are profiting from an insecure environment and threatening state cohesion. Can Pakistan manage its paramilitary allies and crush its terrorist enemies, and if so, how does it accomplish this goal? What shape would Pakistan’s KP province and FATA areas take in the absence of terrorist organizations? What is the worst-case scenario for Pakistan’s security, and what would the world response be if a terrorist group ascended to power in Pakistan?

Economics

Pakistan’s economic opportunities are constrained by the internal security situation and the inability of politicians to pursue a coordinated economic recovery program. Pakistan’s share of cost in the war against terrorism has been estimated at \$43 billion since 2005.⁸³ Lost exports, damaged physical infrastructure, diversion of budgetary resources to military and security-related spending, capital and human flight, and high inflation are just a few effects of the violence on Pakistan’s economy. While Pakistan often turns to external sources to fund budgetary gaps, the current IMF Stand-by Agreement (SBA) requires the Pakistani government to implement politically unpopular austerity measures.⁸⁴ A recent decision to enact legislation raising the tax on gasoline, in compliance with IMF conditionality, precipitated popular street protests as well as the withdrawal of the PML-N and MQM parties from the parliamentary coalition.⁸⁵ The legislation was then repealed to maintain political stability. If Pakistan must ignore fiscal remedies in order to keep the civilian government functional, there is little hope for sustained economic growth in the short-term.

The government is reluctant to enforce tax laws. The tax-to-GDP ratio of 10 percent is among the lowest in the world.⁸⁶ In the last decade, Pakistan has taken several positive steps to overhaul the tax administration, including moving from a type-of-tax system to a fully integrated tax administration and thus reducing the opportunity for corruption.⁸⁷ Pakistan's economists project a 15 percent tax-to-GDP ratio in coming years,⁸⁸ but with corporate taxes already at 35 percent (and 20 percent for small businesses),⁸⁹ most of the gap will be covered by raising or recovering more taxes on workers and consumers or else risk hindering business expansion. Meanwhile, inflation averaged 17.5 percent from 2007-2009 straining household budgets despite government subsidies on agriculture, government control of pharmaceutical and fuel prices, and government influence on utilities through state-owned enterprises.⁹⁰

Pakistan's utilities are indicative of repeated failure to repair microeconomic problems. The State's primary electricity company, Pepco, is locked in a vicious cycle of circular debt, wherein end-consumer tariffs are insufficient to cover costs but the fiscal constraints on the state prevent Pepco from recovering the losses from the central government.⁹¹ Pepco borrows to cover its costs, but cannot repay the loans without first becoming profitable. This downward spiral of debt keeps Pakistan in a constant energy crisis, where electricity generation capacity meets less than 80 percent of demand.⁹² Rural areas suffer disproportionately with more frequent energy blackouts, adding to perceptions of unfair resource distribution between economic classes—and by extension, ethnicities.

Poverty in Pakistan is pervasive—in FY06, 25 percent of the population was living under the poverty line.⁹³ While more recent figures are unavailable, that number has likely increased as unemployment is on the rise and the country is recovering from the 2010 floods that decimated its largest employment sector. The floods also brought to light growing class tensions; there have been calls for investigations into whether wealthy landowners influenced the breaking of strategic levies to protect their crops while flooding poorer plots.⁹⁴ Overall, the 2010 floods affected over one-fifth of Pakistan's land, causing massive movements of IDPs. There are 1.4 million people registered with the government as IDPs, but independent monitoring organizations estimate the actual number at 2 million.⁹⁵ While 90 percent of IDPs find housing with friends and family across the country, recent data suggests that villages and towns are having increasing trouble accommodating displaced people. As IDPs move into

camps primarily reserved for refugees from Afghanistan, they not only face diminished health and education services, but also become targets for terrorist bombings. Perversely, even as terrorists use violence against IDPs, the lack of adequate government response to IDPs' concerns makes them especially susceptible to terrorist propaganda.⁹⁶

Unreliable electricity, natural disasters, and lack of alternative economic opportunities are a few factors driving Pakistan's rapid urbanization. Although two-thirds of Pakistanis currently live in rural areas, the urban annual growth rate has averaged 3.82 percent since 1950.⁹⁷ Fighting in western provinces has driven large movements of people eastward, into Pakistan's city slums. Pakistan's largest city, Karachi, is estimated annually to grow by 1 million residents and add 100,000 plots each year to the *katchi abadis*, or unplanned city slums.⁹⁸ Not only are municipal governments ill equipped to expand basic services to a rapidly rising urban population, the resulting strain on resources had drive a growing quasi-legal industry of ethnic-based patronage. Developers illegally seize state land and rent plots to people from their own ethnic group, who then obtain water and electricity from illicit middlemen (often accomplished by bribing the municipal officials and police into silence). These arrangements are followed by an active organization of residents who "demand formal recognition and protection from the state."⁹⁹ Again, the government's lack of capacity to provide services does not stop (or hardly impede) the goals of the population—rather, the door remains wedged open for an expansion of the informal economy, which takes the shape of patronage systems and further engrains ethnic tensions.

Agriculture is currently Pakistan's primary industry, employing about 45 percent of the population and comprising 21 percent of GDP,¹⁰⁰ but is heavily susceptible to natural disasters, such as the floods of 2010. Additionally, the floods adversely affected Pakistan's largest export sector—textiles—as these exports depend on the domestic cotton crop.¹⁰¹ When domestic industry lacks opportunities, Pakistanis migrate for work. The Ministry of Labor estimates that 4.5 million Pakistanis are working overseas.¹⁰² For many Pakistani families, remittances are an essential component of household budgets, allowing improved access to education, supplying marriage funds, and covering necessities.¹⁰³ As global food and energy prices are on the rise, the reliance on remittances will likely swell—and efforts to migrate for work may become increasingly desperate.

Pakistan's ability to move up the economic "value chain" from agriculture to manufacturing can be built on the coupling of a large youthful population with rapid urbanization, providing a basis for the establishment of manufacturing hubs.¹⁰⁴ Still, these manufacturing hubs will likely be built through FDI and technology transfers, necessitating an improved regulatory and security environment.

Pakistan is missing out on the foreign investment that flows into other developing countries in Asia and Latin America. In the past year, there has not been a single major investment or acquisition into Pakistan. Worldwide, FDI declined from \$3.2 billion in FY09 to \$1.8 billion in FY10—a 45 percent total drop that makes global competitiveness increasingly crucial to secure a piece of available funds.¹⁰⁵ The World Economic Forum ranks Pakistan 123rd out of 139 countries for hurdles to doing business, citing corruption, political instability, and high inflation as primary growth inhibitors.¹⁰⁶ Recent talks to increasing trade with India, Afghanistan, and China may provide hope for future investment. However, the scant investment that currently takes place may actually be harming Pakistani business opportunities. China has begun to invest in infrastructure and resource development in Pakistan, which has decreased the competitiveness of Pakistani goods in these sectors on their home soil.¹⁰⁷ China is now the number one source of Pakistani imports and constitutes Pakistan's third largest export market, having grown by \$500 million to \$1.7 billion from 2009 to 2010.¹⁰⁸

Foreign aid to Pakistan outside the IMF SBA is dominated by the U.S. and China. The U.S. has passed the Kerry-Lugar-Burman bill, promising \$7.5 billion in military and civilian aid over the next five years.¹⁰⁹ Whether or not this money will be spent effectively and thus viewed on the ground as a positive American contribution to Pakistan's development remains to be seen. Pakistanis may be resentful of American foreign aid, viewing the contributions as a method of control by external forces, especially considering the fair-weather nature of the U.S. engagement in the region.¹¹⁰ By contrast, Chinese investment is geared less towards social promotions and remains heavily concentrated in infrastructure development and joint-military training exercises.

Pakistan's economic development has trended downward in the last five years due to poor policy. Although a large youth population bodes well for developing a viable manufacturing or even services industry,

employment must remain high to prevent the same group from inciting social instability. Pakistan needs new methods to induce more comprehensive tax collection if it wants to reduce dependence on foreign aid. Will Pakistan be able to push through unpopular measures to build an effective economy, or will the elites continue to take advantage of existing inequalities as unemployment and dissatisfaction grow?

Foreign Aid and Policy

Pakistan has three major benefactors – the U.S., China, and Saudi Arabia. Each patron nation has differing goals and tactics for promoting Pakistani cooperation through political and economic inducements. The relationship between the U.S. and Pakistan has been dominated by security issues, dating back to sanctions imposed in the 1970s over Pakistan's nuclear program. For China, Pakistan is a border country that can provide valuable port access as well as hedge against the Indian military. For Saudi Arabia, Pakistan's role as a protector of (mainly Sunni) Islam in South Asia encourages donations aimed towards social and religious interests, especially in the wake of natural disasters.

Unlike relations with Saudi Arabia and China, the U.S.-Pakistani relationship is characterized by a deep sense of distrust. In part, this dissonance is due to the U.S.'s long-standing policy of strong relations with India. However, equally damaging are perceptions that U.S. interference in Pakistan's affairs is one-sided, and at times domineering or derogatory towards Pakistan's goals and aspirations. These perceptions stem from an interpretation that the U.S. is a fair-weather friend; content to appease Pakistan when security concerns require cooperation, and to condemn Pakistan when the U.S. sees no self-interests in the region.¹¹¹ Significantly, sanctions over Pakistan's nuclear program, the use of Pakistani intelligence in fostering instability in Afghanistan against the Soviets, and the more recent drone attacks near the Afghan border strain U.S.-Pakistani relations, as leaders on both sides assuage domestic constituencies by criticizing the other. At the core of current bilateral tensions is the realization that each country has different goals in Afghanistan. Meanwhile, aid-based overtures are aimed primarily at bolstering Pakistan's military and civilian government, and are slow to trickle down to development projects that would impact the lives of an ordinary Pakistani.¹¹² Furthermore, these projects are tainted with the history of U.S. involvement in the region and viewed as a quid pro quo that does not measure up against the destruction wrought by the U.S. war on terror.¹¹³

China's considerable economic influence, and long-standing military ties with Pakistan give it strong leverage with Pakistan's civilian and military leaders. China has been reluctant to use this leverage to pursue the counter-terrorism agenda preferred by the U.S., because of its own long-standing commitment to nonintervention, and because China fears terrorism less than Western powers in general.¹¹⁴ However, China is willing to spend this political capital on specific issues—it encourages crackdowns on Uighur affiliated groups and was instrumental in demanding the Red Mosque attack that killed scores of Islamic students.¹¹⁵

Geo-strategically, China sees value in a strong relationship with Pakistan to hedge against a rising India.¹¹⁶ At the same time, China might cease to see value in strengthening Pakistan's military if that investment results in another Indo-Pak war.¹¹⁷ Recently, relations with India have taken a positive and conciliatory turn following decisions by both Pakistan and India to cooperate on investigation of the 2008 Mumbai terror attacks. Although Indian Prime Minister Manmohan Singh has been subject to considerable domestic criticism over his perceived "soft" attitude towards Pakistan,¹¹⁸ high-level talks continue to reinforce further diplomatic exchanges. The India-Pakistan Cricket World Cup match in Mohali on March 30th provided an opportunity for the Singh to meet one-on-one with Gilani—a meeting that would have been unthinkable a mere two years ago, due to the political aftermath of the Mumbai attacks.¹¹⁹ However, the cutoff of diplomatic dialogue following the 2008 LeT-led Mumbai attack gives spoilers and agitators a clear blueprint for destroying political progress in the future. Pakistan's reaction to any future attacks will shape the possibilities to strengthen bilateral ties. Should Pakistani reaction to an Indian request for justice after such an attack remain lukewarm, or merely perceived as such, India is likely to restart a cooling off period that would set back regional diplomacy.

Saudi Arabia and Pakistan have historically enjoyed a complementary trade relationship, with Pakistan exporting cotton and food to Saudi Arabia in exchange for petroleum and petroleum products, providing the Kingdom with unique leverage over Pakistan's economy.¹²⁰ Additionally, Saudi Arabia is commonly thought to have funded Pakistan's nuclear projects—and is therefore in a position to demand nuclear protection if necessary.¹²¹ Still, Saudi Arabian influence in Pakistani society is primarily cultural, and Saudi money is often cited as a determining factor in the establishment of extremist madrassas.¹²² Saudi Arabia has also been quick to apply its

soft power through aid donations in the wake of Pakistan's humanitarian crisis, such as its USD 105 million commitment in aids and relief goods following the 2010 floods.¹²³ While Saudi leaders might be uncomfortable with democratic leadership succession within Pakistan, their leverage over the military—and their popular support among religious leaders and with the public at large—could help Saudi influence shape stability in Pakistan. Furthermore, Saudi Arabia has proven to be an effective bridge between the U.S. and Pakistan over highly contentious issues, exemplified by its role as an intermediary in resolving the Raymond Davis case according to Sharia law.¹²⁴

Foreign policy orientation in Pakistan is concentrated around security threats and economic need. Improvements in security could allow the U.S. to spend aid money elsewhere, but would also contribute to the commonly held belief that the U.S. is opportunistic, and therefore, increase public distrust and dislike of Western influence. Economic need may drive Pakistan towards increased cooperation with India, but could both complicate the relationship with China and lead to deterioration in security as groups rise up against perceived indifference to past Hindu atrocities. Rising oil prices might cause Pakistan to demand even deeper preferential treatment from Saudi Arabia, but would invite greater demand to reinforce a Sunni identity. Furthermore, any one defection of an aid-granting state would increase Pakistan reliance on their other patrons, in the absence of rapid economic growth. Pakistan has to navigate a careful course through the competing interests and ideals of its supporters and the decade progresses to 2020.

Conclusion

Pakistan faces many conflicting pressures in the coming decade. Not only will each driver of change interact with other drivers to produce a different Pakistan in 2020, but decision-making could be further complicated by forces outside of Pakistan's control; a major terrorist attack or natural disaster could change the course of Pakistan's development trajectory. How will Pakistan manage competing interests, both internal and external? How will improvements in one driver compound improvements in others, or negatively affect others? Narratives for Pakistan to 2020 will incorporate all drivers – identity, political development, economics, security and foreign policy orientation –in the development of the state.

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