

# AMERICAN INTERESTS IN SOUTH ASIA:

BUILDING A GRAND STRATEGY IN  
AFGHANISTAN, PAKISTAN, AND INDIA

FOREWORD BY JOSEPH S. NYE & BRENT SCOWCROFT  
EDITED BY NICHOLAS BURNS & JONATHON PRICE



aspen strategy group

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**JOSEPH S. NYE & BRENT SCOWCROFT**

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# Acknowledgements

## **Nicholas Burns**

Director, Aspen Strategy Group

## **Jonathon Price**

Deputy Director, Aspen Strategy Group

From August sixth through August eleventh, 2010, the Aspen Strategy Group met in Aspen, Colorado, to examine American interests in South Asia; specifically, Afghanistan, Pakistan, and India. The participants—comprised of government officials, policy makers, academics, journalists, corporate leaders, and foreign policy experts—gathered to discuss the national security challenges and diplomatic realities for the United States within South Asia. This diverse group of ASG members, invited guests, and experts ensured a wide range of perspectives and bipartisan dialogue. The publication you are reading presents the eight policy papers that helped set the scene for our discussions throughout the week in Aspen. It also includes the second annual Ernest May lecture delivered by Robert Blackwill and a piece written by ASG member Meghan O’Sullivan that lays out some of her observations after the week in Aspen.

As with all our work, this meeting was facilitated through the collaborative efforts of a number of organizations and individuals to which the Aspen Strategy Group is deeply grateful. Our generous supporters of this year’s workshop include the Markle Foundation, the Resnick Family Foundation, McKinsey and Company, the Margot and Thomas Pritzker Family Foundation, The Greenwald Foundation, Mr. Howard E. Cox, Mr. Simon Pinniger, Ms. Carolyne Roehm, the Hewlett Foundation, Mr. Terry Turkat, the Stanton Foundation, Leah Zell Wanger, and Mr. Stephen Freidman.

We would also like to thank our Brent Scowcroft Award Fellows, Annie Moulton, Carles Castello-Catchot, and Elsa T. Khwaja, as well as Julie Song for their important contributions to this initiative. We look forward to following their careers as the next generation of foreign policy leaders and experts. Jennifer Parker provided her invaluable proofreading and editing skills, and we are deeply grateful.

Finally, our efforts would not have been possible without the support of our consummate co-chairs, Joseph Nye and Brent Scowcroft. Their leadership, vision, and life’s work make this group possible.



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# Foreword

## by ASG Co-Chairmen

**Joseph S. Nye, Jr.**  
ASG Co-Chairman

**Brent Scowcroft**  
ASG Co-Chairman

When the U.S.-led invasion of Afghanistan began a decade ago in response to the September 11th attacks, few imagined south Asia would become one of the most important strategic regions for American interests abroad. The initial objective was to remove the Taliban from power and deprive al Qaeda of a safe haven from which to keep spreading terror. However, the allied mission on Afghan soil evolved to a complex counterinsurgency, state-building operation that is proving hard to accomplish. Security, economic, and development challenges are colliding in ways that can only be addressed by a true joint effort from allied forces, the Afghan government, neighboring countries, NGOs in the field, and international donors.

Afghanistan remains at the core of the new strategy laid out by President Obama and being executed by General David Petraeus. It is a country laden with a long history of internal conflict, high levels of corruption, and an underdeveloped economy that is still reliant on poppy production and has recently been shaken by new mineral discoveries.

Adding to these harsh local realities, Pakistan and India play an intertwined role as key elements of the conflict and potential solutions to the problem. Pakistan struggles with the threat of al Qaeda, the Haqqani network, and Lashkar-e-Taiba, along with an unstable civil-military power dynamic that complicates its relations with the United States. Meanwhile, India is focused on its own internal growth and stability at a time when it has suffered terrorist attacks and is rising as a regional and global power.

These three countries—Afghanistan, Pakistan, and India—have been, and will continue to be the focus of American interests and national security efforts over the next decade.

Over the last few years, the Aspen Strategy Group has explored some of the key issues crucial to understanding the current global landscape--from the rise of China in the twenty-first century, to the global politics of energy, to the instruments of American power and purpose. All these critical issues affect America's security.

In August 2010, we turned our collective attention to assess this south Asian conundrum and envision strategies for Afghanistan, Pakistan, and India. During our summer conference, the ASG group engaged in vivid debate on the military and diplomatic challenges the United States and its allies face in the region; the structural problems that will need to be tackled by the affected countries; lessons from history; and the effectiveness of foreign assistance in the region. By delving deep into all of these topics, the ASG offered policymakers and experts deeper understanding of the challenges in this part of the world, hopefully planting the seeds for future policies.

Historically, the Aspen Strategy Group has been committed to convening a distinguished group of government officials, foreign policy practitioners, scholars, business leaders, and journalists to consider the most critical foreign policy and national security issues confronting the country. Of critical importance is the bipartisan nature of the group, allowing it to explore a range of current perspectives. Founded in 1980 as a policy program of the Aspen Institute concentrating on strategic threats to national security and arms control, with particular emphasis on the U.S.-Soviet relationship, the Aspen Strategy Group has moved beyond its Cold War origins and now tackles both global and regional issues giving full regard to their economic, social, and transnational dimensions.

Afghanistan, Pakistan, India, and the region as a whole, present some of the most difficult challenges of our time. These challenges cross borders, areas of expertise, and require a variety of tools and approaches. It is important for this group and the American public to remain focused on the issues outlined in these chapters. This region will need constant attention, innovation, and clear-headed policies to pursue a path of stability, security, and economic growth. We believe these chapters further our collective understanding of the current issues facing the region and the United States, and hope this crucial dialogue will help policymakers find a way to cope with what has become one of our most pressing security problems.

# Preface

## by Aspen Strategy Group Director

### **Nicholas Burns**

Director, Aspen Strategy Group  
Professor of the Practice of Diplomacy and International Politics  
Kennedy School of Government  
Harvard University

July 2010 was an important month in south Asia and for American interests in that increasingly important region. General David Petraeus was settling in as the new Commander of ISAF/US Forces-Afghanistan to lead a war effort that was badly faltering. Massive floods battered Pakistan, further destabilizing an already weak and divided country. The foreign Ministers of India and Pakistan met in Islamabad to discuss the state of their fragile bilateral relationship and to prevent the catastrophic conflict they had narrowly avoided in years past.

In the aftermath of these events, Aspen Strategy Group members gathered for five days at the Aspen Meadows in Colorado to study and discuss these and other challenges affecting American interests in south Asia. Led by co-chairs Brent Scowcroft and Joseph Nye, the Aspen Strategy Group is a bipartisan group of American leaders with experience in government, journalism, academia, and business. Our members include former Secretaries of State Madeleine Albright and Condoleezza Rice, former Secretary of Defense Bill Perry, and others who have served at high levels in the Departments of State and Defense, at the White House, at our major newspapers and universities, and in the business sector.

This volume includes the papers written for our summer 2010 meeting. Part I includes a thoughtful and important reflection on the role of history and historical analogies by Robert Blackwill. It is accompanied by an assessment of the regional balance of power in South Asia along with the potential for future rivalry and conflict by James Dobbins. Part II includes papers from Nathaniel Fick, Clare Lockhart, and

Michael O’Hanlon on the possibilities and pitfalls of America’s military campaign in Afghanistan. Part III examines American Foreign Assistance in Afghanistan and Pakistan. Andrew Erdmann and John Dowdy focus on the potential promise of stimulating private sector growth in Afghanistan. Nancy Birdsall, Wren Elhai, and Molly Kinder analyze whether U.S. aid and development in Pakistan is effective, or in some cases might even be counterproductive. Part IV takes a sharp look at India and Pakistan. Samina Ahmed breaks down Pakistan-India tensions and their impact on U.S. foreign policy, while Anja Manuel investigates India’s rapid rise to power and its implications for U.S. policy in the region. Finally, Meghan O’Sullivan offers some concluding observations from the five days in Aspen.

We chose to focus our summer discussions on American interests in south Asia due to that region’s clear and unmistakable importance for America’s future foreign policy, economic, and diplomatic success.

Since the 9/11 attacks on the United States, south Asia has become a region of vital concern and engagement for the U.S. government. This represents a significant shift in America’s global priorities. For many decades, the United States has had an interest in this region, including modern India, Pakistan, Afghanistan, Bangladesh, Sri Lanka, and other countries. But, the level of American diplomatic, trade, and military engagement with these countries had never been as significant as it was in western Europe and east Asia—regions deemed by American leaders until the end of the Cold War to be more directly vital to core U.S. national security concerns.

All that changed on September 11, 2001. Within weeks, the United States had launched an invasion of Afghanistan. Nearly a decade later, that war is the longest in American history. American troops, who now number over one hundred thousand, have fought valiantly but have been buffeted by the Taliban insurgency and by the ineffectiveness and unreliability of the Pakistani government next door.

The struggle against al Qaeda and the Taliban is being fought along the border region of Afghanistan and Pakistan. That has had major and often negative consequences for America’s relationship with Pakistan itself. Pakistan’s central, though not always positive role in the Afghan war, its possession of nuclear weapons, and its increasing political instability, have made it an object of intense American attention and concern.

The Afghan and Pakistani crises were dominant challenges during President George W. Bush's two terms in office. What to do about them and how to protect American interests has become the central international dilemma for President Barack Obama over the past two years.

We sought in our Aspen Strategy Group deliberations to look carefully at the major challenges that Americans had to consider to be more successful in this region. What is the nature of the Afghan insurgency and how can our best military strategists seek to contain and defeat it? Is General David Petraeus' commitment to counterinsurgency the right way to respond to the Taliban buildup of the last few years? How can the United States persuade Pakistan to take a more active role in defeating the terrorist groups on Pakistani soil that move back and forth across the Afghan border to attack the American and Afghan militaries?

We reflected on an even more difficult dilemma. What if United States and NATO military power alone cannot defeat the Taliban and provide the time and security the Afghan government needs to strengthen and to govern effectively? If there is no ultimate military solution in Afghanistan, should the United States turn more resolutely to diplomacy instead? Some are convinced that the war will end in a political settlement at the negotiating table. If that is true, should the United States and the Afghan government led by President Hamid Karzai open talks with the Taliban and other insurgent groups in Afghanistan? Would the Pakistani government agree to work cooperatively in this effort? In sum, should the Obama administration now shift to a concerted political and diplomatic strategy designed to elicit greater regional support by India, Pakistan, Iran, China, Russia, Saudi Arabia and the U.S.-led coalition to promote a diplomatic settlement with the warring Afghan rival groups?

We also looked at greater use of civilian instruments that might combine with the military to cope with the many challenges facing the United States and the international coalition in Afghanistan. What impact can economic assistance play in helping the Afghan and Pakistani peoples to cope with the insurgency? What are the major challenges in structuring and implementing an economic assistance strategy in a war zone? Finally, how can the United States work with both Pakistan and India to reduce their own rivalry and to turn their collective strength against the terrorist groups that threaten both governments?

While Presidents Bush and Obama have struggled to formulate a successful strategy to win the war in Afghanistan and to cope with the many internal challenges in Pakistan, they have had the relative good fortune to preside over a much more positive development--the creation of a new and very important strategic partnership with India. Since partition and India's birth in 1947, the United States and India had enjoyed a correct but never very close relationship. The Cold War found India non-aligned but often more sympathetic to Soviet rather than American objectives. Starting with President Bill Clinton, however, the United States and successive Indian governments began a rapprochement that thawed Cold War divisions and created much closer economic, political, and military connections between the countries.

Following India's historic 1991 economic reforms that opened its economy to greater foreign investment and trade, American business took notice and rapidly expanded economic ties and activities in India. Led by President Bush and now President Obama, the United States has transformed its military and political ties to India, and has begun to work in concert with the Congress government led by Prime Minister Manmohan Singh to manage challenges both in south Asia (the Sri Lankan civil war, and crises in Bangladesh and Nepal), and globally where the two countries have become close political and economic partners.

The rapid development of the U.S.-India strategic partnership has important consequences for south Asia, particularly in relationship to Pakistan. Can the United States use its influence with Delhi and Islamabad to encourage the two countries to reduce the threat of war that has been present for decades? Can India and Pakistan agree to work in common cause to help stabilize Afghanistan? Finally, the U.S.-India relationship also has broader consequences for the global balance of power. India and the United States will very likely work closely together in the future where their combined strength in the Indian Ocean and the western Pacific will help manage and balance China's rise to power in the generation ahead.

Nearly a decade after the 9/11 attacks, America is now involved in so many urgent issues in south Asia that many contend it may very well be the most important region in the world for our country. The challenges posed by the Afghan

war, Pakistani instability, the nuclear standoff between India and Pakistan, and by India's newfound global power have combined to compel Americans to reflect more deeply and ambitiously about our own long-term interests and strategy in this vital region.

This volume includes thoughtful and often prescient essays on the major challenges confronting the countries of south Asia as well as the United States.

Our strong hope is that the collective wisdom and insights of the authors will help to illuminate these important issues for readers in the United States and around the world.



# Part **1**

THE REGIONAL BALANCE OF  
POWER IN SOUTH ASIA

## **The Second Annual Ernest May Memorial Lecture**

*Afghanistan and the Uses of History:  
Insights from Ernest May*

**Robert D. Blackwill**

Henry A. Kissinger Senior Fellow for U.S. Foreign Policy  
Council on Foreign Relations

CHAPTER 1

## **Where East Meets West**

**James Dobbins**

Director  
International Security and Defense Policy Center  
The Rand Corporation

*“Writing along with Dick Neustadt in *Thinking In Time*, Ernest makes one of his typical seemingly simple but profound judgments and one that today has piercing relevance to Afghanistan, “In managerial terms prudence seems to turn, above all else, on canny judgments about feasibility—about the doability, that is to say, of contemplated courses of action.”*

—ROBERT D. BLACKWILL

# The Second Annual Ernest May Memorial Lecture

## *Afghanistan and the Uses of History: Insights from Ernest May*

### **Robert D. Blackwill**

Henry A. Kissinger Senior Fellow for U.S. Foreign Policy  
Council on Foreign Relations

*Editor's Note: Ambassador Robert D. Blackwill presented the annual Ernest May Memorial Lecture at the Aspen Strategy Group's August 2010 workshop in Aspen, Colorado. The following are his remarks as written for delivery. The Ernest May Memorial Lecture is named for Ernest May, an international relations historian and Harvard John F. Kennedy School of Government professor, who passed away in 2009. ASG developed the lecture series to honor Dr. May's celebrated lectures.*

It is a great honor for me today to present the second annual Ernest May lecture. As you can imagine, I approach this task with trepidation. For me this morning to get anywhere close to Ernest's wonderfully original mind, his encompassing modesty, his enduring gentleness, his consummate wisdom, is, of course, quite impossible. Instead, I have decided to try to utilize Ernest's brilliance – to draw on assorted methodologies and insights from his writings over the decades, although I obviously cannot do justice to his 14 books and innumerable articles. So, unfortunately, we will not be benefiting during this session from his examination of the Monroe Doctrine, the beginning of the First World War, the fall of France in 1940, America's entry into World War II, the president as commander in chief, the U.S.-Soviet arms race, the Cuban Missile Crisis, the United States and China, and so forth. Instead, I will use his analytical compass to look at a variety of issues surrounding contemporary U.S. policy and south Asia.

As I was preparing this lecture and given the richness of Ernest's analytical reflections, I found that I do not have time to deal in depth with the entire region that we will be discussing in the next several days. So I will concentrate these remarks on U.S. policy and Afghanistan, although it will be obvious that much of

Ernest's thinking that follows applies to Pakistan, India, and the geopolitics of south Asia as a whole. It seems appropriate to fixate in the first instance on Afghanistan since American men and women are fighting and dying in that country, with June being the deadliest month of the war for U.S. troops. In an immediate sense, that puts Afghanistan in a more pressing category than U.S. policy challenges regarding Pakistan or India. A final introductory point. My own views on Afghanistan will filter if not flood into this presentation, but I am confident that you will be able to identify when Ernest's ideas magisterially have the con.

Because of time constraints, I would like to divide my presentation into only three broad themes that compelled Ernest over the years: historical analogies, domino theories, and U.S. foreign policy objectives, decision-making and strategies – all in this case applied to contemporary American policy vis-à-vis Afghanistan.

So first, historical analogies and Afghanistan. In his pathbreaking 1973 book, *“Lessons” of the Past: The Use and Misuse of History in American Foreign Policy*, Ernest looked carefully at four cases in which historical perceptions played a major part in U.S. decision-making: World War II, the early years of the Cold War, Korea in 1950, and Vietnam. In the preface, Ernest wrote this: “...Framers of foreign policy are often influenced by beliefs about what history teaches or portends. Sometimes, they perceive problems in terms of analogies from the past. Sometimes, they envision the future either as foreshadowed by historical parallels or as following a straight line from what has gone before.” A few pages later, he highlights that “policymakers ordinarily use historical analogies badly. When resorting to an analogy, they tend to seize upon the first that comes to mind. They do not search more widely. Nor do they pause to analyze the case, test its fitness, or even ask in what ways it might be misleading. Seeing a trend running toward the present, they tend to assume that it will continue into the future, not stopping to consider what produced it or why a linear projection might prove to be mistaken...These habits can have important consequences, for they can affect the way statesmen understand their situations and problems.”

Ernie and Dick Neustadt with typical wit accentuate the same point in *Thinking In Time: The Uses Of History For Decision-Makers*: “Because decision-makers always draw on past experience, whether conscious of doing so or not, we sometimes tell students that our course has aims akin to junior high sex education. Since they are bound to do what we talk about, later if not sooner, they ought to profit from a bit of forethought about ways and means.”

With those wise words as context and to vividly illustrate this point, I want to begin by recalling the power of the Munich Appeasement analogy for several generations of Western statesmen – up to the present day regarding Afghanistan. As Ernest stressed, Munich fundamentally influenced the policy decisions and actions of one American administration after another and one American president after another. As a general proposition, he was preoccupied for decades in trying to understand the frame of mind of U.S. policymakers as they dealt with foreign policy challenges and made consequential decisions, just as we today would do well to try to understand sympathetically the frame of mind of the senior figures in the current administration as they deal with the painful complexities of Afghanistan. This generosity of spirit was a hallmark of Ernest May the scholar and Ernest May the man. That was not a filament of “know-it-all-ism” in him.

*“We today would do well to try to understand sympathetically the frame of mind of the senior figures in the current administration as they deal with the painful complexities of Afghanistan.”*

So to Munich in its particulars as an abiding historical analogy. In arguing in 1945 against sharing any nuclear knowledge with the Soviets, Secretary of the Navy James Forrestal stated that “it seems doubtful that we should endeavor to buy their understanding and sympathy. We tried that once with Hitler. There are no returns on appeasement.” Truman writes that when he first heard the news of the North Korean invasion his first thought was of the 1930s, “I remembered how each time that the democracies failed to act, it had encouraged the aggressors to keep going ahead. Communism was acting in Korea just as Hitler, Mussolini and the Japanese had acted ten, fifteen and twenty years earlier.... If this was allowed to go unchallenged it would mean a third world war, just as similar incidents had brought on a second world war.”

In 1954, when the French were nearing defeat in Vietnam, President Eisenhower considered sending additional aid to France and in a letter to Winston Churchill wrote “If I may refer again to history; we failed to halt Hirohito, Mussolini and Hitler by not acting in unity and in time. That marked the beginning of many years of stark tragedy and desperate peril. May it not be that our nations have learned something from that lesson?” In the Suez crisis, Antony Eden looked at Nasser and saw Hitler, with catastrophic results for Britain. In November 1962 at the outset of the Cuban Missile Crisis, President Kennedy reminded the nation that “the 1930s taught us a clear lesson: Aggressive conduct, if allowed to grow unchecked and unchallenged, ultimately leads to war.”

In *The Best and the Brightest*, David Halberstam captured Prof. McGeorge Bundy teaching Government 180: The U.S. in World Affairs in the late 1950s at Harvard: “His Munich lecture was legendary...and when word got out that it was on the day’s schedule, he played to standing room only. It was done with great verve, Bundy imitating the various participants, his voice cracking with emotion as little Czechoslovakia fell, the German tanks rolling in just as the bells from Memorial Hall sounded. The lesson of course was interventionism, and the wise use of force.” Not hard power. Not soft power. Not smart power. But wise power. In 1961, President John F. Kennedy made Bundy his national security advisor. But as Bundy and his many Harvard colleagues who moved from Cambridge to the upper reaches of government in Washington tragically discovered, being wise about Vietnam was not all that easy.

In 1965, President Johnson argued that defeat in South Vietnam “would encourage those who seek to conquer all free nations within their reach.... This is the dearest lesson of our time. From Munich until today we have learned that to yield to aggression brings only greater threats.”

In 1983 President Reagan told the American Legion that “Neville Chamberlain thought of peace as a vague policy in the 1930s, and the result brought us closer to World War II. History teaches us that by being strong and resolute we can keep the peace.” In 1990 referring to Iraq’s invasion of Kuwait, President George H. W. Bush stressed, “Half a century ago, the world had the chance to stop a ruthless aggressor and missed it. I pledge to you: We will not make the same mistake again.”

And in a November 22, 2002 speech in Prague, President George W. Bush compared the challenge of Saddam Hussein to the Nazi invasion of Czechoslovakia in 1938, “Ignoring dangers or excusing aggression may temporarily avert conflict, but they don’t bring true peace,” he said.

I recall in some detail the Munich analogy and its enduring effect on U.S. administrations in order to caution us, as Ernest did so frequently, to be very careful about using historical analogies as a major component of U.S. foreign policy decision-making, including as I stress today, on south Asia.

In this regard, many folks go analogy shopping. Moving up and down the aisles of a Safeway-like store chock-a-block full of historical analogies on the shelves, they search until they find ones that reinforce their preexisting policy inclinations. For instance, I heard a prominent pundit say on a Sunday morning

news show two weeks ago in defense of staying the current course in Afghanistan rather than scaling back the U.S. troop presence – ‘that would be like giving up in World War II after the American defeat in February 1943 in North Africa at the Battle of Kasserine Pass.’ When Ernest and I were teaching for several years a Kennedy School course on “Assessing Other Governments,” he gave the students this method of examining the relevance of historical analogies to current policy decisions: Take a long sheet of paper and draw a line down the middle of it. On the left side, identify all ways in which the historical analogy is similar to the current policy problem. On the right side, list all the differences. Ernest observed that most of the time, the enumeration on the right side will be much longer than the one on the left and, if so, policymakers should be exceedingly careful about acting on the basis of purported historical relevance.

So what about historical analogies and Afghanistan? How does the current literature on Afghanistan connect it to the past? Here is a quick survey. First, you guessed it; there is “Munich and Appeasement.” The conservative blogs are filled with references to the 1930s. Here is a headline from November 2009, “Withdrawing from Afghanistan would be like appeasing Hitler.” Governor Tim Pawlenty of Minnesota is also drawn to the Munich analogy, “Not only did the president abandon missile defense, but he is opening negotiations with Iran and North Korea. The lessons of history are clear: Appeasement and weakness did not stop the Nazis, appeasement did not stop the Soviets, and appeasement did not stop the terrorists.” Munich is one of John McCain’s favorite historical analogies, just as Vietnam is for the left in the Democratic Party – most recently by Congresswoman Sheila Jackson Lee. And, with a twist, the historian Paul Kennedy wrote this only six weeks ago, “And one suspects that though there is no sign—yet—that Washington is thinking of leaving Afghanistan, it would be surprising to me if someone in the NSC or State Department hadn’t been secretly charged with devising some get-us-out-slowly-but-steadily stratagems. That’s what foreign offices are for after all—to get their governments off the hook. Only, please, make sure it can’t be labeled ‘Appeasement.’” Of course in Kennedy’s case, the wish is the father of the thought.

Although one can debate the relevance of the Munich analogy in its many earlier manifestations, and I myself doubt the applicability of most of them that I have mentioned, that historical reference from Central Europe in the 1930s has in my opinion absolutely nothing to do with America’s current challenges in Afghanistan or indeed anywhere else in the world.

Then there is Alexander the Great and Afghanistan. Unlike some others, I can find no relevance whatever. The same goes for Darius's Persians, Tamerlane's Tartars, and Babur's Moguls.

There is 19th century Imperial Britain and its three wars in Afghanistan. Although it is true that the British were fighting, among others, the Pashtun, they certainly did not have a policy of nation-building and winning over the hearts and minds of ordinary people. Rather, they based their policy on influencing, that is to say bribing, local leaders who in some cases did not stay bribed and taking brutal punitive measures against uncooperative tribes. While I do not believe there are major lessons to be drawn from these Imperial wars that should influence current U.S. decision-making, there is an eerie familiarity in Winston Churchill's account in *The Story of the Malakand Field Force* written in 1898 in which he identified the disjuncture between the benign self-perception of the foreign force and the local population's view of it as a "menace to their independence."

There is Rudyard Kipling and Afghanistan. I read much of Kipling in preparing for this occasion and lived vicariously with the tribal Pashtun through *Kim*, *The Man Who Would Be King*, and so on. Although compelling fiction, these great works do not in my view provide lessons learned for current policymakers, nor does the fact that Dr. John Watson had just returned from Pashtun Afghanistan and was recovering from a bullet wound in his shoulder when he first met Sherlock Holmes.

There is Vietnam and Afghanistan. Here, the story is more complex. Although different in many fundamental ways including that the United States in Afghanistan is not fighting a superpower proxy, one can find similarities between the two wars. America fighting on the ground in Asia; supporting a deeply corrupt government; failing to sufficiently understand and cultivate the people it was seeking to protect; unsuccessfully attempting to train an army that could stand up to the adversaries; and facing an implacable enemy with a sanctuary just outside the country.

But it seems to me that the most powerful connection may turn out to be not with foreign battlefields but rather with the U.S. domestic landscape. As Ernest often noted, the American public does not like long wars and the most lasting effect of the Vietnam War was not in geopolitics and the global balance, but on America itself. On this point, Henry Kissinger recently observed, "it is essential to avoid the debilitating domestic cycle that blighted especially the Vietnam and Iraq wars, in which the public mood shifted abruptly—and often with little relation to military realities—from widespread support to assaults on the adequacy of allies to calls

for an exit strategy with the emphasis on exit, not strategy.” We have yet to see what, if any, sustained effects the long wars in Afghanistan and Iraq will have on American society and thus on its decision-makers.

There is the Soviet occupation and Afghanistan. The Soviets had their go at suppressing the Afghan Pashtun through political assassination, carpet bombing of civilians and co-opting of local tribal leaders. We will never know how that vicious adventure might have turned out without U.S. superpower intervention, the rise of Mikhail Gorbachev and the fall of the Soviet Union, but lessons learned for the current American administration from the Soviet experience do not jump to mind, at least to me.

There is the 2007 surge in Iraq and Afghanistan. As former U.S. Envoy to Afghanistan James Dobbins has pointed out, “it has become clearer that replicating the sort of wholesale shift in loyalties seen among former insurgents in Iraq will be difficult to replicate in Afghanistan. By 2007 the Sunni Arab minority, the smallest of Iraq’s three major sectarian groups, had been brutally and decisively beaten by majority Shi’a militias. It was only after this defeat that the Sunni Arabs turned to American forces for protection. By contrast, the Taliban insurgency in Afghanistan is rooted not in that country’s smallest ethnic group, but in its largest. Further, these Pashtun insurgents have not been losing their civil war for the last several years, but winning it. In Iraq, al Qaeda had by 2007 made itself very unwelcome among its Sunni Arab allies by indiscriminant violence and abusive behavior. In Afghanistan, al Qaeda is hardly present, and certainly presents no comparable threat to the insurgent leadership or the Pashtun way of life. Additionally, tribal structures in Afghanistan have been weakened by thirty years of civil war, making Afghan elders a less influential set of interlocutors for the U.S. than the Iraqi sheiks who proved able to bring almost all of their adherents over with them when they decided to switch sides.” Thus, the fundamental differences between Iraq and Afghanistan are many and consequential and reflect the acute problems with the surge here, surge there, surge, surge everywhere set of arguments.

*“We have yet to see what, if any, sustained effects the long wars in Afghanistan and Iraq will have on American society and thus on its decision-makers.”*

Notice, therefore, that at least so far, proponents and critics alike have not found a powerful and convincing historical analogy for Afghanistan that would make their policy design and political marketing easier. Nevertheless, both sides use these and a variety of other historical analogies in order to strengthen their case with far less

caution than Ernest advises. In this respect, I am reminded of Ernest's typically trenchant observation that "in the public debate, nobody uses an historical analogy that undermines their argument." As we consider the validity of these historical analogies regarding Afghanistan, we could do worse than return to Ernest's left side of the paper, right side of the paper methodology.

Indeed, as Philip Zelikow points out, "Ernest's thinking on analogies kept evolving; he (and Dick Neustadt) eventually came to believe that analogies were so dangerous that the inoculation they had prescribed in *Thinking in Time* probably wasn't good enough. He tended toward a view that these sort of indirect uses of history (this is like this....) are wonderful for suggesting possibilities and supplying questions, but they never, never supply the answers to the policy questions. Indeed, even if you find an analogy that seems more like than unlike, it is worse than useless in answering questions because it will tend to foreclose or shut down analysis of the case at hand...The great danger is the temptation to think that the analogy has supplied a probable answer, a tempting shortcut that leaps over difficult, detailed analysis of the case at hand."

This brings me next to Ernest's admonitions with regard to domino theories, a metaphor that Eisenhower invented regarding Southeast Asia. Democrats at the time rejected this figure of speech (if this happens, then these consequences will likely follow.) But Ernest reminds us that President Kennedy accepted the concept, "I believe it. I believe it." And apparently so does much of the current American national security elite regarding Afghanistan. Note the dominos that some argue would fall if the U.S. undertook a rapid and total military withdrawal from Afghanistan.

It could lead, first, to all-out Afghan civil war; then, to the Taliban's probable conquest of the entire country. Since Afghanistan's neighbors would likely be drawn in, it could ultimately destabilize the entire region. It could also dramatically increase the likelihood of the Islamic radicalization of Pakistan, which then would call into question the security of its nuclear arsenal. It could also weaken, if not rupture, the U.S.-India partnership. It could profoundly undermine NATO, perhaps convincing the alliance to never again go "out of area." It could trigger global support for Islamic extremist ideology and increased terrorism against liberal societies everywhere.

And worldwide, friends and adversaries alike could see it as a failure of international leadership and strategic resolve by an ever weaker United States, with destructive aftershocks for years to come.

I recently published that dire forecast of falling dominos and I still believe it may be roughly correct. But how is one to know? Doesn't my dire forecast remind us a bit of Dean Rusk's 1964 warning on U.S. military withdrawal from Vietnam; it "would mean not only grievous losses to the free world in southeast and southern Asia but a drastic loss of confidence in the will and capacity of the free world to oppose aggression." Indeed, as is occurring today regarding the public discussion on Afghanistan, Ernest wrote that the 1964-65 American debate "involved not only calculations concerning present and future but also inferences from historical experience," especially the Korean war. And in that same debate, Walt Rostow "offered what purported to be a systematic analysis of past guerrilla wars. Citing not only Greece, the Philippines, and Malaysia but also Ireland after World War I, China, North Vietnam in the 1950s, he argued that such wars nearly always ended in clear cut victory or defeat."

Incidentally there may be one more similarity from that painful period for America in the 1960s/1970s. As you will recall, President Johnson was very worried about the domestic political consequences of "a divisive debate on who lost Vietnam." Do you suppose the White House is concerned these days about a divisive debate on who lost Afghanistan?

This leads me to apply Ernest's general warnings about historical examples to the current challenges regarding Afghanistan, "As a rule, examples were cited as if there could be no dispute about the facts or meaning (for example, Afghanistan is the graveyard of Empires), and they were employed indiscriminately in two quite different ways. Sometimes, the surrounding grammar suggested the logic ran, "X happened before and therefore X is likely to happen again. (For example, the surge worked in Iraq; the surge will work in Afghanistan.) At other times the implicit logic ran, "Such and such is a regular pattern of human affairs; X serves as an illustration." (For example, Islamic extremists are fanatics; the Taliban will never negotiate seriously.)

Ernest sums up his Vietnam case, "an autopsy of these decisions provides especially convincing evidence of how history can be misused to determine the national interest and what to do on its behalf. Here one can see men who would have been scandalized by an inelegant economic model or a poorly prepared legal brief,

making significant use of historical parallels (Afghanistan is Iraq), analogies, and trends (south Asian dominos will fall) with utter disregard for expertise or even the inherent logic of their assertions (we must deploy 100,000 troops in Afghanistan to deal with the 50-100 al Qaeda fighters there).” All these Afghanistan comparisons are mine and not Ernest’s, but I think at least some of them catch the spirit of his thinking and writing.

And finally, Ernest notes with regard to the American experience in Vietnam, “members of the Kennedy and Johnson administrations could profitably have some understanding of the history of Vietnam itself.” To be sure, most works on Vietnam were by men who did not know Vietnamese (in this case Pashto), wrote from French

*“Ernest as a generic matter had a consuming preoccupation with the texture and value systems of foreign cultures. How, he wondered, could an American administration design and implement successfully a strategy regarding another country and/or a particular adversary, if one did not know and understand the people one’s strategy was meant to influence.”*

sources (in this case U.S./UK/Pakistan/India/Russia sources on Afghanistan), and focused heavily on the colonialists (in this case U.S./NATO) rather than the colonials (in this case the Pashtun).

The third theme of Ernest’s that I would like briefly to explore has to do with U.S. foreign policy decision-making and strategies, and Afghanistan. Writing along with Dick Neustadt in *Thinking In Time*, Ernest makes one of his typical seemingly simple but profound judgments and one that today has piercing relevance to Afghanistan, “In managerial terms prudence seems to turn, above all else, on canny judgments about feasibility—about the doability, that is to say, of contemplated courses of action.” Dick made the same argument in congressional testimony, “Government decisions, action decisions, decisions which accrete into what we call public policy, always involve weighing the desirable against the feasible.” Ernie and Dick persistently asked, “Will it work? Will it stick? Will it help more than it hurts? If not, what?” which I suppose asks, regarding Afghanistan, is there a Plan B?

Connected to these wise questions, Ernest, as a generic matter, had a consuming preoccupation with the texture and value systems of foreign cultures. How, he wondered, could an American administration design and implement successfully a strategy regarding another country and/or a particular adversary, if one did not know and understand the people one’s strategy was meant to influence. Again,

this was one of the major themes of our course, “Assessing Other Governments.” Ernest’s question came to mind as I was reading General Stanley McChrystal’s counterinsurgency strategy in the document leaked to the press without its redacted portions. The text is essentially a compilation of counterinsurgency best practices as collected over time and in that context, it is an impressive document—well organized, logical, and clearly expressed.

But with Ernest’s admonition in mind, I notice that in that entire treatise, more than 23,000 words, the word Pashtun, who are after all the primary objects of that strategy, is mentioned exactly once. Unless all references to them are redacted and extensive, those folks are Banquo’s ghost at the feast. Indeed, McChrystal’s COIN strategy is so general in character that it could as well be applied to almost any insurgency, anywhere, anytime.

*“As Ernest often stressed, don’t ask first what we should do. Ask, rather, what is their problem, what is their story?”*

This abstract nature of the McChrystal paper is not just an academic curiosity. One supposes that it also has something to do with all the trouble we are currently having with just those people who do not make an appearance in this primary COIN strategic manual. Indeed, Ernest might well have asked, would the United States have made such an enormous commitment to fight a major land war in the mountains, deserts, villages and towns of Pashtun Afghanistan if we had learned much more about the locals—their history, their culture, and their values—before the decision was made to escalate the conflict? Throughout his career, Ernest May was never deflected from asking, “Who are they?” How do they see things? Not, how do we presume that they see things? Not, how do we insist that they see things? Not, how do we hope that they see things? As Ernest often stressed, don’t ask first what we should do. Ask, rather, what is their problem, what is their story?

*New York Times* reporter John F. Burns addressed this issue a few months ago, “At that moment, I understood what remains so hard for many in the West to grasp, as our troops fight to secure freedoms for Afghans that we have long enjoyed at home: that for many in Afghanistan, if not the more cosmopolitan, secular class we have chosen as our principal allies, our world and theirs are, indeed, centuries apart, separated by the ancient verities of the Koran, the rhythms of Afghan traditional life, and the absence, in Afghan experience, of anything like the Enlightenment that broadened the liberties of our forebears in the 18th Century.”

Ernest and Dick emphasize in *Thinking In Time* that their “purpose is prescriptive; we seek better practice and ...marginal improvements. ‘Usual’ practice, we fear has six ingredients: a plunge toward action; overdependence on fuzzy analogies, whether for advocacy, analysis, or both; inattention to one’s own past; failure to think a second time—sometimes a first—about key presumptions; stereotyped suppositions about persons or organizations (stereotypes which could be refined but are not); and little or no effort to see choices as part of any historical sequence.” Surely all these weaknesses have played a role in U.S. decision-making in the nearly ten years of the Afghanistan war when American policymakers, to use another central May/Neustadt concept, did not always separate “known,” from “unclear,” from “presumed.” And sometimes took presumes for knowns, (historical) likenesses for likelihoods.

In this vein, I am curious if President Obama during his deliberations last fall on next steps in Afghanistan (a prolonged process that I applaud) received from the bureaucracy what May and Neustadt called an “inspection of issue history,” an annotated timeline of earlier decisions regarding Afghanistan, concentrating on the journalist’s questions, “who, when, where, how, why.” In particular, was there an analytical effort to understand why their immediate predecessors in office made certain decisions, took certain actions—and decided not to take others?

Ernest and Dick go on to say, “at least three other strands of history ought, in our view, to be drawn in before objectives are finally selected, opinions sorted, and actions decided. The first is the historical underpinnings of key presumptions... this is the history which induces belief that if X occurs, Y will follow.” (So what are the key presumptions that underpin our Afghanistan strategy? If we artfully implement COIN in southeast Afghanistan, the Pashtun will come over to our side? How much are these presumptions based on analysis and evidence, and how much on simple faith?) “The second is the history in the heads of other people—the differing ideas about the past and its lessons that with differences in age or experience or culture...” (What lessons from their history do Pashtun draw?) “Third is the history of organizations.” (What was to be the Pentagon’s likely answer if asked in the early fall of 2009, how many troops does it need in Afghanistan? Was there any chance it would say fewer?)

Every poll shows that the American public has tired of the war in Afghanistan. Perhaps I am misreading this, but I am struck by how few people in the American foreign policy establishment are now resolutely supporting the Afghanistan war. Doubts about our current course seem pervasive and growing. Noticing this, Ernest

might have asked as he often did, a Ladbroke's betting parlor question, "what odds would you now give to U.S. COIN succeeding in Afghanistan?" Two in three? One in two? One in four? One in eight? In *Thinking in Time*, Ernest and Dick observed that "after horror stories survivors usually see questions they should have asked. Those questions fall into three general categories: Why did we believe that? Why did we expect that? What made us believe he or she (or they) would do that?"

So what are the lessons of history for future policymakers that may emerge from America's post 9/11 experience in Afghanistan? To be clear, and with Ernie's wisdom at hand, these lessons would not definitely tell policymakers what to do in different situations, which might be so dissimilar as to require upon occasion different policy decisions. As Ernest and Graham Allison wrote in *Foreign Affairs* in May, 1970, "there is no evidence that any set of principles can be identified which unambiguously distinguishes cases in which U.S. non-nuclear forces should and should not be used." Thus, my precepts that follow are not the Code of Hammurabi. Rather, they are more in the modest spirit of "have you thought of this before you act?"

I will identify eight such possible lessons from Afghanistan:

1. Ensure that the U.S. commitment in blood and treasure is clearly commensurate with U.S. vital national interests and does not push aside more important American strategic challenges.
2. Keep U.S. policy objectives feasible. No dreams allowed.
3. Take into account that local realities dominate global constructs.
4. Stay out of long ground wars in general, and especially stay out of long ground wars in Asia.
5. Reject the notion that America has the capability to socially engineer far-off societies fundamentally different from our own.
6. Be cautious about making counterinsurgency the U.S. Army's core competence. Interacting with exotic foreign cultures on the ground, not to say dramatically changing them, is not exactly America's comparative advantage.
7. Accept that diplomacy is almost always a better instrument of U.S. national purpose than the use of military force.

8. Remember that often purported worst case consequences of U.S. external behavior don't ever happen, not least because we remain the most powerful and resilient country on earth.

As I end my presentation, Ernie's penetrating questions keep coming to mind regarding Afghanistan. Does current U.S. policy in the Afghanistan conflict make strategic sense? Will historians understand why the United States deployed 100,000 troops into Afghanistan nearly ten years after 9/11? Will current U.S. policymakers remember twenty years from now why it was so important to defend Helmand province and the village of Marja and to sometimes speak as if the fate of the civilized world depended on our success? In two decades, will these people among the best and the brightest of the American national security community in this era serving at the top of the Obama administration, will they still find the grand strategic importance of Kandahar self-evident? Or as May and Neustadt underscore, might they later ask as other American policymakers have asked before them, "How in God's name did we come to do that?"

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**Robert Blackwill** is Henry A. Kissinger senior fellow for U.S. foreign policy at the Council on Foreign Relations (CFR). Most recently, Ambassador Blackwill was senior fellow at the RAND Corporation from 2008 to 2010, after serving from 2004 to 2008 as president of BGR International, a Washington consulting firm. As deputy assistant to the president and deputy national security advisor for strategic planning under President George W. Bush, Ambassador Blackwill was responsible for government-wide policy planning to help develop and coordinate the mid- and long-term direction of American foreign policy. He also served as presidential envoy to Iraq, and was the administration's coordinator for U.S. policies regarding Afghanistan and Iran. Ambassador Blackwill went to the National Security Council (NSC) after serving as the U.S. ambassador to India from 2001 to 2003, and is the recipient of the 2007 Bridge-Builder Award for his role in transforming U.S.-India relations. Prior to reentering government in 2001, he was the Belfer Lecturer in International Security at Harvard University's John F. Kennedy School of Government. During his fourteen years as a Harvard faculty member, he was associate dean of the Kennedy School and faculty chair for executive training programs for business and government leaders. From 1989 to 1990, Ambassador Blackwill was special assistant to President George H.W. Bush for European and Soviet affairs, during which time he was awarded the Commander's Cross of the Order of Merit by the Federal Republic of Germany for his contribution to German unification. Earlier in his career, he was the U.S. ambassador to conventional arms negotiations with the Warsaw Pact; director for European affairs at the NSC; principal deputy assistant secretary of state for political-military affairs; and principal deputy assistant secretary of state for European affairs. Ambassador Blackwill is a trustee and on the Council of the International Institute for Strategic Studies; a member of the Council on Foreign Relations, the Trilateral Commission and the Aspen Strategy Group; and on the boards of the Nixon Center and Harvard University's Belfer Center for Science and International Affairs.



*“Beyond Afghanistan, the United States needs to continue its adjustments to a shifting global balance, a shift from West to East geographically, but not necessarily ideologically, and one which leaves the United States in the pivotal position.”*

—JAMES DOBBINS

# Where East Meets West

## James Dobbins

Director  
International Security and Defense Policy Center  
The Rand Corporation

*“Oh, East is East, and West is West, and never the two shall meet,  
Till Earth and Sky stand presently at God’s great Judgment Seat”*

So wrote Rudyard Kipling of a Victorian-age confrontation between an English soldier and a Pashtun horse thief. The poem’s conclusion belies its opening lines, as the two men do bond, and the Pashtun joins the Englishman’s regiment.

East and West continue to meet today on much the same ground, and in much the same manner. Here is where American and European soldiers combat (and seek to recruit) the decedents of Kipling’s horse thief. Here is the epicenter of global terrorism, the font of nuclear proliferation, and the most likely locus for the world’s first war between two nuclear powers. Here is where a rising China and India share a common border.

The great game thus continues. But if the playing field is familiar, the number of contestants has increased to include most of the world’s major powers – the United States, Europe, Russia, China, and India – along with the larger regional states of Pakistan, Iran, and Saudi Arabia. Two of these players, China and India, are growing much faster than all the others, and are already vastly more populous. Which of the two is going to win this race to the top? What does their growth mean for everyone else? Are China and India fated to become opponents? How should American policy adapt to this shifting balance of power?

## Handicapping the Rising Power Race

To answer the first of these questions, some statistics and projections are necessary. The Chinese economy is presently 30 to 60 percent the size of the American, depending on whether one uses market exchange rates or purchasing power parity

as methods of comparison. The Indian economy is either 26 percent or 42 percent the size of the Chinese, again depending on which method is used. China has been growing faster than India for decades, but the gap in growth rates is narrowing. A RAND Corporation analysis of twenty-seven different expert forecasts finds that the projected average annual GDP growth for the two economies through 2025 is approximately the same: 5.7 percent for China, 5.6 percent for India. Assuming the American economy grows at about half this rate over the same period, China's GDP will be slightly less than half of America's in 2025 at market exchange rates, while India's will remain less than half of China's.<sup>1</sup>

China has a much healthier and more educated population than India and it spends a good deal more on research and development. China has the world's third highest expenditure on R&D, after the United States and Japan. China commits one percent of its GDP to research and development, versus 0.8 percent for India and 2.6 percent for the United States. Given the different size of the three economies, this means China spends three to five times more on R&D as India, whereas the United States spends four to eight times more than China.

China has sustained its high growth rate longer than did the earlier Asian tigers, but it is about to encounter some severe demographic headwinds. Historically, societies have become rich before they became old, as rising prosperity led to declining birth rates and increased longevity. China's one child policy has greatly accelerated this process, and is about to produce the first aged society that is still relatively poor. By 2025, India's population will equal China's, after which China's overall population will begin to fall while India's will continue to grow. More significantly, China's working age population will begin to fall much earlier than that, while India's will continue to grow for another twenty years and then decline much more slowly. As China's working age population declines, its elderly population will grow. Dependency ratios will rise, savings rates will decline, and the government will face heightened pressures to increase spending on health care and pensions. These demographic factors are among the chief reasons that Chinese and Indian economic growth rates are likely to converge.

China and India both spend about 2.5 percent of their GDP on defense, more or less equal to the proportionate levels of the United Kingdom or Russia, but about half the current American proportion. Defense spending in China and India has been rising rapidly in recent years, but appears to be leveling off. This year's defense budgets for both countries show growth in spending at well below their current rate of economic expansion. RAND Corporation economists estimate that

China defense spending will be a little more than half that of the United States by 2025, while India's will be a half to a quarter that of China's.

China will thus narrow the military gap with the United States, while India will remain pretty much its current distance behind China. On the other hand, in any direct confrontation between the China and India, geography would give the latter a considerable advantage. India lies astride China's trade routes to the Middle East and Europe, whereas India's commerce largely avoids waters easily dominated by China. The Chinese are developing a blue water capacity for power projection and trade protection. Yet even were China to secure major naval bases in Burma and Pakistan, it would have great difficulty protecting its commercial lifelines from Indian land based air and naval interdiction.

### Decline of the West?

It is natural to assume that the rise of China and India must come at someone else's expense. While this is obviously true, at least in relative terms, the United States has not, so far, been among the losers.

The early 1990s is popularly seen as the apogee of American power, with its Soviet adversary vanquished and no other competitor in sight. In fact, the peak of American power came in 1945, when the United States produced and consumed half the world's wealth and had its only nuclear weapons. By 1970, the American share of global GDP was down from half to one quarter and there were four other nuclear powers, two of them hostile. Economically, the United States has held its place since then, with almost no change in its proportion of global GDP. Militarily, its relative advantage over the rest of the world has grown, not diminished.

Relatively speaking, the rise of China and India have come at the expense not of the United States, but of Europe, Japan, and Russia, all of which have seen their share of global GDP, and their broader influence, shrink over the past several decades.

If one defines the West as the United States and Europe, or even the United States, Europe, and Japan, there has thus been some relative decline vis-à-vis China, India, and the other Asian tigers. If, by contrast, the West is thought to include all stable democracies with open market economies, then nearly all the world's fastest growing states other than China, but including India, must be counted in the balance. So defined, the "West" has seen an extraordinary expansion in global influence.

## Prospects for Great Power Conflict

Neither China nor India currently regards the other as its main or most likely adversary. China defense spending is aimed principally at countering American military power on its periphery, particularly around Taiwan. Other former and possibly future enemies—Japan, South Korea, and perhaps even Russia—also rank higher among the current preoccupations of Chinese defense planners. The main focus of Indian defenses is, of course, Pakistan, although longer-term Indian planning is also directed toward China.

China may aspire to regional hegemony, but India has already largely achieved it, having liberated Bangladesh in 1971, and intervened militarily in Sri Lanka in 1987, and the Maldives in 1988. India is saddled, however, with a hostile, nuclear armed, and highly unstable neighbor in Pakistan, a state whose national identity is based on being the Islamic alternative to India. With a population six times bigger than Pakistan's, and an economy more than ten times larger, India's power relationship to Pakistan is similar to that between the United States and Mexico, albeit a hostile and nuclear-armed Mexico.

While China must contend with many more potential adversaries than India, it faces no active enemy, enjoying as it does normal relations with all its neighbors. For the present, China and India both have an overriding interest in the health of the global economy. This operates to constrain their geopolitical competition within peaceful bounds, a restraint that might diminish in a very different world economy, one in which they could no longer base their economic aspirations on expanding international trade, and perhaps one in which the United States was less willing to bear such a large share of global leadership.

Given the poverty, poor governance, religious, and ethnic tensions that mark much of south and central Asia, there could be, in a different global environment, ample grounds for conflict. China and India have fought before over territory in the Himalayas. They compete for influence in Burma. China, like the United States, has a security relationship with Pakistan. Russia has a similar relationship with India.

A collapse of the Burmese regime could easily intensify Chinese-Indian competition. Chinese and Indian troops fought there in 1943 – as allies and under an American general. The terrain was impossible and the campaign a failure. Indian and British troops had more success there later in the war.

More serious would be the collapse of a nuclear-armed Pakistan. It is not easy to game such a scenario, but Indian, Chinese, American, Russian, and European

objectives might not be so different, since all would want to prevent the diversion of nuclear weapons and reconstitute a nonmilitant Pakistani state as quickly as possible.

## Ending the Conflict in Afghanistan: The Role of External Powers

Afghanistan's long running civil war is largely a product of regional competition and external involvement. Unlike Yugoslavia, a strong state divided by even stronger ethnic antipathies, Afghanistan is a weak polity that has been torn apart by its near and more distant neighbors. Question a Serb, Croat, or Bosniak regarding the basis of their mutual antagonisms and one gets an historical narrative dating back a millennium or more. Ask the same of a Tajik, Pashtun, or Uzbek, and one will find that their grievances only seem to go back a few decades, anterior to which they recall, however erroneously, a golden era when everyone lived together in peace. Even today, despite the antagonisms bred of thirty years of civil war, Afghanistan's Uzbek population does not want to live in Uzbekistan, its Tajiks in Tajikistan, its Pashtuns in Pakistan, or its Hazara in Iran. Among Pashtuns, the major tensions are with each other, across tribal lines, not ethnic or linguistic. The vast majority of Afghans accept that theirs is a multilingual, multiethnic country. At the same time, they all feel entitled to a greater share in its governance and the patronage that flow from it than the others are prepared to accord them. Theirs is thus more a conflict over power sharing than national identity.

The Soviet invasion was sparked by internal divisions among Afghan political factions. These divisions were fanned into a much larger and more enduring conflict with the involvement of the United States, Pakistan, and Saudi Arabia. Following the Soviet withdrawal, India, Iran, and eventually Russia stepped in to limit Pakistani influence. Only in the aftermath of 9/11 was the United States briefly able to engineer a reconfiguration of these external forces toward a common purpose, the overthrow of the Taliban, and its replacement by the current regime.

This convergence proved short-lived. Iran was rewarded for its considerable help lining up Afghan support for Karzai by being consigned to the "axis of evil." Subsequent Iranian offers of assistance to rebuild the Afghan army went ignored. Pakistan afforded sanctuary to the fleeing Taliban leadership and allowed it to recruit, organize, train, equip, and eventually deploy an insurgent force. For years Washington turned a blind eye to Pakistan's behavior, focusing almost exclusively on securing that government's cooperation in hunting down the remaining al Qaeda leadership.

Even today, despite intense American prodding, Pakistan continues to allow the Afghan Taliban almost unfettered access to its border regions while Islamabad complains bitterly about four Indian consulates in neighboring Afghanistan. Iran has continued to support the Karzai regime, but is also hedging its bet (and tweaking the United States) by providing limited material support to insurgent groups. American forces in Afghanistan have tried to reduce their reliance on lines of supply through Pakistan by increasing shipments through central Asia. This raises Russian anxieties about encroachment in its own sphere of influence. China has announced plans for a very large investment in mining Afghan copper, but is otherwise the least engaged of the major powers, despite being the only one to actually border Afghanistan.

In the event of an American and European disengagement these other states would continue to pursue their potentially divergent interests. The result would probably be a reversion to the earlier pattern of civil war, with Russia, India, and Iran supporting northern, non-Pashtun resistance to a Pakistani-backed Pashtun hegemony. If Afghan history is any guide, this conflict would be considerably more violent than the one currently underway, producing many more casualties, larger refugee flows, and expanded opportunities for violent extremist groups to employ Afghan territory as a hub for more distant attacks -- like they already do Pakistan.

It is worth asking whether the United States might be able to reanimate the post-9/11 configuration, in which all the external actors acted in concert. It is certainly possible to imagine an arrangement for Afghan security that would suit the interests of all parties. It might look as follows:

- Afghanistan commits not to permit its territory to be used to destabilize any of its neighbors;
- Afghanistan's neighbors and the other powers promise not to allow their territory to be used to interfere in Afghanistan;
- The effect of the above pledges would be to declare Afghanistan permanently neutral, and commit all others to respect that neutrality;
- Afghanistan recognizes its border with Pakistan (the Durand Line);
- The United States and NATO promise to withdraw their forces once these other provisions had been given real effect;
- The donor community promises to support the delivery of public services – roads, schools, health clinics, electricity, and security – to the

disadvantaged communities on both sides of the Afghanistan-Pakistan border.

Such a package would give all the participants something of value. Pakistan would secure Afghan recognition of its long contested border and assurances that India would not be allowed to use Afghan territory to destabilize Pakistan's own volatile frontier regions. Afghanistan would gain an end to cross border infiltration and attacks from Pakistan. Pashtuns living on both sides of the border would get access to improved public services. Iran, Russia, and China would get assurances that the United States and NATO troops would leave. And the United States and its allies would get to leave.

Such an exchange of pledges could have effect, however, only if Pakistan and Afghanistan have sufficient control of their respective border regions to deliver on the mutual promises of noninterference, something neither state is currently capable of doing. Thus an international accord on Afghanistan would have meaning only if it buttressed an internal, Afghan process of reconciliation.

## Ending the War in Afghanistan: The Afghan Role

For some time President Karzai has sought to initiate such an internal Afghan process. The United States, even under the Bush administration, was not opposed in principal. Until recently, however, Washington has preferred to concentrate on detaching low level fighters from the insurgent cause, a process labeled "reintegration", arguing that any top down effort at reconciliation should await improvements on the battlefield.

The attractions of reintegration are evident. Each insurgent brought over weakens the enemy while it correspondingly strengthens the government forces. In Iraq such a process broke the back of the Sunni insurgency, resulting in the massive defection of enemy fighters, who in 2007, moved more or less overnight from killing American soldiers to working for them. This shift was achieved without the U.S. or the Iraqi government having to make any concessions affecting the nature of the Iraqi state, or the constitutional order that the United States has helped establish there.

Reconciliation, by contrast, would launch a process of mutual accommodation among two competing Afghan leaderships with very different visions of the Afghan state, inevitably opening the prospect of substantive trade-offs that make both American officials and many Afghans uneasy, not to say apprehensive.

The Obama administration has nevertheless recently come around to a conditioned embrace of negotiation with the insurgency leadership. There are several reasons for this change of heart.

First, it has become clearer that replicating the sort of wholesale shift in loyalties seen among former insurgents in Iraq will be difficult in Afghanistan.

By 2007, the Sunni minority, the smallest of Iraq's three major sectarian groups, had been brutally and decisively beaten by majority Shia militias. It was only after this defeat that the Sunni turned to American forces for protection. By contrast, the Taliban insurgency in Afghanistan is rooted not in that country's smallest ethnic group, but in its largest. Further, these Pashtun insurgents have not been losing their civil war for the last several years, but winning it.

In Iraq, al Qaeda had, by 2007, made itself very unwelcome among its Sunni allies by indiscriminant violence and abusive behavior. In Afghanistan, al Qaeda is hardly present, and certainly presents no comparable threat to the insurgent leadership or the Pashtun way of life.

Additionally, tribal structures in Afghanistan have been weakened by thirty years of civil war, making Afghan elders a less influential set of interlocutors for the United States than the Iraqi sheiks who proved able to bring almost all of their adherents over with them when they decided to switch sides.

Second, the ambiguous results of the Marja campaign and the delay in the Kandahar operation have underlined how difficult it is to achieve the synchronicity of civilian and military, American and allied, international and Afghan government effort that the current counterinsurgency strategy calls for, particularly within the tight timeline set by President Obama. The current influx of American and European forces may be able to stabilize the battlefield situation and stem further loss of Afghan public support, but a palpable reversal in fortunes by mid-2011 is more problematic.

American generals, notably the recently departed Stanley McCrystal, have made clear that this war is not going to end in a military victory. The insurgents do not have the support of the majority of the population, or even most Pashtuns, but they are probably the largest, and certainly the best organized, and most militant faction of the country's biggest ethnic group. It is hard to imagine a sustainable peace without their acquiescence, particularly as long as they enjoy a sanctuary within Pakistan.

Finally, Washington has also come under pressure to support a reconciliation effort not just from Karzai, but from several of its allies, most notably the British, whose publics are even less supportive of continued military engagement than the American.

These considerations have led President Obama to give President Karzai a green, or at least yellow light to pursue his efforts to engage the insurgent leadership. In doing so, Obama reaffirmed three red lines originally laid out by the Bush administration. First, the insurgents would need to cut all ties with al Qaeda. Second, they should agree to operate politically within the confines of the existing Afghan constitution. Third, they should lay down their arms.

*“Any settlement among the major Afghan adversaries would crumble quickly unless supported by all the other players in the ‘great game.’”*

The U.S. administration has left somewhat vague whether these three red lines are preconditions for negotiation or criteria for its outcome, but they make sense only as the latter, and most U.S. officials recognize this. Thus Washington is already supporting Karzai’s effort to remove several Taliban figures from a UN sanctions list.

## Combining the External and Internal Tracks

Just as an international accord on Afghanistan would have little meaning unless accompanied by a successful internal process of reconciliation, so the reverse is true. Any settlement among the major Afghan adversaries would crumble quickly unless supported by all the other players in the “great game.” It is significant that Pakistan has recently offered itself as a facilitator and mediator. But even if Pakistan can broker a deal between President Karzai and Mullah Omar, this would only mark the start of a new civil war unless India, Iran, and Russia were also willing to help deliver the old northern alliance.

It will be important, therefore, for the United States to parallel President Karzai’s efforts at sparking an internal dialogue with its own consultations with all the major and regional powers who have stakes in the game and have influence with the Afghan protagonists. So far such U.S. discussions seem far more advanced with Pakistan than the other players.

Whether the insurgent leadership is interested in negotiations is uncertain. Regional experts like Ahmad Rashid, Barney Rubin, and Michael Semple, believe they are. CIA Director Leon Panetta took the contrary view, recently stating:

We have seen no evidence that they are truly interested in reconciliation where they would surrender their arms, where they would denounce al Qaeda, where they would really try to become part of that society. We have seen no evidence of that and very frankly my view is that with regards to reconciliation unless they're convinced the United States is going to win and that they are going to be defeated, I think it is very difficult to proceed with a reconciliation that is going to be meaningful.<sup>2</sup>

Interestingly, President Obama, speaking later the very same day, took a less hostile view of reconciliation, saying:

I think that we have to view these efforts with skepticism, but also openness. The Taliban is a blend of hardcore ideologues, tribal leaders, kids that basically sign up because it's the best job available to them. Not all of them are going to be thinking the same way about the Afghan government, about the future of Afghanistan. And so we're going to have to sort through how these talks take place.<sup>3</sup>

He went on to characterize Pakistani efforts to broker talks as “a useful step.”

Civil wars often end in negotiated settlements rather than clear-cut victory or defeat. Once begun, such bargaining can take years, during which violence often increases, as both sides seek to maximize their leverage. In the end, the side that emerges best is the one that demonstrates the greatest endurance. American officials would naturally prefer to negotiate from a position of strength, reflecting gains on the battlefield. Given the mid-2011 timetable set by President Obama for the beginning of an American draw down, this may prove unfeasible. The quicker the president can clarify his longer-term intentions, and assuming he commits to a residual level of engagement large enough to at least maintain a stalemate and permanently deny the insurgents hope of military victory, the sooner meaningful peace talks may be able to start.

## **Adjusting to the Shifting Balance of Power**

Afghanistan is not now and need not become a source of great power tension. On the contrary, the United States should seek to leverage the general accord among

the major powers to help broker an acceptable settlement. Beyond Afghanistan, the United States needs to continue its adjustments to a shifting global balance, a shift from West to East geographically, but not necessarily ideologically, and one which leaves the United States in the pivotal position.

For another generation, at least, the United States will remain the dominant world power, albeit less dominant than heretofore. China and India will become more influential actors. China is the world's second largest economy and will soon be its second largest military power. India will maintain but probably not gain measurably on its current position vis-à-vis China. Europe, Japan, and Russia may see their relative positions wane further.

*“Security challenges will continue to come not from peer competitors, but from rogue regimes, fragile or failed states, and non-state actors.”*

As the world's predominant power, the United States will need to continue assuming leadership responsibilities for protecting the global commons, to include freedom of the seas, space, and cyberspace. Security challenges will continue to come not from peer competitors, but from rogue regimes, fragile or failed states, and non-state actors. The U.S. military should be configured primarily to deal with such threats without losing its capacity to prevail in any conventional conflict.

While continuing to shoulder the burdens of leadership, the United States should be seeking to share these more broadly. Washington has already begun accommodating itself to this new world by abandoning the Eurocentric G7 and G8 in favor of the G20. Over the next decade other such adjustments will be in order. American officials should spend less time trying to design new missions for NATO, and more effort bolstering other regional security ties. The UN Security Council should be enlarged to include India as well as Japan and Brazil. India has always been a major contributor to UN peacekeeping, which is an increasingly prevalent and often quite effective means of stabilizing fragile states that could otherwise become the focus of wider conflicts. China is following the Indian example and has become an increasingly significant troop contributor to UN operations. The United States should cease its effective boycott on such participation.

Within limits, India can be seen as a valuable counterweight to growing Chinese power. Nevertheless, there is no inevitability to either American or Indian conflict with China, and no aspect of Chinese aspirations, as we currently understand them, that necessarily threatens such conflict. Facing no peer, or even near peer

competitor well into the next decade, the United States will have no need to build a countervailing alliance, and it should, on the contrary, work to diminish anyone's incentive to form such blocks.

The most dangerous threat to peace and stability in south Asia stems from Pakistan. Since its inception, that government has made religious fanaticism an instrument of national policy, in the process turning itself into a nuclear-armed tinderbox. None of the great powers have an interest in Pakistan's disintegration or in a nuclear war on the Indo-subcontinent. India's stiff necked refusal to countenance any outside role in mediating its territorial dispute with Pakistan over Kashmir nevertheless compounds the difficulty of those who wish to defuse this confrontation and thereby begin to de-radicalize Pakistani society. But if external actors have little purchase on the Kashmir conflict, they have a great deal of influence over the other field of Indo-Pakistani competition: Afghanistan. And in Afghanistan, great power interests are, as has been noted, quite closely aligned.

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**James Dobbins** directs RAND's International Security and Defense Policy Center. He has held State Department and White House posts including Assistant Secretary of State for Europe, Special Assistant to the President for the Western Hemisphere, Special Advisor to the President and Secretary of State for the Balkans, and Ambassador to the European Community. He has handled a variety of crisis management assignments as the Clinton administration's special envoy for Somalia, Haiti, Bosnia, and Kosovo, and the Bush administration's first special envoy for Afghanistan. Ambassador Dobbins represented the United States at the Bonn Conference that established the new Afghan government. His most recent publication is *Occupying Iraq: A History of the Coalition Provisional Authority*.

<sup>1</sup> Data for 2008 from the World Bank, "Country Data", Available at <http://data.worldbank.org/>. Detailed analyses of Chinese and Indian economic prospects and projections of their future defense spending can be found in "Indian Defense & Defense Procurement Spending to 2025," Eric Larson and Meilind Huang, RAND Corporation, 2010, and "Chinese Defense & Defense Procurement Spending to 2025," Keith Crane et al., RAND Corporation, 2005. A forthcoming RAND Corporation study will provide a comparative assessment of the two countries development over the next fifteen years.

<sup>2</sup> Peter Finn and Karen DeYoung, "Panetta says Afghan insurgents show no real interest in reconciliation talks," *Washington Post*, June 28, 2010. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/06/27/AR2010062701928.html>.

<sup>3</sup> President Barack Obama. "Remarks by President Obama at G-20 Press Conference in Toronto, Canada," June 27, 2010. Full text available at: <http://www.whitehouse.gov/the-press-office/remarks-president-obama-g-20-press-conference-toronto-canada>.

# Part **2**

THE MISSION IN AFGHANISTAN:  
IS THE NEW STRATEGY WORKING?

CHAPTER 2

**Defining Victory:**  
Assessing Military Efforts and Measuring  
Outcomes in Afghanistan

**Nathaniel Fick**

CEO

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Director

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*“In a long war, especially one that has been an economy of force mission for most of its duration, the most crucial factor becomes the will and staying power of the adversaries.”*

— NATHANIEL FICK

# Defining Victory: Assessing Military Efforts and Measuring Outcomes in Afghanistan

**Nathaniel Fick**

CEO

Center for a New American Security

The Afghan conflict—the longest war in American history—will soon enter its tenth year. This spring’s offensive in Marja, initially declared a success, fizzled when the Afghan “government in a box” failed to materialize.<sup>1</sup> Afghan President Hamid Karzai, after a positive visit to Washington, quickly returned to behavior inimical to US interests, including forcing the resignation in June of two of his cabinet ministers who were highly respected in the United States. Critical operations in Kandahar, the spiritual home of the Taliban, have been delayed. Some are suggesting the “Afghan surge” announced by President Obama in December 2009 is doomed even before all of the planned 30,000 reinforcements have arrived in the country.

Within this bleak context, a comprehensive civil-military counterinsurgency (COIN) campaign is just beginning. In the late summer of 2010, eight months into the execution of the administration’s new strategy, and two months into General Petraeus’ command, the United States will have the necessary military inputs in place for the first time – 25,000 of the 30,000 additional forces (all will be deployed by the end of August 2010), the proper organizations, and the right people running them. The war, however, can no longer be won on the battlefield, and military means can only influence the places where decisions will be decisive: within the Afghan government, in Pakistan, and among the populations of the coalition.

This chapter will first assess several military components of the counterinsurgency campaign in Afghanistan before turning to one of the most difficult tasks in this kind of war: measuring progress toward the ultimate objective of an Afghanistan that is not a safe haven for terrorists, that can defend itself against internal and external threats with minimal outside assistance, and that serves to stabilize the troubled region of which it is a part.

## Assessing Military Efforts

President Obama set the bar high in his West Point speech: “We must deny al-Qaeda a safe haven. We must reverse the Taliban momentum and deny it the ability to overthrow the government. And we must strengthen the capacity of Afghanistan’s security forces and government so they can take lead responsibility for Afghanistan’s future.”<sup>2</sup> The new approach, which aims to defeat the insurgency to a point within the capacity of the Afghans and Pakistanis to deal with it themselves, includes pieces specific to each of these four areas (which seem to be mentioned in ascending order of difficulty): denying al Qaeda safe haven, reversing Taliban momentum, strengthening the capacity of Afghan National Security Forces (ANSF), and bolstering the Afghan government to take lead responsibility.

## Deny al Qaeda Safe Haven

The fight against al Qaeda is being waged in Afghanistan, Pakistan, and—more broadly—over the narrative about the outcome of the war. Some observers suggest the United States is playing a fruitless, global game of Whack-a-Mole: hit al Qaeda in Afghanistan and they move to Pakistan; hit them in Pakistan and they move to Yemen; fight them in Yemen and they pop up in Uganda; turn attention to Uganda and they move on to some other poorly governed safe haven. All the while, al Qaeda continues recruiting and inspiring followers via websites and internet chat rooms, largely beyond the reach of American military power.

Geography, however, matters. Al Qaeda can recruit and inspire online, and minor attacks can be plotted and planned in a London apartment or a Madrid internet café. But coordinating and rehearsing massive attacks against iconic targets—al Qaeda’s signature aspiration—is made much easier when the terrorists have physical space in which to meet and train unfettered. No place in the world is better suited for that purpose than the landlocked, mountainous, and poorly governed border region of Afghanistan and Pakistan. Indeed, that is why the organization has established its global headquarters there, and why any effort to defeat al Qaeda globally must deal with its center and source in Afghanistan and Pakistan.

There is at least some good news on this front. The effort to disrupt and dismantle al Qaeda in Afghanistan has been largely successful. It would be exceedingly difficult today for the group to train openly, in large numbers, or for a long duration anywhere in the country. Across the border in Pakistan, remote aerial attacks have

ramped up from five strikes killing seventy-three individuals in 2007, to at least forty-seven attacks killing more than five hundred in 2009. In addition to killing high-value targets, the strikes have disrupted al Qaeda's external networks, forcing it to scale back operations or suffer the attrition of its members. Increased pressure creates a virtuous cycle of operational sloppiness, resulting in further intelligence gathering and disruption opportunities for U.S. forces.

These shooting wars in Afghanistan and Pakistan are part of a broader war with al Qaeda for the narrative, and its outcome is as important as any armed clash. During the 1980s, a small number of non-Afghan foreigners, including many young dilettantes from around the Gulf, were drawn to the jihad against the Soviets. They did comparatively little fighting, but co-opted the narrative by claiming credit for driving the Communists from Afghanistan, thus giving their extremist ideology a multi-decade tailwind. Denying al Qaeda and its affiliates a second narrative victory in Afghanistan is a strong American interest. Failing to do so will provide the jihadist movement with another recruiting boost, one whose lifespan will likely coincide with an era of nuclear proliferation and advances in biotechnology. The intersection of these tendrils—extremist ideology and weapons of mass destruction—constitutes the primary national security threat to the United States at this time.

### Reverse Taliban Momentum

In a long war, especially one that has been an economy of force mission for most of its duration, the most crucial factor becomes the will and staying power of the adversaries. The Taliban strategy is to run out the clock, but General Petraeus sent the right message in his first speech after taking command: "We are in this to win."<sup>3</sup> Unfortunately, that message is made less credible by the president's expressed commitment to begin a drawdown in July 2011. Since the week after he announced this timeline, the administration has been attempting to walk it back.<sup>4</sup> Most recently, General Petraeus has suggested that next July should be seen as the beginning of a conditions-based, responsible process, rather than a pell-mell rush for the door. Nevertheless, much of the damage has already been done, and so the coalition must demonstrate quick progress in blunting the Taliban during the remainder of 2010 and the beginning of 2011.

One of the most significant changes aimed at reversing the enemy's momentum is a major shift in the geography of the war. In April, U.S. forces withdrew from the

Korengal Valley, a remote and narrow defile in northeastern Afghanistan. More than forty Americans have died in the Korengal<sup>5</sup>, so giving up that terrain is a deeply personal and painful acknowledgement that the benefits of fighting for it are not worth the costs. Simple math dictates that the United States must seek to affect the greatest number of Afghans with the fewest number of U.S. forces, and the Korengal is a sparsely populated place.

The major test bed of this realignment will be Kandahar, which serves as a template of sorts for what the coming civil-military campaign will entail. (Indeed, it may foreshadow more difficult choices, such as a withdrawal from the villages of Helmand Province). The Taliban came to power, and were pushed from power, in Kandahar, and Afghanistan's future will remain contested so long as the city is up for grabs. Commanders are quick to emphasize that what is happening in Kandahar is not a campaign, and it is certainly not an assault. The consensus word is "process."<sup>6</sup> Unlike the 2004 assaults on Falluja, Iraq—to which it has superficially been compared—the Kandahar process has had a slow rolling start, and this gradual escalation of pressure is likely to continue through the summer, into the fall, and beyond. This long-term squeeze highlights a consequence of the focus on population centers: the fighting ahead won't have the seasonal ebb and flow that has characterized much of the Afghan war. The Taliban may hide in the mountains, where the winter snow is deep, but the people live in the lowlands, where roads are passable even in January.

Preparatory operations have been underway at a feverish pace. High-end special mission units (SMUs) have been waging a nightly campaign since the spring to dismantle the command and control architecture of the insurgency in Kandahar. The multiple operations conducted each night are limited by support assets, rather than by available raid forces. The capture rate, according to senior military officials, is an impressive percentage of those being targeted.

Important as they are, kinetic operations by coalition forces will not be decisive in Kandahar or anyplace else. As the Marja campaign made clear, the coalition is limited in its ability even to clear the enemy from populated areas, let alone to hold them, build infrastructure, or transfer stable areas to Afghan control. That transfer is the critical part. The president made his point clearly during a phone call with General McChrystal as operations near Kandahar began: "Do not occupy what you cannot transfer."<sup>7</sup> Holding, building, and transferring require capable and committed Afghan partners. The United States and the coalition can do much

to enable their development, but high-quality Afghan National Security Forces (ANSF) and responsible political leadership are much more about the Afghans than they are about us.

### Strengthen Afghan National Security Forces

The key to a responsible American exit from Afghanistan that does not require a long-term counterterrorism presence is the development of capable Afghan National Security Forces. Army Lt. Gen. Bill Caldwell brought new energy and focus to the Afghan military training effort when he took command of it in November 2009, and he has made progress: the Afghan army is now 125,000 strong. Recruiting and retention are both up, and the force is on schedule to reach its end-strength goal of 175,000 by next year. The Afghan police force is much further behind but also now boasts 100,000 officers and will grow by an additional 30,000 in the next eighteen months.

In addition to renewed focus and belated matching of resources to what has long been the rhetorical main effort, two major shifts are underway. First, in an effort to professionalize the Afghan National Army more quickly, *kandaks* (Afghan battalions) will be partnered with American units – a significant and positive change that offers the dual benefits of quickly augmenting American combat power while also training the Afghans more quickly and realistically.

Second, partnering is reflective of a much broader shift in attitude across nearly every aspect of the mission in Afghanistan: the Afghan government and people are, of necessity, being urged to take greater ownership of the war. Abdullah Abdullah, the former Afghan presidential candidate, recently urged that 30,000 Taliban not dictate the future for 30 million other Afghans.<sup>8</sup> But they are and they will – unless the Afghan people and their leaders stop acting as bystanders. President Karzai, in particular, must take ownership of the problems in his country, and must demonstrate a commitment to addressing them.

### Strengthen Afghan Governance

It is important to remember, when contemplating President Karzai's dismal approval ratings, that most Afghans despise the Taliban at least as much as they dislike the Karzai government and the coalition. This is not Vietnam, where the United States was fighting—in the figure of Ho Chi Minh—the most popular

person in the country. The Afghan people lived under Taliban rule from 1996-2001, and do not wish to do so again.

Nonetheless, the outcome of the August 2009 Afghan national election suggests that the mission in Afghanistan is likely to fail unless the corrupt central government devolves power to the village, district, and provincial levels. General McChrystal made this clear in his initial assessment:

There is little connection between the central government and the local populations, particularly in the rural areas. The top-down approach to developing government capacity has failed to provide services that reach the local communities... The Afghan government has not integrated or supported traditional community governance structures – historically an important component of Afghan civil society – leaving communities vulnerable to insurgent groups and power-brokers... The breakdown of social cohesion at the community level has increased instability, made Afghans feel unsafe, and has fueled the insurgency.<sup>9</sup>

General Petraeus seems to share this view and is likely to continue efforts to strengthen and make accountable local governance structures. As he noted in early 2009, while still commander of Central Command (CENTCOM):

We have to recognize that the Afghan people are the decisive terrain. And together with our Afghan partners, we have to work to provide the people security, to give them respect, to gain their support, and to facilitate the provision of basic services, the development of the ANSF in the area, promotion of local economic development, and the establishment of governance that includes links to the traditional leaders in society and is viewed as legitimate in the eyes of the people.<sup>10</sup>

One early indicator of what such a devolution of power may look like is visible in General Petraeus' decision—over the objections of many in the diplomatic and development communities—to install diesel generators in Kandahar in order to visibly connect the people with a service provided by their government, rather than continuing to rely on the eventual repair of the hydropower plant at Kajaki Dam. This is a clear prioritization of local counterinsurgency over national development.

Another triumph of the local may be seen in the preliminary agreement between General Petraeus and President Karzai to train local defense forces in order to augment coalition combat power quickly. Some of these local forces may be former Taliban fighters, and many of them are young men otherwise susceptible to Taliban

recruitment. But that is how this war is likely to end: first with a trickle and then a torrent of Taliban deciding that working with the government offers a better future than fighting against it. The local defense force initiative is the most important development in Afghanistan since General Petraeus' appointment to command there—not only because of the effect it can have on the ground, but also because President Karzai accepted an American request that some members of his inner circle strongly opposed. This is not yet a trend, but it is a positive data point for the most crucial enabling factor necessary to accomplish the objectives of denying al Qaeda safe haven, reversing Taliban momentum, strengthening Afghan National Security Forces, and bolstering the Afghan government: unity of effort.

*“One of the greatest challenges to unity of effort, however, is in coordinating the forty-six members of the International Security Assistance Force (ISAF).”*

## Unity of Effort

Unity is needed at all levels. Open disagreement within the U.S. executive branch undermines the mission, as does repeated public castigation of Afghan officials by their American counterparts, and vice versa. One of the greatest challenges to unity of effort, however, is in coordinating the forty-six members of the International Security Assistance Force (ISAF).

After the 9/11 attacks the United States engaged NATO, invoking Article 5, only as a tributary providing forces and funding for Afghanistan to make up for American shortfalls. U.S. officials subsequently criticized European members of NATO for their refusal to send troops into southern Afghanistan, their inability to properly train and equip their forces, and their over-reliance on airstrikes that cause civilian casualties.<sup>11</sup> Most members of the alliance are essentially fighting separate wars. Speaking in 2009, General McChrystal observed, “ISAF’s subordinate headquarters must stop fighting separate campaigns. Under the existing structure, some components are not effectively organized and multiple headquarters fail to achieve either unity of command or unity of effort.”<sup>12</sup>

Given that 9,700 non-American forces are included in President Obama’s increased commitment in Afghanistan, and that almost 800 troops from non-U.S. members of the coalition have died (with the heaviest burdens borne by Britain, Canada, France, and Germany – the core of the NATO alliance), such observations can stir outrage from NATO allies. American and NATO leaders

have failed to come to terms with the fact that the capabilities of allied forces are not always comparable, and not all will be able to contribute equivalent combat troops. Policymakers should acknowledge that it is better for the allies to provide complementary capabilities that they actually have rather than struggle to provide interchangeable capabilities that they currently lack. While some countries contribute combat troops, others can provide logistical, training, and intelligence support to Afghan forces, or governance and economic development expertise, both of which are important long-term missions. Only in this way can the allies be a long-term part of a comprehensive strategy. The objective is to maintain broad alliance involvement that both enhances ISAF's ability to carry out its tasks and bolsters the continuing international legitimacy of the mission, an objective which requires demonstrating forward progress to voting publics throughout the alliance.

### Measuring Progress<sup>13</sup>

Demonstrating progress in these types of long, slow, wars is critical to maintaining domestic support for the sacrifices inherent in any counterinsurgency campaign—both in the country afflicted by insurgency and among its allies who support it in the struggle. In the March 2009 speech unveiling his new approach in Afghanistan and Pakistan, President Obama recognized this fact when he promised:

We will set clear metrics to measure progress and hold ourselves accountable. We'll consistently assess our efforts to train Afghan security forces and our progress in combating insurgents. We will measure the growth of Afghanistan's economy, and its illicit narcotics production. And we will review whether we are using the right tools and tactics to make progress towards accomplishing our goals.<sup>14</sup>

Effective benchmarks should measure outcomes for the population rather than inputs by governments. Too often, the international community has measured progress by tracking money spent, schools built, or troops deployed. These are inputs, not outcomes, and they measure effort, not effectiveness. Better benchmarks for the sort of comprehensive civil-military counterinsurgency campaign being waged by General Petraeus track trends in the proportion of the population that feels safe, can access essential services, enjoys the rule of law, engages in political activity, and earns a living without fear of insurgents or corrupt officials.

## Bad Metrics in Afghanistan

Not all outcome metrics are created equal. Three of the least useful metrics relate to outcomes: violence involving coalition troops, numbers of Taliban casualties, and military accessibility. The United States will deploy 30,000 new combat troops to Afghanistan in 2010. Likewise, the European allies will contribute nearly 10,000 new troops. With these additional 40,000 troops in Afghanistan, violence between the Taliban and the coalition will spike. The level of violence will rise, whether the coalition is winning or losing, simply because there are more troops fighting and more units on the ground reporting contact. Thus, this year, high incident numbers and an increase in the number of Taliban killed will simply show that there is more fighting, without indicating much about progress.

Military accessibility, a measure that tracks whether coalition or Afghan forces can enter and remain in a given area, is also not a very useful metric. The difficulty in counterinsurgency is not in entering an area but in controlling it (consider recent experience in Marja). The measure of success is not whether the military, with all of its armor and firepower, can access a district but whether it can protect the population in that district from intimidation by the insurgents. Perception is key here: the question to ask is not “can the military enter this area?” but “do civilian officials and members of the community feel safe in this area?”

## Useful Metrics in Afghanistan

The concept of “feeling safe” is at the root of many useful metrics. How many people are returning to their homes after being displaced by fighting or fear? Combat forces know well that the sight of civilians fleeing with all their possessions piled high in pickups and oxcarts means a fight is brewing. On the other hand, there is no better sign that the coalition controls an area than to see people come streaming back to their homes, throwing open windows, hanging laundry to dry, and letting their kids play in the streets. In the slightly longer term, starting this fall and stretching into next year, look to school enrollment numbers. Parents vote with their own flesh and blood when they send their children to school. Also, track the number of young men who volunteer for service in the Afghan military or police. In civil conflicts, civilians tend to hedge when the outcome is uncertain. Some families go so far as to send one son to fight with the Taliban and another with the coalition. When the tide turns, though (as happened in Anbar Province in 2007-2008), people flock to the winning side.

Afghan civilian casualties, whether at the hands of the coalition, the Taliban, or the Afghan government, will be one of the most telling measures of progress. As noted, the central goal of counterinsurgency is to make the population feel secure enough to engage in peaceful politics and to marginalize insurgents and other illegal armed groups. Since killing non-combatant civilians fundamentally undermines this goal, violence against civilians—whether committed deliberately by the Taliban or carelessly by the coalition—will be a key metric. Watch to see the reaction to Taliban violence among the population and the local press; public frustration with wanton cruelty by al Qaeda in Iraq (AQI) marked a critical inflection point in the country. Likewise, look for the effect of more restrictive rules of engagement to see whether the military costs are exceeded by the non-military benefits.

Another important metric is the number of *woleswali* (the lowest-level administrative district, of which there are 398 in Afghanistan) that are under government control. District-level governance and security define the key terrain of the insurgency, and control at the district level (as distinct from the central or national level) is vital. As of spring 2010, only about one-quarter of Afghanistan was under government control, roughly half was disputed or under local control, and the remaining quarter was controlled by the Taliban. Can the official responsible for a district sleep there overnight? Can civilian officials travel without military escort in their district? Are the local police able to enforce the rule of law without being subject to corruption or intimidation? These indicators will be especially important as coalition forces increase their presence in population centers that have been under the sway of the Taliban.

Signs of cooperation with coalition and Afghan forces are another helpful indicator. Surrenders point to disunity or disillusionment among the Taliban. The absolute number of surrenders and defections matters less than trends do over time. Another indicator of cooperation is the number of roadside bombs (improvised explosive devices, or IEDs) that are found and cleared versus exploded. IED numbers have risen sharply in Afghanistan since 2006, and the coalition should expect an increase in numbers again this year. However, a rise in the proportion of IEDs being found and defused (especially when discovered thanks to tips from the

local population) indicates that locals have a good working relationship with nearby military units—a sign of progress. Spontaneous tip-offs from the population, where local people volunteer information about the enemy, indicate confidence by the people in the government and security forces, and are another useful measurement of cooperation and progress. Conversely, evidence that the population is tipping off the local Taliban about future coalition or Afghan government operations is an indicator of deteriorating confidence.

### Metrics in Pakistan

Metrics for Pakistan are less clear-cut since the United States has less freedom of action there than in Afghanistan, but no useful military assessment can ignore events east of the Durand Line. Two key metrics to watch are the rate at which Taliban “chapters” continue to open in the Punjab and whether 2010-2011 sees more attacks in the urban centers east of the Indus, such as Karachi and Lahore. These developments would indicate that instability is increasing in the Punjab and Sindh heartlands, and would suggest that the situation on the ground is worsening.

The degree of Pakistani military cooperation with the United States is another useful indicator. Pakistani action against targets the coalition passes to Pakistan’s security services indicates cooperation. This rate has often been very low, with Taliban and al Qaeda targets disappearing or moving shortly after details of their location were passed to Pakistani authorities. The Taliban infiltration rate from Pakistan into Afghanistan is another metric worth tracking. This rate has historically spiked following “peace agreements” in the tribal areas, which have usually resulted from defeats of the Pakistani army at the hands of militants. Another indicator is the proportion of Pakistan Army and Frontier Corps posts that allow the Taliban to infiltrate into Afghanistan under their noses, permit the Taliban to set up mortar and rocket firing positions nearby, or provide covering fire to protect the Taliban against the coalition. In the past, along some parts of the frontier, these actions have been extremely common, indicating that the Taliban have intimidated Pakistani forces, struck a local deal, or enjoy the active support of security forces. A drop in rates of such behavior would indicate improvement.

## Conclusion: Defining Victory

President Obama's agenda of disrupting al Qaeda and blunting Taliban momentum by strengthening Afghan capacity to fight and govern is exceedingly ambitious. By doubling down, the president essentially decided that it's facile to view Afghanistan as "the graveyard of empires;" the United States is losing the war not because it cannot be won, but because we are fighting it wrong. After nearly a decade of war and almost two thousand coalition troops dead, voters must see not only a plan, but also demonstrable progress toward achieving it. In the United States, we are all armchair counterinsurgents now, and even the casual observer knows that military progress is insufficient and that governance will be the real test. Over the next year, the Afghan and Pakistani governments have what may be their last opportunity to demonstrate a commitment to the political progress necessary to win this war.

*"By doubling down, the president essentially decided that it's facile to view Afghanistan as 'the graveyard of empires;' the United States is losing the war not because it cannot be won, but because we are fighting it wrong."*

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**Nathaniel Fick** is the Chief Executive Officer of the Center for a New American Security (CNAS). He was previously the Chief Operating Officer of CNAS and has been a Fellow at the Center since its founding in 2007. Mr. Fick also served on the Presidential Transition Team at the U.S. Department of Veterans Affairs. In 2006, he was a Visiting Fellow at the Center for Strategic and International Studies, and served in 2007 as a civilian instructor at the Afghanistan Counterinsurgency Academy in Kabul. Prior to joining CNAS, Mr. Fick served as a Marine Corps infantry officer. He took part in the earliest phases of Operation Enduring Freedom in Afghanistan and Pakistan in 2001 and 2002 and led a reconnaissance unit during the invasion of Iraq in 2003. He is the author of the 2005 *New York Times* bestseller *One Bullet Away*, recognized as one of the "Best Books of the Year" by *The Washington Post*. Mr. Fick earned an A.B. degree with high honors in Classics and Government from Dartmouth. He received an MPA in International Security Policy from the John F. Kennedy School of Government at Harvard University, where he was a Dean's Fellow, and an MBA from the Harvard Business School.

<sup>1</sup> General Stanley McChrystal as quoted by Dexter Filkins, "Afghan Offensive Is New War Model," *New York Times*, February 12, 2010, page A1. Article available at <http://www.nytimes.com/2010/02/13/world/asia/13kabul.html>

<sup>2</sup> President Barack Obama, "Remarks by the President in Address to the Nation on the Way Forward in Afghanistan and Pakistan" (speech, United States Military Academy, West Point, New York, December 1, 2009.) Full transcript available at <http://www.whitehouse.gov/the-press-office/remarks-president-address-nation-way-forward-afghanistan-and-pakistan>.

- <sup>3</sup> General David Petraeus, “Remarks by Gen. David H. Petraeus upon Assumption of Command” (speech, NATO, 4 July 2010.) Full transcript available at <http://www.isaf.nato.int/article/transcripts/remarks-by-gen.-david-h.-petraeus-upon-assumption-of-command.html>.
- <sup>4</sup> See, for example, the comments of Defense Secretary Robert Gates and Secretary of State Hillary Clinton on “Meet the Press” on December 6, 2009. Full transcript available at [http://www.msnbc.msn.com/id/34280265/ns/meet\\_the\\_press/](http://www.msnbc.msn.com/id/34280265/ns/meet_the_press/). More recently, when asked how many forces would be withdrawn in July 2011, Vice President Biden answered, “It could be as few as a couple thousand troops.” Interview video is available at <http://abcnews.go.com/ThisWeek/vice-president-joe-biden-july-2011-thousand-troops/story?id=11190721>.
- <sup>5</sup> Greg Jaffe, “U.S. Retreat from Afghan Valley Marks Recognition of Blunder,” *Washington Post*, April 15, 2010. Article available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/04/14/AR2010041401012.html>.
- <sup>6</sup> Jonathon Burch and Ismail Sameem, “Afghans wary as NATO Rebrands Kandahar ‘Process,’” Reuters, May 7, 2010. Article available at <http://www.reuters.com/article/idUSTRE6464HS20100507>.
- <sup>7</sup> Jonathan Alter, *The Promise: President Obama, Year One* (New York: Simon & Schuster, 2010). Quoted in an excerpt published at <http://www.newsweek.com/2010/05/15/secrets-from-inside-the-obama-war-room.html>.
- <sup>8</sup> Helene Cooper and Mark Landler, “U.S. Rolls Up Red Carpet for Karzai Rival,” *New York Times*, May 21, 2010, page A12. Article available at <http://www.nytimes.com/2010/05/21/world/asia/21abdullah.html>.
- <sup>9</sup> General Stanley McChrystal, “Commander’s Initial Assessment,” August 30, 2009. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2009/09/21/AR2009092100110.html>.
- <sup>10</sup> General David Petraeus. “The Future of the Alliance and the Mission in Afghanistan,” (remarks for panel discussion, 45th Munich Security Conference, February 8 2009).
- <sup>11</sup> Peter Spiegel, “Gates says NATO force unable to fight guerrillas,” *Los Angeles Times*, January 16, 2008. Available at <http://articles.latimes.com/2008/jan/16/world/fg-usafghan16>.
- <sup>12</sup> General Stanley McChrystal, “Commander’s Initial Assessment,” available at <http://www.washingtonpost.com/wp-dyn/content/article/2009/09/21/AR2009092100110.html>.
- <sup>13</sup> This section draws heavily upon research and writing that appeared earlier in “Triage: The Next Twelve Months in Afghanistan and Pakistan” by Andrew M. Exum, Nathaniel C. Fick, Ahmed A. Humayun, David J. Kilcullen, Center for a New American Security, June 10, 2009.
- <sup>14</sup> President Barack Obama. “Remarks By The President On A New Strategy For Afghanistan and Pakistan.” (speech, Dwight D. Eisenhower Executive Office Building, March 27, 2009.) Full transcript available at [http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-on-a-New-Strategy-for-Afghanistan-and-Pakistan/](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-a-New-Strategy-for-Afghanistan-and-Pakistan/).

*“This limited version of nation building is the only way to achieve even the narrow, limited goal of preventing al Qaeda and related groups from establishing new, substantial sanctuaries on Afghan soil—since it is the only way to ensure that the Taliban will not retake power.”*

— MICHAEL O’HANLON

# A War We Might Still Win: Why our Odds are Still Good in Afghanistan

**Michael O'Hanlon**

Director of Research and Senior Fellow, Foreign Policy Program  
The Brookings Institution

Are'n't the critics of this war right? Isn't Afghanistan too fractious to hold together as a state, too corrupt to sustain a legitimate government, too remote even to matter enough strategically to warrant deploying 100,000 U.S. troops -- losing 300 to 500 a year in combat and spending \$100 billion annually in the process? Shouldn't we cut our losses and get out?

These questions are, and will remain, on the minds of many in Congress, in the general public, and even within the Obama administration. Allies voice them even more frequently. The flap over General Stanley McChrystal's interviews with *Rolling Stone* magazine<sup>1</sup> early this summer and his subsequent dismissal also seemed to demonstrate a war effort in disarray, characterized by rivalry and internal dissent more than team effort. Even if Afghanistan successfully holds parliamentary elections in September, 2010, little is likely to change fast on the battlefield; the Afghan parliament has begun to show more assertiveness and that is to the good, but it remains a secondary player in the broader effort on balance.

This short chapter<sup>2</sup> will argue that in fact our odds of relative success in Afghanistan—that is, leaving behind a strong enough state that it can control most of its population and territory and not collapse—are better than 50 percent. That is partly because I define the goal modestly. It is also because the Afghan army in particular is showing considerable promise as a proof of principle—validation of the idea that it is possible to build national institutions that cohere in that admittedly weak state. It is also because the strategy developed by General McChrystal and others is conceptually strong, and already showing promise particularly in Helmand Province and indeed sizeable parts of the regional command known as “RC-East.”

It would go too far to predict success with confidence now. As the campaign for Kandahar—more an integrated political-police-military effort than a major

military operation—unfolds this summer, the prognosis of the entire effort hangs in the balance. Absent some measure of success in and around that crucial yet corrupt southern city, spiritual homeland of the Taliban and key city of the country's Pashtun heartland, it is hard to see the overall war fighting and nation building endeavor succeeding. And there are major reasons to worry about the operation in Kandahar, starting with its reliance on the Afghan police (even if partnered with U.S. military police) and the entire ISAF operation's dubious reliance on a few Afghan individuals and companies in that region. Pumping huge resources into the hands of Wali Karzai, the younger brother of Afghanistan President Hamid Karzai, and others there, risks worsening the war by driving more disenfranchised tribes into the arms of the Taliban. But key officials are focused on these issues, and there is a good chance that they will be mitigated in the coming months—and mitigation could be good enough.

### **An Update from the Battlefield**

So how is it going now, and where do we stand in the campaign? Most of all, will it work? Will ISAF troops, working with Afghan forces, be able to arrest the momentum of the Taliban and other insurgencies? And will we be able to build up competent and dependable Afghan security forces that are increasingly able to control the country's territory on their own, together with at least modest elements of Afghan civilian governance? This limited version of nation building is the only way to achieve even the narrow, limited goal of preventing al Qaeda and related groups from establishing new, substantial sanctuaries on Afghan soil—since it is the only way to ensure that the Taliban will not retake power.

The current approach is designed to focus main effort principally in the south and east of the country, and in the most populous regions. This approach is continuing under General Petraeus, who helped devise the plan in the first place.

Some 81 districts, out of nearly 400 in Afghanistan, have been designated for primary emphasis, and another 41 for secondary emphasis. So the approach is discriminating. Yet at the same time it is thorough, seeking to establish a contiguous zone of safety throughout the country's crucial south and east—where the population can feel relatively secure, Afghan institutions can take root, and transportation as well as commerce can take place reliably. The plan entails the 2010 deployment of three additional main American maneuver brigades—one

for Helmand, which was the first to arrive; one for Kandahar, which has been deploying over this summer; and one for the east, in and around places like Khost, which is deploying now.<sup>3</sup> President Obama only provided some 30,000 American GIs in response to General McChrystal's request for 40,000 troops. But most of the difference is being provided by NATO allies.

There have already been major pockets of progress, especially in Helmand province. The February Marja operation was overemphasized as a litmus test of the war's momentum and a model for future operations. Indeed, progress in that town remains slow. But the province on the whole is improving, with most major population centers now opening schools and markets, farmers moving away from poppy as a preferred crop, and overall levels of violence down. ISAF owes the public debate more data than it has provided so far on these and other trends, but what information is available, including what I saw during a trip there in May, 2010, suggests progress. Some parts of the east are improving too.

These promising trends in Helmand are not yet evident, however, in the even more crucial region of Kandahar. Nationally, the tide of battle has not been fundamentally turned either. Notably, overall violence levels are up relative to last year by 25 to 50 percent. According to ISAF estimates, the number of focus districts with good security (or better) remains only around 35 percent, unchanged from late 2009; the number with "satisfactory" security has improved modestly, from 40 percent in late 2009 to 46 percent by spring of this year. At least trends are not worsening, but the absolute numbers of districts evidencing respectable levels of security remains mediocre.

There are silver linings and mitigating circumstances. Much of the current contact with the insurgency is being initiated by ISAF and Afghan forces as they move into areas previously controlled by the enemy. General McChrystal's directives on reducing the use of force in cases where civilians are present has apparently reduced the fraction of war-related civilian casualties caused by ISAF from 40 percent in 2008 to 25 percent in 2009 to somewhere between 10 and 20 percent in 2010. Although criticized for this policy in the infamous *Rolling Stone* article and elsewhere, General McChrystal was surely on solid ground in the basic thrust of the policy, given that any civilian casualties caused by NATO can lead to more recruits for the insurgency in Afghanistan. And though they understandably prefer not to emphasize this, ISAF commanders acknowledge that we have increased the effective arresting and killing of key insurgent leaders several fold over the last year.

It is not surprising that violence levels are still going up. They are likely to be lagging, not leading, indicators of a successful strategy. So how can we evaluate the underlying fundamentals—the effectiveness of the new strategy in establishing conditions that will produce progress in the crucial year ahead? Rather than barrage the reader with more statistics, I will emphasize two broad categories of effort. These are the building of Afghan security forces, on the one hand, and anticorruption efforts on the other, with a particular eye to the crucial area of Kandahar. The first subject is generally a good news story, even if much remains to be done. The second is more problematic. ISAF in fact continues to exacerbate the problem, thereby aiding the insurgency's ability to recruit new partisans from disaffected tribes in the broader Pashtun community.

### **Training and Mentoring the Afghan Security Forces**

The process of recruiting, training, equipping, and fielding the Afghan security forces has been totally revamped over the last year, entirely for the better. Given that many states around the world, even seriously troubled states, hold together rather well with mediocre governance but strong security forces, this bodes well. Strong security forces do not themselves guarantee stability, of course, but they are extremely helpful in the endeavor. There is a long way to go with this process in Afghanistan. But the trends are generally encouraging.

Initial training, equipping, and fielding of Afghan National Security Forces is supervised by an American three-star General Bill Caldwell, with crucial help from officers from Britain, Canada, and other allied states. Once fielded, supervision of the Afghan forces then passes to another American three-star, Lieutenant General David Rodriguez, who runs the so-called ISAF Joint Command. He partners an ISAF unit with most Afghan units so that the latter benefit from ongoing training in the field over an extended period of time.

Consider the Afghan army, the better of the main security institutions. Some 20,000 recruits are in training at a time, as Afghanistan and NATO move towards the interim goal of 134,000 Afghan soldiers for this fall. They are likely to meet the goal, even as they also improve the quality of Afghan forces. Increased military pay, hostile fire pay, and other improvements in compensation have at least doubled benefits for troops, bringing down attrition rates for Afghan soldiers in the process. Even though many still quit the force, the rate at which new recruits are being turned out is twice the rate at which soldiers are leaving.<sup>4</sup>

It goes well beyond the gross numbers, though. Basic training courses have been improved. Enlisted soldiers who are illiterate (the vast preponderance of the total) now have mandatory literacy training. NATO has set up impressive new and specialized courses for training noncommissioned officers--the kind of soldiers who really make good militaries work at the ground level. The national military academy for training officers has tripled enrollment. Better yet, ISAF has convinced the government of Afghanistan to adopt better practices on how those officers are selected, and then on how they are assigned to duty upon graduation. Nepotism and favoritism have declined as a result. And the field results show it, with increasingly good reports of the performance of formations like the 201st, 203rd, and 205th Army Corps.

And that is only the half of it. As noted, General McChrystal's approach, being continued by General Petraeus, emphasizes ongoing partnering in the field. Afghan and ISAF units now train, plan, deploy, patrol, and fight together. This approach continues for perhaps a year or more for a given Afghan unit. It provides ongoing mentoring and indeed a type of apprenticeship. It increases the confidence of Afghans since they know that, when ambushed, they will have some of the world's best militaries fighting alongside them. And it also gives us a direct view into the problem of corruption in the Afghan security forces, allowing us to suggest to the ministries of Interior and Defense when they may need to take remedial or disciplinary action regarding certain commanders in the field.

Over time a smaller NATO unit might be able to partner with a larger Afghan one. For example, a NATO battalion (of about 800 troops) might team with an Afghan brigade (of some 3,000). But at present, given the current lack of adequate and competent Afghan forces, the NATO and Afghan units are often of comparable size.<sup>5</sup>

Problems remain even within this relatively good news story of training Afghan forces, of course. Most notable is the challenge of building the Afghan police. They are on average less competent, more corrupt, and less accomplished than the Afghan army. Yet ISAF's training mission for the police remains weaker than its approach to recruiting, training, equipping, and partnering with the army. Rather than rely on coalition soldiers as trainers, ISAF relies largely on private contractors, since soldiers are suboptimal for this task, and since there are not enough Italian carabinieri and

*“Most notable is the challenge of building the Afghan police. They are on average less competent, more corrupt, and less accomplished than the Afghan army.”*

related NATO gendarmerie forces here to do the job themselves. (The United States, like most coalition countries, has no such gendarmerie from which to draw trainers for the effort.) Even counting those contractors, General Caldwell's training command (NATO Training Mission-Afghanistan, or NTM-A) remains around 1,000 trainers short of the number needed today. One idea for addressing the shortfall, in addition to asking for more NATO help, might be to create a program to allow inner-city

*“Indeed, that corruption issue is probably the crux of our challenge.”*

American police officers a “sabbatical” to go work in Afghanistan for a year.

Once done with initial training, many police too get partnering—as with the units of Afghan police in the city of Kandahar who are now being paired with recently arrived American Military Police companies as they begin their crucial work there. There are not enough MPs to go around, underscoring the fact that Afghan police are likely to be the more challenging institution to reform for some time to come.

But overall, the Afghan National Security Forces have a relatively promising future. Their improvement is more likely to be constrained by corruption in the broader society around them than by inherent institutional weaknesses, at least over time. Indeed, that corruption issue is probably the crux of our challenge.

### **Building the Economy, Confronting Corruption, and the Campaign for Kandahar**

There are hosts of problems with the Afghan government and governance. These include corruption among the Karzai cabinet in Kabul, a lack of human capital and ministerial capacity, and thus a limited reach for the government throughout the country.

These challenges are daunting. But to some extent they can, and are, being mitigated. For example, the Major Crimes Task Force has undertaken at least one prominent prosecution, and nationwide a dozen or more officials are under indictment or investigation for wrongdoing. As for regional and provincial government capacity, the dearth of capability is striking; in fact, of the 122 primary and secondary districts receiving special emphasis, the Afghan government is likely to provide representatives in only about ten this year and ten more next year (notably, through the so-called district delivery program). However, there are workarounds that can mitigate the problem. In many regions, international

personnel, together with Afghan leaders, are trying to compensate for the Afghan government's weakness by using the traditional shura consultation process to give all tribes and communities a voice in how development priorities are established. The Afghan National Solidarity Program can then provide cash grants to the communities represented by these shuras, or by the related vehicle known as a community development council, in keeping with local priorities. NATO military commanders and civilian personnel can often do the same with their funds—not a perfect solution, but much better than nothing. Shuras can also be used in some cases to settle legal disputes where courts lack capacity.

However, the United States is less well positioned to attack the corruption problem in Kandahar in particular. Here, the mix of Afghan politics with NATO contracting processes is reinforcing the very corruption that aids and abets the insurgency. Through a military buildup designed to confront the insurgency, we are in fact fueling the insurgency, since we hire certain Afghan firms to provide trucking and other services, and the political economy of this policy is harmful on balance. Some NATO officials are well aware of this problem, but a cogent and widely accepted strategy for addressing the problem has not been in evidence.

ISAF has been not only tolerating, but actually strengthening, a corrupt local political and economic order led by the Gul Shirzai and Wali Karzai syndicates. These two families are much more powerful than the region's true leader, Governor Wesa, or the mayor of Kandahar. The big families resemble the mafia, with their ability to control economic and political favors throughout the city. And while American, Canadian, and British forces in the area have good plans to help strengthen the governor and mayor, and provide them with more tools to help their constituents, this process will take time—time we may not have.<sup>6</sup>

The situation is actually even worse than it sounds because ISAF in general and the United States in particular are exacerbating it with the very military strategy that has been designed to help the city. ISAF's military logistics and contracting system relies heavily on Afghan help—local companies able to truck in supplies for us, build roads, construct new buildings, and so on. Because American procurement and contracting law requires any companies winning such U.S. business to comply with onerous paperwork demands and other red tape, we create a hugely ironic and paradoxical effect: we keep steering money to the Shirzais and Karzais because, while corrupt, only they have the human infrastructure to fill out forms, maintain contracting requirements, and produce rapid results on the ground.

As a result, we risk destroying Kandahar as we try to save it. More specifically, we risk exacerbating the corruption problem that in fact contributes to the insurgency as much as any Taliban fanatical ideology. Much of what is happening in Kandahar is the result of tribes that do not share in the region's wealth becoming angry and choosing to provide recruits to the insurgency in response.

Coalition forces in Afghanistan need to recognize this fact—which they have done to an extent already. Then they need to find a strategy to address it—which as best as I can tell, they have not. Congress's help may be needed, for example in allowing more flexibility in the application of American contracting procedures in war zones, so that we can avoid propping up only the Shirzai and Karzai operations. Now is the time to try this, since local resistance to the idea should be controllable at a time when our spending locally is increasing fast. It is easier to implement this idea while the contracting pie is growing than when it is shrinking. Congress might also mandate that American companies doing business with the U.S. government in Afghanistan attend summits on anticorruption policies that might be convened in the coming weeks and months. At present, too many American companies are content just to make a buck in the war, without considering the broader and negative effects of their actions on the Afghan corruption problem. Over the longer term there is some reason for hopefulness about the Afghan economy's ability to make anticorruption efforts more successful more generally. Some of this comes from recent news of huge mineral deposits and other resources in the country, with a likely value topping \$1 trillion.

The Department of Defense's office for economic investment activities in war zones, headed by the formidable Paul Brinkley, has concluded that Afghanistan in fact may be rich—not just in its poppies, or its ability to attract foreign aid, but in actual resource wealth buried in the ground. Iron, copper, lithium, and other deposits may be worth more than \$1 trillion. If they could be developed well enough to generate even \$10 billion a year for the Afghan state and Afghan citizens, that would nearly double GDP, and provide a long-term funding source for the Afghan government to resource its security forces and other major national needs.

Critics and skeptics point out that such resource wealth is often corrupting; some of the world's biggest producers of key minerals, gems, and oil are among the world's most problematic economies. Among other burdens, these kinds of income

streams tend to benefit a narrow stratum of society rather than the population at large, and they can also skew exchange rates in what is known as “Dutch disease,” making it harder for farmers and small businessmen to sell their goods abroad.

These concerns are real. But mineral wealth will hardly introduce corruption to Afghanistan. And the skewing of exchange rates as well as other economic conditions is also happening due to the roles of opium and foreign aid in the economy.

In fact, mineral wealth could provide the Afghan government and international community with opportunities to tackle some key economic problems plaguing the country. First, it could provide a long-term funding source to replace foreign aid over time, helping Afghanistan pay for its large army and police as well as schools, health clinics, and infrastructure such as irrigation systems and roads needed by farmers. The lack of such prospective funding is part of why Afghanistan’s government was not previously able to build up adequate capacity in these areas, so this could be a huge step forward.

Second, the resources gained from such natural wealth could help Kabul increase Afghan salaries for its key ministers and other government employees. This will in turn deprive such officials of the excuse that they should be allowed to take bribes to compensate for unacceptably low paychecks. Combined with improved means of ferreting out the most corrupt officials - which are already improving, leading to the arrest or indictment of up to 20 government officials this year - this new source of funding could help address corruption over the longer term.

Agriculture, and animal husbandry, will have to remain the main economic activities of the majority of Afghans into the future, in terms of job creation and employment issues. But even here, there is hope; tours in Helmand province in May revealed large fields of wheat and other crops replacing poppy in places where the government was back in control and where road networks were beginning to work more effectively. There is clearly a long ways to go, but if the security environment improves and roads as well as irrigation networks can become reliably more dependable, Afghanistan can again become a regional breadbasket. It can also become a bit of a transit route in a latter-day silk road, connecting central Asia with the Arabian Sea and the Middle East region with south Asia. But again, security conditions will have to improve substantially for such a vision to work.

## Prospects for Realistic Reconciliation – And the Role of Pakistan

For too long there has been too much loose talk and sloppy thinking about reconciliation in Afghanistan—the process by which the war might be ended more through negotiation than by fighting. Along with the debates on timelines for U.S. troop drawdowns, the confusion feeds a sense of strategic drift -- which is not helpful to maintaining crucial national resolve on this important war and not indicative of the actual state of play.

All sorts of incorrect theories about reconciliation are heard these days. For example, President Karzai will supposedly concede a defeat at the bargaining table that our soldiers are working hard to preclude at the battlefield. Or Pakistan will broker a deal that creates for Islamabad a Soviet-like sphere of influence in the Pashtun areas of southern and eastern Afghanistan, with the Taliban returning to great influence there. Or ISAF forces will be precipitously ordered out of the country as part of a deal between the Afghan government and the insurgents. Most recently, the former leader of Afghanistan's intelligence service, Director of National Security Amrullah Saleh, has suggested that President Karzai's convening of a peace jirga in Kabul in May somehow reflected his lack of commitment to defeat the insurgents in battle—and a fundamental lack of confidence in the U.S.-led plan for stabilizing the country.

Admittedly, President Karzai's rhetoric and actions often make him hard to read. His hyperbolic language back in April, 2010, about how he might entertain the option of joining the Taliban himself raised more than a few eyebrows. And the recent suggestions that somehow ISAF was responsible for the rocket attacks on the peace jirga, whatever domestic political rationale the president's office felt it had for making them, were similarly ill-advised. All the hype about even holding the jirga in the first place also makes many westerners doubt President Karzai's judgment on the reconciliation process, as it clearly seems too soon to expect the enemy to show flexibility at a time when the Taliban and the Haqqani network retain considerable momentum on the battlefield.

But in Afghanistan, even more than in most places, it is important to look beyond the rhetoric and focus on fundamentals. Viewed in this light, the peace conference should hardly have caused excessive worry. Director Saleh was off base in his assessment of President Karzai's motivations. Though a distinguished leader

who should not have been fired, Director Saleh was nonetheless perhaps venting when accusing President Karzai of irresoluteness—and reflecting as well his own very hard line views about the resistance.

The peace jirga did not even include Taliban or Haqqani representatives. It did not feature any offers from President Karzai to meet the insurgents halfway on matters of politics and security. There was no offer of any cohabitation deal with Mullah Omar. President Karzai did not even offer to concede ground on matters such as press freedom and women's rights. There was no suggestion from President Karzai that he might step down as a means of achieving peace, or that he might propose a new constitutional convention, or that he would ask foreign military forces to hasten their departure. Indeed, in some ways President Karzai seems firmer on that latter matter than the Obama administration itself. There was less talk at the jirga about how July, 2011, could spell the beginning of the end of the ISAF mission in Kabul than there has been of late in Washington.

So no one is going to be duped into a deal at the negotiating table that effectively runs up the white flag. That said it is time to start thinking harder about the challenges that may lie ahead with the reconciliation process. In fact, there are some tough issues, many revolving around the issue of amnesty.

For starters, President Karzai has recently indicated an interest in exonerating a number of insurgent prisoners as a gesture of good faith towards the resistance. Finding inspiration in the thinking of Gandhi, as he apparently does, he is exploring ways to change the atmosphere in Afghanistan. A number of reputable American scholars, including some working for U.S. Special Representative for Afghanistan and Pakistan Ambassador Richard Holbrooke today, have sympathy with this idea as well.

Some critics worry that hordes of extremist fighters whom NATO and Afghan troops have risked their lives to detain will now be turned loose in an impetuous effort to jumpstart a peace process. They are right to raise the concern as a cautionary matter, but no one should quickly assume that the prison floodgates will soon open. In fact, at the impressive detention facility in Parwan, north of Kabul, the release of prisoners is an ongoing process—but in a careful and discriminating way. Prisoners are categorized based on the actions they took before being arrested, the degree of threat they are believed still to pose, and the extent to which they

appear reformable. President Karzai's initiatives may prod American as well as Afghan officials to accelerate this process a bit. And there may need to be some pushback on the matter; his aspirations may indeed be too ambitious.

But the good news is that, taking the lessons and methods that have been improved at Parwan, where some 1,000 prisoners are held, and extending them to the prisons around the country where 15,000 or more are detained, may permit President Karzai to claim credit for progress on this front in manner consistent with our core security interests. Even as ISAF reduces its role at Parwan (which is due to be turned over to Afghan control at the beginning of 2011), foreign forces should offer to intensify the help they provide the Afghan government at other detention facilities around the country, where reconciliation and reform methods have not been so effectively applied to date.

We also need to think hard about amnesty—and political rehabilitation—for insurgents who are not in captivity. Indeed, as the tide of battle hopefully shifts in coming months, something that is already happening in most of Helmand and may soon in Kandahar, some insurgent leaders may be willing to consider deals. We need to prepare for that possibility. President Karzai and other Afghan officials will drive this process, but the United States has a key role to play as well.

Consider this scenario: two or three midlevel insurgent commanders, each commanding the loyalty of a few hundred full-time fighters and a few thousand tribesmen, promise to stop fighting if President Karzai offers them positions in local government. Perhaps the smaller leaders want to be governors of districts in the south or east, and a bigger one wants to be governor of an entire province like Zabul. Some of these could for example even be part of the fearsome Haqqani network, a group over which Pakistan may exercise at least some leverage. Islamabad may lobby President Karzai to work with some of them as a condition for a more supportive policy overall, and for further Pakistani actions against the Quetta Shura of the Afghan Taliban. It is not out of the question that President Karzai will consider striking such a deal.

The hard issue is what to do with those militias answering to the insurgent leaders. Under a new Afghan government initiative, insurgents can be allowed to keep their weapons if they stop fighting and swear allegiance to the government. This is fine on a small scale but begs the question of how to handle possible demobilization with larger and more powerful groups of resistance fighters.

Almost certainly, even more powerful insurgents will want to retain their militias—as personal protection forces, and perhaps as a hedge should the accords with President Karzai break down. But the United States will want to be sure these militias cannot be used down the road to mount a new rebellion against the Afghan government. The answer, as with other militias in Afghanistan today such as those of Wali Karzai, has to involve a near-term combination of registering, regulating, and monitoring the forces. But it must also feature a fairly rapid effort to demobilize them. Some fighters can join the Afghan army or police, though the bulk of them should be dispersed to other locations in the country to reduce the latent threat they might pose. The demobilization process should begin in earnest while NATO forces are still present in adequate numbers to help Afghan forces enforce any deals and punish any violators—in other words, within roughly one to two years of any deal being struck.

So there is plenty to think about, and worry about, as we contemplate the reconciliation process in Afghanistan. But whatever President Karzai's other flaws or weaknesses, we needn't lose too much sleep over the possibility that he will abandon the war effort on a lark or be duped into running up the white flag at the negotiating table. He cares too much about remaining president, building up the country, and yes, avoiding assassination and protecting his friends to be so cavalier about such a key matter of realpolitik.

### July 2011 – What Does it Mean?

President Obama adopted a muscular counterinsurgency approach to the war in his December 1, 2009, speech at West Point announcing that an additional 30,000 American troops would go to Afghanistan, together with 5,000 to 7,000 more allied soldiers. He nearly fulfilled General McChrystal's request for 40,000 additional ISAF troops as well. Indeed, the Department of Defense was granted some leeway to adjust the 30,000 figure upward by a few thousand more troops if force protection considerations made it advisable—so for all intents and purposes the military got what it wanted.

But President Obama also made clear that these added troops were to be temporary. Wishing to light a fire under Afghan officials who were seen as too content to tolerate a national culture of corruption—and, perhaps even more, eager to reassure the Democratic-led Congress that Afghanistan would not become

his Vietnam, Obama emphasized that U.S. troops would start to come home by July, 2011. With the force deployments culminating only this fall, the full scale of the maximal ISAF force—roughly 100,000 U.S. troops and almost 50,000 more from friendly and allied states, most in NATO—will endure less than a year.

But what will come next? All President Obama promised was to begin the drawdown by July of 2011; he said nothing about the pace. This has not prevented many interested parties from trying to infer what his real intent might be. Many expect a rapid U.S. departure once that date is reached. In fact, such a rapid departure is not likely. The campaign plan will take at least three years to be implemented, starting from the release of the document in August, 2009, for reasons discussed below.<sup>7</sup> President Obama may not have formally committed himself to that campaign plan, and has explicitly reserved the right to change his own mind about the war if progress does not occur soon. But there are major structural reasons why he will likely maintain his resolve. Since his presidential campaign began, he has declared the Afghanistan-Pakistan theater his top national security priority. He has gained full ownership of this war by now, meaning that to accelerate the U.S. departure would risk being seen as conceding defeat in a war operation that he chose and led. While an anxious Congress may prod him politically in one direction, the fear of being branded as weak on national security will likely pull at least as firmly in the other direction.

Examination of the public comments of administration officials reveals no one predicting a rapid drawdown in July 2011 on the record. Vice President Biden's interview with Jonathan Alter as revealed in the new book, *The Promise*, is the notable exception—but that was not an official Biden statement and it had the flavor of a prediction about what President Obama might do more than a revealing comment about some super secret war plan already laying out a detailed schedule for troop reductions come next summer. Administration comments clearly add up to an implicit plan for a gradual U.S. troop reduction over several years. True, there is a bit too much suggestive talk of July, 2011 as a major turning point—even though it is hard to believe that we have the luxury or power of determining battlefield events with such temporal precision. There is also the president's own telling point that the nation he most wants to build is the United States rather than Afghanistan. But the emphasis on responsible and conditions-based troop reductions taking place over a period of years is common throughout nearly all the comments, including most importantly the president's.<sup>8</sup>

According to Alter, the president extracted pledges from U.S. military leadership that eighteen months would suffice to turn over primary responsibility for security to Afghan forces. But transfer of primary command responsibility is not the most telling harbinger of a U.S. exit. For two militaries intent on working together, formal operational control can be a malleable concept, especially in this kind of war. More significant is that in the summer of 2011, the Afghan security forces will still be well short of their necessary size and competence. In some formal sense, in some places, they may be able to take overall formal command, but only if ISAF remains heavily involved in operations and fully partnered at all levels. The implication that the ISAF mission could effectively be completed by July 2011 is not consistent with conditions on the ground, the integrated U.S. civil-military campaign plan, or public utterances on the subject by administration officials. To be sure, the president reserves the right to reassess. That is the other side of the vagueness of his comments. If the war is going badly next summer, he may elect to cut losses, and he is clearly preserving that option. But to think it a foregone conclusion in his own mind would be to speculate without any direct or compelling evidence.

### **Conclusion: How long will it really take?**

Leave aside efforts to read the president's mind—how long should substantial numbers of U.S. forces have to stay in Afghanistan? And what will be the pace of the drawdown?

The Department of Defense, NATO, and the White House have resisted offering any predictions along these lines to preserve their future flexibility and avoid being held to a timeline that will surely have to be at least partially modified. But publics and their representatives have a right to an estimate. They also need some way of measuring progress against realistic expectations.

There is much to do in Afghanistan, obviously, and its progress will be a long-term diplomatic and development concern for the United States long after current military operations wind down. Indeed, extrapolating from current levels of activity, these tasks plus the ongoing support of Afghan security forces could cost the international community \$10 billion a year for an extended period. (In 2010, U.S. aid levels alone will exceed \$4 billion; in addition, ongoing costs for

Afghan security forces are expected to average \$6 billion annually in the coming years.) But the proximate issue is the war, and the ongoing need to deploy tens of thousands of U.S. forces in the country (with a rough cost of \$1,000,000 a year per deployed GI—meaning \$100 billion a year right now). As noted before, there are two main purposes for U.S. and other NATO troops in Afghanistan—to protect the population now, while gradually training up Afghan forces that can carry on this job increasingly on their own in the future. Protect and train. These are the main reasons we are deploying so many, and spending so much, in Afghanistan. This effort can be set to an approximate schedule.

It is impossible to be precise, of course, about a NATO drawdown schedule, but it is certainly possible to say more than has been said to date. As noted before, for a country of 30 million, doctrine suggests that a total of 600,000 security forces would be needed to ensure robust security throughout the country. However, that doctrine is approximate, and in Afghanistan, the ratio of twenty forces for every 1,000 civilians probably needs to be applied only in that half of the country where Pashtuns predominate. In the other half, perhaps something less than ten security personnel for every 1,000 citizens would suffice. This implies a total requirement of roughly 400,000 competent security forces.

A simple way to estimate ISAF troop requirements at any moment is to estimate how many Afghan army and police forces will be competent at that same point in time. ISAF would then make up the difference, while also providing trainers to those Afghan forces still in their formative state.

By the end of 2010, ISAF will have nearly 150,000 troops in country, and the Afghan security forces will number about 250,000, with perhaps 150,000 in decent shape or in strong partnership arrangements with NATO troops. That means we will have roughly 300,000 competent security personnel in place, half ISAF and half Afghan—about 100,000 forces shy of the overall requirement of 400,000.<sup>9</sup> Given the shortfalls, a number of key parts of the country will have to be left relatively unguarded through this period and into 2011.

According to current plans, it will take until late 2011 to have a combined Afghan force that is 300,000 strong.<sup>10</sup> Making it 350,000 strong would take most of 2012 and reaching 400,000, if ultimately authorized, would take us into 2013.

To calculate ISAF troop requirements in the future, assume that partnering needs to be intense for one full year after a unit is formed. This is roughly the going approach. Assume further that, as noted before, this partnering concept requires ISAF to team up one of its own units with an Afghan unit of similar size, or perhaps one echelon larger (e.g., a NATO battalion of 1,000 soldiers might pair with a relatively “green” Afghan battalion of 1,000, or a relatively strong Afghan brigade of 3,000). So the ISAF deployment math boils down (approximately) to this: Any year that 75,000 Afghan personnel are added to the force structures, NATO will need to provide roughly 25,000 to 50,000 trainers, mentors and partners for that group—to be specific, if approximate, let us say that NATO requires 35,000 trainers and partners. It would also need to deploy whatever additional force is needed to boost aggregate troops (including Afghans and ISAF) to 400,000 personnel in all.

This model is clearly rough, and not precise enough to burden the reader with detailed projections. But as an illustration, consider where we will be in mid-late 2012 as President Obama gears up for a likely reelection campaign. Afghan security forces will number perhaps 300,000 personnel formed into units (plus a few tens of thousands more in the training pipeline, not yet deployable or countable). ISAF will need 35,000 troops to train, mentor, and partner with these Afghan units, according to the assumptions noted above. That will make for a grand total of 335,000 Afghan plus ISAF forces. So another 65,000 ISAF troops will also be needed in order that the grand total of Afghan plus ISAF personnel reaches 400,000. That makes for 100,000 ISAF troops in all, at that point two years down the line. Of these 100,000 foreign troops, perhaps 70,000 would be U.S. soldiers and Marines given likely allied contributions at that point.

By mid-2013, Afghan security forces may have reached their final size of 400,000, enough in theory to stabilize the country. But 75,000 of those will still require NATO mentoring and partnering, requiring perhaps 35,000 foreign troops, two-thirds of which will likely be American GIs. That implies U.S. troop totals of 20,000 to 25,000.

If anything, the above estimates are optimistic. Troop requirements might be somewhat higher if other parts of Afghanistan besides the south and east prove more dangerous than expected by then, or if any other snafus emerge in implementation of the basic strategy.

The implication is clear: President Obama will run for reelection with more than 50,000 GIs still in Afghanistan, and no realistic prospect of bringing them all home early in what would be his second term. He will have doubled total American expenditures on the war during his first term, and he may well have presided over a doubling of U.S. casualties in that war as well. The price for success will be high. But the odds are reasonably good that success can be attained, if we can get our arms around the Afghanistan corruption issue, and demonstrate several more years of patience and resolve in what is already the nation's longest war.

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**Michael O'Hanlon** is a senior fellow and director of research in the foreign policy program at the Brookings Institution. He is also a visiting lecturer at Princeton University, adjunct professor at Johns Hopkins University, and a member of the International Institute for Strategic Studies and the Council on Foreign Relations. Dr. O'Hanlon was a member of the Secretary of State's International Security Advisory Board in 2009 and was an informal advisor to General David Petraeus during his 2008-2009 CENTCOM review of Mideast security strategy. He was an analyst at the Congressional Budget Office from 1989-1994. He also worked previously at the Institute for Defense Analyses. He served as a Peace Corps volunteer in Congo/Kinshasa (the former Zaire) from 1982-1984, where he taught college and high school physics. His latest books are *Toughing It Out in Afghanistan* (2010), *The Science of War* (2009), as well as *Budgeting for Hard Power* (2009). Dr. O'Hanlon received bachelors and masters degrees, in the physical sciences, as well as a Ph.D. in public and international affairs from Princeton.

<sup>1</sup> Hastings, Michael, "The Runaway General," *Rolling Stone*, June 22, 2010.

<sup>2</sup> Michael O'Hanlon is coauthor with Hassina Sherjan of *Toughing It Out in Afghanistan*, Washington DC: Brookings Institution Press, 2010; and coauthor with Ian Livingston and Heather Messera of the Afghanistan Index at [www.brookings.edu/afghanistanindex](http://www.brookings.edu/afghanistanindex). Some elements of this essay draw upon material to be published in August in *Foreign Affairs* magazine.

<sup>3</sup> Tom Donnelly and Tim Sullivan, "McChrystal Lite," *The Weekly Standard*, November 9, 2009, pp. 16-17.

<sup>4</sup> For up-to-date data, see [www.ntm-a.com](http://www.ntm-a.com).

<sup>5</sup> See for example, Prime Minister Gordon Brown, "Speech on Afghanistan," International Institute for Strategic Studies, London, September 4, 2009, available at [www.number-10.gov.uk](http://www.number-10.gov.uk) [accessed October 1, 2009].

<sup>6</sup> See for example, Carl Forsberg, *Politics and Power in Kandahar*. Washington, D.C.: Institute for the Study of War, April 2010.

- <sup>7</sup> Ambassador Karl Eikenberry and General Stanley McChrystal, United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan (Kabul, Afghanistan: U.S. Embassy, August 2009), p. 1, available at [http://www.politico.com/static/PPM130\\_civ-mil\\_plan\\_afghanistan\\_090907.html](http://www.politico.com/static/PPM130_civ-mil_plan_afghanistan_090907.html) [accessed January 2, 2010].
- <sup>8</sup> Jonathan Alter, *The Promise: President Obama, Year One*. New York: Simon & Schuster, 2010.
- <sup>9</sup> General Stanley McChrystal, "COMISAF Initial Assessment," unclassified version, *Washington Post*, September 21, 2009, available at [www.washingtonpost.com/wp-dyn/content/article/2009/09/21/AR2009092100110\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/09/21/AR2009092100110_pf.html) [accessed October 1, 2009].
- <sup>10</sup>To be precise, the current goal of 305,000 Afghan security personnel is to be met in October 2011. See NATO Training Mission-Afghanistan, "Command Update, May 8, 2010," Briefing presented to Michael O'Hanlon in Kabul, Afghanistan. Materials available at [www.NTM-A.com](http://www.NTM-A.com).

*“The medium-term goal is not to establish a Norway or South Africa: but rather to establish those sovereign functions essential to the maintenance of peace and security, and for the citizens to live lives with at least a minimum degree of dignity and adherence to universal standards.”*

— CLARE LOCKHART

# Afghanistan:

## Framing the Context and Options for the Way Forward

**Clare Lockhart**

Director  
Institute for State Effectiveness

### Introduction

The way forward in Afghanistan, close to nine years after the intervention of 2001, is once again subject to a series of questions as decision makers confront the risks and opportunities inherent in the situation. The risks are clear, with Afghanistan subject to an unstable region, a mangled election leaving much discord between the political elite and international community, a seemingly tenacious insurgency, and uncertainty regarding the depth and longevity of international commitment to security in Afghanistan and its region.

Yet opportunities also are clear: President Obama made a principled decision to a resolute commitment to security in the region; recent meetings between the Afghan government and international actors, including the July 2010 Kabul conference and the

*“Stability will rest on the population’s trust in their leadership, institutions, and the political process...”*

Lisbon NATO summit have set the foundations for renewing a national vision for an Afghan-owned political process; donors have agreed to change their behaviors and channel money to an accountable system of national programming; and new United Nations and NATO leadership provide the international community with a credible basis for transition.

Stability will rest on the population’s trust in their leadership, institutions, and the political process, and on the ability of Afghanistan to establish responsible, sovereign governance of a kind that is appropriate to Afghanistan. Currently, disorder, confusion, and lack of certainty prevail regarding a future path in many areas. Only the provision of clarity over the medium to long term can allow order to replace disorder and confidence to replace uncertainty. For there to be a sustainable

exit or transition for the international presence that does not result in collapse, appropriate institutional arrangements need to be left in place. There is now a clear imperative to articulate a framework for the country and its region to allow a pathway towards Afghan self-governance according to a set of accountabilities and restore confidence in the long-term viability of their institutions.

## **I. Revisiting the Context: Afghanistan since 2001**

The events of the last decade are well known, but a brief overview can reveal both opportunities missed and mistakes made that have import for the future. The site of a series of conflicts lasting since 1979, Afghanistan's territory was hijacked for purposes of destruction. Since the intervention of 2001, efforts to establish peace and stability have met considerable obstacles. Many of these obstacles have resulted from a failure to understand the context and to define the key problem, at various points in time.

### ***The military and civilian effort from 2001 to date***

The military intervention in Afghanistan since 2001 has been fairly thoroughly documented. An air invasion in 2001 succeeded in displacing the Taliban within three weeks, allowing for the installation of an interim administration by December 22, 2001. The International Security Assistance Force (ISAF) was established at the request of the Afghan representatives at the Bonn Conference of 2001, and endorsed by a UN mandate, intended to maintain order in Kabul and protect the political settlement. After resisting calls for its expansion to provincial areas and cities, the Provincial Reconstruction Team (PRT) concept was developed allowing for PRT deployment across the country. This expansion occurred just as NATO assumed control first of ISAF in Kabul, then of PRTs around the country. NATO assumption of control – on what was expected by troop contributors to be a reconstruction and peacekeeping mission – coincided with the return and growth of the insurgency, and so what was expected to be a peacekeeping force was put first in a defensive and then offensive position. This put many troop contributors in the position of engaging in combat when they had only intended to commit to reconstruction and peacekeeping activities. Finally, in 2008, NATO leadership merged the war fighting component of coalition forces with the main body of ISAF, thereby merging a counterterrorist and counterinsurgency mission with a train and equip mission of Afghan forces, along with a reconstruction, stabilization, or peacekeeping mission.

By contrast, the story of the civilian efforts has not been well documented or told. In essence, there were three parallel tracks of effort after 2001:

First, the Bonn Agreement provided for a *political framework* for the establishment of sovereign institutions. The Bonn process provided for a cumulative process of establishing legitimacy, starting with the Bonn meeting itself in November 2001, at which the participants agreed to form an interim administration, sworn in on December 22, 2001. A commission prepared an Emergency Loya Jirga that met in June 2002, gathering elected district representatives who agreed on a transitional administration that lasted until the end of 2004. A Constitutional Commission drafted a constitution, which was ratified by a Constitutional Loya Jirga that met at the end of 2003. Elections, first for the presidency in late 2004, and then the parliament in 2005, saw most of the Bonn institutions established. At each phase, the intention of Bonn was to enfranchise ever-widening constituencies into the fold. In reality, as time proceeded, there were also pressures to include “warlords” who continued to receive large stipends to maintain and grow militias that created increasing fissures in the evolving institutions. By and large, the Bonn process gained and maintained the trust of the majority of Afghan citizens in a process of restoring order, until somewhere between 2005 and 2007, when the insurgency returned.

The political framework was complemented by a *framework for institution building and economic development* which was only partially funded, with devastating consequences. While many commentators have remarked on individual successes – the health program, the Afghan National Solidarity Program, the design of the Afghan National Army, the currency changeover, the telecoms licensing, the microfinance program – there has been little explanation of the fact that each of these “successful” initiatives were nested within an integrated system for institution building, without which they could not have been implemented. While the Bonn Agreement itself provided for some of these institutions<sup>1</sup>, it was President Karzai’s speech in Tokyo in January 2002, and the National Development Framework launched at the first international meeting held in Kabul in April 2002 – the Afghanistan Development Forum – which launched a series of programs, rooted in a system of design, training, and financial management. The programs were carefully sequenced to build trust with the population, with programs built in to the government’s political interactions with the population sequenced to bring benefits. The system included the Afghanistan Reconstruction Trust Fund (ARTF), which contained a system of tailored financial standards to make coordination a reality by unifying the funding flow; and a set of design, procurement, accounting,

auditing and monitoring functions embedded within a reconstruction agency – the Afghanistan Aid Coordination Authority (AACCA). Inherent within this system was a framework that analyzed and modeled the functions of the state and the level at which they were performed (whether village, district, municipality, province or center) within existing Afghan legal frameworks.

The national programs and national initiatives are documented in a series of key publications – including the Six National Priority Sub-Programs and Progress Against Promises.<sup>2</sup> They included: the establishment of the Afghan National Army (February 2002); the establishment of the AACCA, including the ARTF (February 2002); the exchange of the currency (March to June 2002); the launch of the Afghan National Solidarity Program (summer 2002); the launch of the National Emergency Employment Program (summer 2002); the launch of the Microfinance Investment and Support Facility for Afghanistan (fall 2002); the launch of the Back to School campaign (2002); the provision of mobile telephony (early 2003); the launch of the ringroad/silk route concept (2002); the Afghanistan-Pakistan trade collaboration and the Good Neighborly Declaration (2003); the launch of the Afghanistan Financial Management Program (2003); and the launch of the National Health Program (2003). So, for example, National Solidarity is a standalone program that establishes Community Development Councils (CDCs) and provides governance and development support and financing to them, but it rests on the existence of an infrastructure of financial management, and the CDCs mesh with other programs including roads, sanitation, health and education to draw on their services. There were a complementary set of programs including a district governance program and a program to oversee the transparent management of key assets of the state, that went unfunded or blocked.

Third, aid agencies mobilized hundreds of organizations and thousands of projects, in parallel to the existing national public service agencies, through a UN agency led *humanitarian appeal*. Some of these projects were required – for example, UNHCR’s project to negotiate and manage the flow of refugees, and the vaccination campaigns – but many others were not only superfluous, but unsustainable, and had the devastating consequence of leaching capability out of the existing public service agencies.

It is clear that this period of 2001 to 2006 contained both forces of momentum toward creation of institutions and building of trust, as well as forces toward unraveling institutions, which eventually resulted in the loss of trust. Historians

will no doubt debate the underlying factors that drove both centripetal and positive forces and centrifugal and negative forces in decades to come. From an insiders' perspective, present at many of the key meetings within the Afghan government and within the international community, the following factors seem to have been relevant/decisive in each case:

### ***Creation of positive momentum***

#### *Expression of a national vision and consensus:*

Through a series of media, a national vision was projected that the ordinary citizen could buy into that worked across boundaries of ethnicity, sect, age, and gender. The Bonn Agreement and key speeches by the president, ministers, the UN representatives and the region saw this vision expressed. Participatory meetings, from the Loya Jirga, to stakeholder consultations, the commissions that travelled widely across the country, and the village meetings replicated across 23,000 villages, provided opportunities for building consensus. Crosscutting ties were created through a variety of means. The expression of this consensus reflected the fundamental orientation of the population toward, and their desire for, law, order, justice, as well as the creation of opportunity, and self-sufficiency.

#### *Creation and maintenance of a regional and global consensus:*

After 2001, the international partnership was expressed, built, and maintained as a global partnership, rooted in a UN mandate, and maintained through a series of fora including the Consultative Group Mechanism supported by the World Bank, which brought in as equal partners the Asian Development Bank, the Islamic Development Bank, and regional and neighboring powers with due weight, and constructive roles through which they could contribute.

#### *Design:*

Behind all the successful national programs was a careful approach to design, an emphasis on proper metrics which read the context, recognized, and sought to build upon Afghan latent and extant capacity; that understood and sought to scale initiatives on an even-handed basis across the territory (for example the designers

of National Solidarity Program rejected the idea of piloting the program, in favor of launching it across the country immediately); and harnessed or knitted together capabilities and stakeholders from diverse groups.

*Leadership:*

When initiatives worked, and when the citizenry by and large decided to trust in the process, leadership and management capabilities were evident. Primarily this came from Afghan leaders themselves, who built teams and mechanisms for overcoming distrust and cohere around a national agenda. At the level of the ministries, those ministries that worked were the ones that had both good leadership and a good national program design, and here it is often hard to unravel which came first.

*Focus on an economic agenda:*

Energies of the population within Afghanistan, and the dialogue between Afghanistan and its neighbors, were carefully linked to an economic agenda to complement the focus on building security and political cooperation. An economic agenda had the potential to transform the lives of citizens internally, providing jobs, livelihoods and dignity; to provide revenue to diminish the dependence of the Afghan state on foreign income; and, by growing the size of the regional economic pie, increase the incentives for regional cooperation. Stakeholders in a legitimate economy would be more likely to defend stability and the rule of law.

*The creation of a system for financial accountability and national programming:*

The national programs that worked were all underpinned by an integrated system which guaranteed standards of financial accountability and tracking of funds to their end use, the quality of design of national (countrywide) programs, and alignment of different actors to ensure unity of effort, as the funding was pooled to this system.

### ***The origins of deterioration***

#### *Political fragmentation:*

For a period of time, the Afghan political elite more or less cohered around a unified agenda, and the Afghan leadership and people remained more or less in synchrony with the UN leadership and other international partners. After 2005, this elite increasingly fragmented into factions, resulting in a highly contested 2009 presidential election that created significant risks among leaders who had in the past collaborated as part of a team committed to national unity. The “glue” that had bound the internal consensus in Afghanistan, and that of the Afghan leadership with key constituencies within the international community, became unbound as agendas were set and mechanisms created that were inappropriate to the context. The result was a series of misalignments, and a lack of synchronization or unity of effort.

#### *Lack of attention to and sidelining of Afghan civilian institutions:*

An under-appreciated fact is that the public service in Afghanistan had endured, at the point of time of 2001, over two decades of conflict, and a cadre of 240,000 or so civil servants were still in place. (As professional civil servants, they had served many regimes, and many had remained in place to keep essential services running, while the Taliban had in the last years just occupied the top political positions but had largely not interfered with the technical and civil positions). Sadly, the UN appeal drastically skewed funding away from the civil service – the new administration was given a budget of \$20 million in 2002 to provide for the wages and operational costs of 240,000 civil servants and run the country’s key services; while the UN agencies requested \$1.8 billion and then another \$900 million for themselves.<sup>3</sup> The net result of this was to leach out many if not most competent professionals, as the national treasury could not meet their wages of \$50 per month, while UN agencies and NGOs would offer, through donor financing, salaries of up to \$3,000 per month for support positions as a driver, translator, or assistant. While the lack of funding to the national treasury has now been addressed, several years later, the wage disparity between the “two civil services” still exists at a wide berth. While it exists, it makes institution building practically impossible.

*Marginalizing the Afghan people:*

The Afghan people – the older generation who had stayed with the country in public service, had served in the struggle in the 1980s, or who tried to make a living in agriculture; the younger generation returning from exile or growing up under war, and the returning diaspora – were eager to contribute after 2001. This provided an open window, but they quickly became frustrated at their lack of opportunity to contribute. To compound the error of failing to support the national budget and therefore wages for the public service, a second error was made: in 2002, when the Afghan government and key international partners were preparing the first national budget, the United Nations and World Bank Needs Assessment Team prevented the government from including any financing for secondary, tertiary, or vocational education for the Afghan population in the plans, whether financed by domestic revenue or donor contributions. The apparent rationale was to accede to the dictates of the UN Millennium Development Goals, which had as one of their goals, the attainment of universal primary education, and the officials stated that until all children were educated up to the age of eleven and thus this goal was met, no children should be educated over this age. It might make sense for a highly developed country to focus on this important gap, but for a country emerging from conflict, and with a lost generation of those denied education, this was a bizarre decision. It has had the unfortunate consequence that as the professional civil service was leached away and reached retirement age, there has been no systematic effort to train the next generation to replace them.

*An imbalance between the legitimate versus illegitimate economy:*

While few resources were devoted to job creation and laying the basis of a legitimate economy, the illegitimate economy was allowed to fester for several years before attention was paid to the corrosive effects of the narcotics industry and other illegitimate activities--ranging from smuggling to diversion of customs revenue and extraction of rent from the population. At the extreme, “warlord” or militia leaders were paid to grow their militias, and a blind eye turned to their illicit activities. When members of the Special Independent Commission for the Loya Jirga travelled across the country to prepare the Emergency Loya Jirga in 2002, they reported how the so-called “warlords” stated that they just wished to be left in peace and not prosecuted for war crimes, and indicated that they would not seek to challenge the new order.

*“Westernization” of the effort:*

While the effort from 2001 to 2006 was framed as a global consensus for Afghan peace and stability rooted in a UN mandate and a facilitation role for the United Nations Assistance Mission in Afghanistan (UNAMA), the effort after 2007 was increasingly framed as a “Western” effort, particularly as the deterioration in security meant NATO came to the fore, and a new style of UN leadership clustered Western diplomats rather than focusing on maintaining a global consensus. This created a false, and perhaps avoidable, sense that the effort in Afghanistan was a predominantly U.S. and European effort, rather than an effort to which both East and West, Muslim and non-Muslim countries, were committed.

*Fragmentation of aid allocations:*

As donors moved away from the Consultative Group process and the creation of new national programs, increasingly aid money was fragmented into direct channels to contractors, NGOs, and UN agencies, which interacted directly with entities, thereby undermining the rule of law and public finance system of the Afghan system, and providing incentives for officials to act outside the legal system.

*Broken trust:*

In the Loya Jirga of 2004, district representatives from all districts of the country, including dozens of notable tribal and other political leaders, all stood up in turn to voice their aspirations for their districts and the nation. At this point, the country was with the process. Some two years later, much distrust had erupted, particularly in zones in the south. When I travelled in Afghanistan in 2006, village representatives I met with from across the country, and particularly the south, talked about a breach of trust – that the promises of the Bonn Agreement to establish a legitimate order, so that they would be free from harassment, intimidation, and violence, had been broken by perceived abuse of power by local warlords, their government, and failure of international forces to articulate or adhere to understandable rules of engagement, and failure to protect them. This distrust, and the widely recognized failure to establish noncorrupt governance at the local level, set the conditions for the return of the insurgency.

All these factors leave legacy issues. Some are now being systematically addressed, others leave lacunae which are still unaddressed.

## II. Beyond 2011: Security, diplomatic, and developmental initiatives going forward:

For internal order and security to be established and maintained over the long term, the critical factor is the confidence of the population in the process and in their future, together with the ability of the institutions of the country to meet the standards of sovereignty. What would be needed to create trust within the population and sovereign capability? This requires a number of other functions, beyond the growth of security forces, to be established. Moreover, it requires confidence of the population in a framework beyond next July: in order to persuade citizens not to “short” but rather to play “long”, a visibility on the medium to long term is required.

The security mission is now clearly defined as training the Afghan Security Forces and partnering with those forces to protect the population and conduct a counterinsurgency campaign. Each of these components carries its own challenges, discussion of which is beyond the scope of this chapter. In the medium to longer term, a security assistance mission could have the following components, should a level of peace and security be in place such that the insurgency ceases to be a threat: a train and equip mission under bilateral, NATO, or UN auspices, to support the continued establishment of Afghanistan’s security forces; potentially a bilateral security guarantee of some kind; and potentially some presence of peacekeeping or monitoring forces under UN auspices, especially to monitor the implementation of any political agreement.

The levers for establishing functionality in sectors other than security need not require a multibillion dollar aid effort – rather, significantly fewer resources could be spent if the design of initiatives and processes were appropriately configured. Two examples help illustrate how good design can lower costs: the village block grant scheme, the National Solidarity Program (NSP), delivers block grants directly to villages, that establish Community Development Councils (or CDC) to manage their projects. Under this program, the village can build their own school or clinic for a cost of approximately \$20,000 rather than the \$200,000 a contractor might charge before subcontracting multiple times. The telecoms licensing demonstrates how the use of a risk guarantee can dramatically reduce public sector grant requirements – while the aid agencies had recommended that the donors and Afghan government pay \$100 million to a telephone company to provide mobile telephony service, instead a risk guarantee provided by the U.S.-based Overseas Private Investment Corporation of \$20 million (which was never called upon) created the basis for more

than \$1 billion in investment, license fees and taxation by private companies. Large infrastructure costs can be underwritten in large part by private sector investment through making available financing instruments such as bonds, risk guarantees, and insurance. Indeed, too much money available without appropriate processes, investment in skills capacity, and accountabilities, can have a negative impact. Without the appropriate design, funding can be counterproductive. Moreover, Afghanistan has the potential to be self-sufficient, arguing for the prioritization of those investments that will see a growth in the economy and revenue.

Of far greater impact than provision of direct financial resources, will be the design of mechanisms and processes for political, diplomatic, and economic engagement. Some might say that such processes are contingent on the cessation of war and conflict, but these initiatives are appropriate for either scenario: they are desirable should conflict cease in order to underwrite a long term peace and security construct, and they are the type of initiative that is required to provide the framework for establishment of order and trust in the system in order to end the conflict.

A diplomatic and developmental approach to underwrite Afghanistan's medium to long-term security and stability could have the following components:

### ***1. A regional political process***

In 2002, a framework of regional cooperation created the possibility of peace. The 6+2 dialogue, followed by a Good Neighborly Declaration, brought Afghanistan's near and far neighbors to a commitment to respect and endorse Afghanistan's sovereignty and territorial integrity. Afghanistan, in return, would undertake to maintain impartiality, neutrality, and noninterference and nonsubversion vis-à-vis its neighbors.

Going forward, a regional security construct could include a renewed diplomatic initiative that would start with a regional dialogue that would seek to listen to and understand the legitimate concerns of each of the near and far neighbors, and build a set of consultation, coordination, and trust-building mechanisms to address these. This initiative has already started with the Silk Road Dialogue launched in Spring 2010 by Staffan di Mistura, the United Nation's top diplomat in Afghanistan. In time, this dialogue could be manifested in more formal mechanisms, which could include a regional standing conference table whereby country representatives from government, business and civil society could regularly meet to share ideas

and concerns; a UN Security Council resolution formalizing agreements whereby Afghanistan's neighbors would agree to recognize its sovereignty and territorial integrity, and Afghanistan in turn would agree not to permit its territory to be used by state or nonstate actors to threaten the security of its neighbors, or any country; and accept a series of mechanisms to increase or guarantee its sovereign responsibilities, including over minerals governance, maintenance of order, and recognition of its responsibilities as set out in its constitution. A UN Monitoring Group could be established that would report to the Security Council in instances of violation or other threat to the agreement. The members of the group would include Afghanistan's near neighbors – Tajikistan, Turkmenistan, Iran, Uzbekistan, China and Pakistan – and could also perhaps include, as observers, its far neighbors with active interests in Afghanistan's stability – India, Saudi Arabia and Russia, and the United States, the European Union, and Japan could be invited to participate as observers. Advantage could be taken of the forthcoming UN General Assembly meetings to advance such a concept under United Nations stewardship.

## ***2. A regional economic initiative***

As stated by President Karzai and his colleagues at the Kabul Conference of 2010, Afghanistan has the potential not only to make itself wealthy, but bring immense wealth to its neighbors by serving as the roundabout, land bridge, or hub of the region. Just as cooperation over coal and steel provided the basis for peace and security through economic integration in Europe after World War II, trade and transportation offer the basis for cooperation along the “Eurasia corridor” or a new silk route. As Afghanistan's rail and road linkages are completed, it becomes the corridor for the flow of trade, energy and water between Asia, Central Asia, the Gulf, and Europe, connecting countries and regions that are currently blocked.

Realizing this economic potential requires a systematic effort to analyze and prioritize potential for economic “win-win” initiatives and proceeding with those that are feasible, and would have pay-off in terms of growth and cooperation. Specific cooperation agreements and projects could be organized along the following areas: energy (power) transmission, pipelines, trade, transportation, water, and cultural cooperation. Much of this work is already underway; this construct was the key basis for economic planning, post 2001, under the leadership of the Asian Development Bank, World Bank and Islamic Development Bank. Significant analysis has been completed and many projects are under way with some –

including the ringroad, the “spoke” roads that connect the ringroad to neighboring countries, rail links and electricity commission lines – nearing completion. Existing UN bodies such as Central Asia Regional Economic Cooperation (CAREC), South Asian Association for Regional Cooperation (SAARC), and Shanghai Cooperation Organisation (SCO) could be engaged directly, and another dedicated initiative established, perhaps as an adjunct to the Silk Road Dialogue detailed above. While Afghanistan’s neighbors would be direct beneficiaries in terms of significant trade and investment benefits and growth within their territories, other regional entities would benefit from – and therefore have a stake in – the peace and rising prosperity in the region.

The economics of this proposition presents a clear upside. In the short term (five to ten years), the presence of significant mineral deposits presents the opportunity that investment could be attracted – backed by risk guarantees – taking responsibility for constructing segments of transportation corridors as part of the composition of the deal. If well coordinated, this will finance the transportation corridors that can then provide the routes for the trade. The income Afghanistan would receive from customs receipts would far outweigh the potential income from minerals alone. The mineral deposits and other opportunities for investment also present the opportunity to reach an economic agreement with Afghanistan’s neighbors and the regional powers, where balancing economic interests of the great powers could become an explicit policy.

### ***3. An internal consensus-building process***

Efforts to end the existing conflict and bring peace and stability to the country are already underway. The recently adopted Peace and Reconciliation Framework sets out a foundation for attracting individuals and groups who have resorted to violence back within the framework of law and order, and foreshadows the possibility of “reconciliation” with some higher level insurgent leaders. For such a framework to hold, two complementary political initiatives are required:

First, a national consensus-building initiative is required to establish a positive, common vision of what Afghanistan is to be in the short, medium, and long term. The political construct has not yet clearly been defined, but could perhaps be posited as an inclusive political system, which is sufficiently inclusive such that groups agree to renounce violence in order to participate in the system. Much official pronouncement and documentation has talked of the need to support the

Government of the Islamic Republic of Afghanistan (GIROA), without clearly specifying the standards of accountability and sovereign responsibility to which such an entity must adhere. Defining the attributes of the system in terms of the standards of sovereignty and accountability has the advantage of presenting a clear platform and negotiation with all the Afghan stakeholder groups. The concept of responsible sovereignty could help to change an increasingly shrill debate about control to a more measured and pragmatic exploration of assumption of responsibility.

Establishing a vision for Afghanistan's future is a task that could be facilitated by UNAMA under the leadership of the SRSG Staffan di Mistura. The exact elements of this vision should emerge from deliberations and discussions. Such a vision could include adherence to the 2004 Constitution; to the consistency of the state with Islamic laws and values; to adherence to universal principles of rule of law and human rights; to the sovereign rights and responsibilities of the Afghan nation; and to the principles of inclusion of all groups in a balanced way within the political and professional institutions; to the principle of even-handedness of resource distribution across the countryside; and perhaps to goals of economic and revenue self-sufficiency through an agreement for the handling of mineral income and other revenue, with requisite accountability mechanisms that would see the vast potential income allocated through an accountable mechanism such as a trust fund to invest in the population and future generations.

Such a vision is consistent with that established by the government of Afghanistan at the Kabul Conference. To secure the buy-in of the broader national stakeholders, including many stakeholder groups, that currently feel marginalized, excluded or bitter, it could be further developed and articulated by key Afghan figures through informal mechanisms or formal mechanisms such as a commission, with facilitation by the UN representative and/or civil society groups or Track-2 mechanisms. It could provide an opportunity for key thought leaders and political leaders to build a unity of vision and effort among themselves and heal some of the rifts that have developed over the last years. It could take place cumulatively, or within a defined space and context such as a facilitated agreement.

Such a framework would appear to be consistent with the will of the Afghan citizens as already expressed through multiple means: the series of Loya Jirga and other jirga; the National Convention of Communities which assembled

representatives from the Community Development Councils (CDCs) across the country; the issues debated during the presidential election; and series of polling data. Such a vision could therefore have the potential to resonate with the rural and urban populations to provide a view of a future Afghanistan in which they can be stakeholders.

The current political system as established by the Constitution of Afghanistan has the capacity to be fairly inclusive and balance a degree of unity with the capability for radical decentralization – including devolution of budget authority and self-governance to the village, district and municipal level, and election of officials at all levels. (Many of the deficiencies commonly imputed to the Constitution are not actually contained therein). It would require an agenda to be articulated including a clear timetable of devolution of authority to different administrative levels, including elections and budgetary authority.

A second complementary initiative to the current Peace and Reconciliation Framework would be a dialogue aimed at listening to, identifying, and addressing grievances. Without such an understanding and mitigation of the source of grievances, any political negotiation is not likely to hold. To the extent that the insurgency is predominantly a Pashtun insurgency, a focus on understanding and addressing the grievances of the Pashtun community in particular, both jointly and severally in different groups and geographic locations, would be logical. However, addressing the grievances of citizens in general and other excluded groups would be advisable, whether ethnic minorities and others subject to unlawful intimidation and expropriations. A mechanism for this could be assigned; for example a joint UN commission or established civil society body such as the Afghan Human Rights Commission, with a legal mandate from the Afghan government, could be tasked to consult and produce a report on such grievances and move ahead to facilitate mechanisms to address them.

#### ***4. An internal institution-building initiative***

Institution building in Afghanistan – or any country – is not just about the creation of the state, but the institutions of state, market and civil society in an appropriate balance with each other. Below is a short summary of the components of such a civilian plan for building Afghan institutions.<sup>4</sup>

*(i) Restoration of Sovereignty, or State Effectiveness*

A construct of restoring sovereignty to Afghanistan is a useful one, as it underscores the legitimate aspirations of Afghans to independence and self-governance, while providing a legal construct that couples rights with responsibilities for responsible exercise of power.

The medium-term goal is not to establish a Norway or South Africa: but rather to establish those sovereign functions essential to the maintenance of peace and security, and for the citizens to live lives with at least a minimum degree of dignity and adherence to universal standards. This requires agreeing upon and establishing a framework that prioritizes essential functions. In sum, the functions of the state need to be agreed upon, and a map that allocates those functions to decision rights at different levels of governance need to be agreed upon. For example, which functions should be performed by municipalities, which by provinces, which by districts, and which by villages?

A notional framework would include: (a) provision of law and order through a national army, police force, justice system, and intelligence services that are accountable to civilian authority; (b) provision of a package of basic services at subnational (village and district) level to include water (for sanitation, drinking and irrigation), power, education, health, and roads. These can be implemented primarily through grants and loans to the Community Development Councils through the Afghan National Solidarity Program and (c) construction of national infrastructure services including road networks, dams for irrigation and power, urban zoning, and construction including laying the basis for housing, that would also provide the basis for agriculture and power at scale. Most of these initiatives are already underway, and are now being brought within a system of “national” or “bankable” programs. Once systematized, these services can be bundled into a clear package to herald what each province, district, and village would receive, perhaps on a ceasefire basis. Many of them can be conducted on a labor-intensive basis to catalyze the growth of a domestic construction industry, creating both jobs and incentives for rule of law and stability.

Institution building is not an abstract exercise: it is fundamentally about people. All too often, approaches assume that inputs of money and foreign advisers, and through contracting “institution building” to large companies and NGOs will lead to an institution. While contractors do have a role, a more critical component requires investment in Afghan people, at two levels: first, creative ways to support, rather

than inadvertently hinder the coherence of Afghan leadership and management at all levels; it is unity of effort among key Afghan stakeholders and the political elite that is as important as unity of effort among international partners. This is not an easy task. However, some mechanisms are clear: using the good offices of the United Nations and other diplomatic efforts can help to facilitate trust and common purpose. Allocating funds for Afghanistan's national budget helps to make the budget process a key site of policy making -- creating incentives for groups to come together to negotiate. The construction of clear monitoring and partnership mechanisms that encourage cooperation can help, including oversight and coordination mechanisms such as International Monetary Fund and World Bank conditionality, a mechanism to bring external actors to one table through a consultative process such as the World Bank-facilitated Consultative Group.

Second, only investment in Afghan skills and capabilities will create the technical basis of a public service, entrepreneurial class and engaged citizenry that will make a stable Afghanistan a possibility. Given the neglect of investing in the lost generation during the 1980s, 1990s, and 2000s, there is a near-term imperative to engage with the youth through vocational training, and to invest in the next generation with a clear, comprehensive, education plan spanning primary school to career. A next step could be a workforce plan or skills audit that assesses the existing capabilities in the nation; the capabilities required to operate a public service of the kind envisaged for Afghanistan; and produce a roadmap for skills education. Some leaders of major foundations have expressed an interest in forming an endowment for Afghan higher education and vocational training, so it could be that this expenditure could be financed in the short term by private donations, until the domestic revenue of Afghanistan can meet the costs.

The Afghanistan of 2010 is not the Afghanistan of 2001. At that time, hidden from view of most of the aid agencies confined to Islamabad, there was a functional civil service in place. Now the reality is one of deeply entrenched networks of corruption. Therefore establishing viable governance will also require addressing the networks and cartels of the criminal economy that currently permeate the economy and polity.

*(ii) The Economy: Investment in jobs and skills*

When I travelled through villages across the country, teenagers would approach me asking where they might find a job or skills training. The collective effort has

done a poor job at providing either. And yet Afghanistan is a country that can have a viable economy, sufficient to provide a large job market, and revenue to finance its own expenditures. There is no reason – other than poor planning – why Afghanistan should be dependent on foreign aid donations in the medium to long term. A comprehensive and province-by-province effort to focus on economic growth and job creation is a high priority. This should focus on agriculture, but also create a robust framework for minerals licensing and investment, with the financial instruments including risk guarantees, growth of the construction industry, and service industries. Implementation arrangements for such a plan could include a dedicated taskforce or team that focuses on economic growth and investment.

*(iii) Citizenship and civil society*

As General McChrystal's assessment and General Petraeus' COIN manual clearly recognize, the population is the center of gravity in a counterinsurgency campaign. Under notions of modern governance, the citizenry are also the principals of sovereignty, with the government and its public servants as its agents. Putting citizens at the center of notions of governance, and thinking imaginatively about the inclusion of excluded citizen individuals or groups will be essential to building peace and trust over the longer term. In particular, a focus on the 60 percent of the population who are under twenty-five is both an imperative and an opportunity.

An agenda of institution building across these domains can be Afghan led – if upfront investment of resources is made, as promised by President Obama and his representatives at the Kabul Conference -- through the Afghan budget and programs with the right accountability mechanisms. This is not nation building in the sense of an externally driven and led agenda, but it could be characterized as Afghan-owned nation building, or institution building. Viable institutions trusted by the population are both essential for governance in any territory in the world under the current system of nation-states, and are required as part of a counterinsurgency campaign. Therefore this does not mean that the U.S. and its international partners should undertake a broad reaching nation building, rather far from it. But they can contribute to the enabling conditions if they invest in the levers that do produce order and stability – including national programs and the World Bank's Afghanistan Reconstruction Trust Fund - and cease investment in those mechanisms that inhibit system building.

Such an approach posits a view of what is left behind after transition or exit. It will require a clearly sequenced roadmap with contingent handover points and clear metrics. It will also require a clear recognition of how governance works as an integrated and connected system, with checks and balances across the legislature, executive, and judiciary. It will also fundamentally require a framing and practice rooted in fairness, even-handedness, and justice.

Mechanisms to facilitate and guarantee such an approach can be crafted; with a lead role for the good offices of the UN Secretariat and UN Assistance Mission in Afghanistan in particular, and if they make the commitment of talented staff and prioritization, a role for the international financial institutions in supervising the financial management and economic dimensions. Key is the quality of leadership on the ground. Configuring an international partnership with sufficient regional and global engagement but without fragmentation and crowding of coordination mechanisms is always a challenge: but a range of precedents exist including the Afghanistan Reconstruction Support Group that put Japan, the United States, the European Union, and Saudi Arabia in a lead committee.

At heart, the international presence has a choice as to how to balance military means – or the ability to intimidate and work through security institutions – with their potential to inspire and work with Afghan civilian constituencies and institutions. While security organizations – and the monopoly on the legitimate use of force – are an essential part of establishing stability and order, it is the ability to win and inspire trust through using constructs of law, justice, and order that can be the complementary, and perhaps the indispensable means, of establishing law and order.

### III. The Current Effort and Next Steps

Some much needed clarity was provided by President Obama's articulation of a strategy; the Kabul conference as the beginning of the Kabul Process; the agreement between the U.S. administration and the Afghan administration on the principle of moving toward a long-term strategic partnership to be articulated in principle by the end of the year; and the key markers that have been agreed upon between President Karzai and his government and the international community toward transition to full Afghan ownership of security by 2014.

However, there remain a number of opportunities, and lacuna that could be addressed, in terms of further articulating and progressing with a regional political process; a regional economic initiative; an internal consensus-building process; and a systematic attempt to build Afghan institutions and economic self-sufficiency against clear metrics of accountability. Particular opportunities lie in commencing a series initiative along the lines of these first two dimensions, and filling in the gaps in the second two which most notably lie in the failure to have invested in education and skills training for the Afghan population.

*“Rather, effort should be focused on organizational design, mechanisms, and metrics that ensure empowerment of Afghan institutions.”*

Proceeding with any of these tracks is going to require a committed and relentless focus on implementation. For too long, effort has focused on inputs of money or people, or starting strategic documents and frameworks that are then not followed up with the requisite systematic focus on implementation. Rather, effort should be focused on organizational design, mechanisms, and metrics that ensure empowerment of Afghan institutions. Different organizational design options exist, but might reasonably include the creation of a unified reconstruction agency or commission that brings together key stakeholders and actors engaged in the civilian effort, under clear Afghan lead. It is this type of effort that will enable the synchronization of actors whose efforts might otherwise pull in different directions.

## Postscript

There are a number of myths that prevail to varying degrees among media commentary. They are described here in an effort to bring to light different assumptions that are commonly made:

### *(i) War or peace building, stabilization, reconstruction and economic development?*

While the international media is quick to refer to the situation in Afghanistan as a nine-year conflict, this obscures the nature of the conflict. At one extreme, and for many, especially Afghan citizens, Afghanistan has been a site of conflict for thirty years: conflicts that have included a Soviet invasion; creation and mobilization of insurgent forces against the USSR-supported government; internal conflict between insurgent groups as they failed to agree on and manage a government;

between insurgent groups and the Taliban; a coalition invasion; and finally the growth of an insurgency. In terms of the U.S./allied intervention, at the other end of the spectrum, the “war” has been much more limited: there was a three week war in November 2001, that saw the Taliban vanquished, followed by a six year underresourced “civilian” effort at reconstruction, humanitarian support and state building, followed by the growth of an insurgency, and finally the preparation of a counterinsurgency campaign that has been managed sporadically since 2006, but was fully resourced in President Obama’s speech of December 2009, and resourced by Congress in July 2010.

*(ii) Catastrophic lack of attention to and support for the Afghan civilian effort*

There is a general consensus that stability in Afghanistan rests on non-military components as much as or more than military factors, but very little clarity or agreement as to what those components are. In 2002, efforts to establish peace and stability were stymied in large part by failure to resource a civilian plan to revive capable Afghan civilian governance and maintain the participation and trust of the population. While today, there is much reference to a “civilian surge” consisting of sending hundreds of U.S. civilians mainly to be posted on Provincial Reconstruction Team (PRT) bases for a short period of time, there is little evidence that there is an adequate plan to establish skills and capabilities within the Afghan population and Afghan civilian institutions. Afghan assets – in the form of a potentially self-sufficient economic base; a population of young people eager to serve their nation; a cadre of civil servants reaching retirement age but still prepared to mentor and serve; a leadership cadre perhaps ready to cohere; an institutional basis of capable organizations -- have repeatedly been and continue to be sidelined and ignored over the last decade, in favor of a mentality of resourcing and “sending in” foreign aid agency personnel, and supporting illegitimate warlord forces. Beyond the failure to support and grow legitimate institutions; this has the effect of ignoring the “forces for good” in the society. While the people of Pakistan were promised hope and jobs in President Obama’s December speech, the people of Afghanistan were promised neither. The lack of funding for institution building and investment in skills and training of Afghans should not—but tragically often do—obscure the fact that if properly resourced and designed, the Afghan people and institutions are and can be highly capable.

Occasionally a myth is cited that nation building or state building was attempted but failed during the last decade. This is not true. Nation building was explicitly rejected as a goal in 2002, and efforts at Afghan-led institution building were rejected, sidelined and underresourced. Certainly significant resources were spent through parallel organizations, NGOs, UN agencies and contractors, 80 – 90 percent of which never reached the ground. The system of an accountable trust fund and national programs which guaranteed an accountable way of channeling funds while creating Afghan capacity languished under severe resource constraints.

*(iii) Despair or optimism?*

In 2004, the dominant mood was one of jubilation: the country seemed peaceful, elections had been held transferring power from one administration to the next, and a number of successful initiatives held. Most of all, the trust of the people appeared to be intact. At this time, a number of analysts pointed to the seeds of unraveling and predicted the accompanying loss of trust of the population and return of the insurgency. At the time, the measures required to maintain momentum were small – a contribution of \$200 million to the trust fund, bringing militias within a framework of rule of law, focusing on customs revenue. These analysts were dismissed as needlessly pessimistic when optimism was prevalent. In a tragic reversal, today, the pendulum has swung and the prevailing mood is one of pessimism and despair. In this context, the assets and opportunities within the nation, society, economy, and polity, and the opportunity presented by the commitment of forces and resources sufficient to turn the momentum, if the right frameworks and strategies are articulated, are not sufficiently understood and heeded.

*(iv) The affordability of Afghan-led institution building*

Huge numbers are often bandied about – claiming that “nation building” in Afghanistan is unaffordable as it would cost several hundred billion dollars. Perhaps a “nation building effort” that consisted of thousands of contracts with NGOs, UN agencies and other contractors would cost this, but it would not result in a nation being built. Enabling – or backing – an Afghan-led process of creating institutions is far less costly. The numbers speak for themselves – while a foreign engineer or doctor deployed through a contractor can cost at least \$50,000 per month, an Afghan engineer or doctor costs at most \$200 per month. Investing in

Afghan learning institutions and Afghan public services could be accomplished for less than \$10 billion per year. This figure would not need to be met by the U.S. taxpayer, but could be shared among Afghanistan’s international partners over a period of time; and even more significantly, as Afghanistan’s revenue increases come online, within a period of ten years, Afghanistan could be meeting all its nonmilitary costs through its own revenue streams.

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**Clare Lockhart** is co-founder and director of the Institute for State Effectiveness. ISE focuses practical approaches to transformation of societies from instability to stability and prosperity, through balancing state, market and civil society solutions. ISE currently works across a range of countries including Afghanistan, Haiti, Nepal, Pakistan, Sierra Leone, Somalia, and Southern Sudan. She continues to serve as adviser to leaders of governments, civil society and business on approaches to economic development, stabilization and peace-building. She served as adviser to NATO / ISAF 2006 - 7 and to the CENTCOM review of the area in 2008-9. From 2001 through 2005, Ms. Lockhart was UN Adviser to the Bonn Agreement in Afghanistan. Living in Kabul, she supported a number of national initiatives. Prior to 2001, she managed a program on Institutions at the World Bank. Ms. Lockhart is the co-author of *Fixing Failed States* and a Member of the Bar of England and Wales. Ms. Lockhart and her ISE co-founder, Ashraf Ghani, were recently ranked 20th in the Foreign Policy Top 100 Global Thinkers of 2009.

1 United Nations Assistance Mission in Afghanistan. 2001. “Agreement on Provisional Arrangements in Afghanistan Pending the Re-establishment of Permanent Government Institutions.” UNAMA Bonn Agreement. Accessed October 27th, 2010. <http://unama.unmissions.org/Portals/UNAMA/Documents/Bonn-agreement.pdf>.

<sup>2</sup> By “national” this does not mean Kabul-level. Conversely, “national” in this context was taken to refer to mean reaching across the territory to all parts of the countryside. See: <http://www.effectivestates.org/Papers/Afghanistan%20Rebuilding%20Our%20Nation%20Afghanists%20National%20Programme%20for%20Reconstruction.pdf>.

<sup>3</sup> This pattern of building layers of UN agencies and NGO and contractor projects outside the national services is something that is repeated in many country contexts.

<sup>4</sup> A series of fuller civilian plans for building Afghan institutions are available and can be viewed on <http://www.effectivestates.org/resources.htm>.



# Part **3**

IS AMERICAN FOREIGN ASSISTANCE  
WORKING IN AFGHANISTAN AND PAKISTAN?

## CHAPTER 5

### **Private Sector Development in Afghanistan: The Doubly Missing Middle**

**John Dowdy**

Director  
McKinsey & Company

**Andrew Erdmann**

Associate Principal  
McKinsey & Company

## CHAPTER 6

### **Development Aid in Pakistan: The Best Long-Term Foreign Policy Tool in the U.S. Arsenal**

**Nancy Birdsall**

President  
Center for Global Development  
Chair  
Study Group on a U.S. Development Strategy in Pakistan

**Wren Elhai**

Research and Communications Assistant  
Center for Global Development

**Molly Kinder**

Senior Policy Analyst & Manager  
The U.S. Development Strategy in Pakistan Initiative  
Center for Global Development

*“Funding requirements for security – to build and sustain the Afghan National Army and Afghan National Police – far surpass today’s indigenous public revenues. And if government officials cannot be adequately and reliably paid, then corruption follows as night does day.”*

— JOHN DOWDY & ANDREW ERDMANN

# Private Sector Development in Afghanistan: The Doubly Missing Middle

## John Dowdy

Director  
McKinsey & Company

## Andrew Erdmann

Associate Principal  
McKinsey & Company

The challenge posed by Afghanistan is how to build, strengthen, and sustain a state that can provide security, stability, and support to its people in the face of resilient insurgencies. This chapter will argue that the international community's approach to addressing this state-building challenge needs to recognize more fully the strategic importance of private sector economic development in three areas:

- The creation of a sustainable **public finance model** for the Afghan state so that the government can perform its essential functions without being a permanent ward of the international community. Where is the money to come from except through private sector development of trade, industry, and, most important, natural resources?
- The **integration of Afghanistan** both internally and with its neighbors. Business ties can help create, nurture, and solidify interests and networks across fault lines within a fragmented Afghanistan, and between it and its neighbors, as well as the international community beyond.
- The **provision of livelihoods** for the populace – including former insurgents attempting to reintegrate into society – and tangible signs of a rising standard of living.

Unfortunately, since 2001, despite numerous policy pronouncements that only an integrated political-military-economic strategy – a “whole of government” solution – can succeed in Afghanistan, the so-called “economic line of operations” has taken a back seat to the security and governance challenges that dominate the agenda of interagency and international meetings.<sup>1</sup>

Further, even within the “economic line of operations,” other economic activities have eclipsed private sector development. In the offices of the U.S. government, international financial institutions, international organizations, ministries around the world, and in Kabul, the lion’s share of attention among those working on Afghan economic policy is devoted to what might be called “macro-policy” issues. These include maintaining the overall architecture of assistance under the International Compact with Afghanistan; reviews of Afghan macro-economic health, including inflation, currency stability, and debt relief; and policy reform and capacity building in ministries in Kabul.

In the field, our remaining development investments have focused upon large scale infrastructure projects and grassroots development work aimed at tackling basic human needs encapsulated in the UN Millennium Development Goals. Although intended to be focused on tactical counterinsurgency (COIN) objectives, the military’s Commanders’ Emergency Response Program (CERP) funds have likewise emphasized basic infrastructure, with over 60 percent committed to transportation-related projects between 2005 and 2009.<sup>2</sup>

These development investments have merit and are worth evaluating on their own terms.<sup>3</sup> And many have indirectly promoted private sector development, such as when a new road reduces the time to market for perishable crops. However, direct support for private sector development – including, until recently, agricultural sector assistance – has represented only a sliver of U.S. assistance to Afghanistan. As such, it does not seem overly provocative to suggest that private sector development has been “doubly missing” from U.S. Afghanistan strategy to date.

You can see firsthand today the peculiar implications of this neglect of the Afghan private sector on many bases around Afghanistan. In late 2009, the United States and the United Nations together launched the “Afghan First” procurement policy to channel contracting spending to competitive local businesses.<sup>4</sup> Yet, a small fraction of up to \$14 billion the Department of Defense annually procures goes to Afghan firms. In September 2010, General David Petraeus issued guidance to all NATO and U.S. military personnel serving in Afghanistan that emphasizes the strategic importance of directing international contracting spend to both promote economic development and to avoid strengthening actors that undermine Afghan

security.<sup>5</sup> Over nine years after the U.S. intervention in Afghanistan began, you can still find palettes of bottled water imported from the U.A.E. on a U.S. base that is within a few miles of at least three separate Afghan water bottling plants, plants whose owners would welcome contracts with international forces.

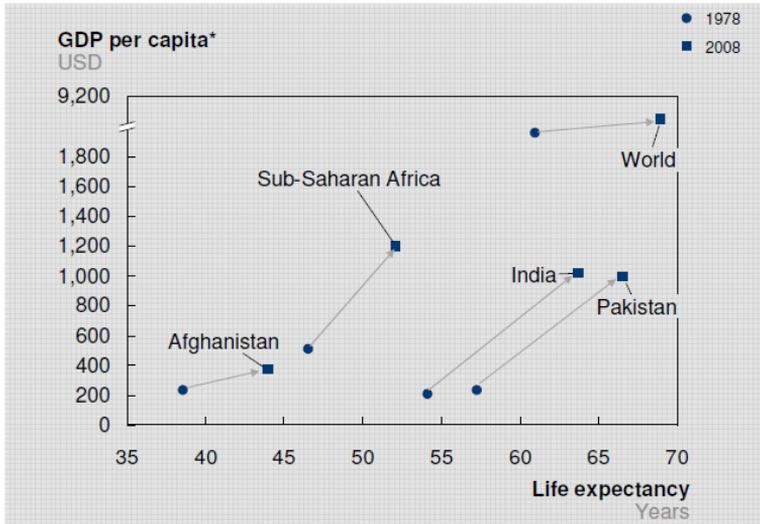
Why should this be so? It may simply be that people and organizations naturally gravitate to issues and solutions with which they are familiar, and where they feel they have answers. By and large, U.S. policymakers, by training and experience, are more comfortable with providing security, political, and diplomatic solutions rather than facing the challenges of Small and Medium Enterprise (SME) development, business plans, and attracting Foreign Direct Investment (FDI). Likewise, our development agencies, contractors, and NGOs are more comfortable with technical assistance, infrastructure projects (with more easily quantifiable outputs to measure progress), and grassroots development initiatives. Contracting organizations and officers traditionally focus upon reliability in cost and delivery of goods and services in making their decisions, not on potential implications for local economic development. And most Afghans still have difficulty navigating through our procurement processes that are of byzantine – or, more appropriately, Afghan – complexity.

In what follows, this chapter sets the context with a brief discussion of Afghanistan’s economic inheritance, provides at a high level what is involved in meeting the challenge, argues for the necessity of an approach that explicitly prioritizes investments in certain sectors and industries, and closes with the implications for U.S. Afghanistan strategy, policy, and execution.<sup>6</sup>

## Afghanistan’s economic inheritance

At first blush, Afghanistan appears to present a hopeless development challenge. Afghanistan is a desperately poor place, ranking at or near the bottom on every global measure of economic and human development.<sup>7</sup> If Afghanistan has been distinctive at one thing since the late 1970s, it has been in exemplifying the “traps” – to adopt Paul Collier’s terminology – that retard development in “bottom billion” countries (*Exhibit 1*).<sup>8</sup>

**EXHIBIT 1: Afghanistan has lagged its neighbors and the rest of the world in economic and human development during the past 30 years**



\* Nominal GDP  
SOURCE: World Bank World Development Indicators Database

First and most importantly, Afghanistan has been caught in a “conflict trap”: The war waged by the Soviets and their Afghan allies against the Mujahedeen; the Afghan civil war following the Soviet withdrawal in 1989 that propelled the Taliban’s rise to power; the Taliban-Northern Alliance war; the American-catalyzed overthrow of the Taliban regime; and the current NATO-led war against the Taliban insurgencies.

Second, Afghanistan is landlocked and surrounded by “bad” neighbors.

Third, it suffers from “shaky” governance, to be charitable.

Fourth, even its recently trumpeted wealth in natural resources poses a potential “resource trap” to Afghanistan’s development and governance, as a look at Nigeria or the Congo would suggest.<sup>9</sup>

All this has resulted in profound structural challenges to Afghanistan’s development. The overall effect of these challenges, especially the “conflict trap,” has been to shrink the economy from \$3.8 billion annual GDP in 1979 to less than

\$1 billion in 2000, destroy infrastructure, livestock and crops, scatter a diaspora of educated Afghans around the world, stymie the once profitable natural gas industry, deter most outside investors, and foster the explosion of an illicit poppy economy.<sup>10</sup>

The Afghan experience before the political instability of the late 1970s, however, shows that development has been possible. During the reign of King Zahir Shah (1933-1973), trade expanded around 8 percent per year.<sup>11</sup> Formal education grew from a mere 1,350 students in 1932 to over 830,000 in 1974.<sup>12</sup> The economy grew modestly but steadily at about 3 percent per year between 1960 and 1973.<sup>13</sup> Afghanistan also originally benefitted from Cold War competition as both the United States and the Soviet Union poured development assistance into the country in the late 1950s and 1960s. Helmand Province – where U.S. forces fight the Taliban today – was known then as “little America” because of the extensive U.S. development presence. Above all, basic infrastructure – especially the national road network – expanded, thereby linking Afghanistan’s regions together as never before.<sup>14</sup> In many respects, therefore, the 1979-2001 period represents not the norm, but a disastrous detour on Afghanistan’s road to development.

There are also signs since 2001 that Afghanistan has been getting back on track. Similar to many post-conflict economies, Afghanistan has experienced steady growth of around 20 percent per year (albeit off a very low base).<sup>15</sup> The economy rebounded well from the global downturn, with GDP growing at an estimated 22.5 percent in 2009/10.<sup>16</sup> Afghanistan has a good record on currency stability and inflation. Exports increased more than five-fold between 2003 and 2009. Vehicles on the road grew from just over 175,000 to nearly 1 million between 2003 and 2009, helping to accelerate the movement of people and goods despite the woeful state of basic infrastructure in most areas. SME production has expanded to supply the growing local market and has started to displace the imports that dominate nearly every category of good. Between 2002 and 2009, for example, annual production of shoes and plastic sandals increased 75 percent per year, from 1 million to over 28 million pairs, and plastic dishes increased at 45 percent per year, from 11 thousand tons to 98 thousand tons.<sup>17</sup> A new industrial park outside Herat, for example, boasts over 160 companies and 10,000 employees working in food and beverage processing, marble cutting, plastics, iron, and other unglamorous but profitable industrial businesses. The explosion in the use of cell phones – from essentially none in 2001 to now over 12 million cell phone accounts in a country of 29 million people – is perhaps the most visible example of how the opening of the Afghan economy is changing lives in new ways.<sup>18</sup>

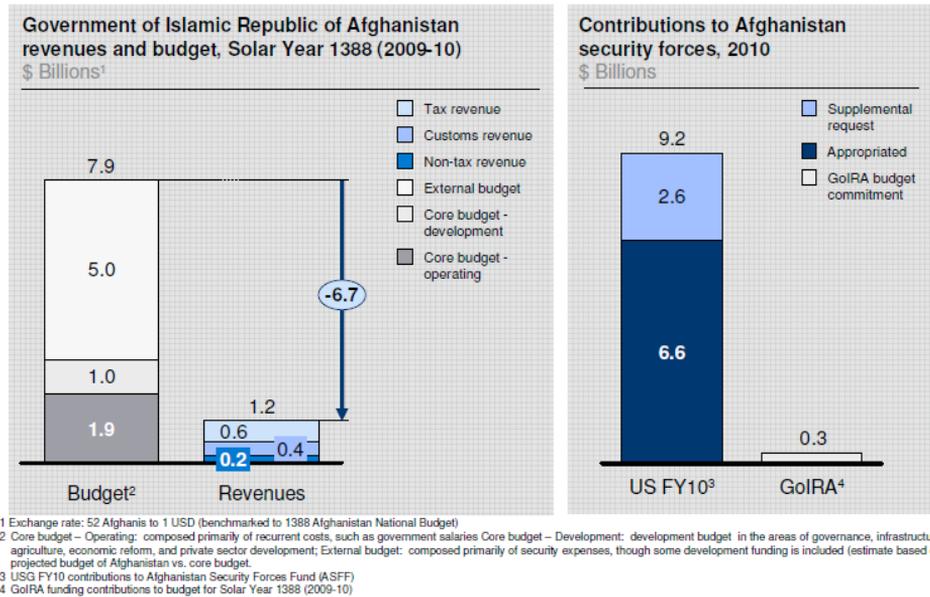
Beyond a recitation of statistics, it is important to note Afghanistan's long history and deep culture as a trading nation, a fact vital to explaining this recent success, and which offers some hope for the future. This represents the living legacy of the Silk Road. Equally important – and in contrast to other countries such as Iraq – the Afghan state never asserted control over the entire economic sphere. Major industries were state-owned according to the 1977 Constitution, but even the move to extend state control under the Afghan Communists was halting and incomplete. Overall, state-owned enterprises represent a small and shrinking portion of the Afghan economy. If you speak to Afghan SME owners and entrepreneurs you would be impressed by their dynamism, determination, and business acumen. They can cite cost differentials in supply chain options down to the Afghani, how Turkish, Iranian, Indian, and Chinese equipment compares, what they need, and how they will train their staff. Although they typically lack formal business training and refined technical and communication skills, Afghan businessmen know how to think through business problems by a combination of experience, intuition, and tradition.

### Meeting the challenge

It is in this context that the challenge of building a sustainable public finance model for the Afghan state, integrating Afghanistan internally and with its neighbors, and providing livelihoods for the populace must be understood.

**Public finance:** Afghanistan is now a ward of the international donor community. The government has two budgets – core (comprised of “operating” and “development” components) and external. The latter, however, is outside of its control. Funding requirements for security – to build and sustain the Afghan National Army and Afghan National Police – far surpass today's indigenous public revenues (*Exhibit 2*). And if government officials cannot be adequately and reliably paid, then corruption follows as night does day. This profound imbalance and dependency upon international donor assistance poses a challenge to Afghanistan's “economic sovereignty” and thereby the viability of the overall Afghanistan mission, as Paul Brinkley of the Task Force for Business and Stability Operations has emphasized.<sup>19</sup>

## EXHIBIT 2: Afghanistan depends upon international donors to support its annual budget gap and security requirements



SOURCE: SIGAR, April 30, 2010, pp. 48-49, 159; GoIRA 1388 National Budget, p. 15; GoIRA, Ministry of Finance, Pre-Budget for 1390, p. 6; Department of Defense Budget Overview, FY2011, pp. 6-5; Department of Defense, “US Plan for Sustaining Afghan Security Forces” (April 2010), pp. 93-95.

Duties on trade and other tax revenues alone will likely never close the public finance gap. The answer, therefore, lies in the responsible development of Afghanistan’s vast natural resources, especially minerals and energy. Afghan officials have recently stated that they believe the country’s natural-resources reserves might well be worth over \$3 trillion dollars in the coming decades – or over \$100,000 per Afghan citizen, in a country with an annual per capita GDP today of around \$500.<sup>20</sup> Taxes, duties, and royalties from these resources’ development could eventually provide billions of dollars every year to the Afghan treasury.

Natural resources are thus the only “game changer” available. Local Afghan firms are already mining industrial materials such as marble, gravel, and sand. Yet only globally traded minerals, such as copper, iron, gold, and rare earth elements, and energy supplies have the potential to generate significant public revenues. This will necessarily involve major international mining and energy companies, since the Afghans do not possess the indigenous capabilities themselves. The development of the Aynak copper reserves demonstrates that the Chinese are willing to enter

the Afghan market. Facilitating additional international private sector engagement in this area – while also helping the Afghans put in place safeguards against a “resource curse” – is thus critical.<sup>21</sup>

**Integrating Afghanistan:** Business and trade relations can help build networks of shared interests that transcend traditional territorial and ethnic boundaries. Today, Afghanistan is fragmented economically, as well as politically. Afghan businessmen often look outward to their more developed and easily accessible international neighbors as much as, if not more often than, within their own country. Speak with businessmen in the different regions of Afghanistan and this reality is thrown into stark relief. In Jalalabad, business ties and supply chains flow into Pakistan. In Mazar-e-Sharif, you see imported goods from Turkmenistan and Uzbekistan and

*“Continued infrastructure investment, alongside improved security, should help Afghanistan restore the internal market links that have been torn asunder in the past three decades.”*

hear talk of how the country’s first railway line will link Mazar-e-Sharif to the Uzbek rail network, and then to the European network, thus further accelerating trade relations. In Herat, electricity flows from Iran, along with hundreds of trucks carrying goods overland every day via the Iranian port of Bandar Abbas. Soon Herat will be linked to the Iranian rail network. Such business ties across international borders are inevitable and largely beneficial. Afghanistan’s development should be accelerated by connections to international markets. However, they can be unhealthy if they reinforce centrifugal forces within Afghanistan. Afghanistan’s internal market still has limited interconnectedness – as highlighted by the Department of Defense’s Task Force for Business and Stability Operations – and this poses potential long-term negative implications for the viability of the Afghan state.<sup>22</sup>

It is crucial to encourage and support wherever possible the development of deeper private sector relationships across regions inside Afghanistan. SMEs involved in light manufacturing, trade, construction, and logistics are potential leaders for such integration. Doing so will reinforce the broader strategic goal of integrating Afghanistan. This would also work in tandem with the natural tendency for Afghan businessmen to seek to integrate their own “value chains” by expanding into transportation and distribution to reduce the risks and transaction costs in a society with inconsistent rule of law. Continued infrastructure investment, alongside improved security, should help Afghanistan restore the internal market links that have been torn asunder in the past three decades, as well as develop

strategic trade corridors linking north with south, and east with west, to rejuvenate regional trade across a new Silk Road.<sup>23</sup> In sum, it will likely not be possible to achieve a sustainable political settlement without some kind of mutually reinforcing internal and regional synchronization of economic interests as well.

**Providing livelihoods:** Ultimately, what the average Afghan citizen cares about is “How will I and my family survive?” The first concern is security – but that security is economic as well as physical.<sup>24</sup> A basic standard of living is essential. Outside of direct government employment – especially in the security forces – these livelihoods will come from the private sector. Moreover, roughly two-thirds of Afghan workers in the agricultural sector are in some way connected to the private sector, and their fates are thus intertwined. Positive, visible private sector growth will be seen as an indicator of state effectiveness.

But there is also a more immediate need for private sector job creation; namely, helping counter the appeal of the Taliban. Baldly put, when the Taliban’s representative arrives and says he can give you a job, and if the government has been saying for months that it can too, but hasn’t done so, then the Taliban representative will win. Moreover, jobs are an important element in the disarmament-demobilization-reintegration (DDR) program that could bring many Taliban “in from the cold.”<sup>25</sup> Providing jobs and demonstrating that the Afghan state can deliver on its commitments to its people is where economics connects most directly with the strategic goals of reconciliation and stabilization. If you consider Iraq, a large part of the success of the “surge” was the fact that, when dealing with the Sunni insurgency, the United States put a lot of people on the payroll – it was, effectively, a huge temporary public works program. But such programs need to transition to a sustainable private sector basis to endure. The adage remains true: idle hands do the devil’s work.

### A priority sector and industry approach

How can private sector development accelerate to secure these strategic goals? Philosophically, it is important to accept that there are different models for private sector development, with different balances among the state, firms, and individuals that depend upon unique history, culture, natural endowments, and structure of economies. There is no one-size-fits-all solution.<sup>26</sup> Especially in countries such as Afghanistan, a reflexive “pure free market” approach is not viable.

What is necessary in any model, however, is a sector competitiveness analysis that guides the use of limited resources to their highest strategic impact. This should not be framed as a question of “picking winners,” but rather of identifying the industries with the highest potential, and then tailoring policies and other support to promote these industries.<sup>27</sup>

To date, most approaches to private sector development have emphasized those goods where Afghanistan has potential long-term competitiveness in the international marketplace. These include marble, fruits, nuts and other agricultural products (including niche ones, such as saffron), handicrafts (especially carpets), and minerals and energy. Prioritizing these industries makes sense. Exports bring in much needed foreign currency, and Afghan development should focus upon industries that promise to have sustainable competitive advantage. But export-oriented opportunities represent, at most, half the story.

Agriculture deserves a chapter of its own. It represents approximately two-thirds of employment and a quarter or more of GDP.<sup>28</sup> These numbers will decrease in time as the economy matures. For now, however, agriculture must be done right, or an economic development strategy would be ignoring the vast majority of the population. Moreover, the agricultural sector is typically a leading driver of long-term growth in developing economies.<sup>29</sup> U.S. policy belatedly, but correctly, has begun to recognize the strategic importance of the agricultural sector.

Another part of the story is the non-tradable industries, especially in the services and infrastructure sectors. Non-tradable industries in these sectors (trade, retail, construction, transportation, etc.) typically account for half of GDP and approximately two-thirds of employment growth in developing economies.<sup>30</sup> Construction services and materials have great potential in Afghanistan, driven by significant local and donor demand and because they support the development of all other industries.

Rounding out the story is the whole panoply of light industry – unglamorous stuff ranging from food processing to paints and plastics. Although technically tradable, these are not an “export play,” but viable businesses that can substitute for the imports that currently feed local Afghan demand. Despite higher costs on some inputs, such as electricity, local Afghan firms can often be cost-competitive because they have much lower transport costs as well as lower labor costs.

These sectors and industries can be mapped back to our three strategic priorities. Tapping Afghanistan's natural resource wealth will provide the largest part of public finance. Transit, trade, and SMEs will help integrate the Afghan market locally, regionally and internationally, and provide new jobs. And improving agricultural productivity and yields will help the majority of the population move up from borderline subsistence.

Sustained execution of such a strategy is more challenging than devising it. Security remains an obvious concern. Enormous infrastructure challenges remain. Electricity supply, for instance, is often unreliable and/or expensive, thereby negatively impacting Afghan goods' competitiveness. The "ease of doing business" in Afghanistan is one of the worst in the world, with its stultifying corruption and sometimes capricious bureaucratic processes.<sup>31</sup> And perhaps the biggest constraint on SME growth, as reported in interviews with SME owners around the country, remains the lack of access to credit.<sup>32</sup> The crisis in Kabul Bank that unraveled in September 2010 exemplifies the general weakness of the Afghan financial system.<sup>33</sup>

Despite these challenges, the potential upside is significant and realistic. While not minimizing the security challenges, you can see "business as usual" moving forward wherever the environment reaches a baseline of stability. Modest improvements in performance can deliver step-changes in value-added, precisely because of the primitive condition of much of the Afghan economy. The marble industry illustrates this pattern along its entire value chain, from extraction to polishing. The use of primitive extraction and cutting techniques (including blasting with unexploded ordnance) can destroy up to 80 percent of the value of Afghanistan's world-class marble. Widespread introduction of improved techniques, which have been successfully piloted, would eliminate this wastage. Furthermore, much of the final value-added processing – refined cutting and polishing, worth perhaps 10 percent of the marble's final value – is often completed in Iran or Pakistan. As one marble factory owner lamented: "we do the hard job and they get all the benefit." Similar patterns can be seen in agriculture, the carpet industry, and other industries as well.

Put another way, there is real value in Afghan work, but much of it is lost and then, of what remains, others capture much of the remaining value. This reality captures both the tragedy and potential of the Afghan private sector.

## Implications for U.S. Afghanistan strategy, policy, and execution

What is to be done?

First, private sector development must be given the priority it merits. It holds the key to a sustainable model of public finance and encourages networks, interests, and shared identities that bind rather than fragment Afghanistan. It gives those outside Afghanistan a stake in its success and provides Afghans confidence that their country is again on a path of development that will improve their lives and provide basic security for their families.

Second, our efforts must focus where the probability of success is highest. The United States, its coalition partners, and the Afghans do not have unlimited money, people, skills, or time. Given the scale and scope of the challenge, the industry priorities are clear: natural resources, agriculture, construction, trade and related services, and light industry. Some geographies have more potential because of favorable location, security, natural resources, or other factors. Many of these opportunities have been analyzed and highlighted before; but the basic improvements recommended have not been implemented on a consistent, sustained basis.<sup>34</sup>

This leads to a third implication, namely, that these national and local industry priorities must be integrated into a coherent plan of specific initiatives that are then driven down to the local level and sustained.<sup>35</sup> Infrastructure is rightly recognized as important. The infrastructure level in Afghanistan was so poor after decades of destruction and neglect, that virtually any investment would produce some positive return. But, all else being equal, future infrastructure projects – such as investments in electricity – should be more closely integrated with priority industry development to maximize impact. Likewise, technical assistance and policy reform initiatives should prioritize certain industries. For instance, mining laws, regulations, and procedures will likely have to be changed to provide the right incentives and security to outside investors to accelerate development of revenue-producing fields.<sup>36</sup> In some cases, direct grants will be appropriate – as USAID’s Afghanistan Small and Medium Sized Enterprise Development (ASMED) program has done – to help Afghan companies capture value through more efficient practices and by moving into higher-value-added processes. Other businesses will be able to expand to meet increased international demand for certain local goods and services as part of the “Afghan First” contracting initiative. Still others will benefit most from business-to-business linkages to build skills, find new markets, and attract international investors. Together, though, a consistent pursuit of strategic priorities is needed –

rather than a “let a thousand flowers bloom” approach – to achieve results in such a challenging operating environment.

Fourth, there is a need for a new operating model. Today, execution is incredibly fragmented. Programs and responsibilities often overlap. It is not clear who is in charge. In agriculture alone, there are U.S. Department of Agriculture advisors, the military’s Agricultural Development Teams (ADTs) and CERP-funded projects, Provincial Reconstruction Teams and District Support Teams staffed with State Department and USAID personnel who may be involved in agricultural programs, trade experts at Embassy Kabul, and so on. This is just in one sector, and does not take into account the slew of NGOs and development organizations of other countries (Canadian, British, German, Italian, Scandinavian, etc.). The regular rotation of civilian and military staffs further exacerbates this problem, as institutional memory and working relationships have to be constantly recreated. Without some greater continuity, coordination, and communication of efforts, confusion and duplication will continue.

*“There is a need for a new operating model. Today, execution is incredibly fragmented. Programs and responsibilities often overlap. It is not clear who is in charge.”*

Fifth, program design and implementation must provide the right incentives to escape the short-term mindset that too often dominates our actions in Afghanistan. The cliché is sadly true: we have been fighting nine “one-year” wars in large part because that is what those in the field are encouraged to do. Especially in USAID, a concern with program monitoring and audits has led some USAID contractors to avoid some important long-term projects because their impact would only be felt – and be measurable – after their period of contract performance had ended.<sup>37</sup> Military commands are sometimes judged by how rapidly they spend their CERP funding, not how wisely. The endless pursuit of “quick wins” is ultimately a losing proposition.

Lastly, the U.S. government needs to rethink its existing models of public-private partnerships in Afghanistan. The Aynak copper mine is an instructive case in point. Putting aside allegations of corruption, the Chinese developed a better offer than other international bidders because they successfully integrated business investment alongside more traditional economic development assistance. From the vantage point of Afghan economic development, it may not matter whether the investment comes from China or India or Europe or the United States, unless a particular investment has negative internal or regional political ramifications. But

from the U.S. perspective, our statecraft would be strengthened if the government could more closely coordinate and even collaborate across the public-private sector line in such complex contingencies.<sup>38</sup> In the U.S. government today, there is no clear owner for the promotion of private sector development in Afghanistan – nor, more generally, to support our stabilization missions around the world. To consider three efforts from across the government, USAID’s ASMED program is a relatively small part of the overall USAID effort, the Department of Commerce’s Iraq and Afghanistan Task Force lacks resources and bureaucratic clout, and the Department of Defense’s Task Force for Business and Stability Operations is an *ad hoc*, temporary body. Significantly, the Task Force had proven to be ecumenical in its approach, facilitating U.S. and non-U.S. companies’ relations with the local business. Non-U.S. companies will often have greater knowledge of the market, tolerance for risk, and therefore, willingness to operate in countries such as Afghanistan. Thus, cooperating with U.S. and non-U.S. companies is a necessary innovation that puts the mission ahead of narrow American economic interests. The time has come to consider establishing an enduring, expeditionary capability within the U.S. government whose mission would be to facilitate private sector engagement and development in fragile and conflict-affected states. Afghanistan could be its first stop.

Getting the economic dimension right is not alone sufficient for success, but it is necessary. The international community cannot afford to have private sector development missing from this struggle for the future of Afghanistan.

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**John Dowdy** is a Director in the London office of McKinsey & Company, where he leads McKinsey’s global defense and security practice, focusing on improving the efficiency and effectiveness of defense expenditure, improving supply chain and logistics processes, and conducting stability operations in fragile states. He also leads McKinsey’s joint research project, in conjunction with the London School of Economics Center for Economic Performance and Stanford Business School, on global manufacturing productivity. Prior to that, he was responsible for all of McKinsey’s government work in Europe, the Middle East and Africa. He also chaired McKinsey’s global efforts in economic development and served as a member of Public Services Productivity Panel. His most recent publication is *McKinsey on Government’s Special Issue on Defense & Security* (Spring 2010), where he contributed multiple articles including “Improving US Equipment Acquisition,” “An Expert View on Defense Procurement” and “Stabilizing Iraq: A Conversation with Paul Brinkley.” Previously, he worked as a research associate at Harvard Business School, contributing to the book *Beyond Free Trade: Firms, Government and Global Competition*. Mr. Dowdy is a fellow of the Royal United Services Institute (RUSI), a fellow of the Royal Aeronautical Society (RAeS), a member of Chatham House and a member of the International Institute for Strategic Studies. Mr. Dowdy holds a B.S. in Electrical Engineering and Computer Science from the University of California at Berkeley and an MBA with high distinction from Harvard Business School.

**Andrew Erdmann** is an Associate Principal in the Washington, DC office of McKinsey & Company, where he specializes in national security and economic stabilization in fragile states. Prior to joining McKinsey, Dr. Erdmann served in the U.S. government as a member of Secretary of State Colin Powell's Policy Planning Staff; with the Coalition Provisional Authority in Iraq as the Senior Advisor to the Ministry of Higher Education & Scientific Research; and, lastly, as Director for Iran, Iraq, and Strategic Planning on the National Security Council staff at the White House. Dr. Erdmann has taught international affairs at Harvard University and George Washington University, and has been an independent consultant to the U.S. Army, Department of Defense, and Department of State, and an expert advisor to the Baker-Hamilton Iraq Study Group on Iraqi political affairs. His most recent publication is "Foreign Policy Planning Through a Private Sector Lens" in *Avoiding Trivia: The Role of Strategic Planning in American Foreign Policy* (Brookings Institution Press, 2009). He is a life member of the Council on Foreign Relations, and a member of the International Institute for Strategic Studies, the Chicago Council on Global Affairs, and the Saint Louis Committee on Foreign Affairs. He serves on the Board of Directors of America Abroad Media. Dr. Erdmann earned a B.A. in history and political science, *summa cum laude*, from Williams College, and a second one, first class, in philosophy, politics, and economics as the Carroll Wilson Fellow at Worcester College, Oxford University. He received his A.M. and Ph.D. in history from Harvard University, where his dissertation advisor was the late Ernest May.

<sup>1</sup> Off-the-record conversations with U.S. Government officials, 2009-2011.

<sup>2</sup> Special Inspector General for Afghanistan Reconstruction, "Increased Visibility, Monitoring, and Planning Needed for Commander's Emergency Response Program in Afghanistan" (September 2009). The use of CERP funds to support private businesses is explicitly prohibited, with a few exceptions (e.g., battle damage payments). DOD Financial Management Regulation, "Summary of Major Changes to DOD 7000.14-r, Volume 12, Chapter 27, Commander's Emergency Response Program (CERP)" (January 2009), p. 27-8, available at [comptroller.defense.gov/fmr/12/12\\_27.pdf](http://comptroller.defense.gov/fmr/12/12_27.pdf).

<sup>3</sup> For skeptical appraisals of how well CERP development investments contribute to COIN objectives, see Andrew Wilder and Stuart Gordon, "Money Can't Buy America Love" (December 1, 2009), at [ForeignPolicy.com](http://ForeignPolicy.com); Edwina Thompson, "Winning 'Hearts and Minds' in Afghanistan: Assessing the Effectiveness of Development Aid in COIN Operations," *Report on Wilton House Conference No. 1022* (Whilton Park, April 2010). For evaluations of USAID programs, see USAID Inspector General's audits of Afghanistan programs available at [www.usaid.gov/oig/public/reports/afghanistan\\_information\\_audit\\_and\\_specialrptsmemos.html](http://www.usaid.gov/oig/public/reports/afghanistan_information_audit_and_specialrptsmemos.html).

<sup>4</sup> Department of Defense, "Report on Progress Toward Security and Stability in Afghanistan" (April 2010), p. 69.

<sup>5</sup> Alissa J. Rubin, "Afghan Commander Issues Rules on Contractors," *New York Times* (September 13, 2010); COMISAF memorandum, "COMISAF's Counterinsurgency (COIN) Contracting Guidance," 8 September 2010, available at <http://www.isaf.nato.int/images/stories/File/100908-NUI-COMISAF%20COIN%20GUIDANCE.pdf>.

<sup>6</sup> In developing this argument, we have learned much from reading analyses by and speaking with experts in the U.S. government, major international development agencies, think tanks and academia, and in Afghanistan. Above all, however, our experiences meeting Afghan businessmen – whether walking a shop floor in Herat or discussing electricity prices in Jalalabad – informs our perspective.

Helpful published works for understanding Afghanistan, its complex history, and its recent economic development include: Thomas Barfield, *Afghanistan: A Cultural and Political History* (Princeton: Princeton University Press, 2010); Steve Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan, and Bin Laden from the Soviet Invasion to September 10, 2001* (New York: Penguin, 2004); Colin Cookman and Caroline Wedhams, *Governance in Afghanistan: Looking Ahead to What We Leave Behind* (Washington: Center for American Progress, 2010); Jake Cusack and Erik Malmstrom, "Afghanistan's Willing Entrepreneurs: Supporting Private-Sector Growth in the Afghan Economy," Center for a New American Security Policy Brief (November 2010); Jake Cusack and Erik Malmstrom, "Bactrian Gold: Challenges and Hope for Private-Sector Development in Afghanistan" (Kauffman Foundation, February 2011). Martin Ewans, *Afghanistan: A Short History of its Peoples and Politics* (New York: HarperCollins, 2002); Nathaniel Fick and Clare Lockhart, "The Economic Imperative: Stabilizing Afghanistan Through Economic Growth," Center for a New American Security Policy Brief (April 2010); Ashraf Ghani, "Afghanistan: Opportunities and Risks," *PRISM* (September 2010), pp. 15-24; Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World* (New York: Oxford University Press, 2008); Antonio Giustozzi, ed., *Decoding the New Taliban: Insights from the Afghan Field* (New York: Columbia University Press, 2009); David Kilcullen, *The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One* (New York: Oxford University Press, 2009); Ahmed Rashid, *Taliban: Militant Islam, Oil and Fundamentalism in Central Asia* (New Haven: Yale University Press, 2001); Barnett R. Rubin, *The Fragmentation of Afghanistan: State Formation and Collapse in the International System*, second edition (New Haven: Yale University Press, 2002). The indispensable source Afghanistan's economic history through King Zahir Shah's reign remains Maxwell Fry, *The Afghan Economy: Money, Finance, and the Critical Constraints on Economic Development* (Leiden, Netherlands: E. J. Brill, 1974). Additional insights on Afghan economic development through the mid-1980s are available in Richard Nyrop and Donald M. Seekins, *Afghanistan: A Country Study* (Washington: American University, 1986), pp. 141-207. The publications of the World Bank and IMF provide the most up-to-date data and analyses of recent Afghan economic developments, and are readily available on their websites. See, for instance, The World Bank, *Afghanistan Economic Update* (Washington: World Bank, October 2010). The Special Inspector General for Afghanistan Reconstruction (SIGAR) provides the most thorough, easily accessible accounting of U.S. reconstruction spending and programs in Afghanistan in its quarterly reports to Congress, available at [www.sigar.mil](http://www.sigar.mil). Although sometimes inconsistent in availability and quality, the publications of the Government of the Islamic Republic of Afghanistan, especially those related to the Ministry of Finance, Afghan National Development Strategy, and the Afghan Investment Support Agency (AISA), are helpful. Of special note among "think tanks" is the Afghan Research and Evaluation Unit, based in Kabul, which has produced a series of insightful publications, which are available at [www.areu.org.af](http://www.areu.org.af). For more general discussions of private sector contributions to post-conflict stabilization, see Mats Berdal and Nader Mousavizadeh, "Investing in Peace: The Private Sector and the Challenges of Peacebuilding," *Survival* (April-May 2010), pp. 37-58; Carl Schramm, "Expeditionary Economics: Spurring Growth after Conflict and Disasters," *Foreign Affairs* (May/June 2010), pp. 89-99.

<sup>7</sup> Afghanistan ranks 162 of 180 countries in GDP (nominal) per capita income at \$486/year (International Monetary Fund, World Economic Outlook Database, accessed on July 20, 2010). Its rank on most other indicators is shockingly poor. For instance, Afghanistan ranks the worst in Asia in infant and child mortality, maternal mortality, gender equity in education, primary education completion, population using improved water sources, life expectancy at birth, death rate, and slum population as a percent of urban population. See Asian Development Bank, *Key Indicators for Asia and the Pacific, 2009* (Manila, Philippines: Asian Development Bank, 2009).

- <sup>8</sup> For his discussion of the four principal “traps” to development, see Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (New York: Oxford University Press, 2007).
- <sup>9</sup> Paul Collier, “In Afghanistan, the Threat of Plunder,” *New York Times* (July 20, 2010).
- <sup>10</sup> GDP (nominal) data from WMM (Global Insight).
- <sup>11</sup> Estimate based upon data contained in Fry, *The Afghan Economy*.
- <sup>12</sup> Rubin, *The Fragmentation of Afghanistan*, p. 71.
- <sup>13</sup> GDP (nominal) data from World Bank, World Development Indicators Database.
- <sup>14</sup> By the mid-1970s, regional price differences decreased significantly as the new road networks facilitated for the first time the establishment of a true national market. Nyrop and Seekins, *Afghanistan*, p. 167.
- <sup>15</sup> GDP (nominal) data for 2002-2009 from WMM Global Insight. On overall post-conflict trends, see UNDP, *Post-Conflict Economic Recovery: Enabling Local Ingenuity* (New York: UNDP, 2008).
- <sup>16</sup> World Bank, *Afghanistan Economic Update*, p. 3.
- <sup>17</sup> See trade, vehicles, and industrial production data in IMF, “Islamic Republic of Afghanistan: Statistical Appendix,” February 2008, and Central Statistics Office available at [www.cso.gov.af](http://www.cso.gov.af).
- <sup>18</sup> Department of Defense, “Report on Progress Toward Security and Stability in Afghanistan” (April 2010), p. 68.
- <sup>19</sup> See “Special Defense Department Briefing by Paul Brinkley, Director, DOD Task Force for Business and Stability Operations in Afghanistan; Jack Medlin, Regional Specialist, U.S. Geological Survey International Programs; Kathleen Johnson, Mineral Program Coordinator, USGS” (June 14, 2010) available at [www.defense.gov/transcripts/transcript.aspx?transcriptid=4643](http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4643). See also Task Force for Business and Stability Operations, “Afghan Economic Sovereignty: Establishing a Viable Nation” (Briefing released June 2010) available at [www.defense.gov/news/d2010614slides.pdf](http://www.defense.gov/news/d2010614slides.pdf).
- <sup>20</sup> Alisa Rubin and Mujib Mashal, “Afghanistan Moves Quickly to Tap Newfound Mineral Reserves,” *New York Times* (June 17, 2010).
- <sup>21</sup> On addressing the “resource curse” challenge, see Collier, The “*Bottom Billion*,” pp. 38-53; Collier, “In Afghanistan, the Threat of Plunder”; Amela Karabegovic, “Institutions, Economic Growth, and the “Curse” of Natural Resources” *Fraser Institute Studies in Mining* (July 2009); the Center for Global Development, “Fighting the Resource Curse Through Cash Transfers” at [www.cgdev.org/section/initiatives/\\_active/revenues\\_distribution](http://www.cgdev.org/section/initiatives/_active/revenues_distribution); and the Extractive Industries Transparency Initiative, which Afghanistan has recently joined, at [www.eiti.org](http://www.eiti.org).
- <sup>22</sup> See Task Force for Business and Stability Operations, “Afghan Economic Sovereignty: Establishing a Viable Nation.”
- <sup>23</sup> S. Frederick Starr and Andrew C. Kuchins, “The Key to Success in Afghanistan: A Modern Silk Road,” Central Asia-Caucasus Institute Silk Road Studies Program (May 2010). See also the information on the Central Asia Regional Economic Cooperation (CAREC) Program, which is a multilateral partnership to promote regional economic development in Central Asia, at [www.adb.org/CAREC](http://www.adb.org/CAREC).

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<sup>24</sup>When asked “what is the biggest problem facing Afghanistan as a whole?”, 36 percent chose insecurity/violence, 35 percent unemployment, 20 percent poor economy, and 17 percent corruption, followed by Taliban, education, and poverty. When asked “what is the biggest problem in your local area?”, economic and infrastructure concerns dominated with 26 percent selecting unemployment, 26 percent electricity, 22 percent water, 24 percent roads, and only 13 percent insecurity/violence. These ratings are consistent with the similar surveys conducted in 2006, 2007, and 2008. Furthermore, when asked to rate the performance of the Afghan government, the majority felt it was doing a bad job with creating jobs (71 percent), fighting corruption (68 percent), and economic development (62 percent), whereas a majority thought it was doing a good job with security (61 percent favorable). Asia Foundation, *Afghanistan in 2009: A Survey of the Afghan People* (Washington: Asia Foundation, 2009), Figures 2.7, 2.9, 5.1.

<sup>25</sup>See, for example, Carlotta Gall, “Karzai Pressed to Move on Taliban Reintegration,” *New York Times* (June 25, 2010).

<sup>26</sup>Thomas K. McCraw, *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (Cambridge: Harvard Business School Press, 1998).

<sup>27</sup>Our approach here has been critically informed by the work of the McKinsey Global Institute. See, for instance, McKinsey Global Institute, *How to Compete and Grow after the Recovery: A Sector Approach* (September 2009); *How to Compete and Grow: A Sector Guide to Policy* (March 2010).

<sup>28</sup>SIGAR, “Quarterly Report to Congress” (October 31, 2009), p. 95, reports agriculture’s share of GDP in 2008-09 at 31 percent. IMF, Islamic Republic of Afghanistan: Sixth Review Under the Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Nonobservance of a Performance Criterion, Modification and Performance Criteria, and Rephrasing and Extension of the Arrangement” (January 2010), p. 5, indicates formal agriculture is approximately 24 percent of GDP.

<sup>29</sup>An analysis of 25 developing economies (<\$5000 per capita GDP) for which there is comparable GDP data between 1985 and 2005 (from Global Insight) revealed that agriculture was, overall, the most important sector contributor to GDP growth, and a top-3 driver of growth in 17 or the 25 economies.

<sup>30</sup>McKinsey Global Institute, *How to Compete and Grow after the Recovery: A Sector Approach* (September 2009), p. 10.

<sup>31</sup>Afghanistan ranks 160 of 183 economies surveyed, and dead last in three categories: protecting investors, trade across borders, and closing a business. World Bank, *Ease of Doing Business: Afghanistan 2010* (Washington: World Bank, 2009).

<sup>32</sup>Center for International Private Enterprise and Chaney Research, “Afghan Business Attitudes on the Economy, Government, and Business Organizations – 2009-2010 Afghan Business Survey, Final Report” (May 2010), available at [www.cipe.org/regional/southasia/pdf/Afghan%20Business%20Survey%20Report\\_5-04-10\\_FINAL.pdf](http://www.cipe.org/regional/southasia/pdf/Afghan%20Business%20Survey%20Report_5-04-10_FINAL.pdf).

<sup>33</sup>Alissa J. Rubin and Adam B. Ellick, “More Trouble Ahead for Kabul Bank,” *New York Times* (September 14, 2010); Dexter Filkins, “Letter from Kabul: The Great Afghan Bank Heist,” *The New Yorker* (February 14, 2011).

<sup>34</sup>See, for example, OTF Group, “Three Cluster Discussion Document” for Commercial Competition Commission of Afghanistan (September 14, 2005).

<sup>35</sup>McKinsey Global Institute, *How to Compete and Grow: A Sector Guide to Policy* (March 2010).

<sup>36</sup>See James R. Yeager, “The Aynak Copper Tender: Implications for Afghanistan and the West” (2009).

<sup>37</sup>On this broader theme, see Andrew Natsios, “The Clash of the Counter-Bureaucracy and Development,” Center for Global Development Essay (July 2010).

<sup>38</sup>On this general point, see Berdal and Mousavizadeh, “Investing in Peace: The Private Sector and the Challenges of Peacebuilding.”

*“Failure in Pakistan would mean much more than misspent funds or delayed aid disbursements. Squandering this opportunity to encourage Pakistan’s transformation into a capable, modern state would be a major setback for U.S.-Pakistan relations, for the future of Pakistan, and for the security of the American people.”*

— NANCY BIRDSALL, WREN ELHAI, AND MOLLY KINDER

# Development Aid in Pakistan: The Best Long-Term Foreign Policy Tool in the U.S. Arsenal

## **Nancy Birdsall**

President  
Center for Global Development  
Chair  
Study Group on a U.S. Development Strategy in Pakistan

## **Wren Elhai**

Research and Communications Assistant  
Center for Global Development

## **Molly Kinder**

Senior Policy Analyst & Manager  
The U.S. Development Strategy in Pakistan Initiative  
Center for Global Development

Driven by concerns over al Qaeda and the war in Afghanistan, the United States spent over \$10 billion in mostly military assistance in Pakistan between 2002 and 2008. But the money did not purchase a reliable ally in Afghanistan or deny al Qaeda and affiliated groups safe havens in Pakistan's tribal regions.<sup>1</sup> And by 2008, anti-Americanism and the threat of insurgency in Pakistan were more serious problems than before. What if, instead of, or in addition to that military aid, the United States had spent \$10 billion on development assistance? If more Pakistanis had the opportunity to seek education and jobs, if they had benefited from a reliable justice system and a responsive government, might fewer of them be drawn to extremism or tolerate it in their midst? Would they feel less animosity toward the United States? Would Pakistan be more stable, and would Americans be safer?

These are the questions that Senators John Kerry (D-Mass.) and Richard Lugar (R-Ind.) asked as chairman and ranking member of the Senate Foreign Relations Committee. Senator Kerry concluded, "The status quo has not brought success, the stakes could not be higher, and we have little choice but to think big."<sup>2</sup> In May 2009, the two senators introduced the "Enhanced Partnership for Pakistan Act," now better known as the Kerry-Lugar-Berman bill, to provide \$7.5 billion

of economic assistance to Pakistan over five years (with the possibility of a five-year extension). As Senator Lugar said in his floor statement, the bill would aim to help Pakistan, “break its debilitating cycle of instability,” by supporting efforts, “to achieve progress on fighting corruption, delivering government services, and promoting broad-based economic growth.”<sup>3</sup>

The U.S. national security interest in a long-term development approach in Pakistan resonated in the halls of congress, and, in October of 2009, President Barack Obama signed the Kerry-Lugar-Berman bill into law. The administration is now poised to begin spending the first \$1.5 billion authorized by that law.

*“Success will hinge fundamentally on the willingness of the United States to put the goal of long-term development—of people and institutions in Pakistan—front and center.”*

Spending on development aid carries its own risks of course, as we emphasize below. But the question is no longer *what if* development assistance was a major piece of U.S. strategy in Pakistan. Now, the relevant question is *how* to invest the \$7.5 billion. Once again, the stakes are high. Failure in Pakistan would mean much more than misspent funds or delayed aid disbursements.

Squandering this opportunity to encourage Pakistan’s transformation into a capable, modern state would be a major setback for U.S.-Pakistan relations, for the future of Pakistan, and for the security of the American people. It would also be devastating to Pakistani perceptions of the United States. In 2015 or 2020, if Pakistanis take stock and see no meaningful change in their lives, they will almost surely dismiss the Kerry-Lugar-Berman experiment as just the latest in a long line of American efforts to buy, bully, or bribe their government into cooperation. The greatest risk for the United States is that billions of dollars in U.S. assistance will be for naught—making no sustainable difference in Pakistan’s long-term prosperity and stability, and, even worse, leaving behind another generation of Pakistanis resentful of their own government and resentful of America.

In fact, a great deal of that risk can be managed and minimized by the decisions the United States will make over the next five years. Success will hinge fundamentally on the willingness of the United States to put the goal of long-term development—of people and institutions in Pakistan—front and center, to protect development investments from other urgent (and entirely valid) short-term imperatives, and to ensure that diplomatic and stabilization efforts support rather than undermine the fundamental development goal of a capable, legitimate, and responsive state in Pakistan. Doing so brings no guarantee of an overnight transformation in Pakistan.

But failure to do so is the surest way to lead us to the day—five, ten, or more years from now—when another U.S. senator will look at Pakistan and once again lament: “The status quo has not brought success, the stakes could not be higher, and we have little choice but to think big.”<sup>4</sup>

*“Investments in people and institutions have high-expected returns, but not always in the short run.”*

In this paper, we make three key points pertinent to U.S. development strategy in Pakistan. We then set out five recommendations to guide implementation of that strategy. In doing so, we draw on the expertise and insights of the members of the Center for Global Development Study Group on U.S. Development Strategy in Pakistan,<sup>5</sup> and on the ideas set out in our 2010 series of open letters to Ambassador Richard Holbrooke, which are meant to provide both constructive commentary and practical suggestions on the U.S. foreign assistance and development program in Pakistan.<sup>6</sup>

## Three Key Points

**1. To be an effective foreign policy tool, investments in people and institutions require patience and insulation from short-term pressures; whenever possible security and diplomatic efforts should support rather than undermine that long-term development strategy.**

A well-governed, prosperous, and stable Pakistan is clearly in the United States’ long-term interest.<sup>7</sup> However, the United States has other immediate security and diplomatic interests in the country. Large areas of territory outside the control of the Pakistani state create safe havens for enemies of the United States, while anti-American sentiment limits the willingness of Pakistan’s leaders to confront them. A fragile civilian government is threatened not only by armed militant groups, but also by a debilitating power crisis, a shortage of foreign capital, and high unemployment.

The critical challenge for U.S. policymakers is to balance these priorities such that the fierce urgency of today’s diplomatic, stability, and security goals does not undermine sustainable progress towards a better governed and more prosperous Pakistan five and ten years from now. A smart development approach requires taking some risks, and practicing patience. Investments in people and institutions have high-expected returns, but not always in the short run. In an environment in which the demands of diplomacy and defense policy are immediate and acute

and the benefits of better educated citizens and more legitimate government come mostly later, investment in development will otherwise get short shrift.<sup>8</sup> It is entirely reasonable that some economic assistance be used to address short-term concerns. However, if the lion's share of what is labeled and meant to be "development" aid is not used to further the long-term development mission, then, paradoxically, the overall foreign policy objectives of the United States in Pakistan will be imperiled.

In many sectors, there are real tensions between policies targeted at the short term and the long term. Consider, for instance, the decisions to be made about U.S. investments in Pakistan's energy sector. In the interest of enhancing political and economic stability in Pakistan over the next year, short-term U.S. assistance to blunt the worst of Pakistan's power crisis may well be warranted. But U.S. support of quick progress could also undermine the incentive for Pakistan to implement the pricing and institutional reforms in the power sector without which future crises are inevitable. Without those reforms, the impact of U.S. investments in restoration and repair and even new power generation capacity is unlikely to be sustained. Will blackouts again cripple Pakistani businesses, slow job creation and further alienate from their own government the middle class?

Similarly, in the education sector, the United States' desire to improve its standing with the Pakistani public now may justify investments in school construction and student stipends, where money can be spent quickly and results are immediately visible. It bears asking, though, whether there will be teachers in those new classrooms, and if the schools will be performing--in one year, and in five years? As stipends enable more students to attend school, will they be learning anything? Will U.S. investments that are not sustained matter at all in reducing the risk of militancy and violence as Pakistan's huge youth cohort expands?<sup>9</sup>

For U.S. development assistance in Pakistan to be more than the sum of its parts and to contribute to lasting change, it needs to be an *investment* in sustainable, long-term change, beyond serving as a tool for achieving short-term interests. Protecting that long-term investment will require that the United States resists the urge to 'integrate' development in the short term with diplomacy and defense, beyond the funds dedicated explicitly to those short-term purposes.<sup>10</sup>

The more that the development mission is kept front and center, the funding and implementation separate from short-term pressures, and the long-term goal clear and unambiguous, the more effective the U.S. aid program will be. That is the case, perhaps ironically, even in the next year or two as those attributes will make the

U.S. aid program more credible to Pakistanis. After a long and turbulent history, Pakistanis are rightly wary of American assistance that seems to come with strings attached. That development, diplomacy, and defense policies are to be “integrated” in Pakistan creates the scent of a quid pro quo deal that Pakistanis are likely to resent, and reinforces the beliefs of those in Pakistan who worry that development aid will stop flowing as soon as the U.S. security community shifts its focus elsewhere.

Put another way, in our view the most effective way for U.S. policymakers to persuade Pakistanis that the United States is serious about its commitment to Pakistan’s long-term development is *to be serious* about that commitment. And meanwhile, an earnest effort to improve the lives of Pakistanis over the long term is also likely to have a powerful short-term diplomatic benefit.<sup>11</sup>

**2. Major U.S. spending on energy, water, and education should support, not precede, the difficult reforms by the government of Pakistan that are needed to secure lasting impacts.**

Even as he made the case for the current aid package, Senator Kerry was realistic. “Americans can influence events in Pakistan, but we cannot and should not decide them,” Kerry said in his May 4, 2009 floor speech on the Kerry-Lugar-Berman bill. “Ultimately, the true decision-makers are the people and leaders of Pakistan.” That statement is at the heart of the challenge the United States faces in its efforts to support high-return key investments in energy, water, and other major infrastructure, as well as in education and health. To fully unlock Pakistan’s development potential will require securing long-overdue tax reform, land reform, and the adjustment of tariffs in the energy and water sectors. In the absence of these changes, external aid programs that expand social services or build infrastructure can help people only in the short run.<sup>12</sup> Yet the United States and other donors have virtually no real leverage to influence economic policies and reforms.

Unfortunately, while many of the necessary reforms are well understood (in many cases, there are already detailed plans that need only be executed), the domestic politics of reform are exceedingly difficult. Other donors have tried for decades to engineer the same set of reforms, with little to show for their efforts.

Consider, for instance, the dismal history of World Bank and Asian Development Bank efforts to fix Pakistan’s energy woes and support fundamental institutional and demand-side reforms.<sup>13</sup> For years, their documents have cited the *same* problems in Pakistan’s energy sector, and donors have recommended the *same* solutions; the

government of Pakistan has promised to implement the *same* reforms and has broken (and donors lamented) the *same* promises. Despite decades of policy dialogue and billions of dollars in external assistance, the key obstacle has been and continues to be the difficulty smart and enlightened Pakistani technocrats face in implementing what are politically sensitive reforms. When progress has been made, it has been slow, hindered by the constant threat of public outcry and elite resistance.

The experience of the United States, other bilateral donors, and the international financial institutions over many years in many countries suggests that outside leverage on domestic policies, even where large sums are involved, is limited. That is the case, even when countries are far more aid dependent than Pakistan is (receiving 30 percent or more of their budget annually from aid—compared to approximately 14 percent in Pakistan in 2008 and 18 percent in 2009); and even when donors are willing to use the blunt instrument of exiting the country, which for good reasons, the United States has made clear it will not. The reality is that the foreign policy imperatives of achieving both a strengthened U.S.-Pakistan relationship and greater cooperation from the Pakistani government in combating extremist groups further compromises the ability of U.S. officials to press for important (but politically difficult) reforms. Finally, U.S. leverage is modest to start with, given that though the United States is a major donor in Pakistan, it still constitutes only about 30 percent of all donor transfers in fiscal year 2011.<sup>14</sup>

Thus, while the United States should continue its efforts to engage in serious policy dialogue with the Pakistani government, it should do so as a partner in helping the reformers in government manage the politics of change. The challenge is to find ways in which aid investments can support a reform process to which the government is committed, helping Pakistani policymakers overcome political obstacles. For example, perhaps initial U.S.-supported investments in energy generation and transmission capacity could be linked to a publicly vetted commitment to raise tariffs only when brownouts have been below some fixed level for some fixed period—and when tariffs are raised then another round of investments would occur. Other U.S. funding could be associated directly with increased citizen tools of accountability. For instance, U.S.-funded nationwide student testing could be rolled out as part of a campaign to inform parents and communities of test results year to year.

### **3. In insecure environments, aid spent poorly can be counterproductive and destabilizing.**

In fact, there is a scenario worse than getting nothing for U.S. aid spending. In certain cases, indiscriminate aid risks actively harming U.S. interests in Pakistan. Nowhere is this risk of counterproductive aid greater than in Pakistan's Federally Administered Tribal Areas (FATA). FATA is at once the least developed region of Pakistan and the place where extremism poses the greatest threat to American citizens. On the one hand, the security of Pakistanis and Americans justifies some U.S. investments in job creation and expanded social services there. On the other hand, FATA continues to be one of the most difficult places in the world to spend aid money well, and many of USAID's FATA programs have encountered serious difficulties.<sup>15</sup>

To understand the potential pitfalls of development efforts in environments such as FATA, the (more extensive) literature on aid in Afghanistan offers some insights. Research there has found that aid spending can fuel corruption, enrich elites, and create resentment among those who do not benefit from its largesse. It can create perverse incentives to maintain a state of insecurity, and can raise expectations that cannot be met. One recent report on aid in Afghanistan warned, "Research findings suggest policymakers should be cautious in assuming that aid projects help create positive perceptions of the deliverers of aid, or that they help legitimize the government." The report concluded that while many aid projects in Afghanistan have succeeded in delivering significant development benefits—including in expanding social services, investing in infrastructure, and financing community development—public perceptions of aid remain "overwhelmingly negative."<sup>16</sup>

In FATA, it may be that thinking small is the best way to proceed over the next year or two at least; it is hard to imagine spending more than \$150 million a year well in FATA which would be 10 percent of the expected Kerry-Lugar-Berman package. Success in FATA will also depend on a willingness to move slowly, learn from what is working, and make adjustments. For example, small amounts of money put through the right system, such as in the National Solidarity Program in Afghanistan, a donor-supported, community-led reconstruction and rural infrastructure initiative, might be the right approach in the FATA region. It might also make sense to use modest amounts of assistance to catalyze private investment in small-scale industrial development to create jobs in FATA, with close study of its impact.<sup>17</sup> Trade policy could also play a role, although, as we argue

below, expanded trade access for *all* Pakistani exports from *all* of Pakistan is a more effective policy than proposed Reconstruction Opportunity Zones (ROZs), which would offer preferential trade access to U.S. markets only for products produced in Pakistan's tribal areas.<sup>18</sup>

Viewed through a wider lens, aid also has the potential to undercut the very institutions the United States strives to strengthen in Pakistan. The development literature is replete with evidence that aid can negatively affect public institutions and the relationship between governments and their citizens. For instance, aid can diminish the need to raise revenues through taxation (and, therefore, the grounds citizens have to demand effective governance and service delivery), and it can create new channels of obligation in which recipient governments are accountable to foreign donors instead of their own people.<sup>19</sup> Though Pakistan receives less aid as a share of its economy than the world's most aid-dependent countries, its dysfunctional tax system<sup>20</sup> and its comparatively low budgetary allocations to social sectors (compared to Bangladesh and India, for example) are problems that large inflows of external aid could delay resolving or even worsen. As outlined in greater detail in the final section of this paper, recognizing these issues might lead the United States to direct some portion of aid specifically towards building channels of accountability between Pakistani citizens and their government, and supporting not only increased revenue measures (together with the International Monetary Fund), but also more comprehensive reform of the tax system to make it fair as well as effective.

### **Five Components of an Effective U.S. Development Strategy**

Pakistan has been and continues to be a daunting setting for well-meaning donors. Despite huge inflows of foreign assistance, Pakistan has made only halting progress on the fundamentals of state building and social development. Today its democracy is fragile, corruption and patronage are rampant in government, most of its children never complete primary school, and its health indicators lag behind those of Bangladesh, despite its higher average income. As just one example, poverty in Pakistan was *higher* in 2004 than it was a decade earlier, despite millions of dollars spent by the World Bank on a large anti-poverty program in Pakistan in the 1990s.<sup>21</sup> At least then and in those sectors, the bottom line was clear: it is very hard to effectively spend a "surge" of aid money in Pakistan.

We outline five components of an effective U.S. development strategy taking into account that reality—that it is hard to spend aid money well in Pakistan.

### **1. Define, Measure, and Report Periodically on Four or Five Shared Development Indicators.**

No matter how much money the United States spends in support of Pakistan’s long-term development, prospects for success are greatest if Pakistan’s leaders share U.S. goals and Pakistani people are engaged in the process. To that end, we recommend that the United States and Pakistani governments work together to define what long-term success would mean in the lives of Pakistanis, in the form of four to five simple, easily explained development indicators. These indicators might include the number of children completing primary school and taking a standardized test, the hours of electricity received and paid for in various parts of the country, agricultural yields achieved by farmers, and the number of taxpayers with income above some threshold. The governments of Pakistan and the United States could then commit to measuring progress against these indicators, reporting on them annually, commissioning annual independent audits of their reports and disseminating the information widely to the Pakistani public. The United States could similarly report to the U.S. Congress for the next five years.<sup>22</sup>

This focus on development indicators would have several benefits. The process of defining the list of indicators would yield a shared vision for what U.S. and Pakistani policymakers see as key objectives of development spending and policy and would ideally build greater commitment to achieving them. It would draw attention to development *outcomes* that matter to people, and not just to the *inputs* of U.S.-financed aid projects. This in turn could help shift some of the focus in congress away from tracking dollars and cents, and toward an emphasis on real development progress.<sup>23</sup> It could also start to engage Pakistani citizens in the important work of holding their government and international donors accountable for delivering progress on the agreed upon indicators. Finally, donor agencies and Pakistani government ministries alike could use these indicators to evaluate their own programs, learn from what works, and make improvements.

## **2. Innovate: Pay for Outcomes.**

Time and again, donor efforts to encourage policy reform have been thwarted by a lack of political will in Pakistan to carry out these reforms. To help create incentives for reform at the provincial or federal government level, the United States could consider using a portion of its aid budget to pilot a Cash-on-Delivery aid contract<sup>24</sup>—starting, perhaps, at the provincial level in the education sector. Provincial governments would receive a flexible stream of U.S. aid funding based on their incremental progress each year, for example the number of additional children who complete primary school—public or private—and take a standardized test (or some other agreed upon metric). No restrictions would be imposed on how the funds are spent, and the United States would not dictate how to achieve the goal of increased student completion rates. In short, provincial governments that are willing and able to find ways to improve their overall primary education system would be rewarded with additional unrestricted cash.

The money made available through a Cash-on-Delivery contract could provide the lever that reform-minded individuals within the Pakistani government need to support their efforts. The contract would help improve accountability by focusing on and paying for outcomes, not inputs. At the same time, it would promote local ownership since it requires the recipient (in this case the provincial government) to assume full responsibility for the design and implementation of strategies, without conditions or restrictions of funds. In doing so, it could also enhance the effectiveness of other aid spending by the United States and other donors.

## **3. Encourage Transparency (And Be Transparent!).**

The challenges of political will and governance are not limited to the highest levels of government. These same obstacles confront any donor effort to improve service delivery in the public sector—in providing quality education, for instance, or improving public management of Pakistan’s irrigation system. Building a school is one thing; ensuring teachers show up and teach their students is another.

To improve public service delivery in Pakistan, the United States could consider financing transparency initiatives that share information about the quality of public service delivery and, in so doing, empower Pakistani citizens to hold government accountable for its spending and services. Research in public accountability in developing countries shows that well-designed information campaigns can have powerful effects on improving the quality of public service delivery, and can create

pressure for democratic governments to be more responsive to the demands of their constituents.<sup>25</sup> In Pakistan's education sector, for instance, the United States should consider financing a massive effort to share information on either resource allocation (how many desks and chairs have been allocated to a given school, for instance) or quality (the results of a standardized examination of learning, compared to other local schools and schools in other areas). Besides the potential development impacts, this sort of effort might also be an effective public diplomacy tool by positioning the United States as the champion of accountable, honest governance in a country in which many don't trust their own politicians to deliver on their commitments.

The U.S. aid program itself could be more transparent, including by sharing more complete and timely information about program plans, commitments and actual disbursements. For instance, the United States could create a website such as [www.USAIDforPakistan.gov](http://www.USAIDforPakistan.gov), modeled after the [recovery.gov](http://recovery.gov) website that tracks U.S. stimulus money. Greater transparency can help counter the widespread mistrust and misinformation about U.S. programs and could enable Pakistani civil society to play a role in monitoring how government and non-governmental organizations spend money.

#### **4. Collaborate, Co-finance and Piggyback on Other Donors' Programs That are Working.**

Through decades of trial and error in Pakistan, donors have learned hard lessons and gained valuable experience and expertise. The Asian Development Bank, the World Bank, IMF and the UK's Department for International Development all operate large programs in Pakistan, some of which rival or exceed the scale of the U.S. aid program. The United States would gain much by collaborating with these and other donors in Pakistan. In particular, as the United States shifts more of its resources to direct implementation by the government of Pakistan, the experience of other donors in working closely with provincial and federal ministries will be especially helpful.

Where donor programs are already working in Pakistan, there is little need for the United States to reinvent the wheel. To accelerate long-term development progress, the United States should consider co-financing donor programs that have already demonstrated results. For instance, the World Bank's program supporting the education reform efforts of the provincial government of Punjab has yielded positive results. The United States could consider contributing financing to the next round of World Bank education programs. Likewise, the United States could

build on the UK's leadership in Pakistan's education sector and finance a major U.S.-U.K. partnership on education over the next five years.

### **5. Trade and Private Sector Investment, Not Just Aid.**

Given the challenges of spending aid money well in Pakistan, it is even *more* important for the United States to look beyond aid for ways to help the Pakistani private sector create new jobs. First, the United States should revisit the potential for a consortium of private sector investors to co-finance any mega-project, if and when

*“The more the United States has at stake with its development program in Pakistan, the greater the risk that it will try to do too much and achieve less in the short run, and nothing in the long run.”*

any fundamental reforms in the energy sector take hold. Second, bipartisan legislation is pending in the U.S. senate that would create “Reconstruction Opportunity Zones,” thus expanding duty-free access for certain exports from Pakistan's troubled border region with Afghanistan, as well as areas affected by the 2005 earthquake. However, the ROZ legislation in its current form would have relatively little economic impact.<sup>26</sup> Elliott and colleagues concludes that the proposed tariff reduction is “unlikely to be sufficient to overcome the competitive disadvantages of having to produce in Pakistan's remote and often insecure border regions.”<sup>27</sup> It also fails to exploit the considerable potential for economic growth in Punjab, Sindh, and other more urbanized areas of Pakistan. Congress and the administration should work together to develop and pass legislation for duty free, quota-free access to U.S. markets for *all* Pakistani exports from *all* of Pakistan for at least the next five years. Offering broader access to U.S markets would have a greater economic effect, encouraging diversification and increasing the potential development dividends from trade, while having only a negligible impact on U.S. producers.

### **Conclusion: Choosing a Long-Term Investment**

The frustrating paradox in Pakistan is that while the extreme problems of security, anti-American sentiment and state weakness justify U.S. aid spending, they also complicate its effectiveness. Ironically, the more the United States has at stake with its development program in Pakistan, the greater the risk that it will try to do too much and achieve less in the short run, and nothing in the long run.

Given these hard realities, we argue for a clear, unambiguous focus on the long-term development challenge in Pakistan. There will always be short-term fires and urgent pressures. But there are no easy solutions and no quick fixes to Pakistan's fundamental development challenge. In the absence of investment today in people and institutions for the long run, adequately insulated from short-term pressures to spend money in other ways, it is unrealistic to expect that the United States' \$7.5 billion investment will yield lasting results. A strategy that fails to pursue lasting change risks, yet again, squandering an opportunity to help secure a better future for Pakistani citizens, and ultimately a more secure future for Americans. It was that long-term future for citizens of both countries that the Congress had in mind in authorizing in the Kerry-Lugar-Berman bill a large and long term development program for a single country.<sup>28</sup>

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**Nancy Birdsall** is the founding president of the Center for Global Development. Prior to launching the center, Ms. Birdsall served for three years as Senior Associate and Director of the Economic Reform Project at the Carnegie Endowment for International Peace. Her work at Carnegie focused on issues of globalization and inequality, as well as on the reform of the international financial institutions. From 1993 to 1998, Ms. Birdsall was Executive Vice-President of the Inter-American Development Bank, the largest of the regional development banks, where she oversaw a \$30 billion public and private loan portfolio. Before joining the Inter-American Development Bank, Ms. Birdsall spent 14 years in research, policy, and management positions at the World Bank, most recently as Director of the Policy Research Department. Ms. Birdsall is the author, co-author, or editor of more than a dozen books. She has also written more than 100 articles for books and scholarly journals published in English and Spanish. Shorter pieces of her writing have appeared in dozens of newspapers and magazines.

**Wren Elhai** is a research and communications assistant at the Center for Global Development. He assists Nancy Birdsall with research on the effectiveness of foreign aid and supports the work of the Study Group on a U.S. Development Strategy in Pakistan. He is a graduate of Swarthmore College, where he majored in political science and Russian studies. At Swarthmore, he helped to create and direct a radio program that covered the wars in Iraq and Afghanistan by airing the firsthand stories of Iraqi and Afghan civilians and U.S. servicemen. After graduating, he spent a year as a Thomas J. Watson Fellow, living and studying with traditional vocalists in Tuva (Russian Federation), India, South Africa, and Europe.

**Molly Kinder** is a Senior Policy Analyst at the Center for Global Development and director of the U.S. Development Strategy in Pakistan initiative. Previously, she worked in Pakistan and India for the World Bank. In Liberia, Ms. Kinder served as UNDP technical advisor to Liberia's Poverty Reduction Strategy and as special assistant to Liberia's Finance Minister. She was Deputy Chair of the Clinton Global Initiative's Poverty Alleviation track and has consulted for the Bill & Melinda Gates Foundation. Ms. Kinder is co-author of the Center of Global Development's best-selling book, *Millions Saved: Proven Success in Global Health*, which is required reading in more than 60 universities worldwide. She is a term member of the Council on Foreign Relations, a Truman Security Fellow, and was a finalist for the White House Fellowship. She is a member of the board of directors of the Harvard Kennedy School Alumni Association, and directs Truman Women in International Security. Ms. Kinder received a B.A. in political science from the University of Notre Dame and a Master in Public Administration in International Development (MPA/ID) from the Harvard Kennedy School.

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- <sup>1</sup> Cohen, Craig and Derek Chollet. "When \$10 Billion Is Not Enough: Rethinking U.S. Strategy toward Pakistan," *Washington Quarterly*, Spring 2007, [http://www.twq.com/07spring/docs/07spring\\_cohen-chollet.pdf](http://www.twq.com/07spring/docs/07spring_cohen-chollet.pdf).
- <sup>2</sup> Senator John Kerry's May 4, 2009 floor speech in Farah Stockman, "Kerry and Lugar Call for New Pakistan Policy," *The Boston Globe*, May 4, 2009, [http://www.boston.com/news/politics/politicalintelligence/2009/05/kerry\\_and\\_lugar](http://www.boston.com/news/politics/politicalintelligence/2009/05/kerry_and_lugar).
- <sup>3</sup> Senator Richard Lugar, *Senate Floor Statement for Pakistan Legislation*, May 4, 2009, <http://lugar.senate.gov/news/record.cfm?id=312426>.
- <sup>4</sup> Farah Stockman, "Kerry and Lugar Call for New Pakistan Policy," *The Boston Globe*, May 4, 2009, [http://www.boston.com/news/politics/politicalintelligence/2009/05/kerry\\_and\\_lugar](http://www.boston.com/news/politics/politicalintelligence/2009/05/kerry_and_lugar).
- <sup>5</sup> The Study Group comprises experts in national security, development economics, and aid effectiveness, and includes several prominent Pakistanis. More information is available at [www.cgdev.org/section/initiatives/\\_active/pakistan](http://www.cgdev.org/section/initiatives/_active/pakistan).
- <sup>6</sup> The letters published thus far have focused on overall guidelines for effective aid, development in Pakistan's tribal regions, assistance to the energy sector, the human resource needs of the development program, and the education sector.
- <sup>7</sup> This objective is spelled out in the Kerry-Lugar-Berman legislation and in Obama administration strategic plans. See "White Paper of the Interagency Policy Group's Report on U.S. Policy toward Afghanistan and Pakistan," [www.whitehouse.gov/assets/documents/afghanistan\\_pakistan\\_white\\_paper\\_final.pdf](http://www.whitehouse.gov/assets/documents/afghanistan_pakistan_white_paper_final.pdf).
- <sup>8</sup> As described by Nancy Birdsall in *The White House and the World: A Global Development Agenda for the Next U.S. President*, (Center for Global Development, 2008), the "three-legged stool" of American foreign policy has long been a lopsided one, with a development dimension too often subordinated to diplomacy and defense.
- <sup>9</sup> Winthrop, Rebecca and Corinne Graff. "Beyond Madrasas: Assessing the Link Between Education and Militancy in Pakistan." Center for Universal Education Working Paper 2, Brookings Institution, June 2010, [http://www.brookings.edu/~media/Files/rc/papers/2010/06\\_pakistan\\_education\\_winthrop/06\\_pakistan\\_education\\_winthrop.pdf](http://www.brookings.edu/~media/Files/rc/papers/2010/06_pakistan_education_winthrop/06_pakistan_education_winthrop.pdf).
- <sup>10</sup> To more clearly demarcate this distinction, the administration could report to congress annually which of the Kerry-Lugar-Berman funds were used for immediate economic stabilization and emergency post-conflict relief, for instance, and which were invested in programs and projects expected to have a sustainable impact on economic growth and social development.
- <sup>11</sup> As a point of comparison, it was in countries in Africa that benefited from the Bush administration initiative to deal with the AIDS problem there that pro-American sentiment was highest in 2007 (Data available from the Pew Global Attitudes Project at [www.pewglobal.org](http://www.pewglobal.org)).
- <sup>12</sup> Birdsall, Nancy, Adeel Malik and Milan Vaishnav. "Poverty and the Social Sectors: The World Bank in Pakistan 1990-2003." *Prepared for the World Bank's Operations Evaluation Department*, June 1, 2005, as cited in Birdsall, Nancy and Molly Kinder. "The U.S. Aid 'Surge' to Pakistan: Repeating a Failed Experiment? Lessons for U.S. Policymakers from the World Bank's Social-Sector Lending in the 1990s," Center for Global Development, Working Paper 205, March 2010, <http://www.cgdev.org/content/publications/detail/1423965>.

- <sup>13</sup>Kinder, Molly and Wren Elhai. “Background Note: Multilateral Missteps in Pakistan’s Energy Sector,” Center for Global Development, May 2010, [http://www.cgdev.org/doc/Pakistan/Multilateral\\_Missteps\\_in\\_Pakistans\\_Energy\\_Sector.pdf](http://www.cgdev.org/doc/Pakistan/Multilateral_Missteps_in_Pakistans_Energy_Sector.pdf).
- <sup>14</sup>Not including the IMF’s significant loan arrangement, which is far larger than all development assistance to Pakistan combined. The largest aid donors to Pakistan continue to be the two major multilateral banks active in the country: the World Bank and the Asian Development Bank.
- <sup>15</sup>See the Audit Report of the Office of the Inspector General’s “Audit of USAID/Pakistan’s Capacity Building for the Federally Administered Tribal Areas Development Program,” January 2010. [http://pdf.usaid.gov/pdf\\_docs/PDACN948.pdf](http://pdf.usaid.gov/pdf_docs/PDACN948.pdf); and the Government Accountability Office, “Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan’s Federally Administered Tribal Areas Need to Be Improved,” April 2010, <http://www.gao.gov/products/GAO-10-289>.
- <sup>16</sup>“Winning ‘Hearts and Minds’ in Afghanistan: Assessing the Effectiveness of Development Aid in COIN Operations.” Report on Wilton Park Conference 1022, March 2010, <http://www.wiltonpark.org.uk/resources/en/pdf/22290903/22291297/wp1022-report>.
- <sup>17</sup>This might include providing risk insurance for private enterprises, offering matching grants on wage payments, or subsidizing goods produced in the region. In general, any spending on development projects should be considered to be like high-risk venture capital. This is especially true for government-run development projects in FATA, given the weakness of the FATA Secretariat, the unelected administrative body that oversees FATA.
- <sup>18</sup>Elliott, Kimberly Ann. “Stimulating Pakistani Exports and Job Creation: Special Zones Won’t Help Nearly as Much as Cutting Tariffs Across the Board,” Center for Global Development, 2010. See also pages 48-50 of “U.S. Strategy for Pakistan and Afghanistan: Independent Task Force Report No. 150,” chaired by Richard Armitage and Samuel Berger and directed by Daniel Markey. Council on Foreign Relations, 2010.
- <sup>19</sup>See Birdsall, Nancy. “Do No Harm: Aid, Weak Institutions, and the Missing Middle in Africa,” Center for Global Development Working Paper 113; or Moss, Todd et al “An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa,” Center for Global Development Working Paper 74.
- <sup>20</sup>At just over 10 percent, Pakistan has one of the lowest tax-to-GDP ratios in the world.
- <sup>21</sup>Birdsall, Nancy and Molly Kinder. “The U.S. Aid ‘Surge’ to Pakistan: Repeating a Failed Experiment? Lessons for U.S. Policymakers from the World Bank’s Social-Sector Lending in the 1990s,” Center for Global Development, Working Paper 205, March 2010, <http://www.cgdev.org/content/publications/detail/1423965>.
- <sup>22</sup>Birdsall, Nancy and Wren Elhai, “Measuring Overall Development Progress in Pakistan: Charting a Path Towards Success,” Center for Global Development, October 18, 2010, <http://www.cgdev.org/doc/Pakistan/Measuring%20Overall%20Progress%20Oct%2008.pdf>.
- <sup>23</sup>In his essay, “The Clash of the Counter-Bureaucracy and Development,” Andrew Natsios derides what he terms the U.S. counter-bureaucracy (primarily the USAID Office of the Inspector General), ruing its effects on the sustainable impact of USAID programs. He also rejects any emphasis on measurement of any results; on this latter point we disagree.

<sup>24</sup>Birdsall, Nancy and William Savedoff with Ayah Mahgoub and Kate Vyborny. *Cash On Delivery: A New Approach to Foreign Aid*, Center for Global Development, 2010. See also Wren Elhai and Nancy Birdsall, “The Challenge of Aid in Pakistan: Is Cash on Delivery Part of the Solution?” Center for Global Development, 2010.

<sup>25</sup>Khemani, Sthuti. “Can Information Campaigns Overcome Political Obstacles to Serving the Poor?” in *The Politics of Service Delivery in Democracies*, Shanta Devarajan and Ingrid Widlund, eds. 2007.

<sup>26</sup>The bill’s product restrictions, meant to avoid opposition from the U.S. textile industry, exclude half of Pakistani exports, including many in the highest tariff categories.

<sup>27</sup>Elliott, Kimberly Ann. “Stimulating Pakistani Exports and Job Creation: Special Zones Won’t Help Nearly as Much as Cutting Tariffs Across the Board.” Center for Global Development, 2010.

<sup>28</sup>Thanks to Dennis de Tray, Ishrat Husain, Asim Khwaja, Clay Lowery, Moeed Yusuf, and Mosharraf Zaidi for valuable comments.

# Part **4**

INDIA, PAKISTAN, AND THEIR RESPECTIVE  
IMPLICATIONS FOR U.S. POLICY

CHAPTER 7

## **Pakistan's Relations with India:** Implications for U.S. Policy

**Samina Ahmed**

South Asia Project Director  
International Crisis Group

CHAPTER 8

## **A Rising Brand:** India's Emerging Power, Implications for South Asia and U.S. Policy

**Anja Manuel**

Principal  
The RiceHadley Group LLC

*“Although the United States has expressed its support for the democratic transition and has pledged to expand its relationship with Pakistan beyond one that focuses solely on the military, U.S. policymakers still believe that the military’s support is vital to combat al Qaeda in the region and to stabilize Afghanistan. Hence, U.S. policymakers are attempting to woo the military even at the cost of civilian supremacy.”*

— SAMINA AHMED

# Pakistan's Relations with India: Implications for U.S. Policy

**Samina Ahmed**

South Asia Project Director  
International Crisis Group

Two and a half years after taking power, facing multiple domestic challenges, in particular from a confrontationist superior judiciary, the Pakistan Peoples Party (PPP)-led government has yet to take control over national security policy from the military. With the military shaping Pakistan's national security and foreign policies, the prospect of rapprochement with India is increasingly unlikely. On the contrary, the potential for conflict between the two nuclear armed neighbors remains high so long as the Pakistani military continues to use jihadi proxies to promote perceived national security interests vis-à-vis India.

Attacks against Indian targets by Pakistan-based jihadis have, on several occasions in the past, brought the two countries to the brink of all-out war. Understandably concerned about the dangers of such a confrontation, the United States has repeatedly, and successfully, intervened to persuade India and pressure Pakistan to de-escalate tensions. However, there is no guarantee that the United States would succeed in convincing New Delhi to exercise restraint if another Mumbai incident occurs.

*“With the military shaping Pakistan’s national security and foreign policies, the prospect of rapprochement with India is increasingly unlikely.”*

With a resurgent insurgency undermining Afghan stability, U.S. stakes in ensuring that peace prevails in South Asia are even higher. Despite billions of dollars of U.S. assistance spent in Pakistan since September 11, 2001, the Pakistani military is still unwilling to end a long-standing policy of using Islamist militants not just in the Indian context but also in Afghanistan. Indeed, convinced that an American withdrawal is imminent, and with its Afghan Islamist Pashtun allies poised to regain power, it is keen on negotiating a settlement of the Afghan conflict that would hasten that withdrawal. From New Delhi's perspective, however, the return

to power of the Pakistan-backed insurgents in Afghanistan would undermine Indian national security.

There are close links between Pakistan-based India and Afghanistan-oriented jihadis and they are linked in turn to al Qaeda. Scores of disrupted terror plots in the U.S. homeland have been traced back to Pakistani jihadi organizations.<sup>1</sup> U.S. and Indian interests thus converge with regards to the threats posed by these violent extremists. However, American policymakers are yet to fully comprehend the extent to which the U.S.-India civilian nuclear agreement, and hence an implicit acceptance of India's nuclear weapons status, is fuelling a dangerously destabilizing nuclear arms race in south Asia. Turning to its traditional Chinese ally to counterbalance U.S.-India nuclear ties, Pakistan is bent on matching India's nuclear prowess. In the meantime, the United States is concerned about Pakistan's nuclear assets falling into the hands of violent extremists, yet another jihadi attack could provoke an armed confrontation between Pakistan and India that could potentially escalate to the nuclear level, gravely destabilizing this volatile region.

## Background

The military has ruled Pakistan directly or indirectly for most of the country's existence, with its perceptions of India shaped by a long history of war and regional rivalry. Successive generations of officers are taught to regard India as the main threat to Pakistan's security and stability; and also to believe that their institution alone can ward off an ambitious and aggressive Indian adversary. During Pakistan's short-lived democratic interludes, the military has perceived civilian leaders attempting to transform the relationship with India from confrontation to cooperation as a threat to national security. Indeed, elected governments have challenged the military's policy and preferences vis-à-vis India at their peril.

During Pakistan's first war with India in 1947-48, sparked by the territorial dispute over Jammu and Kashmir, the military's use of tribal *lashkars* (tribal militias) set a dangerous precedent of relying on non-state actors to settle scores with a much larger and more powerful neighbor. As Pakistan entered into U.S.-led cold war alliances during the 1950s, the military also grew into a formidable force, first challenging and then ousting the civilian leadership in 1958 in the first of several coups.

In the absence of civilian oversight and input, Pakistan's national security policy became hostage to the military's hostility towards India, reinforced by the 1965 conflict over Kashmir, fought under the leadership of military ruler General Ayub

Khan, and culminating in the 1971 war with India, with a disastrous military defeat resulting in the secession of Pakistan's east wing, and the formation of Bangladesh.

The military regime of General Yahya Khan was forced to hand over power to civilian hands, and Prime Minister Zulfikar Ali Bhutto signed the Simla Agreement, whereby Pakistan pledged to refrain from forcibly changing the territorial boundary, now called the Line of Control (LoC), separating Pakistan and Indian-administered Kashmir. Following Bhutto's ouster, however, under General Zia-ul-Haq's military regime, tensions with India once again mounted, taking the two countries to the brink of war in 1986-87, while Pakistan's rivalry with India was to also assume a nuclear dimension as the military attempted to match India's nuclear prowess.<sup>2</sup>

Pakistan's role in the U.S.-led anti-Soviet jihad in Afghanistan was to have a particularly adverse effect on its relations with India. With U.S. acquiescence and support, the Zia regime conducted a proxy war, using Afghan and Pakistani Islamists against the Soviet-backed government in Kabul. With state backing, Sunni radical Deobandi *madrasas* proliferated in Pakistan, providing foot soldiers for the jihad in Afghanistan. With the military regime's support, Islamists also made political inroads at the cost of the country's moderate forces at home.

After the Soviet withdrawal from Afghanistan, the military was to use these jihadis on both the eastern and western fronts. The Pakistani military found an opportunity to intervene in India through the widespread violence in Jammu and Kashmir and through the civil war in Afghanistan. The military's attempts to undermine Indian security through the use of jihadi proxies took place at a time when a democratic government had taken over power after Zia's demise. Since Prime Minister Benazir Bhutto vowed to pursue a policy of rapprochement with India, for this reason, among others, she was regarded as a threat to national security by the military high command. The Pakistan Peoples Party (PPP) government was ousted through an indirect military intervention, as indeed was every elected government during the democratic transition of the 1990s before completing a full term of office. Although the high command opted for indirect control, ruling from behind the scenes, another military misadventure with India was to spark a coup, ousting the Pakistan Muslim League-Nawaz (PML-N) government and ending the fragile transition.

Intending to disrupt the peace process put in place by Prime Minister Nawaz Sharif and his Indian counterpart Atal Bihari Vajpayee, and following the footsteps of his military predecessors, army chief General Pervez Musharraf sent jihadi proxies, accompanied by regular soldiers, across the LoC in Kargil in May 1999.

As India reacted robustly, the two nuclear-armed neighbors came to the brink of war, which was averted only after the United States intervened, forcing Pakistan to withdraw its forces and persuading India from escalating the conflict. When Prime Minister Sharif attempted to hold the military leadership accountable for the attack, General Musharraf ousted him in October 1999, and imposed martial law.

This near disaster did not deter the military leadership from resorting to proxy wars. Aware that Pakistan could no longer match India's conventional might, but convinced that nuclear weapons capability would prevent all-out war, the military continued to use jihadi proxies against India. As a result, the two countries were once again on the brink of war in 2001-2002, after the December 2001 attack by Pakistan-based jihadis on the Indian parliament. Once again the United States intervened, forcing the military regime to ban the jihadi groups held responsible for the attack and convincing the Indian government to exercise restraint.<sup>3</sup>

Ironically, President Musharraf's military regime took advantage of yet another terror attack—on the U.S. homeland on September 11, 2001—to gain American backing and to ease U.S. pressure on its jihadi proxies, particularly the Lashkar-e-Tayyaba (LeT) and Jaish-e-Mohammad. Accepting U.S. demands to withdraw support for the Taliban regime sheltering Osama bin Laden, the military regime took action against al Qaeda leaders and foot soldiers in Pakistan even as it continued to support anti-India jihadi organizations that were banned but allowed to re-emerge and operate under changed names. Nor did the military take action against its Afghan Islamist allies, providing Mullah Omar's shura and other insurgent groups—particularly the Haqqani network—sanctuaries on Pakistani soil and the freedom to conduct cross-border attacks against the United States and its allies as well as the Afghan government.

The U.S. failure to fully comprehend the links between homegrown Pakistani jihadi groups, al Qaeda, and Afghan insurgent networks undermined attempts to stabilize Afghanistan and continued to pose a threat to Indian security. Yet billions of dollars of unconditional U.S. assistance continued to pour into the military's coffers, which, buttressed by U.S. political support, allowed President Musharraf to retain power until he was forced to step down in 2008, following a countrywide movement for the restoration of democracy. Although the democratic transition provides an opportunity to resolve Pakistan's tensions with India and to stabilize Afghanistan, regional peace will depend on the civilian leadership's ability to wrest control over national security policy, and that, in turn, will depend on the survival of the democratic order.

## Pakistan's Democratic Transition and Relations with India

### *Civil-Military Relations and the Jihadi Threat*

With moderate democratic parties sweeping the 2008 national elections and the Islamist parties ousted through the ballot box, there were expectations that the democratic transition would change Pakistan's domestic and external preferences and policies. Indeed, in his earliest pronouncements, President Asif Ali Zardari, heading the PPP-led ruling coalition, identified peace with India as well as with Afghanistan as major priorities for his government. Normalization talks with India were accompanied by meaningful progress in expanding confidence-building measures in the disputed territory of Kashmir including, for the very first time since independence, the opening of cross-LoC trade.<sup>4</sup>

This process of rapprochement came to an abrupt halt due to the November 2008 Mumbai terror strikes. As in the past, the military's jihadi allies demonstrated their ability not just to provoke crises with India, but to also undermine civilian authority, with the terrorists striking just when the prospects of a meaningful peace between Islamabad and New Delhi appeared promising.

The civilian government moved quickly to defuse an impending crisis with India that could have resulted in armed conflict, arresting and charging a number of Lashkar-e-Tayyaba activists, the very first time that terrorists have been tried for crimes committed outside Pakistani territory. Although the government also took over the LeT's [renamed the Jamaat-ud-Dawa (JD) after the 2002 ban] headquarters in Muridke, near the Punjab provincial capital, Lahore, it has failed to dismantle the group and to arrest the leadership, particularly Hafiz Saeed. While the Indian government has resumed talks with Pakistan, with a foreign ministerial-level meeting held in July 2010, Islamabad's failure to pursue the Mumbai cases in a timely manner and to dismantle the LeT network is hampering the normalization process.

This failure of the civilian authorities to act in a decisive manner against India-oriented jihadi groups, particularly the LeT/JD and the southern Punjab-based Jaish-e-Mohammad can be attributed, in large part, to the uneven nature of the democratic transition. With terror strikes claiming thousands of civilian lives, President Zardari and Prime Minister Yousaf Raza Gillani have repeatedly identified Islamist militancy as the gravest threat to Pakistan's security. The military high command's continued support for anti-India oriented Islamist militants,

however, undermines the civilian government's efforts to eliminate homegrown jihadi networks. Even after an attack such as the one on Data Darbar in Lahore, Pakistan's most prominent Sufi shrine, on July 1, 2010, civilian law-enforcement agencies have taken action against sectarian jihadi groups such as the Sipah-e-Sahaba and the Lashkar-e-Jhangvi, but have reportedly not been allowed to target the LeT or the Jaish.

The PPP-led government no longer appears as committed to meeting India's demands to crack down on India-oriented jihadi elements. President Zardari has declined India's demands to extradite the Mumbai accused and Foreign Minister Shah Mahmood Qureshi has called for tangible progress on resolving the Kashmir dispute as an essential precondition for peace with India. This return to past rhetoric, combined with an unwillingness to dismantle India-oriented jihadis, can be attributed, in large part, to the civilian government's concerns that it might not survive if it questions and/or opposes the military's national security preferences, particularly with regard to India.

Halfway through its term of office, the PPP-led coalition government faces multiple domestic challenges, in particular from an assertive superior judiciary that is challenging Zardari's presidential immunity from prosecution while in office and the parliament's authority to amend the constitution.<sup>5</sup> Lacking a stable majority in parliament, the PPP is dependent on the support of a number of unreliable coalition partners, particularly the ethnic Muttahida Qaumi Movement, [the renamed Muhajir<sup>6</sup> Qaumi Movement] and the Islamist Jamiat Ulema-e-Islam. Both parties were coalition partners in President Musharraf's military regime and could conceivably abandon the PPP coalition government at the military's urging, forcing a midterm election. The PPP government could also be removed if Sharif's Pakistan Muslim League-Nawaz (PML-N), the largest opposition party, opts for a vote of no-confidence in parliament, or the government might quit in the event of a Supreme Court judgment removing Zardari's presidential immunity.

Knowing full well that the military high command's preferences could influence any of these outcomes to its disadvantage, the PPP leadership appears to have increasingly ceded control of national security policy to the military. In the Indian context, the current high command's background is particularly relevant. The current Army chief Ashfaq Pervez Kayani headed the military's premier intelligence agency, Inter-Services Intelligence Directorate (ISI), during the Musharraf regime, with hands-on responsibility for managing anti-Indian jihadi groups such as the LeT and the Jaish-e-Mohammad.<sup>7</sup> For the military high command, given the

glaring conventional asymmetry with India, proxy war remains a desirable policy option, and hence these groups are still regarded as valuable strategic assets.

Although General Kayani was due to retire in November 2010, the PPP government, giving in to military pressure, granted him a full three-year extension on July 22, 2010 the first time such an extension has been given by a democratically elected government.<sup>8</sup> With General Kayani now even better placed to dictate the course of the democratic transition, the civilian leadership is unlikely to challenge the military's control of national security policy.<sup>9</sup> And Pakistan's relations with India, already fraught with tension, will inevitably worsen in the absence of civilian input and oversight.

The U.S. role too could tilt the balance even further in the military's favor. Although the United States has expressed its support for the democratic transition and has pledged to expand its relationship with Pakistan beyond one that focuses solely on the military, U.S. policymakers still believe that the military's support is vital to combat al Qaeda in the region and to stabilize Afghanistan. Hence, U.S. policymakers are attempting to woo the military even at the cost of civilian supremacy. During the first ministerial level United States-Pakistan Strategic Dialogue, for instance, Pakistan's policy paper, a fifty-six page list of demands, was reportedly produced under General Kayani's guidance. In Washington D.C., General Kayani was present in all key meetings and accorded more importance in the dialogue process than the civilian leadership.<sup>10</sup> The signals sent by the United States could further encourage an interventionist military to destabilize the civilian government, with the prospects of the normalization of Pakistan's relations with India becoming even slimmer.

### *The Afghan Imbrolio*

As the insurgency in Afghanistan spikes, U.S. policymakers believe that Pakistan's role generally, and more specifically the Pakistan military's Afghan policy, will play a crucial role in ensuring a modicum of stability in and an orderly withdrawal from Afghanistan. As mentioned earlier, for several years after September 11, 2001, the Musharraf regime gained billions of dollars of U.S. assistance by taking action against al Qaeda even as it allowed the Afghan insurgents to regroup, reorganize, and rearm in Pakistani sanctuaries. Given the close links between al Qaeda, homegrown jihadis in Pakistan's heartland, and the Afghan insurgents, particularly the Haqqani network, this jihadi alliance is responsible for increasingly sophisticated cross-border attacks against international and Afghan forces.<sup>11</sup>

To allay U.S. pressure, the Pakistan military opted for selective operations against some Pakistani Taliban groups in the tribal belt even as it entered into peace deals with others. These appeasement deals emboldened the Pakistani Taliban and allowed them to expand their presence beyond the tribal belt into the settled areas of Northwest Frontier Province, now renamed Khyber Pakhtunkhwa, finally forcing the military to take action in 2009. Yet the insurgent command and control appears to have remained untouched, and consolidating their alliance with al Qaeda-linked jihadi groups in the Punjabi heartland, this network of jihadis now poses a grave threat to Pakistan's internal stability.<sup>12</sup>

At the same time, the insurgency in Afghanistan has spiked, engulfing even the more peaceful provinces, with rising international casualties translating into public pressure for withdrawal in Western capitals. With the Afghan insurgents appearing to gain the upper hand vis-à-vis the U.S.-led coalition, the Pakistan military high command believes that it will soon have a government of its choice in Kabul. These perceptions have been reinforced by the July 2011 deadline for the beginning of the drawdown of U.S. troops. The willingness on the part of the United States and its allies to support the beleaguered Karzai government's bid to negotiate with the insurgents has also encouraged the Pakistani military to reportedly open separate channels of communication with Kabul to ensure that their Afghan allies are major gainers in the post-U.S. withdrawal political order.

This interest to install a regime of Pakistan's choice in Afghanistan is partly motivated by India's links with the Northern Alliance, the Taliban's main opposition. In the post-Taliban era, the Northern Alliance's dominance of the Afghan security forces, Indian consulates in provinces such as Kandahar and Nangarhar, bordering on Pakistan, and alleged Indian support for Baloch insurgents, are cited by the Pakistanis as evidence of the multiple threats posed to their national security from Afghan soil.

Although some analysts believe that the United States must find a way of addressing Pakistan-India tensions in Afghanistan,<sup>13</sup> India's presence in Afghanistan is only partly responsible for the Pakistan military's interventionist behavior. The Afghan refusal to accept the Durand Line as the international border, and Afghan irredentist claims over Pakistani territory, play a large part. Moreover the Pakistani military believes that Afghanistan lies within its rightful sphere of regional influence, and hence its aversion to other states, particularly its regional rivals, exercising influence there. Yet, the Pakistani military's desire to entrench their Afghan Taliban allies in power in Kabul bears major repercussions that extend far beyond

Afghanistan. Pakistani Taliban groups could then use their Afghan colleagues' hold over the bordering Pashtun majority provinces to expand their own power over Pakistan's tribal borderlands. Their al Qaeda-linked Punjabi anti-Indian jihadi allies would also be empowered, endangering Pakistani and American security.

### Pakistan-India Tensions and U.S. Policy Options

Some analysts also believe that the United States could help ease India-Pakistan tensions by mediating the Kashmir dispute, but this is unlikely to change the Pakistan military's hostility towards India. Even if a solution was conceivably found, in the absence of civilian oversight of national security policy, it is not likely to end the military's support for jihadi proxies against its larger neighbor. Despite the Kashmir dispute, both major civilian parties -- the PPP and the PML-N -- had attempted to normalize relations with India in the past. A military establishment that still regards India as Pakistan's number one existentialist threat thwarted their efforts. Moreover, given India's aversion to external intervention on this particularly sensitive issue, any U.S. attempt to mediate between Pakistan and India on issues like Kashmir would likely be rejected.

*“Instead of seeking a role in resolving the Kashmir dispute, the United States would far better serve the cause of regional stability by efforts to curb south Asian nuclear proliferation.”*

Instead of seeking a role in resolving the Kashmir dispute, the United States would far better serve the cause of regional stability by efforts to curb south Asian nuclear proliferation. India's nuclear ambitions are certainly adding to Pakistani mistrust and hostility and fuelling a destabilizing nuclear arms race. The India-United States civil nuclear deal, for instance, has prompted Pakistan to seek nuclear assistance from its traditional ally China.<sup>14</sup> So long as the United States is seen as complicit in promoting Indian nuclear interests, any amount of U.S. pressure on Pakistan to restrain its nuclear ambitions is bound to fail. While the United States appears more concerned about the prospects of violent extremists gaining access to Pakistan's nuclear assets, Pakistan and India's nuclear race poses a far greater threat to regional and global stability. Mutual misperceptions, poor intelligence, geographical contiguity, mismatched nuclear doctrines, the absence of a safety culture, and weak nuclear command and control structures collectively increase the risk of nuclear use.

The military, which control Pakistan's nuclear weapons program, believes that it can safely conduct a proxy war against India since its nuclear weapons capability would deter an Indian conventional or nuclear response. Indian policymakers believe, as the "cold start" doctrine demonstrates, that limited conventional force can be used against its nuclear-armed adversary without the conflict escalating to the nuclear level.<sup>15</sup> Yet should a conventional conflict, no matter how limited, erupt—and another Mumbai incident could certainly trigger such a conflict—the risk of nuclear use cannot be ruled out.

The United States could play a constructive role in stabilizing south Asia by:

- Persevering with efforts to ensure that the two states keep their lines of communication open and continue their newly resumed dialogue process.
- Ensuring that India does not divert civil nuclear assistance to nuclear weapons use.
- Supporting the Pakistani civilian government's bid to normalize relations with India; and
- Sending clear signals to the Pakistani military to end its support for India and Afghan-oriented jihadi organizations.

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**Samina Ahmed** is the Project Director for South Asia at the International Crisis Group. She oversees the work in Pakistan, Afghanistan, India and Nepal. Dr. Ahmed specializes in South Asian Affairs, democratic transitions, authoritarian states, ethnic and religious conflict, and nuclear proliferation. Previously, she was a Research Fellow at the John F. Kennedy School of Government at Harvard University, from 1999 to 2001. Dr. Ahmed was also a Senior Research Analyst at the Institute of Regional Studies, in Islamabad, Pakistan from 1990 to 1997, as well as a research fellow at the Pakistan Institute of International Affairs in Karachi. She has been the recipient of a number of research grants and awards and has worked as a visiting Fellow at Oxford University, a Visiting Researcher at the Stockholm International Peace Research Institute, and a Visiting Scholar at the Cooperative Monitoring Center, Sandia National Laboratories, Albuquerque. Dr. Ahmed is the author of several books, chapters, and articles including: "Looking Beyond the Afghan Vote", *The Boston Globe*; "The Peshawar Problem", *Foreign Policy*; "Winning the Hearts and Minds of Pakistan's Displaced", *Global Post*; "Talking to the Taliban Is Foolish", *Financial Times*; and "Pakistan: Democracy and the Islamists", *Political Islam: Challenges for U.S. Policy*. She received a Masters in International Relations and a Doctor of Philosophy in Political Science from the Australian National University.

- <sup>1</sup> K. Alan Kronstadt, Pakistan: *Key Current Issues and Developments*, Congressional Research Service Report for Congress, 1 June 2010.
- <sup>2</sup> Mario Carranza, "Dangerous Optimism: Nonweaponized Deterrence and the Regional Peace in South Asia", *International Politics*, Vol. 35, no. 2, June 1998.
- <sup>3</sup> See Walter C. Ladwig, "Cold Start to Hot Wars?" *International Security*, Vol. 32, No. 3 (Winter 2007/2008).
- <sup>4</sup> See Crisis Group Asia Briefing No.106, *Steps Towards Peace: Putting Kashmiris First*, 3 June 2010.
- <sup>5</sup> Kronstadt, op.cit., pp. 54-55.
- <sup>6</sup> Muhajirs are Urdu-speaking refugees, and their descendents, from India.
- <sup>7</sup> Appointed army chief in November 2007, Kayani ran ISI from 2004 to 2007.
- <sup>8</sup> An editorial of a leading national daily, calling on Kayani to respect the oath he had taken under the constitution to refrain from political activities and uphold the constitution, commented: "The public does not know yet, perhaps it never will, if the decision was a total capitulation or the result of a quid pro quo". "A Second Term for Kayani", *Dawn*, 24 July 2010.
- <sup>9</sup> Should the PPP-led government complete its five-year term, Kayani will still be army chief when national elections are held in 2013.
- <sup>10</sup> Arif Nizami, "Man on Horseback", *The News*, 3 April 2010. See also Kronstadt, op.cit., p. 9.
- <sup>11</sup> According to a senior NATO intelligence official, the Lashkar-e-Tayyaba is active in six or eight Afghan provinces. "They are currently most interested in Indian targets here, but they can readily trade attacks on international targets for money or influence or an alliance with other groups". Alissa J. Rubin, "Militant Group Expands Attacks in Afghanistan", *The New York Times*, 15 June 2010. See also Karin Brulliard and Karen DeYoung, "Pakistan, Afghanistan begin talks about dealing with insurgents", *The Washington Post*, 19 June 2010.
- <sup>12</sup> See Crisis Group Asia reports No.164, *Pakistan: The Militant Jihadi Challenge*, 13 March 2009; No.178, *Pakistan: Countering Militancy in FATA*, 21 October 2009.
- <sup>13</sup> See for instance Xenia Dormandy, "Resolve India-Pakistan Tension", *International Herald Tribune*, 17 February 2007.
- <sup>14</sup> With the United States refusing to accept Pakistani demands for a similar civilian nuclear deal, Pakistan has turned to China, resulting in the proposed sale of two additional nuclear power reactors for the Chashma nuclear complex.
- <sup>15</sup> Ladwig, op.cit.

*“India is unique in the world: an ancient civilization with a fundamentally peaceful philosophy, and a rising economic and political star that will enable it increasingly to export its ideas around the world.”*

— ANJA MANUEL

# A Rising Brand:

## India's Emerging Power, Implications for South Asia and U.S Policy

**Anja Manuel**

Principal  
The RiceHadley Group LLC

*“Civilizations have arisen...and wonderful ideas have been carried forward...But mark you, my friends, it has been always with the blast of war trumpets...We, of all nations of the world, have never been a conquering race, and that blessing is on our head, and therefore we live.”*

SWAMI VIVEKANANDA

India is unique in the world: an ancient civilization with a fundamentally peaceful philosophy, and a rising economic and political star that will enable it increasingly to export its ideas around the world. In many ways, its rise to power mirrors America's own rise in the nineteenth and early twentieth centuries. Both countries believe their ideals and open societies make them exceptional. The United States should have a profound interest in India's success as a democratic superpower. This paper analyzes first, why the United States should want India to succeed; second, which U.S. policies could help India rise peacefully; and finally, what implications India's rise has for its neighborhood.

### Why Should We Want India to Succeed?

Despite many recent articles predicting its imminent demise, America is still the undisputed world hegemon. A quick look at the numbers makes this clear: U.S. GDP in 2008 was \$14.1 trillion, compared to China's \$4.3 trillion, and India's \$1.2 trillion.<sup>1</sup> In terms of defense spending, often used as a proxy for “hard power,” the United States spent \$663 billion in 2009, compared to China's approximately \$99 billion, India's \$36 billion, the European Union's \$328 billion, and Brazil's \$27 billion.<sup>2</sup>

But is this a position the United States can sustain over the next few decades? More importantly, does America want to continue to play the role of sole world stabilizer? There are a myriad of international concerns that the United States, and to a limited extent Europe, currently handle on behalf of the international community: from keeping Iran and North Korea's nuclear ambitions in check, to playing a balancing role in the Middle East, and ensuring the openness of the "global commons" for all – the oceans, air, outer space, and cyberspace that are outside the control of any one state. Increasingly, the United States will want to look to partner countries, such as India and perhaps Brazil, to help it meet some of these challenges. In a more

*“Although we will not agree with India on every policy, our broad confluence of values – belief in an open society, democracy, human rights, an open economic system, and the rule of law – make us ideal partners.”*

multipolar world, the United States will want to foster the development of new “poles” that generally share our values. India is an ideal candidate to help shape a non-Western world that is inherently peaceful and pluralistic.

Additionally – and this was a striking area of agreement in the Aspen India talks – India shares our apprehension about a Chinese rise that is not managed well, and is taking an approach similar to that taken by both the Bush and Obama administrations in dealing with China: an effort to both integrate China, but also hedge and balance China if it becomes an aggressively revisionist power.<sup>3</sup> Our most effective partner in managing China's rise will likely be India – *if* we can help it grow into a prosperous, pluralistic world power.

It is too much to expect that India will become as close and steady an ally of the United States as, for example, the United Kingdom. As it grows, India and other rising powers will understandably want to mold international institutions to fit their views, rather than being slotted seamlessly into the Western-dominated world order as it was established after World War II.

Although we will not agree with India on every policy, our broad confluence of values – belief in an open society, democracy, human rights, an open economic system, and the rule of law – make us ideal partners. We should both welcome India's rise into the ranks of the superpowers, and gently encourage the type of power it will be.

## How Can the United States Help Shape What Kind of Superpower India Will Be?

Much has been written on the need for another “big idea” to follow the civilian nuclear deal and sustain the momentum of U.S.-India relations. This handwringing is unnecessary, and the search for a new big idea is artificial. Two countries that broadly share common values and goals, as well as a concern about effectively managing China’s rise – as India and the United States do – will find plenty of opportunities to cooperate.

To make this relationship work, U.S. policymakers should try to assist India with those issues that “keep Indian leaders up at night,” and that also help our broader goals in the world. Luckily, there is a significant overlap between these two sets of issues. The civil nuclear deal is a perfect example: once implemented, it will help India ameliorate its chronic electricity shortages, and increase its stature in the global system, while decreasing its carbon emissions. It also helps the United States by forging a closer relationship with a key strategic ally and helps to resolve a growing concern about climate change in an innovative way.<sup>4</sup>

In many cases, assisting India to overcome its most difficult problems does not even require an affirmative U.S. government policy, nor does it require large amounts of U.S. resources. Often, the most effective policy is to get both governments “out of the way” to allow our private sectors to cooperate.

The United States can assist and shape India’s rise most effectively by focusing on the following critical issues: helping India to achieve lasting economic prosperity, and enhancing the security relationship:<sup>5</sup>

**Economic prosperity.** The inclusive economic development of the country is the Singh administration’s primary concern. Thus, economics will likely remain a primary driver of U.S.-India relations, and a very positive one. The United States is one of India’s top three trading partners.<sup>6</sup> To ensure that economic relations continue to flourish, the two governments must find ways to allow private trade and investment to flourish, which in turn create the virtuous cycle India needs: increased jobs, rising tax revenue, improvements to its creaking infrastructure, education for more of its children, all resulting in raising more of its one billion people out of poverty. Only a prosperous India can fulfill the role of regional balancer and international partner for the United States. There are several ways the United States can promote economic prosperity in India:

1) Much has been made of the significant business-to-business ties between the United States and India. But dig beneath the surface, and these ties are much less robust than is often claimed. For example, U.S. foreign direct investment (FDI) in India in 2008 was only approximately \$3.5 billion (up from \$.7 billion in 2005), while U.S. FDI into China for the same year was \$15.8 billion (up from \$1.9 billion in 2005).<sup>7</sup> See *Table 1* for additional years. U.S. foreign investment in India is growing at a steady clip, but not nearly at the level that FDI into China is expanding.

Ways to improve this are largely in Indian hands. As one American business leader recently told me, “People invest in Vietnam, Colombia, and Eastern Europe *because* of those countries’ explicitly pro-FDI policies. By contrast, companies invest in India *in spite of* its government.”

The impetus for foreign investment in India to date has been its inexpensive and well-educated labor force. This will not remain an asset for long – increasingly companies are looking at the Philippines, Vietnam, Sri Lanka, and other countries to move their BPO operations as India’s small, well-educated labor pool is saturated, and wages rise in some sectors at 20 percent a year. The United States and India should have a direct, detailed dialogue at the highest level on ways to improve the investment climate, and how to mitigate the risks American companies face when they invest in India. The U.S.-India CEO forum, founded during the Bush administration and continuing today, is a good start, but only if the CEO’s recommendations result in tangible legal change on the ground. India’s recent steps to liberalize its investment rules in multi-brand retail and raising investment caps in the banking and insurance sectors, are a good start, but it must go further.<sup>8</sup>

2) In addition, the focus of bilateral discussions to date has been almost exclusively about the largest American and Indian corporations (many of whom are represented on the CEO forum). An additional emphasis in the future should be the small and medium enterprise (SME) sector in India. SMEs accounted for about 45 percent of the manufacturing output and around 40 percent of the total exports of India last year.<sup>9</sup> The sector’s contribution to India’s GDP has grown steadily over the past decade,<sup>10</sup> and – more than the industrial behemoths – it is an engine for building middle class prosperity. It is both feasible and desirable to build ties between local industry and business associations that exist in practically every Indian city with their counterparts in the United States or involve the Small Business Administration and the Foreign Commercial Service to increase ties and export opportunities in both directions.<sup>11</sup>

3) Although the United States is one of India's largest trading partners in goods and services, India ranks only fourteenth among the United States' trading partners.<sup>12</sup> Increased bilateral trade could significantly boost the Indian economy. Instead of focusing on the failed Doha round of multilateral trade talks, or a bilateral free trade agreement – which most experts believe is unachievable – India and the United States should focus their efforts on completing their negotiations for a bilateral investment treaty. This alone would significantly boost trade ties—including investment of capital—between the two countries.

4) Finally, policymakers in India and the United States often tout the significant people to people contacts between our two nations. They are right to do so: according to the 2000 census, 1.8 million people of Indian origin lived in the United States,<sup>13</sup> and during the 2008-2009 school year, over 100,000 Indian students were studying in the United States.<sup>14</sup> This is an enormous group, but given the immensity of India, it barely scratches the surface: the World Bank estimates that ten million students (or 13 percent of Indians within five years of secondary school age) are enrolled in tertiary schools (such as colleges and vocational schools).<sup>15</sup> The development of its human resources will have to be one of India's principal goals in coming decades, and U.S. involvement in this endeavor has been very limited to date. Again, this is an area where private sector (and not-for-profit) cooperation can be far more effective than a solely government-to-government relationship.

India has made promising steps in the past year to improve its inadequate education system. For example, in March 2010, the Indian cabinet affirmed a bill that proposes to allow foreign education providers to set up campuses in India and offer degrees and diplomas to students.<sup>16</sup> Education Minister Kapil Sibal has also tabled several other bills that will make it easier for the private sector to invest in Indian education, with so far excellent results.<sup>17</sup>

The governments of the United States and India frequently discuss their desire to work together on educational issues and have made token progress. The United States made India a full partner in the Fulbright program in 2008,<sup>18</sup> and launched the Obama-Singh 21st Century Knowledge Initiative in November 2009, which will, among other things, finance some faculty development programs in India.

But even these worthwhile steps are not enough to meet India's vast demand for improved education. Even if increased bonds between top-flight U.S. universities and Indian universities emerge as a result of these new laws, these still will not

touch the vast majority of Indian students. A new approach would involve allowing U.S. private sector institutions (both non-profit and for-profit) to help create a large, well-trained cadre of Indian teachers. In addition, rather than focusing almost exclusively on top universities, both governments should promote greater collaboration between U.S. community colleges, polytechnics, and vocational training schools with provincial universities and training schools in India.

**Enhancing the Security Relationship.** After decades of mutual mistrust, the security relationship between the United States and India has thawed in recent years: the United States and India signed a defense framework agreement in 2005, India is increasingly buying U.S.-made military equipment,<sup>19</sup> and counterterrorism cooperation has increased substantially since the 2008 Mumbai attacks.

Most promisingly, India and the United States are gradually beginning to work together to secure the “global commons” -- keeping shipping lanes open, preventing piracy, and interdicting illegal cargo such as WMD shipments. U.S. Defense official Michèle Flournoy recently said, “we will look at ways in which, together, we can better secure the global commons by expanding our already robust cooperation, in air, space, cyberspace, and maritime initiatives.”<sup>20</sup> Indian National Security Adviser Shankar Menon<sup>21</sup> and Foreign Secretary Rao echoed these sentiments.<sup>22</sup> Although full cooperation on all these fronts still feels uncomfortable to many in both capitals, given their historic mutual distrust, cooperation in at least one of these areas is taking off: the U.S. and Indian navies have cooperated increasingly closely over the past five years. Many of the recent Malabar exercises with the U.S. Navy have involved interdiction, search and seizure functions as practiced by members of the Proliferation Security Initiative, thus teaching Indian naval commanders how to search for and interdict cargos of WMD.<sup>23</sup> The Indian Navy takes great pride in escorting ships safely through the Gulf of Aden, emphasizing that its effort is all about protecting the global maritime commons.<sup>24</sup>

The United States and India should take these nascent efforts and now move to make joint exercises more substantive, as well as increasing the interoperability of the two forces. Such exercises alone could serve an important geostrategic purpose: for example, if there is increased tension with China over its claims in the South China sea, the countries affected by this stance – such as India, Singapore, the Philippines, Vietnam and the United States, may consider conducting joint exercises there to send a stern message to Beijing.

To further enhance the U.S.-India defense trade, and thus the interoperability of the two militaries, the U.S. side should work more diligently to reform our approach to exports of dual-use technology and export controls. This has been a perpetual irritant in the U.S.-India commercial and defense relationship. The U.S. India High Technology Cooperation Group, founded in 2003, was an important improvement over past bickering, but its discussions are held at too low a bureaucratic level to effect real change. The Obama administration announced in August 2010 that it would undertake to vastly simplify the U.S. export control regime – a step in the right direction. In a recent paper, Ken Juster argued convincingly that even more is needed. He suggests that the two governments should consider consolidating the various dialogues regarding export controls and technology transfer into a single forum that addresses dual-use, munitions, and civil nuclear trade.<sup>25</sup> This forum would be led by appropriately senior officials from each side who have the authority, time, and energy to resolve the complex and overlapping regulatory and policy issues related to export controls.

**Climate Change.** While the economic and security relationship are the most critical pieces to “get right” in order to help India develop into a responsible superpower, it may also help to have a critical global issue on which the two countries can cooperate and lead the world community. Climate change could be such an issue. The Copenhagen talks in December, 2009, put new stresses on the bilateral relationship when India sided with the “BASIC” bloc rather than with the United States. But with India’s carbon emissions growing at 6 percent a year,<sup>26</sup> this issue is too important to “agree to disagree.” U.S. policy in this area is now focused on creating a “U.S.-India climate dialogue to capitalize on the improved coordination between the United States and India in international climate negotiations.”<sup>27</sup> This strikes me as the wrong approach. While India has budged slightly from its former insistence that there should be no limit to developing countries’ carbon emissions,<sup>28</sup> Copenhagen cannot reasonably be considered “improved coordination in international” fora. Quite the opposite: India and China’s joint stance did much to water down the Copenhagen accord.

Instead of continuing to grapple with this issue primarily in international fora—where the lowest common denominator usually prevails—the United States should seek big, bilateral steps that help India reduce its carbon emissions without impinging on its perceived sovereignty. The civilian nuclear deal is a perfect example. It will help India ameliorate its chronic electricity shortages while decreasing its carbon

emissions. Dealing with India by transferring knowledge (about green building codes, for example) and technology is a more realistic way forward than relegating this issue exclusively to international negotiations. The U.S.-India Partnership to Advance Clean Energy, which aims to allow Indian and American scientists to work together to develop technologies that reduce our dependence on fossil fuels,<sup>29</sup> is a good start, but it is unclear at this time whether it has any funding or what it will do. This collaboration should be led by Carol Browner at the White House and expand to all ministries in both countries that deal with energy and carbon emissions, such as India's Energy Ministry, the Ministry of Environment, and the military.

To conclude, while this list of issues is not comprehensive, tackling any one or two of these in an ambitious, concerted manner that focuses minds in both countries would result in victories that can be announced in the United States and India and would do much to sustain the momentum begun by the civil nuclear accord.

### **How Does This Prescription Compare to Actual U.S. Policy?**

Looking at the actual agenda for the newly revitalized U.S.-India Strategic Dialogue, both countries are working collectively on the correct set of issues – there are just too many of them. In a recent speech, Assistant Secretary Robert Blake explained that India and the United States have grouped their cooperation into five principal pillars: (1) Strategic Cooperation; (2) Energy and Climate Change; (3) Education and Development; (4) Economics, Trade, and Agriculture; (5) Science, Technology, Health and Innovation.<sup>30</sup> Upon closer examination, however, most of these areas of cooperation are currently merely forums for conversation,<sup>31</sup> rather than active groups with the mandate to change domestic laws in both countries. Unfortunately, U.S. foreign policy perpetually suffers from this, in all administrations, and with respect to many bilateral relationships.

When analysts bemoan the current lack of a “big idea” to propel the bilateral relationship forward, they are often really saying that what is lacking is the energy and commitment to work together in a detailed way, on issues that are not always popular with domestic constituencies. It is easy for high-level strategic dialogues to become just that – dialogues without anyone following up to see if progress is made on any of the various initiatives. Focusing on too many issues at once exacerbates that problem. Given the political will, any one of the issues outlined above could become a catalyst for renewed intense, high-level cooperation. Creating a strong, enduring alliance with India is well worth the effort.

## What Implications Does India's Rise Have for Its Neighbors?

Today, India's strong economy, which grew at almost 7 percent even in the midst of the world economic crisis, and 9 percent in 2007,<sup>32</sup> is outstripping those of its neighbors. The growth rate is more than double that of Pakistan (at less than 3 percent),<sup>33</sup> nearly double that of Sri Lanka (3.5 percent),<sup>34</sup> and more than three times that of Burma.<sup>35</sup> Only Bangladesh, emerging from military rule,<sup>36</sup> and Nepal, with a growth rate of 4.7 percent,<sup>37</sup> remain close.

India's rise should have an overwhelmingly positive impact on this perpetually under-developed region with very limited experience with democracy. Yet the record of economic integration is unimpressive compared to other regions such as East Asia and Europe, and India's democratic example does not seem to influence neighboring states perpetually wracked by authoritarian regimes and civil war.

*“India's rise should have an overwhelmingly positive impact on this perpetually under-developed region with very limited experience with democracy.”*

The mismatch between India's growing economic power and its ability to convert this into geopolitical influence across south Asia, is stark. By comparison, China has managed to improve relations with some of its neighbors during the past decade, settling a number of border disputes, making large investments in infrastructure and offering preferential trade terms. India still enjoys cordial relations with Bangladesh, Bhutan, and to some extent Nepal. In contrast, Pakistan, Sri Lanka, and military-ruled Burma have fallen more under China's influence, whose interference in south Asia India fears.

**First, trade ties** in the region are not as robust as they should be. A combination of political mistrust, poor infrastructure, and red tape continues to restrict trade. “India's rise should not be seen in negative terms by our neighbors,” says Nirupama Rao, foreign secretary. “Our fast-growing economy and large market should be seen as a growth opportunity: a reliable source for investments, technology and entrepreneurial resources, besides being a rapidly expanding market for our neighbors' exports.”<sup>38</sup>

This view makes sense, but has not necessarily translated into close economic ties. Despite many attempts at liberalization, the region boasts some of the world's highest barriers to trade. Only a single digit percentage of the region's total trade is among its nations – despite their proximity and shared cultures and language.

By contrast, over 50 percent of east Asia's total trade is already intraregional trade, up from 40.3 percent in 2005,<sup>39</sup> and even intraregional trade in Africa is near 15 percent, over far greater distances.

Instead of focusing on its neighborhood, India appears to be looking to east Asia and Europe for increased trade links. For example, a free trade initiative with the Association of Southeast Asian Nations (ASEAN) recently came into effect,<sup>40</sup> and India is pursuing an agreement with the European Union.<sup>41</sup> Also, the ASEAN secretariat is working on a "comprehensive Asian development plan" for the sixteen east Asian economies – the ten-member ASEAN plus China, Japan, South Korea, India, Australia, and New Zealand – that would provide Asia more representation at the G20 than is presented by any other region.<sup>42</sup> The one promising sign is the South Asian Free Trade Agreement, or SAFTA, which came into force in January 2006 and required a reduction of tariffs to 20 percent by 2008, and to between 0 and 5 percent from 2008 to 2013. Unfortunately, over 50 percent of the region's industries have been placed on "sensitive lists" meaning that they are exempt from any tariff reductions.<sup>43</sup>

Trade barriers include high customs duties, non-tariff barriers like technical and health certifications and standards, and also quantitative restrictions. The region's economic prospects are further dimmed by not investing in better roads, rail, and communications networks. The result is that south Asian countries are less able to benefit from expanding global trade, and economic growth is hampered. Meager trade links also leave landlocked nations such as Nepal and Afghanistan isolated.<sup>44</sup> A lack of regional cohesion puts the area at an economic disadvantage to the more dynamic markets of east Asia.

**Second, on the political front,** far from forging ever-closer ties with the countries in the region, India appears to be losing its traditional cultural and political dominance in the area that used to comprise British India. This creates security risks for India, most importantly from China, in what is likely to become a competition for regional dominance in the coming decades.

Relations with some neighbors remain adversarial in spite of Delhi's recent outreach efforts. Prime Minister Manmohan Singh has made efforts to engage Pakistan. He has also sought greater engagement with Bangladesh's new civilian government under Prime Minister Sheikh Hasina, and a dialogue with President Mahinda Rajapaksa of Sri Lanka. "It is our obligation to make every effort to

normalize relations with India's neighbors. That is essential, I have always believed, to realize the development potential of our country," he said.<sup>45</sup>

**Pakistan.** Relations with the 180 million people of Pakistan are where improvement is most needed but where progress is most elusive. Bilateral trade between the neighbors is trivial. Although it increased to an impressive sounding \$2.2 billion in 2007-08 from \$345 million in 2003-04,<sup>46</sup> it has the potential to be much higher if barriers are removed. By comparison, India's bilateral trade with China was more than \$52 billion in 2008.<sup>47</sup> For decades, a liberalizing Pakistan outperformed its bigger neighbor India with average growth rates of 5.76 percent between 1960 and 1990.<sup>48</sup> India's economy, by contrast, grew only 3 percent a year on average during the same period.<sup>49</sup>

During the past two decades Pakistan's lead has evaporated, and asymmetries are becoming more pronounced. Pakistan would benefit most from increased trade ties, as India's enormous economy could be an excellent market for its goods. Unfortunately, there seems little prospect of that in the near future.

**Nepal.** The past decade has seen radical change in Nepal: the Nepalese overthrew their increasingly repressive monarchy, and are now engaged in a stuttering peace process that has brought Maoist militants into the political mainstream. This political turmoil has been accompanied by falling economic growth rates, and anxieties over militant trade unions, a weak banking system, and power shortages.

The once far-reaching influence New Delhi had over Kathmandu also seems to be dissipating. India helped bring in democracy in the 1950s, and at one time backed Maoists in the struggle against the monarchy. India's ambassador to Kathmandu was considered the "second king" in terms of his local power.<sup>50</sup> Not anymore. India has grown unpopular among young Nepalis, and Prachanda's Maoist party is openly hostile to New Delhi. Policymakers in New Delhi worry about the rise of Maoism in Nepal and within its own borders, which India's home ministry believes are linked.

While Nepal relies on India for over 60 percent of its trade,<sup>51</sup> increasing economic disparities make it hard to manage a currency pegged to the Indian rupee at a time when New Delhi is raising interest rates. India fears that political infighting and poor economic performance in Nepal will threaten the economic recovery in the neighboring state of Bihar, one of its poorest, which has recently grown at 11 percent a year.<sup>52</sup>

India and Nepal do not even share a rail link. Chinese contractors, rather than Indian ones, are building power plants and highways across the Himalayas. Beijing has plans for a large inland port at Xigaze in Tibet, on Nepal's border, to facilitate trade in south Asia.<sup>53</sup> Remittances are the mainstay of the economy as Nepalese travel to the Gulf and Malaysia for work.<sup>54</sup>

Nepal is currently too unstable to permit accurate predictions of its long-term alliances. Anti-Indian sentiments are rising, yet the Nepalese – so far – are far from being pro-Chinese.

**Bangladesh.** This country may offer the best prospects for improving relations with India in the near future. After years of a Zia-led government that looked mostly to China for assistance, followed by a two-year military dictatorship, the current Awami League government run by Sheika Hasina has made substantial efforts to renew its alliance with India. A shared Bengali identity runs deep, and the Muslim population is less prone to religious fundamentalism than that of Pakistan.

Bangladesh has long hoped for closer economic integration with its neighbor. Considering the two countries' shared history and geography, economic links are surprisingly limited. India is not even in the top ten of foreign investors.<sup>55</sup> One big problem has been India's worry that Bangladesh harbors anti-Indian terrorists. In December 2009, Bangladesh arrested and handed over to India the chairman of the ULFA, a militant group fighting for an independent Assam.<sup>56</sup> Recently, India and Bangladesh signed agreements on security co-operation, on Bangladesh's purchase of electricity from India and on the creation – virtually from scratch – of transport links across a common 2,500-mile border, the world's fifth-longest.<sup>57</sup>

The benefits of co-operation could be enormous. One scholar estimates that full economic integration with India could raise Bangladesh's average rate of economic growth from 6 to 8 percent.<sup>58</sup>

**Bhutan.** Delhi's relations with Bhutan continue to be excellent. But the tiny benign mountain monarchy that likes to measure its progress in terms of happiness rather than gross domestic product, is not really relevant from a strategic perspective. India does, however, provide a significant amount of aid and investment, and 74 percent of Bhutan's trade is with India.<sup>59</sup>

**Burma.** India and China's subtle "great game" is most evident in Burma. With its geographically strategic location between south and southeast Asia, and

broad access to the Indian Ocean, Burma has been courted aggressively by both India and China in recent years. Though historically a supporter of democratic regimes in Burma, India has been increasingly drawn into a competition with China for the resources and access that favor with the military junta would provide.<sup>60</sup> Through arms sales, and by providing diplomatic cover for the junta on the UN Security Council, China is making itself indispensable to Burma's leading generals.<sup>61</sup> This competitive position between China and India has created a "race to the bottom" with each country providing aid, assistance, and political cover for a brutal, undemocratic regime.<sup>62</sup>

**Sri Lanka.** Colombo, dwarfed by its mainland neighbor, distrusts New Delhi. In the 1980's India managed an ill-fated intervention in Sri Lanka's civil war,<sup>63</sup> and India has been held back from building warmer relations with Colombo by politicians in its southern state of Tamil Nadu, where politicians were sympathetic to the Tamil minority's fight for autonomy.

Suspicion is growing in India of an increasingly close relationship between Colombo and China. Beijing became Sri Lanka's biggest source of foreign funding last year, providing \$1.2 billion. It has provided military aid and is helping to build big infrastructure projects, including an airport, roads to the north, and a sea port at Hambantota on the south of the island. A recent *Economist* article argues convincingly that this is part of China's "string of pearls strategy" of links with maritime nations in the Indian Ocean, which it hopes will help secure its supply routes. China also gains a staunch ally in international forums.<sup>64</sup> China's ability to make strategic inroads into Sri Lanka has been at India's expense.

In sum, India is struggling to maintain just cordial relations with its neighbors in a region where – through historic and cultural linkages – it should be seen as the anchor economy and primary model for political development.

**Table 1 – U.S. Direct Investment Abroad by Country, 2005-2009**

Financial outflows without current-cost adjustment<sup>1</sup>

*In billions of U.S. dollars*

	2005	2006	2007	2008
<b>China</b>	1,955	4,226	5,243	15,839
<b>India</b>	721	1,834	3,915	3,514

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**Anja Manuel** is a Partner, along with Condoleezza Rice and Stephen Hadley, in the RiceHadley Group LLC, a strategic consulting firm. In addition, she is a Visiting Scholar at Stanford University's CISAC, and a Lecturer in Stanford's International Policy Studies Program. From 2005 to 2007, Ms. Manuel served as Special Assistant to Under Secretary for Political Affairs Nicholas Burns at the U.S. Department of State. In this role, Ms. Manuel had responsibility for South and Central Asia Policy, Congressional outreach, and legal matters. She was part of the negotiating team for the U.S.-India civilian nuclear accord; helped to secure passage of the accord in the U.S. Congress, and was extensively involved in developing U.S. policy toward Afghanistan and Pakistan. From 2001 to 2005, and from 2007 to 2009, she was an attorney at the international law firm of WilmerHale, where she specialized in international litigation and arbitration, anti-corruption matters, and Congressional investigations. In her legal practice, Ms. Manuel advised clients on anti-corruption and other business matters in China, India, Latin America, and Africa; participated in international arbitrations in Colombia and Poland; and worked on matters of public policy interest, including representing Senators McCain and Feingold in their defense of the Bipartisan Campaign Finance Reform Act before the Supreme Court and representing the German Economy Foundation Initiative in its efforts to set up a Foundation to compensate forced labor victims of World War II. Ms. Manuel started her career in the investment banking division of Salomon Brothers, working on German and Eastern European mergers and privatizations. She is a participant in the Aspen Strategy Group, the Center for a New American Security's India Policy Group, and serves on the board of the San Francisco-Bangalore Sister City Initiative. Ms. Manuel graduated *cum laude* from Harvard Law School, and holds both an M.A. and B.A. *with distinction* from Stanford University.

<sup>1</sup> For 2008 numbers, see World Bank, <http://databank.worldbank.org>. For 2009, there are only estimates available to date. For the U.S. the 2009 estimate is \$14.43 trillion, for China \$4.8 trillion, and for India, \$1.2 trillion. See <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>. For further comparison, European Union GDP in 2008 was \$13.1 trillion (an estimated \$16.2 trillion in 2009), and Brazil's was \$1.6 trillion in 2009 (estimated 1.5 trillion in 2009). See <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html>.

<sup>2</sup> <http://milexdata.sipri.org/>. Please note that it is notoriously difficult to estimate Chinese defense spending, so it is hard to get an accurate number, and this could be much higher.

<sup>3</sup> It is not the purview of this paper to discuss India-China – or U.S.-China relations. However, Delhi will likely continue to see China primarily as a strategic challenge. Its foreign policy will seek friendly engagement with China, and this will lead to instances where India draws closer to China on certain global issues (as happened, for example, at the climate change meeting in Copenhagen). But India's leaders are acutely conscious that an assertive China will challenge India's security and economic interests.

<sup>4</sup> One scholar estimates that by 2020, the civ-nuke deal “would avoid about 130 million tons of carbon dioxide per year (for comparison, the full range of emission cuts planned by the European Union under the Kyoto Protocol will total just 200 million tons per year).” David Victor, “Nuclear Power for India Is Good for Us All,” *International Herald Tribune*, March 17, 2006.

<sup>5</sup> This is not intended to be a comprehensive list of subjects for cooperation, merely a suggestion about areas to highlight in the bilateral relationship over the next decade.

<sup>6</sup> See *Background Note: India*, U.S. Department of State, <http://www.state.gov/r/pa/ei/bgn/3454.htm>.

- <sup>7</sup> Bureau of Economic Statistics, *U.S. Direct Investment Abroad: Selected Items by Detailed Country, 2005-2009*, <http://www.bea.gov/international/xls/longctry.xls>.
- <sup>8</sup> For example, President Uribe's government in Colombia self-consciously set out to attract FDI to the country. Colombia's finance minister traveled the world to research – and then copy – other countries successful at attracting investment (such as the Baltics and Ireland). He then aggressively set about changing Colombia's tax, labor, and investment laws. The policy has been an enormous success. FDI jumped from less than \$3 billion in 2000 to over \$10 billion in 2008, prior to the global recession. See "Latin American and the Caribbean: Foreign Direct Investment Income by Recipient Country and Territory: 2000-2009," United Nations ECLAC, [http://www.eclac.org/prensa/noticias/comunicados/8/39418/Cuadro\\_IED\\_inglesFINAL.pdf](http://www.eclac.org/prensa/noticias/comunicados/8/39418/Cuadro_IED_inglesFINAL.pdf); "Invest In Colombia," Proexport Colombia, <http://www.slideshare.net/investincolombia/invest-in-colombia-proexport-17-march-2009-1189274>.
- <sup>9</sup> Statistics of the Indian Ministry of Micro, Small and Medium Enterprises, available at [http://msme.gov.in/msme\\_aboutus.htm](http://msme.gov.in/msme_aboutus.htm).
- <sup>10</sup> Last year, SMEs accounted for 17 percent of India's GDP; that number is expected to grow to 22 percent by 2012. "SMEs' share in GDP to be 22 percent in 3 years," *Business Standard*, <http://www.business-standard.com/india/news/smes-share-in-gdp-to-be-22-in-3-years-assochem/00/46/60886/on>.
- <sup>11</sup> See Rajiv Kumar, "Strategic Implications of Indo-US Private Sector Ties," at p. 4, forthcoming paper for CNAS.
- <sup>12</sup> "India," United States Trade Representative website, <http://www.ustr.gov/countries-regions/south-central-asia/india>, accessed October 5, 2010.
- <sup>13</sup> "The Asian Population: 2000," U.S. Census Bureau, <http://www.census.gov/prod/2002pubs/c2kbr01-16.pdf>.
- <sup>14</sup> The same study found more than 98,000 students from China were studying in the United States during the same period. During the 2007-2008 school year, more than 3300 students from the United States were studying in India, and about 13,000 American students were studying in China. "Record Numbers of International Students In U.S. Higher Education," Open Doors Online, <http://opendoors.iienetwork.org/?p=150649>.
- <sup>15</sup> See "Education in India," The World Bank, <http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:21493265~pagePK:141137~piPK:141127~theSitePK:295584,00.html>.
- <sup>16</sup> Manthan Unadkat, "Opinion: Foreign investment in education sector to get boost by raft of statutes", *Legally India*, July 15, 2010. The bill still needs to be formally enacted by parliament.
- <sup>17</sup> In the past year, India has seen a massive inflow of capital into the education sector, with Reliance Equity Advisors' recent announcement to buy a 1 billion rupee stake in Pathways Global School, a K-12 education provider; Azim Premji's decision to invest 2 billion rupees in Manipal Global Education, a education resource provider; and Matrix Advisors' decision to buy 1 billion rupees into FIIT-JEE, a private coaching provider. Mayank Maheshwari, *India Journal: The Privatization of Indian Education*, May 21, 2010. *Wall Street Journal Online*, <http://blogs.wsj.com/indiarealtime/2010/05/21/the-privatization-of-indian-education>.

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- <sup>18</sup>Bob Blake candidly acknowledged that the program has paid for only 8,200 Indian and U.S. students since 1950. Robert O. Blake, Jr., “U.S.-India Partnership: Kanpur Indo-American Program and Beyond,” Speech delivered July 9, 2010, <http://www.state.gov/p/sca/rls/rmks/2010/144465.htm>.
- <sup>19</sup>For example, India purchased eight P-81 maritime reconnaissance planes in 2009, six C-130J ‘Super Hercules’ aircraft, and earlier this year 24 bought Harpoon Block III anti-ship missiles. President Obama and PM Singh are expected to announce a deal for India’s acquisition of 10 C-17 Globemaster transport aircraft by the Indian Air Force for \$3.5 billion during Obama’s visit in November.
- <sup>20</sup>See Michele Flournoy, “U.S.-India Defense Relationship”, Speech at Asia Society, Washington, July 1, 2010, available at <http://asiasociety.org/video/policy-politics/flournoy-us-india-defense-relationship-complete>.
- <sup>21</sup>See Menon’s Remarks at the Shangri-La Dialogue, Singapore, June 5, 2010, available at <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2010/plenary-session-speeches/second-plenary-session/shivshankar-menon/> accessed on July 11, 2010.
- <sup>22</sup>See Rao’s remarks at the Brookings Institution, Washington DC, June 4, 2010, available at <http://www.mea.gov.in/mystart.php?id=530115833> accessed on July 12, 2010.
- <sup>23</sup>See Raja Mohan, “India, United States and the Global Commons,” July 12, 2010, at p.12, forthcoming paper for CNAS.
- <sup>24</sup>See “Over thousand ships safely escorted across Gulf of Aden by Indian Navy”, Press release by Press Information Bureau, New Delhi, June 18, 2010, available at <http://pib.nic.in/release/release.asp?relid=62675&kw=> accessed on July 10, 2010.
- <sup>25</sup>Kenneth I. Juster and Ajay Kuntamukkala, Unleashing U.S.-India Defense Trade, May 14, 2010, at p.13.
- <sup>26</sup>“No growth in total global CO2 emissions in 2009,” Netherlands Environmental Assessment Agency, <http://www.pbl.nl/en/publications/2010/No-growth-in-total-global-CO2-emissions-in-2009.html>.
- <sup>27</sup>Robert O. Blake, Jr., “U.S.-India Partnership: Kanpur Indo-American Program and Beyond,” Speech delivered July 9, 2010, <http://www.state.gov/p/sca/rls/rmks/2010/144465.htm>.
- <sup>28</sup>India has agreed – post-Copenhagen – to bring down emissions intensity of GDP by 20-25 percent as compared to 2005 levels. January 30, 2010 Letter to Executive Secretary, United Nations Framework Convention on Climate Change, from Joint Secretary, Ministry of Environment, Government of India, [http://unfccc.int/files/meetings/application/pdf/indiaphaccord\\_app2.pdf](http://unfccc.int/files/meetings/application/pdf/indiaphaccord_app2.pdf).
- <sup>29</sup>Secretary Clinton’s Opening Remarks at the Plenary Session of the U.S.-India Strategic Dialogue with Indian External Affairs Minister S.M. Krishna, June 3, 2010. <http://www.state.gov/secretary/rm/2010/06/142623.htm>.
- <sup>30</sup>Robert O. Blake, Jr., “U.S.-India Partnership: Kanpur Indo-American Program and Beyond,” Speech delivered July 9, 2010, <http://www.state.gov/p/sca/rls/rmks/2010/144465.htm>.
- <sup>31</sup>For example, Assistant Secretary Blake explained that “we have launched a U.S.-India climate *dialogue* to capitalize on the improved coordination between the US and India in international climate negotiations,” the United States and India “continue our vibrant agriculture dialogue,” “Minister of Health and Family Welfare Ghulam Nabi Azad [held] talks with Secretary of Health and Human

Services Sebelius,” and we “recently held the first meeting of the India-U.S. Science and Technology Joint Committee ... to discuss our common challenges and opportunities.” *Id.*

<sup>32</sup> *CIA World Fact Book: India*, <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>.

<sup>33</sup> *CIA World Fact Book: Pakistan*, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>.

<sup>34</sup> Sri Lanka’s 2009 estimated GDP growth rate was 3.5%. See *CIA World Fact Book: Sri Lanka*, <https://www.cia.gov/library/publications/the-world-factbook/geos/ce.html>.

<sup>35</sup> Burma’s 2009 estimated GDP growth rate was 1.8%. See *CIA World Fact Book: Burma*, <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>.

<sup>36</sup> 5.6%. *CIA World Fact Book: Bangladesh*, <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html>.

<sup>37</sup> *CIA World Fact Book: Nepal*, <https://www.cia.gov/library/publications/the-world-factbook/geos/np.html>.

<sup>38</sup> See James Lamont, South Asia: Bonds to build,” *Financial Times*, July 14, 2010.

<sup>39</sup> See Douglas H. Brooks and Changchun Hua, “Asian Trade and Global Linkages,” <http://www.adb.org/Documents/Periodicals/ADR/pdf/ADR-Vol26-1-Brooks.pdf>.

<sup>40</sup> See Xayxana Leukal, “TA brings benefit to India, Asean,” Asia News Network, <http://www.asianewsnet.net/news.php?id=9776&sec=2>.

<sup>41</sup> See Pallavi Aiyar, “Hope floats for India-EU free trade pact talks,” Business Standard, <http://www.business-standard.com/india/news/hope-floats-for-india-eu-free-trade-pact-talks/391740/>. Also, the Asia-Pacific Trade Agreement entered into effect in 2006 and includes Bangladesh, China, India, Laos, South Korea, and Sri Lanka, linking South Asia into the broader Asian trade framework. United Nations ESCAP, “The Asia-Pacific Trade Agreement,” <http://www.unescap.org/tid/apta.asp>.

<sup>42</sup> See Umesh Pandey, “Time to think bigger,” *Bangkok Post*, May 31, 2010.

<sup>43</sup> See Khan, Yousaf and Shaheen, “Regional trade agreements in South Asia: trade and conflict linkages,” [http://www.idrc.ca/en/ev-132669-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-132669-201-1-DO_TOPIC.html), and Chandan Sapkotak, ECONOMIC GROWTH, TRADE, & DEVELOPMENT POLICY, <http://sapkotac.blogspot.com/2010/05/notes-on-safta.html>

<sup>44</sup> A recent agreement by Pakistan to allow Afghanistan to send trucks through its territory to export goods to India was hailed as a huge victory by Afghans.

<sup>45</sup> See James Lamont, South Asia: Bonds to build,” *Financial Times*, July 14, 2010.

<sup>46</sup> See “India – Pakistan Total Bilateral Trade” Fibre2Fashion, [http://www.fibre2fashion.com/news/images/newspdf/Indo\\_pak\\_trade\\_69945\\_50777.pdf](http://www.fibre2fashion.com/news/images/newspdf/Indo_pak_trade_69945_50777.pdf).

<sup>47</sup> See Mehul Srivastava, “India-China Trade Tensions Rise,” *Business Week*, [http://www.businessweek.com/globalbiz/content/feb2009/gb20090211\\_202935.htm](http://www.businessweek.com/globalbiz/content/feb2009/gb20090211_202935.htm), February 11, 2009.

<sup>48</sup> See Safdar Khan, “Macro Determinants of Total Factor Productivity in Pakistan,” State Bank of Pakistan, [www.sbp.org.pk/publications/wpapers/2008/wp10.pdf](http://www.sbp.org.pk/publications/wpapers/2008/wp10.pdf).

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<sup>49</sup> See James Heitzman and Robert L. Worden, editors. *India: A Country Study*. Washington: GPO for the Library of Congress, 1995. <http://countrystudies.us/india/93.htm>.

<sup>50</sup> See James Lamont, "South Asia: Bonds to Build," *Financial Times*, July 14, 2010, <http://www.ft.com/cms/s/0/11872b80-8f78-11df-8df0-00144feab49a.html>.

<sup>51</sup> See Jib Raj Koirala, "Expert Meeting on Participation of Developing Countries in New and Dynamic Sectors of World Trade: the South-South Dimension.," UNCTAD, [http://r0.unctad.org/ditc/tab/events/emstrade/National\\_experts/Nepal.pdf](http://r0.unctad.org/ditc/tab/events/emstrade/National_experts/Nepal.pdf).

<sup>52</sup> Ibid.

<sup>53</sup> See Saibal Dasgupta, "China building 'biggest' land port to connect with South Asia via Nepal," *Times of India*, <http://timesofindia.indiatimes.com/world/china/China-building-biggest-land-port-to-connect-with-South-Asia-via-Nepal/articleshow/6163712.cms>.

<sup>54</sup> See "Outflow of Nepali workers declines by 11.7 pc," *Nepal News*, <http://www.nepalnews.com/main/index.php/business-a-economy/4747-outflow-of-nepali-workers-declines-by-117-pc.html>.

<sup>55</sup> "Foreign Direct Investment in Bangladesh," Bangladesh Bank, <http://www.bangladesh-bank.org/pub/halfyearly/fdisurvey/fdisurveyjanjun2008.pdf>.

<sup>56</sup> "Bangladesh makes friends with India: Trying to be good neighbors", *The Economist*, December 9, 2009.

<sup>57</sup> Ibid.

<sup>58</sup> Estimate of Farooq Sobhan, the president of the Bangladesh Enterprise Institute, a Dhaka think-tank. "Bangladesh makes friends with India: Trying to be good neighbours", *The Economist*, December 9, 2009.

<sup>59</sup> *Background Note: Bhutan*, U.S. Department of State, <http://www.state.gov/r/pa/ci/bgn/35839.htm>.

<sup>60</sup> See Subir Bhaumik, "Explaining India's silence over Burma," BBC News, [http://news.bbc.co.uk/2/hi/south\\_asia/7013975.stm](http://news.bbc.co.uk/2/hi/south_asia/7013975.stm).

<sup>61</sup> See "Burma: Security Council Should Impose Arms Embargo," Human Rights Watch, <http://www.hrw.org/en/news/2007/10/09/burma-security-council-should-impose-arms-embargo?print>.

<sup>62</sup> See Dan Blumenthal, "Concerns with Respect to China's Energy Policy", American Enterprise Institute, [http://www.aei.org/docLib/20080723\\_ChinaEnergyStrat.pdf](http://www.aei.org/docLib/20080723_ChinaEnergyStrat.pdf).

<sup>63</sup> See Jayshree Bajoria, "The Sri Lankan Conflict", Council on Foreign Relations, [http://www.cfr.org/publication/11407/sri\\_lankan\\_conflict.html](http://www.cfr.org/publication/11407/sri_lankan_conflict.html).

<sup>64</sup> See China and Sri Lanka, The Colombo consensus, *The Economist*, July 8, 2010.

# Part **5**

## CONCLUDING OBSERVATIONS

### CHAPTER 9

## **The Way Ahead in Afghanistan**

**Meghan L. O'Sullivan**

Kirkpatrick Professor of the Practice of International Affairs  
John F. Kennedy School of Government  
Harvard University

*“There is no doubt that the current strategy would benefit from the many good suggestions made about institutional reforms and better coordination among agencies and between international entities. But I am not convinced that these factors are, at the moment and in this setting, going to be the difference between success and failure. Rather, at the risk of being overly simplistic, many of our conversations suggested to me that the strategy is not going to produce results in the necessary time frame, not because the strategy itself is fundamentally flawed, but because there is simply not enough time for the strategy to unfold.”*

— MEGHAN L. O’SULLIVAN

# The Way Ahead in Afghanistan

## **Meghan L. O’Sullivan**

Kirkpatrick Professor of the Practice of International Affairs  
John F. Kennedy School of Government  
Harvard University

Tying together the extraordinary conversations participants of the Aspen Strategy Group’s 2010 summer conference had about Afghanistan is no easy feat. Offering prescriptions—as I have been encouraged to do—is also a challenge. We came to Aspen hoping to gain greater clarity on this vexing national security problem. But many of us left the conference uneasy and uncertain about the path the United States is on – yet also apprehensive about whether a superior approach exists.

We agreed that the United States has vital interests in this part of the world, although we differed over the specifics of those interests and the priority accorded to them. President Obama has highlighted two vital U.S. interests: ensuring that al Qaeda does not use the region as the base for an attack on the homeland and safeguarding Pakistan’s nuclear weapons. Most Aspen participants also considered preventing a conflagration between India and Pakistan which could lead to nuclear war as a vital interest. We identified one more top-tier interest which, while less concrete, may be equally important in charting the trajectory of global extremism: winning the narrative on what happened in Afghanistan. The course of future events in Afghanistan will, rightly or wrongly, be seen as a reflection of American strength in the world, its commitment to freedom and its ideals, and its willingness to stand by them. These factors, while intangible to most American audiences, directly affect al Qaeda’s ability to recruit, and our ability to counter extremism where we need to next.

Many in the group strongly believe that the United States is maintaining a disproportionate commitment to Afghanistan, both in terms of resources devoted to it and the large opportunity costs of U.S. efforts there. Yet even this point of near-consensus did not yield a suggested course of action. A hasty departure or major concessions to the Taliban would have consequences far beyond Afghanistan’s borders, affecting our broader interests in the region in potentially severe ways. For instance, India is watching U.S. actions in Afghanistan closely; an outcome that calls U.S. fortitude into account would weaken Indian confidence in America, likely

causing India to rely less on its growing partnership with the United States and lean more eastward at a time when America may need India to help balance the rise of China. Even more directly, a “recalibration” which reduced U.S. efforts in Afghanistan to bring them more in line with perceived American interests there could enable the growth of jihadi groups and would severely diminish our ability to convince Pakistan to curb these organizations. While this would be bad for Pakistan’s own stability, an attack in India by such groups—another Mumbai—is the most likely catalyst for a broader India-Pakistan conflict in the months and years ahead.

So what to do?

### Assessing the Current Strategy

In considering this question, I should—particularly in light of the strong counsel against historical analogies that permeated the summer workshop—acknowledge my own bias which stems from working on Iraq. In the later part of 2006, the conventional wisdom in the United States was that the war in Iraq was over, the United States had lost, and the only remaining challenge was to manage defeat. There could have been a self-fulfilling prophesy to these assessments. Had they and the prescriptions that necessarily flowed from them been accepted, we would have never known that the situation in Iraq was retrievable. Afghanistan is not Iraq. But thinking back to the certainty with which people believed Iraq was lost is enough to caution us about accepting defeat or judging a strategy too early.

Nevertheless, if I were to distill into one sentence the essence of the conversations and assessments of Afghanistan at this summer’s workshop, it would be that the current U.S. and NATO strategy in Afghanistan is unlikely to produce sufficient results by the July 2011 deadline to justify maintaining the strategy beyond that date. A series of important questions necessarily follow from that conclusion:

*First, is the United States in this position—executing a strategy unlikely to produce sufficient results on the timeline set for it—because the strategy is fundamentally the wrong one?* During the Aspen summer workshop, we heard legitimate and serious criticisms of the civilian side of the U.S. approach. There is no doubt that the current strategy would benefit from the many good suggestions made about institutional reforms and better coordination among agencies and between international entities. But I am not convinced that these factors are, at the moment and in this setting, going to be the difference between success and failure. Rather, at the risk of being overly simplistic,

many of our conversations suggested to me that the strategy is not going to produce results in the necessary time frame, *not* because the strategy itself is fundamentally flawed, *but* because there is simply not enough time for the strategy to unfold.

I must make one major caveat to this statement. For the years since the September 11th attacks, U.S. policy toward this region has in part rested on the assumption that a broad and deep partnership between the United States and Pakistan can ultimately affect—and change—Pakistan’s strategic orientation, moving the country from a fixation on perceived threats on its eastern border to an appreciation and plan for combating the threats posed by extremism within its own borders and to the west. Some in our group clearly are still comfortable with this assessment; others have called it into question, pointing out America’s very limited leverage with Pakistan. This is an assumption that warrants much more debate and examination. If a strategic shift in Pakistan’s orientation is fanciful, the prospects for success in Afghanistan go down dramatically, independent of virtually any level of U.S. effort there.

*If we return to the prediction that the current strategy will not produce results under the current timeline, we must then ask ourselves whether anything can be done to accelerate the strategy or to extend the timeline?* Accelerating the strategy will be difficult, particularly given that all Aspen conference participants agreed that Afghanistan is at its “high water mark” in terms of U.S. resources. Yet perhaps the largest impediment to success at this time is the widespread perception in the region that the United States is not a credible or lasting partner. It is striking that, while no one in the Aspen Strategy Group workshop spoke about the United States throwing up its hands and leaving Afghanistan in short order, many in Afghanistan and Pakistan are talking about and planning for this very scenario. This view stems as much from history as it does from U.S. actions today—and underscores how much of this challenge will be met in the psychological realm, rather than the military one.

Changing the perception that the United States is a fair-weather friend is an enormous undertaking, and one which has been made exponentially harder by the imposition of a deadline for the start of a U.S. withdrawal from Afghanistan in July 2011. Although the deadline says nothing about the pace or scope of the American departure, it has been perceived as the definitive indication of what Afghans and Pakistanis suspected all along: the American commitment to the region is finite and the American presence is temporary. While there may be some benefits to communicating this message—such as increasing the urgency with which the government of Afghanistan builds its own institutions—the negatives associated

with this deadline far outweigh them. The United States is asking Afghans and Pakistanis to conceive a different future for their countries and to make extremely difficult choices in the interest of realizing that future. We should not be surprised if many are reluctant to take the risks associated with these changes, while we are simultaneously communicating a very near-term limit to our efforts to support them in this transition.

One possibility for countering the perception that America is soon leaving the region would be the negotiation and conclusion of a status of forces agreement (SOFA) between the United States and Afghanistan. A SOFA would not necessarily signal nor require a *substantial* U.S. troop presence in Afghanistan for the long run; other countries have negotiated SOFAs for the presence of a small number of American troops. The SOFA would, however, normalize the American presence in Afghanistan, bringing the legal basis for U.S. troops in the country in line with that of nearly 100 other countries hosting American forces either continuously or occasionally. Most importantly, a SOFA would send a strong signal to Afghans, Pakistanis, Indians, and America's adversaries that, while fewer U.S. forces might be in Afghanistan after July 2011, the intention is not to zero out U.S. troops. Instead, all should anticipate some form of a continued American presence—and the commitment and attention that go along with it.

A SOFA would certainly have downsides to be managed. Communicating a long-term U.S. commitment to Afghanistan and the region without inflaming concerns about occupation would be a delicate balance. The Iraq security agreement of 2008, however, suggests that such sensitivities can be addressed through a combination of underscoring the centrality of Afghan decision making and perhaps by imposing an initial four-year lifespan on the agreement (to coincide with President Karzai's assessment of when Afghan forces will be ready to provide for the country's security).

*Returning to the earlier question of accelerating the strategy or extending the time line, is it feasible to buy more time for the strategy to unfold at the current level of resources?* President Obama might decide to make the case to the American people for more time in Afghanistan. This is unlikely, however, given the state of the U.S. economy, the mood of the American people, and President Obama's early suggestions that there is a limit to what the United States can or will do for Afghanistan.<sup>1</sup> Other possibilities for putting time on the clock would include an attack on the United States or Europe emanating from this region or unanticipated, dramatic battlefield

successes in the coming months.

Overall, this analysis suggests that while it is not impossible to imagine significantly more progress in Afghanistan before the July 2011 deadline, it is also not likely. And, if one posits that the current strategy is unlikely to produce results on the timeline set out for it—and that it will be difficult to either accelerate the strategy or buy more time for it—one must face the probability that another approach will be needed. Here, the Aspen conference participants heard bold and interesting proposals, but nothing remotely resembling a consensus emerged.

### Charting Another Approach?

I would argue that it is too early to adopt a plan B that only secures some of our vital interests – and possibly undermines our long-term ability to work with partners in the region and around the world to combat extremism. We should, however, be thinking more seriously about a negotiated end to this phase of American involvement in Afghanistan, even while giving General Petraeus – who only arrived in Kabul in July 2010 – more time to demonstrate progress and the viability of the current approach.

In many respects, it is disingenuous to suggest that “opting for a negotiated solution” is a major departure from how the United States expected its combat commitment in Afghanistan to come to an end. For years, key players have appreciated that there is no military victory to this conflict and that a political settlement is ultimately what will mark the conclusion of combat. It may, however, be fair to say that many participants have long hoped and expected that the final settlement will be largely consistent with the current Afghanistan constitution, including its commitment to representative government and human freedoms. This expectation was, consciously or otherwise, reinforced by the surprising reality that most of Iraq’s insurgents abandoned violence (at least for the time being) and came into the political process without major concessions being made on the nature of the new Iraqi state.

We should take little solace from the assessment that *some* negotiated solution is possible. Not all negotiated settlements are equal. The Soviet Union negotiated a government of national unity during its withdrawal from Afghanistan. This time, the United States will want to be sure that any negotiated solution meets its long-term interests and needs. Concluding a “high-bar” negotiated outcome will

require at least four elements.

First, the United States and Afghanistan should not assume (although they might continue to say publicly) that reconciliation with the Taliban will require the group laying down its arms, coming into the existing political process, and abiding by the current Afghan constitution. This sort of outcome—akin to the one largely achieved in Iraq—is extremely unlikely without military gains against the Taliban which are so significant that the Taliban considers its own eradication the most likely alternative to negotiation. Given the unlikelihood of this in the time frame available, U.S. and Afghan officials need to anticipate what sort of changes the Taliban will seek to the existing political order, assess which changes are tolerable, and determine how they might be made—e.g. through another *loya jirga* or a constitutional convention. Almost certainly, changes in the current constitutional balance of power between the central government and the provinces will be required. In contemplating such changes, Americans and Afghans will want to keep in mind that Afghanistan could be a resource producing country in future years—a reality that could complicate efforts to decentralize or create a federation.

Second, it is important to establish a clear lead in the negotiations. Any negotiations are unlikely to take the form of a Dayton type process. In contrast, they may gain momentum through a series of approaches at the local level, perhaps with probes initially made to NATO forces, not the Afghan government. In the absence of a lead body coordinating the effort, the responses to these probes will be determined by personalities and could well lead to serious friction—foremost with the Afghan government, but possibly within NATO, the U.S. government, and the United Nations.

Third, as Jim Dobbins pointed out during the Aspen summer conference, a sustainable negotiated outcome will need the support of regional actors as well as domestic ones. A narrow negotiation between the United States, the Afghan government, and the Taliban is appealing and appears the most manageable. But Afghanistan is where great power interests have traditionally converged and the outcome must be broadly acceptable to regional powers. Perhaps most importantly, the role of Pakistan needs to be carefully considered as its objectives in these negotiations are likely to be contrary in many respects to U.S. and Afghan ones, making the temptation to delegate to Pakistan potentially counterproductive.

Fourth, the United States, NATO, and the UN should think now about what kind of role they are willing to play in a post-negotiations Afghanistan. The

majority of countries which emerge from conflict lapse back into it; the chances of escaping this fate go up significantly when an external, third party agrees to be a guarantor of the agreement. What this will entail is difficult to predict at this stage, particularly given that the international presence in Afghanistan is likely to be an issue in any negotiation. However, setting American expectations early on is important. Not only will the successful negotiation of a “high-bar” political settlement take time—potentially years as pointed out by Jim Dobbins—but it will not necessarily entail a full exit strategy for international forces.

The imposition of the July 2011 timeline by President Obama almost guaranteed that tough choices would be inevitable in any political settlement. Without sufficient time to shift the battlefield to where the Taliban had little choice but to accommodate itself to the existing political order, the United States, NATO, and the government of Afghanistan will have to make some tough compromises. The nature of those compromises, and the durability of the political order that follows, has still not been determined. But it is not too early to ask the hard questions, determine the redlines, construct a regional framework, and set American expectations in order to achieve a “high-bar” negotiated settlement – not one that is just a fig leaf for allowing the United States to leave Afghanistan.

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**Meghan L. O’Sullivan** is the Jeane Kirkpatrick Professor of the Practice of International Affairs at the John F. Kennedy School of Government at Harvard University. Previously, she served as Special Assistant to the President and Deputy National Security Advisor for Iraq and Afghanistan from 2004-2007 at the National Security Council. She cumulatively spent two years in Iraq, including working for the Coalition Provisional Authority in 2003-2004 and helping negotiate the bilateral security agreement between Iraq and the United States in the fall of 2008. She also worked in Policy Planning at the State Department, where she was the senior advisor to the special envoy to the Irish Peace Process and her portfolio included Iran, Libya, Syria, and relations with the Muslim world. Prior to her service in government, Dr. O’Sullivan was a fellow at the Brookings Institution and is the author of *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*. She is a member of the Trilateral Commission and the Council on Foreign Relations and a board member of TechnoServe. She received a B.A. from Georgetown University and an M.A. in Economics and Ph.D. in Political Science from Oxford University. She is a member of the Aspen Strategy Group.

<sup>1</sup> President Barack Obama, “Remarks by the President in Address to the Nation on the Way Forward in Afghanistan and Pakistan.” United States Military Academy at West Point, New York, Dec. 1, 2009. Transcript available at <http://www.whitehouse.gov/the-press-office/remarks-president-address-nation-way-forward-afghanistan-and-pakistan>.