

Pakistan's Crisis: What Role for the EU?

Clare Castillejo

»» Ten years after the 'war on terror' began Pakistan's insurgency has killed 35,000 people and turned parts of the country into conflict zones. This situation has been driven by the Afghanistan conflict and by Pakistan's own history. Pakistan's military has ruled the country for over half its existence, justifying its rule with an Islamic nationalist discourse and supporting militant groups to further its foreign policy agenda. Meanwhile, civilian governance institutions remain weak, corrupt and unaccountable. In addition to security and governance problems, Pakistan has high levels of poverty, exclusion and population growth, and is experiencing economic and humanitarian crises.

The European Union (EU) has so far failed to develop a strategic response to Pakistan's problems and has played a minor role in the country. However, it is now making efforts to strengthen engagement with Pakistan. This must involve developing an agenda for EU support to Pakistan that recognises Europe's strengths and limitations and that addresses both Pakistan's urgent challenges and its historical drivers of fragility.

MAKING EU ENGAGEMENT STRATEGIC

Pakistan's future matters to Europe. As a nuclear armed country in a volatile region and a base for international terrorism, Pakistan can undermine Europe's security. Pakistan's vast population also makes it

Highlights

- The EU has consistently failed to recognise the severity of Pakistan's crisis or develop a strategic response.
- The EU is now increasing engagement with Pakistan, but must recognise its limited influence and focus on where it can add value.
- EU priorities in Pakistan should be to respond to urgent challenges to Pakistan's stability and address longer term drivers of fragility.



critical for meeting development and climate change goals. Moreover, Europe could play a greater role in Pakistan. The EU is Pakistan's largest trade partner, a major provider of Official Development Assistance (ODA) and hosts a large Pakistani expatriate community. Moreover, the EU's support for democracy has given it some political credibility within Pakistan.

Despite this, the EU has consistently failed to recognise Pakistan's importance and the severity of its crisis, or to develop a strategic response. This has been due to lack of leadership within the European External Action Service, as well as because no member state has promoted Pakistan within the EU agenda. Although the UK has strong historical ties it is reluctant to lead an EU response because of domestic sensitivities.

Recently the EU has begun upgrading its relationship with Pakistan toward higher level, more strategic engagement. In 2009 the EU launched an action plan on Afghanistan and Pakistan and held the first EU-Pakistan summit. In 2010 there was a second summit and it was agreed to establish a strategic dialogue and develop a five-year engagement plan. The EU also announced a 50 per cent increase in ODA to Pakistan for 2011-2013. However, practice has fallen short of commitments. The engagement plan is not finalised and the strategic dialogue and third summit have been delayed.

Pakistan receives EU funding under the Development Cooperation Instrument (DCI), the Instrument for Stability (IfS) and the European Instrument for Democracy and Human Rights (EIDHR). However, this funding lacks a clear focus on the country's governance and security

challenges. Among member states the UK has the greatest political, economic and security engagement with Pakistan and has indicated that Pakistan may become its biggest aid programme. Greater coordination is needed between EU and UK agendas on Pakistan.

The EU's new mechanisms for engagement with Pakistan are welcome. However, these mechanisms must be used to make Pakistan a genuine priority and address its most pressing problems. The EU must recognise its limited influence compared to other actors and focus on where it adds value. Unlike the U.S. and China, Europe does not provide military aid and cannot influence Pakistan's powerful military. Moreover, even the EU's ODA contribution of €75 million per annum for 2011-2013 is tiny compared with \$7.5 billion for 2010-2014 from the U.S.

Its limited influence and relatively small aid contribution mean that Europe must target its support carefully. The EU cannot 'change the game' in Pakistan, but can help mitigate its current instability and promote longer term transformation. The EU's response to Pakistan's crisis should therefore involve a two track approach. In the short term it must respond to urgent challenges to stability, while in the longer term it should address the structural and regional drivers of Pakistan's fragility.

RESPONDING TO URGENT CHALLENGES

Pakistan faces immediate challenges to its stability. These include a general election, NATO's withdrawal from Afghanistan, an economic crisis and its changing relationship



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with the U.S. The EU's immediate priority must be supporting Pakistan's democratic actors to respond to these challenges.

Pakistan goes to the polls in 2013. Successful elections would boost Pakistan's fragile democratic transition, while failure could result in violence and a return to military rule. Since military rule ended in 2008 Pakistan has made some progress in strengthening democratic institutions and processes. However, space for political debate is shrinking and the religious right is increasing its control over public discourse. Meanwhile Pakistan's party politics continues to be messy, corrupt and at times violent.

The EU can provide important support to Pakistan's election. However, it must expand its previous technical focus to also strengthen the political institutions and public debate required to make the election meaningful. In particular it must learn from its 2008 experience, where technical election assistance did not address widespread malpractice. Of course some technical support is still required, particularly to the Electoral Commission of Pakistan, whose capacity and independence were undermined during former President Musharraf's rule. Likewise, technical assistance is needed in the areas of voter rolls, electoral complaints mechanisms, constituency delimitation and electoral administration. The EU is providing €2.4 million in support for electoral reform under the IfS. It should prio-

ritise the above areas, as well as implementation of recommendations from its 2008 election observation mission.

The EU can also help improve the political environment for elections. Pakistan's political parties are weak, corrupt and elite based; its liberal civil society is under attack from extremists; and its media agenda is shaped by the military and right wing parties. Public disillusionment with a democracy that has failed to deliver is reflected in the lowest voter turnout in Asia. The EU must overcome its reluctance and engage with Pakistan's political parties, encouraging party reform and representative policy agendas. It must also support civil society and the media to assert their independence and generate broader political debate and participation in the run up to elections. Despite Pakistan's pressing needs, just €900,000 was allocated for Pakistan from EIDHR in 2011, the same as for the Philippines and Bangladesh. The EU should increase EIDHR allocations and other funding for democratic debate. It should also include civil society in its dialogue with Pakistan's political elite.

Pakistan is experiencing an economic crisis. Since 2007 growth has collapsed, inflation is spiralling and balance of payments is under pressure. Urgent economic reform is needed, including widening the tax base, generating national revenue and reforming the failing energy sector. However, Pakistan's political class has little appetite to change a system that serves its interests. In January 2011 the government abandoned proposed reforms to energy prices and the sales tax because of opposition from its coalition partners, thereby forfeiting part of an IMF loan.



As Pakistan's largest trading partner the EU can help stimulate growth and incentivise reform. The EU will offer Pakistan Generalised System of Preferences (GSP)+ status from 2014, but Pakistan wants negotiations on a Free Trade Agreement (FTA). An FTA could include stronger conditionalities and reform incentives than GSP+. Moreover, progress on an FTA could give the prime minister something to offer other parties in return for support on economic reform. The UK prioritises macro-economic stability and economic reform within its aid to Pakistan. EU support for these agendas through trade incentives could greatly multiply impact in this area.

The most serious challenge to Pakistan's stability is NATO withdrawal from Afghanistan. Pakistan's military wants to ensure control of post-NATO Afghanistan. It has consistently supported Afghan insurgents and seeks a central role in peace negotiations. The military's support for militant proxies has already created significant space for militancy in Pakistan and led to its internal insurgency. This space is likely to increase as Pakistan, India and others support militant proxies in the struggle for control of post-2014 Afghanistan. While the EU cannot influence the 'endgame' in Afghanistan, it can strengthen Pakistan's civilian counter-insurgency response, address the security and justice failings that fuel insurgency, and reduce space for militants in Pakistan's border areas.

The EU is already supporting civilian capacity building for law enforcement under the IFS, to help equip Pakistan's police to take greater leadership in counter-insurgency. However,

the counter-insurgency response must be situated within broader security and justice reform. This includes strengthening the justice system's ability to prosecute terrorists; reforming Pakistan's overcrowded 'recruiting ground' prisons and curbing abuses by security personnel. The EU should make justice and security sector reform a focus of political dialogue and funding under the next Country Strategy Paper (CSP). It could even offer a small Common Security and Defence Policy (CSDP) mission to support this.

The EU should also encourage reform of the legal and governance structures that allow militancy to flourish in Pakistan's Federally Administered Tribal Areas (FATA). Under colonial-era legislation FATA residents have no constitutional rights and a single federal government representative holds all executive, judicial and financial authority in each district. Pakistan's military has taken advantage of this legal vacuum to foster militants in this border region, which is now home to the Pakistani Taliban. Although President Zardari has taken modest steps to improve FATA's status, much deeper reforms are required in order to reduce space for militancy in these areas. EU actors must press Pakistan's government to bring FATA under national legal and governance frameworks and address its population's grievances.

Finally, U.S.-Pakistan relations have reached an all-time low. Frustration at Pakistani support for insurgents led the U.S. to suspend \$800 million in military aid in 2011. Pakistan is too important for the U.S. to abandon, but it is rethinking its engagement and U.S. presidential elections may bring more radical change. The weakening of



U.S.-Pakistan relations could allow greater EU influence in Pakistan. The EU can offer Pakistan an alternative relationship with a western power that is based on mutual trade, development and hard and soft security interests, and that involves multiple stakeholders, not just security actors. While this may not interest the military, as U.S. support wanes Pakistan's political class might be looking for new friends.

ADDRESSING LONG-TERM DRIVERS OF FRAGILITY

Pakistan is facing immediate challenges, but its instability has deep structural roots. The EU should focus its long-term engagement on addressing these structural drivers of fragility. These include weak governance institutions, socio-economic exclusion, and rapid population growth. The five-year engagement plan and next CSP provide opportunities to refocus EU support on these areas.

ODA represents a tiny fraction of Pakistan's GDP and donors have limited policy influence. EU investments are therefore best used to catalyse democratic and pro-development reform, as well as to draw in assistance from others to create a multiplier effect. In particular, the EU should seek to draw in U.S. funds for a reform agenda, given that USAID is having difficulties spending the newly allocated \$7.5 billion in U.S. ODA. The October 2011 Commission Communication 'Increasing the Impact of EU Development Policy: An Agenda for Change' – with its focus on democratic governance and economic growth – can be a good framework for reshaping EU assistance to Pakistan.

Pakistan's history of alternating between strong military rule and weak civilian government has prevented the development of effective national institutions. At the central level, the executive, parliament, civil service and judiciary are weak and corrupt and the relationship between them is tense. At the local level, state services are failing and have virtually disappeared in border areas. This creates a legitimacy vacuum in which extremism flourishes and security and development are impossible. Therefore, the EU's long-term engagement should focus primarily on reform and strengthening Pakistan's governance institutions.

The current government has undertaken some governance reforms, including limiting presidential power and balancing the executive and judiciary. The EU should use political dialogue to promote further reform, for example of the highly politicised civil service. It should also build the capacity of institutions like the parliament and judiciary that were weakened by authoritarian rule. Moreover, the EU can stimulate public debate about what kind of state Pakistan needs through support for independent think tanks, NGOs and the media.

At the root of Pakistan's governance problems is the military's dominance. Pakistan's military consumes around 20 per cent of the federal budget, controls important areas of national decision-making and has substantial public support. Extensive U.S. military aid – currently more than \$2 billion a year in overt funding – has increased this military dominance and undermined democracy. By strengthening



civilian governance institutions the EU could help rebalance civil-military relations in the longer term. Stronger civilian institutions could challenge the military's narrative of itself as defender of nation and religion. They could also wrest control of key policy areas from the military and increase public appetite for civilian oversight of the military.

Beyond Pakistan's problematic governance there are also societal drivers of fragility. Feudal socio-economic structures mean large sections of the population face social, economic and political exclusion. 36 million Pakistanis live below the poverty line and landlessness is a major problem. While political parties represent the landowning elite, there are no institutions that represent the poor. The current CSP focuses on traditional development areas of health, education and rural development. However, any meaningful progress in these areas must be underpinned by broad socio-economic reform, including land reform. The EU should press Pakistan's elite political leaders on this.

Pakistan's ethnic inequalities also undermine stability. Punjab's dominance and the lack of political and economic rights for other provinces have fuelled ethnic nationalism. In Baluchistan this has become a full blown ethnic insurgency. In 2010 the government amended the constitution to devolve more power to the provinces. However, the devolution process has been chaotic and incomplete and the weak provincial governments lack capacity to take on their new responsibilities. The EU has significant experience of supporting

decentralisation. It could provide assistance to Pakistan's devolution process as part of its larger agenda to support state reform and strengthening.

Pakistan is experiencing rapid population growth. Its population is likely to exceed 210 million by 2020. In order to maintain living standards for this expanding population it needs economic growth of 6 per cent. However, growth is currently around 2 per cent and there is massive youth unemployment. Pakistan's large youth population could be a force for democratic change, but without opportunities these young people are vulnerable to extremism. Recognising this challenge, the UK has made education and growth major aid priorities. In line with the recent 'Agenda for Change' the EU has a role to play in supporting inclusive growth, including through leveraging private investment, trade financing, private sector capacity building and supporting reform of the dysfunctional energy sector. The EU has traditionally supported human capacity development through health and education funding and should continue to promote greater state investment in these neglected sectors.

Finally, Pakistan's internal insecurity is shaped by its regional insecurity. The perceived threat from India justifies the military's dominance in national life and is behind its fostering of militant networks and spoiler role in Afghanistan. Unless Pakistan's sense of external insecurity is reduced the army will continue to control the country and undermine regional stability.



The EU must therefore seek to reduce regional tensions. While it has little influence over power dynamics in the neighbourhood, Europe can send important political signals and support regional cooperation efforts. For example, the EU can help allay Pakistan's anxieties about India's relationship with the West by offering Pakistan equal access to Europe in terms of trade and political dialogue. As Pakistan-India relations improve following the low point of the Mumbai bombings the EU can support new initiatives for trade collaboration between the two countries. It can also support Pakistan's civilian actors to create an alternative narrative of the country's role in the region. Moreover, given its relatively neutral position the EU could possibly act as an 'honest broker' to reduce regional tensions over Afghanistan's future.

CONCLUSION

The EU faces a challenge in Pakistan. While Pakistan is critical for European security, the EU has limited leverage in the country. Its ODA buys little influence, it cannot sway Pakistan's military leaders, and so far it has played a minor role compared to other international actors.

However, Europe cannot ignore Pakistan. Instead it must develop a strategic response to Pakistan's crisis that employs trade leverage, policy dialogue and catalytic support to civilian institutions to address Pakistan's current instability and promote desperately needed reforms. Moreover, recognising that demand for reform must come from within Pakistan, the EU can help

stimulate that demand through support for civil society.

In order to do this the EU must make full use of its new mechanisms for engagement with Pakistan. It must also increase synergy between EU and UK agendas and improve coordination with the U.S. and China, who will continue to play leading roles in Pakistan.

Clare Castillejo is a senior researcher and research coordinator at FRIDE.

e-mail: fride@fride.org

www.fride.org

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