

Regional Dynamics and Strategic Concerns in South Asia

Pakistan's Role

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Regional Dynamics and Strategic Concerns in South Asia: Pakistan's Role

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This background paper was prepared as part of a study of U.S. strategic concerns in South Asia and the regional dynamics and priorities that are likely to influence U.S. policy there between 2014 and 2026. It is one of 10 such papers covering the relevant internal dynamics, trends, relationships, and scenarios in China, Iran, the Gulf States, Central Asia, Russia, Turkey, Europe, India, Pakistan, and Afghanistan. The final report, South Asia Regional Dynamics and Strategic Concerns: A Framework for U.S. Policy and Strategy in South Asia, 2014–2026, by Robert D. Lamb, Sadika Hameed, and Kathryn Mixon, is available at <http://c3.csis.org> and includes a framework on which the United States may base the development of policies and strategy in South Asia over the next 12 years.

Pakistan's Relations with the United States

Leading up to 2014, the relationship between the United States and Pakistan is mainly one of necessity.² The United States needs Pakistan's cooperation and assistance because Pakistan's supply lines are critical for a smooth withdrawal from Afghanistan, and Pakistan will be vital for any successful political settlement in Afghanistan that is feasible and lasting.³ Pakistan needs the United States and NATO to ensure a stable Afghanistan in order to avoid spillover violence, which could further increase internal security problems.⁴ Pakistan has economic motivations to work with the United States as well, since remittances and foreign direct investment (FDI) from the United States and exports to the United States are vital to Pakistan's economy.⁵ Yet the continued support that some extremist groups receive from Pakistan's military and intelligence services demonstrates the limits of mutual necessity as a basis for the U.S.-Pakistan relationship: some key officials continue to view some nonstate armed groups as an important hedge against a potential conflict with India, even as other officials recognize the threat other nonstate armed groups pose to the Pakistani state.

The relationship is likely to continue its current trajectory even after U.S. withdrawal from Afghanistan, because of Pakistan's geostrategic location and the government's possession of nuclear weapons. A negative shift in the relationship will likely only come if certain extreme shocks were to occur—for example, a massive

¹ The authors wish to thank Candace Carp for feedback on early drafts of this background paper but take full responsibility for its content.

² Robert M. Shelala II, Nori Kasting, and Anthony H. Cordesman, *U.S. and Iranian Strategic Competition: Afghanistan, Pakistan, India, and Central Asia* (Washington, D.C.: CSIS, June 2013), p. 15, http://csis.org/files/publication/130625_iransanctions.pdf.

³ Sadika Hameed and Robert D. Lamb, "Seeking Engagement with Pakistan and its Private Sector," CSIS, forthcoming.

⁴ Shelala et al., *U.S. and Iranian Strategic Competition*, p. 15.

⁵ CIA, *World Factbook*, "Pakistan," July 10, 2013, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>.

terrorist attack—and the United States perceived Pakistan as not doing enough to target extremist groups and safe havens.⁶

Internal Trends and Dynamics

Internal trends in Pakistan, such as rising violence, a faltering economy, population growth, and poor governance, have the potential to cause instability both within Pakistan and in the region as a whole. Pakistan currently struggles with internal strife along ethnic, sectarian, and religious lines and has a large gap between the most wealthy and the most poor. A low-level insurgency has persisted in Baluchistan for decades, which could escalate in the coming years.⁷ Sunni extremism in Pakistan has increased along with violence against Shi'ites.⁸ Rapid urbanization, demographic change, and brutal party politics fuel strife in large cities such as Karachi.⁹ Extremists along the Afghan border have escalated violence against Pakistani targets and pose one of the largest threats to Pakistan's stability.¹⁰ Conflict within Pakistan has the potential to spill over into neighboring countries, including Iran, India, and Afghanistan.

In addition to internal violence, Pakistan faces economic and demographic pressures that threaten the stability of the state. Pakistan's slow-growing economy is unable to keep pace with its rapidly increasing population.¹¹ Nearly 60 percent of Pakistan's population is under the age of 25, and this youth bulge is expected to continue beyond 2025, especially in western Pakistan.¹² Although the official unemployment rate in Pakistan remains low, at 5.6 percent, underemployment remains a serious problem, especially among youths from lower socioeconomic classes.¹³ Economic and social mobility is low, and the education system reinforces inequality.¹⁴ The combined effect of Pakistan's youth bulge, underemployment, and inequalities is that youths lacking other opportunities are increasingly turning to extremism, which has the potential to fuel both internal and regional conflicts.

Pakistan's economic and demographic pressures are further compounded by poor governance. The government at all levels continues to struggle with high levels of corruption. State services, such as healthcare and education, are underfunded and in

⁶ Hameed and Lamb, "Seeking Engagement with Pakistan and its Private Sector."

⁷ "Pakistan: Sectarian Violence Slipping out of Control in Baluchistan," *IRIN News*, September 14, 2012, <http://www.irinnews.org/report/96303/pakistan-sectarian-violence-slipping-out-of-control-in-Baluchistan>.

⁸ Shelala et al., *U.S. and Iranian Strategic Competition*, p. 12; Asad Hashim, "Hazara Shia Hounded in Pakistan," *Al Jazeera*, March 8, 2013, <http://www.aljazeera.com/indepth/features/2013/03/201337112254932820.html>.

⁹ Arsla Jawaid, "Failed City?" *Foreign Policy*, April 9, 2013, http://afpak.foreignpolicy.com/posts/2013/04/09/failed_city_karachis_violent_spiral.

¹⁰ William Dalrymple, "A Deadly Triangle: Afghanistan, Pakistan, and India," Brookings Institution, June 25, 2013, p. 40, <http://www.brookings.edu/research/essays/2013/deadly-triangle-afghanistan-pakistan-india-c>.

¹¹ National Intelligence Council, *Global Trends 2030: Alternative Worlds* (Washington, DC: National Intelligence Council, December 2012), <http://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf>.

¹² *Ibid.*

¹³ CIA, *World Factbook*, "Pakistan"; Moeed Yusuf, *Prospects of Youth Radicalization in Pakistan: Implications for U.S. Policy* (Washington, DC: Brookings Institution, October 2008), http://www.brookings.edu/~media/research/files/papers/2008/10/pakistan_percent20yusuf/10_pakistan_yusuf.pdf.

¹⁴ Yusuf, *Prospects of Youth Radicalization in Pakistan*.

need of reform.¹⁵ Pakistan's military has intervened less directly in the civilian government recently, but it continues to play a strong role in setting security and foreign policy; civilian control of the military is far from certain.

Key Influencers

Key actors with the potential to affect stability in Pakistan and in the region as a whole include governmental institutions, political parties, nonstate actors, civil society organizations (CSOs), the job creating private sector, the media, and international financial institutions (IFIs). Two influential government actors are the military, including Inter-Services Intelligence (ISI), and the Supreme Court. The military has played a key role in the Pakistani government since independence. The recent peaceful transition between two democratically elected prime ministers was an important milestone in civilian rule, but the military remains powerful, especially in the areas of security and foreign policy. The military will likely continue to play an influential role in governing Pakistan in the near future and tensions between civilian and military institutions have the potential to create instability until the two sides reach an accommodation.

One of the most powerful and opaque institutions in Pakistan is the ISI. The ISI has supported extremist groups in Pakistan, including the Taliban, and will most likely continue to support extremist groups as proxies to fight Pakistan's enemies. But other extremist groups have emerged in recent years, attacking Pakistani institutions, and some within the military now consider internal extremism to be a greater threat than India.¹⁶ The ISI may continue to support the Taliban in order to exert Pakistani influence over Afghanistan in the wake of U.S. withdrawal, but over the coming decade the ISI might also become increasingly wary of incubating extremist groups that could destabilize Pakistan.

Pakistan's main political parties will also impact regional stability. The Pakistani state will respond differently to external threats to Pakistan (such as an escalation of tension with India) depending on which parties are in power, and a weak government could fail to respond adequately altogether. The two main political parties in Pakistan currently are Prime Minister Sharif's Pakistan Muslim League-Nawaz (PML-N) and the Pakistan People's Party (PPP). The PML-N represents conservative and business interests and advocates improving relations with India, while PPP is a secular, socialist party that supports a strong public sector.¹⁷ The presidency, premiership, and National Assembly are all currently controlled by the PML-N, but the PPP could regain power under Benazir Bhutto's son Bilawal Bhutto's leadership. The two other largest political parties are the Muttahida Qaumi Movement (MQM), the ruling party in Karachi, and the Pakistan Tehreek-e-Insaf (PTI), cricket star Imran Khan's party. The PTI is a reformist party that made substantial gains in the 2013 elections, though it is unclear how successful it would be implementing reforms if it gained power.¹⁸ In addition to the four main parties, several smaller parties are important regionally and as members of national coalitions,

¹⁵ Hassan Abbas, "Pakistan 2020: A Vision for Building a Better Future," Asia Society, May 2011, http://asiasociety.org/files/pdf/as_pakistan_percent202020_study_group_rpt.pdf.

¹⁶ Dalrymple, "A Deadly Triangle."

¹⁷ "Explainer: Pakistan's main political parties," *Al Jazeera*, May 6, 2013, <http://www.aljazeera.com/indepth/spotlight/pakistan-elections/2013/04/20134277479966662.html>; Gardiner Harris, "After Vote in Pakistan, Some Hope in India," *New York Times*, May 13, 2013, <http://www.nytimes.com/2013/05/14/world/asia/pakistan-vote-inspires-measured-optimism-in-india.html?ref=nawazsharif>.

¹⁸ "Explainer: Pakistan's main political parties," *Al Jazeera*.

such as the Jamaat-e-Islami (JI), as Islamic party based in Lahore, and the Awami National Party (ANP), a secular Pashtun party.

Extremist groups pose perhaps the greatest threat to Pakistan's stability. Two of the key extremist groups in Pakistan are Tehrik-i-Taliban Pakistan (TTP), which is the umbrella organization for Pakistani Taliban groups in the Federally Administered Tribal Areas (FATA), and Lashkar-e-Taiba (LeT), an Islamist terrorist organization that directs most of its attacks against India. The ISI is suspected of aiding the LeT.¹⁹ The LeT was implicated in the 2008 attacks in Mumbai, and a similar large-scale terrorist attack could trigger an armed conflict between India and Pakistan.²⁰

Other internal actors that will be important going forward include:

- *Civil society organizations.* Nongovernment organizations (NGOs) and civilian-led organizations have played an instrumental role in development, especially in health and education. Moreover, as local partners to donors they have had access to areas that are difficult for donors to work in or send foreign staff to.²¹
- *The private sector.* The job-creating private sector is essential to Pakistan's economic growth, and businesses have played a strong role in pushing for normalized relations with India
- *The media.* The media are important in shaping political outcomes in Pakistan, especially since they became more open under Musharraf. Print media is influential in urban and educated areas, but radio and television are an important source of information, especially in rural areas, due to low literacy rates.²² While an active media encourages greater accountability by enforcing transparency, the proliferation of media outlets has also resulted in more extreme views being broadcast.
- *The Supreme Court.* The Supreme Court, especially since 2008, has been more assertive in imposing its writ. Their pressure on the previous Zardari government to follow up on corruption cases led to one Prime Minister having to stand down. They are also more generally holding institutions more accountable. They have brought the issue of army behavior—such as extrajudicial killings and disappearances (especially in Baluchistan)—to the forefront. If they continue on the current trajectory and do not get involved in internal politics, they can enforce more transparency, which could lead to much needed institutional changes.

In addition to internal actors, IFIs play an important role by supporting Pakistan's faltering economy and influencing policy. The World Bank operates 30 projects in Pakistan worth a total of \$5 billion; the International Finance Corporation committed \$555 million to Pakistan in 2012; and the Asian Development Bank has lent approximately \$2.5 billion in Pakistan to date.²³ In addition, the IMF is currently in the

¹⁹ Shelala et al., *U.S. and Iranian Strategic Competition*.

²⁰ National Intelligence Council, *Global Trends 2030*.

²¹ Asian Development Bank, "Overview of Civil Society Organizations: Pakistan," May 2009, <http://www.adb.org/publications/overview-civil-society-organizations-pakistan>.

²² Jayshree Bajoria, "Pakistan's Institutions and Civil Society," Council on Foreign Relations, August 25, 2008, <http://www.cfr.org/pakistan/pakistans-institutions-civil-society/p14731#p3>.

²³ International Finance Corporation, "IFC in Pakistan," http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/europe+middle+east+and+nort

process of approving a \$5.3 billion loan to Pakistan.²⁴ This loan is necessary to aid Pakistan's faltering economy and has the potential to help Pakistan's energy crisis, but the conditions of the loan could prove unpopular and cause unrest.²⁵ There is a tension, therefore, between the need to reform and the need for the loans.

Regional Relations

Pakistan's Relations with Afghanistan

Pakistan's previous "strategic depth" doctrine toward Afghanistan sought to establish a government in Kabul that was sympathetic toward Pakistan and that would allow the Pakistani military to retreat into Afghanistan in the case of an Indian invasion. Since the U.S.-led invasion of Afghanistan, however, Pakistan's policy toward Afghanistan has slowly shifted as militancy within Pakistan (targeting state institutions) has risen. Many in Pakistan's foreign policy establishment have begun to prioritize stability in Afghanistan while still wanting to have a government in Kabul that is friendly to Pakistan's interests, or at least not as friendly to India's. Still, Taliban and other fighters in Afghanistan continue to operate with near impunity in safe havens within Pakistan. Pakistan's nuclear capabilities provide a deterrent to any Indian invasion of Pakistan, and as a result, "strategic depth" has become less useful as a doctrine of foreign policy. Reconciliation with the Taliban is one way of ensuring such a result, and so has featured heavily on the agendas of Chief of Army Staff General Ashfaq Parvez Kayani and Prime Minister Nawaz Sharif.

Pakistan is also concerned by the increased Indian influence in Afghanistan under Karzai's government. Since the October 2011 strategic agreement signed between India and Afghanistan, India has provided military training and aid to the Afghan National Security Forces (ANSF), and Indian development projects in Afghanistan are worth more than \$2 billion.²⁶ Pakistan fears of Indian military encirclement remain, but to a lesser extent than previously. India, in turn, has carefully avoided sending lethal assistance to Afghanistan, which would overtly threaten Pakistan.

Pakistan has been at loggerheads with the Karzai administration over several incidents that are rooted in the Afghan government's refusal to recognize the Durand Line as its official border with Pakistan. The two countries have also exchanged heated words about militant sanctuaries. The Afghan government blames Pakistan's military and intelligence agencies for turning a blind eye to the Haqqani Network in Waziristan, while Pakistan blames Afghanistan for doing the same regarding elements of the TTP in Kunar and Logar.

Pakistan's Relations with India

India and Pakistan have had a deeply contentious relationship since both became independent in 1947 as separate nations. India and Pakistan have fought three wars—in

h+africa/ifc+middle+east+north+africa+and+southern+europe/countries/pakistan+country+landin
g+page; World Bank, "Pakistan Projects & Programs,"

<http://www.worldbank.org/en/country/pakistan/projects>; Asian Development Bank, "Overview,"

<http://www.adb.org/countries/pakistan/main>.

²⁴ Declan Walsh and Salman Massod, "I.M.F. and Pakistan agree to a \$5.3 Billion Bailout," *New York Times*, July 4, 2013, <http://www.nytimes.com/2013/07/05/world/asia/imf-and-pakistan-agree-to-5-3-billion-bailout.html>.

²⁵ Mehreen Zahra-Malik, "Pakistan asks for IMF bailout loan, Fund offers \$5.3 bln," Reuters, July 4, 2013, <http://www.reuters.com/article/2013/07/04/pakistan-imf-idU.S.L3N0FA1GJ20130704>.

²⁶ Shelala et al., *U.S. and Iranian Strategic Competition*.

1947, 1965, and 1971—and have engaged in numerous other violent encounters over issues including control over the disputed region of Kashmir, control of natural resources, and terrorism.²⁷ Ongoing disputes include disagreement over boundary lines along Sir Creek (a decision that could potentially affect control of natural gas reserves), and over the Siachen glacier in eastern Kashmir.²⁸ Future conflicts between the two nations could erupt over water disputes. Pakistan has faced extreme water shortages recently, which disrupt its agricultural production, and much of Pakistan's water comes from rivers that flow from India through the disputed region of Kashmir.²⁹

Pakistan's civilian government and military establishment diverge in their approaches to India, though these divergences appear to be somewhat less pronounced than previously. It is uncertain to what extent these two institutions will either cooperate or compete in setting policy toward India in the short to medium term. Prime Minister Nawaz Sharif, belonging to a wealthy mercantile family and a big proponent of business, would ideally want to improve relations with India and open the doors to a significant amount of new trade and investment. Economic relations between the two countries have become closer in recent years, and since 2011, Pakistan has been strongly considering granting India most-favored-nation trade status.³⁰ The military will take some time to turn from its decades-old narrative of India as the predominant existential threat to Pakistan—both from a tactical as well as an ideological point of view—even though there have been some indications of a slow shift to focusing increasingly on the internal insurgency.

As mentioned previously, Indian presence in Afghanistan has been a source of worry for Pakistan. Fears of Indian “encirclement”—an Indian military presence on both the eastern and western borders of Pakistan, the latter by way of Afghanistan—persists within the military establishment. The Pakistani military has leveled allegations of foul play against intelligence agents from India's Research and Development Wing (RAW), said to be operating from various consulates close to the Pakistani border. In particular, RAW agents are thought to be aiding and abetting the violent nationalist insurgency in Baluchistan.³¹

Although the Kashmir issue has always been front-and-center when it comes to Pakistan's relationship with India, political rhetoric from Pakistan has been muted in recent years. Despite Prime Minister Sharif's best efforts, Pakistani overtures for friendlier ties have been met with frostiness from the Indian government. Indian concerns over the ISI's ties to the vehemently anti-India Lashkar-e-Tayyaba, and the lack of Pakistani cooperation in apprehending suspects involved in the 2008 Mumbai attacks forces the Indian government to keep Pakistan at an arm's length, especially as election season approaches.

²⁷ Niharika Mandhana, “Water Wars: Why India and Pakistan Are Squaring off over their Rivers,” *Time World*, April 16, 2012, <http://www.time.com/time/world/article/0,8599,2111601,00.html>.

²⁸ “Up Sir Creek,” *The Economist*, January 18, 2007, <http://www.economist.com/node/8558417>; Tathagata Bhattacharya, “What the Siachen conflict is all about,” IBN Live, June 1, 2011, <http://ibnlive.in.com/news/what-the-siachen-conflict-is-all-about/155981-3.html>.

²⁹ Mandhana, “Water Wars.”

³⁰ “Sharif urged to grant MFN status to India,” *The News*, June 25, 2013, <http://www.thenews.com.pk/Todays-News-3-185679-Sharif-urged-to-grant-MFN-status-to-India>.

³¹ Dalrymple, “A Deadly Triangle.”

Other Relationships

Pakistan-China

Relations between Pakistan and China have historically been very close. Pakistan was one of the first countries to recognize the People's Republic of China in 1950, and since then, the Chinese government has provided Pakistan with both economic and military assistance. China has historically seen Pakistan as a natural check on its rival, India, and has supported Pakistan in this role. Militarily, China has helped Pakistan enhance its missile, aircraft, and nuclear capabilities. Economically, China has steadily increased bilateral trade agreements with Pakistan and has invested heavily in infrastructure and energy projects in Pakistan, including the financing of highways, mines, power plants, and most significantly, the deep-sea port at Gwadar.³² The possibility of declining U.S. assistance after withdrawal from Afghanistan, as well as Pakistan's current economic crisis, may push Pakistan closer to China.

The relationship between the two countries is not limitless, however. China has grown closer to India, which is a much more important economic partner to China than Pakistan.³³ The main sources of tension in the relationship between China and Pakistan stem from Pakistan's concerns about China's failure to implement its investments in ways that would benefit the local Pakistani economy (e.g., using Chinese laborers, instead of hiring Pakistanis, for infrastructure projects), and from China's concern about instability in Pakistan, which fosters growing extremism and the possibility of contagion to Uighurs in China's Xinjiang province. Additionally, Chinese citizens have been targeted for kidnappings and killings in Pakistan.³⁴

Despite the limits of the China-Pakistan relationship, China will remain invested in Pakistan. China has the potential to play a stabilizing role in the region moving forward, since it has a vested interest in regional stability in South Asia between Pakistan, India, and Afghanistan.³⁵

Pakistan-Iran

Pakistan and Iran have generally had a good relationship since Pakistan's independence. The two countries are economically linked, and currently, Iran and Pakistan are attempting to build a pipeline that, if completed, would bring gas from Iran's South Pars gas field to Pakistan.³⁶ Iran has also announced plans to build an oil refinery in

³² Jamal Afridi and Jayshree Bajoria, "China-Pakistan Relations," Council on Foreign Relations, July 6, 2010, <http://www.cfr.org/china/china-pakistan-relations/p10070>.

³³ In recent meetings, Chinese authorities agreed to increase bilateral trade from \$12 billion to \$20 billion in two years, contrasted with an agreement to increase trade with India from \$68 billion to \$100 billion. See Farooq Tirmizi, "View from McLeod Road: Why the Sino-Pak alliance is economically worthless," *The Express Tribune*, May 22, 2013, <http://tribune.com.pk/story/553008/view-from-mcleod-road-why-the-sino-pak-alliance-is-economically-worthless/>; and APP, "Pakistan, China to increase trade to \$20 bn: Ahsan Iqbal," *The Express Tribune*, July 6, 2013, <http://tribune.com.pk/story/573330/pakistan-china-to-increase-trade-to-20-bn-ahsan-iqbal/>.

³⁴ Afridi and Bajoria, "China-Pakistan Relations."

³⁵ Shamil Shams, "Pakistan and India try to win over China," *Deutsche Welle*, July 4, 2013, <http://www.dw.de/pakistan-and-india-try-to-win-over-china/a-16929694>.

³⁶ "Gas, but not the useful sort," *The Economist*, March 16, 2013, <http://www.economist.com/news/asia/21573612-barren-ground-new-pipeline-gas-not-useful-sort>.

Pakistan's Gwadar port along the Strait of Hormuz.³⁷ The two countries may expand trade, since current bilateral trade is below its potential level.³⁸ Since Iran's economy is suffering under international sanctions and Pakistan is facing an energy crisis that is hampering economic growth, an economic partnership between the two countries would be mutually beneficial.

While Iran has avoided directly interfering with Pakistan, and is not likely to begin to do so in the near future, several points of contention could serve to drive a wedge between the two. Iran is overwhelmingly Shi'ite and Pakistan is majority Sunni. Iran is concerned about the targeting of Shi'ites in Pakistan. In the Gulf region, Pakistan supports Bahrain's Sunni regime, while Iran has aided the Shi'ite majority's uprisings. Iran perceives Pakistan as not doing enough to prevent Baluchi extremism from spilling over into Iran, and Pakistan's close ties to the Taliban, which targeted the Iran-supported Hazara minority is also problematic for Iran. Future support of the Taliban or perceived lenience toward Baluchi groups could drive the two countries apart. Iran also has economic ties to India, which displease Pakistan, and India uses Iran's Chabahar port in order to bypass Pakistan. Iran's Chabahar port rivals Pakistan's Gwadar port. Pakistan's close ties to the United States have concerned Iran, but as the U.S. presence in the region diminishes, Pakistan could be drawn closer to Iran.³⁹ In the unlikely scenario that the United States, or its ally Israel, were to attack Iran, Pakistan would likely support Iran.

Pakistan–Gulf States

Pakistan has strong economic, security, and energy ties to the Gulf region. Saudi Arabia is one of Pakistan's longest and closest allies, and both Saudi Arabia and Bahrain receive military assistance and training from Pakistan. Saudi Arabia would likely seek nuclear technology from Pakistan if Iran develops a nuclear weapon, possibly leading to the nuclearization of much of the Middle East.⁴⁰ Pakistanis are recruited to serve in Bahrain's security forces to protect the regime from uprisings from the Shi'ite majority that Bahrain claims are supported by Iran.⁴¹ The Gulf States are import to Pakistan economically, since Pakistan has bolstered trade to the region and remittances from the large Pakistani expat communities play a significant role in Pakistan's economy.⁴² The Gulf is also an important source of oil to Pakistan, which is currently suffering from an energy crisis, and Saudi Arabia may extend an oil subsidy to Pakistan again, as it did in

³⁷ Khaleeq Kiani, "Iran to set up \$4bn oil refinery in Gwadar," *Dawn*, February 21, 2013, <http://beta.dawn.com/news/787531/iran-to-set-up-4bn-oil-refinery-in-gwadar>.

³⁸ "Pakistan, Iran to work for peace," *The Nation*, August 4, 2013, <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/national/04-Aug-2013/pakistan-iran-to-work-for-peace>.

³⁹ Shelala et al., *U.S. and Iranian Strategic Competition*.

⁴⁰ Bruce Riedel, "Enduring Allies: Pakistan's partnership with Saudi Arabia runs deeper," Brookings Institution, December 2011, http://www.brookings.edu/~media/research/files/articles/2011/12/09_percent20saudi_percent20arabia_percent20pakistan_percent20riedel/1209_saudi_arabia_pakistan_riedel.pdf.

⁴¹ UPI, "Pakistan extends influence in gulf states," August 22, 2011, http://www.upi.com/Top_News/Special/2011/08/22/Pakistan-extends-influence-in-gulf-states/UPI-58671314030630/.

⁴² Erum Zaidi, "Remittances hit record high of \$13.92 billion: SBP," *The News*, July 11, 2013, [http://www.thenews.com.pk/Todays-News-3-189018-Remittances-hit-record-high-of-\\$13.92-billion:-SBP](http://www.thenews.com.pk/Todays-News-3-189018-Remittances-hit-record-high-of-$13.92-billion:-SBP).

1998 when Pakistan faced sanctions after conducting a nuclear test.⁴³ A negative side effect of Pakistan's closeness to the Gulf States is the spread of Wahabism, which is causing an increase in militancy in Pakistan.⁴⁴

Pakistan–Central Asia

South Asia and Central Asia could benefit from a closer relationship, but currently ties between Pakistan and the Central Asian states remain limited. Increased trade would benefit the region, and access to natural gas from Central Asia could help alleviate Pakistan's energy crisis. Several Central and South Asian states have considered building a Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, but the project is not currently feasible. Infrastructure for trade and natural gas export from the Central Asian states is geared more toward Russia and China, and building infrastructure to South Asia would require investment that Central Asian states and Pakistan are not able to afford.⁴⁵ In addition, lack of stability in South Asia poses a roadblock, as any trade between Pakistan and the Central Asian Republics has to pass through Afghanistan.⁴⁶ Central Asian states are also wary of spreading extremism from Pakistan and the presence of Central Asian militant groups (such as the Islamic Movement of Uzbekistan) in the FATA.⁴⁷

Pakistan-Turkey

Turkey and Pakistan have long had close political ties and now are also strengthening military and economic ties. Turkish and Pakistani officials have discussed the possibility of entering a Preferential Trade Agreement, which would benefit Pakistan.⁴⁸ Turkey has also agreed to sell defense equipment to Pakistan, and the two countries began joint military exercises earlier this year.⁴⁹ Turkey has limited its relationship with India in the past out of deference to Pakistan, and would likely support Pakistan, at least diplomatically, in a confrontation between India and Pakistan.⁵⁰ Turkey is increasingly playing a role as a regional facilitator of peace and could play a stabilizing role in the region going forward.

⁴³ "Saudi Arabia expected to extend \$15 billion bailout package to Pakistan," *The Economic Times*, May 23, 2013, http://articles.economictimes.indiatimes.com/2013-05-23/news/39475792_1_furnace-oil-saudi-arabia-pml-n; Tom Arnold, "Pakistan aims to curb oil imports," *The National*, June 26, 2013, <http://www.thenational.ae/business/industry-insights/economics/pakistan-aims-to-curb-oil-imports>.

⁴⁴ Murtaza Haider, "European Parliament identifies Wahani and Salafi roots of global terrorism," *Dawn*, July 22, 2013, <http://dawn.com/news/1029713>.

⁴⁵ CSIS roundtable, Washington, DC, July 18, 2013.

⁴⁶ Sergei DeSilva-Ranasinghe, James Brazier, and Lilit Gevorgyan, "Pakistan refocuses attention toward Central Asia," East Asia Forum, September 24, 2011, <http://www.eastasiaforum.org/2011/09/24/pakistan-refocuses-attention-toward-central-asia/>.

⁴⁷ Christopher Anzalone, "The Islamic Movement of Uzbekistan: Down but not out," *Foreign Policy*, November 20, 2012, http://afpak.foreignpolicy.com/posts/2012/11/20/the_islamic_movement_of_uzbekistan_down_but_not_out.

⁴⁸ "Pakistan, Turkey to transform bilateral ties: Khar," *Dawn*, August 11, 2011, <http://x.dawn.com/2011/08/11/pakistan-turkey-to-transform-bilateral-ties-khar/>.

⁴⁹ Alakbar Raufoglu, "Turkey, Pakistan boost military ties," *Turkish Weekly*, March 7, 2013, <http://www.turkishweekly.net/news/147897/turkey-pakistan-boost-military-ties.html>.

⁵⁰ Indrani Bagchi, "Turkey-Pak Ties Pose Hurdle to India's entry in NSG Club," *Times of India*, February 21, 2013, http://articles.timesofindia.indiatimes.com/2013-02-21/india/37220266_1_nsg-membership-india-s-nsg-waiver-for-nuclear-commerce.

Conflict Scenarios

Scenario: Afghanistan Stability

If the Afghan government were friendly to Pakistan, stability in Afghanistan would benefit Pakistan and provide an opportunity for improved economic growth and regional stability. The continuation of relative stability in Afghanistan could contribute to Pakistan's economic growth by opening up more opportunities for trade and the possibility of creating links to Central Asian states through Afghanistan.⁵¹ It would also allow Pakistan to concentrate more on internal problems, such as improving security in the FATA.

If Afghanistan remains relatively stable, Pakistan will likely pursue two objectives: curbing Indian influence in Kabul and a legitimate political settlement with the Taliban. Pakistan will not likely seek to ensure the return of the Taliban to power in Kabul, but instead focus on reconciliation with the Taliban in the south. A stable Afghanistan would still remain a site for power struggles between Pakistan and India, as both would seek to influence the Afghani regime, but this scenario would be less likely to spark overt hostilities than if Afghanistan were to collapse. Most likely, neither country would attempt to destabilize Afghanistan if the status quo continues because of the resulting security and economic threats.⁵² Pakistan would continue to fear encirclement, but is unlikely to engage India in a proxy war in Afghanistan if the situation remains relatively stable.

Scenario: Afghanistan Instability

As Pakistan's new government prepares to tackle its myriad domestic problems, one of its greatest concerns is a botched Afghan transition in 2014—in the worst case, one that would lead to civil war whose effects would inevitably spill over into western Pakistan. Such a scenario has the potential not only of creating a second major Afghan refugee crisis in three decades, but could also dial back the modest gains made by the Pakistani army in disrupting militant safe havens in the FATA with an influx of extremists. Pakistan would also not benefit from a return of the Afghan Taliban to Kabul. The strengthening of the Taliban could inspire more TTP violence and the Taliban could also begin directly aiding the TTP.⁵³ The worst situation for Pakistan would be if the Taliban defeated Afghanistan and some of its factions then turned their full attention southward to Pakistan—or, alternatively, if the Taliban decided it could not defeat the better-equipped Afghan military and instead sought to extend its influence southward. For these reasons, the Pakistani military has been very vocal as of late about its desire for peace in Afghanistan, and has even dialed back some of its rhetoric against an Indian

⁵¹ Even with relative stability in Afghanistan, the construction of the Tajikistan-Afghanistan-Pakistan-India (TAPI) pipeline is unlikely. See U.S. Department of Defense, "Report on Progress toward Security and Stability in Afghanistan," December 2012, p. 27, http://www.defense.gov/news/1230_Report_final.pdf.

⁵² Katerina Askarsson, "Prospect for a Crisis in Post-2014 Afghanistan," Civil-Military Fusion Centre, April 2013, p. 8, https://www.cimicweb.org/cmo/afg/Documents/Governance/CFC_Prospect_for_Crisis_in_Post2014_Afghanistan.pdf.

⁵³ Daud Khattak, "For Pakistan, a change of heart in Afghanistan?" *Foreign Policy*, December 17, 2012, http://afpak.foreignpolicy.com/posts/2012/12/17/pakistans_change_of_heart_in_afghanistan; D.D. Guttenplan, "U.S. withdrawal from Afghanistan may pose a greater risk to Pakistan," *New York Times*, May 27, 2013, http://articles.economicstimes.indiatimes.com/2013-05-27/news/39557199_1_drone-campaign-pakistani-taliban-northwestern-pakistan.

presence in Afghanistan.⁵⁴ While the rhetoric has been toned down, it is still true though that Pakistan still fears an Afghan government with strong ties to India.

Pakistan's government fears India's influence in Afghanistan and the threat of "encirclement" if India gains a military presence in Afghanistan.⁵⁵ If Afghanistan becomes unstable, Pakistan and Indian competition in Afghanistan would be much more likely to descend into a proxy war as it did in the 1990s, with Pakistan supporting the Taliban or another Pashtun majority group and India and Iran supporting the Northern Alliance. This conflict in turn could lead to greater militarization of both countries, increasing the potential for conflict and decreasing the likelihood for economic cooperation.⁵⁶

Instability in Afghanistan could harm Pakistan's economy by precluding greater economic integration in the region and preventing economic and energy ties through Afghanistan to Central Asian states.⁵⁷ More violence would cause another refugee influx into Pakistan, which already has more than 1.6 million registered Afghan refugees, and perhaps as many more unregistered.⁵⁸ Current refugees already present a strain on Pakistan, and it will seek to prevent another influx.

Scenario: India-Pakistan Instability

Significant cross-border violence between India and Pakistan is unlikely in the near future, since relations between the two countries are on a positive trajectory. Business leaders and politicians in Pakistan increasingly see the benefit of economic cooperation with India, as is evidenced by plans to grant India Most Favored Nation trade status.⁵⁹ Prime Minister Sharif supports normalizing relations with India, and barring an unforeseen shock, violence conflict between India and Pakistan is unlikely.⁶⁰

If cross-border violence between India and Pakistan does occur, it would likely be a response to a large-scale attack in India by a terrorist group with links to Pakistan, similar to the 2008 attacks in Mumbai. A conflict between India and Pakistan could take many forms, from proxy fighting to targeted military strikes. The worst case scenario for both countries would be an escalation of a conventional war to a nuclear exchange, but this scenario is highly unlikely. India would seek to avoid crossing Pakistan's nuclear red lines, and Pakistan would also be reluctant to engage in the first strike. More likely, India

⁵⁴ Sadika Hameed, *The Future of Cooperation between the United States and Pakistan* (Washington, DC: CSIS October 2013), http://csis.org/files/publication/131025_Hameed_FutureUSPakistanCoop_WEB.pdf.

⁵⁵ Dalrymple, "A Deadly Triangle."

⁵⁶ National Intelligence Council, *Global Trends 2030*, p. 79.

⁵⁷ *Ibid.*; and U.S. Department of Defense, "Report on Progress toward Security and Stability in Afghanistan."

⁵⁸ UN High Commissioner for Refugees (UNHCR), "2013 UNHCR country operations profile—Pakistan," <http://www.unhcr.org/pages/49e487016.html>; Zachary Keck, "Afghanistan Remain Epicenter of Refugee Problem," *The Diplomat*, June 21, 2013, <http://thediplomat.com/the-pulse/2013/06/21/afghanistan-remains-epicenter-of-refugee-problem/>.

⁵⁹ Stephen Cohen, "Will India-Pakistan Relations Improve?" Brookings Institution, December 26, 2011, <http://www.brookings.edu/research/opinions/2011/12/26-india-pakistan-cohen>.

⁶⁰ "Can Nawaz Sharif mend Pakistan's ties with India?" BBC, June 4, 2013, <http://www.bbc.co.uk/news/world-asia-22770484>.

would engage in small targeted attacks against Pakistan and avoid a full-scale invasion that could prompt a nuclear strike.⁶¹

While the fall-out of such a conflict would not be as devastating as a nuclear exchange, it would have serious repercussions for economic growth and stability in the region as a whole. War would be expensive for both India and Pakistan and cause an overwhelming increase in Pakistan's national debt.⁶² India could also use its navy to disrupt trade through Karachi, which would have a crippling effect on Pakistan's economy.⁶³

Conclusions

Pakistan's internal stability will determine what role it will play in the stability of the region as a whole. Currently, Pakistan is struggling with internal problems, including an ailing economy, youth unemployment, sectarian violence, and extremism. If the current trajectory worsens, Pakistan's internal instability could destabilize South Asia more broadly. Lack of internal stability in Pakistan precludes a productive economic relationship with the United States, and countries bordering Pakistan are concerned by the potential for spill-over violence from Pakistan. China is concerned that Uighur extremists have received support from Pakistani elements, while India and Iran are both concerned about violent attacks by nonstate armed groups originating in Pakistan.⁶⁴ On the other hand, if Pakistan's internal stability improves, it can develop more productive economic relationships with countries in the region and the United States, and prevent the spread of sectarian and extremist violence.

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⁶¹ Christopher Clary, "What Might an India-Pakistan War Look Like?" MIT Center for International Studies, Spring 2012, http://web.mit.edu/cis/precis/2012spring/india_pakistan.html#.UelPk43VB1M; Ali Ahmed, "India-Pakistan Conflict Outcome Probability," Institute for Defense Studies and Analyses, October 27, 2009, http://www.idsa.in/idsastrategiccomments/IndiaPakistanConflictOutcomeProbability_AA Ahmed_271009.

⁶² Anindya Muherhee, "War costs could ruin India and Pakistan," *Toronto Star*, December 29, 2001.

⁶³ Clary, "What Might an India-Pakistan War Look Like?"; Muherhee, "War costs could ruin India and Pakistan."

⁶⁴ Hameed and Lamb, "Seeking Engagement with Pakistan and its Private Sector."