

MANAGING US RELATIONS WITH PAKISTAN IN UNCERTAIN TIMES: OPPORTUNITIES AND OBSTACLES

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Cover photo: People take part in a march to celebrate Pakistan's 75th Independence Day in Karachi on Aug. 14, 2022. [Photo by RIZWAN TABASSUM/AFP via Getty Images.](#)

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Photo above: Supporters of Pakistan's former Prime Minister Nawaz Sharif hold party flags as they wait for his arrival for a welcoming rally at a park in Lahore on Oct. 21, 2023. Photo by AAMIR QURESHI/AFP via Getty Images.

EXECUTIVE SUMMARY

With the U.S. withdrawal from Afghanistan, America's bilateral relationship with Pakistan may have come to hold less priority. If it was thought, however, that the U.S. could afford to largely turn its back on Pakistan and the surrounding region, it has instead become increasingly evident that American strategic interests and other concerns demand continued attention and involvement. Pakistan is a large and nuclear-armed Muslim country. It maintains increasingly close ties with China. It is simultaneously engaged in a protracted rivalry with neighboring India, which needs to be contained to avert potentially catastrophic outcomes. While its relations with the Taliban regime are currently tense, Pakistan could have a stabilizing influence in Afghanistan. All of these issues are of significant importance for U.S. foreign policy. It is thus imperative that American policymakers take a longer view when it comes to dealing with Pakistan, especially at a time when great power competition is intensifying across South Asia. While the U.S. cannot displace Chinese ties with Pakistan, there is still ample room for American engagement with its longstanding ally, despite the many differences that have stressed U.S.-Pakistan relations over the past seven-plus decades. The U.S. can forge a practical and appropriate basis for continued cooperation with Pakistan that is sensitive to the national interests of both countries and is in line with the emergent on-the-ground realities in Pakistan as well as the broader region.

As the U.S. works with India to contain Chinese influence in South Asia, American foreign policy experts need to pay more attention to addressing Pakistani fears of India's growing military capabilities, which are being directly bolstered due to New Delhi's strategic collaboration with Washington. At the same time, even if China further tightens its strategic embrace of Pakistan, the Pakistani establishment seems keen to remain engaged with the U.S. Washington can thus continue to partner with Islamabad, especially in areas where it maintains a competitive advantage over Beijing. The U.S. can use the varied financing mechanisms at its disposal to encourage more private-sector investment in emergent opportunities in Pakistan made possible due to ongoing Chinese infrastructure and energy investments in the country. Specialized U.S. development, financing, and trade entities can promote the adoption of green technologies and help enhance climate resilience. The U.S. could also provide more transparent mechanisms to enable Pakistan to benefit from its critical mineral reserves. In addition, the U.S. can deepen capacity-building support by offering training opportunities to lower-level administrators and technocrats. The U.S. should continue counter-terrorism cooperation with not only the country's military intelligence but also with its civil institutions to avert the reemergence of global jihadi networks within Pakistan, as well as in neighboring Afghanistan. The U.S. could explore possibilities for supporting Afghan refugees within Pakistan, improve border management processes to enable ease of movement of Afghan citizens, and provide more livelihood opportunities for ordinary Afghans by making border trade facilities more effective.

The U.S. lacks the goodwill and leverage inside Pakistan at present to directly promote democratic norms to address its civil-military imbalance. Yet it can still exercise considerable influence via international financial institutions, especially the International Monetary Fund (IMF), to urge effective governance, avert domestic repression, and deter further destabilization that can have major adverse impacts for Pakistan itself as well as the broader region.

Introduction

The United States and Pakistan have a longstanding relationship spanning more than three-quarters of a century, but this relationship has experienced significant stress since the post-9/11 American intervention in Afghanistan. The U.S. had expected Pakistan to lend more support to its efforts to defeat the Taliban, and Pakistan felt underappreciated despite the economic and human costs it incurred for becoming a major non-NATO ally¹ in the “fight against terror.” Reinvigorating bilateral ties is challenging at present due to several factors. American engagement with Pakistan has waned on the heels of its physical withdrawal from Afghanistan in August 2021. Moreover, former Prime Minister Imran Khan’s accusations² that the U.S. government conspired in the premature overthrow of his government, in April 2022, fueled anti-American sentiment in the country and, initially at least, created a new strain in bilateral ties. American support to Israel during the ongoing war on Gaza is also very unpopular in Pakistan.

Yet the removal of the Khan government by a parliamentary coalition, and the later establishment of a caretaker government, which were less antagonistic to Washington, offered an opportunity for the U.S. to try to reset bilateral security and economic ties. While U.S. policymakers seem reluctant to broaden the scope of engagement with Pakistan, they also realize the danger of neglecting a nuclear-armed and populous Muslim-majority state that has become increasingly beholden to China and

¹ “Pakistan made ‘major non-NATO ally,’” *Al-Jazeera*, June 17, 2004, <https://www.aljazeera.com/news/2004/6/17/pakistan-made-major-non-nato-ally>.

² Rhea Mogul and Sophia Saifi, “Imran Khan claims there’s a US conspiracy against him. Why do so many Pakistanis believe him?,” *CNN*, May 27, 2022, <https://edition.cnn.com/2022/05/27/asia/pakistan-imran-khan-us-conspiracy-intl-hnk/index.html>.

remains locked in a protracted and dangerous rivalry with neighboring India. The U.S. also needs Pakistan to exert influence in Afghanistan, especially to prevent the reemergence of global jihadist networks. For its part, the Pakistani establishment has become increasingly wary³ of placing all of its eggs in the Chinese basket. Pakistan is still quite dependent on American military hardware, on trade with the U.S., and on American support to gain access to funding from international lending institutions, such as the World Bank and the IMF. Islamabad’s desire to capitalize on infrastructure provided via the China-Pakistan Economic Corridor (CPEC), part of Beijing’s massive Belt and Road Initiative (BRI) international infrastructure development program, to attract more foreign direct investment (FDI) to repay expensive Chinese loans is another reason why Pakistan needs to maintain ties with the U.S.

It is thus in the interest of both the U.S. and Pakistan to develop a mutually beneficial and sustainable relationship.

Ground Realities and Plausible Emergent Political Scenarios in Pakistan

Pakistan is experiencing a confluence of serious challenges, including political tensions, an economic crisis, and the resurgence of security threats. The ouster of the Khan government immensely polarized a country that was already suffering from a serious democracy, governance, and rule of law deficit. Khan had assumed office in 2018 via the formation of what has been described as a “hybrid regime”⁴ that exhibited features of electoral democracy,

³ Arif Rafiq, “Why Pakistan’s Army Wants the U.S. Back in the Region,” *The New York Times*, January 23, 2022, <https://www.nytimes.com/2022/01/23/opinion/pakistan-united-states-china.html>.

⁴ Mohammad Taqi, “Pakistan’s Hybrid Regime: The Army’s Project Imran Khan,” *The Diplomat*, October 1, 2020, <https://thediplomat.com/2020/10/01/pakistan-hybrid-regime-the-armys-project-imran-khan/>.



Photo above: Security personnel escort a car carrying former Prime Minister Imran Khan as he arrives at the high court in Islamabad on May 9, 2023, following his arrest. [Photo by AAMIR QURESHI/AFP via Getty Images.](#)

enabled by behind-the-scenes military influence. Like other Pakistani leaders before him, Khan lost favor⁵ with the all-powerful military, four years into his tenure, due to increasingly ad hoc decision making, including his attempt to influence the appointment of the country's new intelligence chief. Without the military's backing, Khan's opponents threw him out of power via a no-confidence vote in parliament in April 2022. Khan then kept ratcheting up pressure on the "establishment" — a term⁶ often

[com/2020/10/pakistans-hybrid-regime-the-armys-project-imran-khan/](https://www.economist.com/2020/10/pakistans-hybrid-regime-the-armys-project-imran-khan/).

⁵ "Imran Khan loses his battle with Pakistan's army," *The Economist*, June 1, 2023, <https://www.economist.com/asia/2023/06/01/imran-khan-loses-his-battle-with-pakistans-army>.

⁶ Muhammad Hussein, "Are we witnessing the end of Pakistan's military Establishment?," *MEMO Middle East Monitor*, April 4, 2023, <https://www.middleeastmonitor.com/20230404-are-we-witnessing-the-end-of-pakistans-military-establishment/>.

used to refer to Pakistan's armed forces, intelligence community, and pro-military bureaucrats and prominent civilians — to prematurely dissolve the government and hold fresh elections. Khan's agitation has caused major friction within and between key state institutions, and it triggered violent rioting on May 9,⁷ after Khan was arrested on corruption charges. During the ensuing chaos, Khan's supporters launched unprecedented attacks on military installations. The military's response was swift and stern: Besides dismissing three senior military officers⁸ for their failure to prevent attacks on

⁷ "May 9 riots were Pakistan's '9/11 attack' on its national interests: Iqbal," *The Express Tribune*, May 21, 2023, <https://tribune.com.pk/story/2417867/may-9-riots-were-pakistans-911-attack-on-its-national-interests-iqbal>.

⁸ "Pakistan fires three officers for failing to stop Khan protesters," *Al-Jazeera*, June 26, 2023, <https://www.aljazeera.com/news/2023/6/26/pakistani-general-among-three-sacked-over->

military assets, several prominent figures from Khan's Pakistan Tehreek-e-Insaf (PTI) party were arrested for orchestrating the riots.⁹ Khan himself was subjected to a complete media blackout,¹⁰ and many of his key party leaders have defected.

Following his arrest on corruption charges from a court in Islamabad in early May, Khan was subsequently granted bail.¹¹ He was again arrested in early August¹² and banned from political participation for five years for illegally selling gifts received when he was prime minister. Khan's popularity probably received another boost after his imprisonment. However, following the severe crackdown on the PTI after the violent protests on May 9, the public's reaction to Khan's second arrest three months later was tepid. While Khan's conviction on the graft case was also suspended,¹³ he has been indicted for allegedly leaking¹⁴ state secrets. In addition, there are

[violence-by-imran-khan](#).

⁹ Abid Hussain, "Pakistan's controversial Army Act: What is it, how does it work?," *Al-Jazeera*, May 18, 2023, <https://www.aljazeera.com/news/2023/5/18/pakistans-controversial-army-act-what-is-it-how-does-it-work>.

¹⁰ "Pakistan's embattled ex-PM Imran Khan faces blackout on local media," *Arab News*, June 5, 2023, <https://www.arabnews.pk/node/2316321/pakistan>.

¹¹ Diaa Hadid, Vincent Ni, and Abdul Sattar, "A Pakistani court orders former Prime Minister Imran Khan to be released on bail," *NPR*, May 12, 2023, <https://www.npr.org/2023/05/12/1175726888/pakistan-imran-khan-court-bail>.

¹² "Why was Pakistan's former Prime Minister Imran Khan arrested?," *Al Jazeera*, August 5, 2023, <https://www.aljazeera.com/news/2023/8/5/why-was-pakistans-former-prime-minister-imran-khan-arrested>.

¹³ Asif Shahzad and Gibran Naiyyar Peshimam, "Imran Khan's graft conviction suspended by Pakistan court, lawyer says," *Reuters*, August 29, 2023, <https://www.reuters.com/world/asia-pacific/pakistan-ex-pm-imran-khans-graft-conviction-suspended-geo-tv-2023-08-29/>.

¹⁴ Ayaz Gul, "Pakistan Extends Ex-PM Khan's Detention for Allegedly Leaking State Secrets," *VOA News*, August 30, 2023,

more than 150 other cases¹⁵ pending against him ranging from incitement to violence, terrorism, and contempt of court. While the current indictment could lead to a death penalty or life imprisonment, such drastic outcomes seem unlikely given the widespread support Khan still enjoys and the diminished threat his fractured party now poses to the establishment. However, it is evident that the military establishment is determined to ensure that Khan will not be able to contest the next general election.

Months of political turmoil diverted attention from Pakistan's impending balance of payments crisis that brought the country to the verge of economic collapse. The IMF stopped the release of the remaining tranches of an earlier \$6.5 billion¹⁶ loan in November 2022, due to a lack of progress on implementing its associated conditionalities. By February 2023, Pakistan's foreign reserves had diminished¹⁷ to the point of allowing just over two weeks of imports. A Chinese rollover of a \$2 billion¹⁸ loan in late March and a \$3 billion, nine-month bailout¹⁹

<https://www.voanews.com/a/pakistan-court-orders-ex-prime-minister-to-remain-in-jail-/7247033.html>.

¹⁵ Munir Ahmed, "Pakistan's Imran Khan could face the death sentence in trial over revealing state secrets," *AP News*, October 23, 2023, <https://apnews.com/article/pakistan-imran-khan-indictment-official-secrets-a3f267ef56991ec99f1f3e07264f4d2c>.

¹⁶ Ashraf Khan, "Inside Pakistan's troubles with its latest IMF deal," *Devex*, 24 May 2023, <https://www.devex.com/news/inside-pakistan-s-troubles-with-its-latest-imf-deal-105084#:~:text=Because%20Pakistan%20did%20not%20fulfill,consumed%20by%20the%20middle%20class>.

¹⁷ Salman Saddiqui, "Pakistan's foreign exchange reserves fall below \$3b," *The Express Tribune*, February 9, 2023, <https://tribune.com.pk/story/2400303/pakistans-foreign-exchange-reserves-fall-below-3b>.

¹⁸ Asif Shahzad and Ariba Shahid, "China rolls over \$2 bln loan to Pakistan as it struggles with external liquidity," *Reuters*, March 31, 2023, <https://www.reuters.com/world/asia-pacific/china-rolls-over-2-bln-loan-pakistan-finance-minister-2023-03-31/>.

¹⁹ Astha Rajvanshi, "Why a \$3 Billion IMF Loan Isn't Enough to Save Pakistan's Economy," *Time*, July 13, 2023, <https://time.com/6293769/imf-loan-pakistan/>.

from the IMF in July helped the country avert financial default. Yet Pakistan's economic woes are far from over. The interim government cobbled together through a coalition of major political parties, including the Pakistan People's Party (PPP) and the Pakistan Muslim League (Nawaz), that replaced Khan was dissolved on Aug. 9.²⁰ This coalition government has been criticized for appeasing the military by pushing through controversial legislative amendments to the Official Secrets Act and the Pakistan Army Act that criminalized defamation of the armed forces and gave the intelligence apparatus more powers to repress dissidents. It also created a Special Investment Facilitation Council²¹ to supposedly facilitate investments with the overt support of the military. Moreover, despite the constitutional requirement to hold general elections within 90 days of the dissolution of parliament, the outgoing coalition government endorsed a revised version of the country's first-ever digital population census. As a result, the Election Commission got up to six months²² to conduct fresh delimitation of constituencies using the new population count. The outgoing coalition government even provided²³ additional powers to the caretaker government that would replace it to take economic decisions and engage with bilateral donors and international institutions like the IMF, thus enabling it to run the country for a longer period.

The caretaker government was then formed in mid-August, headed by Anwar-ul-Haq Kakar, a Pushtun senator from

²⁰ Abid Hussain, "Pakistan parliament dissolved to hold election without ex-PM Imran Khan", *Al Jazeera*, August 9, 2023, <https://www.aljazeera.com/news/2023/8/9/pakistan-national-assembly-to-dissolve-for-polls-without-ex-pm-imran-khan>.

²¹ Rizwan Shehzad, "Army to oversee economic revival," *The Express Tribune*, June 20, 2023, <https://tribune.com.pk/story/2422716/army-to-oversee-economic-revival>.

²² Aamir Saeed, "Pakistan approves new population census results, raising fears general elections may be delayed," *Arab News*, August 5, 2023, <https://www.arabnews.pk/node/2350071/pakistan>.

²³ Aamir Saeed, "Pakistan's parliament grants additional powers to caretaker government ahead of polls," *Arab News*, July 26, 2023, <https://www.arabnews.com/node/2344701/pakistan>.

Baluchistan who is widely considered to enjoy good relations²⁴ with the military. The Election Commission has announced that elections will be held in early February 2024.²⁵ The military is perhaps hoping that delayed elections will help dissipate Khan's popular support among the electorate. With the generals themselves reluctant to directly take the reins of power, the formation of a weak coalition government, comprised of mainstream parties, seems the most acceptable outcome for the military of the upcoming elections. The exact contours of the new government remain uncertain. However, the return of three-time Prime Minister Nawaz Sharif on Oct. 21²⁶ from self-imposed exile in London suggests that he may play a lead role in the next government. The extent to which his political opponents, especially the PPP, will be accommodated within the new government is as yet unclear. In any event, the military is likely to continue to influence the country's foreign policies, given several measures put in place in recent months to help further consolidate its grip on Pakistan's political-economy, and to suppress dissent.

Conversely, there has been some activism on Khan's behalf within the Pakistani diaspora in the United States, which resulted in a bipartisan group of congressional lawmakers sending a letter²⁷ to Secretary of State Antony Blinken asking for the U.S. to push Pakistan to respect democratic norms and human rights. American-Pakistani

²⁴ "Pakistan senator Anwar ul-Haq Kakar named caretaker PM ahead of vote," *Al Jazeera*, August 12, 2023, <https://www.aljazeera.com/news/2023/8/12/pakistan-senator-anwaar-ul-haq-kakar-named-caretaker-pm-ahead-of-vote>.

²⁵ "Pakistan to hold delayed elections on February 8, electoral commission says," *Al Jazeera*, November 2, 2023, <https://www.aljazeera.com/news/2023/11/2/pakistan-to-hold-delayed-elections-on-february-8-electoral-commission-says>.

²⁶ Rhea Mogul, Sophia Saifi and Azaz Syed, "Pakistan's former leader Nawaz Sharif returns after nearly four years in self-exile," *CNN*, October 21, 2023, <https://edition.cnn.com/2023/10/21/asia/nawaz-sharif-returns-pakistan-intl-hnk/index.html>.

²⁷ Anwar Iqbal, "66 US lawmakers urge Blinken to push for 'democracy' in Pakistan," *Dawn*, May 19, 2023, <https://www.dawn.com/news/1754276>.



Photo above: Pakistan's caretaker Prime Minister Anwaar-ul-Haq Kakar delivers his remarks during the 78th session of the U.N. General Assembly in New York on Sept. 22, 2023. Photo by Pakistan Prime Minister's Office/Anadolu Agency via Getty Images.

PTI supporters also managed to get several congressmen to call for United Nations oversight²⁸ of the upcoming general elections and to express concern about the erosion of freedom of expression and human rights in the country. However, the initial response from the White House remained cautious, merely expressing concern²⁹ about the unfolding situation in Pakistan. While wary of being viewed as interfering in Pakistan's domestic politics, especially after Khan's accusations of a U.S.-backed plot to overthrow him, American diplomats did engage with

²⁸ "US lawmakers call for free, fair internationally-monitored elections in Pakistan," *Pakistan Today*, July 28, 2023, <https://www.pakistantoday.com.pk/2023/07/28/us-lawmakers-call-for-free-fair-internationally-monitored-elections-in-pakistan/>.

²⁹ "White House says it is watching Pakistan events 'with concern'," *Reuters*, August 9, 2023, <https://www.reuters.com/world/white-house-says-it-is-watching-pakistan-events-with-concern-2023-08-09/>.

the interim setup,³⁰ and then the current caretakers, to reiterate America's desire to maintain good relations with Pakistan and to emphasize the need for timely, free, and fair elections according to the laws of the country.³¹ Prime Minister Kakar came to the U.S. in mid-September³² to attend the 78th U.N. General Assembly in New York and also met with some IMF representatives. But he did not

³⁰ "US envoy Bloom meets Dar," *Dunya News*, February 22, 2023, <https://dunyanews.tv/en/Pakistan/701487-US-envoy-Bloom-meets-Dar>.

³¹ "Acting Deputy Secretary Nuland's Call with Pakistani Foreign Minister Jilani," *US Department of State*, August 29, 2023, <https://www.state.gov/acting-deputy-secretary-nulands-call-with-pakistani-foreign-minister-jilani/>.

³² Anwar Iqbal, "PM Kakar's UN trip ends without big meetings," *Dawn*, September 24, 2023, <https://www.dawn.com/news/1777486/pm-kakars-un-trip-ends-without-big-meetings>.

meet individually with U.S. policymakers, who are probably awaiting the outcome of the elections to determine the contours of longer-term bilateral engagements with Pakistan. Some U.S. diplomats, including United States Agency for International Development (USAID) Administrator Samantha Powers, have visited Pakistan over the past year to discuss relief and rehabilitation after the catastrophic floods in 2022.

Significantly, U.S. Ambassador Donald Blome also visited³³ the city of Gwadar in Baluchistan in September, which is home to the deep-sea port financed and operated by China, to explore opportunities to bolster development, trade, and commercial links with different stakeholders. While the U.S. has provided humanitarian assistance to over half a million people, supported over 12,000 farmers, and renovated dozens of health care facilities across Baluchistan,³⁴ U.S. diplomats will have to work hard to carve out a niche of influence within this long-neglected, restive, but geostrategically vital province. Investing in sustainable management of marine resources, promoting green shipping alternatives, as well as bolstering climate resilience within Baluchistan are potential areas that merit special consideration, as none of these issues have received adequate attention via top-down CPEC investments in the province over the past few years.

With elections not too far off in the U.S. itself, American policymakers will face the complex task of contending with a period of tumult and transition across not only Pakistan but the broader South Asian region as well. Sri Lanka has undergone major unrest³⁵ that resulted in the

³³ U.S. Mission Pakistan, "Readout of U.S. Ambassador Donald Blome's Visit to Gwadar," *U.S. Embassy & Consulates in Pakistan*, September 13, 2023, <https://pk.usembassy.gov/readout-of-u-s-ambassador-donald-blomes-visit-to-gwadar/>.

³⁴ U.S. Mission Pakistan, "Readout of U.S. Ambassador Donald Blome's Visit to Gwadar."

³⁵ "Sri Lanka can't afford to hold snap presidential polls in 2023 due to economic crisis: Cabinet Spokesman," *India Today*, June 13, 2023, <https://www.indiatoday.in/world/story/sri-lanka-cannot-afford-to-hold-snap-presidential-polls-2023-economic-crisis-cabinet->

overthrow of the Rajapaksa regime, but the incumbent president maintains close ties with the ousted regime, which may try to make a comeback when elections are held late next year. Despite India's impressive economic progress, the country has seen an alarming rise of Hindu majoritarianism and anti-Muslim sentiments, which is being fueled³⁶ by the ruling Hindu nationalist government in a bid to win a third term in office in the 2024 elections. Bangladesh is also scheduled to hold elections next year, and there is already growing political agitation against the increasingly authoritarian Awami League, which seems adamant³⁷ to retain power at all costs. Besides safeguarding its own strategic interests within this vital region where China is also vying for influence, American foreign policies must be tailored to the unique circumstances of each South Asian country, while being cognizant of inter-regional dynamics as well. Despite the turbulence in bilateral relations, the U.S. can craft a rightsized, practical, and mutually beneficial relationship with Pakistan.

Reassessing US Foreign Policy Options Concerning Pakistan

Some salient concerns that provide the basis for rethinking Washington's foreign policy engagements with Islamabad include the need to avert destabilization in Pakistan, to manage the India-Pakistan-China rivalry without isolating Pakistan, and to avoid worsening tensions between India and Pakistan. The U.S. also has an interest in continuing to work with Pakistan to manage the international terrorism threat and to address the plight of Afghan citizens under the Taliban regime. Contending with these interrelated challenges provides a relevant framework for recalibrating bilateral U.S.-Pakistan ties.

[spokesman-2392722-2023-06-13](https://www.dawn.com/news/1764697).

³⁶ "Modi sparks political storm with pitch for 'anti-minority' civil code," *Dawn*, July 14, 2023, <https://www.dawn.com/news/1764697>.

³⁷ Faisal Mahmud, "Bangladesh opposition protest in Dhaka, demand PM's resignation," *Al Jazeera*, July 29, 2023, <https://www.aljazeera.com/news/2023/7/29/bangladesh-opposition-protest-in-dhaka-demand-pms-resignation>.

The China-India-Pakistan Nexus

South Asia has become one of the regions in the world where the U.S.-China great power rivalry is unfolding most intensely. Besides the U.S. bolstering India to counter-balance China, India itself has been resisting Chinese influence in neighboring smaller states, including Bangladesh, Nepal, and Sri Lanka. For its part, Pakistan has been a significant beneficiary of Chinese military and economic assistance, in part motivated by China's desire to exert pressure on India, and in part due to its desire to further its ambitious BRI. Meanwhile, American ties with Pakistan have frayed in recent years. Pakistan has less utility for American policymakers after the U.S. withdrawal from Afghanistan. However, prominent regional experts³⁸ have cautioned the U.S. that its deepening defense cooperation with India, while aiding its capabilities for contending with Chinese aggression, risks worsening the regional arms race. America's ability for crisis mediation in the region has also significantly diminished due to Pakistan's loss of confidence³⁹ that the U.S. can act as a neutral arbitrator between itself and India. American admonishment of Pakistan for its democratic failings, religious intolerance, and human rights record is also easier to dismiss, especially when the U.S. remains careful⁴⁰ not to chastise India for mistreating its significant Muslim minority, or about the situation in Kashmir.

Yet the troubling intolerance within India is tarnishing its image as the "largest democracy in the world." While

³⁸ Daniel Markey, Andrew Scobell and Vikram Singh, "China, India and Pakistan: Tenuous Stability Risks Nuclear War," *United States Institute of Peace*, May 17, 2022, <https://www.usip.org/publications/2022/05/china-india-and-pakistan-tenuous-stability-risks-nuclear-war>.

³⁹ Sitara Noor, "Pulwama/Balakot and The Evolving Role of Third Parties in India-Pakistan Crises," *Stimson*, March 25, 2020, <https://www.stimson.org/2020/pulwama-balakot-and-the-evolving-role-of-third-parties-in-india-pakistan-crises/>.

⁴⁰ Brian Bennett, "Biden Affirms Tighter U.S.-India Bond as Modi Waves Off Human Rights Concerns," *Time*, June 22, 2023, <https://time.com/6289487/biden-modi-india-no-discrimination/>.

cautious⁴¹ of an internationally isolated Russia moving closer to China subsequent to its full-scale invasion of Ukraine, India seems reluctant to curtail its military and economic ties with Russia. There is also a growing realization within the U.S. that India may not side with the U.S. in confronting China lest its own interests be directly threatened, in turn prompting advice to U.S. policymakers to consider India as more of an "illiberal partner"⁴² than a strategic ally. India's ongoing diplomatic spat⁴³ with Canada over the alleged targeted assassination of a naturalized Sikh separatist on Canadian soil this past June has also placed the U.S. in an awkward position — a situation exacerbated by recent allegations⁴⁴ of an Indian assassination plot in the U.S. However, during a state visit to Washington in June, Prime Minister Narendra Modi managed to ink⁴⁵ a deal to share military technology through joint production of fighter jet engines with General Electric. Although this deal is yet to obtain congressional approval, such moves fuel Pakistani insecurity and risk upsetting the already tenuous strategic balance in the

⁴¹ Sumathi Bala, "India's ties with Russia remain steady. But Moscow's tighter embrace of China makes it wary," *CNBC*, May 3, 2023, <https://www.cnbc.com/2023/05/03/india-russia-ties-under-scrutiny-as-moscow-moves-closer-to-china.html>.

⁴² Daniel Markey, "India as It Is: Washington and New Delhi Share Interests, Not Values," *Foreign Affairs*, June 16, 2023, <https://www.foreignaffairs.com/india/markey-modi-biden-united-states>.

⁴³ "India rejects Canada's accusation that it violated international norms in their diplomatic spat," *Associated Press*, October 20, 2023, <https://apnews.com/article/india-canada-sikh-separatist-diplomatic-spat-72a00d3fbb315f2d424a48cfb422d6dd#:~:text=The%20back%2Dand%2Dforth%20comes,a%20deadline%20for%20their%20departure>.

⁴⁴ "Alleged Assassination Plot on U.S. Soil Tests Biden's Bond With India's Leader," *The New York Times*, December 1, 2023, <https://www.nytimes.com/2023/11/30/us/politics/biden-india-modi-sikh-plot.html>.

⁴⁵ Rajesh Roy and Doug Cameron, "U.S. Nears Deal to Produce GE Jet-Fighter Engine in India," *The Wall Street Journal*, June 7, 2023, <https://www.wsj.com/articles/u-s-nears-deal-to-produce-ge-jet-fighter-engine-in-india-9434145d>.

region. On the other hand, adequate attention has not been paid to suggestions that the U.S. needs to use a broader spectrum⁴⁶ of responses to deal with Chinese influence in South Asia. Pakistan has a long history of bilateral engagement with both the U.S. and China, and while it may not be able to reenact its Nixonian-era role of enabling Sino-American rapprochement, it can still provide a space⁴⁷ for testing the idea of great power coexistence, and perhaps even collaboration.

Given the current geostrategic and economic environment, it would be unfeasible to suggest that the U.S. re-hyphenate its ties with India and Pakistan or that it should try to compete with China in Pakistan. The U.S. can, however, test the possibility of engaging in less acrimonious interactions with China in Pakistan. To do so, the U.S. needs to pay more attention to its relationship with Pakistan as well as reconsider its reactions to China's presence there. The U.S. still has ample opportunities to reset its relationship with Pakistan, but the contours of revised bilateral relations need to be carefully thought through⁴⁸ to avert disappointment and a recurrence of mutual recriminations.

Pakistan's Political and Economic Challenges

The U.S. has little credibility to compel Pakistan to become more democratic, especially when the U.S. itself maintains strong ties with the increasingly intolerant and authoritarian governments, including in India. U.S.

⁴⁶ Syed Mohammad Ali and Marvin Weinbaum, "Rethinking relations with Pakistan," *Middle East Institute*, January 21, 2021, <https://www.mei.edu/publications/rethinking-relations-pakistan>.

⁴⁷ Syed Mohammad Ali, "The U.S.-China Strategic Rivalry and its Implications for Pakistan," *Stimson Center*, December 1, 2020, <https://www.stimson.org/2020/the-u-s-china-strategic-rivalry-and-its-implications-for-pakistan/>.

⁴⁸ Marvin Weinbaum, Syed Mohammad Ali, "Seizing the Moment for Change: Pathways to a Sustainable US-Pakistan Relationship," *Middle East Institute*, March 3, 2020, <https://www.mei.edu/publications/seizing-moment-change-pathways-sustainable-us-pakistan-relationship>.

policymakers may need to reconcile with the fact that the civil-military nexus in Pakistan may further strengthen during the coming years. Consider, for instance, how the coalition government announced an Economic Revival Plan,⁴⁹ just days before its dissolution, which enables active military involvement in the policymaking and implementation of efforts to boost productivity in key sectors, such as defense production, agriculture, mining, and information technology.

In addition to undue military influence, the Pakistani economy has major structural flaws. The IMF, for instance, has noted how the latest federal budget has again failed to broaden the tax net in a "progressive way."⁵⁰ Pakistan's tax revenue as a percentage of GDP is around 10%,⁵¹ which is dismally low and has remained stagnant over the last two decades. Given the evident lack of domestic resolve to address these structural flaws, there has been growing concern that Pakistan may have to pledge its strategic assets to China if it remains unable to pay off around \$30 billion⁵² in accumulated power and other infrastructural loans, which have resulted in China becoming the country's largest single creditor. The recently concluded \$3 billion standby agreement with the IMF has provided Pakistan a much-needed respite, allaying fears that the country may have to declare bankruptcy. The IMF loan has paved the way for bilateral donors, including Saudi Arabia and China, to defer pending payments as well. However, this modest relief will not be enough to stabilize the economy.

⁴⁹ "ECO REVIVAL PLAN – SIFC MEETING," *Prime Minister's Office*, June 20, 2023, https://www.pmo.gov.pk/news_details.php?news_id=1254.

⁵⁰ Kurshid Ahmed, "IMF criticizes Pakistan's new budget for failing to broaden tax net in 'progressive way'," *Arab News*, June 15, 2023, <https://www.arabnews.pk/node/2321926/pakistan>.

⁵¹ Hamid Ateeq Sarwar, "To tax or not to tax," *The Express Tribune*, March 13, 2023, <https://tribune.com.pk/story/2405776/to-tax-or-not-to-tax>.

⁵² Amy Hawkins, "Pakistan's fresh £580m loan from China intensifies debt burden fears," *The Guardian*, February 23, 2023, <https://www.theguardian.com/world/2023/feb/23/pakistan-loan-china-intensifies-debt-burden-fears>.

Pakistan is trying to hedge its bets. It is attempting to finalize a deal to establish a \$14 billion oil refinery⁵³ in Gwadar with Saudi collaboration. In an effort to raise more revenue, Pakistan is in negotiations with AD Ports Group from the United Arab Emirates to lease berths⁵⁴ at Karachi Port's East Wharf. Pakistan is also working with the UAE to sign a broader economic agreement⁵⁵ to enhance bilateral trade, currently estimated at nearly \$11 billion a year.⁵⁶ The UAE is already among Pakistan's largest trade partners besides the U.S. and China. Efforts to broaden this economic relationship are not contrary to American strategic interests as the UAE and the U.S. enjoy cordial relations, and increased economic ties with the UAE would also help to lessen Pakistan's reliance on China.

Pakistan has been keen on getting U.S.-based private sector firms to invest in Special Economic Zones (SEZs) created as part of CPEC or to even invest in exclusive U.S.-focused SEZs.⁵⁷ However, the American private sector has not yet shown much interest in either. While the U.S. cannot exert influence over commercial entities like the Chinese government can, the U.S. government can offer concessional funding to its private sector

⁵³ Kurshid Ahmed, "Saudi Arabia and Pakistan at 'very advanced stage' of finalizing \$14 billion oil refinery deal — minister," *Arab News*, July 22, 2023, <https://www.arabnews.com/node/2342221/pakistan>.

⁵⁴ Shahbaz Rana, "Pakistan finds UAE's port terminal offer below par," *The Express Tribune*, August 8, 2023, <https://tribune.com.pk/story/2429813/pakistan-finds-uaes-port-terminal-offer-below-par>.

⁵⁵ "UAE eyes 'comprehensive' economic agreement with Pakistan to promote bilateral trade, exports," *Arab News*, August 3, 2023, <https://www.arabnews.pk/node/2349051/pakistan>.

⁵⁶ "Envoy says Pakistan striving to increase UAE bilateral trade volume from \$10.6 billion," *Arab News*, January 5, 2023, <https://www.arabnews.com/node/2227086/amp>.

⁵⁷ Neelum Nigar, "Special Economic Zones for Growth and Competitiveness in Pakistan's Economy: Learning from Global Experiences," *Institute of Strategic Studies Islamabad*, January 27, 2021, <https://issi.org.pk/special-economic-zones-for-growth-and-competitiveness-in-pakistans-economy-learning-from-global-experiences/>.

to avail itself of opportunities created by Pakistani infrastructure projects. Such measures would also help Pakistan avoid increased Chinese dependency, which keeps rescheduling payments on loans owed by Pakistan, but is unlikely to write off any of them.

China will have no qualms working with the military establishment in Pakistan, as it has done in the past. The military had not only taken on the responsibility to provide security for Chinese workers but had tried to expedite implementation of CPEC projects. A CPEC authority was created in 2019⁵⁸ and headed by a retired lieutenant general. This entity, however, also proved unable to overcome various hurdles and ensure timely payback of Chinese loans. Pakistan is struggling to commence phase two of CPEC, meant to promote growth via infrastructure and energy projects. The new army chief, Gen. Asim Munir, played a visible role in hosting Vice Premier He Lifang,⁵⁹ China's economic czar and a close aide to President Xi Jinping, during his visit at the end of July.

Whether China will be willing to invest more money in Pakistan, which is not the only BRI country struggling to pay back accumulating debts, remains to be seen. However, despite Pakistan's deteriorating economic and security situation, China seems committed to financing the much-delayed Main Line-1 (ML-1) railroad project.⁶⁰ The ML-1 project is meant to upgrade railroad links from Peshawar to the coastal city of Karachi, and thus has both economic and strategic value. The ML-1, alongside to the Chinese-managed deep-sea port in Gwadar, can enhance Chinese access to the Arabian Sea.

⁵⁸ Haider Naseem, "Lt Gen (ret'd) Asim Bajwa notified as CPEC Authority chairman," *The Express Tribune*, November 26, 2019, <https://tribune.com.pk/story/2106913/lt-gen-ret'd-asim-bajwa-appointed-cpec-authority-chairman>.

⁵⁹ Kamran Yousaf, "Chinese vice premier arrives on three-day visit," *The Express Tribune*, July 31, 2023, <https://tribune.com.pk/story/2428555/chinese-vice-premier-arrives-on-three-day-visit>.

⁶⁰ Ayaz Gul, "China, Pakistan Sign BRI-Funded Railway Project Deal," *VOA News*, October 18, 2023, <https://www.voanews.com/a/china-pakistan-sign-bri-funded-railway-project-deal-7316252.html>.



Photo above: U.S. Secretary of State Antony Blinken (R) meets with Former Pakistani Foreign Minister Bilawal Bhutto Zardari (L) at United Nations headquarters in New York on May 18, 2022. [Photo by EDUARDO MUNOZ/POOL/AFP via Getty Images.](#)

Pakistan will, however, need to attract foreign investments from diverse sources to capitalize on CPEC-enabled infrastructure projects, service its accumulated loans, and safeguard against potential Chinese pressure to turn CPEC economic assets into dual-use facilities. The U.S. would particularly not want to see the Chinese-administered commercial port city of Gwadar, located on the coast of the Arabian Sea, become a base for Chinese naval operations.

If the U.S. can reset its ties with Pakistan and regain lost leverage within the country, it could play a significant role in helping avert further destabilization and perhaps eventually enable Pakistan to harness its geo-economic potential. Nonetheless, even though the U.S. remains the largest destination for Pakistani exports, it cannot match Chinese economic investments and military support to the South Asian country. While the U.S. has committed around

\$200 million⁶¹ to help Pakistan cope with the devastation caused by the massive 2022 floods, this support pales in comparison to the inflow of American aid into the country during the NATO occupation of Afghanistan. Still, there are ample opportunities for the U.S. to address unmet needs in Pakistan. Even if the U.S. government cannot significantly increase bilateral aid, it can rethink how its existing aid is administered. Within the educational sector, for instance, the U.S. provides support to Pakistani universities and brings top Pakistani students and emerging leaders to the U.S. via prestigious scholarship programs. While these investments have fostered valuable academic linkages between the two countries, most of these do not benefit

⁶¹ "United States Pledges \$100 Million to Support Continued Flood Recovery Efforts in Pakistan," *USAID Office of Press Relations*, January 9, 2023, <https://www.usaid.gov/news-information/press-releases/jan-09-2023-united-states-pledges-100-million-support-continued-flood-recovery-efforts-pakistan>.

lower tiers of public administrators or the professional middle class within Pakistan. The U.S. already plays an important role in addressing the country's energy needs. USAID is working with Pakistan to harness its wind energy potential and it is planning to put in place a robust process to attract competitive bid for renewable energy projects by private companies. There is immense scope for broadening and deepening such engagements. Pakistan also offers fertile ground for identifying and assessing green mineral potential. The Chinese have already set up a mechanism to explore lithium reserves⁶² in the country, but there is still room for the U.S. private sector to establish a resilient supply chain for critical energy minerals.

Despite the growing inflow of American venture capital⁶³ in Pakistani tech startups, there has been limited appetite for bigger Silicon Valley investments compared to the billions of dollars being allocated for the Indian market via deals announced by big U.S. tech firms like Amazon or Google.⁶⁴ However, with the technological tussle between the U.S. and China heating up,⁶⁵ developing countries like Pakistan should not be forced to choose sides in a technological cold war.⁶⁶ There is a growing concern that the U.S. may be

⁶² Khalid Waleed, "Energy Transition in Pakistan and the Role of Minerals," *Daily Times*, May 16, 2023, <https://dailytimes.com.pk/1093555/energy-transition-in-pakistan-and-the-role-of-minerals/>.

⁶³ "What's fueling Pakistan's emerging start-up ecosystem," *McKinsey*, May 31, 2022, <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/whats-fueling-pakistans-emerging-start-up-ecosystem>.

⁶⁴ "Amazon, Google to expand investment in India after meeting PM Modi in US," *Mint*, June 24, 2023, <https://www.livemint.com/news/world/amazon-google-to-expand-investment-in-india-after-meeting-pm-modi-in-us-11687597426312.html>.

⁶⁵ Stu Woo, "The U.S. vs. China: The High Cost of the Technology Cold War," *The Wall Street Journal*, Oct. 22, 2020, <https://www.wsj.com/articles/the-u-s-vs-china-the-high-cost-of-the-technology-cold-war-11603397438>.

⁶⁶ Jon Bateman, "U.S.-China Technological "Decoupling": A Strategy and Policy Framework," *Carnegie Endowment for International Peace*, April 25, 2022, <https://carnegieendowment.org/2022/04/25/u.s.-china-technological-decoupling-strategy-and->

heading in this direction. Detangling technologies for poor countries like Pakistan will prove extremely challenging, and punitive measures for non-compliance will begin to undermine altruistic goals like facilitating human and economic development.

Between its debt obligations, military expenditures, and administrative costs, Pakistan's economic choices remain limited no matter who is in power. In its capacity as the largest contributor to the IMF, the U.S. executive branch can exert significant leverage on the IMF via the Treasury to offer Pakistan more loans, especially once there is a new government in place. Already struggling to cope with the Israeli-Palestinian crisis and Russia's full-scale invasion of Ukraine, the U.S. will not want to cope with another major crisis that could be triggered by growing restiveness within a nuclear-armed and populous state facing a resurgence of terrorism and located within an already tense yet geostrategically vital part of the world.

The U.S. can help Pakistan cope with its economic problems. Thus far, Washington has been adamant⁶⁷ about preventing Islamabad from using multilateral loans to service higher-interest Chinese loans. The current IMF standby agreement was put in place after Pakistan managed to convince China to roll over⁶⁸ due debts, thus IMF funding is not being used to service CPEC loans. However, when the IMF renegotiates a longer-term loan program with the new Pakistani government, after the current standby agreement ends, the U.S. could impress on the IMF to soften its lending conditionalities for Pakistan. Chinese aid to Pakistan is minuscule compared to the overall size of the Chinese economy, so preventing use of long-term multilateral loans to enable Pakistan to service expensive Chinese credit will exert little economic

[policy-framework-pub-86897](https://www.imf.org/en/News/Articles/2023/07/27/230727pa-policy-framework-pub-86897).

⁶⁷ Shahbaz Rana, "IMF asks govt to reopen CPEC deals," *The Express Tribune*, June 9, 2022, <https://tribune.com.pk/story/2360714/imf-asks-govt-to-reopen-cpec-deals>.

⁶⁸ Asif Shahzad, "Pakistan says China has rolled over \$2.4 billion loan for two years," *Reuters*, July 27, 2023, <https://www.reuters.com/markets/asia/pakistan-says-china-has-rolled-over-24-bln-loan-two-years-2023-07-27/>.

pressure on China, but it will put increasing pressure on the already dire economic situation in Pakistan.

Pakistan's Relevance for Dealing with Afghanistan

Despite the tumultuous relations between the two countries during the American military presence in Afghanistan, the U.S. needs to continue working with Pakistan to exert influence in Afghanistan. After all, Pakistan did manage to bring the Taliban to the negotiation table with the U.S., leading to the Doha Agreement that paved the way for the U.S. military withdrawal. The subsequent failure of an intra-Afghan settlement, the collapse of the Afghan government, and the resurgence of the Taliban have been major disappointments. Pakistan is also suffering from the fallout of a regressive Taliban regime, which is both intolerant and also unable, or unwilling, to curb cross-border militancy⁶⁹ by terrorist groups such as the Tehreek-e-Taliban (TTP).

While Pakistan is unlikely to allow the U.S. to directly operate military bases on its soil, there is ongoing intelligence cooperation, and Pakistani airspace was apparently used for the American drone strike that killed the al-Qaeda leader, Ayman al-Zawahiri,⁷⁰ in August 2022. Pakistani and U.S. interests in Afghanistan can also become more aligned now that the U.S. military has pulled out of the region. To help Pakistan deal with the terrorist threat within, and to continue collaborating on contending with global jihadi outfits, the U.S. and Pakistan need to maintain the security cooperation links forged between the two countries after 9/11. The U.S. can also consider means for broadening the scope of its counter-terrorism

cooperation with Pakistan to deal with renewed threats posed by entities such as the TTP, which is a designated terrorist organization for the United States⁷¹ and has close links with al-Qaeda.

Pakistan has experienced growing friction with the emergent Taliban regime⁷² not only due to their ability to curb cross-border movement by the TTP but also over Pakistani fencing of the contested Durand line, a circa 2,500-kilometer arbitrary border drawn by colonial administrators in 1893⁷³ to separate Afghanistan from the British Indian Raj. There were at least 3 million Afghans living in Pakistan at the beginning of 2023⁷⁴ who had fled violence in their own country over the past several decades, including at least 600,000 Afghans⁷⁵ who came into the country since the Taliban takeover in August 2021. Pakistan has often suspected Afghans residing on its soil of engaging and abetting acts of terror. Afghans were also alleged to be involved in 14 out of 24 suicide bombings in 2023,⁷⁶ which has led the Pakistan government to again launch a drive to deport an estimated 1.7 million

⁷¹ "Foreign Terrorist Organizations," *U.S. Department of State Bureau of Counterterrorism*, accessed December 5, 2023, <https://www.state.gov/foreign-terrorist-organizations/>.

⁷² Vinay Kaura, "Pakistan-Afghan Taliban relations face mounting challenges," *Middle East Institute*, December 2, 2020, <https://www.mei.edu/publications/pakistan-afghan-taliban-relations-face-mounting-challenges>.

⁷³ "The Durand Line - A razor's edge between Afghanistan & Pakistan," *European Foundation for South Asia Studies*, January 2018, <https://www.efsas.org/publications/study-papers/the-durand-line-a-razors-edge-between-afghanistan-and-pakistan/>.

⁷⁴ "ADSP Briefing Note: Deported to what? Afghans in Pakistan," *Asia Displacement Solutions Platform*, October 24, 2023, <https://reliefweb.int/report/pakistan/adsp-briefing-note-deported-what-afghans-pakistan-october-2023>.

⁷⁵ Ibid.

⁷⁶ Asif Shahzad, "Pakistan gives last warning to undocumented immigrants, many Afghan refugees, to leave," *Reuters*, October 26, 2023, <https://www.reuters.com/world/asia-pacific/pakistan-finalises-plan-extradite-illegal-immigrants-nov-1-deadline-nears-2023-10-26/>.

⁶⁹ "Pakistani soldiers killed in cross border fire from Afghanistan," *Al-Jazeera*, August 29, 2021, <https://www.aljazeera.com/news/2021/8/29/pakistani-soldiers-killed-in-cross-border-fire-from-afghanistan>.

⁷⁰ Tom Hussain, "US used Pakistani airspace for drone that killed al-Qaeda chief Ayman al-Zawahiri: analysts," *South China Morning Post*, August 2, 2022, <https://www.scmp.com/week-asia/politics/article/3187439/us-used-pakistani-airspace-drone-killed-al-qaeda-chief-ayman-al>.



Photo above: Taliban fighters mobilize to control a crowd in Kabul, Afghanistan, on Aug. 19, 2021. Photo by Marcus Yam/Los Angeles Times via Getty Images.

undocumented Afghan migrants.⁷⁷ Around 400,000 Afghans had been deported by the end of November,⁷⁸ and the refolement process is still ongoing. This significant refugee outflow is a humanitarian crisis, and it is further straining Pakistan's ties with the Taliban regime in Afghanistan. The latter is ill-equipped to handle such an influx, and is already unable to cater to the most basic needs of its citizens. It is possible that Pakistan's resolve to deport the planned number of Afghans may dissipate as a result of pressure

⁷⁷ "Pakistan prepares deportation centres for undocumented migrants," *Al-Jazeera*, October 26, 2023, <https://www.aljazeera.com/news/2023/10/26/pakistan-prepares-deportation-centres-for-undocumented-migrants>.

⁷⁸ Munir Ahmed, "More than 400,000 Afghans have returned home from Pakistan following crackdown on migrants," *AP News*, November 20, 2023, <https://apnews.com/article/pakistan-afghanistan-migrat-crackdown-df89dc612fcf8ee9aa138414ff2034ec>.

from religious groups and the international community, as well as due to the logistical challenge of tracking down all the undocumented Afghans spread across the country. The U.S. became involved in these developments as the U.S. ambassador in Pakistan met with Prime Minister Kakar⁷⁹ to win exemption from deportation of around 25,000 Afghans in Pakistan⁸⁰ who are considered eligible and are being processed for possible resettlement in America.

Another impending cause of tensions is that Afghanistan has no water-sharing treaty with any of its neighboring

⁷⁹ "US envoy meets Pakistani PM, discusses 'efficient' processing of Afghans eligible for resettlement," *Arab News*, October 26, 2023, <https://www.arabnews.pk/node/2398031/pakistan>.

⁸⁰ Munir Ahmed, "Pakistan says nearly 25,000 Afghans waiting for visas to US won't be deported as part of clampdown," *AP News*, November 8, 2023, <https://apnews.com/article/pakistan-afghans-deportation-us-resettlement-fc2dc19945e3b688eba0c486a3f6889f>.

states, including Pakistan. No transborder water sharing regulatory frameworks were put into place during the past two decades when the U.S. and other Western countries were working closely with the former Afghan government. The Taliban are thus currently struggling to improve the country's water infrastructure, and any unilateral upstream work on the Kabul River, which flows from Afghanistan into the Indus in Pakistan, has the potential to further elevate tensions.

Whether Pakistan will be able to maintain reasonably strong relations with the Taliban remains to be seen. However, it is important to recognize that for now Pakistan is among a handful of countries that has ties with the Taliban regime, and it remains a vital trade partner for Afghanistan, so it is unlikely that the Taliban will want to sever their ties with Islamabad. The U.S. can thus work with Pakistan to create some indirect economic incentives for Afghanistan via Pakistan, especially focused on addressing the plight of its populace. The idea of creating an ambitious Reconstruction Opportunity Zone⁸¹ straddling the Pakistan-Afghanistan border, which was to be given preferential access to U.S. markets, did not materialize due to negative pressure from U.S. lawmakers and the business community, especially the textile sector. The U.S. can, however, still help bolster bilateral trade between Pakistan and Afghanistan, to provide greater livelihood opportunities for ordinary Afghans without directly dealing with the Taliban regime. The U.S. can also explore creating more targeted opportunities to support Afghan refugees residing in Pakistan and support the registration process of undocumented Afghans via the U.N. refugee agency, with Pakistani consent. In addition, the U.S. could provide technical guidance to Pakistan to create a more robust process for managing the flow of Afghans traveling to and from the country.

⁸¹ "Van Hollen, Young, Cantwell Introduce Bipartisan Pakistan-Afghanistan Economic Package To Promote Stability In The Region As U.S. Military Plans Afghanistan Exit," Office of Sen. Chris Van Hollen, April 30, 2021, <https://www.vanhollen.senate.gov/news/press-releases/van-hollen-young-cantwell-introduce-bipartisan-pakistan-afghanistan-economic-package-to-promote-stability-in-the-region-as-us-military-plans-afghanistan-exit>.

Recommendations

U.S. policymakers should not view their relationship with Pakistan through the lens of furthering strategic objectives in other countries, such as China or Afghanistan. That said, the U.S. cannot develop a meaningful relationship with Pakistan that does not consider broader regional realities, either. The following recommendations, thus, suggest a way to deal with Pakistan in a manner that is cognizant of both American and Pakistani foreign policy and economic objectives, grounded in the emergent social-political dynamics inside Pakistan, and considers the neighborhood within which it is situated.

- The U.S. need not rehyphenate its approach to Pakistan and India, but American policymakers must realize that their strategic alliance with India has a direct impact on Pakistan and should consider taking concrete steps to alleviate Pakistani insecurities triggered by growing U.S.-India strategic collaboration.
- The ongoing diplomatic row sparked by the alleged Indian assassination of a Sikh dissident on Canadian soil, as well as the uncovering of an Indian plot to assassinate a Sikh in the U.S., has become a cause of international consternation. Washington should consider taking a stronger stance on ongoing suppression of religious minorities and the human rights violations within Kashmir by the right-wing Indian government.
- The U.S. needs to avert a maximalist view of Chinese assistance to Pakistan and instead aim to work alongside China to engage with Pakistan, especially in areas where the U.S. has a competitive edge. This would also serve as a useful model for coexisting with China in many other economically stressed countries that participate in the BRI.
- The U.S. can leverage significant financing via entities like the International Finance Corporation and the Development Finance Corporation to help de-risk and encourage greater private sector investments in as yet untapped manufacturing opportunities within Pakistan made possible by recent Chinese

infrastructure development projects. More diversified foreign investments in Pakistan in turn will also enable Pakistan to avoid a Chinese debt-trap.

- The U.S. can use newly created initiatives such as Blue Economies⁸² to enable sustainable use of marine resources to not only facilitate economic growth but also improve livelihoods, especially of marginalized fishing communities in coastal areas of Sindh and Baluchistan. It can channel more funds to the U.S.-Pakistan Green Alliance⁸³ framework to strengthen climate resilience, improve water efficiency, promote green energy transformation, and foster more inclusive economic growth, especially in Baluchistan. The U.S. can also work with the Karachi Port Authority to pilot-test the Green Shipping initiative⁸⁴ to enable more sustainable shipping practices.
- USAID and the United States Trade and Development Agency (USTDA) can better support green technology transfers and capacity building among Pakistani engineers and entrepreneurs to undertake projects in areas like methane abatement, which remains a serious yet largely unaddressed problem in the country. Climate-proofing Pakistan's existing infrastructure, which is prone to major damage during increasingly severe and recurrent flooding events, also merits similar attention.
- Pakistan has untapped critical minerals potential, and it is already supplying copper to China. Yet

⁸² "USAID Announces New Programs to Protect Our Ocean at the 2023 Our Ocean Conference," *USAID Office of Press Relations*, March 3, 2023, <https://www.usaid.gov/news-information/press-releases/mar-03-2023-usaid-announces-new-programs-protect-our-ocean-2023-our-ocean-conference>.

⁸³ "Fact Sheet: The U.S.-Pakistan "Green Alliance" Framework," *U.S. Embassy Pakistan*, <https://pk.usembassy.gov/wp-content/uploads/sites/76/20230407-Fact-Sheet-Green-Alliance-English.pdf>.

⁸⁴ "Launch of the Green Shipping Challenge at COP27," *U.S. Department of State Office of the Spokesperson*, November 7, 2022, <https://www.state.gov/launch-of-the-green-shipping-challenge-at-cop27/>.

Pakistan needs to adopt better mining governance practices to not only maximize the economic benefits of supplying critical energy minerals but also avert harm to local communities and the environment. The U.S. could help further these goals by including Pakistan within the Mineral Security Partnership,⁸⁵ for example. Greater collaboration with Pakistan in this regard would additionally offer the U.S. access to a potentially transparent, predictable, and sustainable source of critical minerals, which is vital for transitioning to cleaner energy sources.

- U.S. policymakers should avoid compelling resource-constrained countries like Pakistan to choose sides in a technological cold war; they will find it costly and difficult to disentangle already in-use technologies and to commit to the use of mutually exclusive Chinese or American technologies.
- The U.S. can bring more second-tier Pakistani administrators and technocrats to American community colleges for capacity building in managerial, information technology, and other professional skills — a less expensive and immediately impactful proposition than sponsoring Pakistani students to study in American universities for undergraduate and graduate degrees. Creating opportunities for second-tier Pakistani officials will enable more effective policy implementation, while also improving America's image within less exposed sections of the Pakistani establishment.

- While the U.S. needs to avoid the perception of interference in Pakistani politics, it can use its leverage over the IMF to exert indirect pressure upon Pakistan to prevent human rights abuses and improve its governance record to continue qualifying for loan packages after the current standby phase.

⁸⁵ "Minerals Security Partnership Convening Supports Robust Supply Chains for Clean Energy Technologies," *U.S. Department of State Office of Spokesperson*, September 22, 2022, <https://www.state.gov/minerals-security-partnership-convening-supports-robust-supply-chains-for-clean-energy-technologies/>.

- The U.S. can send an election observer mission to Pakistan, like it has done in the past, for the next round of elections to not only monitor the electoral process but also to play a mediation role to minimize the threat of violence.
- The U.S. and Pakistan should continue holding regular counter-terrorism dialogues⁸⁶ to enable intelligence sharing concerning global jihadi networks such as al-Qaeda and Islamic State-Khorasan Province in Afghanistan, and to help Pakistan contend with extremist groups within the country.
- The U.S. should consider broadening the scope of its security relations with Pakistan beyond cooperation with the military and its intelligence agencies and forge increased links with relevant civilian law enforcement agencies, including those engaged in countering terrorist groups and extremism on Pakistani soil.
- The U.S. can support the process of documenting Afghan refugees in the country to minimize the threat of refoulment and help improve Pakistan's border management capabilities in ways that curb cross-border infiltration without hampering trade or preventing travel by ordinary Afghans.
- The U.S. should support Pakistan to realize its plans to create vibrant border markets⁸⁷ located along the Afghan border. The U.S. can also consider efforts to link Pakistan and Afghanistan to broader regional markets in a way that offers a longer-term possibility of creating a regional zone of American influence linking Pakistan, Afghanistan, and adjoining Central Asian republics.

Conclusion

Despite their longstanding ties, the bilateral relationship between the United States and Pakistan has experienced significant stresses, and the level of suspicion and acrimony between the two countries has not yet subsided. It is, however, in the national interests of both countries to learn from their past mistakes and not let bitter experiences hinder the prospects for mutually beneficial cooperation. There may be numerous issues American and Pakistani policymakers will not agree on, but these differences can be side-stepped to create a stable and beneficial bilateral relationship.

⁸⁶ "Two-day U.S.-Pakistan Counterterrorism Dialogue Concludes in Islamabad," *U.S. Embassy Pakistan*, March 7, 2023, <https://pk.usembassy.gov/two-day-u-s-pakistan-counterterrorism-dialogue-concludes-in-islamabad/>.

⁸⁷ Islamuddin Sajid, "Pakistan to set up 18 markets along Afghan, Iran border," *Anadolu Agency*, September 17, 2020, <https://www.aa.com.tr/en/asia-pacific/pakistan-to-set-up-18-markets-along-afghan-iran-border/1977225>.



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