

EU- PAKISTAN ACTION MEMO

To: Jan Kohout, Minister of Foreign Affairs of the Czech Republic; Javier Solana, High Representative for CFSP; Benita Ferrero-Waldner, EU Commissioner for External Relations

CC: José Manuel Barroso, President of the European Commission; Carl Bildt, Minister of Foreign Affairs of Sweden

From: Fabrice Pothier, Shada Islam, & Daniel Korski*

Subject: A European Pakistan Strategy

Priority: High

Summary

Coming on the heels of fragile gains by the Islamabad government against extremist groups in Pakistan's frontier region, the first-ever bilateral summit between Pakistan and the European Union on June 17th in Prague offers the EU an opportunity to define a joint strategy to help fight extremism, provide assistance and consolidate democracy in this pivotal nuclear-armed South Asian nation.

The EU should launch a **three-pillar stabilisation package** for Pakistan which: responds to the current humanitarian crisis caused by the displacement of people by the fighting; boosts trade and long-term economic development; and strengthens the civilian institutions, including the police and judiciary. But the EU-Pakistan summit must not be once-in-a-lifetime event; rather, it should be held every two years, compelling the EU to keep Pakistan high on its foreign and security policy agenda.

Background

Developing a genuine EU-Pakistan strategy, rather than another international press-fest, will not be easy. If Islamabad is keen to talk about international aid, it is less ready to discuss, let alone cooperate on, matters of reform. Islamabad has also lacked clarity and coherence in laying out what it wants and needs from Europe. The U.S. continues to loom large. As part of President Obama's strategy and recent congressional actions, the U.S. is providing billions of dollars in military and civilian aid. But the U.S. alone cannot help the Pakistani government surmount the challenges posed by radicalised forces, political fragmentation and a fragile economy. The EU must act too.

Pakistan's strategic implications need to be fully recognised by Europe, primarily, but not only, because of Afghanistan. In order to be effective, the EU's one billion Euro pledge in reconstruction assistance to the Kabul government must be supported by a complementary strategy in Pakistan.

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Pakistan provides an important sanctuary for the Taliban and Al Qaida; some of the insurgent groups are still believed to be backed by Pakistani intelligence. In short, progress in one country cannot happen without progress in the other, although they require different kinds of responses. Stabilising Pakistan also matters for Europe's own security; a large share of the terrorist plots in Europe in the last few years have been directly linked to groups operating or training in Pakistan.

Finally, Pakistan represents a trade opportunity for the EU. As India's neighbour, Pakistan is set in the next decade to become a fast-growing, young market for EU products and services. Examples of European business investing in Pakistan abound, with world advertising giant WPP Chief Executive Martin Sorrel recently pledging to pursue expansion in the promising Pakistani market.

In fact, both Pakistan and Europe need, and can help, each other, yet despite these clear incentives for engagement, little has happened so far. Although the EU is Pakistan's largest trading partner, accounting for around 20% of Pakistan's trade in 2007, and has quadrupled its development funding for 2007-2010, the leverage provided by this economic relationship is being squandered. Pakistan is nowhere to be found in the EU's security strategy. While several European states and the European Commission have joined a "Friends of Democratic Pakistan" group, this has brought no common European stance nor has any country made an effort to drive the policy in the way that Germany took the initiative on Central Asia policy in 2006.

Recommendations:

a) Aiding Refugees

The EU should begin by matching the recent U.S. pledge of more than 200 million U.S. dollars (142 million euros) in humanitarian aid to the frontier regions. This is both a humanitarian emergency and a security imperative. Indeed, it is a race for clean water, sanitation and food for the 2.5 million internally displaced people, but it is also a race for hearts and minds, pitting the Pakistani government against radical groups, which, as they have done during previous humanitarian crises, seek to provide services and relief to vulnerable populations in order to win their trust. The EU's 5.5 million euro humanitarian aid package, taken in the light of the half-billion dollar appeal from the UN and the fact that not a single senior EU official has visited the refugees, speaks volumes for our neglect.

For those EU countries that do not have bilateral ties with Pakistan, the establishment of a "**Frontier Emergency Fund**" would help channel aid into quick-impact projects in the affected areas. Small donations of half a million or a million euros channelled via the Emergency Fund could make a real difference. Such a fund could help reinforce the credibility of Pakistan's civilian government by providing targeted assistance to support state services, including the provision of security, electricity and clean water. Dispensation from the ordinary rules should also be made so that EU aid can be delivered through carefully monitored mechanisms, partnerships with local communities and organisations like the Aga Khan Development Network.

b) Strengthening Trade Ties

Beyond the emergency situation, the EU should focus on what it does best: trade and long-term development. The EU must listen carefully to Pakistan's requirements and,

despite current misgivings, explore the pros and cons of opening negotiations on a Free Trade Agreement (FTA) with Pakistan. If this is not a viable option at present, the EU should develop innovative proposals to meet Pakistani concerns and trade needs. Doing so would send a powerful political signal that few other overtures could.

In the short term, efforts must be made to improve access to the EU market for Pakistani exports through the establishment of a new tariff reduction scheme. Increased access to trade financing is also necessary to ensure a continuation of exports despite the financial crisis. Boosting Pakistan's private sector should be another key priority. According to the Asian Development Bank, Pakistan's private sector is the biggest contributor to GDP and Pakistan's biggest employer. The EU should seek to help remove bureaucratic bottlenecks, which prevent the emergence of more effective and vibrant private businesses. The EU's record of improving business conditions in the Balkans is recognised and should be used to Pakistan's advantage.

c) Supporting the Police and Judiciary

The EU should then launch a **Rule of Law Review Task Force** *with* the Pakistani authorities to identify gaps and needs in resources and training within the civilian security forces as well as the justice sector. The task force could make recommendations to develop an effectual civilian counter-terrorism strategy, which emphasises police and legal action rather than exclusively military efforts, and targets EU assistance not only to the frontline, but also to policing Sindh and Punjab. This need not be a traditional ESDP mission, but a "smart ESDP" mission, i.e. not boots-on-the-ground but rather a boutique intervention with a few, long-serving experts, working in partnership with the Pakistani authorities, and with co-location tied to out-of-country training for the top echelons of Pakistani's police and judiciary. Finally, the visit to Pakistan by EU counter-terrorism coordinator Gilles de Kerchove should be followed up by initiatives to help Pakistan develop a counter-extremism strategy that includes development and de-radicalisation efforts, rather than simply focusing on political cooption and military force.

d) Backing Institutions, Not Individuals

The EU must shift from backing Pakistan's political flavour of the month personalities to helping **build strong institutions** and investing in civil society, which is vibrant, dynamic and committed to democracy. Groups that deserve support include lawyers' organisations, women's groups, human rights activists and the media, where the focus should be on ensuring media independence and journalism training. In fact, in the last two years, Pakistan's civil society proved its essential role in deepening Pakistan's democracy. Based on the recommendations of the EU Election Observation Mission, the EU should approach the Pakistani authorities to explore ways to jointly support the strengthening of democratic institutions, including the modernisation of political parties and the electoral framework with the emphasis on institution building, legislative reform and voter participation.

e) Organising for Success

As part of a new EU-Pakistan strategy, it is worth contemplating changes to the EU's organisational set-up. At a minimum this should include creating a South and Central Asia Unit in the Council Secretariat so as to separate East and Central Asia issues, and creating a specific Afghanistan, Pakistan & India Experts Working Group. The EU

should also consider appointing a special envoy dedicated to Pakistan, backed up by adequate administrative structures in the Council Secretariat. At the same time, European governments should encourage and help fund a “Track II” process, which could bring European and Pakistani NGOs, think-tanks and universities together to produce analysis and concrete ideas to enhance the EU-Pakistan cooperation.

Time for Change

Pakistan now faces a real, defining test; how it deals with the latest crisis will determine whether it slides back to its old habit of denial and fragmentation, or whether it continues to uphold the fragile but real momentum for change. Being able to stabilise the frontier regions by deploying basic services, civilian security, and starting to roll-out a permanent government presence will be one of the deciding factors determining the success of the Islamabad government.

The EU can play a critical role in making Pakistan's change a lasting one by providing stabilisation tools such as aid and governance programmes, while boosting trade and development. These tools would create incentives for Pakistan's elites and citizens to maintain the path of change and improvement. The EU–Pakistan summit is just the place to begin such work.