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Pakistan in 2010

Flooding, Governmental Inefficiency, and Continued Insurgency

ABSTRACT

The 2010 floods exacerbated Pakistan's lingering domestic weaknesses including fraught civil-military relations, perilous economic conditions, and the ineptitude of the civilian government. While a military coup is unlikely anytime soon, army chief Ashfaq Pervez Kayani continues to consolidate his personal power, despite his cultivated democratic credentials, and that of the army, at the expense of the civilian leadership. The differences in the strategic interests of Pakistan and the U.S. seem stark, especially as the latter seeks to develop an exit strategy that would permit a cessation of its military action in Afghanistan.

KEYWORDS: Pakistan, party politics, civil-military relations, Pakistan-U.S. relations, 2010 floods

THE 2010 FLOODS AND THE GOVERNMENT'S RESPONSE

The monsoon-related floods began in July 2010 as heavy rains in Khyber Pakhtunkhwa (KPK, formerly North West Frontier Province), Sindh, Punjab, and Balochistan swelled the Indus River basin.¹ At the height of the flooding, nearly one-fifth of Pakistan's total landmass was under water. The

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1. The North West Frontier Province was renamed Khyber-Pakhtunkhwa in April 2010 in an effort to recognize the largely Pashtun population of that province and address one of its long-standing grievances, that the names of the other main provinces (e.g., Punjab, Balochistan, and Sindh) reflect the ethnic majorities residing there, respectively. This move, however, was not without controversy. For example, ethnic Hazaras from the province engaged in violent protests that killed at least eight people. Issam Ahmed, "New Province Name: Pakistan Taps Ethnic Pride as Defense against Taliban," *Christian Science Monitor*, April 29, 2010, at <<http://www.csmonitor.com/World/Asia-South-Central/2010/0429/New-province-name-Pakistan-taps-ethnic-pride-as-defense-against-Taliban>>.

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floods killed some 2,000 people, destroyed or damaged more than two million homes, and forced more than 21 million people to flee their homes. U.N. Secretary-General Ban Ki-moon said that this was the worst disaster he had ever seen. In fact, the number of persons affected by the flooding in Pakistan exceeded all those affected by the 2010 Haiti earthquake, the 2005 Kashmir earthquake, and the 2004 Indian Ocean tsunami combined. The Asian Development Bank (ADB) and the World Bank (WB) assessed that the floods caused some \$9.7 billion in damage to infrastructure, farms and homes, as well as other direct and indirect losses.² Pakistani officials rebuffed that figure and claimed that direct and indirect losses were closer to \$43 billion.³

Even while the waters continue to make their slow retreat, the damage in their wake is staggering. The World Health Organization reports that cholera and other water-borne diseases are on the rise because some 10 million people are forced to drink unsafe water. Millions of livestock have died, and those that survived are weak and ill, face acute feed shortages, and lack proper shelter. Many more are expected to perish from fodder shortages and heightened risk of disease. In Pakistan, livestock are an important source of food for families and a vital source of economic productivity, accounting for about 10% of gross domestic product (GDP). Agriculture, which provided livelihoods for nearly 80% of those affected by the flooding, has suffered enormous and likely long-term losses. More than 2.4 million hectares of cultivatable land have been damaged (1 hectare equals approximately 2.47 acres). About half a million tons of household wheat stocks have been destroyed, and irrigation systems have been disabled throughout the affected areas. Overall production losses of sugar cane, rice paddy, and cotton may be as high as 13.3 metric tons. With decreased food production and increasing food prices, at least 7.8 million people are vulnerable to lasting food insecurity. Pakistan has been an important exporter of wheat and rice, but regaining its market position may be difficult because other countries have stepped in to fill orders that Pakistan cannot.⁴

2. WB, "ADB-WB Assess Pakistan Flood Damage at \$9.7 Billion," WB press release, No:2011/134/SAR, October 14, 2010, at <<http://www.worldbank.org/pakistanfloods>>.

3. Shuja Nawaz, "Uneasy Ties," *Boston.com*, October 22, 2010, at <http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2010/10/22/uneasy_ties?mode=PF>.

4. For additional figures, refer to the Food and Agricultural Organization of the United Nations Regional Office for Asia and the Pacific, *Asia Pacific Food Situation Update* (August 2010), at <<http://www.fao.org/docrep/012/al324e/al324e00.pdf>>. Also refer to the World Food Program, *Pakistan*

The flood exacerbated many of Pakistan's governance inadequacies, demonstrating the civilian administration's incapacity to contend with the calamity. The August 2010 images of President Asif Ali Zardari alighting from a helicopter at his sixteenth-century French château in Normandy outraged Pakistani citizens, who struggled to understand the government's apparent indifference to their plight while renewing their suspicions about the president's allegedly ill-gotten wealth. Zardari, co-chair of the ruling Pakistan Peoples Party (PPP), countered by explaining that Prime Minister Yousef Raza Gilani, not he, was responsible for disaster management. This did little to attenuate public anger with the government's shambolic effort to attend to the devastation. In contrast, the military reaped accolades because it managed to rescue more than 100,000 stranded people and coordinate sustained relief efforts in the months after the initial flooding.

In considerable measure, these criticisms of the civilian government are unfair. Even the U.S., an advanced industrialized country, faced enormous problems handling Hurricane Katrina in 2005—a much smaller catastrophe.⁵ The Pakistani army is actually part of the same government that was accused of doing too little. Moreover, the National Disaster Management Agency (NDMA), despite some donors' concerns that international aid would be pilfered, responded quite competently.⁶ Nonetheless, flood relief and responding to the floods' enduring challenges appear to be firmly in the hands of the all-powerful army.

In light of Pakistan's notorious fiscal irresponsibility, the international community is exhibiting donor fatigue and is increasingly critical of Islamabad's repeated refusal to expand its tax net. During an October 2010 meeting of the "Friends of Pakistan" in Brussels, U.S. Secretary of State Hillary Clinton suggested that aid should be conditioned upon Pakistan's own efforts to raise revenues domestically. She explained by saying, "It's absolutely unacceptable for those with means in Pakistan not to be doing their fair

Flood Impact Assessment (September 2010), at <[http://www.reliefweb.int/rw/RWFFiles2010.nsf/Files-ByRWDocUnidFilename/MDCS-89JH9B-full_report.pdf/\\$File/full_report.pdf](http://www.reliefweb.int/rw/RWFFiles2010.nsf/Files-ByRWDocUnidFilename/MDCS-89JH9B-full_report.pdf/$File/full_report.pdf)>.

5. It should be recalled that during Hurricane Katrina in the U.S., the National Guard and even private security firms such as Black Water were employed to help manage the disaster-relief efforts. For discussion, see Dina Temple-Raston, "Blackwater Eyes Domestic Contracts in U.S.," *National Public Radio*, September 28, 2007, at <<http://www.npr.org/templates/story/story.php?storyId=14707922>>.

6. Damien McElroy, "Pakistan Government at Odds over Control of Flood Money," *The Telegraph*, October 19, 2010, at <<http://www.telegraph.co.uk/news/worldnews/asia/pakistan/8073450/Pakistan-government-at-odds-over-control-of-flood-money.html>>.

share to help their own people while taxpayers in Europe, the U.S. and other contributing countries are all chipping in.⁷ Her sentiments were echoed by other world leaders in attendance. Pakistan does have the ignominious distinction of having one of the lowest tax compliance rates in the world with, according to Pakistan's Federal Bureau of Revenue, a meager 2.7 million income tax payers out of a population of nearly 180 million.⁸

Even though the U.S. has been by far the largest donor of flood relief, Pakistanis remain deeply outraged by U.S. policies in the region. The U.S., for its part, is increasingly vexed that Pakistan will not abandon its support to the Afghan Taliban and its allies. This includes Lashkar-e-Taiba (LeT, Army of the Pure), which currently operates under the new name of Jamaat-ul-Dawah (JuD, Society for Preaching).⁹

CIVIL-MILITARY RELATIONS: WHO'S IN CHARGE?

After taking over the army from former President General Pervez Musharraf in November 2008, Chief of Army Staff Ashfaq Pervez Kayani has cultivated the image of an impeccable democrat and able crisis manager. In March 2009, he brokered a rapprochement between President Zardari and former Prime Minister Nawaz Sharif over the reinstatement of Chief Justice Iftikhar Muhammad Chaudhry, whom Musharraf had ousted in March 2007.¹⁰ With Kayani's intervention, Zardari acquiesced to Chaudhry's reinstatement. This eventually resulted in the Supreme Court's decision to strike down the National Reconciliation Order that provided amnesty to the late former Prime Minister Benazir Bhutto and Zardari, her husband—but not to Nawaz—on a variety of pending court cases. This move revived the various corruption

7. "Clinton Slams Wealthy Pakistanis over Flood Aid," *All Headline News*, October 14, 2010, at <<http://www.allheadlinenews.com/articles/7020220517?Clinton+Slams+Wealthy+Pakistanis+Over+Flood+Aid>>.

8. International Finance Corporation, "Paying Taxes: 2011," November 2009, at <<http://www.pwc.com/gx/en/paying-taxes/pdf/paying-taxes-2011.pdf>>. Also refer to "2.7 Million Existing Taxpayers: FBR for Levying Income Tax Surcharge," *Business Recorder*, October 16, 2010, at <<http://www.brecorder.com/news/taxation/pakistan/1112811:news.html>>. However, this figure may be as low as 1.5 million, according to WB officials with whom this author has spoken.

9. JuD is a group that is Ahl-e-Hadith in orientation. It was founded in the late-1980s in Afghanistan and has been active in India since the later 1980s. This group is most well known for executing the deadly November 2008 attacks in Mumbai, India.

10. Saeed Shah, "Pakistan Increases Power of Army Strongman General Ashfaq Kayani," *The Guardian*, July 23, 2010, at <<http://www.guardian.co.uk/world/2010/jul/23/pakistan-army-general-kayani>>.

cases against Zardari. Since then, he has lived under this proverbial sword of Damocles, with criminal cases pending and his inner circle reemerging to provide the military ample ammunition to remind Zardari of his vulnerability.

In July 2010, Kayani was “granted” an unprecedented term extension, ostensibly by Prime Minister Gilani. This was preceded by the unusual extension of Lieutenant General Ahmed Shuja Pasha’s term as director-general of the powerful Inter-Services Intelligence Directorate (ISI). Prime Minister Gilani announced the Kayani extension on national television, saying that Kayani’s leadership was the key to Pakistan’s success in fighting terrorism. As Gilani put it: “To ensure the success of these operations, it is the need of the hour that the continuity of military leadership should be maintained and . . . it was mandatory to extend his tenure.”¹¹ Other analysts, both Pakistani and foreign, as well as key segments of Pakistan’s citizenry saw the extension as a “retrogressive move away from institutionalizing the selection and promotion system by linking it to personalities.”¹² However, many Pakistanis believe that Kayani himself pushed for this extension. General Kayani’s tenure will expire in the fall of 2013, roughly contemporaneous with that of the current civilian government. It remains to be seen whether he will step away gracefully, as his reputation suggests, or whether he will be persuaded by his own indispensability to stay.

THE EIGHTEENTH AMENDMENT: THE BEGINNING OF NEW PARLIAMENTARY DEMOCRACY?

President Zardari consented to a diminution of his own constitutional powers when he signed into law the 18th Amendment to Pakistan’s embattled Constitution on April 19, 2010, after it had been passed by both houses of Pakistan’s legislature. The law transferred several presidential powers to the Parliament, enhanced provincial autonomy, and formally repealed Musharraf’s 17th Amendment, which concentrated sweeping powers in the office of his own presidency. Most importantly, the new law stripped the president of the power to dismiss the prime minister and dissolve the Parliament. It

11. Saeed Shah, “Pakistan Extends Powerful Army Chief’s Term for 3 Years,” *McClatchy*, July 22, 2010. Read more at <<http://www.mcclatchydc.com/2010/07/22/98003/pakistan-extends-powerful-army.html#ixzz10yBZ7M9c>>.

12. Shuja Nawaz, “Kayani and Pakistan’s Civil-Military Relations,” *The Atlanticist*, July 23, 2010, <http://www.acus.org/new_atlanticist/kayani-and-pakistans-civil-military-relations>.

also declared that neither the Supreme Court nor any high court could validate an “act of treason” (e.g., a military coup).

Some heralded this as being a historic occasion when a democratically elected president voluntarily returned power to the Parliament. Gilani, a beneficiary of the bill who has often been at odds with the president, hailed the bill as “. . . an unprecedented event in the political history of Pakistan that a leader has willingly transferred power in such a smooth process. . . . Pakistan would definitely emerge stronger after the enactment of this bill.”¹³ But the legislation has some serious flaws. First, it deleted Musharraf’s requirement (albeit flouted) that “every political party shall, subject to law, hold intra-party elections to elect its office-bearers and party leaders.”¹⁴ While dynastic politics seems immutable in Pakistan, this measure makes any alternative unlikely.

Second, it restricts “floor-crossing,” where parliamentarians vote against their own party’s political position. If the party head objects to such breaking of the ranks, he or she can write to the Speaker of the Assembly and have the individual removed.¹⁵ While some measures are needed to limit the “horse trading” that pervades the National Assembly, such a move is unlikely to be productive and limits the role of any one parliamentarian in advocating change. This provision will likely exacerbate the zero-sum tendencies of Pakistan’s political parties. Enthusiasm for this “democratic” milestone was further dampened by the whispering that this too was a compromise forced by the military to further strip Zardari of the expansive powers he inherited. The bill’s various provisions are under review by the Supreme Court.

PARTNERS WITH DIVERGING PRIORITIES: PAKISTAN’S MILITANT MILIEU AND THE U.S. ENDGAME IN AFGHANISTAN

Since 2006 and the resurgence of the Afghan Taliban, the U.S. has insisted that Pakistan do more to eliminate sanctuaries within its borders that are used by the Afghan Taliban and its allies, such as North Waziristan-based

13. “President Zardari Signs 18th Amendment Bill,” *The Dawn*, April 19, 2001, at <<http://news.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/03-president-zardari-signs-18th-amendment-bill-ss-07>>.

14. “18th Amendment: Looking Beyond the Rhetoric,” *Express Tribune Blog*, no date, at <<http://blogs.tribune.com.pk/story/89/18th-amendment-looking-beyond-the-rhetoric/>>.

15. See text of the 18th Amendment, at <<http://www.scribd.com/doc/30269950/18th-Amendment-in-the-Constitution-of-Pakistan-Complete-Text>>.

Jalaluddin Haqqani.¹⁶ In the same period, Pakistan has had to confront a deepening and increasingly complex insurgency waged by a network of militants under the banner of the Tehreek-e-Taliban-e-Pakistan (TTP, The Taliban Movement of Pakistan), also simply known as the Pakistani Taliban. It should be noted that the Afghan and Pakistani Taliban movements are organizationally distinct despite their similar names, common ideology, and some overlap of membership. The Afghan Taliban focuses on ousting international military forces from Afghanistan and reestablishing its own presence at various levels in the country's government. The Pakistani Taliban seeks to undermine the writ of Pakistani law and establish micro-emirates of Sharia Islamic law within specific commanders' areas of operations. In fact, Mullah Omar, the head of the Afghan Taliban, has been at loggerheads with leadership of the Pakistani Taliban (first Baitullah Mehsood and now Hakimullah Mehsood) because of their attacks against Pakistani military and intelligence targets, which continue to support the Afghan Taliban.¹⁷

The Pakistan Army had previously been reluctant to conduct widespread military offensives against the TTP, even though the latter had perpetrated hundreds of suicide attacks against police, military, paramilitary, intelligence, and civilian targets throughout the country. This changed in the spring of 2009 when public opinion finally turned against the militants and became increasingly supportive of military action against them.¹⁸ In May 2009, the army initiated and sustained a campaign codenamed Operation Rah-e-Rast (Operation Path of Righteousness) in the Swat region. In previous operations in Swat, the army conducted clearing operations but failed to subsequently hold ground. This allowed the militants to eventually return to

16. Jalaluddin Haqqani came to prominence as one of the leading "mujahideen commanders" during the anti-Soviet "jihad" of the 1980s. Since at least the 1980s, he has forged long-standing ties to Arabs who have been fighting in the area and providing funding for the same. While he has at times been opposed to the Afghan Taliban, he currently supports them with his militant operations. Based in Pakistan's North Waziristan Agency, he is one of the most formidable foes of the U.S. He has robust ties to al-Qaeda and various Pakistan-based militant groups, in addition to the Afghan Taliban. Because of his advanced age, Jalaluddin's son Sirajuddin Haqqani is increasingly in charge of the network. The "Haqqani Network," remains one of the most important assets of the Pakistani state in Afghanistan. See Jeffrey A. Dressler, *The Haqqani Network: From Pakistan to Afghanistan*, Institute for the Study of War, October 2011, at <http://www.understandingwar.org/files/Haqqani_Network_Compressed.pdf>.

17. "Mullah Omar Sacks Baitullah for Fighting against Pak Army," *Daily Times*, January 26, 2008, at <http://www.dailytimes.com.pk/default.asp?page=2008\01\26\story_26-1-2008_pg7_28>.

18. For a detailed discussion of this shift, see C. Christine Fair, "Pakistan's Own War on Terror: What the Pakistani Public Thinks," *Journal of International Affairs* 63:1 (Fall/Winter 2009).

the area when the army withdrew. With each cycle, the population grew increasingly wary of cooperating with the government, fearing retribution at the hands of the militants after the army's withdrawal. Yet, by July 2010, most of the persons who fled the fighting in Swat during Operation Rah-e-Rast had returned to their homes, and law and order had largely been restored under the army's occupation.

As stated earlier, the army's record in Swat had been mixed. The first three failed operations left many residents of Swat wondering if the army really sought to eliminate the local militants allied to the Pakistan Taliban, the Tehreek-e-Nafaze-Shariat-e-Mohammadi (TNSM, The Movement for the Enforcement of Islamic Law), and skeptical over a fourth effort. While the army has proven its staying power and rightfully takes credit for stabilizing Swat, for some residents this has come at the high price of "occupation," in which the army "does not just mistreat ordinary people but also makes their lives difficult if not impossible, through its arbitrary actions."¹⁹ Moreover, high-level TNSM officials, including its top leader Maulana Fazlullah, remain at large.

Most recently, amid rumors of mass extrajudicial killings by the military, a video surfaced in which uniformed men were seen executing six people, ostensibly civilians. In response, the U.S. cut off aid to those units believed to be killing unarmed prisoners, as required by the 1997 Leahy Amendment, which requires vetting of those national armed forces receiving U.S. military aid and denial of aid to those units that abuse human rights. Incidentally, this announcement came on the same day that the U.S. pledged a new package of \$2 billion in military aid for Pakistan.

Swat is actually not the only area in which the Pakistani Army is fighting the Pakistani Taliban. Throughout 2010, the army and other government paramilitary forces have operated elsewhere, including in Aurakzai and Bajaur Agencies (administrative units). However, to Washington's vexation, Pakistan demurs from launching military offensives in North Waziristan, the base for Jalaluddin Haqqani's network, one of the most effective insurgent forces challenging U.S., NATO, and Afghan forces in Afghanistan. Instead, the nearly 40,000 Pakistani troops currently in North Waziristan engage in only small operations or remain in static positions on their bases. The Pakistani Army says it is overstretched with flood relief and military operations in Swat,

19. Umer Farooq, "Operation Image Restoration," *The Herald* (Karachi), May 2010, p. 44.

South Waziristan, Aurakzai, and Bajaur, and cannot tackle militants in North Waziristan. The response from al-Qaeda and other militants in North Waziristan to such a government incursion would be overwhelming. The Pakistani government has also reminded the Americans that it allows the U.S. to conduct unpopular drone attacks throughout the tribal areas. Nonetheless, the U.S. believes that Pakistan continues to provide important support for the Afghan Taliban and its allies. Increasingly, Pakistani military and intelligence officials do not bother denying this, because they are demanding a larger role in the Hamid Karzai government's negotiations with the Taliban.

Another perpetual irritant in U.S.-Pakistani relations is Islamabad's steadfast refusal to do anything to limit the ability of the LeT/JuD to operate freely in Pakistan and beyond. Despite promises to outlaw the organization, no such ban has been issued. Astonishingly, the provincial government of Punjab currently manages the organization's substantial assets in the Punjab Province and has placed many LeT/JuD workers employed in various purported charitable activities on its official payroll. In addition, the Punjab government has even made substantial grants to the organization.²⁰ The U.S. is increasingly intolerant of Pakistan's insouciance: the LeT/JuD has targeted American soldiers and their allies in Afghanistan since 2004, killed Americans in the 2008 Mumbai attacks, and increasingly figures in international plots targeting the U.S. and its European allies.²¹ Interrogations of David Headley, an American LeT accomplice in the 2008 Mumbai attack, have reportedly yielded evidence implicating the ISI in that assault.²² All of these

20. "Punjab Govt. Gave Rs 82m to JD: Papers," *The Dawn*, June 16, 2010, at <<http://news.dawn.com/wps/wcm/connect/dawn-content-library/dawn/the-newspaper/front-page/punjab-govt-gave-rs82m-to-jd-papers-660>>; "Punjab Govt. Appoints Administrator for JuD," GeoTv, January 25 2009, at <<http://www.geo.tv/1-25-2009/33491.htm>>.

21. This assessment of LeT in Afghanistan draws from multiple research trips to Afghanistan and from my work as a political officer with the United Nations Assistance Mission to Afghanistan, as well as numerous conversations with U.S. and NATO military officials in Afghanistan and elsewhere. See C. Christine Fair, "Antecedents and Implications of the November 2008 Lashkare-Taiba (LeT) Attack Upon Several Targets in the Indian Mega-City of Mumbai," testimony before the House Homeland Security Committee, Subcommittee on Transportation Security and Infrastructure Protection, March 11, 2009.

22. David Headley was born Daood Sayed Gilani. He is a Chicago-based Pakistani-American who conspired with LeT, to conduct the Mumbai attack of 2008. For additional details, see Carrie Johnson and Spencer S. Hsu, "U.S. Citizen Charged with Conspiring to Aid Terrorists in 2008 Mumbai Attack," *Washington Post*, December 8, 2010, at <<http://www.washingtonpost.com/wp-dyn/content/article/2009/12/07/AR2009120702107.html>>; Jane Perlez, Eric Schmitt, and Ginger

concerns prompted Admiral Mike Mullen, chairman of the U.S. Joint Chiefs of Staff, while visiting Pakistan in July 2010, to declare that LeT/JuD is a growing threat. This statement by a visiting U.S. military official was unprecedented and signaled the growing U.S. frustration with Pakistan's continued patronage of the organization.

Thus far, the U.S. has tried to walk a fine line between rewarding Pakistan for its efforts against those elements of TTP that Pakistan recognizes as an enemy, while also signaling Washington's discontent over numerous groups that Pakistan continues to support, including the Afghan Taliban and the LeT/JuD. With President Barack Obama's declaration that the U.S. will begin drawing down major military operations in Afghanistan in August 2011, finding a more effective way of engaging Pakistan on the endgame in Afghanistan eludes Washington. Options palatable to Islamabad—such as formal power sharing with the Taliban—are considered noxious to India, which is increasingly a key player in American policy in Asia.

Despite numerous divergent strategic interests, the U.S. and Pakistan grudgingly acknowledge their mutual dependence. The U.S. is largely reliant upon Pakistan to sustain the war effort in Afghanistan because most American logistical supplies move via Pakistan. At the same time, Pakistan's cooperation is required in order to deny sanctuary to the Afghan Taliban, al-Qaeda, and their allied militants. The U.S. views Pakistan's marginal or incomplete effort in this regard as being better than nothing, as seen in the nearly \$19 billion Washington has provided to Pakistan since 9/11, either in assistance or lucrative reimbursements. Some \$12.6 billion of this amount has been security related.²³

In October 2010, both countries concluded the third round of the so-called U.S.-Pakistan strategic dialogue. While both sides publicly sought to emphasize the convergence of interests to their domestic audiences, the engagement illuminated their enduring differences. Held in the aftermath of NATO's aerial incursion into Pakistan in hot pursuit of militants from Afghanistan—an incursion that led to the deaths of two Pakistani paramilitary soldiers and

Thompson, "U.S. Had Warnings on Plotter of Mumbai Attack," *New York Times*, October 16, 2010, at <http://www.nytimes.com/2010/10/17/world/asia/17headley.html?_r=1&pagewanted=all>; and Jason Burke, "Mumbai Spy Says He Worked for Terrorists—Then Briefed Pakistan," *The Guardian*, October 18, 2010, at <<http://www.guardian.co.uk/world/2010/oct/18/david-headley-mumbai-attacks-pakistan>>.

23. K. Alan Kronstadt, "Direct Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002–FY2011," report prepared for the Congressional Research Service, September 2, 2010.

Pakistan's retaliatory closure of the supply route to Afghanistan—the participants hoped that the dialogue would occasion a frank exchange and a resolution of the impasse. The U.S. demanded that Pakistan launch operations against the Haqqani network, which Pakistan flatly refused to do. Pakistan demanded a role in negotiating with the Taliban without Indian involvement, expressed concern about the U.S. political tilt toward India, and sought to secure a presidential visit to Pakistan in 2011.

While the U.S. has come to accept that Pakistan will likely provide only marginal satisfaction on Washington's key demands vis-à-vis terrorism, Pakistan also views the U.S. with skepticism. Americans frequently opine that Pakistan's support for the Taliban in Afghanistan has resulted in the loss of American military and civilian lives, despite Pakistan's receipt of generous remuneration for supporting American efforts in the "war on terror." Pakistani officials counter that the funding has been insufficient. Instead, they argue, Pakistan has received the minimum, in return for maximum risk and reward. Americans will inevitably view the newly announced \$2 billion in security assistance packages as yet another sign of American support for Pakistan's efforts, but Pakistanis will see this as an inadequate recompense for its sacrifices. Pakistanis have also been less than moved by American humanitarian and developmental assistance programs in part because they perceive U.S. assistance as advancing its own strategic interests and purchasing acquiescence to policies that Pakistanis loathe, rather than seeking to genuinely help them and their country.²⁴ Thus, even though the U.S. has been the largest national provider of flood relief, anti-Americanism soars in Pakistan.

PAKISTAN'S ECONOMY: CIRCLING THE DRAIN?

Surprisingly, in the aftermath of the flood, the International Monetary Fund (IMF) issued a relatively sanguine overall assessment of Pakistan's economy in September 2010. Noting the effects of flooding, the IMF predicted that Pakistan's GDP growth would slow to a meager 2.5% in fiscal year 2010–11 but would rebound to 4.5% in 2011–12, spurred by strong projections for agriculture and manufacturing. While the IMF conceded that agricultural losses from the floods would reach \$19 billion, international assistance worth \$4 billion was expected to help support government expenditure. Moreover,

24. Sue Fleming, "ANALYSIS-In Pakistan, Money Alone Can't Buy U.S. Love," Reuters, March 26, 2010, at <<http://uk.reuters.com/article/idUKN26158825>>.

the cement and steel industries are likely to perform well as the country rebuilds. But annual inflation continued to rise, reaching 15.7% in September, nearly double what it was in 2007. Flood damage increased food prices, and the rate of consumer price inflation is expected to remain high in coming months as Pakistan grapples with lost grain stores and destroyed farmlands. Unemployment is high at 15%, compared to 7% in 2007. Furthermore, underemployment, while difficult to reliably quantify, is believed to be pervasive.²⁵

The floods aggravated many of Pakistan's fundamental fiscal problems, even though they also provided a fresh excuse for officials to demur from fiscal reform required by the IMF's 2008 standby agreement (SBA), worth \$11.3 billion. Pakistani legislators—many of whom have large land or corporate holdings—have refused to comply with the country's commitments to the IMF to reduce the country's deficits by expanding the tax net to include land owners and local corporations. Consequently, the IMF delayed the sixth tranche of SBA funds, subject to the fifth review, which was scheduled for August 2010.

In that planned review, the IMF intended to insist upon tax reforms. Pakistan was expected to seek non-compliance waivers for this issue, while requesting that the IMF drop its demands that Pakistan remove power subsidies and limit government borrowing. The IMF had already granted two such waivers, boosting expectations of leniency. The IMF's seemingly inexhaustible flexibility on these crucial issues is likely a product of Pakistan's primacy in the U.S.-led war in Afghanistan and American influence over IMF policies. As of December 2010, the fifth review had not been conducted in part due to the floods and the government's inability "to demonstrate any concrete development on the GST [General Sales Tax] system aimed at abolishing all tax exemptions extended on political grounds."²⁶ However, it is possible that the SBA will be prematurely terminated by either side.²⁷

The enduring failure of Pakistan's leaders to adopt a responsible fiscal policy has formidably challenged democracy's maturation there. Taxation and redistribution in the guise of public services are an elemental bond tying

25. Figures are taken from the Economist Intelligence Unit (EIU), *Pakistan-Country Report* (London: EIU, October 2010), available only through subscription.

26. Razi Syed, "Govt Defers RGST Levy until March 2011," *Daily Times*, December 2, 2010, at <http://www.dailytimes.com.pk/default.asp?page=2010\12\02\story_2-12-2010_pg5_16>.

27. EIU, *Pakistan-Country Report*.

government to the governed; they form the inextricable sinews of accountable, democratic institutions. Ironically, the international community's willingness to prevent Pakistan from spinning out of fiscal control has enabled the country to exist as a quintessential rentier state, deriving income from patron states based upon its geostrategic import.²⁸ Pakistan has convinced the international public that it is too important and too dangerous to fail, allowing it to extract lucrative rents while deferring important fiscal decisions about the relative primacy of defense spending and investment in its own citizens.

CONCLUSION: THE LANDSCAPE AHEAD

The long-term impacts of the 2010 floods are an important set of wild cards likely to have significant but unpredictable effects on Pakistan's politics and society. Entire communities have been affected by enormous population shifts. Those who fled rural areas to burgeoning and conflict-afflicted large towns and cities may never return, increasing population pressures on urban areas. The electoral constituencies of patronage-fueled politicians have been dislocated by the flooding, perhaps permanently. International actors are weary of channeling assistance through potentially corrupt governmental channels while avoiding cooperating too closely with the army. As the impacts of the flooding slowly proliferate, will they galvanize a fractured civil society and render it a viable vehicle for profound changes in Pakistan's social and political landscape?

Despite the PPP's apparent lack of leadership at a time of unprecedented crisis, there is little chance that the military will, at least in the immediate future, seize power or antagonize the PPP-led government to the point of collapse. The army does not want to own responsibility for the present situation; nor does Nawaz's opposition PML-N (Pakistan Muslim League-Nawaz). It is, in fact, the judiciary that has the potential to destabilize the government by pursuing various corruption and other criminal cases against Zardari and his key party associates, but army chief Kayani is likely to intervene to prevent such an outcome. Yet, as public discontent with the civilian leadership simmers, and as the army basks in its recuperated domestic standing,

28. Husain Haqqani, *Pakistan: Between Mosque and Military* (Washington, D.C.: Carnegie Endowment for International Peace, 2005), p. 149.

one cannot categorically say that the men on horseback will not return to a position of power in Pakistan in the coming years.

POSTSCRIPT

The predicted second-order effects of the 2010 monsoon-related floods were averted due, in part, to the work of the NDMA. There was no second wave of deaths or pandemics. Food insecurity was also generally prevented. Many internally displaced persons have returned to their homes. Continuing challenges include rebuilding, rehabilitating remaining displaced persons, and winterizing refugee camps amidst unprecedented cold. The situation in Sindh remains precarious, however, with increasing reports of corruption and rampant misallocation of aid.

On January 2, 2011, the Muttahida Quami Movement (MQM, United National Movement) withdrew from the PPP-led coalition government. Having lost a majority, the government was in potential peril; however, none of the parties wanted to call a no-confidence vote. Rather than seeking to prorogue the PPP-led government, the MQM wanted to extract concessions to satisfy its urban base in Karachi, including a government climb-down from planned financial reforms needed to satisfy the IMF (e.g., a general sales tax and ending fuel subsidies). Exploiting the PPP's weakened position, Nawaz Sharif issued Zardari an "ultimatum" on corruption and other matters, or risk another political crisis. This was likely a calibrated attempt to enhance the status of the PML-N rather than actually collapse the government at the center.

Governor of Punjab Salmaan Taseer was brutally slain over his opposition to Pakistan's infamous blasphemy law on January 4, 2011. Taseer's murder by a fundamentalist member of his own elite security team sent Pakistan into another convulsion, with crowds in the tens of thousands of persons demanding his killer's freedom on the basis that Taseer himself was a "blasphemer." In the wake of these mobs and the resulting climate of fear and intimidation, nearly all parties successfully demanded that the government not table amendments to the blasphemy law.