

# *Reframing Fragility and Resilience*

Pakistan: An “Unfinished  
Project”

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*Series: Pakistan: An "Unfinished Project"*

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## EXECUTIVE SUMMARY

Widely regarded as one of the world's most fragile states,<sup>1</sup> Pakistan is also a strategically important country that *The Economist* described as “a danger to the world.”<sup>2</sup> It has been a sanctuary for jihadist groups and individuals, including al Qaeda leader Osama bin Laden. Some of these militias have been used by Pakistan as proxy forces, launching attacks into neighboring states. Another danger concerns Pakistan's nuclear arsenal, which is not subject to the safeguards of an international treaty, and risks ending up in the hands of jihadists. In Pakistani eyes, however, the real danger is the singular threat from India. A decades-old rivalry has led to four wars, numerous border skirmishes, and cross-border reprisals.

Domestic economic challenges are also formidable. of Pakistan's estimated 185 million people, approximately 21 percent live on US \$1.25 a day or less, and 60 percent on US \$2.00 a day or less. A third of the population is under the age of 15, and two-thirds are under the age of 30. More than half of the 70 million school-aged children aged 5 to 19—roughly 40 million—are not enrolled in school. Unemployment is a chronic problem. The Asian Development Bank reported that Pakistan has one of the world's lowest employment-

to-population ratios, a measure of the state's ability to create jobs.<sup>3</sup> Pakistan's National Planning Commission estimated that the economy would have to have a nine percent GDP growth rate to accommodate the upcoming generation, more than double the 2014 growth rate of 4.14 percent. In addition to sluggish economic performance, Pakistan also suffers from political instability, corruption, mismanagement, and shortages of fuel, electricity, and water.

Not surprisingly, observers have raised serious questions about the country's future. Can the government last? Will security forces safeguard the nuclear stockpile? Could another government improve the welfare of the people? The political crisis that erupted in August 2014 elicited such concerns. Two opposition leaders led large-scale mass demonstrations demanding the resignation of Nawaz Sharif, the first democratically elected Pakistani Prime Minister to succeed another democratically elected leader. They not only were challenging a sitting government, they were testing the sustainability of the democratic transition. The protests began to look like they might succeed, but after intense backroom maneuvering over four months, they subsided.

To some, this outcome was viewed as a critical milestone of democratic consolidation. To others, it was simply a capitulation forced upon an elected government to avert a military takeover. According to local press reports, the military had cut a deal. In return for the army allowing him to remain in office, the Prime Minister had to promise to defer to the military on national security and foreign affairs. This hybrid political arrangement undermined the legitimacy of the Sharif government, diminished his personal stature, and shifted the balance of power—which had somewhat eroded under Sharif—back to the military. Military influence increased further following a Taliban attack in December 2014, on a military school in Peshawar. More than 150 people, mostly students from military families, and their teachers, were killed. It was the most deadly terrorist attack in the country's history, shocking the nation.

Support surged from the public and opposition parties for tougher measures to combat terrorism. Islamabad announced it was implementing a National Action Plan. Parliament amended the constitution to allow military courts to try terrorists, a move opposed by human rights advocates and Islamic political parties

who felt it bypassed the judicial system. The army escalated its military offensive against the Taliban and banned the Haqqani network, a Taliban offshoot supported by the Pakistan intelligence service. Both civilian and military leaders pledged not to make a distinction between a “good” Taliban (acting outside the country) and a “bad” Taliban (acting in Pakistan).

Civil society called upon the government to act more forcefully, including reining in radical imams in the mosques.<sup>4</sup> In a foreign policy about-face, General Sharif announced that the Taliban, which Pakistan had supported for years, were willing to open talks with the Afghan government. Reportedly, Pakistan had threatened to close Taliban sanctuaries if they did not join the talks.<sup>5</sup>

These events raise the fundamental question of where the country is heading. Do these developments foreshadow a broader change in direction that will put Pakistan on a path of political and economic resilience? Alternatively, will Pakistan resist adopting structural reforms and stay on a course of fragility? This paper examines some of the conditions and circumstances that will determine which direction Pakistan will take.

## SECTION I: BACKGROUND

In June 2013, Nawaz Sharif became Pakistan's first democratically elected Prime Minister to succeed another democratically elected government. His career path was unusual. He had been Prime Minister twice before (1990-1993 and 1997-1999), went into exile following a 1999 coup d'état by General Pervez Musharraf, returned home a decade later to re-enter politics as leader of the opposition and, finally, became the triumphant winner of a third non-consecutive term in office. Yet, just fifteen months later, tens of thousands of protesters led by two opposition figures—former cricket star Imran Khan and cleric Tahir ul Qader—organized massive demonstrations that called on him to step down for allegedly rigging the election.

Widespread fears arose that the military, which had ruled the country for roughly half its history, might take over again, nullifying the democratic transition. Since 1958, the army had seized power directly four times. This latest crisis was not only a test of Sharif's personal political longevity, but of the army's acceptance of civilian rule and the commitment of parliamentary parties, representative institutions, and civil society to democratic processes. Taken together, the events were a test of Pakistan's political viability as a functioning state.

Four months after they began, the demonstrations subsided. All the parliamentary parties united behind Sharif in defense of civilian supremacy and constitutional rule, removing a rationale for the army to intervene. Many observers speculated that legislative unity was the factor that caused the army to step back from taking over. Civil society and the judiciary also

stood for civilian rule. However, the army was divided. Army chief Raheel Sharif overruled the military hawks and extracted from Sharif an agreement that gave the security establishment full control over security and foreign affairs in exchange for allowing the Prime Minister to stay in office. To some, this outcome confirmed suspicions that the demonstrations were part of a scheme hatched by, or in collusion with, the army to oust a democratically elected leader and/or diminish his influence in order to tip the balance of power toward the security forces.

Whatever their origins or resolution, the protests had shaken public confidence in Sharif's government and compromised his personal stature. The protests, he admitted, had also affected his plans for economic revival by scaring away foreign investors. Peace overtures to India also seemed to be on hold, but were resumed later on.<sup>6</sup> On the heels of the crisis, another shock occurred—the most deadly terrorist attack in Pakistan's history. The Taliban attack on a military school in Peshawar, which served the children of the military, resulted in the deaths of over 150 students and teachers. What followed was a crackdown on the Taliban and other extremists. In the space of a few months, the army succeeded in reclaiming policy precedence and increasing the support of the public.

The series of events in 2014-2015 illustrates the chronic volatility of Pakistani politics, the uncertainty of political leadership, and the weak political consensus among elites. They also were evidence of a political identity that is not fully consolidated. The country was twice severed—once in 1947 from its nemesis, India,



and again in 1971, when Bengali-speaking eastern Pakistan, with the backing of India, separated from Urdu-speaking western Pakistan to form Bangladesh. Urvashi Butalia described the original partition as “one of the great human convulsions of history.”<sup>7</sup> It took 24 years for the second anomalous arrangement to break apart. Pakistan still suffers from the dual trauma of these territorial amputations. From both separations, and from numerous skirmishes over Kashmir, India has been deemed by Islamabad as its greatest foe. Rivalry between these two nuclear powers continues to be a constant source of tension in the region.

*The Economist's* description of Pakistan as “the most dangerous [country] in the world” was further underscored by a report by the Council on Foreign Relations that revealed that Pakistan has the world's fastest growing nuclear arsenal, capable of producing more than 200 nuclear weapons by 2020.<sup>8</sup> The country also ranked third on the *Global Terrorism Index*, according to the London-based Institute for Economics and Peace, and was the tenth most at-risk state in the Fund for Peace's 2014 Fragile State Index.<sup>9</sup>

To add to the mix, a new threat appeared in the form of inroads by the Islamic State (IS), also known as ISIS or ISIL. An online video released in January 2015 purported to show former militants of the Pakistani Taliban pledging allegiance to IS, and the beheading of a man they claimed was a Pakistani soldier.<sup>10</sup> If the threat is ignored, the *New York Times* wrote, “It may not be long before IS becomes the mother of all militant problems” in the world's second largest Muslim state.<sup>11</sup>

Yet, compared to other fragile states, especially in the Middle East, Pakistan has shown some positive signs of change. The display of public support for

Sharif as he faced large-scale protests in 2014 was a moment of unusual consensus. Public revulsion over the Taliban's violence against children also has led to protests against radical clerics who preach extremist ideologies.<sup>12</sup> Civil society organized demonstrations against pro-militant preachers, including the radical head of the Red Mosque in the heart of Islamabad, who refused to condemn the Peshawar attack until he came under widespread criticism.<sup>13</sup> Scholars have cited cultural revivals in literature and poetry as encouraging signs of national pride and cultural pluralism.<sup>14</sup>

Economically, Pakistan has also exhibited some strengths, as noted by the World Bank. In its 2013 report, *Pakistan: Finding the Path to Job-Enhancing Growth: A Country Economic Memorandum*, the bank wrote:

*The state is good at preventing famine, educating members of the elite, building infrastructure in some sectors, recruiting and sustaining a disciplined and efficient military, and maintaining a crude and basic level of order by suppressing or containing rebellion and ethnic and religious clashes. The state has made real progress when it focused on particular development projects, appointed good officials, gave them adequate resources, and left them in place long enough to finish the job...Because of the informal economy's size, the economic situation is rarely as bad as official statistics indicate.*

A new dynamic may be in play in Pakistan. Will the country's leaders resist major reforms and continue to reinforce fragility or will they commit to transformations that will put it on a path of resilience?

## SECTION II: SUMMARY FINDINGS OF THE QUANTITATIVE DATA

This section contains a summary of the six main findings in the author's paper, entitled "Exploring the Correlates of Economic Growth and Inequality in Conflict Affected Environments," hereinafter referred to as the Correlates paper.<sup>15</sup> It analyzed data from 91 countries, and then compared them to data collected for Pakistan. Regression analyses on eight indicators selected from the Fragile States Index (FSI) was conducted to test for correlations between them and conflict risk (as measured by the World Bank and other statistical data sources). Other data sources from 66 other organizations were also consulted. In addition, six countries that had reversed course (either improving or declining) were examined to identify factors most responsible for the change in direction in particular cases. Highlights of the main findings of the aggregate analyses are recounted below, in numeric order, followed by a discussion (see indented text) of the findings for Pakistan. The original Correlates paper can be found here.

**1. THE CENTRAL IMPORTANCE OF STATE LEGITIMACY.** In the Correlates paper, of the eight indicators measured for 91 countries from ratings taken from the Fund for Peace's Fragile States Index, one stood out as a leading early warning factor, perhaps even a "driver of the drivers," pulling other indicators in whichever direction it moves: political legitimacy. If there is one "canary in the coalmine" factor that analysts should look for in anticipating the onset or continuation of imminent conflict, a change in the state's legitimacy is probably the one to watch most closely.

- Pakistan illustrates the close relationship between group grievance, political legitimacy, and conflict risk. The original partition from India, sparked by the desire to provide a sanctuary for Muslims who were living in a predominantly Hindu country, sealed the country's fate. From then on, Pakistanis tended to identify citizens in terms of social and sectarian groupings, mostly defined

by religious affiliation, ethnicity and language. This laid the foundation for communal tensions, religious fundamentalism, minority persecution, separatist tendencies, and an overriding focus on security.

- The data reflect the salience and depth of social fragmentation. Conflict risk is most closely correlated with group grievance, as seen in Figure 1. Numerous tensions among identity groups constitute the biggest single driver of conflict risk. They include differences among the six major ethnic groups,<sup>16</sup> religious divides between Muslims and other religions, as well as rivalry within the Muslim community; ideological tensions between radical Islamists and more secular-minded Muslims; plus a variety of jihadist organizations with different agendas. Class conflicts and political rivalries among ruling elites, political factions and the military also play a role. Powerful pressure groups vie for wealth, status and power, including Muslim clerics and religious scholars (ulema), landowners, industrialists, small merchants and retired security officers.

Political legitimacy, while not highest in correlation with conflict risk, still was significant, especially in times of crisis, as seen in Figure 2. For example, the campaign to reform Pakistan's controversial blasphemy laws dramatically worsened the conflict risk score. Various other events have had wide-ranging effects on legitimacy, such as elections, judicial decisions, military interventions, political assassinations, and public demonstrations. Democratization turning points (e.g., the transition to civilian rule) improved the political legitimacy score, tempered group grievance and reduced conflict risk. Constitutional changes also improved the corruption perceptions score. Figures 3 and 4 are maps of Pakistan's ethnic diversity as seen in regional perspective and as broken down by language groups.

**2. GROWTH, EQUALITY, AND THEIR IMPACT ON CONFLICT RISK.** Growth and equality—two different development goals—have a differential impact on conflict

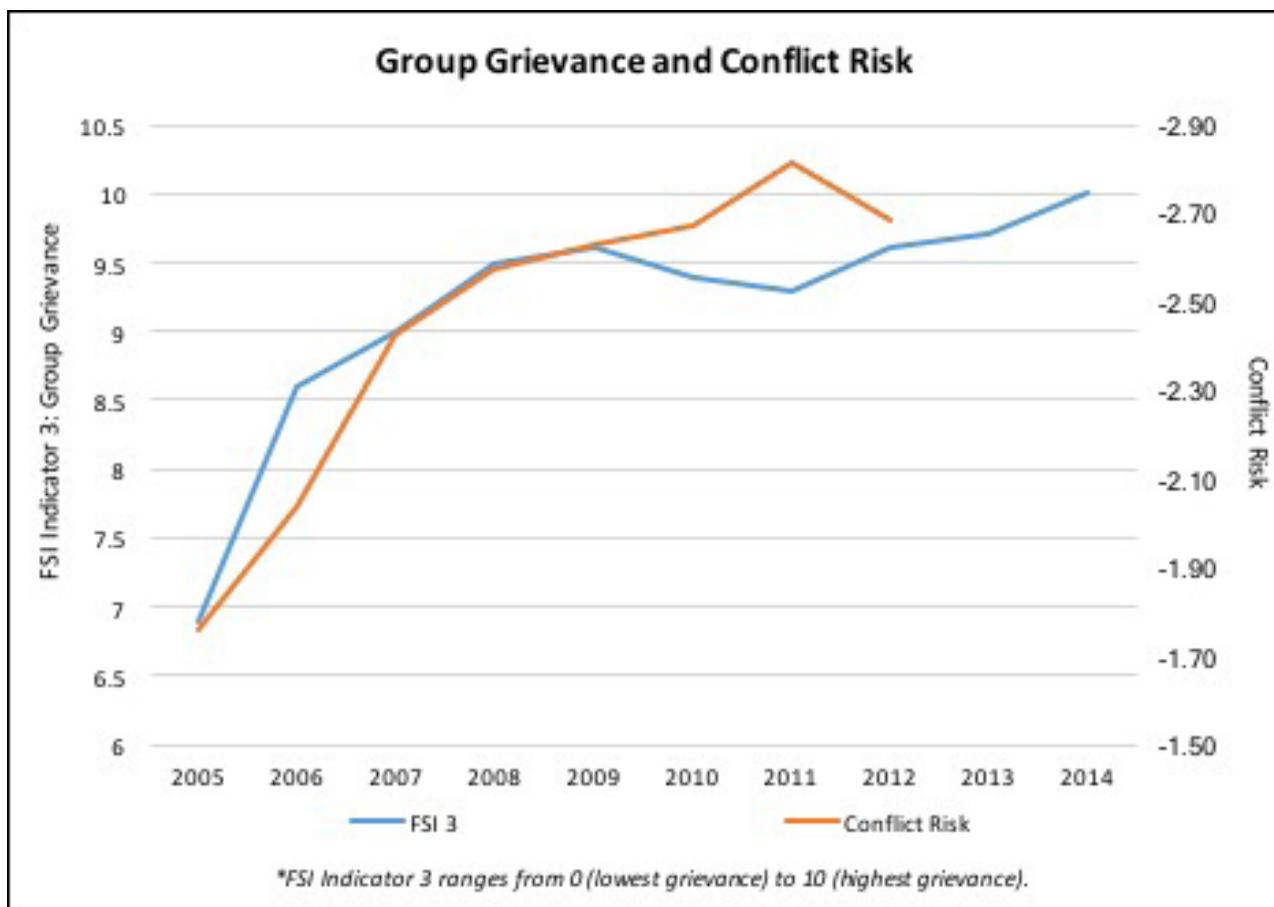


Figure 1. Note: Data measuring conflict risk are derived from World Bank Worldwide Governance Indicators. It ranges from approximately -2.5 (highest risk) to 2.5 (lowest risk); however, Pakistan has scored lower than -2.5 on conflict risk (reaching -2.81 in 2011).

risk over different time spans. Growth, as measured by macroeconomic indicators, seems to have less of an impact on promoting long term stability than usually thought. Growth may be important for economic development, but does not appear to be as critical for promoting political stability. Reducing inequality seems to be a more influential long-term contributor to stability overall. This may explain why middle income and rapidly growing economies with good macroeconomic performance often remain fragile states. To be more stable, such states also need to address the

disproportionate distribution of new wealth within their societies.

- The Pakistani findings regarding the impact of macroeconomic growth on conflict risk were partially consistent with the Correlates paper. Of the eight indicators measured, macroeconomic performance was the least impactful over the time period measured. However, this statement must be qualified in light of the fact that the data on income inequality was highly variable, depending upon the source. The information

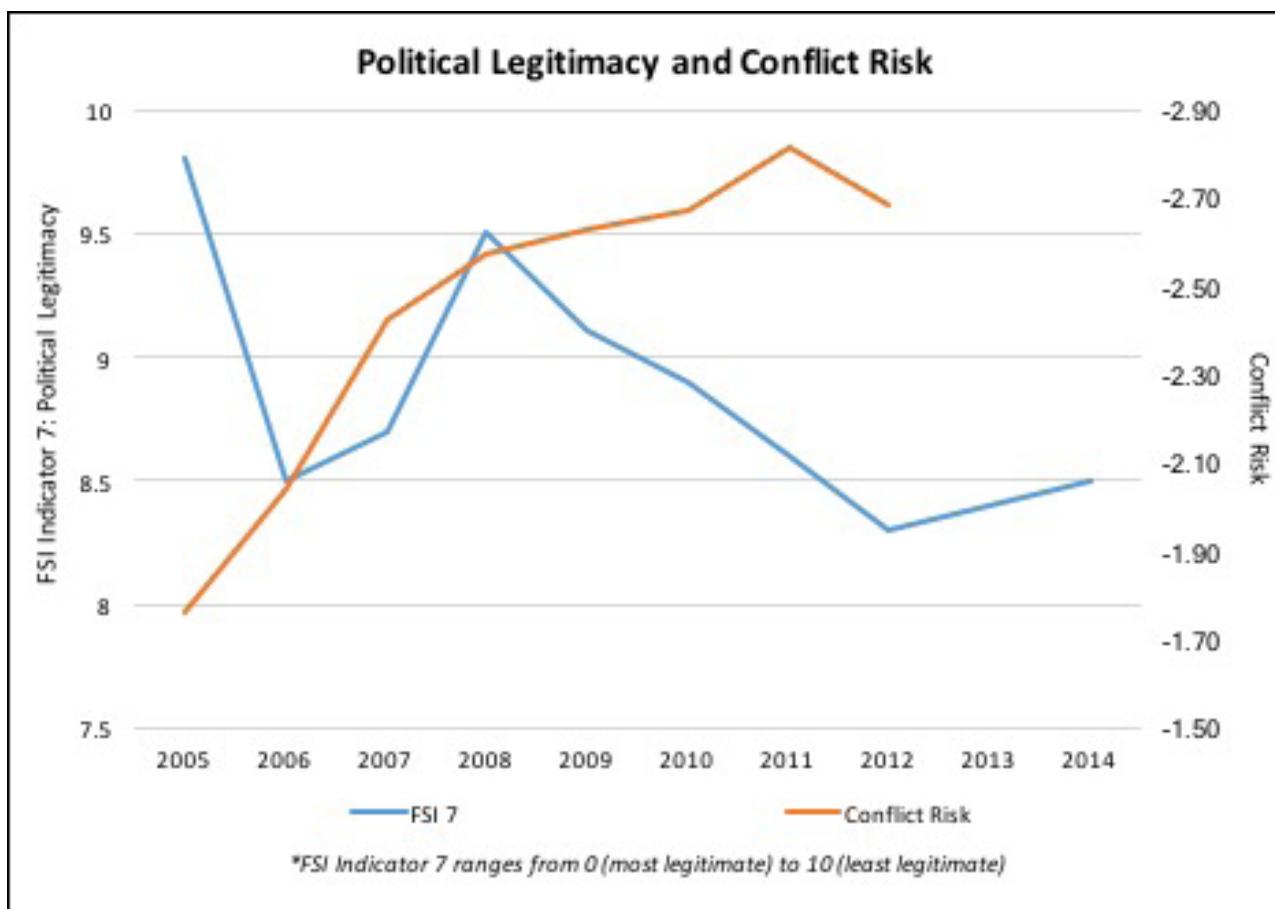


Figure 2. Note: Political legitimacy refers to the general belief by the people and the international community that the government or political leadership does not have the authoritative right to govern or make collective decisions for the country. Loss of legitimacy can come from several sources and a variety of circumstances, including corruption; lack of public services; flawed electoral processes; forceful change of government through coups d'état, assassinations or unconstitutional seizures of power, illicit financial transactions; repression; discrimination; protests and demonstrations; scandals; and power struggles among ruling elites. In Figure 2, the least legitimate is a 10 (high end of the scale) and the most legitimate is a 0 (low end of the scale).

was not sufficiently reliable to draw firm projections on the long-term impact of economic growth and inequality. The World Bank described Pakistan in 2014 as being at an economic turning point.<sup>17</sup> Economic activity has been improving, driven mainly by services and by manufacturing of agro-based industries, iron and steel, construction and other exports. This did not

result in a significant improvement in the poverty rate, however. Poverty appears to be relatively stable, if not actually worsening, depending upon the techniques of measurement.

### 3. GENDER INEQUALITY, CONFLICT AND STABILITY SEEN IN A NEW LIGHT.

Based on data from a variety of



Figure 3. Main Pakistani Ethnic Groups in Regional Perspective. Note the territorial concentration of the four major ethnic groups and their connection with populations in neighboring Iran, Afghanistan and India. Source: U.S. Central Intelligence Agency, 1980.

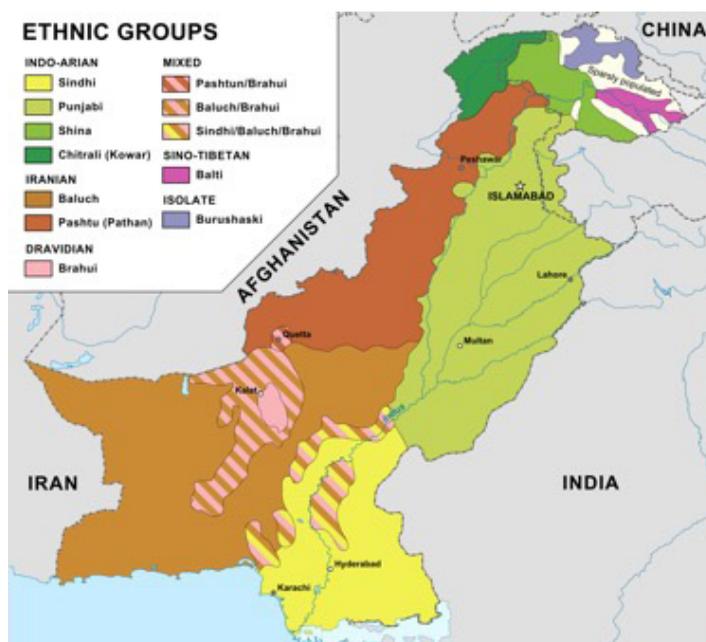


Figure 4. Main Pakistani Ethnic Groups by Language. Source: Wikipedia, 2013

sources, one of the most interesting findings of the Correlates study was that gender inequality was closely correlated with conflict risk. Statistically, gender inequality was even more strongly correlated with state instability than income inequality across the entire population. This suggests that economic development policies should strive for gender equality, not only to relieve extreme poverty among a vulnerable population or to achieve equity on ethical grounds, but also as a strategy to stabilize states.

- Data from the International Labor Organization (ILO) revealed two interesting findings for Pakistan. First, the male labor force participation rate is almost three and a half times higher than the female labor participation rate, an extraordinarily high gender gap. Second, as seen in Figure 5, an inverse relationship exists between female labor force participation and conflict risk, contrary to the findings in the Correlates paper. In Pakistan, conflict risk actually increased as gender equality increased. This may be because female labor participation is strongly resisted by Islamist groups which play a large role in state affairs.

**4. EXTREME POVERTY AS A DRIVER OF CONFLICT.** Extreme poverty may not only be a consequence, or characteristic, of state fragility, but possibly a conflict driver itself. This is an underappreciated aspect of state fragility. Political stabilization strategies have tended to target urban populations, especially unemployed youth and the middle class, which are more often the sources of public protest and political mobilization. By contrast, the “poorest of the poor” are usually deemed to be politically docile. Thus, political (and military) stabilization policies often direct more resources toward the relatively better-off segments of the population. Given the political salience of gender inequality found in this research, more study is needed to examine whether the urban bias is sound. Are women marginalized, in part, by a misplaced emphasis on urban and middle class

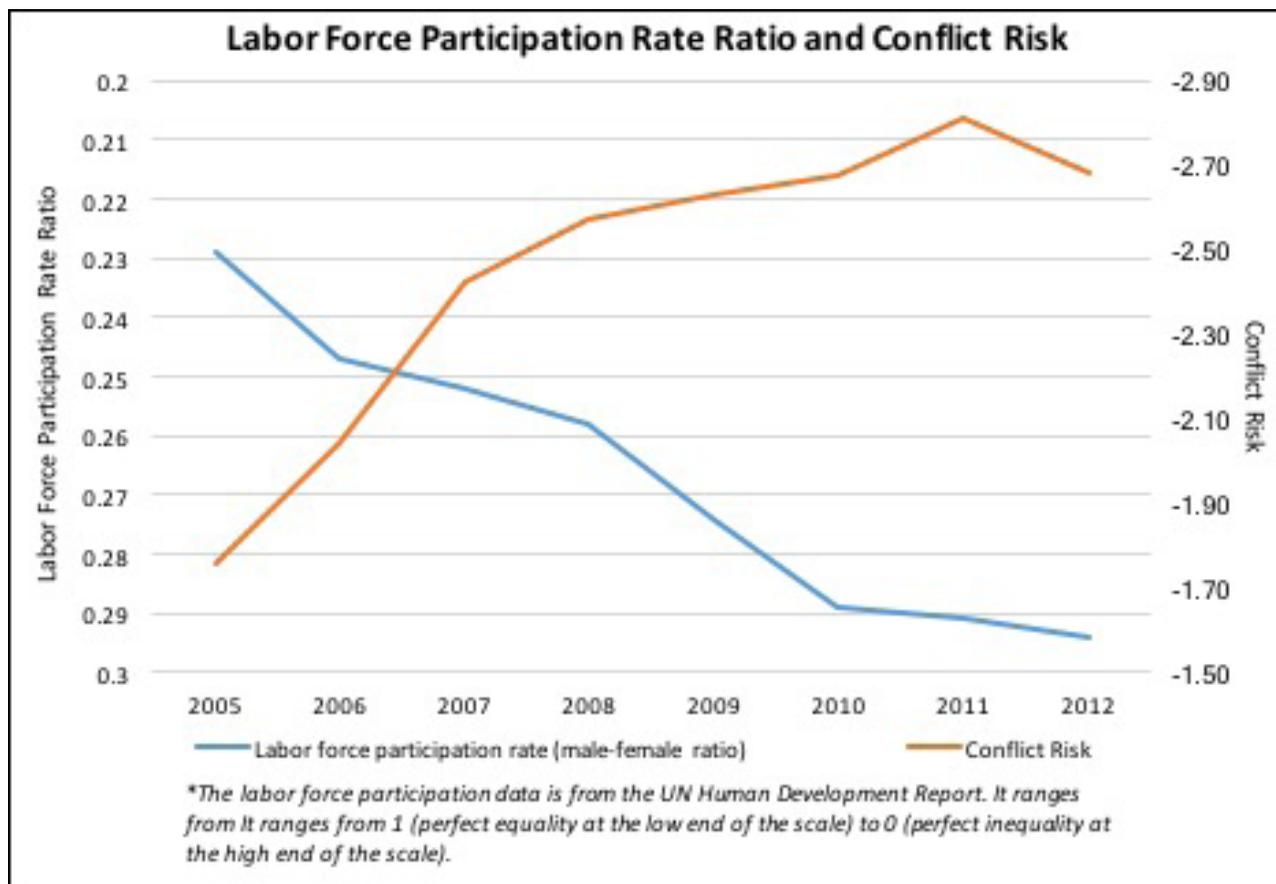


Figure 5. Labor Force Participation Rate Ratio and Conflict Risk

populations in political stabilization strategies? Could economic development policies correct the bias by strengthening the role and influence of women?

- There are conflicting estimates of poverty in Pakistan. Since data is unreliable, analysts often provide their own estimates. For example, one author reported that there are three benchmark figures circulating for unemployment in Pakistan: 1) the obviously laughable (sic) official figure of 6%, 2) the underreported figure of 15%, and 3) a youth unemployment rate of 7.7%, where youth is defined as the 15-24 age group.<sup>18</sup> All appear to be false.
- According to the World Bank's Development

Indicators for 2013, if income per adult is set as US \$1.25 per day (the line defining extreme poverty), then 21.04 percent of the population lives below the poverty line. However, if the poverty line is set at US \$2.00 per day, then a staggering 60.19 percent of the population is deemed poor. Alternatively, the UN's 2014 Human Development Report says that half of Pakistan's population lives in multidimensional poverty, a measure that goes beyond income scarcity to include deprivations in education, health and other welfare factors. Combined with a demographic surge that is expected to swell the population to over 320 million by

2050, and with rapid urbanization, it is going to be extremely difficult for Pakistan to substantially reduce poverty, curb extremist recruitment, and achieve political stability in the decades ahead, even with rapid political and economic reforms.

**5. INDICATORS OF STATE DECAY.** Three indicators of state decay were identified. A fault line for detecting state decline was a cluster of three factors: the loss of political legitimacy, growing group grievance, and poor macroeconomic performance. This combination of factors was correlated with impending instability.

- These three variables also appear to apply to Pakistan. Prime Minister Sharif survived the political crisis of 2014, but political legitimacy was compromised (as can be seen by pockets of continued protests, the reassertion of military influence in a civilian government, and critical press commentary). As will be discussed later, group grievance is also growing, especially from groups with conflicting views of what kind of Muslim state Pakistan should be, and from minorities and women. Concerning macroeconomic performance, the picture is mixed. Pakistan achieved an average annual growth rate of five percent over a six-decade period until 2007/2008. Several factors reversed that pattern: the war in Afghanistan, the formal transition from a quasi-military to a quasi-civilian regime in 2008 that created economic uncertainties, the global economic downturn, the preoccupation with security issues and internal political rivalries. Structural reforms in matters such as taxation, trade, and governance were secondary considerations.

**6. ROUTE OF RECOVERY.** A possible route of recovery is based on a cluster of six factors: improved state legitimacy, better public services, decreased demographic pressures, reduced inequality, good macroeconomic growth, and respect for human rights. Note that both economic factors (growth and inequality)

are present in this profile, suggesting that both are needed—the first (growth) for short-term recovery and the latter (reduced inequality) for sustainable peace and security.

- Improvement in these variables would go a long way toward strengthening Pakistan's political and economic resilience. These factors would provide a favorable enabling environment for democracy, security and economic development. Yet, these goals require overcoming numerous obstacles: a history of weak governance; religious laws that increase sectarian conflict and social fragmentation; discrimination against women and minorities; and, most importantly, the prominent and paradoxical role of the army which acts as both a stabilizer (as a widely-respected national institution) and as a destabilizer (it often overrides civilian rule, has amassed considerable economic power, and consumes a large part of the country's revenue). The most problematic factor concerning the role of the army is its self-appointed role as a guardian of the state. Since Pakistan was created in 1947 as a national homeland for Muslims, it has focused on security-centric policies. By delinking security from development, Pakistan's leaders have missed opportunities to strengthen state resilience.<sup>19</sup> There are some signs of change: new demographic pressures, a shift in strategic thinking about "good" and "bad" terrorists after the Peshawar massacre of schoolchildren, a fresh attempt to encourage negotiations between the Afghan government and the Taliban, and the possible influence of a younger generation coming of age. Whether these factors or others will lead to a transformation from fragility to resilience depends on whether leaders overcome vested interests and have the political will to take bolder steps. The obstacles that Pakistan must overcome are discussed in detail below.

## SECTION III: THE STORY BEHIND THE DATA

### GROUP GRIEVANCE AND THE IMPACT OF POLITICAL LEGITIMACY

The most striking finding of the quantitative research on Pakistan was the strong correlation between group grievance and conflict risk, as depicted in Figure 1. Group grievance tracked more closely with instability than any other indicator.

Two additional observations are suggested by the data. First, as shown in Figure 2, group grievance worsened dramatically in 2007, the year that Benazir Bhutto was assassinated, Prime Minister Musharraf clashed with the judiciary, and waves of protests ensued. The loss of political legitimacy that resulted from these events peaked in 2008, when Musharraf was forced to resign and a civilian government was elected under Asif Ali Zardari.

This suggests that while political legitimacy correlated consistently with conflict risk, the increase in political legitimacy helped to reduce the level of grievance, illustrating the linkage between the two variables. Political legitimacy improved steadily from 2008 to 2012, when Raja Pervez Ashraf became Prime Minister following the disqualification of Yousaf Raza Gillani due to a contempt of court conviction by the Supreme Court.

Second, conflict risk was linked to issues concerning religion, peaking in 2011, largely due to the campaign to reform the blasphemy laws. Pakistan is officially a Muslim state and all laws are based on Sharia. There is little consensus, however, on the kind of Islamic interpretation the state should adopt and how strictly Sharia law should be enforced.

Blasphemy laws authorize the government to sentence to death or life imprisonment anyone convicted of insulting Islam, its prophet, or the Koran. Introduced under British rule and applied more strictly under the dictatorship of Zia-ul-Haq in the 1980s, the blasphemy laws generate passionate beliefs on all sides of the debate. In addition, they are often misused

to settle old scores, make a political point, or justify the persecution of minorities, women or rival sects. Mobs sometimes take matters into their own hands, with street violence erupting over alleged violators, who may simply be innocent victims of hate crimes or personal grudges. However, Islamists were enraged by the attempt to reverse or water them down. During the debate in 2011, two prominent supporters of reform were assassinated: the influential Governor of Punjab and the Minorities Minister. Thus, the blasphemy laws stayed intact, group grievance worsened, and the unresolved tug of war between secularists and religious fundamentalists fueled militancy and sectarian conflict.

Why does Pakistan deviate from the general finding that political legitimacy is more highly correlated with conflict than group grievance? Meghnad Desai, an India-born economist who moved to England and became a member of the UK's House of Lords, identified three factors that relate to this question as it applies to Pakistan: diversity, militancy, and religion. "No single narrative [exists in Pakistan] to combine the four separate regions [and multiple ethnic groups] into one nation... It has also faced the internal subversion of the militants who want to convert Pakistan into a theocracy... [And] the nation," he concluded, "is an incomplete project... most importantly because of religion."

There is much truth in the concept of Pakistan as "an incomplete project." It has not come to terms with the deep-seated grievances that were associated with its creation—the resentment by a large proportion of India's Muslim population of Hindu domination during British colonial rule. But from the outset, there were divisions within the Muslim community itself. For example, while most Muslims supported the drive for independence, Pashtuns opposed the position of the Muslim League, the organization that led the independence movement.

The Pashtun people were divided by the Durand Line, the border drawn in the 19th century by the British colonial administration, which broke up their traditional lands extending from the western boundary of the Punjab into modern day Afghanistan. A legacy of lingering conflict around the disputed border areas has existed ever since. Local populations and militant organizations retain ethnic ties across state boundaries, which many do not recognize as legitimate. In fact, the Federally Administered Tribal Areas (FATA), which is Pashtun-dominated, had operated autonomously under tribal laws until 2001, when the Pakistani army entered the area for the first time in response to the Taliban incursions.

Another legacy of partition was the catastrophic human costs. Millions were killed and displaced. The event is still widely cited as an example of the kind of consequences that can follow mismanaged state fragmentation. For Pakistan, the trauma was repeated when a second fragment of the country, East Pakistan, broke away in 1971 due to grievances of the Bengali-speaking population against the Urdu-speaking people of West Pakistan. This history of double amputations based on social identity reinforced the tendency for Pakistanis to see themselves in terms of ascriptive attributes of social identity, such as religion, ethnicity, and language, rather than by a shared sense of citizenship.

Finally, although it was founded as a sanctuary for Muslims, Pakistan has not resolved the central question of what kind of Muslim state it will be. Islam is the official religion, but tensions are rife between secularists and theocrats, democracy advocates and Islamic extremists, those who want the country to have a separation of mosque and state and those who fight for the strict application of Sharia law, and those who support women's advancement and those who do not. Deepening the problem, Middle East extremism appears to be seeping into the security environment. Pakistan's Foreign Secretary Azaz Ahmed Chaudhry confirmed that Pakistan is threatened by Islamic State (IS), which has declared a caliphate in parts of Syria

and Iraq. IS is a "serious threat" to the country, Chaudhry said,<sup>20</sup> its presence expanding due to rifts among disgruntled Taliban members who formed the "Khorasan chapter," an umbrella IS organization covering South Asia.

Pakistan's sense of national identity is also compromised by the unresolved territorial status of Kashmir, claimed by both India and Pakistan at the time of independence. The original partition did not satisfactorily deal with the problem of over 650 statelets run by princes who, in theory, had the option of deciding which country to join or to remain independent. The ruler of Kashmir, Maharaja Hari Singh, was Hindu while his subjects were mostly Muslim. Singh tried to remain neutral. However, Pakistan sent in Muslim tribesmen and Singh fled to India, to which he ceded the territory in an Instrument of Accession. A ceasefire was agreed upon in 1949, with 65 percent of the territory under Indian control and the remainder with Pakistan. Fighting has continued ever since, with off-and-on skirmishes between the two nuclear powers.

Many other layers of group grievance exist: resentment of non-Punjabi ethnic groups over the Punjab's greater political stability, government influence and economic development; resentment of Pashtun tribes against government intrusion in their area, the Federally Administered Tribal Areas (FATA); resentment of minority Shia Muslims<sup>21</sup> in a Sunni majority state; resentment of Ahmadi, Christian and other minority religious groups who have little recognition in a Muslim state.

Resentment by various jihadist groups who want to impose their particular version of Islam on the nation has led to the longest insurgency in the country. The Pakistan Taliban, or the TTP (Tehrik-e-Taliban Pakistan), was formed in 2007 as a closely linked affiliate of al Qaeda. Operating from sanctuaries in Afghanistan's tribal areas and Pakistan's North Waziristan, the Taliban has attacked civilians as well as state authorities. A Pakistani military offensive launched in 2014, which was accelerated after the Peshawar massacre, has placed the TTP in the crosshairs of the military, a turn of events that is

heightening political violence.

Accusations of “historic injustices” are regularly invoked by a variety of groups, many of which seek retribution or separation<sup>22</sup>. The TTP, for example explained that the reason for its December 2014 Peshawar attack on school children was to revenge the army’s alleged “genocide” against tribal Muslims in Waziristan and their arrests and killings of the militants’ relatives.<sup>23</sup>

In an era in which fragmentation, religious extremism and conflicting identities are reshaping the world, especially the Muslim world, Pakistan stands out as one of the most vulnerable states that could potentially succumb to these forces, not only because such influences are spreading further into fragile states beyond the Middle East, but because they resonate with the group grievance paradigm rooted in Pakistan itself.

#### CHALLENGES FOR DEVELOPMENT

More than half of Pakistan’s population is under the age of 22. Pakistan also has the sixth highest fertility rate in the world. According to the World Bank, the country could double its already young population by 2025.<sup>24</sup> Agriculture accounts for roughly one-fifth of output and two-fifths of employment. The semi-industrialized economy encompasses textiles, chemicals, food processing, agricultural produce and other various industries. The official unemployment figure of six percent (in 2013) is widely deemed to be false, as it fails to capture the full scope of job scarcity, underemployment, and workers in the informal sector, which offers very low, sporadic incomes, especially for women.

What is the full scope of poverty in the country? As indicated earlier, the numbers vary greatly, depending upon the definition and methodology used. Pakistan’s Finance Minister, Ishaq Dar, stated that half of the country lives below the poverty line if the minimum daily wage is set at US \$2.00. While there is no consensus about the numbers, it is reasonable to conclude that roughly half the population

is either living under, or near, the poverty line.

Macroeconomic trends present a somewhat more optimistic picture. The rate of economic growth averaged 3.8 percent from 2010-2014 and improved to 4.1 percent in 2014, though this is far below what is needed to meet employment needs. Pakistan’s Central Bank chief, Ashraf Mahmood Wathra, predicted that the growth rate would soar to eight percent annually based on the surge of unity following the Peshawar attack and the military offensive against the Taliban. These factors, he reasoned, should promote more foreign investment. “I’m optimistic,” he said, “because this is the first time in many years that the political parties are struggling in unison to find solutions” to fight terrorism.<sup>25</sup>

However, fundamental obstacles to alleviating poverty exist. They are rooted in institutionalized structures of power and wealth. Even if Pakistan conformed to IMF advice and economic growth soared, the benefits are not likely to alleviate poverty significantly. Instead, they would likely enrich Pakistan’s elites—the securocrats, wealthy industrialists, landowners and about 200 wealthy families who have thrived while the poor have essentially been trapped in poverty.

What makes Pakistan’s poverty so entrenched is the convergence of three structural factors which, taken together, lock in inequality. They are:

1. A dysfunctional education system: It fails to prepare youth for the labor market, does not foster tolerance, and discourages social mobility.
2. Entrenched elites: Civilian and military leaders govern for self-preservation, reinforcing inequality.
3. The lack of sufficient development resources: Government revenue is mainly spent on paying civil servant salaries, servicing debt and strengthening the military. The rich generally do not pay taxes while illicit capital flight draws needed resources out of the country.

These three interrelated factors are discussed below.

#### 1) DYSFUNCTIONAL EDUCATION SYSTEM

A good educational system is widely regarded as a necessary condition for economic development. The madrassas, or Muslim religious schools, have been criticized as centers of militancy. Since they are not regulated by the state, clerics are free to preach prejudice and sectarian hatred, which feed violence and terrorism. Militant jihadists have targeted government and philanthropic schools, including schoolchildren, as was demonstrated when in 2012, the Nobel Peace prizewinner, Malala Yousafzai, was shot for going to school and in 2015 when the Peshawar school was hit.

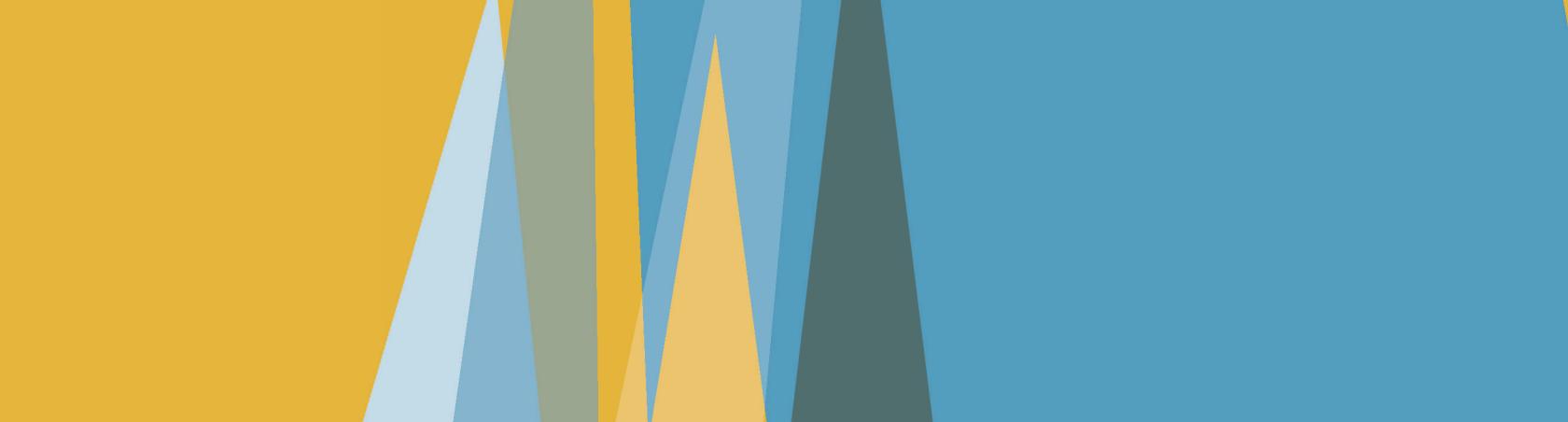
Educational deficiencies are not limited to the madrassas, however. Pakistan's public schools have also been woefully neglected. Free and compulsory education between the ages of 5 and 16 is guaranteed by the Pakistani constitution (in an amendment passed in 2010), but the reality is that Pakistan is one of the world's least educated countries. According to 2014 official figures, approximately 29 percent of youth aged 15-24 have no formal education, and 37 percent of 15-24 year olds have not completed primary education.<sup>26</sup> Only about 50 percent of children aged 5-9 attend primary school at the appropriate age, with significant regional disparities. Net primary school attendance is highest in the Punjab region (56 percent) and lowest in the poorest region of Baluchistan (38 percent). Gender disparity also varies regionally. School attendance by girls is roughly equivalent to primary school attendance generally: the highest proportion of girls in school is in the Punjab (54 percent) and the lowest proportion is in Baluchistan (34 percent).<sup>27</sup> Schooling in conflict-affected zones, such as the FATA is even lower due to efforts of the government to wipe out insurgents and the Taliban's campaign to exert control in the region. Some estimates report that over a half million primary school children had missed school over the last decade, either because

the schools were bombed by militants or turned into temporary housing for the displaced and refugees.<sup>28</sup> Low school enrollment is likely to increase as the government steps up its assault on the Taliban and as NATO forces withdraw from Afghanistan.

Enrollment is not the only problem. The quality of education, and the attitudes and behaviors it encourages, constrict development as well, as it neither trains workers for the labor market nor educates them to be tolerant citizens in a pluralistic society. Madiha Afzal, a Pakistani nonresident fellow at the Brookings Institution, conducted research on Pakistani public and private high schools (not including madrassas). She describes an educational system that reflects the grievance-based political narrative that pervades the country as a whole:

*For the last 35 years, Pakistan's official curriculum has been an amalgam of religious dogma, historical half-truths, blatant lies, biases, and conspiracy theories. The official textbooks teach children that Pakistan's "ideology" is Islam; that its foreign policy is ideological—its guiding principle is friendship with the Muslim world; that various other religions and nations are "evil" and "the enemy"—especially India and the Hindus, but these words are also used for Jewish people and Israel. A number of these textbooks glorify armed jihad, or struggle, against non-Muslims. The textbooks depict major historical events as the result of conspiracies... Teaching revolves around rote memorization—line by line, page by page... There is no room for questioning the textbooks, no discussion in class, no mention of good versus bad sources of information, no alternative views presented... Muslims and Pakistan are "good" and the rest of the world is not, and they are out to get us. Little wonder then, that Pakistanis find it tough to believe the Taliban come from them and are Muslims.<sup>29</sup>*

Afzal asserts that the educational system fails to encourage independent thought necessary for development and democracy. "Pakistanis tend ... [to] rely



on the opinions of those in positions of authority to form their own—partly because of the country’s hierarchical society and culture, and partly because they are never taught how to seek and evaluate evidence in school—leading to these theories being accepted.”<sup>30</sup> While most observers rightly point to the need for a change in the madrassas, which feed militancy, it is equally important to reform the secular schools, which promote complacency and discourage critical thinking.<sup>31</sup> Until that is done, Pakistan will continue to produce millions of uneducated or ill-educated children who will not be equipped to compete in a modern economy.

## 2) ENTRENCHED ELITES AND RISING INEQUALITY

Quality education is available in elite private schools that cater to those who can afford them. Low-cost private schools, which charge about US \$2.00 a week, have emerged in the slums and villages recently, operating often in the homes of the schools’ owners with meager school supplies. Charity schools are also multiplying, and they are introducing new approaches to learning as well as recruiting girls. Such efforts highlight the pent-up demand for education that is not being fulfilled by public education. Instead of being free, compulsory and effective, as required legally, public schools foster inequality in a political structure that Douglas North and others have termed a Limited Access Order (LAO).<sup>32</sup>

The LAO refers to a concentration of power and wealth in the hands of a dominant coalition or upper income class that monopolizes valuable economic resources, such as land, labor, capital, contracts, property, trade, and education—resources are not readily accessible to non-elites.<sup>33</sup> Those who do secure these assets have captured the elements needed for self-perpetuation.<sup>34</sup> Pakistan’s education budget stands as one example. The combined federal and provincial budgetary allocation to education in Pakistan is about two percent of GDP, the lowest in South Asia.<sup>35</sup> Even when there have been periods of economic growth, spending

on the social sector has not significantly increased. Per capita income in Pakistan rose from US \$897 in 2005-2006 to US \$1,386 in 2013-2014, in spite of worsening internal security and natural disasters, but public spending on health and education was 0.40 percent and 2.0 percent of GDP, respectively.<sup>36</sup>

The imbalance is not merely due to urgent security needs. Ayesha Siddiqi, a prominent Pakistani military analyst, explained that:

*Although the Pakistani state often pretends to distribute land and money to the dispossessed and the landless, the fact of the matter is that such acts are carried out to hide greater resources that are siphoned off by the elite. A glance at how the Capital Development Authority in Islamabad or any other land development authority distributes state land is a case in point. Over the years, prime property has been distributed to senior civil and military bureaucrats, politicians, and elite journalists.*<sup>37</sup>

Originally, in Pakistan the term “elites” referred to the landed groups at the time of independence. Eventually, it expanded to include bureaucrats, military officers and a network of private individuals from business and industry. However, the military-intelligence-bureaucratic establishment, along with politicians from the most prominent families, such as the Bhutto and Sharif dynasties, represent the core elites. Unsurprisingly, resentment has been growing over the huge disparities between the rich and poor, which these families represent. One politician from an influential party described the class structure as consisting of one percent of the population that forms the most exclusive elite at the top, 14 percent that constitute a middle class, and the rest sustaining this 15 higher percent, chiefly by maintaining dysfunctional or underachieving schools.<sup>38</sup>

Land ownership is another mark of class differences. Half of the population is landless:<sup>39</sup>

*Agriculture consists mostly of small acreage farmers*

who do not own the land they work. Sixty-five percent of farmers own less than five acres of land. The rest is owned by the landed elites who have grown to be exclusive and remote. They retain their fortresses in the form of ... private schools where an average Pakistani cannot study or interact with the elite students. This creates an isolation replicated throughout life... The elites dine at different restaurants, their hangout spots are different, and as a matter of fact, they have reduced themselves to living in a small bubble far away from the daily worries of average Pakistani people.<sup>40</sup>

Inequality, of course, is tied to many factors: differences in personal and family incomes, regional differences, ethnic groups, occupational traditions, and other conditions. However, the lack of access to a good education stands as one of the fundamental structural factors accounting for persistent inequality in Pakistan.

### 3) LACK OF DEVELOPMENT RESOURCES

In addition to the poor educational system and entrenched elites, economic development is inhibited by a scarcity of financial resources for development, despite the fact that Pakistan has had long periods of slow but steady growth, boasts a per capita income of US \$3,000 (PPP in 2006), and receives large amounts of foreign aid. In 2005, the country was classified middle-income by the World Bank and the Human Development Index labelled it a medium development country in 2007.

What accounts for the shortfall? Basically, three factors: 1) skewed revenue allocation, 2) an unequal tax structure, and 3) corrupt practices, including illicit capital flight.

### NATIONAL BUDGET

The national budget is skewed toward serving the interests of the state and the elites that run it. Government revenue (and most foreign aid) is largely spent on debt service, paying government workers and

the military. In *The Struggle for Pakistan*, Ayesha Jalal, a professor at Tufts University, reported that in 1973, almost 90 percent of the federal budget went to military uses. In the late 1980s, military expenditures were down, but defense expenditures were still high: approximately 80 percent of spending either paid off debt or funded the army.<sup>41</sup> By 2014, the military was allocated 29.2 percent of the country's total budget.<sup>42</sup> That is still a high percentage and it is likely to rise, given the new anti-terrorism offensive. In absolute terms, the annual rate of increase in defense spending has been diminishing, but defense spending still represents about 3.3 percent of GDP. In 2014, Pakistan was also the world's third largest arms importer, behind India and China.<sup>43</sup>

### UNEQUAL TAX STRUCTURE

Pakistan's unequal tax structure was described by one author as "the single most devastating factor for increased income and wealth inequalities....[The] tax on the poor during the last 10 years has increased substantively (35%) while the rich are paying no tax on their colossal income and wealth."<sup>44</sup> Pakistan has long defied international pressure to end the tax-dodging practices of the country's elites. Most taxes collected come from the lower and middle classes while the rich and powerful get off nearly free. The top 10 percent of earners pay less than 10 percent in indirect taxes, and a mere 0.3 percent in income taxes.<sup>45</sup> A 2014 report by Oxfam revealed that the average net worth of Parliamentarians is US \$900,000, with few of them paying any taxes.<sup>46</sup> In fact, only about one percent of Pakistani citizens, or approximately two million Pakistanis, even file tax returns. The country has a nine percent tax-to-GDP ratio, one of the lowest in the world. One press report conservatively estimated that the cost of corruption to the economy amounted to US \$133 million a day, half of which is from evaded taxes.<sup>47</sup> These calculations do not include losses from uncollected taxes on the informal economy.<sup>48</sup>

## CORRUPTION

Corruption in the form of bribery and fraud is rampant in Pakistan and disproportionately affects the poor. The Oxfam study, cited above, found that the extremely poor had to pay bribes to officials 20 percent of the time they interacted with government, as compared to the non-poor who paid just little over four percent of the time. One of the biggest problems is the illegal transfer of funds out of the country. A landmark study conducted by Global Financial Integrity (GFI), a Washington-based independent research organization that specializes in this issue, found that fraudulent misinvoicing (under-billing or over-billing) of trade transactions was the most popular method to move money illegally out of developing countries, accounting for 78 percent of the US \$6.6 trillion total that was illegally transferred between 2003 and 2012. Asia was the region with the greatest flow of dirty money over the decade, accounting for 40.3 percent of the world total, led by China and India. Pakistan loses roughly US \$145 million a year, less than its larger neighbors, but substantial nonetheless relative to its size.<sup>49</sup>

Together, the regressive educational system, an unequal tax structure, pervasive corruption and illicit capital flight present enormous barriers to inclusive economic development and political stability. They reinforce the fragility factors discussed earlier, particularly group grievance and the loss of political legitimacy. These fundamental institutional barriers hinder progress in promoting domestic security, meeting basic human needs, reducing group grievances and improving political legitimacy.

## THE POLITICAL ECONOMY OF THE MILITARY

“Most countries have armies, but in Pakistan the army has a country.” So goes a line often repeated in the literature to describe the prominent role of the military in Pakistani political affairs. Less well understood is its prominent role in the economy. In the past, when the army has taken power, it has justified its action by citing the economic incompetence of politicians, but practices usually do not change when they take over. Whether under civilian

or military rule, the military claims a large chunk of the nation’s budget, benefits from large foreign aid allocations, and—most importantly—has control of an economic empire that is secret, free from taxation, and not subject to public review or financial oversight.

The military’s corporate and real estate interests were estimated to be worth at least US \$20 billion in 2011, but that is probably a conservative figure.<sup>50</sup> No authoritative figures have been released on the value of military holdings, which are divided into five major groups. The biggest conglomerate is the Fauji Foundation, which owns sugar mills, fertilizer factories, chemical plants, a gas company and power plants, among other companies. Registered as a charitable organization, this conglomerate also operates social programs in over 800 educational institutions and 100 hospitals.<sup>51</sup> The Army Welfare Trust is controlled by the Adjutant General and includes the Askari Bank, farms, real estate, petrochemical plants, pharmaceuticals and shoe manufacturing operations. The Frontier Worlds Organization focuses on road construction and other activities. The Special Communications Organization provides telecommunications to Pakistan and Kashmir while the National Logistics Cell uses an array of army officers to manage a transportation company, conduct road and bridge construction projects, and run a pest control business. Neither the legislature nor the executive branch reviews the military’s assets.<sup>52</sup>

The benefits of this commercial empire accrue not only to the military institutions and agencies, but also to individual beneficiaries—active officers and retired generals, many of whom receive inflated pensions, land allocations, government contracts and lucrative positions in official or parastatal enterprises. Insider access to resources, personal contracts, outright monopolies, state subsidies, extensive corruption and a culture of crony capitalism reduce private sector competition, restrict civilian enterprise, encourage inefficiencies and foster a self-perpetuating class of mogul-warriors whose living standards are far beyond the reach of people locked in extreme poverty.

Pakistan's periods of record of economic growth have not resulted in inclusive economic development or significant poverty alleviation. From 1983 to 2014, Pakistan invested only two percent of GDP on education and most social indicators, such as infant mortality and literacy, remained at the lower end of the statistical tables. There have been, however, sufficient resources for the military to make Pakistan a regional power with formidable capabilities, including a growing nuclear stockpile, a domestically built cruise missile that can carry nuclear or conventional warheads, and a locally produced fleet of missile-carrying, laser-guided drones. Ayesha Siddiqa, author of *Military Inc.*, wrote that the Pakistan military has an "anti-development chokehold" on the country.<sup>53</sup>

Nonetheless, the military is widely admired and popular with the general public. Provided one can get access to the better educational institutions and has the right personal connections, one can advance through the military. It is the one national institution that has been able to transcend tribal, ethnic and religious factions in the country; even non-Muslims have risen in the ranks. In the past, Pakistani Army officers used to come from prominent families, but graduates of the Pakistan Military Academy nowadays have less aristocratic backgrounds and they do not necessarily come from army families. In this sense, the military is an integrative force that binds the country together, albeit under the leadership of a privileged officer class.

The Pakistan Army consists of a volunteer force of 642,000 active personnel and a reserve corps of 500,000, according to the International Institute for Strategic Studies (IISS) estimate in 2012. The total force of 1,142,000 troops makes it the largest army in the Muslim world. However, the military has a mixed record. It has not won any of the country's wars with India; it has allowed extremist forces, including Osama bin Laden, to have sanctuary within its borders;<sup>54</sup> it suffered humiliation when the U.S. successfully executed a mission to kill bin Laden without Pakistan's knowledge; and it has been accused of playing a "double game" by accepting generous amounts of

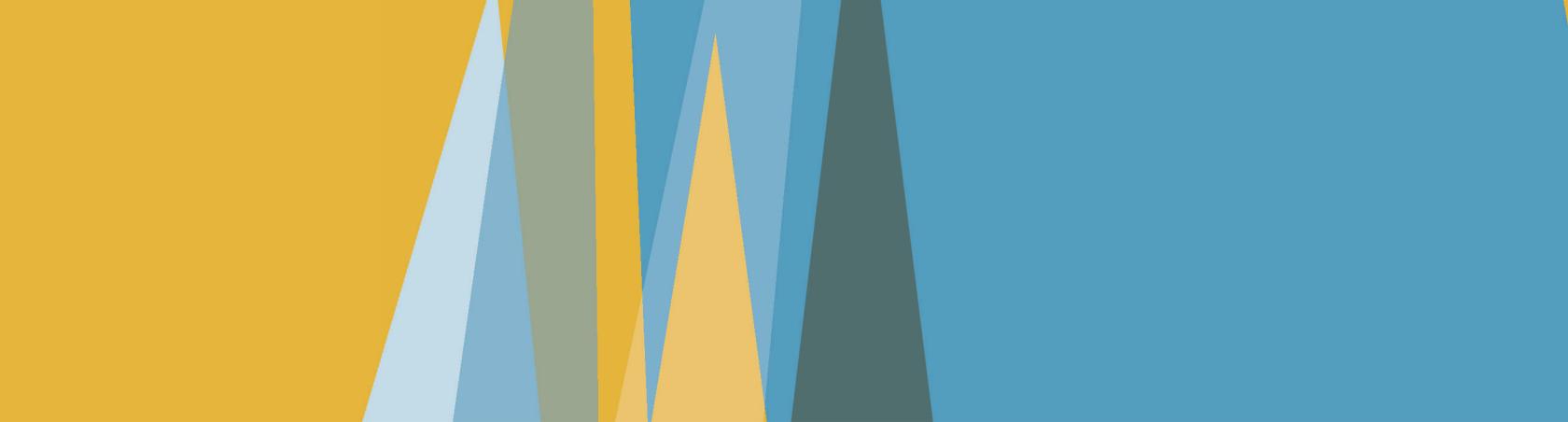
American aid while simultaneously enabling militant groups to fight American and Afghan troops in Afghanistan.<sup>55</sup> The secretive spy branch of the army, the Inter-Services Intelligence directorate (ISI), is widely believed to have provided direct support and shelter to extremists, especially the Afghan Taliban, the Haqqani network and Lashkar-e-Taiba, the group that launched the devastating 2008 attack in Mumbai.

Following the December 2014 attack on the Army Public School in Peshawar, which killed many children from military families, the army enjoyed a new wave of public support and sympathy. The massacre may have been a turning point for the country, with a renewed effort to combat terrorism. Even teachers were engaged in the fight. In the province of Khyber Pakhtunkhwa where the Peshawar attack occurred, they were armed with assault rifles and handguns and given combat training. In this way, the army said, teachers could engage future attackers for five or ten minutes before reinforcements arrive. Private sector schools and colleges were also required to hire armed guards or have their licenses revoked.<sup>56</sup>

Revulsion over the Peshawar massacre stimulated a new public debate on the need for institutional reforms, including containing radical clerics, shoring up the educational system and modernizing the judicial system. There was no call for changing the economic structure of the military, however. To the contrary, since the military enjoyed more public acclaim than ever, its commercial privileges stayed intact. The military can still appropriate the best land for its senior officers, monopolize large parts of the economy, and get the most profitable state contracts for the companies it runs.<sup>57</sup>

#### THE PREDICAMENT OF WOMEN

Women are the vortex of the society's larger tensions and complexities. They face a number of challenges, despite women's rights being guaranteed in the constitution and a 1973 statute that outlawed gender discrimination on all levels. In reality, women bear the lion's share of inequality. According to the Geneva-based World Economic Forum, Pakistani women face the worst inequality in the



world as measured by access to health care, education and employment. The Forum's 2014 Gender Gap Index ranked Pakistan 141 out of 142 countries in the survey, with only Yemen having worse inequality for women—the third consecutive year that Pakistan got the second to last rating. As women advance, they will contribute to the long-term economic and political resilience of the country, as occurs in most countries. However, in the short-term, as shown in the data cited earlier, violence against women could increase—precisely because they are advancing.<sup>58</sup>

Pakistan is a patriarchal society steeped in strict Islamic traditions and tribal cultural beliefs. Chief among these is the deep-seated view that a family's honor depends upon the chastity and modest behavior of its female members. Males are duty bound to protect family honor, an obligation that results in widespread restrictions on women's movements and activities. When a family's honor is violated—that is, if a woman strays from the standard of chastity, even if it was as a result of rape—violence or revenge is a culturally acceptable response in the eyes of a large proportion of society, as the woman is seen as having brought shame upon her family. "Honor killings" of women or girls—often by their own fathers, brothers or husbands—number nearly a thousand a year in Pakistan, not counting those that are unreported. Hundreds of acid attacks are also recorded each year over family disputes. Among the educated elite, such practices are rare, but elites have done little to eliminate these and other forms of retribution against women.

Violence varies by province, class and religious affiliation, but it is not uncommon to see reports about women having to endure forced marriages (a criminal offense), compensation marriages (handing over women as compensation for crimes or a resolution of a dispute), buying and selling of wives (prevalent in the rural areas), or physical abuse when they resist traditional restrictions. In rural Sindh province, for example, women are sometimes forced into a "marriage to the Koran", a term which signifies a female family member is prohibited from marrying in order to avoid the family division of property. In such cases, the woman is regarded as being under the legal control of her father or elder brothers, she is banned

from contact with any male older than 14, and she is confined to live her life at home.

The law criminalizes violent acts against women in the name of traditional practices, but many acts go unreported or unpunished. Those detained for such crimes are often reported to have miraculously escaped from custody. Moreover, the law banning honor killings has a legal loophole: it allows the victim or victim's family to cut a deal with the perpetrator in which monetary compensation can be paid in exchange for the family dropping the charges. This means that men can legally buy a "get out of jail card" for killing or beating women.

Even the award of the Nobel Peace Prize to Malala Yousafzai, the young Pakistani teen activist who was shot in the head by the Taliban for going to school, has had mixed reactions at home. The Prime Minister congratulated Malala, but conservative Islamists accused her of selling out to the West, and she has been forced to live abroad because her life is still in danger.

Discrimination is rife at higher levels of Pakistan's institutions as well. Pakistan has one of the highest female illiteracy rates in the world. Forty percent of the men and 65 percent of the women could not read or write as of 2010, although those rates are said to be slowly improving.<sup>59</sup> The low literacy rate of women used to be explained by general cultural bias, but a study in the 1980s by the Ministry of Women's Development and donor agencies found that the threat to a woman's honor was identified as parents' biggest concern in sending girls to school. Parents in Punjab and Baluchistan were more willing to educate their daughters when girls' safety, and therefore honor, was assured.<sup>60</sup> Progress, however, is slow. Pakistan has the second highest number of out of schoolchildren in the world (after Nigeria), two thirds of them girls.<sup>61</sup>

Nonetheless, Pakistan produces around 445,000 university students and 10,000 computer science graduates each year.<sup>62</sup> Two Pakistani universities have been ranked among the top 200 Technology universities in the world. Women constituted 22 percent of university students in 1993, a percentage which rose to 47 percent of the total by 2011, nearing parity.<sup>63</sup> Indeed, Pakistani women are not only attending colleges and universities in greater numbers, but in some areas outnumber men. The World Bank estimates that women will contribute more than a percentage point a year to economic growth by

2020. However, women's progress may also increase tensions and conflict, as large numbers of people are openly hostile to female advancement.

Women also face huge obstacles to breaking out of poverty due to cultural barriers they must overcome to participate in the workforce. The World Economic Forum (WEF) found that women in Pakistan have seen their rating on access to economic participation decline from 141 in 2006 to 112 in 2014.<sup>64</sup> Globally, during this nine-year period, women were rapidly closing the gender gap with men in health and education, but inequality in the workplace was not expected to be erased worldwide until 2095. It may take even longer in Pakistan, where a woman needs permission from a male to qualify for a loan and men often use women for their own economic benefit. For example, studies have shown that 50 to 70 percent of microloans given to women in Pakistan may actually have been used by their male relatives.<sup>65</sup>

According to Pakistan's Federal Bureau of Statistics, by 2011, the proportion of women at work had increased from 16.3 percent to 24.4 percent over the past decade. That progress is a result of more women staying in school longer. When employed, however, women are compensated at a much lower rate than men.

Wages are low for all Pakistani workers, but the ILO's Global Wage Report 2014/15 stated that Pakistani women are not only less likely to hold wage-paying jobs, but they earn 38.5 percent less than men do. Unskilled garment workers in Pakistan, Cambodia and Viet Nam are paid from US \$85 to \$128 a month, far less than the lowest comparable minimum wage in China of US \$156.<sup>66</sup>

One sector, in particular, highlights the plight of educated women—the medical field. Women outnumber men in medical colleges across Pakistan, constituting up to 85 percent of the student population in private universities and 65 percent in public universities. However, while nearly all male graduates work as doctors, only about half of women graduates become practicing physicians. Social pressures to marry

instead of work, childcare responsibilities, taboos against women dealing with male patients, frequent harassment, and transportation and security problems for female doctors working late shifts were all cited as disincentives.<sup>67</sup> Women who do work as physicians often do not elect to go to rural areas far from their families and they do not want night duty because of the country's deteriorating security situation.

Thus, women in Pakistan live in a world of contrasts. Some women are soaring to professional heights as doctors, pilots, engineers, lawyers and entertainers; others are shot for simply wanting to go to school or are burned or buried alive for marrying the men they love instead of those chosen by their families. Tradition and modernity in Pakistan are clashing over the role of women. Some observers have been critical of women who have reached positions of power but have not helped their sisters. While women's representation in the parliament has grown, for example, most of the female legislators are drawn from the same privileged elite responsible for discrimination against women. They have not introduced serious legislation to advance women's rights, improve the plight of the poorest women in the rural areas, or close inequalities between men and women.

Why is this so? The answer may lie in the most surprising finding from the quantitative data, which shows an inverse correlation between female labor participation and conflict risk in Pakistan. This finding was directly opposite to that in the Correlates paper covering 91 countries. The large-scale study showed that conflict risk decreased as women's employment increased. In Pakistan, the opposite occurred.

Although further research should be conducted to probe this correlation and the reasons for it, the explanation may lie in the societal attitudes against women described earlier. Seen as symbols of family honor who must adhere to strict codes of behavior, women are expected by Islamists to conform to the tight strictures of Sharia law. As the status of women improves, political resistance to their progress, and thus conflict risk, intensifies, not only because of discrimination inherent in a patriarchal society, but also because of cultural traditions and the influence of those who adhere to conservative interpretations of Koranic religious scripture. Women are at the heart of the global debate on Islamic law, but in Pakistan, the debate is especially intense.

## SECTION IV: FRAGILITY VERSUS RESILIENCE: SIGNPOSTS OF THE FUTURE

Pakistan could benefit greatly from adopting the route of recovery suggested in the cluster of six factors identified in the Correlates paper, namely, improved state legitimacy, better public services, decreased demographic pressures, reduced inequality, good macroeconomic growth, and respect for human rights. Both economic growth and reduced inequality are needed for Pakistan to achieve sustainable economic development, the first for short-term recovery and the latter for sustainable development. But, for these indicators to improve, Pakistan must make deep structural transformations.

To achieve more resilience, Pakistan needs to adopt fundamental changes in many sectors, not merely make short-term policy shifts. One aspect is especially important: the grievance factor that is most closely associated with violent conflict. Numerous recitations of historic grievances, both at the national and subnational levels, constitute a constant drumbeat of rhetorical and psychological self-flagellation that is undermining social cohesion and political legitimacy. At the same time, since many social grievances are legitimate or perceived to be so, mechanisms must be found to protect aggrieved groups and individuals and build trust in mediating institutions. Adjudication, not retribution, should become the route of redress.

In place of the narratives of grievance, Pakistan should foster a positive narrative stressing a national identity based on shared interests and common experiences. This cannot be done simply by making speeches or promoting a media campaign. Only genuine change in arenas that affect peoples' lives will build social trust, such as reforming the public education system, reducing the exclusivity of elites, and curbing corruption—measures that create an even playing field. Pakistanis need to be confident that they have the right of free political expression without fear of retribution, the opportunity for economic advancement without discriminatory practices and resources blocking their progress, and the certainty that they will have equal protection under the law to exercise their own

religious beliefs. Without fundamental changes such as these, the grievance narratives will accumulate, feeding radicalism, sectarianism, and conflict.

Another priority is the reduction of inequality. Besides the factors mentioned above, other steps can be taken as well, such as amending an unjust tax system that favors the rich at the expense of the poor. The failure of elites to pay their fair share of taxes not only robs the state treasury of needed resources, it also deprives the political system of a mechanism that cements the social contract between government and its citizens, and it builds cynicism among the public against the state.

Another aspect of change—which, admittedly, is not likely to be accomplished in the near-term—is the concentration of wealth in the hands of the military, a feature that gives the military disproportionate influence in a free market economy, reinforces elite attitudes, and erodes public accountability.

Finally, one of the most difficult transitions of all will likely be the empowerment of women, a goal that must overcome societal attitudes defined by religious beliefs and practices, strong traditions, and endemic patriarchy.

Thus, while Pakistani leaders generally believe that nuclear weapons, population growth, and improved economic prospects are harbingers of national greatness, the fulfillment of such aspirations will depend more on how they meet domestic political and development challenges.

Some progress is being made. One notable change is the surge in public and official opposition to extremism, as evidenced in the mounting military offensive against the Taliban and other insurgencies. Should the offensive succeed in reducing long term political violence and terrorism, the consequences could be profound. For example, research by Sultan Mehmood on the impact of terrorism on Pakistan's economy concluded that the nation's inflation adjusted GDP per capita would have grown by 177 percent from 1973 to 2008 (instead of 119 percent) if terrorist violence had been absent.<sup>68</sup> Mehmood also calculated that terrorism costs

Pakistan around 33 percent of its real national income or around 1 percent of real GDP per capita growth each year.

Besides an apparent military turnaround, there have been other hints of positive change. The outcome of the 2014 crisis, though not a triumph of democracy, nevertheless retained civilian rule. Women's education is increasing, albeit without sufficient employment opportunities. Outlets providing a good education for boys and girls are growing, though the public education system in general is of inferior quality, preventing upward mobility for the poor. Cultural revival of the arts and entertainment is another sign of emerging national pride.

Possibly of even greater potential import is the impact of technology. Modern telecommunications are affording the average person access to fresh ideas and new opportunities. The number of cellphone subscribers, for example, grew from five million in 2003 to about 136 million by 2015, a remarkable expansion.<sup>69</sup> Pakistan is linking cell phone usage to the creation of a national identity database, using biometric information like fingerprints. If a person refuses to provide that data, he/she will be denied cell phone service. Government efforts to identify every adult is an attempt to strengthen the hands of police and intelligence officials to trace the origins of terrorist attackers and criminality, but it also could help promote a sense of national identity.

Perhaps the single most important factor that could determine Pakistan's future is the younger generation. A Morgan Stanley Chief Investment Strategist predicted that, with over 100 million people below the age of 30 aspiring to change their lives, the "rise of Pakistan is just a matter of time. Demographics will play a major role in coming decades. Pakistan is among those nine countries in Asia that will add another China in the next 35 years and the impact of this change will be phenomenal on the world economy," he said.<sup>70</sup>

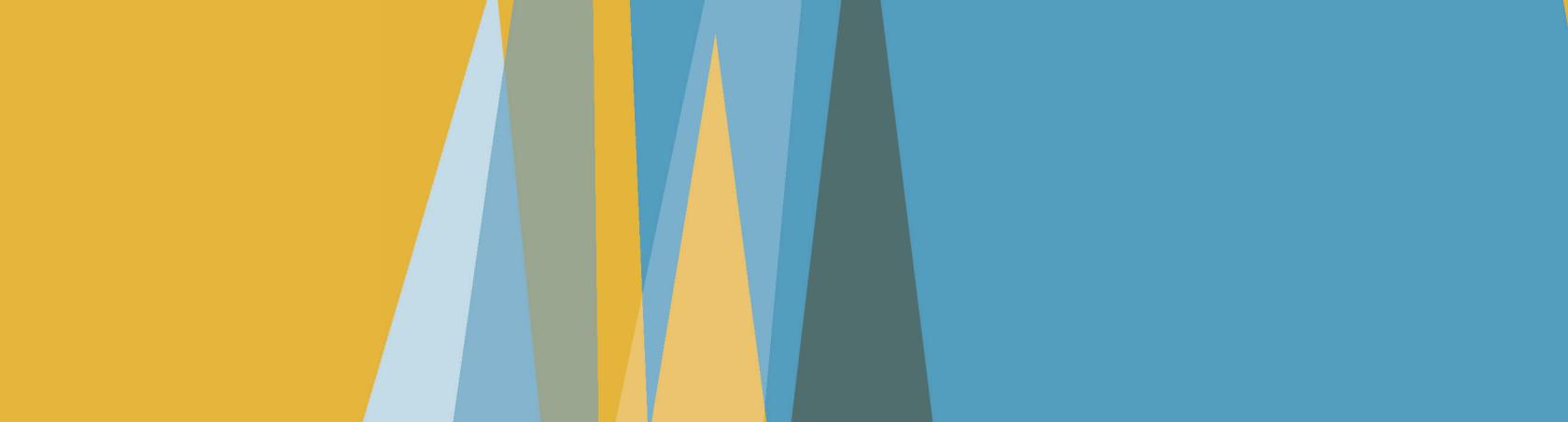
Several other commentators have identified the country's younger population as the force that will bring radical change. However, without more research, it is difficult to predict precisely

what the attitudes of the youth will be. A poll conducted in 2012 revealed that young Pakistanis were pessimistic about their future, the political system and the economy. Nine out of 10 in the sample expressed anxiety about their lives and 92 percent felt that "revolutionary change" is needed to improve the country's political situation, but via peaceful means.<sup>71</sup>

Lest the call for "revolutionary change" be misunderstood, it is important to note that another poll indicated that the younger generation also reflects the contradictions of their society. In a 2012 British Council survey, more than half of a sample of 5,000 young people in the 18 to 29 age group believed that democracy had not been a good form of governance in Pakistan. Sixty-five percent of the male respondents, and 75 percent of the female respondents, self-identified as conservative or religious. They stated a preference for governance under Sharia law but one, they said, which promotes equity and justice.<sup>72</sup> As the country continues to debate what kind of Muslim state it wants to be, it is not clear what role the youth will play or what form of Islam they will support.

In any event, fundamental change, if it comes at all, will not take place overnight. It will occur in stages, have setbacks some of which may be unsurmountable, and there may be progress in some sectors while others stay the same. It is unrealistic, for example, to expect the military to divest itself of its economic assets anytime soon. But, it is not inconceivable to expect the security forces to support reforms in the education system, improvements of the tax system, or curbs on the outflow of illegal capital flight from the private sector.

Pakistan could be nearing an inflection point, where it must decide what kind of country it wants to be. It could take the easy route of staying the course, in which case it will be fragile for decades to come, or it could start the process of evolutionary transformation toward a future of state resilience. Until such decisions are made and enthusiastically embraced, Pakistan will remain an "unfinished project."



## A NOTE ON METHODOLOGY AND DATA

This paper relied on both quantitative and qualitative data. The quantitative data was derived from the following sources: The Fund for Peace's Fragile States Index, the World Bank's Worldwide Governance Indicators and Development Indicators, Transparency International, the United Nations Human Development Reports, the International Labor Organization, and the United Nations MDG Statistics. Some graphs were reproduced from open sources on the Internet, as indicated.

All other information came from sources indicated in the footnotes.

This paper does not cover all the relevant issues that should be studied in Pakistan. While security was addressed when relevant, the paper did not delve into the multiple issues involving Pakistan's security affairs since that is covered extensively in the literature and is not the central concern of this analysis. However, the author wishes to underscore that security is a major factor in assessing Pakistan's future development and remains a significant obstacle to progress.

The principal framework of analysis was assessing fragility and resilience during the period 2006-2013, with an emphasis on how patterns during that time affect the state's efforts in balancing between fragility and resilience in the future. This departs from predominant perspectives, which usually focus on terrorism and/or the tension between democracy and authoritarianism.

The basic task of this paper is to assess where Pakistan is on this journey, not only in an institutional sense but also in the wider sense of building a cohesive identity as a nation and providing a better life for its citizens. In weighing the scales on the continuum between fragility and resilience, Pakistan is highly fragile, but it also has elements of resilience. The hope is that Pakistan's leaders, both civilian and military, will draw on those assets to direct the country toward a path of genuine transformation.

Charles Fiertz assisted in the quantitative research for this paper. The author, however, is solely responsible for the analysis and conclusions.



## ENDNOTES

- <sup>1</sup> Pakistan was ranked the 10th most at-risk state in the 2014 Fragile States Index produced by the Fund for Peace. See FFP's "Fragile States Index 2014" at [www.ffp.statesindex.org](http://www.ffp.statesindex.org).
- <sup>2</sup> The Economist, "The world's most dangerous border." May 19, 2011.
- <sup>3</sup> Ibid.
- <sup>4</sup> Nadia Naviwala, "Protesting against terrorism in Pakistan." Foreign Policy, February 18, 2014.
- <sup>5</sup> Azam Ahmed and Joseph Goldstein, "Pakistanis try to nudge Taliban along the path to peace talks with Kabul." New York Times, February 18, 2015.
- <sup>6</sup> Saeed Shah, "Pakistani leader Sharif nears pact with military." Wall Street Journal, August 27, 2014.
- <sup>7</sup> Urvashi Butalia, "Book Review: The other side of silence: Voices from the partition of India." New York Times, Dec. 10, 2000.
- <sup>8</sup> Gregory D. Koblenz, Strategic stability in the second nuclear age. Special Report No.71, Council on Foreign Relations, November 2014.
- <sup>9</sup> Dawn, "Pakistan ranks third on Global Terrorism Index." November 18, 2014.
- <sup>10</sup> Washington Post, "Video puts ex-Pakistani Taliban members with Islamic State." January 10, 2015.
- <sup>11</sup> Declan Walsh, "Allure of ISIS for Pakistanis is on the rise." New York Times, November 21, 2014.
- <sup>12</sup> Dunya News Network, "MQM stages protests against Lai Masjid cleric in various cities." December 21, 2014.
- <sup>13</sup> Jibran Nasir, "The quiet lawyer and activist who is taking on Pakistan's Taliban." Independent, December 30, 2014.
- <sup>14</sup> For example, see Aamir Iqbal, "Free of the Taliban, Pakistan's Pash-tun poets revive their craft," Guardian Weekly, July 29, 2014.
- <sup>15</sup> Pauline Baker, "Exploring the correlates of economic growth and inequality in conflict affected environments: Fault lines and routes of recovery." Trends in Global Development, Creative Associates International, March 21, 2014.
- <sup>16</sup> The major ethnic groups are Punjabis (45%), Pashtuns or Pathans (16%), Sindhis (14%), Sariakis (8%), Muhajirs (8%), Balochis (4%), and other (5%). Over 96% of the population is Muslim, with around four-fifths of that proportion Sunni and the remainder Shia. The remaining 4% is a collection of other religions, including Christians, Hindus, and Sikhs.
- <sup>17</sup> World Bank, Pakistan Development Update. April 2014.
- <sup>18</sup> Rabab Khan, "The unemployed mind: Pakistan's unemployment problem explained," FutureChallenges, February 28, 2012.
- <sup>19</sup> A World Bank report on Pakistan listed several positive economic factors that favor Pakistani resilience. See World Bank, "Pakistan: Finding the Path to Job-Enhancing Growth," Country Economic Memorandum Report No. 75521, 2013.
- <sup>20</sup> Mateen Haider, "Islamic State a serious threat to Pakistan, foreign secretary admits." Reuters, February 23, 2015.
- <sup>21</sup> Most estimates assess the Shia population to be roughly 20-25 percent of the population.
- <sup>22</sup> In 2001, the Pakistan Institute for Conflict Management listed 12 domestic terrorist organizations, 32 transnational terrorist groups, and four extremist groups operating in the country. (It is not clear how the extremist groups differ from the other terrorist groups.) The U.S. Council on Foreign Relations reported that these groups fall into five categories: Sectarian, Anti-Indian, Afghan Taliban, Al Qaeda and its affiliates, and the Pakistan Taliban. Several of these are composed of coalitions, splinter groups, and jihadists identified by the personalities they follow. The Pakistani Taliban is a coalition of about 13 different militant groups formed in 2007. The organizations often regroup, making an inventory of the security threats difficult, as they are constantly moving, changing tactics, and adapting to new circumstances. See Zachary Lamb, "Pakistan's New Generation of Terrorists," CFR Backgrounder, Council on Foreign Relations, November 18, 2013.
- <sup>23</sup> Pamela Constable and Tim Craig, "After school attack, Pakistan vows to pursue militants outside its borders." Washington Post, December 17, 2014.
- <sup>24</sup> Akhilesh Pillalamarri, "Pakistan's looming demographic crisis." The Diplomat, September 12, 2014. The estimate was made by the Population Council, a non-governmental organization based in New York.
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- <sup>26</sup> Source of date is the World Bank, 2014, as reported by the fhi360 Education Policy Data Center in "Pakistan Education Profile 2014 Update."
- <sup>27</sup> fhi360 Education Policy Data Center. "Demographic and Health Survey, 2007" [www.EPDC.org/sites/default/files/documents/Pakistan-core-usaid-O.pdf](http://www.EPDC.org/sites/default/files/documents/Pakistan-core-usaid-O.pdf)
- <sup>28</sup> Ashfaq Yusufzai, "These children just want to go back to school." Inter Press Service, August 26, 2014.
- <sup>29</sup> Madiha Afzal, "Pakistan needs curriculum reform to fight the Taliban." Up Front Blog, Brookings Institution, December 31, 2014.
- <sup>30</sup> Ibid.
- <sup>31</sup> For an excellent analysis of the educational system in Pakistan, see International Crisis Group, "Education reform in Pakistan." Asia Report No. 257, June 23, 2014.
- <sup>32</sup> Douglass North, Joseph Wallis, et al., "Limited access orders in the developing world: a new approach to the problems of development." Policy Research Working Paper 4359, World Bank, September 2007.
- <sup>33</sup> Although not precisely the same thing, the political science literature has variations of this model in patrimonial, prebendal, and other authoritarian or semi-authoritarian systems that concentrate wealth and power in the hands of elites, even if there are rivalries within them.
- <sup>34</sup> Seth Kaplan made the association of LAO with Pakistan as well.

- See "Power and politics in Pakistan: A limited access order," *Fragile States Blog*, May 24, 2013.
- <sup>35</sup> See the International Crisis Group report on education, *op. cit.*
- <sup>36</sup> Raja Taimur Hassan, "Growing inequality in Pakistan." *Social and Development Log of Pakistan Blog*, November 19, 2014.
- <sup>37</sup> Ayesha Siddiqi, "What is Pakistan's elite?" *Express Tribune*, June 30, 2012.
- <sup>38</sup> Maleeha Hamid Siddiqui, "The real struggle in Pakistan is between the elite and the poor." *Dawn*, October 1, 2014.
- <sup>39</sup> Hassan, *Ibid.*
- <sup>40</sup> Hussain Nadim, "How the 'elite' schools are destroying Pakistan." *Daily Times*, October 3, 2013. The author was Special Assistant on Social and Economic Initiatives to the Federal Minister at the Ministry of Planning, Development and Reforms.
- <sup>41</sup> Ayesha Jalal, *The Struggle for Pakistan*. Cambridge, MA: Harvard University Press, 2014.
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- <sup>43</sup> *Defense News*, "Pakistan raises annual defense spending 11 percent." June 2, 2011. See also Sidra Jafri, "Putting our priorities in order," *New Pakistan Blog*, March 19, 2014. In 2015, Saudi Arabia overtook India as the largest arms importer. See Agence France-Presse, "Saudi Arabia becomes world's biggest arms importer." March 8, 2015.
- <sup>44</sup> Huzaima Bukhari and Dr. Ikramul Haq, "The great divide (in inequality)." *Business Recorder*, August 8, 2010.
- <sup>45</sup> Nancy Birdsall and Wren Elhai, "Shared goals: Measuring overall development progress in Pakistan." *CGD Essay*, Center for Global Development, January 2011.
- <sup>46</sup> Mehtab Halder, "Inequality on the rise in Pakistan: study." *The News International*, October 31, 2014.
- <sup>47</sup> Ram Mashru, "Pakistan: As corrupt as ever?" *The Diplomat*, January 8, 2014.
- <sup>48</sup> Mehtab Haider, "Size of informal economy at 91.4 percent of GDP: study." *The News International*, November 16, 2012.
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- <sup>51</sup> Owen Bennett Jones, *Pakistan: Eye of the storm*. New Haven, CT: Yale University Press, 2003.
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- <sup>55</sup> *New York Times*, "Is Pakistan worth America's investment?" Editorial, January 10, 2015. Also, see Lawrence Wright, "The double game." *New Yorker*, May 16, 2011.
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- <sup>57</sup> See, for example, Carey Schofield, *Inside the Pakistani Army: A woman's experience on the frontline of the War on Terror*. London & New Delhi: Biteback Publishing and Pentagon Security International, 2011.
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- <sup>64</sup> "Pakistan second to last in global gender equality report." *Express Tribune*, October 28, 2014.
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- <sup>68</sup> Sultan Mehmood, "Terrorism and the macro-economy: Evidence from Pakistan." *Defence and Peace Economics* 25, no. 5 (2014): 509-534.
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