

Renewed strains between Islamabad and Washington

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By Ahmed Rashid

Guest columnist Ahmed Rashid on rising tensions between the US and Pakistan over funding of the war against Taliban insurgents.

Pakistani officials are threatening to pull troops out from the sensitive north-western tribal areas unless the US and Europe comes up with more money for military campaigns.

Yet at the same time for a country that has staggering debt, inflation and unemployment, defence spending in the new budget has risen by 30% as compared to last year, even though the US is largely funding the war on terror.

Legislators say much of the newly appropriated money for the army will go to boosting defences against India rather than fighting militants in the Federal Administered Tribal Areas (Fata).

Military budget

When the \$38bn annual budget was announced in parliament on 5 June, legislators sat up when it was announced that defence spending would be \$5.2bn for 2010-11 - a rise of 17% compared to last year or 13.7% of the total budget.

Even more shocking news came a few days later when Saqib Shirani, principal economic adviser to the government, corrected that figure to say that actual defence spending for 2010-11 would be \$7.9bn, a 30% rise compared to last year and 21% of the total budget.

The government did not disclose how it accounted for some \$1.3bn received over the past year in Coalition Support Funds (CSF) by the US administration for fighting "terrorism".

The funds essentially pay for the army's deployments and operations in Fata and if that is the case than the question arises as to why the country needs such a huge increase in military spending.

For decades the army refused to allow any government to disclose the military budget.

Fuelling militancy

Now the army only allows a single blanket figure to be released that does not show what defence money is spent on.

Meanwhile substantial parts of military spending like army pensions and research and development are hidden in other budget items outside the official defence budget.

With 28% of the budget being reserved this year for servicing Pakistan's huge external debt of \$54bn, nearly 60% of the budget is taken up by just two items - defence spending and debt servicing.

Almost the entire development budget of \$9.2bn will be provided by outside donors.

Meanwhile the country spends just 2% of Gross Domestic Product (GDP) on education, despite the fact that average literacy is only 57%. Even the army admits that the lack of education is fuelling militancy.

However with the economy in a downward spiral and the government facing an internal funding crisis in the months ahead, Islamabad has begun to threaten the US.

Retired Lt Gen Syed Akhtar Ali told parliament that the US government had for two years willfully withheld billions of dollars of CSF that were owed to Pakistan.

"The time that we have to rethink our security priorities about external threats is approaching," Mr Ali warned recently.

"We will stop operations (in Fata) and go back to the eastern borders," he added threateningly.

However he admitted that in the past six months the US had released \$1.3bn in CSF arrears, but was still holding back payments of \$1bn.

'Grand disillusionment'

Prime Minister Yousuf Raza Gilani was equally blunt when he told visiting Richard Holbrooke, US special envoy for Pakistan and Afghanistan, that "time is running out fast, public support can only be kept intact if the international community starts delivering on their pledges."

At a conference in Tokyo a year ago, major donors who make up the "Friends of Pakistan" pledged \$5bn in aid, but so far few pledges have been honoured except by the US.

"There is grand disillusionment amongst the Europeans for Pakistan's refusal to address our concerns - transparency about aid funds, improving governance, using aid money to build up defences against India rather than fighting terrorism and its lack of concern for minorities," a senior European diplomat said.

Mr Gilani's recent trip to the European Union (EU) in Brussels, following the brutal killing of 90 Ahmedis in Lahore by militants was a public relations disaster, with the EU bluntly refusing to fund Pakistan unless it improved its governance record.

Yet even as Pakistani leaders cajole the West for more money and warn of an impending economic collapse, the army insists that the world must recognise Pakistan as a full blown nuclear power.

Contradictions

The chairman of the Joint Chiefs of Staff Committee, Gen Tariq Majid told the National Defence University in Islamabad recently that "the world must accept our nuclear reality and stop unwarranted insinuations to create alarms and deny us the related benefits."

The army and the government wants to have its cake and eat it too.

It wants the US and Europe to pay for the war on "terrorism", but at the same time it wants to spend vast funds on building up defences against an imagined Indian attack - without improving relations with India.

It wants to be an acknowledged nuclear power, but is unwilling to spend money on education and health.

The army supports democracy but refuses to allow the civilian government to determine priorities for defence spending.

Meanwhile it is willing to threaten the US, knowing that with the US campaign in Afghanistan going so badly, Washington desperately needs Islamabad.

None of these contradictions in Pakistan's policy - or in its relations with the US - look like being resolved any time soon but the danger is that there is a growing tiredness amongst Western donors that Pakistan has cried wolf once too often.

Ahmed Rashid is the author of the best-selling book Taliban and, most recently, of Descent into Chaos: How the war against Islamic extremism is being lost in Pakistan, Afghanistan and Central Asia.