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## Pakistan's foreign policy under Musharraf: between a rock and a hard place

*Owen Bennett Jones, BBC World Service, and Farzana Shaikh,  
University of Cambridge and Chatham House*



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### Summary

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- Since the attacks on the United States in September 2001 President Musharraf has been caught between the Bush administration's 'war on terror' and pro-Islamic parties in Pakistan.
- While significant flows of US economic and military assistance to Pakistan have enabled Musharraf to resist pressure from his domestic critics by taking credit for his country's economic stability, he still faces difficult choices.
- Continuing unrest in neighbouring Afghanistan and the slow pace of peace talks with India mean that he may face growing opposition from powerful groups unwilling to countenance any weakening of Pakistan's influence in the region or shift in the conduct of its regional policy.
- Mindful of these risks, he has sought to chart an independent foreign policy by defying the United States and pursuing talks with Iran on the construction of a pipeline to allow the export of gas to India and Pakistan.
- Despite the improving relations between Beijing and Delhi, Musharraf is determined to keep Pakistan's status as China's closest ally in the region. This is partly an attempt to recast Pakistan's relations with the United States along more independent lines.
- However, the impression of an independent foreign policy has been most dramatically conveyed by Musharraf's unprecedented decision to formalize diplomatic contacts with Israel, which he hopes will establish his international reputation as a mature statesman.

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### Introduction

Foreign policy issues have twice come to the rescue of Pakistani military leaders. During the 1980s General Zia ul Haq was able to use American determination to remove the Soviet presence in Afghanistan to increase his international legitimacy and to improve Pakistan's economic prospects. Since 9/11 General Pervez Musharraf has managed to pull off the same trick.

Yet the dilemmas faced by President Musharraf are greater than those with which General Zia had to grapple. Like the US, Pakistan had a clear interest in opposing the Soviet occupation of Afghanistan. By contrast, even if Musharraf had little choice but to support the removal of the Taliban regime, in doing so he was reversing a long-standing effort by Islamabad to install a friendly government in Kabul. Furthermore, whereas Zia was able to improve his domestic political standing by pursuing a policy that enjoyed the support of Pakistan's Islamic radicals, Musharraf has been forced to confront them at a time when militant Islam is becoming an ever stronger force.

Musharraf faces another problem. In General Zia's day, India leaned towards the Soviet Union and had cool relations with the US. Today Delhi is becoming a key economic partner of the United States. While 9/11 has forced the US to court Pakistan, the military regime in Islamabad knows that should there be any deterioration in its relationship with Washington, then India is poised to become the major US ally in South Asia. India's growing economic might has also had regional implications. China's long-standing hostility to India is being transformed by Beijing's and Delhi's mutual interest in improving their trading and wider bilateral relations.

One issue that General Musharraf has in common with previous Pakistani leaders is the Kashmir dispute. Pakistani militants nurtured by the Pakistani state to fight in Kashmir have repeatedly tried to kill him. That and the sheer cost of the Kashmir dispute have given Pakistan a greater interest than ever in reaching a settlement. General Musharraf has offered a number of significant concessions on Kashmir but India has shown no sign of reciprocation and, consequently, the chances of the peace process succeeding are slim.

### United with the United States

General Musharraf's most important foreign policy decision was taken in a hurry. Within hours of the attacks on the World Trade Center and the Pentagon on 11 September 2001, the US administration concluded that the attackers had probably originated from Afghanistan and that any effective counter-attack would require the cooperation of Pakistan.

At 8.00 am on 12 September the US Deputy of State, Richard Armitage, met the chief of Pakistan's Inter-Services Intelligence (ISI), Lt. General Mehmood Ahmed, who happened to be in Washington at the time. Armitage gave Pakistan a choice. Islamabad could align itself with the Taliban regime in Afghanistan or with Washington. When that message was relayed to Islamabad, General Musharraf made a snap decision: Washington would get what it wanted. Two days later, at a meeting in Army House in Rawalpindi, Musharraf faced down senior colleagues, who would have preferred a more nuanced policy. The Deputy Chief of Army Staff, Lt. General Muzaffar Usmani, for example, argued that Pakistan should wait to see exactly what Washington would offer in return for Islamabad's cooperation. But Musharraf insisted there could be no delay. It took six hours for Pakistan's President to get his way. He clinched the argument by pointing out that any Pakistani prevarication would present India with an opportunity to curry favour with the US. The Corps Commanders duly fell into line.

When General Musharraf had seized power in October 1999 Pakistan's economy was in dreadful shape. Although there was economic growth of 4.2%, the country had a budget deficit worth 6.1% of GDP and its external debt was unsustainable. Exports and remittances from abroad were falling and the IMF, the World Bank and bilateral donors had suspended their programmes with Pakistan after the 1998 nuclear tests. Debt servicing accounted for 50% of government revenues and, unable to meet its debt repayments, the country was on the verge of default.<sup>1</sup>

More than six years later the situation has improved significantly. In 2004/05 Pakistan achieved a growth rate of 8.4% and its budget deficit was estimated to be 3.2% of GDP. Debt servicing accounted for 25% of government revenues, in large part because by 2004 those revenues stood at Rs 600bn compared to Rs 391bn in 1999.

Perhaps the most striking indicator of the change in Pakistan's fortunes is the state of its foreign exchange reserves. In 1999 the Central Bank had just US\$1.6bn to play with in servicing the country's huge external debt. By October 2004 that had increased to US\$12bn.<sup>2</sup>

The Pakistan government argues that these improving statistics are the result of its good management of the economy. But although Prime Minister Shaukat Aziz can take some of the credit, the biggest factor in rescuing Pakistan from bankruptcy has been the sharp increase in foreign economic assistance since 9/11 coupled with the lifting of the post-nuclear test economic sanctions. Many donor nations have given aid or debt relief to Pakistan since

9/11 but, inevitably, the US has been the biggest single benefactor. Between 2002 and 2005 the US provided Pakistan with US\$2.64bn in direct aid.<sup>3</sup>

In July 2002, the United States began allowing commercial sales that enabled Pakistan to refurbish its fleet of American-made F-16 fighter aircraft. In June 2004, President Bush declared Pakistan to be a major non-NATO ally of the United States. Since July 2003, major US military grants and proposed sales to Pakistan have included C-130 military transport aircraft, surveillance radars, helicopters and military radio systems meant to improve Pakistan's ability to communicate with US-led counter-terrorist forces.<sup>4</sup> Following the devastating earthquake that struck on 8 October 2005, General Musharraf postponed some military purchases because of the cost of earthquake relief, which the government has estimated at US\$5bn but which many independent analysts believe will in reality be far higher.<sup>5</sup>

These economic benefits have been matched by increased international legitimacy for General Musharraf's regime. Before 9/11 he was perceived as a military dictator who should announce, and abide by, a road map for the restoration of democracy. Since then his status has been transformed: the Western world has a stake in his survival. This status has been assiduously cultivated by Musharraf, who has projected his regime as the only reliable defence against a fundamentalist takeover in Pakistan. Since many Western and other international policy-makers broadly accept that argument, the US and the Commonwealth have been unusually tolerant of Pakistan's break with democracy. Indeed, Pakistan even managed to get away with little more than a diplomatic rap on the knuckles after the sensational revelation that its top nuclear scientist, Dr A.Q. Khan, had for years been proliferating nuclear weapons technology, probably with the knowledge of the army.<sup>6</sup>

General Musharraf knows that to maintain such international support he has to continue to be seen as an active participant in Washington's 'war on terror'. While the Bush administration has always provided the General with unqualified public backing, some in Washington have been suspicious of Islamabad's motives since 9/11, arguing that it is only helping the US because it has little option and that Pakistan is far from serious about confronting the Islamic radicals in its midst.<sup>7</sup>

Pakistani army officers insist they are reliable allies. They argue that their commitment to attack Al-Qaeda is demonstrated by the fact that in the campaign in Waziristan they have gone as far as bombing their own people in the effort to disrupt Al-Qaeda's operations. For their part, Pakistan's critics argue that the military establishment in Rawalpindi

has shown little desire to effectively tackle the remnants of the Taliban (see next section).

Furthermore, cynics point out that the arrests of key Al-Qaeda figures in Pakistan have often been conveniently timed – coming shortly before senior US officials have visited Pakistan. For all that, at least a dozen such figures, including Khalid Shaikh Muhammad, who master-minded the attacks on New York and Washington, have been arrested and handed over to the US authorities.

After the December 2003 assassination attempts on General Musharraf, orchestrated by Kashmiri militants, there was a real chance of Pakistan becoming more fully engaged in the 'war on terror'. Much to the annoyance of the Pakistan army, some of those involved in the attacks came from groups such as Lashkar-e-Toiba, which had an ongoing relationship with the ISI in order to further the struggle in Kashmir. The Pakistan army, however, has not gone as far as breaking completely with the Pakistan-based Kashmiri militant groups. Some US policy-makers argue that the continued support for these groups will backfire on Pakistan because, as the Musharraf assassination attempts demonstrated, the militants will not restrict their activities to Kashmir. Notwithstanding such concerns there is, for the moment, no sign of a breach in US–Pakistan relations.

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## Losing the Great Game

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At the time of General Musharraf's 1999 coup, Pakistan's influence over Afghanistan was at an all-time high. Competing regional powers with a history of interference in Afghan affairs, such as Russia and Iran, had been routed and 90% of the country was under Taliban control. Most senior Taliban officials had been educated in Pakistan and enjoyed close relations with the ISI, Pakistan's premier intelligence agency. Better still from Islamabad's point of view, the international isolation of the Taliban government, and its continuing conflict with the Northern Alliance, left it too weak to advance Afghan claims in the long-running border dispute between Kabul and Islamabad.<sup>8</sup>

When he came to office General Musharraf was quite open in describing Pakistan's interest in Afghanistan. Islamabad, Musharraf argued, had always backed Pashtun regimes in Kabul: the alternative was to have a hostile Afghan administration filled with Tajiks and Uzbeks. With Mullah Omar in charge, Musharraf believed, Pakistan had strategic depth and his army could concentrate on guarding the border with India.

Since then General Musharraf has seen Pakistan's influence in Afghanistan sharply curtailed. After 9/11 the Taliban were swept from power and replaced by

Northern Alliance warlords and politicians who expressed open hostility to Pakistan. Pakistan has reacted to these developments with a two-track policy. On the one hand it has expressed support for President Karzai and, at the behest of the Americans, made occasional arrests of Taliban officials. On the other it has kept open the option of benefiting from any revival in the Taliban's fortunes.<sup>9</sup>

There have been consistent rumours that the ISI is still in contact with some elements of the Taliban. Pakistan is acutely aware that, after the collapse of Soviet power in Afghanistan in 1988, the Americans rapidly lost interest in South Asia. Islamabad fears a repeat performance and the consequent resurgence of warlordism in Afghanistan. It calculates that even if the Taliban appears to be a spent force at the moment, in the future and perhaps in some other guise, it may possibly be able to mount a challenge to the warlords and give Pakistan the chance of once again having a friendly government in place in Kabul.

Aware of this Pakistani strategy, Washington and London have tried to convince Islamabad that their interest in the region will not wane – an interest reiterated in February 2006 by their endorsement of the Afghan Compact. They also insist that their support of President Karzai's administration, and what it represents, will last for decades. Some elements of the ISI, and some senior army officers, however, remain unconvinced and would prefer Pakistan to keep its options open.<sup>10</sup>

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### Pipe(line) dreams

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India's natural gas consumption has risen faster than any other fuel in recent years and the trend is set to continue. Bearing in mind India's economic growth projections, the US predicts a 4.8% annual growth rate in natural gas consumption.<sup>11</sup>

Iran could supply much of that gas. For over a decade now the two countries have been considering three possible transport routes for Iranian gas exports to India: shipping it through the Arabian Sea; a deep sea pipeline; and a 2,600 km pipeline from southern Iran which would run across 750 km of Pakistani territory. Compared with the shipping option, the land pipeline would save India US\$1–2bn annually.<sup>12</sup>

In January 2005 Pakistan's Prime Minister Shaukat Aziz described the pipeline proposal as a 'win-win situation for all, as we believe that creating interdependence between different countries will help promote peace...'.<sup>13</sup> The benefits to Pakistan are clear. First, the pipeline would secure some of its own supply needs: although two-thirds of the gas would be delivered to India, the remainder would go to Pakistan. Secondly, Islamabad would receive transit

fees and taxes worth US\$9bn over the first 30 years.<sup>14</sup> Thirdly, the pipeline would give Pakistan some control over India's energy supply and would help ensure Pakistan's involvement in what it sees as a potentially troublesome relationship between Tehran and Delhi. Islamabad fears that closer cooperation between the two governments could leave it isolated. Although Pakistan has tried to maintain good relations with Iran, there are tensions. The two countries have conflicting interests in Afghanistan and Islamabad fears Iran's capacity to sponsor sectarian violence in Pakistan.

There are a number of obstacles that could prevent the pipeline being built. Baluch insurgents pose a clear security threat: the pipeline would run through areas in which Pakistan's central government does not have, and never has had, complete control.<sup>15</sup> For India and Iran the question is clear. Could Pakistan secure a pipeline? Tribal leaders have made it clear they object to any energy projects in their areas, let alone any tied to mega-projects such as the construction of a deep-sea port at Gwadur which, they believe, will attract outsiders from elsewhere in Pakistan and reduce the Baluch to a minority in their own province.

But perhaps the biggest obstacle is presented by the United States, which wants to deny Iran gas export revenues. In June 2005 Washington told both Pakistan and India that they could face sanctions if they went ahead with the project. And in January 2006 Washington reinforced that message, saying it was 'absolutely opposed' to the project.<sup>16</sup> The Indian Prime Minister, Manmohan Singh, has acknowledged that US objections could make it impossible to finance the pipeline. 'We are terribly short of our energy supply,' he said. But, he added: 'I am realistic enough to realize that there are many risks because considering all the uncertainties of the situation there in Iran, I don't know if any international consortium of backers would underwrite this.'<sup>17</sup>

Pakistan insists that it still wants to go ahead. Shortly after Washington expressed its absolute opposition, Iran and Pakistan held two days of talks in Islamabad on 23–24 January 2006 to discuss how to push the project forward.<sup>18</sup> Pakistan has said it would still like to have Iranian gas supplies even without Indian involvement. The US is trying to help Delhi find alternative sources of energy supply. In July 2005 Washington put its nuclear non-proliferation concerns to one side and agreed to cooperate with Delhi's civil nuclear energy programmes allowing US companies to build nuclear power plants in India, and also supply fuel for nuclear reactors.<sup>19</sup> Delhi clearly values such cooperation with the US highly, choosing in February 2006 to vote in favour of an International Atomic

Energy Agency (IAEA) resolution calling for Iran's nuclear activities to be referred to the UN Security Council.

Arguably India's energy demand will leave it no choice but to participate in the pipeline project. But the prize of nuclear cooperation with the US may be enough to persuade Delhi to at least postpone the idea of buying Iranian gas. Such an outcome would leave Pakistan in an awkward position. Not only would it lose the prospect of earning the transit fees, it would also be left to face US opposition to the pipeline alone.

### India: enduring rivalry or irreversible peace?

It is still far from clear whether General Musharraf is serious about resolving the Kashmir dispute. The lack of any substantive progress has fuelled speculation that his main objective is to use dialogue with India not so much to reach a settlement over Kashmir but to burnish his country's image as a responsible player on the world stage and to build international support for his military-led regime.

Yet most analysts agree that Musharraf has moved further from Pakistan's established positions on Kashmir than any of his predecessors. His determination to break the deadlock surfaced early, leading in July 2001 to his highly publicized meeting in Agra with Indian Prime Minister Atal Behari Vajpayee. Although Musharraf appeared at the time to be naïve in his expectations of that ill-fated encounter, it is clear with hindsight that his decision marked a significant watershed in the process of normalizing relations with India.

It is now generally acknowledged that, as a military leader, Musharraf has enjoyed far more room for manoeuvre on Kashmir than any civilian-led government in Pakistan.<sup>20</sup> Enduring structural imbalances in the civilian–military equation mean that the army has exercised, and will continue to exercise, a decisive role in determining policy on Kashmir, including retaining a veto over any peace process. Indeed, shortly after he became the army chief under Nawaz Sharif, Musharraf refused to endorse the government's decision to hold talks with Prime Minister Vajpayee in Lahore in February 1999. In May of that year he further sabotaged the peace process by ordering his troops, backed by Pakistani-based Islamic militants, to infiltrate into Indian-held territory of Kargil in Kashmir.<sup>21</sup>

The issue of what India calls 'cross-border terrorism', involving attacks by Kashmiri militant groups against Indian targets, remains a major obstacle to a peace settlement. This was vividly

demonstrated when Pakistan-based militants attacked the Indian parliament building in Delhi in December 2001. India responded by massing hundreds of thousands of troops on its border with Pakistan while some Indian leaders called openly for a 'decisive battle'. They included Prime Minister Vajpayee who, in a broadcast to the nation on 13 December 2001 in which he roundly condemned the terrorist attack, declared that 'our fight is now entering the last stage, and a decisive battle [will] have to take place'.<sup>22</sup> Western capitals took the threat seriously, unleashing a period of intense diplomatic engagement. The tense military stand-off lasted ten months before both sides finally agreed in October 2002 to start reducing troop deployments along their borders.

Though Musharraf has since formally undertaken to rein in militant (*jihadi*) groups active in Kashmir, India claims that Pakistan has still not taken any 'significant action' to 'dismantle the infrastructure of terrorism ... such as launching pads, training camps, communications and funding'.<sup>23</sup> Musharraf has strongly rejected these allegations. But it is clear that so long as Pakistani-based militants fuel violence in Kashmir, doubts will persist about Musharraf's real commitment to peace and serve as a potent reminder of his anti-Indian stance in the past.

Nevertheless, Pakistan's support for Kashmiri militant groups has been severely constrained by its status as a key US ally in the 'war on terror'. Since 9/11 many Kashmiri groups, which Pakistan long favoured as 'freedom fighters', have featured prominently on US government terrorist watch-lists or had their assets frozen after being classed as proscribed organizations. There are also indications that some groups have been forced by Pakistan to suspend their operations in Kashmir under pressure from the United States.<sup>24</sup> But while Musharraf clearly exercises some degree of control over militant groups he faces significant domestic constraints, not least popular support for the militants' campaign, which has sharply restricted his freedom to call it off permanently. Indeed, the degree to which Musharraf's government is still hostage to threats from militants was demonstrated in November 2005 when carefully timed bomb blasts in Delhi, blamed on the banned Kashmiri militant group Lashkar-i-Tayyaba, nearly ruined an agreement with India to open the Line of Control (LOC) for the first time since 1947 and allow Kashmiri families affected by the earthquake to reunite with their families.

The Bush administration is itself constrained by its dependence on Pakistan in the 'war on terror'. Given this, it seems that any real shift in Pakistan's posture will be internally driven: the 2003 assassination attempts against Musharraf, which infuriated the army

high command, could trigger just the break with past policy necessary for a genuine settlement on Kashmir.

Certainly, from 2003 onwards, there have been significant developments in Kashmir. These have included greater 'people-to-people' contact including the resumption of bus services between Lahore and Delhi and, more recently, Amritsar and Lahore; the introduction of a similar service across the LOC in Kashmir and the restoration of a rail link across the Wagah border. They marked the run-up to a formal agreement in January 2004 between Musharraf and Vajpayee at a meeting of the South Asian Association for Regional Cooperation (SAARC) in Islamabad – their first since Agra – to continue a 'composite dialogue' on Kashmir and all other outstanding bilateral issues. To the surprise of some, the process survived Vajpayee's fall from power and in September 2004 led to fresh talks between Musharraf and the new Indian Prime Minister, Manmohan Singh, in the margins of the UN General Assembly in New York. Negotiations resumed in April 2005 after Musharraf visited Delhi and declared in a joint statement with Singh that the bilateral peace process was now 'irreversible'.

Since then Indo-Pakistani relations appear to have moved along three parallel tracks. The first, 'composite dialogue', has shown little progress with no agreement yet despite several rounds of talks in 2005 on troop withdrawals from the remote Siachen Glacier region; the demarcation of the Sir Creek border in the Rann of Kutch or an agreement on the Baglihar Dam project in Indian-controlled Kashmir. The second track, 'confidence-building measures', which includes a ban on nuclear weapons tests and reciprocal advance warning of missile tests, appears to have made greater headway. The third and most crucial track pertaining to the 'core issue' of Kashmir is being pursued behind closed doors with little or no indication yet of the ground covered.

At the same time, it is clear that Pakistan has made important concessions on Kashmir. They include Musharraf's announcement in 2004 that Pakistan could envisage circumstances in which it might choose to drop its demand for a UN plebiscite in Kashmir in return for a durable peace. This significant gesture, not surprisingly, prompted a sharp political reaction in Pakistan. Musharraf has since hinted that his country could also relax its insistence on third-party mediation in settling the dispute over Kashmir. Humanitarian considerations after the earthquake have undoubtedly softened Pakistan's position, despite security concerns that opening the LOC would give India the opportunity to engage in surveillance of territory it suspects is still used by Kashmiri rebel groups to stage cross-border raids.<sup>25</sup> This has been followed more recently by Musharraf's fresh proposals to demilitarize

Kashmir and to open talks on self-rule for Kashmiris on both sides of the LOC.

By contrast, India appears to have given little in return to Pakistan beyond engagement in an open-ended process of 'substantive dialogue'. In reality, of course, neither side has honoured its commitments. Pakistan has, from time to time, allowed infiltrations across the LOC to resume while India has not yet come close to making an offer on Kashmir that would allow General Musharraf to sell a settlement to the army, the Pakistani people and to Kashmiri militant leaders. The absence of any movement on the part of India, publicly at least, could also mean that prospects for a significant breakthrough in the short to medium term are likely to remain slim.

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### Chinese designs

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Islamabad's status as a key ally of Washington, coupled with a thaw in contacts between India and China, have put unprecedented strain on the so-called 'time-tested friendship' between Pakistan and China. Beijing is concerned not only by Pakistan's cooperation with the United States over Afghanistan but also by reports that the US has been granted permission to establish listening posts in Pakistan's Northern Areas bordering the western Chinese province of Xinjiang and Tibet. The agreement between India and China in 2003–04 to settle their border disputes is also being carefully watched by Pakistan, which fears that it could alter the balance of power in the region, where Pakistan's China policy has long been predicated on the dictum 'my enemy's enemy is my friend'.

It is clear that Pakistan is extremely reluctant to surrender the strategic and material benefits that it gains from close relations with China. Although Chinese (and North Korean) support for the development of Pakistan's missile programme appears to have tapered off, doubts remain about current levels of Chinese assistance. In 2003 a CIA report to Congress raised questions about China's commitment to missile non-proliferation by claiming that China has continued to transfer ballistic missile technology and export missile parts to Pakistan.<sup>26</sup> More recently, the two countries have also initiated joint naval exercises. Launched in Shanghai in October 2003 as the first ever exercises of their kind between China and a foreign navy, they were resumed off the southern coast of Pakistan in late 2005.<sup>27</sup> Meanwhile unconfirmed reports indicate that Pakistan is considering the purchase of up to half a dozen nuclear reactors from China, worth an estimated US\$10bn.

General Musharraf is no less concerned with exploiting his country's long-standing relations with China in the field of economic cooperation. His main

focus is the Gwadar port project, said to be China's 'pearl' in Pakistani waters.<sup>28</sup> Inaugurated in March 2002, its total cost is currently estimated at more than US\$1.1bn. The first phase of the project, completed ahead of schedule in January 2005, benefited from Chinese assistance totalling almost US\$200m. The second phase, also to be completed with Chinese finance, involves an ambitious road-building scheme linking Gwadar with the Karakoram Highway in northern Pakistan to facilitate the movement of Chinese imports and exports.<sup>29</sup>

It is estimated that total Chinese investment in Pakistan in 2005 stood at some US\$4bn (a rise of 30% since 2003) with Chinese companies (employing 3,000 Chinese nationals in Pakistan) accounting for almost 12% of all foreign firms in the country.<sup>30</sup> In 2005 alone China and Pakistan signed 22 trade agreements, including the joint production of a jet fighter and the sale of four Chinese navy frigates to Pakistan.<sup>31</sup>

These gains could be threatened, however, if Musharraf's government fails to protect Chinese interests from becoming the targets of insurgents in Baluchistan. In May 2004 China protested strongly against the killing by insurgents from the Baluchistan Liberation Army (BLA) of three Chinese engineers working on the Gwadar project. It has since expressed shock at the shooting dead of another three Chinese engineers employed by a local cement plant in Hub, near Karachi, in February 2006. Attacks against Chinese workers have already forced China to withdraw its involvement in the construction of the Gomal Zam dam project in South Waziristan, where pro-Islamic Pashtun militants in 2004 had abducted two Chinese workers, one of whom was killed during a botched rescue attempt by Pakistani security forces. Some analysts have since blamed the attacks in Waziristan on China's treatment of its Uighur Muslim population in western Xinjiang province, where the East Turkestan Islamic Movement (ETIM) – banned by both Pakistan and China – is fighting against the government-sponsored settlement of Han Chinese in the province.<sup>32</sup> Tens of thousands of displaced Uighur Muslims are said to have now sought refuge in Pakistan, where they are concentrated mainly in Karachi and Lahore.

### Finding friends in Jerusalem

Among Musharraf's boldest foreign policy moves was the decision in 2005 publicly to open diplomatic talks with Israel. Although it is known that both countries had informally pursued relations since the late 1980s, no government until now has been willing to confront an Islamist backlash on this issue. However, mounting concern inside Pakistan's defence establishment over

close military and intelligence cooperation between Israel and India,<sup>33</sup> combined with Musharraf's own readiness to stand up to Islamist parties following their poor showing in recent and controversial local elections,<sup>34</sup> paved the way for an endeavour that is expected to yield significant dividends for Pakistan. Among these are access to the powerful Jewish lobby in the United States, which Musharraf hopes will relax its opposition to US arms sales to Pakistan and permit Pakistan's entry into a US-led elite club, including Israel and India, which it is assumed share common security perceptions.<sup>35</sup>

It is not clear yet what impact these diplomatic initiatives are likely to have on Pakistan's relations with the Muslim world. Although key members of the Organization of the Islamic Conference (OIC), notably Saudi Arabia, were said to have given their approval to formal contacts between Pakistan and Israel and the Palestinian Authority, notified in advance of the meeting between the Pakistani and Israeli foreign ministers in Istanbul, there is concern that Pakistan's powerful neighbour Iran takes a dim view of this rapprochement. Iran fears that, with Iraq brought to its knees, Israel has now set its sights on containing Iran's regional ambitions with the help of Pakistan (in much the same way that Israel seeks to contain Iran's global ambitions as a nuclear power with the help of the United States).

These fears may be unfounded. Pakistan has long viewed Iran's regional ambitions with suspicion. Tension was particularly acute following the 1979 Iranian revolution, when Pakistan sought to counter the appeal of Iranian-inspired Shia extremism among its own Shia minority by consolidating its Sunni identity through a state-sponsored programme of Islamization. Although it has now also been officially confirmed that Pakistan shared nuclear weapons technology with Iran for more than two decades after the Iranian revolution, much of this exchange is understood to have been concentrated in the period 1989-95 – a time when Pakistan was keen to get back at the United States for using its services in Afghanistan and then imposing sanctions on it for pursuing a nuclear weapons programme.<sup>36</sup>

Since then relations with Iran soured again over Pakistan's support for the Sunni-dominated Taliban. Iran retaliated by strengthening ties with India. Although Pakistan's decision to abandon its pro-Taliban policy in 2001 has restored a degree of mutual confidence in bilateral relations and helped drive negotiations over the proposed oil pipeline from Iran through Pakistan to India, trust between the two sides is still fragile. Pakistan remains deeply wary of Iran's expanding ties with India and has accused Iran of fomenting unrest in Baluchistan, where the

development of Gwadar is seen to be in direct competition with the Iranian port city of Chabahar and where a large Hazara Shia population in the provincial capital, Quetta, is believed to be vulnerable to Iranian influence. Iran, for its part, blames Pakistan for facilitating a dominant US presence in Afghanistan and Central Asia and cooperating with the United States against it to ensure the supremacy of Israel in the Middle East.

## Conclusion

General Musharraf faces some tough choices in the wake of major international developments and shifts within the South Asian region since 9/11 – choices that could determine the very survival of his regime. While

it is clear that his staying power depends upon a close alliance with the United States in the 'war on terror', he cannot afford to abandon his support for militant groups in Kashmir without risking his political credibility (and possibly his physical safety) at home. However, attempts by the United States to strengthen India's position as the main regional power in South Asia have prompted Musharraf to try to steer a more independent foreign policy predicated on strengthening ties with other major powers, especially China, refusing to surrender influence in Afghanistan and boldly initiating contacts with Israel. The aim is to pacify critics at home without endangering his international standing as the self-avowed champion of 'enlightened moderation'.

## Endnotes

<sup>1</sup> Ishrat Husain, Governor of the State Bank of Pakistan, February 2005, <http://www.bis.org/review/r050217g.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> K. Alan Kronstadt, Congressional Research Service, *Issue Brief for Congress: Pakistan–US Relations*. Available on <http://fpc.state.gov/documents/organization/42021.pdf>. A further US\$797m in economic and military assistance to Pakistan is planned for FY2006.

<sup>4</sup> Kronstadt, *Pakistan-US Relations*.

<sup>5</sup> Farzana Shaikh, 'Peace amid the ruins', *The World Today*, 61(12), December 2005, p. 20.

<sup>6</sup> For a background to the development of Pakistan's nuclear weapons programme see Owen Bennett-Jones, *Pakistan: Eye of the Storm* (New Haven and London: Yale University Press, 2002), pp. 187–222; and Farzana Shaikh, 'Pakistan's nuclear bomb: beyond the non-proliferation regime', *International Affairs*, 78 (1), January 2002, pp. 29–48.

<sup>7</sup> See for example Leon T. Hadar, *Pakistan in America's War against Terrorism: Strategic Ally or Unreliable Client?*, Cato Policy Analysis No. 436, <http://www.cato.org/pubs/pas/pa-436es.html>.

<sup>8</sup> Ahmed Rashid, *Taliban: The Story of the Afghan Warlords* (Basingstoke: Pan Macmillan, 2001), pp. 183–95.

<sup>9</sup> For a compelling account and analysis of Pakistan's continuing and controversial involvement in Afghan affairs and US concerns about it (notwithstanding Musharraf's dramatic but untenable proposal to build a fence sealing off his country's border to curb infiltration into Afghanistan), see Amir Mir, 'Janus-faced counter-terrorism', *Asia Times On Line*, 21 September 2005, [http://www.atimes.com/atimes/South\\_Asia/GI21Df02.html](http://www.atimes.com/atimes/South_Asia/GI21Df02.html). See also, Ahmed Rashid, 'Islamabad's lingering support for Islamic extremists threatens Pakistan-Afghanistan ties', 23 July 2003, [www.eurasianet.org/departments/insight/articles/eav072303a.shtml](http://www.eurasianet.org/departments/insight/articles/eav072303a.shtml).

<sup>10</sup> A recent editorial in the highly respected *Daily Times* of Pakistan's observed 'the fact that most Pakistanis ... hate the NATO presence in Afghanistan and are leery of the Karzai government's credentials as a controlling authority in the Afghan territory'. See 'India-Afghan "action" in Baluchistan', *Daily Times* (Lahore), 8 February 2006.

<sup>11</sup> Energy Information Administration of US Department of Energy. See <http://www.eia.doe.gov/emeu/cabs/india.html>.

<sup>12</sup> Toufiq A. Siddiqi, 'India and Pakistan: pipe dream or pipeline of peace?', *Georgetown Journal*, 5(1), Winter/Spring 2004, pp. 35–42. Available on <http://journal.georgetown.edu/issues/ws04/siddiqilocked.pdf>.

<sup>13</sup> See report of Shaukat Aziz's press conference at the World Economic Forum in Davos, *Washington Times/UPI*, 30 January 2005. Available on <http://www.washtimes.com/upi-breaking/20050128-011154-8034r.htm>.

<sup>14</sup> Siddiqi, 'India and Pakistan'.

<sup>15</sup> In a recent analysis of Baluch opposition to government plans, including the construction of a gas pipeline from Iran to India, the French expert Frédéric Grare observes: 'Today's crisis in Baluchistan was provoked, ironically, by the central government's attempt to develop this backward area by undertaking large projects. Instead of cheering these projects, the Baluch ... responded with fear that they would be dispossessed of their land and resources... An insurrection in Baluchistan would harm [the] chances of building a gas pipe-line through the province'. See Frédéric Grare, *Pakistan: The Resurgence of Baluch Nationalism*, Carnegie Endowment for International Peace, Paper 65, January 2006, <http://www.carnegieendowment.org/files/CP65.Grare.FINAL.pdf>.

<sup>16</sup> [http://english.ohmynews.com/articleview/article\\_view.asp?no=268080&rel\\_no=1](http://english.ohmynews.com/articleview/article_view.asp?no=268080&rel_no=1).

<sup>17</sup> *Washington Post*, 20 July 2005.

<sup>18</sup> <http://www.payvand.com/news/06/jan/1216.html>.

<sup>19</sup> [http://news.bbc.co.uk/2/hi/south\\_asia/4362884.stm](http://news.bbc.co.uk/2/hi/south_asia/4362884.stm).

<sup>20</sup> Carnegie Endowment for International Peace, *India and Pakistan: Is Peace Real This Time?*, 2004, <http://www.carnegieendowment.org/pdf/files/India-Pakistan.pdf>.

<sup>21</sup> Bennett-Jones, *Pakistan*, pp. 87–104.

<sup>22</sup> *The Hindu* (Chennai), 14 December 2001.

<sup>23</sup> Statement by Indian State Minister for External Affairs, *Daily Times* (Lahore), 2 December 2005.

<sup>24</sup> See Hassan Abbas, *Pakistan's Drift into Extremism: Allah, the Army and America's War on Terror* (Armonk, NY: M.E. Sharpe, 2005), pp. 226–7.

<sup>25</sup> Shaikh, 'Peace amid the ruins', pp. 19–20.



<sup>26</sup> 'Unclassified report to Congress on the acquisition of technology relating to weapons of mass destruction and advanced conventional munitions: 1 January through 30 June 2003', Central Intelligence Agency, [http://www.cia.gov/cia/reports/721\\_reports/jan\\_june2003.htm](http://www.cia.gov/cia/reports/721_reports/jan_june2003.htm). See also T. V. Paul, 'The enduring Sino-Pakistani nuclear/missile relationship and the balance of power logic', *Nonproliferation Review*, 10, Summer 2003, pp. 1–9.

<sup>27</sup> *Dawn* (Karachi), 25 November 2005.

<sup>28</sup> See Net Assessment report for US Defence Department, cited in *Washington Times*, 18 January 2005.

<sup>29</sup> Tarique Niazi, 'Gwadar: China naval outpost on the Indian Ocean', Association for Asian Research (AFAR), 2 February 2005, [http://www.asian\\_research.org/articles/2528.html](http://www.asian_research.org/articles/2528.html).

<sup>30</sup> Ibid.

<sup>31</sup> Declan Walsh, 'US uneasy as Beijing develops a strategic string of pearls', *The Guardian*, 10 October 2005.

<sup>32</sup> See Amir Mir, 'And now, a Chinese al-Qaeda?', *Newsline*, December 2005.

<sup>33</sup> N. Ejaz Haider, 'Indo-Israel relations: what should Pakistan do?' *The Friday Times*, Vol. XII, No. 19, 7–13 July 2000.

<sup>34</sup> International Crisis Group, *Pakistan's Local Polls: Shoring Up Military Rule*, Report No. 43, 22 November 2005.

<sup>35</sup> Farzana Shaikh, 'Across the divide', *The World Today*, 61(10), October 2005.

<sup>36</sup> Sudha Ramachandran, "'Brothers" in arms', *Asia Times Online*, 18 March 2005, [http://www.atimes.com/atimes/South\\_Asia/GC18Df06.html](http://www.atimes.com/atimes/South_Asia/GC18Df06.html).

**Owen Bennett Jones** is a correspondent for the BBC World Service and author of *Pakistan: Eye of the Storm* (New Haven and London: Yale University Press, 2002).

**Dr Farzana Shaikh** is at the Centre of South Asian Studies, University of Cambridge and an Associate Fellow of the Asia Programme at Chatham House. Her book *Making Sense of Pakistan* is to be published by Hurst.

The Asia Programme at Chatham House undertakes original research, in partnership with institutions and regional specialists, on key political, economic and security issues affecting Asia. The work is interdisciplinary, has a strong policy bent, and aims to stimulate public understanding of the issues raised by Asia's development. See [www.chathamhouse.org.uk/index.php?id=87](http://www.chathamhouse.org.uk/index.php?id=87) for more information.

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Chatham House 10 St James's Square London SW1Y 4LE T: +44 (0) 20 7957 5700 F: +44 (0) 20 7957 5710 [www.chathamhouse.org.uk](http://www.chathamhouse.org.uk)  
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