ENABLING US TO CONDUCT OUR COUNTER-TERRORISM MISSION IN AFGHANISTAN. WE COULD NOT PURSUE THESE GOALS WITHOUT THE PAKISTANIS. WE NEED TO KEEP THIS U.S.-PAKISTAN LEDGER BALANCED THROUGH

JUDICIOUS USE OF OUR MOST EFFECTIVE FOREIGN POLICY TOOL -- FOREIGN AID -- FOR THE GOOD OF OUR BILATERAL RELATIONSHIP AND FOR THE STABILITY OF THE REGION. OUR TASK TODAY IS TO LOOK TO THE FUTURE AND TO ENSURE THAT IT IS A FUTURE WE HAVE HELPED TO SHAPE AND WHICH SUPPORTS LONG-TERM USG GOALS.

2. (C) PRESIDENT MUSHARRAF IS SURMOUNTING THE POLITICAL CHALLENGESPOSED TODAY BY DOMESTIC EXTREMISTS. IT IS IN OUR LONG-TERM INTEREST TO ASSIST PAKISTAN IN MEETING ITS EQUALLY SERIOUS ECONOMIC AND LAW ENFORCEMENT CHALLENGES. UNLESS
PAKISTAN EMERGES FROM THIS TURBULENT PERIOD A PROSPEROUS, UNITED, AND DEMOCRATIC NATION, THE REGION WILL REMAIN UNSTABLE. THE BEST WAY TO ENSURE A POSITIVE FUTURE AND PROMOTE USG NATIONAL INTERESTS IS THROUGH BUDGETARY SUPPORT, DEVELOPMENT ASSISTANCE, BORDER CONTROL, MILITARY, AND OTHER USG ASSISTANCE PROGRAMS OVER THE NEXT DECADE AT LEVELS THAT MATCH OR EXCEED OUR CURRENT PAKISTAN ASSISTANCE PACKAGE. THE PROGRAMS DETAILED IN PARA 11 TOTAL USD 1.6 BILLION -- A BIG NUMBER, BUT IN THE LONG RUN A GOOD INVESTMENT IN PROMOTING U.S. GOALS FOR PAKISTAN AND FOR THE REGION. END SUMMARY.

LOOKING AHEAD

SECRET

PAGE 03 ISLAMA 06522 01 OF 05 300628Z

3. ON NOVEMBER 10, PRESIDENT BUSH REASSURED PRESIDENT MUSHARRAF IN NEW YORK THAT WE WOULD NOT LET PAKISTAN DOWN. EARLIER, ON OCTOBER 16, THE SECRETARY HAD TOLD PRESIDENT MUSHARRAF THAT THE USG LOOKED FORWARD TO AN ENHANCED RELATIONSHIP WITH PAKISTAN, TO INCLUDE FUTURE POLITICAL, DIPLOMATIC, AND ECONOMIC ASSISTANCE. THE SECRETARY EMPHASIZED THAT HE WAS COMMITTED TO SEEING OUR ECONOMIC ASSISTANCE AS A MULTI-YEAR PROCESS. WE NEED TO KEEP THIS MESSAGE UP FRONT IN OUR POLICY DISCUSSIONS AND IN OUR DEALINGS WITH THE GOP AND PAKISTANI PEOPLE.

4. WE HAVE HAD NUMEROUS CONVERSATIONS OVER THE PAST WEEKS WITH PAKISTANI POLITICAL PARTY LEADERS, STUDENTS, AND BUSINESSMEN. THEIR MESSAGE TO US HAS BEEN CLEAR: "WE HELPED YOU IN AFGHANISTAN TWENTY YEARS AGO, AND THEN AMERICA WALKED AWAY AND DESERTED US." THIS MISTRUST RUNS HIGH. REVISIONISM OR NOT, THIS IS WHAT THE MAN ON THE STREET -- AND PARTICULARLY THE YOUNGER GENERATION -- APPEARS TO BELIEVE.

CONVINCING THE PAKISTANIS THAT WE ARE LONG-TERM PARTNERS

5. IN VIEW OF OPERATION ENDURING FREEDOM,
AND IN THE YEARS AHEAD AS WE WORK TO STABILIZE 
THIS VOLATILE REGION, IT IS IN OUR U.S. INTEREST 

PAGE 04 ISLAMABAD 06522 01 OF 05 300628Z 
TO DEMONSTRATE TO THE PAKISTANI PEOPLE THAT WE 
ARE A LONG-TERM PARTNER -- AND THAT WE RECOGNIZE 
PAKISTANI AND U.S. LONG-TERM INTERESTS IN THE 
REGION. THE POLITICAL LEADERS, STUDENTS, AND 
BUSINESSMEN WE MEET ARE THE VOTERS WHO WILL ELECT 
PAKISTAN'S PARLIAMENT NEXT YEAR AND, INDIRECTLY, 
A NEW PRIME MINISTER. THESE VOTERS MUST BE 
CONVINCED THAT THE ROAD PAKISTAN HAS TAKEN 
IN TRANSFORMING ITS AFGHANISTAN POLICY IS THE 
CORRECT ROAD. 

6. ONCE THE DUST SETTLES IN AFGHANISTAN, IT 
IS THE PAKISTANS WHO WILL LIVE WITH THE RESULTS, 
LONG AFTER OTHER COALITION PARTNERS HAVE RETURNED 
HOME. WE ARE NOT SUGGESTING THAT THE USG PROVIDE 
MULTI-YEAR AID FOR PAKISTAN AS A MEANS OF 
PLACATING A MILITARY-LED GOVERNMENT OR 
"REWARDING" THE GOP FOR ITS SUPPORT FOR OPERATION 

SECRET 
SElr 1 PTQ4965 

PAGE 01 ISLAMABAD 06522 02 OF 05 300629Z 
ACTION NODS-00 
INFO LOG-00 CCOR-00 SAS-00 000W 
--------------------- 451DF1 300629Z 38 
O 300622Z NOV 01 
FM AMEMBASSY ISLAMABAD 
TO SECSTATE WASHDC IMMEDIATE 1452 

SECRET SECTION 02 OF 05 ISLAMABAD 006522 

DEPARTMENT FOR D, P, E, S/P, S/RFP, SA, SA/RA, 
AND SA/PAB FROM AMBASSADOR CHAMBERLIN 

E.O. 12958: DECL: 11/26/11 
TAGS: EAST, EFIN, PREL, PK 
SUBJECT: "NEW THINK": OUR LONG-TERM INTERESTS 
IN PAKISTAN 

ENDURING FREEDOM. WE ARE SUGGESTING, HOWEVER,
THAT IT IS IN OUR NATIONAL INTEREST TO CONVINCE THOSE WHO WILL ELECT PAKISTAN'S FUTURE POLICY MAKERS OF THE USG'S LONG-TERM COMMITMENT TO PAKISTAN'S FUTURE.

7. FIRST, THE AFGHANISTAN PROBLEM AND ITS DESTABILIZING EFFECTS ON CENTRAL ASIA PRESENT LONG-TERM CHALLENGES THAT REQUIRE LONG-TERM REMEDIES. PAKISTAN'S COOPERATION AND SUPPORT IN MEETING THESE CHALLENGES ARE KEY TO OUR SUCCESS.

8. THIRD, WHILE PAKISTAN'S FUTURE IS ROSIER THAN IT WAS SIX MONTHS AGO, IT IS NOT GUARANTEED. ALTHOUGH TALIBAN REVERSES AND MUSHARRAF'S DEFT HANDLING OF DOMESTIC EXTREMISTS HAVE WEAKENED THE EXTREMIST ELEMENT IN PAKISTAN, WE MUST NOT TAKE ANYTHING FOR GRANTED. DOMESTIC RELIGIOUS EXTREMIST PARTIES ARE CHASTENED BUT BY NO MEANS DISBANDED; THE AFGHAN DEFENSE COUNCIL INSISTS IT WILL CONTINUE ITS ANTI-GOP PROTESTS.

BILATERAL ASSISTANCE: OUR KEY POLICY TOOL

9. WE CAN HELP SHAPE THE FUTURE. THERE ARE THREE FORKS IN THE ROAD. THE FIRST IS THE PATH LEADING TO A FAILED STATE. OUR DIPLOMATIC AND ECONOMIC EFFORTS HAVE HELPED MUSHARRAF AVOID THAT FATE FOR NOW. THE SECOND PATH WOULD HAVE PAKISTAN MUDDLE THROUGH, MUCH AS IT DID IN THE 1990S. THIS PATH IS UNACCEPTABLE, AS IT WOULD NOT ASSIST US IN CONTINUING TO FIGHT AGAINST TERRORISM, IN CREATING A STABLE AFGHANISTAN NEXT DOOR, OR IN STABILIZING THE REGION. PAKISTAN COULD AGAIN BECOME A BREEDING GROUND FOR
EXTREMISTS IF WE DO NOT ELIMINATE THE UNDERLYING FACTORS -- POVERTY, UNEMPLOYMENT AND HIGH ILLITERACY RATES. THE THIRD PATH, THE ONE THAT WE MUST CONVINCE THE GOP TO TAKE, IS THE PATH ALONG WHICH OUR INTERESTS ARE BOLSTERED THROUGH JUDICIOUS USE OF OUR MOST EFFECTIVE FOREIGN POLICY TOOL: FOREIGN AID.

THE BREAK-DOWN

11. HOW DO WE ALLEVIATE GOP CONCERNS THAT WE WILL SIMPLY WALK AWAY AFTER OPERATION ENDURING FREEDOM ENDS? THE ANSWER IS SIMPLE. WE CAN START WORKING NOW ON A MULTI-YEAR ASSISTANCE PACKAGE SUSTAINED AT THE LEVELS WE ARE PROVIDING THIS YEAR. WE CAN LET PAKISTANIS KNOW WE ARE DOING SO AND SEEK THEIR ADVICE AND INPUT TODAY ON HOW TO SHAPE THIS ASSISTANCE. OUR FY-02 PAKISTAN ASSISTANCE PACKAGE -- ESF BUDGETARY SUPPORT; BORDER SECURITY; OPIC; 416(B); EDUCATION, CHILD LABOR, COUNTER-NARCOTICS PROJECTS; AND DEBT RELIEF -- MUST BE MATCHED IN FUTURE YEARS WITH
DEPARTMENT FOR D, P, E, S/P, S/RPP, SA, SA/RA, AND SA/PAB FROM AMBASSADOR CHAMBERLIN

E.O. 12958: DECL: 11/26/11
TAGS: EAIT, EFIP, PREL, PK
SUBJECT: "NEW THINK": OUR LONG-TERM INTERESTS IN PAKISTAN

ROBUST PROGRAMS THAT TARGET BOTH PAKISTAN'S NEEDS BUT ALSO BOLSTER OUR INTERESTS IN PAKISTAN. WE SUGGEST THE FOLLOWING PROGRAMS AND FUNDING LEVELS:

-- (SGO) DEVELOPMENT ASSISTANCE: DA FUNDS MUST BE IDENTIFIED NOW FOR PROJECT-BASED BASIC EDUCATION, HEALTH, AND POVERTY ALLEVIATION PROGRAMS. MOST RURAL PAKISTAN COMMUNITIES ARE POOR AND UNDER-SERVED BY GOVERNMENT SERVICES.

PAGE 02  ISLAMA 06522 03 OF 05 300629Z
SEPTEL WILL OUTLINE OUR BALUCHISTAN PARTNERSHIP PROPOSAL, TARGETED AT SOCIAL SECTOR PROGRAMS AT THE DISTRICT LEVEL TO STRENGTHEN THIS FRONT-LINE PROVINCE, WHICH ALONG WITH NWFP HAS SOME OF THE MOST ABYSMAL POVERTY INDICATORS IN PAKISTAN.

BASIC EDUCATION REFORM AND DEVELOPMENT SHOULD BE FOCUSED AT THE DISTRICT LEVEL AND MAXIMIZE USE OF PAKISTANI NGOs AND LOCAL EXPERTISE. ALTHOUGH MADRASSAHs (ISLAMIC SCHOOLS) HAVE PROVEN TO BE AN EDUCATIONAL AVENUE FOR MANY POOR PAKISTANIS WHO HAVE NO OTHER CHOICE, THE OVERALL POOR QUALITY OF AND ACCESS TO EDUCATION FOR MOST PAKISTANIS IS
CREATING A NATION OF ILLITERATES WHO ARE POORLY EQUIPPED TO COMPETE IN TODAY'S GLOBAL ECONOMY.

PAKISTAN'S BASIC EDUCATION AND HEALTH/POPULATION INDICATORS ARE WORRISOME, PARTICULARLY IN THE "FRONT LINE" PROVINCES OF BALUCHISTAN AND NWFP. FEMALE LITERACY IS ONLY 15 PERCENT IN BALUCHISTAN AND 21 PERCENT IN NWFP, COMPARED TO THE NATIONAL AVERAGE OF 36 PERCENT FOR BOTH SEXES. FURTHERMORE, PAKISTAN'S POPULATION GROWTH OF 2.4 PERCENT BARELY KEEPS PACE WITH ECONOMIC GROWTH.

ECONOMIC SUPPORT AND REFORM ARE ALSO KEY GOP PRIORITIES WE SHOULD SUPPORT EVENTUALLY WITH OUR MULTILATERAL AND BILATERAL FUNDING. IN THE OUT YEARS, WE WOULD ALSO BE INTERESTED IN TREASURY AND USAID BUY-IN MECHANISMS FOR ECONOMIC REFORM ASSISTANCE, INCLUDING POSSIBLE TECHNICAL SUPPORT.

PAGE 03 ISLAMA 06522 03 OF 05 300629Z
ASSISTANCE TO AID PAKISTAN'S REVENUE COLLECTION EFFORTS.

TECHNICAL SUPPORT TARGETING FINANCIAL SECTOR REFORM, ENERGY SECTOR REFORM, AND PRIVATIZATION OF STATE ENTERPRISES WOULD HELP THE GP MEET IMF REQUIREMENTS AND PUT PAKISTAN BACK ON THE ROAD TOWARD SUSTAINABLE ECONOMIC GROWTH.

WE RECOMMEND A MINIMUM OF [MISSING] ANNUALLY IN DA TO SUPPORT THESE PROGRAMS. WE WOULD WELCOME A USAID PAKISTAN FRAMEWORK PLANNING TEAM VISIT TO HELP US DEVELOP FURTHER OUR STRATEGIES. (OUR LAST USAID STRATEGIC PLAN WAS DRAFTED DURING THE SANCTIONS ERA AND IS IN MANY WAYS NO LONGER RELEVANT). THIS AMBITIOUS DA PROGRAM WILL ALSO REQUIRE AN IN-COUNTRY USAID PRESENCE AS SOON AS POSSIBLE, INCLUDING A MISSION DIRECTOR, EXECUTIVE OFFICER, PROGRAM OFFICER, EDUCATION OFFICER, CONTRACTING OFFICER, AND CONTRACT STAFF.

--- DIRECT BUDGETARY SUPPORT: OUR FY-2002 USD 600 MILLION IN BUDGETARY/BALANCE OF PAYMENTS SUPPORT WAS AN INNOVATIVE USE OF ESF THAT DELIVERED THREE PROPULSION STAGES FOR THE PAKISTANI ECONOMY. FIRST, IT PROVIDED BOP SUPPORT TO BOLSTER THE GOP'S FOREIGN EXCHANGE REVENUE SHORTFALL AT A CRITICAL PERIOD TO WIN
WORLD BANK AND IMF APPROVAL. SECOND, OUR AGREEMENT CALLS FOR THE GOP TO ALLOCATE RUPEE EQUIVALENT FUNDS TO SOCIAL SECTOR PROGRAMS IN EDUCATION AND HEALTH AT THE DISTRICT LEVEL. THIRD, THE RUPEE ALLOCATION STRENGTHENS GRASSROOTS DEMOCRACY BY PROVIDING FUNDS TO LOCALLY-ELECTED OFFICIALS SO THAT THEY CAN DELIVER SERVICES TO CONSTITUENTS. PAKISTAN IS WELL-PLACED TO STEP UP ITS REVENUE COLLECTION EFFORTS THIS YEAR AND IN THE COMING YEARS, BUT WILL CONTINUE TO REQUIRE SIGNIFICANT DIRECT BUDGETARY AND BALANCE OF PAYMENTS SUPPORT IN THE NEAR TO MID-TERM TO MEET THE FINANCING GAP AND FUND EXPANSION OF EDUCATION AND HEALTH PROGRAMS. WE BELIEVE A MINIMUM OF [ ] IN FY-03 FUNDING IS REQUIRED TO SUSTAIN THIS INNOVATIVE PROGRAM.

--- IMET: THE FY-02 FIGURE OF USD 500,000 REPRESENTS A GOOD STARTING POINT. HOWEVER, WE

SECRET

UNCLASSIFIED
TO MILITARY EXCHANGES AND TRAINING, AND WOULD HOPE TO SEE THIS FIGURE INCREASED TO USD __________ FROM FY-2003 ONWARDS.

-- (/topics) FOREIGN MILITARY FUNDING: FMF SHOULD BE REINITIATED AT A LEVEL OF AT LEAST USD __________ ANNUALLY TO INDICATE OUR LONG-TERM COMMITMENT, PARTICULARLY TO SUPPORT BORDER SECURITY -- SEE BELOW. (NOTE: FOREIGN MILITARY SALES WILL DEPEND ON THE RESOLUTION OF THE MTCR SANCTIONS.)

-- (topics) BORDER CONTROL: THIS YEAR'S USD 73 MILLION IS A GOOD KICK-START TO A VITAL EFFORT. FIXED-WING, HELICOPTER, VEHICLE, COMMO, AND TRAINING SUPPORT WILL DO MUCH TO STRENGTHEN PAKISTAN'S CONTROL OF ITS POROUS BORDER.

IT MAY TAKE YEARS FOR STABILITY TO RETURN TO AFGHANISTAN. MEANWHILE, WE MUST DO EVERYTHING WITHIN OUR POWER TO AID PAKISTAN IN PREVENTING TERRORISTS, CONTRABAND, AND NARCOTICS FROM CROSSING THE BORDER. WE WILL PROVIDE SEPTEL A PROPOSAL FOR AN INTEGRATED BORDER SECURITY PROGRAM WITH SUSTAINED FUNDING FROM INTERAGENCY SOURCES, INCLUDING FMF AND SOME USD __________ FROM INL AND OTHER SOURCES.

-- (sensitive) REFUGEE ASSISTANCE AND ASSISTANCE TO REFUGEE-IMPACTED AREAS: WE WILL NEED TO CONTINUE TO ASSIST THE AFGHAN REFUGEE POPULATION IN PAKISTAN FOR SOME TIME TO COME. THE REFUGEES ARE NOT LIKELY TO CHOOSE REPATRIATION UNLESS AND UNTIL THEY ARE CONVINCED THAT ECONOMIC AND 

POLITICAL STABILITY WILL PREVAIL IN AFGHANISTAN. WE ESTIMATE A REQUIREMENT OF __________ ANNUALLY FOR THE NEXT SEVERAL YEARS FOR REFUGEE ASSISTANCE, COVERING BOTH IN-Pakistan NEEDS AND
REPATRIATION. A SIGNIFICANT PROPORTION OF OUR DEVELOPMENT AND COUNTER-NARCOTICS FUNDING SHOULD ALSO BE TARGETED AT THE REFUGEE-IMPACTED GEOGRAPHIC AREAS ALONG THE AFGHAN BORDER.

-- (GRP) LAW ENFORCEMENT: STRENGTHENING GOP LAW ENFORCEMENT CAPACITY COULD WELL BECOME ONE OF OUR MOST SIGNIFICANT PROGRAMS IN REALIZING U.S. INTEREST IN PROTECTING AMERICAN CITIZENS IN OUR HOMELAND. PRESIDENT MUSHARRAF OFTEN LAMENTS THE POOR QUALITY OF PAKISTANI LAW ENFORCEMENT. INTERAGENCY (FBI, COUNTER-TELEURISMO, CUSTOMS) AID TO ELITE PAKISTANI POLICE UNITS COULD BEGIN THE PROCESS OF PROFESSIONALIZING A DISMALLY INADEQUATE SECTOR. MORE TO THE POINT, IT WOULD HELP US DEVELOP A PARTNER LAW ENFORCEMENT FORCE TO FIGHT TERRORISM WHERE IT GROWS, BEFORE IT COMES TO OUR SHORE.

IN THE COMING YEARS, WE WILL ALSO NEED TO CONTINUE OUR ONGOING COUNTER-NARCOTICS PROGRAMS IN PAKISTAN: ALTERNATIVE DEVELOPMENT IN MOHMAND, BAJAUR, AND KHYBER; SUPPORT FOR COUNTER-NARCOTICS LAW ENFORCEMENT AGENCIES; AND DEMAND REDUCTION PROGRAMS. THERE WILL BE A NEED TO BUILD IN OUT-THE-YEAR COSTS ASSOCIATED WITH THE BORDER SECURITY PROGRAM INTO OUR INL-PROVIDED BASE BUDGET. WE

---

PAGE 04
ISLAMA 06522 04 OF 05 300629Z
PROPOSE A MULTI-YEAR COMMITMENT OF LAW ENFORCEMENT FUNDS OF APPROXIMATELY USD ANNUALLY FOR COUNTER-TELEURISMO POLICING UNITS, MONEY LAUNDERING, COUNTER-NARCOTICS, AND TRAFFICKING OF WOMEN AND CHILDREN. ALL OF THESE COMPLEMENT ADB AND OTHER DONOR INITIATIVES.

-- (GRP) REGIONAL PROGRAMS: WE SHOULD DEDICATE A PORTION OF OUR ASSISTANCE FUNDING TO SUPPORT REGIONAL TRADE (A CUSTOMS UNION) AND ENERGY PROGRAMS BETWEEN AFGHANISTAN AND PAKISTAN. THIS MIGHT ALSO BE EXPANDED TO THE CENTRAL ASIAN NATIONS. THESE INITIATIVES COULD BE MODELED ON SARI ENERGY AND SARI EQUITY AND SHOULD BE PENCILLED IN AT USD ANNUALLY.

-- (GR) OPIC: THE RECENTLY-ANNOUNCED USD 300 MILLION LINE OF CREDIT FOR INVESTMENT PROMOTION
DEPARTMENT FOR D, P, E, S/P, S/RPP, SA, SA/RA, AND SA/PAB FROM AMBASSADOR CHAMBERLIN

E.O. 12958: DECL: 11/26/11
TAGS: EAID, EFIN, PREL, PK
SUBJECT: "NEW THINK": OUR LONG-TERM INTERESTS IN PAKISTAN

SHOULD BE SUPPLEMENTED BY AN EMERGING MARKET FUND FOR INVESTMENTS IN INFORMATION TECHNOLOGY AND FOR FORECLOSED FACTORIES (BOTH IDEAS WERE PROPOSED BY PAKISTAN'S FINANCE MINISTRY RECENTLY).

---(SEC) EXIM: THIS YEAR, EXIM IS LOOKING AT USD 400-700 MILLION FOR THE LEASE OR SALE OF BOEING AIRCRAFT TO PIA. OTHER PROMISING OPPORTUNITIES EXIST FOR OUT-YEAR EXIM PROGRAMS, ESPECIALLY IN ENERGY AND INFORMATION TECHNOLOGY. WE HOPE TO FLESH THESE OUT DURING A PROPOSED EXIM VISIT EARLY NEXT YEAR.

COMMENT

12. (S) IT IS WITHOUT QUESTION IN OUR NATIONAL INTEREST TO MEET THE NEEDS WE HAVE DETAILED ABOVE. WE MUST NOT BE "ONE SHOT WONDERS" AND ALLOW OUR INFLUENCE OR OUR ASSISTANCE PROGRAMS TO DWINDLE. WE MUST FORMULATE A PLAN NOW FOR SUSTAINED, MULTI-YEAR BUDGETARY AND PROGRAM
SUPPORT FOR PAKISTAN THAT ALSO ENCOURAGES THE GOP TO STAY ON ITS IMF-SUPPORTED ECONOMIC REFORM AND POVERTY ALLEVIATION PROGRAM. WE MUST PUSH FOR DEBT RELIEF, MARKET ACCESS, AND INCREASED INVESTMENT WITH BOTH U.S. AND FOREIGN INTERLOCUTORS. IN BACKING A SUSTAINED ECONOMIC SUPPORT PACKAGE FOR PAKISTAN, WE STAND A MUCH BETTER CHANCE OF ENABLING THE NEW GENERATION OF PAKISTANIS TO CHOOSE JOBS OVER JIHAD, FORMAL EDUCATION OVER MADRASSAHS, AND PROSPERITY OVER POVERTY. END COMMENT.

CHAMBERLIN

<< END OF DOCUMENT >>