

ISSUES

- The disputed status of Kashmir will not fade as an issue for Pakistan. The Indian government's decision to remove the territory's special autonomous status has largely closed the door on a political solution and further embittered bilateral relations. Continuing cross-border violence raises the danger of major armed conflict between these two nuclear-armed powers.
- The government of Pakistan is burdened by a gap between fiscal revenue and expenditures leading to an unsupportable debt. The austerity program intended to stabilize the economy has led to high inflation and greater unemployment and could bring on political instability. Coping with Pakistan's coronavirus health crisis has put further pressure on the struggling economy.
- Pakistan faces continued international scrutiny and criticism for its inconsistent efforts in dealing with domestic militant groups. Failure to take action to curb terrorist group financial transactions could lead to the multinational Financial Action Task Force's blacklisting Pakistan for lax enforcement, a move that would be a severe blow to Pakistan's already struggling economy. Prime Minister Imran Khan's rhetoric has heightened concerns that his government lacks the will to clamp down on the country's violent extremists.

US INTERESTS

- The Pakistani government's cooperation is critical to achieving progress toward a comprehensive Afghan peace agreement. An earnest crackdown on the country's militant extremist groups is necessary to prevent the Pakistan-Afghanistan border area from again emerging as a base of operations for regional and global terrorist organizations. U.S. troop withdrawals from Afghanistan give this action greater urgency.
- The dangers of proliferation from Pakistan's growing nuclear arsenal, while not an immediate concern, could increase in the event of political instability and military mobilization against India.
- The continuing low-level armed border exchanges between Pakistan and India over Kashmir could escalate, increasing the possibility of a resort to nuclear weapons that would produce a massive humanitarian, economic, and environmental crisis.



- The Chinese government's Belt and Road Initiative has brought Pakistan more closely into China's economic orbit, resulting in concerns that Islamabad could make concessions to Beijing that have strategic security consequences for the U.S. This possibility increases if tense India-China relations push Pakistan still closer to China and away from the U.S.

POLICY RECOMMENDATIONS

- The U.S. cannot afford to disengage from Pakistan and its region as it has in the past. Security and economic interests dictate that the U.S. not leave a vacuum that countries like Russia and China will fill. At a minimum the U.S. should strive to retain serious intelligence assets and the capacity to mount counter-terrorist operations. The U.S. must also retain sufficient diplomatic leverage with India and Pakistan for a mediating role in a future crisis.
- In lieu of many of its traditional economic aid and development programs, the U.S. government should prioritize increased trade and investment as a means of cementing a cooperative relationship with Pakistan.
- The U.S. must strive for a more consistent and reliable relationship that avoids the rollercoaster relationship it has experienced with Pakistan for decades. This will require a better understanding of shared and divergent national interests, and the avoidance of unrealistic expectations.