STRATEGIC FACTORS OF THE EU-PAKISTAN RELATIONSHIP

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Abstract. *The European Union as an economic giant with world's single largest common market and the most liberalized preferential trade regime has an exceptional attraction for third countries. The political leverage which it wields from its economic strength makes it a major player in international political arena as well. Historically, EU-Pakistan relations had been of low profile and reached their lowest ebb in late 1990s. However, the 9/11 terrorist attacks, the subsequent Afghan war and Pakistan's decision to stand by international coalition against terrorism, opened a new chapter in EU-Pakistan relations. Since then, the significance of this relationship has increased because today Pakistan is seen to be helped due not only to war against terrorism and regional stability but also for itself, given the socio-economic and political challenges it faces. For EU, the reasons for engaging with Pakistan are 'compelling' and include 'core strategic interests'. This paper examines the strategic factors of Pakistan's importance for the EU and EU's importance for Pakistan.*

Keywords: *European Union, Pakistan, Relationship, Strategic factors, Geopolitical imperatives, Stabilization, Trade*.

Historically, the EU-Pakistan relationship has been low both economically and politically. Commercial, economic and development relations between the Community and Pakistan commenced in 1976 concluding a Commercial Cooperation Agreement, followed in 1986 by the second generation Cooperation Agreement.[1] A new third generation Cooperation Agreement, after one and a half years of negotiations, was initiated in April 1998 but was not signed until November 2001 due to political reasons.[2] In late 1990s, the EU-Pakistan relations reached their lowest ebb. The initiated third generation Agreement was not signed for three years due to the EU's discontent with and reactions to Pakistan over

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[1] Delegation of the European Union to Pakistan, http://www.delpak.ec.europa.eu/eu and country/eupak.htm.

[2] Jean-Luc Racine, "European Union and South Asia: An Appraisal", *Institute of Regional Studies, Islamabad*, August 2003, p. 4.

human rights abuse, nuclear tests, Pakistan-India Kargil crisis and the military take-over. As a whole, numerous factors explicate the low-key relations between the EU and Pakistan. First, during the cold-war, the European Community with security ensured by America and focused primarily on economic integration process has remained inward-looking. However, in the early 1990s, having completed the Single Market programme and realizing the importance of emerging Asian economies, the Community has taken a renewed interest in Asia but predominantly economic in nature. Pakistan, having no strategic value in terms of economic growth, has remained out of the EU's ambit defined by the primacy of economic interests. Second, geographical distance has also mattered. In 1990s, being a nascent geopolitical power, the EU policy has been focused on the need to stabilize its own periphery and this is true even today. Third, given that Europe has been inward-focused during the cold-war and in post-cold war era it has preferred economic engagement with Asia, Pakistan like other Asian countries remains under American influence. With the adoption of the Maastricht Treaty in 1993, the EU has increasingly incorporated into its external relations a normative approach regarding the state of human rights and democracy in third countries. Such a normative approach translates into a difficulty of engaging with third countries like Pakistan where normative conditions do not exist optimally.

However, the terrorist attacks on New York and Washington in September 2011, the ensuing Afghan war and Pakistan's decision to join the international coalition against terrorism happened to be a turning point in the EU-Pakistan relations. In the aftermath of 9/11 attacks, a massive political imperative led the EU to cooperate with the US. Taking into account the physical proximity of Pakistan to Afghanistan and its links with the Taliban regime, Pakistan's cooperation was considered imperative. The EU redefined its policy towards Pakistan by emphasizing that the dialogue with Pakistan should be 'continued and developed' and that Community assistance to Pakistan should be reinforced, in particular by signing the third generation Agreement.[3] Consequently, the initiated third generation Agreement was signed in November 2001. Pakistan was granted a comprehensive economic package which also included GSP-related trade preferences under the drugs regime. It was a political decision of which purpose was to make sure that the 'coalition against terror' was effective to the optimum.

Strategic Factors of the EU-Pakistan Relationship:

EU-Pakistan relationship assumed importance in the context of 9/11 terrorist attacks, subsequent war against terrorism in Afghanistan and Pakistan's decisive joining of international coalition against terrorism. Over the years, this significance has become all the more obvious and visible. On the one hand, Pakistan is not only considered vital for the success of European engagement in bordering Afghanistan, but also its instability and insecurity is deemed as a threat to the European security. On the other hand, Pakistan, confronted with socio-economic, political and security challenges, needs EU for trade, aid and stability. These considerations make both parties indispensable for each other.

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[3] General Affairs Council, Doc. 12330/01, 8-9 October 2001, www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/12330.en1.pdf.

Pakistan's Significance for the EU Geopolitical Imperatives

Pakistan, having geographical proximity to Afghanistan with 2600 kilometers long porous border and as a key ally in war against terrorism, is a strategically important country for both NATO Allies and the EU, and their respective member nations. Following 9/11 attacks, Pakistan's support for waging war against terrorism in Afghanistan was considered critical due to the fact that it supported the Taliban regime in the past and that it shared a long border with Afghanistan. More broadly, it is located at the cross roads of Central Asia, the Middle East and South Asia. In this larger context, Pakistan's significance is not confined to Afghanistan alone rather it extends beyond. The EU Country Strategy Paper (2002-2006) for Pakistan notes Pakistan's geostrategic importance to the Union as follows:

"Given Pakistan's location in a volatile region, with widespread incidence of drugs and arms trafficking as well as illegal migration, it is important for the EU to engage the country for geo-political reasons. Above all, the EU has an interest in fostering peace and stability in South Asia. The constructive behavior of Pakistan's government during the American intervention in neighboring Afghanistan made a sustained contribution towards stabilizing the entire region and thus contributed decisively to the fight against international terrorism. The European Commission as a donor should aim to assist in this ongoing process and contribute towards Pakistan's engagement with the international community".[4]

The European Union and its member states have a crucial presence in Afghanistan as a part of the 'coalition against terror'. Since 2002 the European Commission has contributed some 1.8 billion EUR to Afghanistan for stabilization and development, with an extra 610 million EUR earmarked under the Multiannual Indicative Programme for the period 2007-2010.[5] Overall, the EU and its member states are today spending close to 1 billion EUR per year on various civilian, political and development activities in Afghanistan.[6] 25 of the 27 EU member states have contributed 32,337 soldiers to NATO's ISAF, representing more than half of all troops.[7] Furthermore, since 2007 the EU has undertaken the EUPOL police mission, widely regarded as the Union's most visible contribution to stabilizing the country.[8] With these significant contributions, four additional factors make Afghanistan a challenge for the EU, its member states and NATO allies. First, public support for the mission in Afghanistan has been crumbling, and this trend has also resulted in a growing lassitude in the ruling elite and, therefore, most EU governments have failed to boost troop levels on NATO's request. Second, Afghanistan represents an important test for the vitality of transatlantic alliance in post-9/11 era. Third, Afghanistan also represents a test

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[4] Pakistan Country Strategy Paper (2002-2006), p. 4, http://www.eeas.europa.eu/pakistan/csp/02_06_en.pdf.

[5] European Union External Action, "EU Assistance to Afghanistan", http://www.eeas.europa.eu/afghanistan/index_en.htm.

[6] Council of the European Union, "Strengthening EU Action in Afghanistan and Pakistan", 27 October 2009, p. 4, http://consilium.europa.eu/uedocs/cmsUpload/110789.pdf.

[7] Daniel Korski, "Transatlantic 'AfPak': One Year Later", *FRIDE*, February 2010, p. 2.

[8] Shada Islam, "Afghanistan: Europe's Credibility Test", *European Policy Centre*, March 2009, p. 1.

for the EU's credibility as a global security actor. As World War II marked America's dominant position and Europe's downgrading, the EU's and America's simultaneous presence on the same field in post-9/11 era is bound to determine the EU as a credible and potential global actor, representing a New Europe. Fourth, following president Obama's declaration on 22 June 2011 of winding down the war in Afghanistan and moving towards complete withdrawal by the end of 2014, the challenge before the Allies is to ensure an honorable exit and, for that purpose, to work out a plausible and durable political settlement of the Afghanistan problem.

In this backdrop, Pakistan's role in Afghan war as a frontline state is important for the EU and NATO allies in a number of ways. First, since the commencement of war in Afghanistan, Pakistan has extended multilateral cooperation to the coalition forces. It has allowed its airspace and permitted the use of three small airports in Sind and Baluchistan for logistical, communication and emergency support for military operations in Afghanistan.[9] Its military and intelligence authorities have not only shared intelligence on terrorist groups and their activities in both Afghanistan and Pakistan but also have conducted joint operations in Pakistan with US security and intelligence personnel against the Al-Qaida and Taliban that crossed border into Pakistan.[10] Additionally, Pakistan has deployed a large number of troops at its western border with Afghanistan. Another critical part of Pakistan's cooperation with coalition forces is related to NATO supplies. Pakistan provides two routes for supplies destined for the international forces in Afghanistan which, until recently, have accounted for about 80% of NATO's non-lethal supplies, including fuel, food and clothes. Currently, that proportion has been reduced by going through the so-called 'Northern Distribution Network', that is, via Central Asia and the Caucasus or Russia. Now almost half of NATO's non-lethal supplies are shipped through Pakistan. Christine Fair in her book 'The Counter terror Coalitions: Cooperation with Pakistan and India' says that US officials acknowledge that "Pakistan has provided more support, captured more terrorists, and committed more troops than any other nation in the GCTF (Global Counter-terrorism Force)."[11]

Secondly, apart from granting logistics facilities, sharing facilities and hunting down terrorists, Pakistan has conducted numerous military operations against militants in the Federally Administered Tribal Areas (FATA) and some parts of Khyber Pakhtunkhwa province since 2004 at a cost of huge troop casualties. After being dislodged from Afghanistan, militants moved into Pakistan's tribal areas bordering Afghanistan. By taking advantage of the lack of governance and Government's writ and manipulating poverty and ideological trends in the FATA, they were successful in establishing their sanctuaries in the tribal areas. From their bases in FATA, militants have conducted multiple terrorist attacks in both Pakistan and Afghanistan. The so-called Tehreek-e-Taliban Pakistan (TTP) has

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[9] Hasan Askari Rizvi, "Pakistan's Foreign Policy: An Overview, 1947-2004", *Pakistan Institute of Legislative Development and Transparency* (*PILDAT*), paper no. 11, April 2004, p. 25.

[10] *Ibid*., p. 25.

[11] Touqir Hussain, "US-Pakistan Engagement: The War on Terrorism and Beyond", *United States Institutes of Peace*, special report 145, August 2005, pp. 5-6, http://www.usip.org.

conducted savage suicide attacks and other deadly attacks in different parts of the country. USA has been wary of Pakistan's counterinsurgency efforts and strategies. It has criticized Pakistan for negotiating with militants and has alleged Pakistan for lacking political will to undertake effective military offensives against militants, and combating militants selectively. USA has both pressured and persuaded, through its stick — and — carrot based Af-Pak Strategy to 'Do More' against the militant groups who operate in Afghanistan particularly the Haqqani Network. Pakistan has consistently denied these allegations and has shown reluctance in going after all militant groups by explaining the constraints and risks involved. Pakistan has argued that its counterinsurgency efforts are marred by the constraints of resources, capacity and troops, and the risks of huge population displacements and security repercussions, both immediate and long-term.

Thirdly, America is no more interested in its long-standing demand that Pakistan launch a military offensive against militants in FATA. Instead, the US now wants Pakistan to bring those militants to the negotiating table. Given the fact that America has been unable to achieve a decisive victory against the Taliban insurgents in its longest war, the US and its coalition partners, subsequent to President Obama's announcement of withdrawal, have started to realize the need of political settlement of Afghanistan problem. With this shift, comes critical role Pakistan is poised to play. US Secretary of State Hillary Clinton, during her visit to Pakistan in October 2011, has said that "We think that Pakistan, for a variety of reasons, has the capacity to encourage, push and squeeze…terrorists, including the Haqqanis and the Afghan Taliban, to be willing to engage on the peace process".[12] The Istanbul and Bonn conferences on Afghanistan held in November and December 2011 respectively as well as NATO's Chicago summit meeting in May 2012 have failed to achieve any substantial result but they signify two facts. One, avoiding the repeat of zero-sum games, mistakes made at the time of the Soviets' withdrawal from Afghanistan should not be repeated. At that time, the main focus was on the withdrawal of foreign forces but little attention was paid to post-withdrawal arrangements in Afghanistan. Two, the political process of the settlement of Afghanistan problem should involve three simultaneous circles of negotiations — intra-Afghan, regional and international. The most important prerequisite of the political settlement is to bring warring factions particularly Taliban insurgents into the political process. Pakistan has both a critical role to play and a big stake in the outcome of the process of Afghan reconciliation. Given security, socio-economic and political fallouts of Afghan war on Pakistan and because of geographic, demographic and geostrategic reasons, Pakistan wants a central role in resolving the Afghanistan problem. Pakistan has proposed and assured of facilitating the Afghan reconciliation and the USA has accepted it with some caveats. But the way forward is being affected by certain stumbling blocks. A downturn in US-Pakistan relations over America's disregard for Pakistan's sensitivities, concerns and sovereignty will

[12] Chris Allbritton, "US Talks up Pakistan Role in Afghan Peace Talks", *Reuters Islamabad*, 24 October 2011, http://www.reuters.com/article/2011/10/24/us-pakistan-usa-idUSTRE79N13H20111024.

adversely affect the reconciliation initiatives. US-Pakistan divergence over strategy in terms of Pakistan's preference for ceasefire and negotiations and the US policy of 'fight, talk, build' and also a split between the White House and the Pentagon over withdrawal are the factors that obscure the objective of political settlement. Despite these hurdles, Pakistan has a compelling role in the resolution of the Afghan problem. Vali Nasr, a prominent scholar and senior advisor to late Richard Holbrooke, said that "every one of our assumptions about our timetable of getting out of Afghanistan and our success on the ground with military operations has been predicated on the kind of at least minimal cooperation we have had with Pakistan over the past two years. If that cooperation ceases to exist and our relations get any worse than they are currently, it is very difficult to see how the US can meet its deadlines in order to be able to withdraw from Afghanistan".[13]

Stability Factor

Having recognized Pakistan's importance for international coalition's efforts and success in Afghanistan, the EU has a vital interest in Pakistan's stability. Since 9/11, Pakistan has been playing multiple roles in Afghan war as a frontline state, and now it stands well poised to play a central role in the endgame in Afghanistan. But Pakistan's involvement in Afghanistan war has earned it a huge cost. Today Pakistan stands at a critical crossroads. As a consequence of economic and humanitarian crisis coupled with security and political instability, it faces the worst challenges of its history.

Pakistan's stability and development is of strategic importance to the EU not only because of Afghanistan but also for regional stability and Europe's own security. The EU's Action Plan on Afghanistan and Pakistan, launched in October 2009 following the US Af-Pak Strategy adopted in March 2009, states that "The conflict in Afghanistan cannot be solved without addressing the complex situation in Pakistan. The Government of Pakistan has an important role to play as a neighbor and friend of Afghanistan. Regional integration and economic cooperation must be developed while borders must be better managed and the cross-border flow of insurgents, drugs, weapons and illegal goods stopped. The situation in Afghanistan and Pakistan has a direct impact on Europe. Many of the most serious global threats facing us today are present in the region".[14] Pakistan's stability has an immediate and a direct impact on developments in Afghanistan. A stable and secure Pakistan is a prerequisite for a successful process and outcome of the state-building mission in Afghanistan. Without an effective role of Pakistani authorities, the Taliban insurgents can retreat, regroup and re-equip in Pakistan and the border regions and can launch attacks and put severe pressure on international forces in Afghanistan. Similarly, only a stable Pakistan can provide and defend supplies for foreign forces in Afghanistan.

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[13] Ikram Sehgal, "Roadmap for Afghan Peace", *The News*, 27 October 2011, http://www.thenews.com.pk.

[14] Council of the European Union, "Strengthening EU Action in Afghanistan and Pakistan", p. 2. http://consilium.europa.eu/uedocs/cmsUpload/110789.pdf.

Pakistan's stability also matters for Europe's own security. Pakistan's security and political instability will be conducive to the emergence of safe havens and terrorist training camps particularly in the FATA from where they can plan and launch terrorist attacks in European countries. Already a number of terrorist plots and attacks in EU countries have been linked to groups operating or training in Pakistan. Dr. August Hanning, German State Secretary Interior, has said that "Among security experts, it is already a commonplace that the conventional division between internal and external security has long been obsolete. Crises and conflicts in other parts of the world have major impacts on the security of Germany and Europe. In our globalized world, these can affect us much more quickly and directly than they would have in the past…One region which is crucial to our security is South Asia, in particular Pakistan and Afghanistan and the border region between the two countries…. Helping improve the security situation in South Asia lies in the enlightened self-interest of Germany and all the countries of Europe".[15]

Likewise, Pakistan's stability matters for the region in which Pakistan itself is situated and this is of crucial interest to the EU. Kashmir dispute remains at the heart of the long-standing rivalry between India and Pakistan, nuclear-armed neighbors, and the main source of the regional instability. More recently, nuclearization, Kargil war, 2001-2002 border confrontation and Mumbai terrorist attacks have been potential risk factors for Indo-Pakistan relations having an adverse impact on the regional stability. Due to Pakistan's 'India-centric' policy, its internal security, to an extent, has roots in its perceived threat from India. Stephen P. Cohen writes that "New Delhi can do more than any other state to steer Pakistan in one direction or another. While it seems willing to take the rhetorical first step, India has historically been reluctant to take the substantive second step".[16]

EU's Significance for Pakistan Economic Opportunities

The European Union, with 27 member states and about half a billion population, is an economic giant. It is the biggest economy in the world in terms of total GDP and trade. It is the world's largest single market that evolved on the basis of the customs union and completed by the Treaty of Maastricht. Euro is the world's second most important currency after the US dollar. If EU's internal trade is included, the EU takes up 40% of the world trade and dominates foreign investment outflows and inflows.[17] 'The European Union's GSP (Generalized System of Preferences) Scheme is the most effective of all current schemes

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[15] August Hanning, "German and European Security Interests in the Federally Administered Tribal Areas (FATA)", *World Security Network Foundation*, 28 May 2008, p. 1, http://www.worldsecuritynetwork.com/documents/Vortrag_Dr%20_Hanning.pdf.

[16] Stephen P. Cohen, "Pakistan and the Crescent of Crisis" In: Ivo Daalder, Nicole Gnesotto, and Philip Gordon (Editors), *Crescent of Crisis: US-European Strategy for the Greater Middle East*, Brookings Institution Press, Washington D.C., 2006, pp. 193-194.

[17] Stefanie Kessler, "The EU as Global Actor and its Influence on the Global Gender Regime", GRIN Verlag, 2008.

considering the fact that the volume of imports to the EU from developing countries under the GSP is greater than the volume of imports under the US, Canadian and Japanese GSP systems combined. In 2003, EU imports under GSP totaled 52 billion. In comparison, under the equivalent American scheme, world's second most widely used, GSP imports totaled 16 billion'.[18]

The EU is Pakistan's most important trading partner. The EU accounted for around 20% of Pakistan's total trade in 2007.[19] Due to lacking market diversification and having a narrow export base and low labor productivity, preferential access to the EU market remains a vital economic interest of Pakistan. Pakistan's narrow export base is manifested by the fact that its exports are heavily dominated by the textile and clothing (T&C) products. A project document on gender promotion in Pakistan produced by the United Nations Development Programme (UNDP) Pakistan in 2006 highlights the socio-economic importance of the Textile&Clothing sector of Pakistan. According to this document, 'the overall share of the T&C sector in the total exports of the country is more than 69 percent whereas the share of the sector in the total manufacturing of the country is 46 percent. On the whole textile exports are worth US$ 8.4 billion, with a share in the GDP of 8.5 percent. The Five-Year Investment in the T&C sector for the years 1999-2004 is a substantial total amount of US$ 4.5 billion. In addition, an important highlight of the sector is that its share in generation of employment in the country equals 38 percent'.[20] For Pakistan, the EU GSP remains the most important as very few Pakistani T&C exports get preferential market access under the US GSP and also because of Pakistan's non-diversified export base. Following war against terrorism in Afghanistan, the EU granted an economic package to Pakistan under which the export quota of Pakistan for T&C was increased by 15% and anti-dumping duty on the import of bed linen from Pakistan was terminated. Under the package, Pakistan also benefited from the EU's GSP drug regime. Consequently, Pakistani T&C exports to the EU increased substantially. As a result of the imposition of anti-dumping duty on bed linen, withdrawal of trade concessions and quota removal, Pakistani T&C exports to the EU fell in 2005. But a reduction both in the anti-dumping duty and import duties helped to compensate the losses. In 2006, Pakistani exports of T&C to the EU accounted for over 77% of Pakistani exports to the EU while representing 23% of total Pakistani exports to the world.[21] After 2008, Pakistani exports to the EU, including textiles and clothing, have declined due to economic slowdown in Europe and production shortfalls caused by energy crisis coupled by the 2010

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[18] Huma Fakhar, "The Political Economy of the EU GSP Scheme: Implications for Pakistan", In: *South Asian Yearbook of Trade and Development, 2005*, Centre for Trade and Development, New Delhi, 2005, p. 395.

[19] EU Delegation to Pakistan, "The Impact of EU Trade Policies on Pakistan's Preferential Market Access to the EU", http://www.delpak.ec.europa.eu/home.htm.

[20] United Nations Development Programme (UNDP) Pakistan, "Gender Promotion in the Garment / Clothing Sector through Skills Development", pp. 6-7, http://undp.org.pk/gender-promotion-in-the-garment-sector-through-skills-development-and-skills-up-gradation.html.

[21] Anwar Chishti, Muhammad Zulfiqar, and Zareen Naqvi, "The Impact of Trade Policies on Pakistan's Preferential Access to the European Union", *Centre for the Analysis of Regional Integration at Sussex* (*CARIS*), December 2008, p. 48.

devastating floods in Pakistan. Presently, textile's share in overall Pakistan's exports stands at 55.3%.[22] In 2010, Pakistan's exports to the EU valued 3.8 billion EUR in which T&C exports were worth 2.6 billion EUR representing 68.8% of total exports to the EU.[23] Following summer 2010 ferocious floods in Pakistan which inflicted about $9.7 billion socio-economic damages as per World Bank and Asian Development Bank estimates, the EU approved a duty free market access for 75 export items, mainly from the textile sector. This trade package has yet not got a waiver from the Goods Council of the World Trade Organization which needs consent of all WTO member countries. The EU has also committed to include Pakistan in GSP plus by 2014 provided it meets the necessary criteria. Thus, any changes by the EU in its import and tariff regime considerably impact Pakistan's exports. If the proposed EU-India Free Trade Agreement (FTA) is finalized, Pakistan would become the only South Asian country without preferential access to the EU market at least at this stage of time.

Beyond trade, the EU provides development and humanitarian assistance to Pakistan which has been boosted significantly since 2009. 'The Union's economic development has been accompanied by substantial contributions to other countries and regions in terms of development cooperation, humanitarian assistance and reconstruction aid. The European Community and its member states today provide more than half the funds for international development aid and more than 50% of world humanitarian aid'.[24] EU's development and economic cooperation with Pakistan aims to fight poverty and help the country towards sustainable growth. The EU and its member states have provided substantial humanitarian assistance to Pakistan in the midst of major crises which Pakistan has witnessed since 2005. EU's funding for development and economic cooperation with Pakistan, including European Investment Bank's grant, during 2009-2013 amounts to around 485 million EUR while humanitarian assistance, including contributions from member states, is valued at 423 million EUR.[25]

Stabilization

In post 9/11 period, Pakistan, a nuclear state in a volatile region, has turned highly unstable; notably, it has been facing an unprecedented political, economic and social turmoil since 2007. Politically, it is grappled with fractious politics, civil-military tension, ethnic cleavages, terrorism, deteriorating law and order situation, institutional decay, corruption, and much more. Economically, it faces low growth, high inflation, widening fiscal deficit, highly low tax-to-GDP ratio, diminishing investment, declining exports, and unprecedented surge in public debt. 'Although Pakistan has not yet arrived at the point of almost total collapse as witnessed by Greece, Italy, and other Eurozone countries, but the critical

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[22] Pakistan Economic Survey 2010-2011, p. 104, http://www.finance.gov.pk/survey_1011.html.

[23] European Commission Trade. http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=563&langId=en.

[24] Jean-Luc Racine, "European Union and South Asia: An Appraisal", *Institute of Regional Studies, Islamabad*, August 2003, p. 2.

[25] Shada Islam, "Moving EU-Pakistan Relations Beyond Words", German Marshall Fund of the United States, Washington, 26 August 2011, p. 2.

ingredients that brought the them to the brink are very much present today in Pakistan'.[26] Socially, Pakistan is suffering from poverty, population pressures, exclusion, human rights violations, rising extremism, sectarian intolerance, humanitarian crises, and lack of social services such as education, health, employment, and energy.

Pakistan's present-day instability stems from both short-term and long-term drivers of fragility. Short-term drivers of fragility have appeared in post-9/11 period as the consequences of Afghan war and its disastrous spill-over into Pakistan, and poor governance. Ten years of Afghan war have left Pakistan gripped by an economic crisis, worsened security, and political instability. According to the Economic Survey of Pakistan 2010-2011, terrorist attacks and insurgency in Pakistan have cost the country more than 35,000 citizens, 3500 security personnel, destruction of infrastructure, internal displacement of millions of people, and lowering of economic activity and employment. 'During the last 10 years, the direct and indirect cost of war on terror incurred by Pakistan amounted to $ 67.93 billion or Rs. 5037 billion'.[27] The economic stability gained since 1999 started to lose its sustainability during 2007's political turmoil emanating from the judicial crisis. The democratic government, enthroned following 2008 elections, has failed to cope with the issues of economy and governance, particularly energy crisis, due to incompetence, corruption, and security challenges. Besides, much of Pakistan's current instability comes from its historical drivers of fragility. Civil-military confrontation, political naiveness, underdevelopment, lack of clear socio-economic approach, divisions among people along ethnic, sectarian and regional lines, tense relations with India and Afghan wars are the historical and deep-rooted structural sources of instability in Pakistan.

Despite these daunting challenges, Pakistan is not a hopeless case. In post 9/11 Pakistan, nothing has developed so quickly as a vigorous civil society, a vibrant media and an independent judiciary. These segments of the society have come forward to steer Pakistan on a pathway of progress and democracy. Dr Maleeha Lodhi, a former envoy to the US and to the UK, believes that 'recent years have seen the political matrix being transformed by a number of economic and social factors. They include a shift in the centre of economic power (indicated by the falling share of agriculture in national output), a wave of urbanization, expansion of the middle class, spread of modern communications, greater public awareness brought about by a free and energetic media, and enlargement of civil society. A new era of transparency has been ushered in by unprecedented public access to information and the extensive reach of an independent broadcast media'.[28] She argues further that there exists a basic paradox at the political level which is mainly responsible for the country's plight today. Electoral politics are still being conducted on traditional lines, without taking into account the new social dynamics. Thus, Pakistan is in transition which, of course, is not smooth. It needs help and assistance to overcome the limitations of its limitations.

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[26] Ashfaque H. Khan, "Living Dangerously with Debt", *The News*, Islamabad, 20 March 2012.
[27] Pakistan Economic Survey '10-'11, http://www.finance.gov.pk/survey/chapter_11/Special%20Section_1.pdf.
[28] Maleeha Lodhi, "The Political Gap", *The News*, Islamabad, 27 March 2012.

European Union has the experience and expertise of promoting stability in countries undergoing transition through the use of diplomacy backed by the incentives of trade and aid tied with the condition of conforming to democracy, human rights and rule of law. The EU played a key role in transforming Central and Eastern European countries before they became members of it. It is engaged in transforming the ACP (African, Caribbean, and Pacific) countries under the Cotonou Agreement, the Western Balkans through the Association Process, and its broader 'near abroad' under the ENP (European Neighborhood Policy). EU's modus operandi of promoting stability is based on a comprehensive approach that aims to change conditions that induce instability, using all available instruments, in an integrated way. In other words, The EU seeks to promote long-term 'structural stability' by helping in strengthening democracy and human rights, and achieving sustainable economic development and healthy social conditions. Mark Duffield, urging on this comprehensive approach to stability, says that '[Development] is no longer concerned with promoting economic growth in the hope that development will follow. Today it is better described as an attempt, preferably through cooperative partnership arrangements, to change whole societies and the behavior and attitudes of people within them'.[29]

In addition to being the most important trade partner of Pakistan, the EU is also a major provider of development and humanitarian assistance aimed at reform and stability in Pakistan. It provides funding to Pakistan under the Development Cooperation Instrument (DCI), the Instrument for Stability (IfS) and the European Instrument for Democracy and Human Rights (EIDHR). The EU can't change the predicament of Pakistan altogether but can help mitigate immediate challenges and ameliorate the underlying conditions of instability by promoting longer-term transformation. EU's engagement with Pakistan so far has met with two major shortcomings. Firstly, it has failed to devise a clear and strategic response to Pakistan. With some improvement in the recent years, EU's role in Pakistan has been much less than its potential and in proportional to the severity and magnitude of crisis prevailing in Pakistan. Secondly, EU's funding for Pakistan is narrowly focused on poverty and education; it lacks a clear focus on the country's governance and security issues. With EU-Pakistan relations raised to the summit level, the EU has an opportunity to make Pakistan a priority case of its experience, expertise and instruments available to it as a transformative power.

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