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Pakistan-U.S. Relations

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Pakistan-U.S. Relations

SUMMARY

The major areas of U.S. concern in Pakistan include: nuclear weapons and missile proliferation; regional stability; democratization and human rights; and economic reform and development. An ongoing Pakistan-India nuclear arms race, fueled by rivalry over Kashmir, continues to be the focus of U.S. nonproliferation efforts in South Asia and a major issue in U.S. relations with both countries. This attention intensified following nuclear tests by both India and Pakistan in May 1998. South Asia is viewed by some experts as one of the most likely prospects for use of such weapons. India has developed short- and intermediate-range missiles, and Pakistan has acquired short-range missiles from China and medium-range missiles from North Korea. India and Pakistan have fought three wars since 1947.

The Pakistan-U.S. relationship, which dates from the mid-1950s, began as a security arrangement based on U.S. concern over Soviet expansion and Pakistan's fear of neighboring India. Cooperation reached its high point during the 1979-89 Soviet occupation of Afghanistan. U.S.-Pakistan ties have weakened since then. In October 1990, U.S. aid and arms sales to Pakistan were suspended when President Bush could not certify to Congress, as required under Section 620E(e) of the Foreign Assistance Act (FAA) (the so-called "Pressler amendment"), that Pakistan does not possess a nuclear explosive device. Both Congress and the Clinton Administration have considered good relations with Pakistan as key to U.S. interests in both South and Southwest Asia. Some economic sanctions on India and Pakistan resulting from their May 1998 nuclear tests have been waived. In a series of talks since the tests, U.S. officials have urged both countries to meet certain goals – including signing the Comprehensive Test Ban Treaty – in order for sanctions to be lifted.

The nuclear issue aside, U.S. interests strongly support a stable, democratic, economically thriving Pakistan that would serve as a model for the volatile and/or newly independent countries of West and Central Asia. Although ruled by military regimes for about half of its existence, Pakistan had democratic governments1988-99 as a result of national elections in 1988, 1990, 1993, and 1997. Between 1988 and 1999, Benazir Bhutto, leader of the Pakistan People's Party, and Nawaz Sharif, leader of the Pakistan Muslim League, each served twice as prime minister. Neither leader served a full term, being dismissed by the president under constitutional provisions that have been used to dismiss four governments since 1985.

In October 1999, the government of Prime Minister Nawaz Sharif was overturned in a bloodless coup led by Chief of Army Staff Pervez Musharraf, who suspended the parliament and declared himself chief executive. Musharraf has pledged to address Pakistan's many pressing and longstanding problems, including the beleaguered economy, corruption, terrorism, and poor governance. President Clinton, in his March 25, 2000, visit to Pakistan, strongly urged the Pakistan military government to set a timetable for the restoration of democracy.

Congress and the Administration continue to be concerned about narcotics and terrorist activity in Pakistan, as well as human rights abuses, particularly of women, children, and minorities.

MOST RECENT DEVELOPMENTS

On February 22, India announced that it was extending its cease-fire in Jammu and Kashmir state for three months, until the end of May – the third extension of its cease-fire. Prime Minister Atal Behari Vajpayee warned, however, that Indian security forces had been instructed to act decisively against those organizations or elements opposed to the peace process and urged Pakistan to "stop promoting and aiding cross-border terrorism." Pakistan responded by saying that the cease-fire extension was "yet another attempt to mislead world opinion." In late November 2000, India unilaterally stopped its military operations in Kashmir during the Muslim holy month of Ramadan. In December, the Pakistan government announced that its forces deployed along the line of control (LOC) in Kashmir would observe maximum restraint and that some of its troops would be pulled back from the LOC. In January 2001, Indian army officials stated that clashes between Indian and Pakistani forces along the LOC had virtually stopped since the cease-fire began and that there had been a definite reduction of infiltration of militants from Pakistan. The All Parties Hurriyat (Freedom) Conference (APHC) – an alliance of 22 Kashmiri political and religious separatist groups – cautiously welcomed the cease-fire offer "if it represents a sincere step towards resolution of the Kashmir problem." APHC leaders have sought permission from New Delhi to visit Pakistan in order to discuss the Kashmir situation with Pakistani leaders and supporters of the Kashmiri separatist movement. Kashmir's main militant groups, however, have rejected the cease-fire as a fraud and have continued to carry out attacks on military personnel and government installations. Since November more than 200 Kashmiri civilians have been killed either by militants or Indian security forces.

Visiting South Asia in mid-March, UN Secretary General Kofi Annan urged Pakistan and India to "return to the spirit of the Lahore Declaration" to solve their differences over Kashmir. He also urged both countries to sign the Comprehensive Test Ban Treaty.

BACKGROUND AND ANALYSIS

Context of the Relationship

Historical Background

The long and checkered U.S.-Pakistan relationship has its roots in the Cold War and South Asia regional politics of the 1950s. U.S. concern about Soviet expansion and Pakistan's desire for security assistance against a perceived threat from India prompted the two countries to negotiate a mutual defense assistance agreement in May 1954. By late 1955, Pakistan had further aligned itself with the West by joining two regional defense pacts, the South East Asia Treaty Organization (SEATO) and the Baghdad Pact (later Central Treaty Organization, CENTO). As a result of these alliances and a 1959 U.S.-Pakistan cooperation agreement, Pakistan received more than $700 million in military grant aid in 1955-65. U.S. economic aid to Pakistan between 1951 and 1982 totaled more than $5 billion.

Differing expectations of the security relationship have long bedeviled ties. During the Indo-Pakistani wars of 1965 and 1971, the United States suspended military assistance to both sides, resulting in a cooling of the U.S.-Pakistan relationship. In the mid-1970s, new strains arose over Pakistan's apparent efforts to respond to India's 1974 underground test of a nuclear device by seeking its own capability to build a nuclear bomb. Although limited U.S. military aid to Islamabad was resumed in 1975, it was suspended again by the Carter Administration in April 1979, under Section 669 of the Foreign Assistance Act (FAA), because of Pakistan's secret construction of a uranium enrichment facility.

Following the Soviet invasion of Afghanistan in December 1979, Pakistan was again viewed as a frontline state against Soviet expansionism. An offer to Pakistan of $400 million in economic and security aid by the Carter Administration in early 1980 was turned down by President Zia-ul Haq as "peanuts." In September 1981, however, the Reagan Administration, negotiated a $3.2 billion, 5-year economic and military aid package with Pakistan. Congress facilitated the resumption of aid in December by adding Section 620E to the FAA, giving the President authority to waive Section 669 for 6 years in the case of Pakistan, on grounds of national interest. Pakistan became a funnel for arms supplies to the Afghan resistance, as well as a camp for three million Afghan refugees.

Despite the renewal of U.S. aid and close security ties, many in Congress remained concerned about Pakistan's nuclear program, based, in part, on evidence of U.S. export control violations that suggested a crash program to acquire a nuclear weapons capability. In 1985, Section 620E(e) (the so-called Pressler amendment) was added to the FAA, requiring the President to certify to Congress that Pakistan does not possess a nuclear explosive device during the fiscal year for which aid is to be provided. The Pressler amendment represented a compromise between those in Congress who thought that aid to Pakistan should be cut off because of evidence that it was continuing to develop its nuclear option and those who favored continued support for Pakistan's role in opposing Soviet occupation of Afghanistan. A $4 billion, 6-year aid package for Pakistan was signed in 1986.

U.S. 1990 Aid Cut-off. With the Soviet withdrawal from Afghanistan, beginning in May 1988, however, Pakistan's nuclear activities again came under close U.S. scrutiny. In October 1990, President Bush suspended aid to Pakistan because he was unable to make the necessary certification to Congress. Under the provisions of the Pressler amendment, most economic and all military aid to Pakistan was stopped and deliveries of major military equipment suspended. Narcotics assistance of $3-5 million annually, administered by the State Department's Bureau of International Narcotics Matters, was exempted from the aid cutoff. In 1992, Congress partially relaxed the scope of the aid cutoff to allow for P.L.480 food assistance and continuing support for nongovernmental organizations (NGOs). P.L. 480 food aid totaled about $5 million in both FY1997 and FY1998. The Foreign Operations Appropriations Act for FY1996 included an amendment introduced by Senator Hank Brown that allowed a one-time release to Pakistan of $368 million in military hardware ordered before the 1990 aid cutoff.

One of the most serious results of the aid cutoff for Pakistan was the nondelivery of some 71 F-16 fighter aircraft ordered in 1989. A search was made for a third country buyer in order to reimburse Pakistan $658 million it had paid for 28 of the fighter planes. Deeply frustrated by the nondelivery of its planes and the nonrefund of its money, the Pakistan government reportedly considered going to court over the matter. In December 1998, the

United States agreed to pay Pakistan $324.6 million from the Judgment Fund of the U.S. Treasury – a fund used to settle legal disputes that involve the U.S. government – as well as provide Pakistan with $140 million in goods, including agricultural commodities.

Pakistan-India Rivalry

Three wars – in 1947-48, 1965, and 1971 – and a constant state of military preparedness on both sides of the border have marked the half-century of bitter rivalry between India and Pakistan. The acrimonious nature of the partition of British India into two successor states in 1947 and the continuing dispute over Kashmir have been major sources of tension. Both Pakistan and India have built large defense establishments – including ballistic missile programs and nuclear weapons capability – at the cost of economic and social development. The Kashmir problem is rooted in claims by both countries to the former princely state, divided by a military line of control, since 1948, into the Indian state of Jammu and Kashmir and Pakistan-controlled (Free) Kashmir. India blames Pakistan for supporting a separatist rebellion raging in the Muslim-dominated Kashmir Valley that has claimed 30,000 lives since 1990. Pakistan admits only to lending moral and political support to the rebellion, while accusing India of creating dissension in Pakistan's Sindh province.

Since 1997, India-Pakistan relations have see-sawed. Foreign secretary talks, which had been broken off since January 1994, were reinstated, and three sets of talks were held in 1997. Tensions rose again following the May 1998 nuclear tests by both countries. In February 1999, then Prime Minister Nawaz Sharif and Indian Prime Minister Atal Behari Vajpayee held an historic meeting in Lahore, Pakistan, in which they agreed to take serious steps toward lowering bilateral tensions and resolving longstanding problems, including Kashmir. In May-July 1999, however, tensions rose sharply over an intrusion into the Kargil region of Indian-held Kashmir by irregular forces alleged by India to be supported by the Pakistan army. (See U.S. Nonproliferation Efforts.)

The China Factor. India and China fought a brief border war in 1962, and relations between the two remained tense for three decades, each deploying troops along a line of control that serves as the boundary. In September 1993, China and India signed an agreement to reduce troops and maintain peace along the line of control dividing their forces. Despite this thaw in relations, the India-China boundary has yet to be settled, and India remains suspicious of China's military might. India-China relations suffered a setback as a result of statements by Indian government officials that its May 1998 nuclear tests were prompted in large part by the China threat.

Pakistan and China, on the other hand, have enjoyed a close and mutually beneficial relationship over the same three decades. Pakistan served as a link between Beijing and Washington in 1971, as well as a bridge to the Muslim world for China in the 1980s. China's continuing role as a major arms supplier for Pakistan began in the 1960s, and included helping to build a number of arms factories in Pakistan, as well as supplying arms. In September 1990, China agreed to supply Pakistan with components for M-11 surface-to-surface missiles, which brought warnings from the United States. Although it is not a member of the Missile Technology Control Regime (MTCR), China agreed to abide by the restrictions of the MTCR, which bans the transfer of missiles with a range of more than 300 kilometers and a payload of more than 500 kilograms. In August 1993, the United States determined that China had transferred to Pakistan prohibited missile technology and imposed trade sanctions

on one Pakistan and 11 Chinese entities (government ministries and aerospace companies) for two years. A July 1995 *Washington Post* report quoted unnamed U.S. officials as saying that the U.S. intelligence community had evidence that China had given Pakistan complete M-11 ballistic missiles. In February 1996, the U.S. press reported on leaked U.S. intelligence reports alleging that China sold ring magnets to Pakistan, in 1995, that could be used in enriching uranium for nuclear weapons. Pakistan denied the reports.

On November 21, 2000, the United States imposed 2-year sanctions on the Pakistan Ministry of Defense and Pakistan's Space and Upper Atmosphere Research Organization, as well as Iranian entities, as a result of past Chinese assistance to Pakistani and Iranian missile programs. At the same time, sanctions on China were waived as a result of an agreement by China not to assist other countries in ballistic missile development and to strengthen its export control system. The new sanctions, according to a U.S. State Department spokesman, will have limited impact given preexisting sanctions, but "do send a strong signal that the United States opposes these countries' missile programs."(For background and updates on China-Pakistan technology transfer, see CRS Issue Brief IB92056, *Chinese Proliferation of Weapons of Mass Destruction: Current Policy Issues*.)

Pakistan Political Setting

On October 12, 1999, the Pakistan army under Chief of Army Staff General Pervez Musharraf carried out a bloodless coup that deposed then-Prime Minister Nawaz Sharif and put him under house arrest, a few hours after Sharif had announced the replacement of the army chief. The coup followed several weeks of rumors of a power struggle between Sharif and Musharraf, according to U.S. intelligence analysts and Pakistani officials. Subsequently, Sharif appeared to have resolved his dispute with Musharraf, but then fired him without prior notice while the latter was on a visit to Sri Lanka.

On October 14, Gen. Musharraf suspended the constitution and the parliament and named himself chief executive. In an October 18 televised address to the nation, Musharraf pledged to: eventually restore civilian rule; reform corrupt government institutions; revive the nation's economy; reduce troops on the Indian border; use restraint in nuclear weapons policy; and promote a moderate form of Islam. Nawaz Sharif and six other defendants were charged with attempted murder and kidnaping for denying landing access to the plane returning Gen. Musharraf and 200 other passengers from Sri Lanka to Karachi on October 12. The United States urged the Pakistan military government to provide a transparent, fair, and impartial trial of the former prime minister and to set a timetable for the restoration of democracy.

On April 6, 2000, Nawaz Sharif was convicted of hijacking and terrorism and sentenced to life imprisonment. Sharif's six co-defendants, including his brother, were acquitted of all charges. Appeals were filed. On May 12, the Pakistan Supreme Court upheld the legality of the October 12 coup led by Gen. Musharraf. While ruling that widespread corruption and economic mismanagement under the Sharif government justified the coup, the court gave the military government until October 12, 2002, to accomplish economic and political reform and ordered parliamentary elections to be held no more than 90 days thereafter. On May 25, Gen. Musharraf stated in a press conference that he would honor the Supreme Court timetable. On August 14, Gen. Musharraf announced details of a controversial plan to return the country to democracy, beginning with local council elections in 2001. One-third of the council seats

reportedly will be reserved for women, who also will be able to contest the general seats. Most political parties opposed the plan, which calls for the local elections to be held on a non-party basis.

In a surprise move on December 10, 2000, the Pakistan military government pardoned Nawaz Sharif of his prison sentence and allowed him to go into exile in Saudi Arabia, along with 17 members of his family. Sharif remains disqualified from public office for 21 years and was required to forfeit about $9 million in property. Taken by surprise by the development were Pakistan's political parties – including Sharif's Pakistan Muslim League and former Prime Minister Benazir Bhutto's Pakistan People's Party – which had recently formed an 18-party Alliance for the Restoration of Democracy. A U.S. State Department spokesman welcomed Sharif's release and urged the military government to restore civilian democratic institutions as soon as possible.

Background. Military regimes have ruled Pakistan for half of its 53 years, interspersed with periods of generally weak civilian governance. After 1988, Pakistan had democratically elected governments, and the army appeared to have moved from its traditional role of power wielder or kingmaker toward one of power broker or referee. During the past decade, Benazir Bhutto – leader of the Pakistan People's Party (PPP) – and Nawaz Sharif – head of the Pakistan Muslim League (PML) – each served twice as prime minister. Bhutto was elected prime minister in October 1988, following the death of military ruler Mohammad Zia-ul Haq in a plane crash. General Zia had led a coup in 1977 deposing Bhutto's father, Prime Minister Zulfiqar Ali Bhutto, who was later executed. Despite the restoration of democratic process to Pakistan in 1988, the succeeding years were marred by political instability, economic problems, and ethnic and sectarian violence. In August 1990, President Ishaq Khan dismissed Bhutto for alleged corruption and inability to maintain law and order. The president's power to dismiss the prime minister derived from Eighth Amendment provisions of the Pakistan constitution, which dated from the era of Zia's presidency.

Elections held in October 1990 brought to power Nawaz Sharif, who also was ousted, in 1993, under the Eighth Amendment provisions. The 1993 elections returned Bhutto and the PPP to power. The new Bhutto government faced serious economic problems, including drought-induced power shortages and crop failures, as well as increasing ethnic and religious turmoil, particularly in Sindh Province. According to some observers, the Bhutto government's performance also was hampered by the reemergence of Bhutto's husband, Asif Ali Zardari, in a decisionmaking role. Zardari's role in the previous Bhutto government was believed to have been a factor in her dismissal. He served two years in jail on corruption charges, but subsequently was acquitted. In November 1996, President Farooq Leghari dismissed the Bhutto government for "corruption, nepotism, and violation of rules in the administration of the affairs of the Government" and scheduled new elections for February 1997. Zardari was placed under detention by the interim government, where he currently remains.

Nawaz Sharif's PML won a landslide victory in the February 1997 parliamentary elections, which, despite low voter turnout, international observers judged to be generally free and fair. Sharif moved quickly to consolidate his power by curtailing the powers of the President and the judiciary. In April 1997, the Parliament passed the Thirteenth Amendment to the constitution, which deleted the President's former Eighth Amendment powers to dismiss the government and to appoint armed forces chiefs and provincial governors. The

new amendment was passed unanimously by both houses of parliament and signed by President Leghari.

In November 1997, President Leghari was drawn into a dispute between Prime Minister Sharif and Supreme Court Chief Justice Sajjad Ali Shah over the appointment of judges. In the ensuing power struggle and constitutional crisis, Leghari resigned as president, and Shah was replaced as chief justice. Sharif chose Mohammad Rafiq Tarar to succeed Leghari as president. As a result of these developments and the PML control of the Parliament, Nawaz Sharif emerged as one of Pakistan's strongest elected leaders since independence. His critics accused him of further consolidating his power by intimidating the opposition and the press. In April 1999, a two-judge Ehtesab (accountability) Bench of the Lahore High Court convicted former Prime Minister Benazir Bhutto and her husband of corruption and sentenced them to 5 years in prison, fined them $8.6 million, and disqualified them from holding public office. Bhutto was out of the country at the time. In commenting on the conviction, the Human Rights Commission of Pakistan noted: "...the selective manner in which *ehtesab* has been conducted by the executive smacks of political vindictiveness." International human rights groups also expressed concern about increasing reports of alleged illegal detention and intimidation of journalists and harassment of independent newspapers by the Nawaz Sharif government.

Pakistan-U.S. Relations and Bilateral Issues

U.S. policy interests in Pakistan encompass a wide range of issues, including nuclear weapons and missile proliferation; South Asian regional stability; democratization and human rights; economic reform and market opening; and efforts to counter terrorism and narcotics. These concerns have been affected by several developments in recent years, including 1) the cutoff of U.S. aid to Pakistan in 1990 and 1998 over the nuclear issue; 2) India and Pakistan's worsening relationship over Kashmir since 1990, and their continuing nuclear standoff; and 3) Pakistan's see-saw attempts to develop a stable democratic government and strong economy in the post-Cold War era.

On March 25, 2000, President Clinton visited Pakistan as part of a one-week trip to South Asia, which included a one-day visit to Bangladesh and the majority of the time spent visiting India. In Islamabad, the President met with Chief Executive Gen. Pervez Musharraf and urged the military leadership to develop a timetable and a roadmap for restoring democracy and to use its influence with the Taliban government of Afghanistan to close down terrorist training camps in that country. Gen. Musharraf reportedly agreed to take up the issue of terrorist training camps with the Taliban. He announced that local elections will be held before August 2001, but gave no timetable for national elections. During an address to the Indian parliament and a televised address to the Pakistani people, President Clinton urged both countries to reconsider their nuclear programs, create a proper climate for peace, and restart dialogue on Kashmir and other bilateral issues. (See also CRS Report RS20508, *President Clinton's South Asia Trip*.)

Security

Nuclear Weapons and Missile Proliferation. On May 11 and 13, 1998, India conducted a total of five underground nuclear tests, breaking a 24-year self-imposed moratorium on nuclear testing. Despite U.S. and world efforts to dissuade it, Pakistan followed, claiming five tests on May 28, 1998, and an additional test on May 30. The unannounced tests created a global storm of criticism, as well as a serious setback for two decades of U.S. nuclear nonproliferation efforts in South Asia. (See also CRS Report 98-570, *India-Pakistan Nuclear Tests and U.S. Response* and CRS Report RL30623, *Nuclear Weapons and Ballistic Missile Proliferation in India and Pakistan: Issues for Congress*.)

On May 13, 1998, President Clinton imposed economic and military sanctions on India, mandated by section 102 of the Arms Export Control Act (AECA), and applied the same sanctions to Pakistan on May 30. Humanitarian assistance, food, or other agricultural commodities are excepted from sanctions under the law. In November1998, the U.S. Department of Commerce published a list of more than 300 Indian and Pakistani government agencies and companies suspected of working on nuclear, missile, and other weapons programs. Any U.S. exports to these entities will require a Commerce Department license, and most license requests reportedly will be denied. On the one hand, Pakistan is less affected than India by the sanctions, since most U.S. assistance to Pakistan has been cut off since 1990. On the other hand, Pakistan's much smaller – and currently weaker – economy is more vulnerable to the effects of the sanctions.

U.S. policy analysts consider the continuing arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons. India conducted its first, and only, previous nuclear test in May 1974, following which it maintained ambiguity about the status of its nuclear program. Pakistan probably gained a nuclear weapons capability sometime in the 1980s. India is believed to have enough plutonium for 75 or more nuclear weapons. Pakistan may have enough enriched uranium for 25 nuclear weapons. Both countries have aircraft capable of delivering weapons. India has short-range missiles (Prithvi) and is developing an intermediate-range ballistic missile (Agni) with enough payload to carry a nuclear warhead. Pakistan reportedly has acquired technology for short-range missiles from China (Hatf) and medium-range missiles from North Korea (Ghauri), capable of carrying small nuclear warheads.

Proliferation in South Asia is part of a chain of rivalries — India seeking to achieve deterrence against China, and Pakistan seeking to gain an "equalizer" against a larger and conventionally stronger India. India began its nuclear program in the mid-1960s, after its 1962 defeat in a short border war with China and China's first nuclear test in 1964. Despite a 1993 Sino-Indian troop reduction agreement and some easing of tensions, both nations continue to deploy forces along their border. Pakistan's nuclear program was prompted by India's 1974 nuclear test and by Pakistan's defeat by India in the 1971 war and consequent loss of East Pakistan, now independent Bangladesh.

U.S. Nonproliferation Efforts. Neither India nor Pakistan are signatories of the Nuclear Nonproliferation Treaty (NPT) or the Comprehensive Test Ban Treaty (CTBT). India has consistently rejected both treaties as discriminatory, calling instead for a global nuclear disarmament regime. Pakistan traditionally has maintained that it will sign the NPT and CTBT only when India does so. Aside from security concerns, the governments of both

countries are faced with the prestige factor attached to their nuclear programs and the domestic unpopularity of giving them up.

U.S. efforts to mobilize international pressure following the South Asian nuclear tests resulted in strong resolutions by the UN Security Council and the Group of Eight (G-8) urging India and Pakistan to sign the CTBT. In the aftermath of the 1998 nuclear tests, Deputy Secretary of State Strobe Talbott began a series of meetings with high-level Indian and Pakistani officials. In a November 12,1998 speech at the Brookings Institution, Talbott outlined U.S. goals in imposing the sanctions. He stated the continuing U.S. commitment to the long-range goal of universal adherence to the Nuclear Nonproliferation Treaty (NPT), saying: "We do not, and will not, concede, even by implication, that India and Pakistan have established themselves as nuclear weapons states under the NPT." He noted, however, the U.S. recognition that progress toward that goal "must be based on India's and Pakistan's conceptions of their own national interests." The steps outlined by Talbott that the United States is urging India and Pakistan to take to avoid "a destabilizing nuclear and missile competition" and their current status, follow:

Halt further nuclear testing and sign and ratify the CTBT. Both India and Pakistan are currently under self-imposed moratoriums on nuclear testing. In speeches before the September 1998 meeting of the UN General Assembly, the prime ministers of both countries announced their intention to sign the CTBT before September 1999. Japan – the largest bilateral aid donor for both countries – has made resumption of its aid programs contingent on signing the CTBT and assurances not to transfer nuclear technology or material to any other country. Both countries apparently believe, however, that the U.S. failure to ratify the CTBT in 1999 has given them some breathing space.

Halt fissile material production; cooperate in Fissile Material Control Treaty (FMCT) negotiations. Both India and Pakistan agreed in July 1998 to participate in negotiations on the FMCT. In late 1998, India indicated its unwillingness to halt fissile material production prior to a FMCT. Pakistan, with a somewhat smaller estimated stockpile than India's, would probably be even more reluctant.

Refrain from deploying or testing ballistic missiles. The United States has urged India and Pakistan – with little success – to adopt a package of constraints on development, flight testing, and storage of missiles, and basing of nuclear-capable aircraft. On April 11, 1999, India tested its intermediate-range Agni II missile, firing it a reported distance of 1,250 miles. On April 14-15, Pakistan countered by test firing its Ghauri II and Shaheen missiles with a reported range of 1,250 and 375 miles, respectively. U.S. officials expressed regret over the South Asian missile testing and noted that it could cause a delay in efforts to lift nuclear sanctions against India and Pakistan. In other international reaction, Japan and Russia also expressed serious concern over the missile tests and the possibility of further escalation of tensions in the region. On January 17, 2001, India again successfully test-fired its Agni II missile.

Maintain and formalize restraints on sharing sensitive goods and technologies with other countries. Both India and Pakistan are believed to have good records on nonproliferation of sensitive technologies. In December 1998, the Indian government announced tightening of controls to prevent the export of sensitive technologies. In March 1999, the Pakistan government reportedly issued a statutory regulatory order to

control the export of nuclear technology. Both Pakistan and India have held several rounds of expert-level talks with U.S. officials on export controls since the May 1998 nuclear tests.

Reduce bilateral tensions, including Kashmir. Beginning in 1990, with the increasing friction between India and Pakistan over Kashmir, the United States strongly encouraged both governments to institute confidence-building measures in order to reduce tensions. Measures agreed to so far include: agreement on advance notice of military movements; establishment of a military commander "hotline"; an exchange of lists of nuclear installations and facilities; agreement not to attack each other's nuclear facilities; a joint ban on use and production of chemical weapons; and measures to prevent air space violations. Following their 1998 nuclear tests, India and Pakistan began a new round of high-level talks on major bilateral issues including Kashmir; the Siachen Glacier military standoff; the Sir Creek maritime boundary dispute; the Wuller Barrage/Tulbul Navigation Project dispute over sharing of the Jhelum River waters; terrorism and drug trafficking; economic and commercial cooperation; and promotion of friendly exchanges in various fields. In February 1999, Prime Minister Vajpayee took an historic bus ride to Pakistan to hold talks with then Prime Minister Nawaz Sharif. The two leaders signed the Lahore Declaration in which they agreed to intensify efforts to resolve all issues, including Jammu and Kashmir and to take a number of steps to reduce tensions between their countries.

The prospects for India-Pakistan detente suffered a severe setback in May-July 1999, when the two countries teetered on the brink of their fourth war, once again in Kashmir. In the worst fighting since 1971, Indian soldiers sought to dislodge some 700 Pakistan-supported infiltrators who were occupying fortified positions along mountain ridges overlooking a supply route on the Indian side of the line of control (LOC) near Kargil. Following a meeting on July 4, between Pakistan Prime Minister Nawaz Sharif and President Clinton in Washington, the infiltrators withdrew across the LOC. (See CRS Report RS20277, *Recent Developments in Kashmir and U.S. Concerns*.)

Tensions between India and Pakistan remained extremely high in the wake of the Kargil conflict, which cost more than 1,100 lives. Cross-border firing and shelling – one barometer of bilateral relations – continued at high levels. In August 1999, an Indian jet fighter shot down a Pakistani naval aircraft flying near the southwestern end of the border between the two countries, killing all 16 people aboard. India claimed the plane was shot down over Indian territory after refusing to obey radio calls to land, while Pakistan claimed the plane was shot down over its own territory. The October 1999 military coup in Pakistan slowed further any progress on India-Pakistan detente.

In January 2000, India accused Pakistan of being behind the December 1999 hijacking of an Indian Airlines plane, and urged the United States and other countries to declare Pakistan a terrorist state. Pakistani officials denied the charges, calling it part of an ongoing attempt by India to isolate Pakistan diplomatically and have it placed on the U.S. list of state sponsors of terrorism. The Indian Airlines plane, which was hijacked on a flight between Kathmandu and New Delhi, was flown to Kandahar, Afghanistan, where it remained until the crisis ended on December 31. After prolonged talks with Indian government negotiators, the five hijackers released the more than 150 passengers and crew members in return for the release of three Muslim militants being held in Indian jails. One passenger was killed during the course of the hijacking. According to India, the hijackers and the released prisoners were

mostly Pakistanis sympathetic to the Kashmiri separatist movement in India's Jammu and Kashmir state.

The United States has strongly urged India and Pakistan to create the proper climate for peace, respect the LOC, reject violence, and return to the Lahore peace process. In 2000, General Musharraf made several offers to hold talks with India, "anytime, anywhere." New Delhi rejected these offers, however, because they weren't accompanied by a cessation of "cross-border terrorism." On July 24, the Hizbul Mujahideen (HM) – the largest Kashmiri militant group – made a surprise announcement of a unilateral cease-fire to provide an opportunity for dialogue with the Indian government. New Delhi suspended its military operations and began talks with the HM on August 3, to set ground rules for a cease-fire. The Kashmiri people – caught for a decade in a crossfire of violence and human rights violations – reportedly welcomed the development with hopeful anticipation. On August 8, however, the HM ended the cease-fire, as India and Pakistan accused each other of torpedoing the peace process.

Congressional Action. In October 1998, Congress gave the President authority to waive for one year some economic sanctions on India and Pakistan under the India-Pakistan Relief Act of 1998 (popularly referred to as the Brownback amendment), which was signed into law as part of the Omnibus Appropriations Act. In November 1998, President Clinton restored some non-military aid programs in India and lifted restrictions on the activities of U.S. banks in India and Pakistan.

In 1999, a number of bills were proposed to address the sanctions issue. In October, Congress passed H.R. 2561, the Department of Defense Appropriations Act, 2000, and it was signed by the President as P.L. 106-79 on October 29. Title IX of the act gives the President authority to waive sanctions applied against India and Pakistan affecting nonmilitary programs, foreign assistance, commercial financing, and Export-Import Bank financing. In a presidential determination on India and Pakistan issued on October 27, 1999, the President waived economic sanctions on India. As a result of Pakistan's October 1999 military coup, which triggered sanctions under Section 508 of the Foreign Appropriations Act, sanctions were waived relating only to assistance for food and other agricultural commodity purchases and for U.S. bank loans or credits. The Foreign Operations Export Financing and Related Agencies Appropriations Act, 2001, however, provided an exception under which Pakistan can be provided U.S. foreign assistance funding for basic education programs (P.L. 106-429; sec.597). Currently, U.S. assistance to Pakistan is limited mainly to refugee and counter-narcotics assistance. (See CRS Report RL30384, *Economic Sanctions: Legislation in the 106th Congress* and CRS Report 98-486 A, *Nuclear Sanctions: Section 102(b) of the Arms Export Control Act and Its Application to India and Pakistan*.)

Pakistan-U.S. Military Cooperation. The U.S. and Pakistan militaries have enjoyed a close working relationship for several decades. Although military assistance is barred under the aid cutoff, some communication and cooperation has continued. Pakistan has been a leading country in supporting U.N. peacekeeping efforts with troops and observers. Some 5,000 Pakistani troops were stationed in Saudi Arabia and the United Arab Emirates as part of the U.S.-led Persian Gulf War efforts in 1990. Pakistani troops played an important role in the U.S.-led humanitarian operations in Somalia from 1992 to 1994. In 2000, there were 1,200 Pakistani troops and observers participating in U.N. peacekeeping efforts in East Timor, Kosovo, Bosnia, Congo, Sierra Leone, and other countries.

Democratization and Human Rights

Democratization Efforts. The United States considers the October 1999 Pakistan military coup to be a serious setback to the country's efforts to return to the democratic election process beginning in 1988. National elections, judged by domestic and international observers to be generally free and fair, were held in 1988, 1990, 1993, and 1997. Key to this development was the apparent willingness of the Pakistan military to step back and allow the evolution of a democratic polity. During several political crises in the 1990s, various chiefs of army staff (COAS) brokered settlements under which new elections were held. In October 1998, COAS Gen. Jehangir Karamat resigned, in an apparent disagreement with Prime Minister Nawaz Sharif, and was replaced as COAS by General Pervez Musharraf.

Despite the stepping back of the military, Pakistan democracy between 1988 and 1999 was marred by wide-scale corruption, volatile mass-based politics, and a continuing lack of symmetry between the development of the military and civilian bureaucracies and political institutions. The politics of confrontation between parties and leaders flourished at the expense of effective government; frequent walkouts and boycotts of the national and provincial assemblies often led to paralysis and instability. The major political parties lacked grassroots organization and failed to be responsive to the electorate. The overwhelming parliamentary victory of the PML in the February 1997 elections – based on low voter turnout – led to the concentration of power in the hands of former Prime Minister Nawaz Sharif.

Human Rights Problems. The U.S. State Department, in its *Pakistan Country Report on Human Rights Practices for 2000* (issued February 2001), noted that, although Pakistan's human rights record remained poor under the military government, there were improvements in some areas, including freedom of the press. Citizens continue to be denied the right to choose or change their government peacefully since the October 1999 coup. In May 2000, however, General Musharraf promised to abide by a Supreme Court ruling that national elections will be held no later than 90 days after October 12, 2002. The State Department report cited continuing problems of police abuse, religious discrimination, and child labor. Security forces were cited for committing extrajudicial killings (although fewer than in 1999), using arbitrary arrest and detention, torturing and abusing prisoners and detainees, and raping women. Political and religious groups also engaged in killings and persecution of their rivals and ethnic and religious minorities. Politically motivated violence and a deteriorating law and order situation reportedly continued to be a serious problem in 2000, although less so following the October 1999 coup. In 1998-2000, an estimated 300 people were killed as a result of sectarian violence, mainly between Sunni and Shia extremist groups.

In recent years, the Human Rights Commission of Pakistan and Amnesty International have issued reports critical of abuses of the rights of women and minorities. According to the reports, rape is a serious problem, particularly rape of minors and gang rape. The State Department human rights report also noted a high rate of abuse of female prisoners – including rape and torture – by male police officers. Women also suffer discrimination in education, employment, and legal rights. The adult literacy rate for men in Pakistan is about 50% and for women about 24%. Religious minorities – mainly Christians, Hindus, and Ahmadi Muslims – reportedly are subjected to discriminatory laws and social intolerance. A 1974 amendment to the Pakistan constitution declared Ahmadis to be a non-Muslim minority because they do not accept Muhammad as the last prophet. The Zia government,

in 1984, made it illegal for an Ahmadi to call himself a Muslim or use Muslim terminology. Blasphemy laws, instituted under the Zia regime and strengthened in 1991, carry a mandatory death penalty for blaspheming the Prophet or his family. Blasphemy charges reportedly are usually brought as a result of personal or religious vendettas. A reported 35 Ahmadis have been charged with blasphemy since October1999. Four Christians charged with the crime were murdered in 1993.

Economic Issues

Economic Reforms and Market Opening. Pakistan's current military government inherited an economy in recession. A decade of political instability left a legacy of soaring foreign debt, declining production and growth rates, failed economic reform policies, and pervasive corruption. Although Gen. Musharraf has pledged to make economic revival a priority, Finance Minister Shaukat Aziz has his work cut out for him. Foreign debt totals more than $32 billion; foreign reserves are less than $1.5 billion (about 6 weeks of imports); gross domestic product (GDP) growth rate (usually averaging 5-6%) reportedly has slipped closer to 3%; and both agricultural and industrial growth have dropped sharply since 1998.

Over the long term, analysts believe Pakistan's resources and comparatively well-developed entrepreneurial skills hold promise for more rapid economic growth and development. This is particularly true for Pakistan's textile industry, which accounts for 60% of Pakistan's exports. Analysts point to the pressing need to broaden the country's tax base in order to provide increased revenue for investment in improved infrastructure, health, and education, all prerequisites for economic development. Less than 1% of Pakistanis currently pay income taxes. Agricultural income has not been taxed in the past, largely because of the domination of parliament and the provincial assemblies by wealthy landlords.

Pakistan's wealth traditionally has been concentrated in the hands of a relatively few socially dominant large landowners and a small group of commercial and industrial families. As a result of nationalization in the 1970s, about 40% of the country's manufacturing value until recently was produced by public sector industries. Spurred by dwindling foreign exchange reserves, growing budget deficits, and prodding by international lenders, in 1991 the first Nawaz Sharif government began an economic reform program including lowering trade barriers; providing investment incentives; and privatizing some of the country's 115 state-owned industries. In the succeeding decade, however, Pakistan's economic reforms fell victim to political instability and a host of other problems, including floods, drought, crop viruses, rising unemployment, strikes, a bloated and inefficient bureaucracy, widespread tax evasion, weak infrastructure, and a defense budget that absorbs nearly 40% of government spending.

Successive Bhutto and Sharif governments made agreements with the International Monetary Fund (IMF), promising austerity, deficit reduction, and improved tax collection in return for loans and credits. Little, if any, of these programs appear to have been carried out. Moreover, in 1998, a 3-year IMF loan package of $1.6 billion was suspended as a result of Pakistan's nuclear tests. By January 1999, the Nawaz Sharif government had reached an agreement with the international financial institutions that called for a financial assistance package of $5 billion, including $1.6 billion in loans and the rest in debt rescheduling. The program was placed on hold in May 1999, however, because of Islamabad's failure to meet the loan conditions, including broadening sales tax, taxing agricultural income, and resolving

a dispute with foreign-backed power producers. In May 2000, the military government began distributing questionnaires to Pakistani retailers designed to register them for a general sales tax. Shop owners in the major cities responded by closing their shops in protest for five days. Pakistani traders have resisted all efforts by previous governments to enforce a sales tax, which reportedly is collected by less than 20,000 of the country's 2.5 million businesses. Pakistan's underground economy is estimated to equal the country's gross domestic product of $60 billion.

In November 2000, the IMF voted (with the United States abstaining) to give Pakistan a $596 million standby loan. Although $192 million was released immediately, further payments are dependent on Pakistan instituting economic reforms, including widening the tax base, improving fiscal controls, and increasing spending on poverty reduction projects. On January 23, the Paris Club of creditor nations agreed to reschedule $1.7 billion in repayments on Pakistan's foreign debt of $32 billion.

Trade and Trade Issues. In 1999, U.S. exports to Pakistan totaled $426 million and imports from Pakistan totaled $1.7 billion. The United States has been strongly supportive of Pakistan's economic reform efforts, begun under the first Nawaz Sharif government in 1991. According to the report for 1998 of the U.S. Trade Representative (USTR), however, "many of Pakistan's trade practices have not been brought into conformity with announced policy," and a number of trade barriers remain. In December 1998 – as part of the IMF/World Bank agreement – Pakistan committed to reducing its maximum import tariff from 45% to 35%; it committed conditionally to further reduce its maximum import tariff to 25%-35% by June 2000. Some items are either restricted or banned from importation for reasons related to religion, national security, luxury consumption, or protection of local industries. U.S. companies have complained repeatedly about violations of their intellectual property rights in the areas of patents and copyrights. Pakistan's patent law currently protects only processes, not products, from infringement. A 1992 Pakistan copyright law that provides coverage for such works as computer software and videos is being enforced but has resulted in a backlog of cases in the court system. The International Intellectual Property Alliance estimated trade losses of $80 million in 1998, as a result of pirated films, sound recordings, computer programs, and books.

Narcotics

In recent years, the Pakistan-Afghanistan border region has supplied a reported 20%-40% of heroin consumed in the United States and 70% of that consumed in Europe. The region is second only to Southeast Asia's Golden Triangle as a source of the world's heroin. Opium grown in Afghanistan and Pakistan is processed into heroin in more than 100 illegal laboratories in the border region. Although much of the heroin is smuggled by land and sea routes to Europe and the United States, a substantial portion is consumed by Pakistan's rapidly growing domestic market. The Pakistan government estimates the 4 million drug addicts in the country include 1.5 million addicted to heroin. According to some experts, Pakistan's drug economy amounts to as much as $20 billion. Drug money reportedly is used to buy influence throughout Pakistan's economic and political systems.

Pakistan's counter-narcotics efforts are hampered by a number of factors, including lack of government commitment; scarcity of funds; poor infrastructure in drug-producing regions; government wariness of provoking unrest in tribal areas; and corruption among police,

government officials, and local politicians. U.S. counter-narcotics aid to Pakistan, administered by the State Department's Bureau of International Narcotics and Law Enforcement Affairs, totaled $2.5 million in FY2000, with $3.5 million requested for FY2001. The major counter-narcotics efforts engaged in by the Pakistan government, some of which receive U.S. or UN support, include: improved law enforcement; reduction of demand; opium crop destruction and crop substitution; and outreach programs that include supplying roads, irrigation, drinking water, and schools to remote tribal areas.

In March 2001, President Bush submitted to Congress his annual list of major illicit drug producing and transiting countries eligible to receive U.S. foreign aid and other economic and trade benefits. Pakistan was among the countries certified as having cooperated fully with the United States in counter-narcotics efforts, or to have taken adequate steps on their own. In 2000, according to the report, Pakistan made good progress toward eliminating opium production by reducing poppy cultivation by 67%. Pakistan, however, faces major challenges as a transit country resulting from increased production of opium in Afghanistan. Cooperation with the United States on counter-narcotics efforts was described as excellent, including arrests, extradition, and poppy eradication.

Terrorism

In testifying before the House International Relations Committee in July 2000, U.S. Coordinator for Counterterrorism Michael A. Sheehan stated that "Pakistan has a mixed record on terrorism." Although it has cooperated with the United States and other countries on the arrest and extradition of terrorists, "Pakistan has tolerated terrorists living and moving freely within its territory." He further noted that although Pakistan is itself a victim of terrorism, it "bears some responsibility for the current growth of terrorism in South Asia. That we are allies makes it all the more important that we cooperate to rid the area of terrorism." In early 2001, the U.S. Federal Bureau of Investigation began offering anti-terrorism training courses for Pakistan police officers in the United States.

According to the U.S. State Department report on global terrorism for 1999, there was continuing terrorist-related violence in Pakistan as a result of domestic conflicts between sectarian and political groups. Much of the violence in Punjab province reportedly related to rivalry between the extremist Sunni militant group Sipah-i-Sahaba Pakistan and their Shiite counterpart, Sipah-i-Muhammad Pakistan. In Sindh province – and particularly in Karachi – violence and terrorist incidents related to struggles between the government and the Muttahida Quami Movement (MQM) political party, which represents Urdu-speaking Muslims, and their descendants, who migrated from India at the time of Partition in 1947. Domestic violence reportedly lessened significantly following the October military coup.

In February 1995, Pakistan and U.S. officials cooperated closely in apprehending in Islamabad the suspected mastermind of the New York World Trade Center bombing, who was quickly extradited to the United States. In a possibly related incident, two Americans on their way to work at the U.S. consulate in Karachi were shot and killed in March 1995. On November 12, 1997, four American employees of Union Texas Petroleum Co. and their Pakistani driver were killed in a terrorist attack in Karachi. Some observers have speculated that the killings may be linked to the November 10 conviction of Pakistani Mir Aimal Kansi (or Kasi) for the murder of two CIA employees in 1993. On June 5, 1998, the U.S. State Department announced a reward of up to $2 million, under its Counter-Terrorism Rewards

Program, for information leading to the arrest or conviction of those individuals responsible for the deaths of the four Americans. On November 12, six rockets were fired at U.S. and UN offices in Islamabad, including the American Embassy. The coordinated attacks, which caused little damage, were believed to be linked to UN-mandated sanctions on Afghanistan's Taliban government, which took effect on November 14.

India continues to claim official Pakistan support for militants fighting in Kashmir, while Pakistan maintains that it provides only political and moral support. In 1998-99, India claimed that Pakistan was responsible for a series of terrorist attacks on Hindu Pandit villages in remote areas in which families were brutally killed and their villages burned. There have been allegations that four Western tourists, including American Donald Hutchings, kidnaped in 1995, may have been killed by militants associated with a Pakistan-based group, Harakat ul-Mujahidin (HUM). Since October 1997, the HUM has been on the U.S. State Department's list of foreign terrorist organizations. The HUM is widely believed to be responsible for the December 1999 hijacking to Afghanistan of an Indian Airlines plane. Many of the charges against Pakistan appear to stem from the presence of several thousand Islamic fundamentalists from various countries who went to Pakistan to participate in the Afghanistan war and who remained in the Peshawar area. Some of these fundamentalist groups allegedly have been involved in assisting the Kashmir separatist movement with Pakistan government support. In the North-West Frontier Province, many religious schools suspected to be fronts for terrorist training activities reportedly receive funding from Iran and Saudi Arabia.

CHRONOLOGY

03/25/00 — During a visit to Islamabad, President Clinton met with Chief Executive Gen. Pervez Musharraf and urged the military leadership to develop a timetable and a roadmap for restoring democracy.

10/12/99 — The Pakistan Army under Chief of Army Staff General Pervez Musharraf deposed Prime Minister Nawaz Sharif in a bloodless coup a few hours after the Prime Minister had announced the army chief's replacement.

07/04/99 — Following a meeting in Washington, Prime Minister Nawaz Sharif and President Clinton issued a joint statement in which they agreed that "concrete steps will be taken for the restoration of the Line of Control, in accordance with the Simla Agreement." They further agreed that "the dialogue begun in Lahore in February [1999] provides the best forum for resolving all issues dividing India and Pakistan, including Kashmir." President Clinton promised to "take a personal interest in encouraging an expeditious resumption and intensification of those bilateral efforts."

12/02/98 — President Clinton and Prime Minister Nawaz Sharif held talks in the White House, during which they reached an agreement on the longstanding F-16 fighter plane issue.

05/28/98 — Pakistan announced that it had carried out five underground nuclear tests. A sixth test was carried out on May 30. On May 30, President Clinton imposed economic and military sanctions on Pakistan, as mandated by section 102 of the Arms Export Control Act.

04/06/95 — Pakistan Prime Minister Benazir Bhutto began a 10-day official visit to the United States, during which she met with President Clinton, Members of Congress, Congressional committees, and U.S. business leaders.

07/14/93 — Pakistan was removed from the informal terrorist watch list because the State Department had determined that Pakistan had implemented "a policy of ending official support for terrorists in India."

01/09/93 — The United States warned Pakistan that it was the subject of "active continuing review" for possible inclusion on the State Department's list of terrorist states for its alleged support of terrorist activities in the Indian states of Punjab and Kashmir.

10/01/90 — Pakistan became ineligible for new U.S. assistance when President Bush failed to certify under Section 620E(e) (the "Pressler Amendment") that Pakistan did not possess a nuclear device.

05/15/88 — Soviet forces began withdrawing from Afghanistan.

10/18/86 — President Reagan signed a foreign aid bill that included a 6-year, $4 billion package of economic and military aid for Pakistan.

08/08/85 — The "Pressler Amendment" (Section 620E(e) of the Foreign Assistance Act) was signed into law, requiring the President to certify to Congress that Pakistan does not possess a nuclear explosive device during the fiscal year for which U.S. aid is to be provided.

09/05/81 — The United States and Pakistan announced agreement on a 6-year, $3.2 billion package of economic and military aid.

12/27/79 — Soviet forces invaded Afghanistan.

04/06/79 — The Carter Administration invoked Section 669 of the Foreign Assistance Act to suspend U.S. aid to Pakistan because of its acquisition of unsafeguarded uranium enrichment technology.

03/05/59 — A U.S.-Pakistan bilateral agreement on military cooperation was signed.

09/08/54 — The Southeast Asia Treaty Organization (SEATO) was established under a collective defense treaty signed in Manila by the United States, Pakistan, Australia, France, Great Britain, New Zealand, Thailand, and the Philippines.

05/19/54 — The United States and Pakistan signed a Mutual Assistance Defense Agreement.