Order Code IB94041

Issue Brief for Congress

Pakistan-U.S. Relations

Updated February 27, 2003

K. Alan Kronstadt
Foreign Affairs, Defense, and Trade Division

CONTENTS

Pakistan-U.S. Relations

SUMMARY

Major areas of U.S. concern regarding Pakistan include the proliferation of weapons of mass destruction; counterterrorism; settlement of the Kashmir dispute; democratization and human rights; and economic reform and development. A potential Pakistan-India nuclear arms race continues to be the focus of U.S. nonproliferation efforts in South Asia and a central 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 observers as an arena for the possible use of such weapons, as both countries have deployed nuclear-capable ballistic missiles and institutionalized nuclear command structures. India and Pakistan have fought three full-scale wars since 1947.

Pakistan-U.S. cooperation began in the mid-1950s as a security arrangement growing from U.S. concerns about Soviet expansionism and Pakistan's fear of neighboring India. Cooperation peaked during the 1979-89 Soviet occupation of Afghanistan. Pakistan-U.S. ties weakened following the October 1990 cutoff of U.S. aid and arms sales to Islamabad, which were suspended by President Bush under Section 620E(e) of the Foreign Assistance Act (the so-called Pressler Amendment). Further U.S. sanctions were imposed on Pakistan (and India) as a result of 1998 nuclear tests.

The uneven Pakistan-U.S. relationship has been on the upswing following Pakistan's enlistment as a frontline state in the U.S.-led anti-terror efforts after September 2001 attacks on the United States. Nuclear-related sanctions on Pakistan and India have been waived; Congress also has granted the President authority to waive coup-related sanctions on Pakistan. Islamabad continues to make important contributions to U.S.-led anti-terror efforts, though recent months have seen renewed doubts about Islamabad's commitment to core U.S. concerns in the region.

Separatist violence in the disputed Kashmir region continues. India blames Pakistan for the ongoing infiltration of Islamic militants into Indian Kashmir, a charge Islamabad denies. The United States has received a pledge from Islamabad that all "cross-border terrorism" in the region will be ended, and it encourages renewed bilateral dialogue between Islamabad and New Delhi.

The United States considers a stable, democratic, economically thriving Pakistan as key to U.S. interests in South, Central, and West Asia. The history of Pakistani democracy and constitutionalism is a troubled one, with three full-scale military coups and military regimes ruling the country for half of its existence. Most recently, in October 1999, the government of Prime Minister Sharif was ousted in an extra-constitutional coup led by Army Chief Gen. Pervez Musharraf. Musharraf has since assumed the title of President, a move ostensibly legitimized by a controversial April 2002 referendum. The United States strongly urged the Pakistan military government to restore the country to civilian democratic rule. National elections held in October 2002 resulted in no clear majority party emerging but were marked by significant gains for a coalition of Islamic parties. A civilian parliament and prime minister were seated in November 2002.

Pakistan continues to face serious problems, including a weak economy, corruption, domestic terrorism, and poor governance. Pakistan has received more than $1 billion in U.S. assistance since September 2001.

MOST RECENT DEVELOPMENTS

Although national leaders in both capitals emphasize that the United States and Pakistan remain close allies, the bilateral relationship has come under significant strain in recent months due to signs of growing U.S. frustration with the continued existence of Islamic militants both along the Afghan-Pakistani border and infiltrating into Indian-held Kashmir; doubts about the commitment of Pakistan's intelligence service to Islamabad's stated anti-terrorism policies; "extreme" levels of anti-American sentiment in Pakistan; reports of alleged Pakistani nuclear proliferation activities; new U.S. immigration regulations; and continued antagonistic relations between Islamabad and New Delhi (in early February, a diplomatic row further dampened hopes for renewed Pakistan-India dialogue) (see chronology for details).

February senate elections established a full civilian Parliament and further strengthened the position of the ruling coalition-leading PML-Q, which will oversee a simple majority in the 100-seat body. The result makes it almost certain that the Chairman of the Senate – who has powers to take over the post of President in the event of vacancy due to illness or sudden death of the President – will be a pro-Musharraf PML-Q member.

On January 29, Pakistani Foreign Minister Kasuri met with Secretary of State Powell in Washington and was told that the United States is "very sensitive" to Pakistan's concerns about new immigration registration rules that affect Pakistani citizens. Secretary Powell called the bilateral relationship "strong" and assured Kasuri of the "firm U.S. commitment to the well-being and prosperity of Pakistan." On February 5, the governments of Pakistan and Russia ended 30 years of poor relations when the two countries' presidents met in Moscow to sign several economic, diplomatic, and cultural accords.

BACKGROUND AND ANALYSIS

Historical Background

The long and checkered Pakistan-U.S. relationship has its roots in the Cold War and South Asia regional politics of the 1950s. U.S. concerns about Soviet expansionism 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 1954. By the end of 1955, Pakistan had further aligned itself with the West by joining two regional defense pacts, the South East Asia Treaty Organization and the Central Treaty Organization. As a result of these alliances and a 1959 U.S.-Pakistan cooperation agreement, Islamabad received more than $700 million in military grant aid from 1955 to 1965. U.S. economic aid to Pakistan between 1951 and 1982 totaled more than $5 billion.

Differing expectations of the security relationship have long bedeviled bilateral 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 Pakistan-U.S. 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 nuclear weapons capability. Limited U.S. military aid was resumed in 1975, but was suspended again by the Carter Administration in April 1979 in response to Pakistan's covert construction of a uranium enrichment facility. Following the Soviet invasion of Afghanistan in December 1979, Pakistan was again viewed as a frontline state in the effort to block Soviet expansionism. In September 1981, the Reagan Administration negotiated a $3.2 billion, 5-year economic and military aid package with Islamabad. Pakistan became a key transit country for arms supplies to the Afghan resistance, as well as a camp for some three million Afghan refugees, many of whom have yet to return home.

Despite the renewal of U.S. aid and close security ties, many in Congress remained concerned about Pakistan's nuclear weapons program. Concern was based in part on evidence of U.S. export control violations that suggested a crash Pakistani program to acquire a nuclear capability. In 1985, Section 620E(e) (the "Pressler amendment") was added to the Foreign Assistance Act, 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. This 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.

With Soviet withdrawal from Afghanistan beginning in May 1988, Pakistan's nuclear activities again came under closer U.S. scrutiny, and in October 1990 President Bush suspended aid to Pakistan. 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 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).

One of the most serious results of the aid cutoff for Pakistan was the nondelivery of some 71 F-16 fighter aircraft ordered by Pakistan in 1989. 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 at the cost of economic and social development. The Kashmir problem is rooted in claims by both countries to the former princely state, divided since 1948 by a military line of control into the Indian state of Jammu and Kashmir and Pakistan-held Azad (Free) Kashmir. India blames Pakistan for supporting a violent separatist rebellion in the Muslim-dominated Kashmir Valley that has claimed more than 60,000 lives since 1989. Pakistan admits only to lending moral and political support to the rebellion (for further discussion see below).

The China Factor

India and China fought a brief border war in 1962, and an oftentimes tense border dispute remains unresolved. A strategic rivalry also exists between these two large nations. Pakistan and China, on the other hand, have enjoyed a generally close and mutually beneficial relationship over recent decades. Pakistan served as a link between Beijing and Washington in 1971, as well as a bridge to the Muslim world for China during 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 complete weapons systems. In 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 repeatedly has agreed to abide by the restrictions of the regime. In 1993, the United States determined that China had transferred to Pakistan prohibited missile technology and imposed trade sanctions on one Pakistani and 11 Chinese entities (government ministries and aerospace companies) for 2 years. The U.S. intelligence community reportedly has evidence of PRC provision of complete M-11 ballistic missiles to Pakistan. In 1996, leaked U.S. intelligence reports alleged that in 1995 China sold ring magnets to Pakistan that could be used in enriching uranium for nuclear weapons. Pakistan denied the reports (see CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*).

Pakistan Political Setting

Recent Developments. Gen. Musharraf's April 2002 assumption of the title of President ostensibly was legitimized by a controversial referendum that many watchdog groups claimed was marked by "excessive fraud and coercion." In August, the Musharraf government announced sweeping changes in the Pakistani constitution under a "Legal Framework Order." These changes provide the office of President and the armed forces powers not previously available in the country's constitutional history, including provisions for Presidential dissolution of the National Assembly and appointment of the Army Chief and provincial governors, among others. The United States expressed concerns that the changes "could make it more difficult to build strong, democratic institutions in Pakistan."

In October 2002, the country held its first national elections since 1997, thus fulfilling in a limited fashion Musharraf's promise to restore the National Assembly that was dissolved in the wake of his extra-constitutional seizure of power in October 1999. Opposition parties contesting the elections – along with Pakistani rights groups and European Union observers – complained that the exercise was "deeply flawed" and that the military government's pre-poll machinations skewed the results. No party won a majority of parliamentary seats, though a pro-Musharraf alliance won a plurality while a coalition of Islamist parties made a surprisingly strong showing. Low turnout rates caused many to identify significant levels of voter apathy affecting Pakistan's electoral politics.

On November 21, 2002, after more than five weeks of intensive maneuvering and several delays, the new National Assembly chose Musharraf supporter and former Baluchistan Chief Minister Mir Zafarullah Jamali to serve as Pakistan's Prime Minster. Jamali's coalition later won a required vote of confidence. February 2003 senate elections gave the PML-Q-led coalition a simple majority in that 100-seat body. Most analysts believe

that the current pro-Musharraf coalition, while fragile and potentially unstable, likely will mean continuity in Islamabad's economic and foreign policy orientations.

In an unexpected outcome of the October elections, the United Action Forum (known as MMA in its Urdu-language acronym), a coalition of six Islamic parties, won 60 seats – nearly 18% of the total – in the national assembly and now controls the provincial assembly in the North West Frontier Province (NWFP) and leads the coalition ruling the Baluchistan assembly. These provinces are Pashtun-majority regions that border Afghanistan and where important U.S. anti-terror operations are ongoing. This result has led to concerns that a major shift in Pakistan's foreign policy may be in the offing, most especially with growing anti-American sentiments and renewed indications of the "Talibanization" of western border regions (see CRS Report RS 21299, *Pakistan's Domestic Political Developments*, and CRS Report RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*).

Background. Military regimes have ruled Pakistan for more than half of its 55 years of existence, 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 "kingmaker" to one of power broker or referee. During the past decade, Benazir Bhutto and Nawaz Sharif 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. Gen. Zia had led a coup in 1977 deposing Bhutto's father, PM Zulfiqar Ali Bhutto, who was later executed. Despite the restoration of democratic process to Pakistan, 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 himself was ousted in 1993 under the Eighth Amendment provisions. Ensuing elections returned Bhutto and the PPP to power. The new Bhutto government faced even more serious economic problems and, according to some observers, performance also was hampered by the reemergence of Bhutto's husband, Asif Ali Zardari, in a decisionmaking role. In November 1996, President Farooq Leghari dismissed the Bhutto government for corruption and nepotism.

Nawaz Sharif's PML won a landslide victory in the February 1997 parliamentary elections, which were judged by international observers 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, removing the President's Eighth Amendment powers to dismiss the government and to appoint armed forces chiefs and provincial governors. After replacing the chief Justice of the Supreme Court and seeing the resignation of President Leghari – and with the PML in control of parliament – Sharif emerged as one of Pakistan's strongest elected leaders since independence. Critics accused him of further consolidating his power by intimidating the opposition and the press. In April 1999, a two-judge Bench of the Lahore High Court convicted former PM Bhutto and her husband of corruption and sentenced them each 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.

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 traffic. These concerns have been affected by several key developments in recent years, including the cutoff of U.S. aid to Pakistan in 1990, 1998, and 1999 over nuclear and democracy issues; a worsening Pakistan-India relationship over Kashmir since 1989 and a continuing bilateral nuclear standoff; Pakistan's halting attempts to develop a stable democratic government and strong economy; and, most recently, the September 2001 terrorist attacks against the United States.

On September 13, 2001, President Musharraf – under strong U.S. diplomatic pressure – offered President Bush Pakistan's "unstinted cooperation in the fight against terrorism." Because of its shared border with Afghanistan and former close ties with the Taliban, Pakistan is considered key to U.S.-led efforts to combat terrorism in the region. The Taliban and Osama bin Laden enjoy strong support among a substantial percentage of the Pakistan population, who share not only conservative Islamic views but also ethnic and cultural ties with Afghanistan. A major issue facing the Administration is how to make use of Pakistan's support – including for military operations in Afghanistan – without seriously destabilizing an already fragile, nuclear-armed state.

In an effort to shore up the Musharraf government, sanctions relating to Pakistan's 1998 nuclear tests and 1999 military coup were waived in the autumn of 2001. In October 2001, a State Department official pledged well over one billion dollars in U.S. assistance for Pakistan and several billion dollars from international organizations to help strengthen it as a key member of the U.S.-led anti-terrorism coalition. Direct assistance programs will include aid for health, education, food, democracy promotion, child labor elimination, counter-narcotics, border security and law enforcement, as well as trade preference benefits. The United States also has supported grant, loan, and debt rescheduling programs for Pakistan by the various international financial institutions, including the World Bank, International Monetary Fund, and Asian Development Bank.

In September 2002, President Bush met with President Musharraf in New York City, after both leaders had addressed the U.N. General Assembly. The U.S. President reportedly urged his Pakistani counterpart to ensure that his government take all necessary steps to end the movement of militants into Indian-controlled Kashmir, and also to ensure that the country remain on the path to full democracy.

Security

Nuclear Weapons and Missile Proliferation. U.S. policy analysts consider the apparent arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons. In May 1998, India conducted five underground nuclear tests, breaking a 24-year, self-imposed moratorium on such testing. Despite U.S. and world efforts to dissuade it, Pakistan quickly followed, claiming five tests of its own before month's end. The tests created a global storm of criticism, and represented a serious setback for two decades of U.S. nuclear nonproliferation efforts in South Asia. India currently is

believed to have enough fissile material for 75-100 nuclear weapons; Pakistan is thought to have approximately half that number. Both countries have aircraft capable of delivering nuclear bombs. India's military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed to be capable of delivering small nuclear warheads over significant distances.

Press reports continue to suggest that Pakistan assisted Pyongyang's covert nuclear weapons program by providing North Korea with uranium enrichment materials and technologies beginning in the mid-1990s and as recently as July 2002. It is also suggested that Iran's nuclear weapons program has benefitted from Pakistani assistance. If such assistance is confirmed by President Bush, all non-humanitarian U.S. aid to Pakistan may be suspended, although the President has the authority to waive any sanctions that he determines would jeopardize U.S. national security. Islamabad adamantly rejects as "baseless" such reports, and Secretary of State Powell has been assured that no such transfers are occurring.

Proliferation in South Asia may be 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.

Since the September 2001 terrorist attacks on the United States, U.S. and Pakistani officials have held talks on improving security and installing new safeguards on Pakistan's nuclear weapons and nuclear power plants. Fears that Pakistan could become destabilized by the U.S. anti-terrorism war efforts in Afghanistan have heightened U.S. nuclear proliferation concerns in South Asia (see CRS Report RS21237, *Indian and Pakistani Nuclear Weapons Status*, and CRS Report RL30623, *Nuclear Weapons and Ballistic Missile Proliferation in India and Pakistan*).

U.S. Nonproliferation Efforts. In May 1998, following the South Asian nuclear tests, President Clinton imposed full restrictions on non-humanitarian economic and military aid to both India and Pakistan as mandated under Section 102 of the Arms Export Control Act (AECA). In November 1998, 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 required a Commerce Department license, and most license requests reportedly were denied. In some respects, Pakistan was less affected by the sanctions than was India, since most U.S. assistance to Pakistan had been cut off in 1990. At the same time, Pakistan's much smaller and more fragile economy was more vulnerable to the negative effects of aid restrictions.

During the latter years of the Clinton administration, the United States set forth five nonproliferation "benchmarks" for India and Pakistan, including the following: halt further nuclear testing and sign and ratify the Comprehensive Test Ban Treaty (CTBT); halt fissile material production and pursue Fissile Material Control Treaty negotiations; refrain from deploying nuclear weapons and testing ballistic missiles; restrict any and all exportation of

nuclear materials or technologies; and take steps to reduce bilateral tensions, especially on the issue of Kashmir. The results of U.S. efforts have been mixed, at best: Neither India nor Pakistan are signatories to the Nuclear Nonproliferation Treaty or the 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 (see CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*, and CRS Report RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*).

Kashmir Dispute. Bilateral relations between Pakistan and India remain deadlocked on the issue of Kashmiri sovereignty. The prospects for India-Pakistan detente suffered a severe setback in mid-1999, when the two countries teetered on the brink of their fourth full-scale 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 on the Indian side of the line of control (LOC) near Kargil. Following a meeting between then Pakistan PM Sharif and President Clinton in Washington on July 4, 1999, the infiltrators withdrew across the LOC.

Tensions between India and Pakistan remained extremely high in the wake of the Kargil conflict, which cost more than 1,100 lives. Throughout 2000-2002, intermittent cross-border firing and shelling has caused scores of both military and civilian deaths. New Delhi accuses Pakistan of sponsoring the movement of "terrorists" into Indian Kashmir; Islamabad accuses India of human rights violations there. The United States strongly urged India and Pakistan to create the proper climate for peace, respect the LOC, reject violence, and return to the Lahore peace process. A 6-month-long unilateral cease-fire and halt to offensive military operations in Kashmir was undertaken by India in 2000-2001, and the Pakistani government responded by announcing that its forces deployed along the LOC in Kashmir would observe "maximum restraint." Kashmir's main militant groups, however, rejected the cease-fire as a fraud and continued to carry out attacks on military personnel and government installations. As security forces conducted counter-operations, deaths of Kashmiri civilians, militants, and Indian security forces continued to rise.

In May 2001, the Indian government announced that it was ending its unilateral cease-fire in Kashmir but that Prime Minister Vajpayee would invite President Musharraf to India for talks. A July summit meeting between Musharraf and Vajpayee in Agra failed to produce a joint communique, reportedly as a result of pressure from hardliners on both sides. Major stumbling blocks were India's refusal to acknowledge the "centrality of Kashmir" to future talks and Pakistan's objection to references to "cross-border terrorism."

In October 2001, U.S. Secretary of State Colin Powell visited Pakistan and India in an effort partly aimed at easing the escalating tensions over Kashmir. Yet a terrorist attack on the Jammu and Kashmir state assembly during the same month was followed by a December 2001 terrorist attack on the Indian Parliament in New Delhi. Both incidents were blamed on Pakistan-based militant groups. The Indian government responded by mobilizing hundreds of thousands of troops to forward stations along the Pakistan-India frontier and threatening war unless Islamabad put an end to all cross-border infiltrations of Islamic militants. Under significant international diplomatic pressure and the threat of India's use of possibly massive force, President Musharraf in January 2002 vowed to end the presence of terrorist entities on

Pakistani soil and upwards of 2,000 radicals were jailed (many of these have since been released).

Despite the Pakistani pledge, infiltrations into Indian-held Kashmir continued, and a May 2002 terrorist attack on an Indian army base at Kaluchak killed 34, most of them women and children. This event again brought Pakistan and India to the brink of full-scale war, and caused Islamabad to recall army troops from both patrol operations along the Pakistan-Afghanistan border as well as from international peacekeeping operations. Pakistan also tested three ballistic missiles in late-May 2002, sending an implicit message to India that it would employ nuclear weapons in a conflict.

A flurry of intensive diplomatic missions to South Asia appears to have reduced tensions during the summer of 2002 and prevented the outbreak of war. Numerous top U.S. diplomats were involved in this effort. As of January 2003, both Pakistan and India reportedly are in the process of redeploying their troops to peacetime barracks. The latter months of 2002 saw an apparent reduction of militant infiltration across the line of control, though such movements are ongoing and may be taking place with the active support of Pakistani security services. The U.S. government continues to strenuously urge the two countries to renew a bilateral dialogue that has been moribund since the summer of 2001. New Delhi refuses to engage such dialogue until it is satisfied that Pakistan has ended all militant infiltration into its Jammu and Kashmir state (for further reading, see CRS Report RS20277, *Recent Developments in Kashmir and U.S. Concerns*, and RL31587, *Kashmiri Separatists: Origins, Competing Ideologies, and Prospects for Resolution of the Conflict*).

Congressional Action. Through a series of legislative measures, Congress has incrementally lifted sanctions on Pakistan and India resulting from their 1998 nuclear tests. In October 1999, 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 of that year. Title IX of the act gives the President authority to waive sanctions applied against Pakistan and India in response to the nuclear tests. In a presidential determination on Pakistan and India issued on October 27, 1999, the President waived economic sanctions on India. Pakistan, however, remained under sanctions triggered under Section 508 of the annual foreign assistance appropriations act as a result of the October 1999 coup. The Foreign Operations Export Financing and Related Appropriations Agencies Act, 2001 provided an exception under which Pakistan could be provided U.S. foreign assistance funding for basic education programs (P.L. 106-429; Section 597).

After the terrorist attack on the United States on September 11, 2001, and in recognition of Pakistan's cooperation with the U.S.-led coalition being assembled, policymakers searched for new means of providing assistance to Pakistan. President Bush's issuance of a final determination on September 22, 2001, removed remaining sanctions on Pakistan and India resulting from their 1998 nuclear test, finding that denying export licences and assistance was not in the national security interests of the United States. Also, on October 27, President Bush signed into law S. 1465 (P.L. 107-57), which gives the President 2-year waiver authority to lift sanctions on foreign assistance imposed on Pakistan following the 1999 military coup if he determines that such a waiver would facilitate the transition to democratic rule in Pakistan and is important to U.S. efforts to combat international terrorism. The law not only gives the president authority to waive sanctions related to democracy but to waive sanctions imposed on Pakistan for its debt servicing arrearage to the United States

under the terms of the Foreign Operations Appropriations Act. At the end of 2000, Pakistan's international debt was estimated at $38 billion. P.L. 107-57 allowed for an agreement of Pakistan to reschedule $379 million of its debt to the United States thereby enabling it to cancel its arrearage. After President Musharraf's visit to Washington, D.C. in February 2002, President Bush wrote a letter to Congress stating that he had ordered $220 million in emergency funds that had been given to the Defense Department for warfighting and to the State Department for security upgrades, be reallocated to Pakistan "for costs incurred in aiding U.S. military forces in Operation Enduring Freedom" (for details, see CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*).

For FY2003, the Bush Administration has requested a total of $305 million in assistance to Pakistan, including $200 million in Economic Support Funds that Congress has authorized Pakistan to use to cancel approximately $1 billion in concessional debt to the U.S. government. Some members of the 107th Congress sought to reimpose restrictions on aid to Pakistan in light of perceived to be continuing anti-democratic practices by the Musharraf government. Resolutions to repeal or modify the U.S. President's authority to waive economic sanctions (H.R. 5150 and H.R. 5267) were introduced in July 2002, but were not voted upon. Other Members have urged reinstatement of proliferation-related sanctions in response to reports of Pakistani assistance to the North Korean nuclear weapons program.

Pakistan-U.S. Security Cooperation. The close U.S.- Pakistan security ties of the cold war era – which had come to near halt after the 1990 aid cutoff – appear to be in the process of restoration as a result of Pakistan's role in U.S.-led anti-terrorism campaign. In the spring of 2002, U.S. military and law enforcement personnel reportedly began engaging in direct, low-profile efforts to assist Pakistani security forces in tracking and apprehending fugitive Al Qaeda and Taliban fighters on Pakistani territory. Press reports indicate that Pakistan has remanded to U.S. custody more than 460 such fugitives to date.

In July 2002, Congress was notified of two Foreign Military Sales arrangements with Pakistan reportedly worth $230 million. Under the deals, Pakistan is to receive 7 used C-130E transport aircraft (one being for spare parts) and 6 Aerostat surveillance radars. These mark the first notable arms sales to Pakistan in more than a decade and are intended to bolster Islamabad's counterterrorism capabilities. Islamabad continues to seek U.S. weapons and technology, especially in an effort to bolster its air forces. Several Members of Congress are reported to be supportive of these efforts. A revived high-level U.S.-Pakistan defense consultative group – moribund for the past 5 years – met in late-September 2002 and included high-level discussions of military cooperation, security assistance, and anti-terrorism. The two countries also have planned regular joint military exercises (see CRS Report RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*).

Democratization and Human Rights

Democratization Efforts. There had been hopes that national elections in October 2002 would reverse Pakistan's historic trend toward unstable governance and military interference in democratic institutions. Such hopes were eroded by the passage of a number of highly restrictive election laws – including those that prevented the country's two leading civilian politicians from participating – as well as President Musharraf's unilateral imposition of major constitutional amendments in August 2002. While praising Pakistan's recent electoral exercises as moves in the right direction, the United States has expressed

concern that these seemingly nondemocratic developments may make the realization of true democracy in Pakistan more elusive (see CRS Report RS21299, *Pakistan's Domestic Political Developments*).

Human Rights Problems. The U.S. State Department, in its *Pakistan Country Report on Human Rights Practices for 2001* (issued in March 2002), 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. The government bureaucracy continued to function but was "monitored" by the military. The State Department report cites continuing problems of police abuse, religious discrimination, and child labor. Security forces were cited for committing extrajudicial killings and for 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 recent years, the Human Rights Commission of Pakistan, Human Rights Watch, and Amnesty International have issued reports critical of Pakistan's lack of political freedoms and of the country's alleged abuses of the rights of women and minorities. Discrimination against women is widespread, and traditional constraints – cultural, legal, and spousal – have kept women in a subordinate position in society in the areas of education, employment, and legal rights. The adult literacy rate for men in Pakistan is more than 50%, while less than one-quarter of women are literate. Religious minorities – mainly Christians, Hindus, and Ahmadi Muslims – reportedly are subjected to discriminatory laws and social intolerance. 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 commonly brought as a result of personal or religious vendettas. Anti-Christian violence, which peaked in the summer of 2002, has cost scores of lives.

Economic Issues

Overview. The long-term economic outlook for Pakistan continues to be rather bleak, given a low national savings rate (10%) and high labor force growth rates (2.4%) in a country that remains highly dependent on foreign lending and the importation of basic commodities (public debt is equal to more than 86% of GDP). In the middle-term, greater political stability following October 2002 elections could brighten the outlook by providing President Musharraf with a political base for the further pursuit of economic reform, but conflict with India is an ever-present risk. In the short-run, substantial fiscal deficits and the still urgent dependency on external aid donations counterbalance a major overhaul of the tax collection system and what have been notable gains in the Karachi Stock Exchange, the world's best performer in 2002.

Output from both the industrial and service sectors grew in 2002, but the agricultural sector's output has been weak and significantly slowed growth overall (in part due to severe drought). Agricultural labor accounts for nearly half of the country's work force. Pakistan's real GDP for the fiscal year ending June 2002 grew by some 3.6% over FY2001 (but 4.5% for the calendar year). An industrial sector recovery and the end of a 3-year drought have some foreseeing even more robust growth ahead, with predictions putting the FY2003 rate at around 4.5%.

The Pakistani government has stabilized the country's external debt at $36.5 billion and the country's total liquid reserves grew to $9.6 billion by February 2003 – an increase of nearly $8 billion since October 1999. In December 2001, the Paris Club of creditor nations agreed to reschedule $12.5 billion in repayments on Pakistan's external debt – one-third of the country's total burden. Foreign remittances for 2001 exceeded $1.6 billion – nearly twice the amount in 2000. Inflation, below 4%, is at the lowest level in three decades, largely as a result of weak consumer demand. Interest on public debt and defense spending together consume 70% of total revenues, thus squeezing out development expenditure, including social spending.

Many analysts believe that Pakistan's resources and comparatively well-developed entrepreneurial skills may hold promise for more rapid economic growth and development in coming years. 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. Only 1.4% 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.

Attempts at economic reform historically have floundered due to political instability. The Musharraf government has had some modest successes in effecting economic reform. As of February 2003, the Islamabad appears to be maintaining general continuity in its economic policies since the previous year's elections, and the recent seating of a pro-Musharraf ruling coalition in the Parliament has added to analysts' confidence that reforms will remain on track. Moreover, participation in the post-September 2001 anti-terror coalition had the effect of easing somewhat Islamabad's severe national debt situation, with many countries, including the United States, boosting bilateral assistance efforts and large amounts of external aid flowing into the country. In February 2003, the U.S. Congress approved Pakistan's using $200 million in FY2003 Economic Support Fund assistance to cancel approximately $1 billion in concessional debt to the U.S. government.

A June 2002 IMF report stated that Pakistan is making progress toward stated macroeconomic objectives. It notes particular successes in the areas of tax administration, fiscal transparency, and privatization. An October 2002 World Bank report commended Pakistan for bringing about macroeconomic stability and implementing wide-ranging structural reforms to spur economic growth, while also noting that the country's poverty levels are both high and static. A November 2002 IMF report identifies a "worrisome trend of declining growth" linked in part to "a turbulent domestic and regional political environment." A December 2002 World Bank report claims that "Pakistan's economic revival program is beginning to produce good results," but also notes numerous problems that seem to require further implementation of structural reforms.

Trade Issues. During January-June 2002, total U.S. imports from Pakistan were worth slightly more than $1 billion, nearly identical to the previous year's amount. More than half of this value came from the purchase of textiles and clothing. U.S. exports to Pakistan during this period were worth only $316 million, but this represents a major increase of 50% over the first half of 2001. Pakistan ranked as the 65th largest U.S. trade partner in 2001, with the United States consuming $2.2 billion worth of Pakistani goods and

exporting $556 million worth in return, for a negative trade balance of approximately $1.7 billion.

According to the report of the U.S. Trade Representative for 2002, Pakistan has made progress in reducing import tariff schedules, though a number of trade barriers remain. Some items are either restricted or banned from importation for reasons related to religion, national security, luxury consumption, or protection of local industries. The U.S. pharmaceutical industry believes that Pakistan maintains discriminatory practices that impede U.S. manufacturer profitability, while several U.S. companies have complained about Pakistani violations of their intellectual property rights. The International Intellectual Property Alliance estimated trade losses of $116 million in 2002, and widespread piracy, especially of copyrighted materials (Pakistan is a world leader in the pirating of CDs), has kept Pakistan on the U.S. Trade Representative's "Special 301" watch list for 13 consecutive years.

Narcotics

Pakistan is a major transit country for opiates that are grown and processed in Afghanistan and western Pakistan, then distributed throughout the world by Pakistan-based traffickers. The region has in the past supplied up to 40% of heroin consumed in the United States and 70% of that consumed in Europe, and has been second only to Southeast Asia's Golden Triangle as a top source of the world's heroin.

The U.S. Department of State calls "excellent" Pakistan's cooperation on drug control with the United States. In March 2002, Pakistan was among the countries certified by President Bush as having cooperated fully with the United States in counter-narcotics efforts, or to have taken adequate steps on their own. The Islamabad government has made impressive strides in eradicating opium poppy cultivation. Estimated production in 2001 was only 5 metric tons, down 59% from 2000 and less than one-thirtieth of the estimated 155 tons produced in 1995.

Pakistan's counter-narcotics efforts continue to be hampered by a number of factors, including lack of total 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 more than $90 million in FY2002, including $73 million in emergency supplemental appropriation for border security projects that will continue in FY2003. The request for FY2003 stands at $4 million, rising to $38 million for FY2004.

Terrorism

After the September 2001 attacks on the United States, Pakistan pledged and has provided support for the U.S.-led anti-terror coalition effort. According to the U.S. Departments of State and Defense, Pakistan has afforded the United States unprecedented levels of cooperation by allowing the U.S. military to use bases within the country, helping to identify and detain extremists, and tightening the border between Pakistan and Afghanistan. In a landmark speech in January 2002, Musharraf vowed to end Pakistan's use as a base for terrorism of any kind, criticized religious extremism and intolerance in the

country, and banned numerous militant groups, including Lashkar-e-Taiba and Jaish-e-Muhammad, both blamed for terrorist violence in Kashmir and India. In the wake of the speech, thousands of extremists were arrested and detained, though many of these have since been released.

In February 2002, *Wall Street Journal* reporter Daniel Pearl was kidnaped in Karachi and was later found murdered. In May, a bomb blast in Karachi killed 14 people, including 11 French military technicians. One month later, a car bomb detonated outside the U.S. consulate in Karachi, killing 12 Pakistani nationals. These attacks are widely viewed as expressions of militants' anger with the Musharraf regime for its cooperation with U.S. anti-terror operations, and have raised fears that terrorist groups would further complicate the law and order situation within the country. Both incidents were linked to Al Qaeda, as well as to indigenous militant groups. In September 2002, Pakistani authorities announced a series of high-profile arrests of those deemed responsible for the car bombings, and they claim to have "broken the back" of the Al Qaeda network in Pakistan. Yet press reports indicate that Al Qaeda and Taliban fugitives still are numerous in Pakistan and may be attempting to re-establish their organizations in Pakistani cities such as Karachi. Alleged Al Qaeda leader Osama bin Laden may himself be in Pakistan.

Islamabad has been under continuous pressure from the United States and numerous other governments to terminate the infiltration of insurgents from Pakistani Kashmir into Indian Kashmir. Such pressure elicited an explicit promise from President Musharraf to U.S. Deputy Secretary of State Armitage that all such movements would cease. After confirmations from both U.S. and Indian government officials that infiltration was down significantly in the summer of 2002, the rate of infiltration reportedly rose again in the autumn, and in December 2002 the U.S. envoy to New Delhi indicated that the problem in Kashmir is "cross-border terrorism" that is "almost entirely externally driven." President Musharraf adamantly insists that his government is doing everything possible to stop such movements. Critics contend, however, that Islamabad has renewed implicit, if not active, support for the insurgents in Kashmir as a means to both maintain strategically the domestic backing of Islamists who view the Kashmir issue as fundamental to the Pakistani national idea, as well as to disrupt tactically the state government in Indian Kashmir and so seek to erode New Delhi's legitimacy there.

During a February 2003 visit to the United States, the Pakistani foreign minister requested greater access to U.S. markets as a means of reducing poverty and thus also the forces of extremism in Pakistan. He made a direct link between poverty and the continued existence of Islamic schools (madrassas) that are implicated in teaching militant anti-American values.

CHRONOLOGY

02/27/03 — The pro-Musharraf PML-Q party and its allies won a simple majority of at least 52 of the Pakistani senate's 100 seats. The MMA, an alliance of Islamist parties, won 21 seats, significantly less than had been expected. Opposition parties complained that the PML-Q-led government skewed the

election results through the use of payoffs and intimidation by intelligence agencies.

02/25/03 — An editorial in the *Washington Post* decried the "steady unraveling of commitments by Pakistan's president ... to support the United States in the war on terrorism," and ended by asserting that "the Bush Administration must reconsider whether its attenuated alliance with the general is worth the growing cost."

02/23/03 — A *New York Times* report claims U.S. intelligence sources believe that Iran's nuclear weapons program has benefitted from Pakistani assistance.

02/22/03 — Gunmen attacked worshipers in a Shiite mosque in Karachi, killing 9.

02/20/03 — P.L. 108-7 includes authorization for Pakistan to use $200 million in FY2003 Economic Support Funds to cancel approximately $1 billion in concessional debt to the U.S. government.

02/19/03 — The commander of Pakistan's Air Force, Mushaf Ali Mir, died along with 16 others when his aircraft crashed in a remote area northwest of Islamabad. The crash was blamed on technical problems.

02/13/03 — Assistant Secretary of State for Nonproliferation Wolf met with a Pakistani delegation in Washington to continue a bilateral dialogue on issues related to Pakistan's nuclear weapons program and export controls.

02/12/03 — The two senior members of the Senate Foreign Relations Committee – Sen. Lugar and Sen. Biden – expressed "deep concern" that "elements of Pakistan's powerful Inter-Services Intelligence agency might be helping members of the Taliban and Al Qaeda operate along the border and infiltrate into Afghanistan."

02/11/03 — Rep. Pallone sent a letter to Secretary of State Powell urging "immediate steps by the administration to ban all military sales to Pakistan and to re-impose Symington sanctions on Pakistan for assisting [North Korea's] nuclear weapons program." On the same day, C.I.A. Director Tenet stated that "lawless zones" like those along the Afghan-Pakistani border are places where "extremist movements find shelter and can find the breathing space to grow," while D.I.A. Director Jacoby noted the "continued cross-border infiltration from Pakistan" into Indian-held Kashmir, that "Pakistan does not completely control areas in the northwest where concentrations of Taliban and Al Qaeda remain," and warned that a "coup or assassination [of Musharraf] could result in an extremist Pakistan."

02/10/03 — U.S. Special Envoy to Afghanistan Khalilzad stated that, "There are some key Taliban figures in Pakistan ... some Al Qaeda people in the border areas" and that the U.S. government "will not accept" these individuals being allowed to "find refuge" in Pakistan.

02/08/03 — India expelled Pakistan's top diplomat from New Delhi after accusing him of funneling money to separatist militants in Indian-held Kashmir. Pakistan denied the charge and ordered a tit-for-tat expulsion of the Indian ambassador from Islamabad. On the same day, Indian Prime Minister Vajpayee accused Pakistan of failing on its 2002 promise to end cross-border terrorism. One week later, Indian President Kalam repeated the accusation.

02/05/03 — The governments of Pakistan and Russia ended 30 years of poor relations when the two countries' presidents met in Moscow to sign several economic, diplomatic, and cultural accords.

02/01/03 — Reports indicate that the Pakistani Army has begun producing and deploying its indigenously-built Ghauri medium-range ballistic missiles.

01/31/03 — Tens of thousands of Pakistanis reportedly demonstrated against anticipated U.S. military operations in Iraq.

01/30/03 — The United States designated the Pakistan-based Lashkar-i-Jhangvi as a Foreign Terrorist Organization under U.S. law. The group is being held responsible for "numerous deadly attacks in Pakistan," including the January 2002 kidnaping and murder of *Wall Street Journal* reporter Daniel Pearl.

01/29/03 — Pakistani Foreign Minister Kasuri met with Secretary of State Powell in Washington and was told that the United States is "very sensitive" to Pakistan's concerns about new immigration registration rules that affect Pakistani citizens. Secretary Powell called the bilateral relationship "strong" and assured Kasuri of the "firm U.S. commitment to the well-being and prosperity of Pakistan."

01/28/03 — On a visit to Islamabad, U.S. Central Commander Gen. Tommy Franks expressed the U.S. government's concern over the "slow pace of progress" in finding and capturing remaining Al Qaeda fugitives in Pakistan.

01/24/03 — A State Department spokesman stated that the infiltration of Islamic militants into India-held Kashmir "has gone down and come back up somewhat." The Islamabad government responded by denying that any infiltration is taking place.

11/02 — A fragile coalition of pro-military parties elected veteran politician and PML-Q leader Mir Zafarullah Jamali to be the Pakistan's new prime minister, the first since Nawaz Sharif was ousted in an October 1999 military coup. The coalition – which unexpectedly excluded both the Islamist MMA parties and the secular PPP – was made possible by the defection of several PPP members, some of whom were rewarded with high-profile ministerships of their own.

10/02 — Pakistan held its first national elections since an October 1999 military coup brought President Gen. Musharraf to power. No party won a majority of national assembly seats, but the pro-military PML-Q won a plurality while the MMA, a coalition of Islamist parties, won a surprisingly large number of seats and exerts considerable influence in the provincial assemblies of Baluchistan and the North West Frontier Province along the border with Afghanistan. The secular PPP of former PM Bhutto won 81 parliamentary seats, but was shut out of both the national and four provincial ruling coalitions. Upon completion of the elections, both India and Pakistan announced major troop redeployments that signaled the apparent end of a tense 10-month-long military face-off along their shared border.

09-10/02 — State elections in India's Jammu and Kashmir result in the ousting of the long-ruling National Conference party of Farooq Abdullah and the seating of a new government ruled by a coalition that vows to "soften" the policy toward separatist militants. In boycotting the election, the Kashmiri separatist All Parties Hurriyat Conference – which has political ties to Islamabad – found itself marginalized.

09/02 — A moribund U.S.-Pakistan security relationship is revived when officials from both countries meet in Islamabad for the first Defense Cooperation Group session since 1997. A range of bilateral security-related issues are discussed.

07/02 — The U.S. Congress is notified of two pending U.S. arms sales to Pakistan, the first such sales in more than a decade. The 7 C-130 transport aircraft and 6 Aerostat surveillance radars reportedly are meant to bolster Islamabad's counterterrorism capabilities.

06/02 — Intense international diplomatic pressure – including multiple visits to the region by senior U.S. government officials – apparently was sufficient to persuade New Delhi to refrain from taking military action against Pakistan. Key to the effort are explicit promises by Pakistani President Musharraf to U.S. Deputy Secretary of State Armitage that all infiltration of militants across the Line of Control and into Indian-held Kashmir will be halted. Also in June, a car bomb exploded outside the U.S. consulate in Karachi, killing 12 Pakistani nationals. The attack was blamed on Islamic radicals who are later arrested and who may have links to Al Qaeda.

05/02 — A terrorist attack on an Indian army base in Jammu and Kashmir killed 34, mostly women and children. New Delhi blamed the attack on the "cross-border terrorism" of Pakistan-sponsored Islamic militants and vowed to fight a "decisive war" against Pakistan. Also in May, a car bomb exploded outside a Karachi hotel, killing 14 people, including 11 French military technicians. The attack was blamed on Islamic radicals who are later arrested and who may have links to Al Qaeda.

04/02 — A controversial referendum ostensibly legitimized Gen. Musharraf's status as Pakistani President, though Musharraf later apologized to the nation for acknowledged irregularities in the process.

Spring — U.S. military and law enforcement personnel began engaging in direct, but low-profile efforts to assist Pakistani security forces in tracking and apprehending fugitive Al Qaeda and Taliban fighters on Pakistani territory.

03/02 — A major U.S. military offensive (Operation Anaconda) in Afghanistan's eastern Shah-i-Kot mountains – in the wake of a massive December 2002 aerial bombardment of Afghanistan's Tora Bora region – apparently prompted two waves of up to 5,000 Al Qaeda fighters fleeing into Pakistan. Press reports indicated that Al Qaeda set up new bases of operations in western Pakistan and in the city of Karachi.

01/02 — President Musharraf delivered a landmark address in which he vowed to end all Islamic extremism and terrorist activity originating from Pakistani soil. Also in January, *Wall Street Journal* reporter Daniel Pearl is kidnaped in Karachi and later found dead. Four Islamic radicals with possible links to Al Qaeda subsequently are arrested and convicted of murder.

12/01 — A terrorist attack on the Indian Parliament complex in New Delhi left 14 people dead. India blamed the attack on Pakistan-backed Kashmiri militants and began a massive military mobilization along the Pakistan-India frontier. Also in December, the United States designated two Pakistan-based militant groups – Lashkar-e-Taiba and Jaish-e-Mohammed – as Foreign Terrorist Organizations under U.S. law.

10/01 — A terrorist attack on the assembly building in India's Jammu and Kashmir state killed 34 people. New Delhi blamed the attack on Pakistan-backed separatist militants and the J&K Chief Minister called for an Indian military assault on training camps in Pakistan-held Kashmir.

09/01 — Terrorist attacks on the United States, and ensuing U.S. diplomatic pressure, substantively transformed the U.S.-Pakistan relationship and spurred the

Islamabad government to sever ties with the Afghani Taliban and join in the U.S.-led anti-terrorism campaign as a key front-line state. Within one month, all remaining proliferation- and democracy-related restrictions on U.S. aid to Pakistan were removed or waived and large amounts of U.S. economic and military assistance began flowing into the country.