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Pakistan-U.S. Relations

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

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SUMMARY

Major areas of U.S. concern regarding Pakistan include regional terrorism; weapons proliferation; the ongoing Kashmir dispute and Pakistan-India tensions; human rights protection; and economic development. A U.S.-Pakistan relationship marked by distance and discord was transformed by the September 2001 terrorist attacks on the United States and the ensuing enlistment of Pakistan as a key ally in U.S.-led anti-terrorism efforts. Top U.S. officials regularly praise Pakistan for its ongoing cooperation, although there exist renewed doubts about Islamabad's commitment to core U.S. concerns in the region.

A potential Pakistan-India nuclear arms race continues to be the focus of U.S. nonproliferation efforts in South Asia. Attention to this issue intensified following nuclear tests by both countries in May 1998. South Asia is viewed by many analysts 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.

Close Pakistan-U.S. relations 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 most U.S. assistance to Pakistan, assistance suspended by then-President Bush under Section 620E(e) of the Foreign Assistance Act (the Pressler Amendment). Further U.S. sanctions were imposed on Pakistan (and India) as a result of the nuclear tests. Nuclear-related sanctions on Pakistan and India have since been waived.

Separatist violence in the disputed Kashmir region continues unabated. India blames Pakistan for the ongoing infiltration of Islamic militants into Indian Kashmir, a charge Islamabad denies. The United States received a June 2002 pledge from Islamabad that all "cross-border terrorism" will be ended, and it encourages a cease-fire along the Line of Control and renewed dialogue between Islamabad and New Delhi.

The United States considers a stable, democratic, economically thriving Pakistan as key to U.S. interests in South and Central Asia. Democracy has faired poorly in Pakistan; the country has endured three full-scale military coups and military rule for half of its existence. 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 urges the Musharraf 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 Jamali were seated in November 2002. Congress granted the President authority to waive coup-related sanctions on Pakistan through FY2003.

Pakistan continues to face serious problems, including a weak economy and domestic terrorism. Pakistan has received more than $1 billion in U.S. assistance since September 2001. For more detailed discussion, see CRS Reports RS21299, *Pakistan's Domestic Political Developments*, and RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*.

MOST RECENT DEVELOPMENTS

An April thaw in Pakistan-India relations began with Indian Prime Minister Vajpayee's rhetorical extension of a "hand of friendship" to Pakistan, then peaked with an April 28 telephone conversation between the two countries' prime ministers and the announced restoration of full diplomatic ties. U.S. Secretary of State Powell called "very, very promising" recent signs that Pakistan and India are prepared to engage in a bilateral dialogue aimed at resolving outstanding issues. Deputy Secretary of State Armitage and Assistant Secretary of State for South Asia Rocca are traveling to the region in May in an effort to assist in further easing tensions and fostering such dialogue. On April 16, President Bush signed into law P.L. 108-11 (the Emergency Wartime Supplemental Appropriations Act, 2003), allocating $200 million in additional security-related assistance to Pakistan for FY2003.

President Musharraf, the Pakistani military, and the influential intelligence agency are all said to support the current peace initiatives. Pakistan's civilian government remains hamstrung by an increasingly fractious dispute between the Musharraf-allied PML-Q party and the opposition MMA Islamist coalition. At issue are Musharraf's continued role as Army Chief and the status of controversial constitutional amendments imposed without parliamentary approval in August 2002. The deadlock has raised new concerns about the viability of Pakistan's still-fragile democratic institutions.

On April 29, Pakistani authorities arrested six Al Qaeda suspects in Karachi, including Khallad, said to be a leading suspect in terrorists attacks against the United States. Top U.S. officials are concerned that Al Qaeda and pro-Taliban forces remain active near the Afghanistan-Pakistan border, stating that Afghani stability is a key U.S. interest and requesting that Pakistan "do more" to halt the "infiltration" of these operatives across the frontier. While militant infiltration across the Kashmiri Line of Control appears to have been static during April, separatist violence in the region continued unabated, and the spring thaw may lead to an increase in such activity.

For more information, see Chronology, below.

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 $508

million in U.S. military assistance from 1953 to 1961. Total U.S. economic and military assistance to Pakistan between 1947 and 2000 totaled nearly $11.8 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, six-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 observers 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" (LFO). 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.

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 68 seats — about 20% 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.

In November 2002, 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. As of May 2003, the civilian government has remained hamstrung by a fractious dispute over Musharraf's continued role as Army Chief and the legality of the LFO amendments to the constitution.

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 Key Country 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, large amount of U.S. aid began flowing into Pakistan. Direct assistance programs 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 in late 2002 suggested 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. Islamabad adamantly rejects such reports as "baseless," and Secretary of State Powell has been assured that no such transfers are occurring. 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. In March 2003, the Administration determined that the relevant facts "do not warrant imposition of sanctions under applicable U.S. laws."

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 Reports RS21237, *Indian and Pakistani Nuclear Weapons Status*, and 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 (NPT) 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 Reports RS20995, *India and Pakistan: Current U.S. Economic Sanctions*, and 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 Pakistani 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 six-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." U.S. Secretary of State Colin Powell visited the region in an effort to ease escalating tensions over Kashmir, but an October terrorist attack on the Jammu and Kashmir state assembly 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 some 700,000 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. 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*).

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 nearly 500 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 six 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, 2002* (issued March 2003), determined that the Islamabad government's record on human rights remains "poor." Along with concerns about anti-democratic practices, the United States identifies "acute" corruption, extrajudicial killings, lack of judicial independence, "extremely poor" prison conditions, and increased violence against Christians as serious problems. Police have abused and raped citizens with apparent impunity. Improvement in some areas is noted, however, particularly with press freedoms and governmental efforts to curb religious extremism.

The Human Rights Commission of Pakistan, Amnesty International, and Human Rights Watch have issued reports critical of Pakistan's lack of political freedoms and of the country's perceived 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. "Honor killings" continue to occur throughout the country. The adult literacy rate for men in Pakistan is more than 50%, while half as many women are literate. Religious minorities — mainly Christians 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 and anti-Western violence, which peaked in the summer of 2002, has cost scores of lives. In 2003, Islamist lawmakers in the NWFP have launched efforts to impose harsh penalties under *Sharia*, such as amputating the hands of thieves and stoning adulterers.

Economic Issues

Overview. Pakistan is a poor country with great extremes in the distribution of wealth. 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 were notable gains in the Karachi Stock Exchange, the world's best performer in 2002. Per capita GDP is $425 (or $2,000 when accounting for purchasing power parity).

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 growth rate at around 4.5% or less for FY2003, up to 5% for FY2004.

The Pakistani government had stabilized the country's external debt at $36.3 billion by the end of 2002. The country's total liquid reserves grew to $10.3 billion by April 2003 — an all-time high and an increase of more than $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 FY2002 exceeded $2.3 billion — more than twice the amount in 2001. 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 April 2003, the Islamabad appears to be maintaining general continuity in its economic policies since the previous year's elections, and the 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.

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. An April 2003 report of the Asian Development Bank noted that continued macroeconomic stability is enhancing Pakistan's medium-term economic prospects, but warns that renewed tensions with India and/or domestic political instability could quickly dampen current optimism.

Trade Issues. Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. During 2002, total U.S. imports from Pakistan were worth about $2.3 billion, a slight increase over the previous year. Nearly 90% of this value came from the purchase of textiles, clothing, and related articles. U.S. exports to Pakistan during 2002 were

worth $694 million, a major increase of 28% over 2001. The U.S. trade deficit with Pakistan has been approximately $1.7 billion for each of the past three years.

Legislation in the 107th Congress included S.1675 to authorize the President to reduce or suspend duties on Pakistani textiles (the bill was not voted upon). 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. Several nongovernmental Western analysts have made similar arguments.

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 indicates that Pakistan's cooperation on drug control with the United States "remains excellent." 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. In March 2003, the Acting Assistant Secretary of State for International Narcotics and Law Enforcement Affairs claimed that Pakistan has "essentially eliminated opium production," but the State Department's International Narcotics Control Strategy Report for 2002 (March 2003) indicates that Pakistan still remains a "substantial trafficking country" and notes that opium production rose slightly in 2002 from a record low in 2001.

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 "acute" corruption. In March 2003, former U.S. Ambassador to Pakistan Wendy Chamberlain stated that the role of Pakistan's intelligence service in the heroin trade over the past six years has been "substantial." Direct U.S. counter-narcotics aid to Pakistan totaled $2.4 million in 2002. The program is administered by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), which oversaw Pakistan projects with more than $90 million in FY2002, including $73 million in emergency supplemental

appropriations for border security efforts that continue in FY2003. The INL allocation for FY2003 was $6 million; rising to $38 million requested for FY2004.

Terrorism

After the September 2001 terrorist attacks on the United States, Pakistan pledged and has provided support for the U.S.-led anti-terror coalition. 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, 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 (see CRS Report RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*).

In January 2002, *Wall Street Journal* reporter Daniel Pearl was kidnaped in Karachi and later found murdered. May and June car bomb attacks on Western targets, including the U.S. consulate in Karachi, killed 29 people — 11 French military technicians and 18 Pakistani nationals. These attacks were widely viewed as expressions of militants' anger with the Musharraf regime for its cooperation with the United States. The 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 claimed 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 across the Kashmiri Line of Control. 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 reportedly rose again in the autumn, and in December 2002 the U.S. envoy to New Delhi claimed 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 provided 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.

U.S. Aid and Congressional Action

The Bush Administration requested a total of $505 million in assistance to Pakistan for FY2003, including supplemental appropriations. Congress allocated about $495 million of this. Security-related assistance in the amount of $56.5 million was allocated in P.L. 108-7, as was $188 million in Economic Support Funds that Congress authorized Pakistan to use

to cancel approximately $1 billion in concessional debt to the U.S. government. (At the end of 2002, Pakistan's international debt was estimated at $36.3 billion. P.L. 107-57 allowed Pakistan to reschedule $379 million of its debt to the United States thereby enabling it to cancel its arrearage.) In April 2003, President Bush signed into law P.L. 108-11 (the Emergency Wartime Supplemental Appropriations Act, 2003), allocating $200 million in additional security-related assistance to Pakistan for FY2003. Actual U.S. assistance to Pakistan in FY2002 was just over $1 billion, up from about $10 million in FY2001. The current Administration request for FY2004 stands at $395 million.

Some Members of the 107th Congress introduced legislation to reimpose restrictions on aid to Pakistan in light of perceived to be continuing anti-democratic practices by the Musharraf government. These resolutions were not were voted upon. In the 108th Congress, H.R.1403 seeks to remove the democracy-related sanctions exemption with respect to Pakistan (i.e., to repeal the President's waiver authority). Some Members of the 108th Congress also have urged reinstatement of proliferation-related sanctions in response to reports of Pakistani assistance to the North Korean nuclear weapons program, though no relevant legislation is pending.

Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan and India resulting from their 1998 nuclear tests. President Clinton signed into law P.L. 106-79 (the Department of Defense Appropriations Act, 2000) in October 1999. 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 September 2001 terrorist attacks on the United States, 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 tests, finding that denying export licences and assistance was not in the national security interests of the United States. P.L. 107-57 granted presidential authority to waive coup-related sanctions on Pakistan through FY2003. In the 108th Congress, a section of S. 790 seeks to extend that authority through FY2005 (see CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*).

CHRONOLOGY

05/06/03 — Pakistani PM Jamali announced that Islamabad will reopen road, rail, and air links with India, as well as allow international sports competition. On the same day, Pakistan's finance minister said he hoped the United States would write off another $1.8 billion in debt to help Islamabad fight poverty.

05/05/03 — A Pakistani government spokesman stated that Pakistan supports the idea of creating a nuclear-free zone in South Asia.

05/02/03 — Indian PM Vajpayee announced that India will send an ambassador to Islamabad to renew full diplomatic ties after a 17-month hiatus. Pakistan made a corresponding announcement. U.S. Secretary of State Powell called the developments "very, very promising."

05/01/03 — A senior U.S. military officer in Afghanistan said that Pakistan must "do more" to halt the "infiltration" of Taliban and Al Qaeda fighters that threaten Afghani stability. On the same day, Pakistan assumed the presidency of the U.N. Security Council for the month of May.

04/30/03 — The U.S. State Department's *Patterns of Global Terrorism 2002* called Pakistan a "vital partner" in the global coalition against terrorism. Among the 11 new militant Islamist groups on the U.S. "watch list" are three from the Kashmir region (Hizbul Mujahideen, al-Badhr Mujahideen, and Jamiat ul-Mujahideen) and one anti-Shia Pakistani group (Sipah-i-Shaba).

04/29/03 — In what was called a major blow to the Al Qaeda network, Pakistani authorities captured 6 Al Qaeda suspects in Karachi, including Khallad, said to be a leading suspect in the October 2000 attack on the U.S.S. Cole and the September 2001 terrorists attacks on the United States. The arrests reportedly broke up an Al Qaeda plot to fly an explosive-laden aircraft into the U.S. consulate in Karachi. On the same day, a top U.S. military commander of Operation Enduring Freedom said that "there are elements in Pakistan ... that have an interest in creating instability" in Afghanistan.

04/28/03 — A brief telephone conversation between Pakistani PM Jamali and Indian PM Vajpayee marked the first high-level talks between Pakistan and India in nearly two years. The two leaders discussed ways to "resolve outstanding issues through dialogue."

04/22/03 — Afghani President Karzai returned from a visit to Islamabad and announced that the Pakistani government had pledged to stop cross-border attacks staged by Taliban rebels.

04/19/03 — U.S. Special Envoy to Afghanistan Khalilzad warned Pakistan to prevent incursions of pro-Taliban militants into Afghani territory.

04/18/03 — In an historic speech in Srinagar, Kashmir, Indian PM Vajpayee extended a "hand of friendship" to Pakistan, saying that dialogue is necessary to resolve the Pakistan-India dispute. Enthusiasm was dampened when subsequent statements from New Delhi reiterated India's position that talks cannot begin until all "cross-border terrorism" is halted. Six days later, Pakistani Foreign Minister Kasuri said that if talks begin soon, the "feared increase in [Kashmiri] violence won't take place."

04/17/03 — U.S. State Department Director of Policy Planning Haass stated that U.S. pressure on the Pakistani government to stop infiltration across the Kashmiri Line of Control has "not succeeded" and the U.S. is "disappointed and frustrated with that reality." He said the U.S.-Pakistan relationship "will never move beyond a certain point unless this issue is adequately addressed."

04/14/03 — A Pakistani court sentenced two Islamic militants to death and another two to life in prison for their roles in a car bomb attack on the U.S. consulate in Karachi that killed 12 Pakistanis in June 2002.

04/11/03 — Top U.S. and Pakistani officials met in Washington to discuss further U.S. assistance to Pakistani counterterrorism and counternarcotics efforts.

04/09/03 — Talks between the ruling PML-Q party and the opposition MMA Islamist coalition failed to end the dispute over the future status of President Musharraf and his August 2002 package of unilateral changes to the Pakistani constitution. Musharraf later decided not to submit the package to Parliament for ratification and insists that he will retain the position of Army Chief.

04/03/03 — S. 790 is introduced in the U.S. Senate. A section of the bill seeks to extend through FY2005 the U.S. President's authority to waive coup-related sanctions on Pakistan under P.L. 107-57.

04/02/03 — Indian Foreign Minister Sinha said that "India has a much better case to go for pre-emptive action against Pakistan than the U.S. had in Iraq." Nine days later Indian Defense Minister Fernandes says he agreed with Sinha's statement. Also on April 2, the Pakistani Senate unanimously passed a strongly-worded resolution denouncing the U.S.-led war on Iraq.

03/03 — Alleged top Al Qaeda leader Khalid Mohammed was arrested by U.S. and Pakistani security personnel in Rawalpindi. Also, the Bush Administration declined to take action related to alleged Pakistani assistance to North Korea's nuclear weapons program, and it waived coup-related sanctions on Islamabad for FY2003. The Pakistani government expressed disapproval of the U.S.-led invasion of Iraq and hundreds of thousands of Pakistanis marched in several cities in opposition to the war. In Indian Kashmir, 24 Hindu villagers were killed by apparent Muslim militants. India blamed Pakistan for the attack. Near the end of the month, the United States imposed sanctions on Pakistan's Khan Research Laboratories for its role in receiving missile-related technology from North Korea.

02/03 — A diplomatic row between Pakistan and India resulted in the tit-for-tat expulsions of four envoys from each capital.

11/02 — A fragile coalition of pro-military parties elected veteran politician 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 unexpectedly excluded both the Islamist MMA parties and the secular PPP

10/02 — Pakistan held its first national elections since an October 1999 military coup brought President Gen. Musharraf to power. The pro-military PML-Q party won a plurality of parliamentary seats while an Islamist coalition made a surprisingly strong showing, 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 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 and the seating of a new government ruled by a coalition that vows to "soften" policy toward separatist militants. The Kashmiri separatist All Parties Hurriyat Conference, which has political ties to Islamabad, found itself marginalized after boycotting the elections.

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.

07/02 — The U.S. Congress was 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 six 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 persuaded India to refrain from taking military action against Pakistan. Key to the effort were explicit promises by Pakistani President Musharraf to U.S. Deputy Secretary of State Armitage that all infiltration of militants across the Line of Control would be halted. Also, a car bomb exploded outside the U.S. consulate in Karachi, killing 12 Pakistani nationals. The attack was blamed on Islamic radicals who may have had 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 Pakistani-sponsored Islamic militants and vowed to fight a "decisive war" against Pakistan. Also, a car bomb exploded outside a Karachi hotel, killing 14 people, including 11 French military technicians. The attack was blamed on Islamic radicals who were later arrested and who may have had 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 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, *Wall Street Journal* reporter Daniel Pearl was kidnaped in Karachi and later found dead. Four Islamic radicals with possible links to Al Qaeda subsequently were arrested and convicted of his murder.

12/01 — A terrorist attack on the Indian Parliament complex in New Delhi left 14 people dead. New Delhi blamed the attack on Pakistani-backed Islamic militants and began a massive military mobilization along the Pakistan-India frontier. Also, 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.

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