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Pakistan-U.S. Relations

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SUMMARY

A stable, democratic, economically thriving Pakistan is vital to U.S. interests in Asia. Key U.S. concerns regarding Pakistan include regional terrorism; weapons proliferation; the ongoing Kashmir problem and Pakistan-India tensions; human rights protection; and economic development. A U.S.-Pakistan relationship marked by periods of both cooperation and discord was transformed by the September 2001 terrorist attacks on the United States and the ensuing enlistment of Pakistan as a pivotal ally in U.S.-led counterterrorism efforts. Top U.S. officials regularly praise Islamabad for its ongoing cooperation, although doubts exist about Islamabad's commitment to some core U.S. interests in the region. Pakistan is identified as a base for terrorist groups and their supporters operating in Kashmir, India, and Afghanistan. Pakistan continues to face serious problems, including domestic terrorism and human rights violations.

A potential Pakistan-India nuclear arms race has been the focus of U.S. nonproliferation efforts in South Asia. Attention to this issue intensified following nuclear tests by both countries in May 1998; the tests triggered restrictions on U.S. aid to both countries (remaining nuclear-related sanctions on Pakistan were waived in October 2001). Pakistan and India have fought three wars since 1947. Recently, the United States has been troubled by evidence of "onward" proliferation of Pakistani nuclear technology to third parties, including North Korea, Iran, and Libya. Such evidence became stark in February 2004.

Separatist violence in Kashmir has continued unabated since 1989. India blames Pakistan for the infiltration of Islamic militants into Indian Kashmir, a charge Islamabad denies. The United States reportedly has received pledges from Islamabad that all "cross-border terrorism" would cease and that any terrorist facilities in Pakistani-controlled areas would be closed. Similar pledges have been made to India. The United States strongly encourages maintenance of a cease-fire along the Kashmiri Line of Control and continued substantive dialogue between Islamabad and New Delhi.

Pakistan's macroeconomic indicators have turned positive since 2001, but widespread poverty persists. Democracy has fared poorly in Pakistan; the country has endured military rule for half of its existence. In 1999, the elected government was ousted in an extra-constitutional coup led by Army Chief Gen. Pervez Musharraf, who later assumed the title of President. National elections in 2002 resulted in no majority party emerging, though significant gains for Islamist parties were notable. A new National Assembly and Prime Minister are seated (Musharraf ally and Finance Minister Shaukat Aziz took office in August 2004), but the civilian government remains weak and was stalled on issues related to the legality of constitutional changes made by Musharraf (and ratified in December 2003) and to his continued status as Army Chief. The United States strongly urges the Musharraf government to restore fully functioning democracy in Islamabad. Congress has granted the President authority to waive coup-related sanctions through FY2005.

Pakistan received nearly $2 billion in U.S. assistance for FY2002-FY2004. President Bush called for establishment of a five-year, $3 billion aid package for Pakistan to begin in FY2005. See also CRS Report RL32259, *Terrorism in South Asia*; and CRS Report RL32615, *Pakistan's Domestic Political Developments*.

MOST RECENT DEVELOPMENTS

Pakistan has made major strides in its battle with Islamic extremists based in urban areas. Numerous militants were apprehended during the summer, and in September, Pakistan reported having killed suspected top Al Qaeda operative Amjad Farooqi, wanted in connection with attempts to assassinate President Musharraf. The United States expressed being pleased with Islamabad's successes. Military operations against suspected militant hide-outs in Pakistan's western tribal regions are ongoing and bring regular casualties, including one Chinese national who had been kidnaped by militants loyal to Abdullah Mehsud, a former Taliban fighter and prisoner at the U.S. facility at Guantanamo Bay. Fallout from these efforts has included failed suicide attacks on top Pakistani officials. Major sectarian violence is again a rising and dire concern, with early October bomb attacks in the cities of Sialkot and Multan causing at least 71 deaths, and the October 9 assassination of two prominent Sunni clerics in Karachi.

In September, President Musharraf met with Indian Prime Minister Singh on the sidelines of the U.N. General Assembly meeting in New York. In a joint statement that Musharraf called a "major breakthrough," the two leaders agreed to explore possible options for a "peaceful, negotiated settlement" of the Kashmir issue and they discussed the possibility of building a gas pipeline to India via Pakistan. In late October, Musharraf caused a stir when he suggested to a group of journalists a "geographical" solution for Kashmir that would discuss seven regions (five in India and two in Pakistan) to be identified, demilitarized, and have their status settled. New Delhi reacted cooly to the statements, saying that discussions on the subject should not be held through the media. Opposition figures in Islamabad called the proposals a "roll back" of Pakistan's long-held Kashmir policy. Some Kashmiri separatists welcomed Musharraf's comments as "path-breaking." The 18-month-old Pakistan-India peace initiative is set to continue with high-level meetings in December.

On October 14, Pakistan's National Assembly passed a bill that would allow President Musharraf to remain as army chief until 2007. Opposition figures vowed to oppose the "black law." In response to signs that Musharraf will break his pledge to resign from the military at year's end, a U.S. State Department spokesman reiterated the U.S. position that "Pakistan's long-term interest is to continue its transition to fully functioning democracy" and the United States "expects to see continuing progress toward this goal."

Also in October, the U.S. Congress acted on two pieces of major legislation (S. 2845 and H.R. 10) that seek to implement the recommendations of the *9/11 Commission Report* in ways that may affect U.S.-Pakistan relations. On October 6, career foreign service officer Ryan Crocker was confirmed by the Senate as the new U.S. Ambassador to Pakistan. On October 26, as many as 17 pro-government Pashtun tribesmen were killed when their convoy came under mortar- or rocket-fire near Wana in South Waziristan. On October 28, an explosion at a luxury hotel in Islamabad injured seven people, including a U.S. embassy employee. A U.S. State Department spokesman said that it was probably "a bomb of some kind." On November 6, President Musharraf met with Afghan President Karzai in Kabul where he vowed full cooperation with Afghanistan and efforts to combat terrorism. On November 8, Deputy Secretary of State Armitage arrived in Islamabad for talks on Iraq,

Afghanistan, and terrorism. More information is in CRS Report RS21584, *Pakistan: Chronology of Recent Events*.

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 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, Islamabad received nearly $2 billion in U.S. assistance from 1953 to 1961, including $508 million in military aid.

PAKISTAN IN BRIEF

Population: 159 million; *growth rate*: 1.98% (2004 est.)
Area: 803,940 sq. km. (slightly less than twice the size of California)
Capital: Islamabad
Ethnic Groups: Punjabi, Sindhi, Pashtun (Pathan), Baloch, Muhajir (immigrants from India at the time of partition and their descendants)
Languages: Punjabi 58%, Sindhi 12%, Pashtu 8%, Urdu (official) 8%, other 14%; English widely used
Religions: Muslim 97% (Sunni 77%, Shia 20%), Christian, Hindu, and other 3%
Life Expectancy at Birth: female 63.6 years; male 61.7 years (2004 est.)
Literacy: female 31%; male 60% (2003 est.)
Gross Domestic Product (at PPP): $333 billion; *per capita*: $2,080; *growth rate* 5.8% (2003)
Inflation: 3.9% (2002)
U.S. Trade: exports to U.S. $2.53 billion; imports from U.S. $840 million (2003)
Sources: CIA World Factbook; U.S. Commerce Dept.

Differing expectations of the security relationship have long bedeviled bilateral ties. During and immediately after 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 and a perception among some in Pakistan that the United States was not a reliable ally. In the mid-1970s, new strains arose over Pakistan's efforts to respond to India's 1974 underground test of a nuclear device by seeking its own nuclear weapons capability. Limited U.S. aid was resumed in 1975, but was suspended again in 1979 by the Carter Administration 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 ally in the effort to block Soviet expansionism. In September 1981, the Reagan Administration negotiated a five-year, $3.2 billion 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 troubled by 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. With the Soviet withdrawal from Afghanistan beginning in May 1988, Pakistan's nuclear

activities again came under intensive U.S. scrutiny and, in October 1990, President Bush again 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. 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. 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 U.S. Treasury's Judgment Fund, as well as to provide Pakistan with $140 million in goods as compensation.

Pakistan-India Rivalry

Three full-scale wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of their mutual 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 unresolved issue of Kashmiri sovereignty have been major sources of tension. Both Pakistan and India have built large defense establishments at significant cost to 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 (LOC) 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 taken between 40,000 and 90,000 lives since 1989. Pakistan admits only to lending moral and political support to the rebellion, and it criticizes India for alleged human rights abuses against Kashmiris. The most recent major armed clash with India was in May-June 1999, when separatist militants backed by Pakistan Army troops crossed the LOC near Kargil and were repulsed after six weeks of heavy fighting that killed more than 1,000 combatants. During most of 2002, nearly one million Pakistani and Indian soldiers were mobilized at their shared border after India blamed Pakistan for supporting terrorist groups that had undertaken deadly attacks in India, including a December 2001 assault on the Indian Parliament complex. Yet an April 2003 peace initiative has brought major improvement in the bilateral relationship, including a January 2004 summit meeting that produced a joint agreement to launch a "composite dialogue" to bring about "peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides." In 2004, numerous mid-level meetings and a general cease-fire at the border and LOC have brought modest, but still meaningful, progress toward normalized relations.

The China Factor

Pakistan and China have enjoyed a generally close and mutually beneficial relationship over recent decades. India and China, on the other hand, are seen to have a strategic rivalry in the region——the two large nations fought a brief border war in 1962 and significant border disputes between them remain unresolved. 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. After the 1990 imposition of U.S. sanctions on Pakistan, the Islamabad-Beijing arms relationship was further strengthened (see CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles*). Although relations

between India and China warmed significantly in 2003, India's Ambassador to the United States said in April 2004 that the Islamabad-Beijing nuclear and missile proliferation "nexus" continued to cause serious concerns in New Delhi.

Pakistan's Political Setting

The history of democracy in Pakistan is a troubled one, marked by ongoing tripartite power struggles among presidents, prime ministers, and army chiefs. Military regimes have ruled Pakistan for more than half of its 57 years of existence, interspersed with periods of generally weak civilian governance. From 1988 to 1999, 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. Benazir Bhutto (leader of the Pakistan People's Party) and Nawaz Sharif (leader of the Pakistan Muslim League) each served twice as prime minister during this period. President Farooq Leghari dismissed the Bhutto government for corruption and nepotism in 1996, and Nawaz Sharif won a landslide victory in February 1997 elections, which were judged generally free and fair by international observers. Sharif, who moved quickly to consolidate his power by curtailing the powers of the President and the judiciary, 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 October 1999, in response to Sharif's attempt to remove him, Army Chief Gen. Pervez Musharraf overthrew the government, dismissed the National Assembly, and appointed himself "Chief Executive." He declared a state of emergency, suspended the constitution and, by special decree, ensured that his actions could not be challenged by any court, thus essentially imposing martial law. In April 2002, Musharraf assumed the title of President. National elections were held in October of that year, as ordered by the Supreme Court. (See section on "Democracy and Governance" below. See also CRS Report RL32615, *Pakistan's Domestic Political Developments*.)

Pakistan-U.S. Relations and Key Country Issues

U.S. policy interests in Pakistan encompass a wide range of issues, including counterterrorism, nuclear weapons and missile proliferation, South Asian regional stability, democratization and human rights, economic reform and market opening, and efforts to counter narcotics trafficking. These concerns have been affected by several key developments over the years, including proliferation- and democracy-related sanctions; a Pakistan-India conflict over Kashmir and a continuing bilateral nuclear standoff; and, most recently, the September 2001 terrorist attacks against the United States. In the wake of those attacks, President Musharraf — under strong U.S. diplomatic pressure — offered President Bush Pakistan's "unstinted cooperation in the fight against terrorism." Pakistan became a vital ally in the U.S.-led anti-terrorism coalition. In a U.S. effort to shore up the Musharraf government, sanctions relating to Pakistan's 1998 nuclear tests and 1999 military coup quickly were waived. In October 2001, large amounts 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 supports grant, loan, and debt rescheduling programs for Pakistan by the various major international financial institutions. In June 2004, President Bush designated Pakistan as a major non-NATO ally of the United

States under Section 517 of the Foreign Assistance Act of 1961, a move that may be more symbolic than practical. Revelations that Pakistan has been a source of onward nuclear proliferation to North Korea, Iran, and Libya may complicate future Pakistan-U.S. relations.

Security

International 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. Top U.S. officials regularly praise Pakistani anti-terrorism efforts. 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. Pakistani authorities have remanded to U.S. custody nearly 500 such fugitives to date. In a landmark speech in January 2002, President Musharraf vowed to end Pakistan's use as a base for terrorism of any kind, and he banned numerous militant groups, including Lashkar-e-Taiba and Jaish-e-Muhammad, both blamed for terrorist violence in Kashmir and India and designated as Foreign Terrorist Organizations under U.S. law. In the wake of the speech, thousands of Muslim extremists were arrested and detained, though many of these have since been released. (See CRS Report RL32259, *Terrorism in South Asia;* and CRS Report RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*.)

Pivotal Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), and Khalid Mohammed (March 2003), along with several key captures in the summer of 2004. Yet Al Qaeda and Taliban fugitives still are numerous in Pakistan and appear to have re-established their organizations in Pakistani cities such as Karachi, Peshawar, and Quetta, as well as in the mountainous tribal regions along the Afghan border. Al Qaeda founder Osama bin Laden and his lieutenant, Egyptian Islamic radical leader Ayman al-Zawahiri, may themselves be in Pakistan. Meanwhile, numerous banned indigenous groups have continued to operate under new names: Lashkar-e-Taiba became Jamaat al-Dawat; Jaish-e-Mohammed was re-dubbed Khudam-ul Islam. Musharraf repeatedly has vowed to end the activities of religious extremists in Pakistan and to permanently prevent banned groups from resurfacing there. His policies likely spurred two lethal but failed attempts to assassinate him in December 2003. Nonetheless, some analysts call Musharraf's efforts cosmetic, ineffective, and the result of international pressure rather than a genuine recognition of the threat posed.

Infiltration Into Afghanistan. Beginning in early 2003, U.S. military commanders overseeing Operation Enduring Freedom complained that renegade Al Qaeda and Taliban fighters were able to attack coalition troops in Afghanistan, then escape across the Pakistani frontier. They expressed dismay at the slow pace of progress in capturing wanted fugitives in Pakistan and urged Islamabad to do more to secure its rugged western border area. Numerous U.S. government officials voiced similar worries, even expressing concern that elements of Pakistan's intelligence agency might be assisting members of the Taliban. In mid-2003, tensions between the Kabul and Islamabad governments reached alarming levels, with some top Afghan officials accusing Pakistan of manipulating Islamic militancy in the region to destabilize Afghanistan. In an unprecedented show of force, President Musharraf

moved some 25,000 Pakistani troops into the traditionally autonomous tribal areas. The first half of 2004 saw an escalation of Pakistani Army operations, many in coordination with U.S. and Afghan forces just across the international frontier (U.S. forces have no official authorization to cross the border into Pakistan). Major battles between Pakistani troops and militants in South Waziristan during the spring and summer of 2004 reportedly have left 246 Islamic militants (two-fifths of them foreigners), 170 Pakistani soldiers, and an unknown number of civilians dead. The battles, which continue sporadically to date, have exacerbated already volatile anti-Musharraf and anti-American sentiments held by many Pakistani Pashtuns. Afghan President Karzai has continued to express concern that militants trained on Pakistani territory cross into Afghanistan to mount anti-government attacks there. In August, President Musharraf hosted Karzai in Islamabad and assured the Afghan president that Pakistan would not allow extremists to use its territory to disrupt October's Afghan elections. In November, Karzai hosted Musharraf in Kabul, where the Pakistani president vowed full cooperation with Afghanistan and efforts to combat terrorism.

Infiltration Into Kashmir. Islamabad has been under continuous pressure from the United States and other governments to terminate the infiltration of insurgents across the Kashmiri Line of Control. Such pressure reportedly elicited a promise from President Musharraf to U.S. Deputy Secretary of State Armitage that all such movements would cease. During a May 2003 visit to Islamabad, Deputy Secretary Armitage reportedly received another pledge from the Pakistani president, this time an assurance that any existing terrorist camps in Pakistani Kashmir would be closed. Musharraf has assured India that he will not permit any territory under Pakistan's control to be used to support terrorism, and he insists that his government is doing everything possible to stop infiltration and shut down militant base camps in Pakistani-controlled territory. 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, and to disrupt tactically the state government in Indian Kashmir in seeking to erode New Delhi's legitimacy there. Positive indications growing from the latest Pakistan-India peace initiative include a cease-fire at the LOC that has held since November 2003, and summer 2004 statements from Indian officials indicating that rates of militant infiltration were down significantly. However, in October 2004, India's external affairs minister said that the India-Pakistan peace process is "critically dependent" on Pakistan fulfilling its pledges to end all activities by terrorist groups on its soil.

Domestic Terrorism. Pakistan is known to be a base for numerous indigenous terrorist organizations and the country continues to suffer from anti-Shia, anti-Christian, and anti-Western terrorism at home. In January 2002, reporter Daniel Pearl was kidnaped in Karachi and later found murdered. Spring 2002 car bomb attacks on Western targets, including the U.S. consulate in Karachi, killed 29 people, among them 11 French military technicians. A March 2002 grenade attack on a Protestant church in Islamabad killed five, including a U.S. Embassy employee and her daughter. These attacks were 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. During 2003 and into 2004, the worst domestic terrorism was directed against Pakistan's Shia minority. Indications are that the indigenous Lashkar-i-Jhangvi Sunni militant group was responsible for the most deadly incidents. Two bloody attempts to kill Musharraf in December 2003 and failed efforts to assassinate other top Pakistani officials in June and July 2004 may have been linked to Al Qaeda and illuminated the danger presented by the

determined extremists. The United States has played a direct role in training the security detail of the Pakistani president, helped to fund a new 650-officer Diplomatic Security Unit, and assists with numerous programs designed to improve the quality of Pakistan's internal police forces through the provision of equipment and training.

Pakistan-U.S. Security Cooperation. In June 2004, President Bush declared Pakistan to be a major non-NATO ally of the United States, a move that may be more symbolic than practical. 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 July 2002, the United States began allowing commercial sales that enabled Pakistan to refurbish at least part of its fleet of American-made F-16 fighter aircraft. In July 2003, it was announced that Islamabad will purchase six C-130 military transport aircraft from Lockheed Martin for approximately $75 million under a Foreign Military Financing grant. Congress also was notified of another pending Foreign Military Sale arrangement with Pakistan reportedly worth $155 million. Under this deal, Pakistan is to receive six Aerostat surveillance radars. These mark the first major arms sales to Pakistan in more than a decade and are intended to bolster Islamabad's counterterrorism capabilities. In September 2003, the Pentagon notified Congress of three pending major arms sales to Pakistan potentially worth more than $300 million. The 12 radars, and 40 Bell helicopters are meant to enhance Pakistan's ability to support Operation Enduring Freedom and to secure its borders. In May 2004, the State Department notified Congress of the two-year lease by Pakistan of 26 Bell helicopters funded by the Pentagon under P.L. 108-11 and P.L. 108-106. In August 2004, the Pentagon notified Congress of the possible sale to Pakistan of $78 million worth of military radio systems meant to improve Pakistani communication capabilities and to increase interoperability between Pakistani and U.S.-led counterterrorist forces. The United States also has undertaken to train and equip new Pakistan Army Air Assault units that can move quickly to find and target terrorist elements. The Pentagon reports Foreign Military Sales agreements with Pakistan worth $27 million in FY2002 and $167 million in FY2003. Islamabad continues to seek increased arms imports, especially in an effort to bolster its air forces. Pakistani officials are eager to purchase major U.S. weapons platforms, including F-16s fighters, P-3 maritime surveillance aircraft, and Harpoon anti-ship missiles. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — met in September 2002 for high-level discussions on military cooperation, security assistance, and anti-terrorism. A September 2003 meeting set a schedule for joint military exercises and training, discussed how the U.S. military can assist Pakistan in improving its counterterrorism capabilities, and included a U.S. vow to expedite future security assistance.

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 unannounced nuclear tests, breaking a 24-year, self-imposed moratorium on such testing. Despite U.S. and world efforts to dissuade it, Pakistan quickly followed. The tests created a global storm of criticism, and represented a serious setback to two decades of U.S. nuclear nonproliferation efforts in South Asia. Pakistan currently is believed to have enough fissile material, mainly enriched uranium, for 55-90 nuclear weapons; India, with a program focused on plutonium, may be capable of building a similar number. Both countries have aircraft capable of delivering nuclear bombs. Pakistan's military has inducted short- and medium-range ballistic missiles (allegedly acquired from China and North Korea), while India possesses

short- and intermediate-range missiles. All are assumed to be capable of delivering nuclear warheads over significant distances. In 2000, Pakistan placed its nuclear forces under the control of a National Command Authority led by the president.

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 rejected such reports as "baseless" and Secretary of State Powell was 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." Press reports during 2003 suggested that both Iran and Libya benefitted from Pakistani nuclear assistance. Islamabad denied any nuclear cooperation with Tehran or Tripoli, although it conceded in December 2003 that certain senior scientists were under investigation for possible independent proliferation activities.

That investigation led to the February 2004 "public humiliation" of metallurgist Abdul Qadeer Khan, known as the founder of Pakistan's nuclear weapons program and national hero, when he confessed to involvement in a proliferation network. Khan and at least seven associates are said to have sold crucial nuclear weapons technology and uranium-enrichment materials to North Korea, Iran, and Libya. President Musharraf, citing Khan's contributions to his nation, issued a pardon that has since been called conditional. The United States has been assured that the Islamabad government had no knowledge of such activities and indicated that the decision to pardon is an internal Pakistani matter. Musharraf has promised President Bush that he will share all information learned about the Khan's proliferation network. To date, Musharraf refuses to allow any direct access to Khan by U.S. or U.N. investigators. (See CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia;* and CRS Report RL31900, *Weapons of Mass Destruction: Trade Between North Korea and Pakistan*.)

U.S. Nonproliferation Efforts. In May 1998, following the South Asian nuclear tests, President Clinton imposed full restrictions on all non-humanitarian aid to both Pakistan and India as mandated under Section 102 of the Arms Export Control Act. In some respects, Pakistan was less affected by the sanctions than was India, as most U.S. assistance to Pakistan had been cut off in 1990. At the same time, Pakistan's smaller and more fragile economy was more vulnerable to the negative effects of aid restrictions. However, Congress and the President acted almost immediately to lift certain aid restrictions and, after October 2001, all remaining nuclear-related sanctions on Pakistan (and India) were removed. In April 2004, the U.S. Assistant Secretary of State for Proliferation urged Pakistan and India to join the Nuclear Nonproliferation Treaty (NPT) as non-nuclear weapon states, saying that the United States does not accept either country as a nuclear weapon state under the NPT.

During the latter years of the Clinton administration, the United States set forth nonproliferation "benchmarks" for India and Pakistan, including halting further nuclear testing and signing and ratifying the Comprehensive Test Ban Treaty (CTBT); halting fissile material production and pursuing Fissile Material Control Treaty negotiations; refraining from deploying nuclear weapons and testing ballistic missiles; and restricting any and all exportation of nuclear materials or technologies. The results of U.S. efforts were mixed, at

best, and neither Pakistan nor India are signatories to the CTBT or NPT. The Bush Administration makes no reference to the benchmark framework. Senator Richard Lugar, Chairman of the Senate Foreign Relations Committee, has called upon the United States to promote nuclear confidence-building measures in South Asia, including "assistance on export controls, border security, and the protection, control, and accounting of nuclear stockpiles and arsenals." U.S. and Pakistani officials have held talks on improving security and installing new safeguards on Pakistan's nuclear weapons and nuclear power plants, but Pakistani officials insist that Pakistan will not accept any demand for access to or inspections of its nuclear and strategic assets, materials, and facilities. Concerns about onward proliferation and fears that Pakistan could become destabilized by the U.S.-led counterterrorism efforts in Afghanistan have heightened U.S. attention to weapons proliferation in South Asia. (See CRS Report RL31559, *Proliferation Control Regimes*; CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*; and CRS Report RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*.)

The Kashmir Issue. Bilateral relations between Pakistan and India remain deadlocked on the issue of Kashmiri sovereignty, and a separatist rebellion has been underway in the region since 1989. Tensions between Pakistan and India remained extremely high in the wake of the Kargil conflict of 1999, when an incursion by Pakistani soldiers led to a bloody six-week-long battle. Throughout 2000 and 2001, cross-border firing and shelling caused scores of both military and civilian deaths. In May 2001, the Indian government announced that it was ending a unilateral cease-fire in Kashmir but that PM Vajpayee would invite President Musharraf to India for talks. A July summit meeting 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." Secretary of State Powell visited South Asia in an effort to ease escalating tensions over Kashmir, but an October 2001 bombing at the Jammu and Kashmir state assembly building was followed by a December assault on the Indian Parliament in New Delhi. Both incidents were blamed on Pakistan-based terrorist groups. The Indian government responded by mobilizing some 700,000 troops along the Pakistan-India frontier and threatened war unless Islamabad ended all cross-border infiltration 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 he outlawed five militant groups, including Lashkar-e-Taiba and Jaish-e-Mohammed.

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. Intensive international diplomatic missions to South Asia reduced tensions during the summer of 2002 and appear to have prevented the outbreak of war. Numerous top U.S. officials were involved in this effort and continued strenuously to urge the two countries to renew bilateral dialogue. A "hand of friendship" offer to Pakistan by the India's PM in April 2003 led to the restoration of full diplomatic relations in July, but surging separatist violence that summer contributed to an exchange of sharp rhetoric between Pakistani and Indian leaders at the United Nations in September, casting doubt on the peace effort. However, an October

confidence-building initiative got Pakistan and India back on track toward improved relations, and a November cease-fire was initiated after a proposal by Pakistani PM Jamali. In December, President Musharraf suggested that Pakistan might be willing to "set aside" its long-standing demand for a plebiscite in Kashmir, a proposal welcomed by the United States, but called a "disastrous shift" in policy by Pakistani opposition parties.

Although militant infiltration did not end, the Indian government acknowledged that it was significantly decreased and, combined with other confidence-building measures, relations were sufficiently improved that the Indian PM attended a three-day summit meeting of the South Asian Association for Regional Cooperation (SAARC) in Islamabad in January 2004, where Pakistan and India issued a joint "Islamabad Declaration" calling for a "composite dialogue" to begin in February 2004 to bring about "peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides." Many Kashmiris reject any effort at settlement that excludes them. Pakistan-based and Kashmiri militant groups expressed a determination to continue fighting against Indian forces in Kashmir despite the agreement. A spate of deadly attacks in the summer of 2004 underscored that the issue remains dangerous and unresolved.

Islamization and Anti-American Sentiment

An unexpected outcome of the 2002 elections saw the Muttahida Majlis-e-Amal (MMA or United Action Front), a coalition of six Islamic parties, win 68 seats in the National Assembly — about 20% of the total. It also controls the provincial assembly in the North West Frontier Province (NWFP) and leads a coalition in the Baluchistan assembly. These western provinces are Pashtun-majority regions that border Afghanistan where important U.S.-led counterterrorism operations are ongoing. The result led to concerns that a shift in Pakistani policies might be in the offing, perhaps even a "Talibanization" of western border regions. In June 2003, the NWFP assembly passed a Shariat bill in the provincial assembly. These laws seek to replicate in Pakistan the harsh enforcement of Islamic law seen in Afghanistan under the Taliban. As such, the development alarmed Pakistan's more secular moderates, and President Musharraf has decried any attempts to "Talibanize" regions of Pakistan. Islamists are notable for their virulent expressions of anti-American sentiment; they have at times called for "jihad" against what they view as the existential threat to Pakistani sovereignty that alliance with Washington entails. Anti-American sentiment is not limited to Islamic groups, however. A March 2004 public opinion survey by the Pew Center found that only 6% of Pakistan's believe the United States is sincere in its efforts to combat terrorism; half believe that the United States is seeking to "dominate the world." The survey also found nearly two-thirds of Pakistanis expressing a favorable view of Al Qaeda founder Osama bin Laden. Most analysts contend that two December 2003 attempts to assassinate President Musharraf were carried out by Islamic militants angered by Pakistan's post-September 2001 policy shift. In January 2004 testimony before the Senate Foreign Relations Committee, one senior expert opined that "Pakistan is probably the most anti-American country in the world right now, ranging from the radical Islamists on one side to the liberals and Westernized elites on the other side."

Democratization and Human Rights

Democracy and Governance. 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 some 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 changes in August 2002. An October 2003 report from New York-based Human Rights Watch claimed that four years of military rule had "led to serious human rights abuses." In 2004, and for the eleventh straight year, the nonpartisan Freedom House rated Pakistan as "not free" in the areas of political rights and civil liberties. While praising Pakistan's electoral exercises as moves in the right direction, the United States has expressed concern that seemingly nondemocratic developments may make the realization of true democracy in Pakistan more elusive.

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 2002, the Musharraf government announced sweeping changes to 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. The United States expressed concerns that the changes "could make it more difficult to build strong, democratic institutions in Pakistan." The October 2002 elections nominally fulfilled President Musharraf's promise to restore the National Assembly that was dissolved in the wake of his extra-constitutional seizure of power. The pro-military Pakistan Muslim League-Quaid-e-Azam (PML-Q) won a plurality of seats, while a coalition of Islamist parties made a surprisingly strong showing. Musharraf supporter M.Z. Jamali became Pakistan's new prime minister. The civilian government was hamstrung for more than one year by fractious debate over the legitimacy of the LFO and Musharraf's continued status as army chief *and* president. A surprise December 2003 agreement between Musharraf and the Islamist opposition ended the deadlock by bringing the constitutional changes before Parliament and by eliciting a promise from Musharraf to resign his military commission before 2005. Non-Islamist opposition parties unified under the Alliance for the Restoration of Democracy (ARD) accused the MMA of betrayal and insisted that the new arrangement merely institutionalized military rule in Pakistan, especially after the April 2004 establishment of a new National Security Council.

The spring of 2004 saw further apparent reversals for Pakistani democratization: in April, ARD leader Javed Hashmi was sentenced to 23 years in prison for sedition, mutiny, and forgery; in May, Shabaz Sharif, a former Punjab Chief Minister and brother of deposed PM Nawaz Sharif, attempted to return to Pakistan from exile, but immediately was deported to Saudi Arabia; and in June, PM Jamali was pushed to resign for what numerous analysts called his insufficient deference to President Musharraf. Musharraf "shuffled" prime ministers to seat his close ally, Finance Minister Shaukat Aziz. Aziz is seen to be an able financial manager and technocrat favored by Musharraf and the military, but he has no political base in Pakistan. Moreover, the latter months of 2004 have seen Musharraf signal that he may continue his role as army chief beyond the stated deadline. There are concerns that Pakistan's civilian democratic institutions have been weakened by these developments. (See also CRS Report RL32615, *Pakistan's Domestic Political Developments*.)

Human Rights Problems. The U.S. State Department, in its *Pakistan Country Report on Human Rights Practices 2003,* determined that the Islamabad government's record on human rights "remained poor; although there were some improvements in a few areas,

serious problems remained." Along with concerns about ongoing anti-democratic practices, the report lists "acute" corruption, extrajudicial killings, lack of judicial independence, political violence, terrorism, and "extremely poor" prison conditions among the serious problems. Police have abused and raped citizens with apparent impunity. Improvement in a few areas was noted, however, particularly with press freedoms and the punishment of some security officials who were found guilty of abuses. 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 60%, while only one-third of women can read and write. The State Department's *International Religious Freedom Report 2004* singled out Pakistan for "state hostility toward minority or non-approved religions" for the sixth consecutive year, indicating that the Pakistani government continued to impose limits on freedom of religion, to fail in many respects to protect the rights of religious minorities, and to fail at times to intervene in cases of sectarian violence. In June 2004, a State Department report on trafficking in persons placed Pakistan on the "Tier 2 Watch List" as a "source, transit, and destination country for trafficked persons," indicating that, despite significant efforts, "the government of Pakistan does not fully comply with the minimum standards for the elimination of trafficking."

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 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, less than one-thirtieth of the estimated 155 tons produced in 1995. However, opium production has spiked in post-Taliban Afghanistan and, in September 2004, President Bush again identified Pakistan as being among the world's "major illicit drug producing or drug-transit countries." Pakistan's powerful Inter-Services Intelligence agency (ISI) is suspected of involvement in drug trafficking; in March 2003, a former U.S. Ambassador to Pakistan told a House International Relations Committee panel that the role of the ISI in the heroin trade from 1997-2003 was "substantial." Reports indicate that profits from drug sales are financing the activities of Islamic extremists in Pakistan, Afghanistan, and Kashmir. Pakistan's counter-narcotics efforts are hampered by lack of full government commitment; scarcity of funds; poor infrastructure; government wariness of provoking unrest in tribal areas; and "acute" corruption. The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) oversaw Pakistani projects with more than $90 million in FY2002, including $73 million in emergency supplemental appropriations for border security efforts that continued in FY2003. INL was budgeted $6 million for FY2003, rising to $36.5 million estimated for FY2004 and $40 million requested for FY2005.

Economic Issues

Overview. Pakistan is a poor country with great extremes in the distribution of wealth. Per capita GDP is about $2,080 when accounting for purchasing power parity. The long-

term economic outlook for Pakistan is much improved in recent years, but remains clouded in a country highly dependent on foreign lending and the importation of basic commodities (public debt is equal to more than 70% of GDP). Greater political stability in recent years brightened the outlook by providing President Musharraf with a base for the further pursuit of economic reform, but a hamstrung National Assembly and tensions with India hampered progress (developments in late 2003 and early 2004 helped to resolve these latter issues). 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 and up 65% in 2003. Output from both the industrial and service sectors grew in 2002, but the agricultural sector's performance 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 2004 grew by more than 6%, driven by a strong manufacturing sector. This rate was up from 5.1% during the previous year and 3.6% in FY2001/FY2002. An industrial sector recovery and the end of a three-year drought have most foreseeing solid growth ahead, with predictions nearing 6% for FY2004/FY2005.

The Pakistani government stabilized the country's external debt at about $33 billion by June 2003. The country's total liquid reserves topped $12 billion by mid-2004, an all-time high and an increase of more than 400% since October 1999. Foreign remittances for FY2003 exceeded $4.2 billion, nearly quadrupling the amount in 2001. Inflation, generally steady at around 3%, likely will rise slightly in 2004. Defense spending and interest on public debt together consume 70% of total revenues, thus squeezing out development expenditure. 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 further 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.

Attempts at economic reform historically have floundered due to political instability. The Musharraf government has had notable successes in effecting macroeconomic reform, although efforts to reduce poverty have made little headway. The January 2004 sale of Habib Bank, the country's second-largest, was Pakistan's largest-ever privatization move. Rewards for its participation in the post-September 2001 anti-terror coalition eased somewhat Pakistan'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 March 2004, the Asian Development Bank confirmed a strong economic recovery for Pakistan during the latter half of 2003, led by "substantial improvement" in the country's two main commodity producing sectors, agriculture and large-scale manufacturing. July 2004 reports from the International Monetary Fund found macroeconomic performance continuing to be "very strong," with reform efforts "firmly on track," but also noted that the reform process is not advancing equally across all financial sectors.

Trade and Investment. The United States is by far Pakistan's leading export market, accounting for nearly one-quarter of total exports. Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. During 2003, total U.S. imports from Pakistan were worth about $2.53 billion. Three-quarters of this value came from the purchase cotton apparel, cotton cloth, and related articles. U.S. exports to Pakistan during

2003 were worth $840 million, an increase of 21% over 2002. The leading U.S. export to Pakistan was raw cotton. The State Bank of Pakistan reports a steady increase in foreign investment in the country since 2001, with a total of $922 million for the year ending June 2004. More than one-quarter of this amount came from the United States.

According to the most recent report of the U.S. Trade Representative, 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, and some U.S. companies have complained about Pakistani violations of intellectual property rights. The International Intellectual Property Alliance estimated trade losses of $126 million in 2003 due to copyright piracy and criticized Islamabad for "ignoring" a problem — Pakistan is a world leader in the pirating of CDs — that has kept Pakistan on the U.S. Trade Representative's "Special 301" watch list for 14 consecutive years. The Heritage Foundation's *2004 Index of Economic Freedom* rated Pakistan as being "mostly unfree," highlighting an especially restrictive set of trade policies, weak property ownership protections, and a high level of black market activity. Heritage also noted an increase in Islamabad's domination of the banking system and influence over credit allocation, but noted improved government monetary policies.

U.S. Aid and Congressional Action

U.S. Assistance. Total U.S. economic and military assistance to Pakistan from 1947-2003 was just above $14 billion. Actual U.S. assistance to Pakistan in FY2002 was just above $1 billion, up substantially over the $3.5 million for FY2001 (excluding food aid). For FY2003, Congress allocated about $295 million for Pakistan in the Consolidated Appropriations Resolution, 2003 (P.L. 108-7). In April 2003, the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11) allocated $200 million in additional security-related assistance to Pakistan. The current estimate for total FY2004 aid stands at $385 million. In June 2003, President Bush vowed to work with Congress on establishing a five-year, $3 billion aid package for Pakistan. Annual installments of $600 million each are meant to begin in FY2005 and be evenly split between military and economic aid. When additional funds for development assistance, law enforcement, and other programs are included, the aid request for FY2005 is $700 million (see **Table 1**, below). In July 2004, the House passed the Foreign Operations FY2005 Appropriations bill (**H.R. 4818**). The bill would establish a new base program of $300 million for military assistance for Pakistan, but allocates only half of that amount while authorizing the President to transfer the remainder from unobligated balances of funds under previous appropriations Acts. The bill also authorizes Pakistan to use up to $200 million in Economic Support Funds to further reduce Pakistan's concessional debt to the United States. The Senate passed H.R. 4818 in September 2004, along with **S.Amdt. 3694**, which would require the President to report to Congress on education reform efforts in Pakistan.

Congress also has appropriated significant funds to reimburse Pakistan for its support of U.S.-led counterterrorism operations. In April 2003, the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11) provided that $1.4 billion in additional defense spending may be used for payments to reimburse Pakistan and other cooperating nations for their support of U.S. military operations. The Asian Development Bank reported

that Pakistan received $581 million in U.S. logistics support for the latter half of 2003, an amount equal to 38% of Pakistan's total defense expenditures during that period. In November, a presidential request for emergency FY2004 supplemental funding became P.L. 108-106. This law made available $1.15 billion for continuing reimbursements. P.L. 108-106 also provided that up to $200 million in FY2004 Economic Support Funds may be used for the further modification of direct loans and guarantees for Pakistan. In July 2004, this amount was used to reduce Pakistan's concessional debt to the United States by $495 million, leaving a balance of some $1.3 billion.

Proliferation-Related Legislation. Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan and India resulting from their nuclear weapons proliferation activities.* After the September 2001 terrorist attacks on the United States, policymakers searched for new means of providing assistance to Pakistan. President Bush's September 2001 issuance of a final determination removed remaining sanctions on Pakistan (and India) resulting from the 1998 nuclear tests, finding that restrictions were not in the national security interests of the United States. Some Members of the 108th Congress have urged reinstatement of proliferation-related sanctions in response to evidence of Pakistani assistance to the North Korean, Iranian, and Libyan nuclear weapons programs. The Nuclear Black-Market Elimination Act (**H.R. 4965**) would authorize the President to impose three-year-minimum sanctions on any "foreign person or entity" that is determined to have been involved in the illicit transfer of nuclear materials or technologies. Title III of the act would require the President to determine that Pakistan has verifiably halted all proliferation activities and is fully sharing with the United States all information relevant to the A.Q. Khan proliferation network.

Coup-Related Legislation. Pakistan's 1999 coup triggered U.S. aid restrictions under Section 508 of the annual Foreign Assistance Appropriations Act. New geopolitical circumstances after September 2001 saw Congress take action on aid restrictions on Pakistan. P.L. 107-57 (October 2001) waived coup-related sanctions on Pakistan through FY2002 and granted presidential authority to waive them through FY2003. President Bush exercised this authority in March 2003. P.L. 108-106 (November 2003) extended the President's waiver authority through FY2004; this was exercised in March 2004. Pending legislation includes **H.R. 1403**, which seeks to remove the President's waiver authority, and **H.R. 4818** (passed by both the House and Senate), which would extend that authority through FY2005.

Trade-Related Legislation. In the 108th Congress, **H.R. 2467** and **S. 1121** seek to extend certain trade benefits that are meant to increase trade and investment with eligible countries of the greater Middle East, including Pakistan. **H.R. 3496** and **S. 2875** would

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* The Agricultural Export Relief Act of 1998 (P.L. 105-194) allowed U.S. wheat sales to Pakistan after July 1998. The India-Pakistan Relief Act of 1998 (in P.L. 105-277) authorized a one-year sanctions waiver exercised by President Clinton in November 1998. The Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority after October 1999 to waive nuclear-test-related sanctions applied against Pakistan and India. On October 27, 1999, President Clinton waived economic sanctions on India (Pakistan remained under sanctions as a result of the October 1999 coup). The Foreign Operations Export Financing and Related Appropriations Agencies Act, 2001 (P.L. 106-429; Section 597) provided an exception under which Pakistan could be provided U.S. foreign assistance funding for basic education programs. (See also CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*.)

extend trade benefits to certain tents imported into the United States from eligible countries, including Pakistan. The Miscellaneous and Technical Corrections Act of 2004 (**H.R. 1047**) would authorize the President to designate certain hand-made or hand-woven carpets as eligible articles for duty-free treatment under the Generalized System of Preferences, a move that the Senate Committee on Finance believes would be of particular benefit to Pakistan.

Other Legislation. In July 2003, the House passed the Foreign Relations Authorization Act, FY2004-2005 (**H.R. 1950**). Section 709 of the act would require the President to report to Congress on actions taken by Islamabad to close terrorist camps in Pakistan-controlled areas, prohibit the infiltration of militants at the Kashmiri Line of Control, and cease the transfer of WMD or related technologies to any third parties. In June 2004, the House passed the Intelligence Authorization Act, FY2005 (**H.R. 4548**) (the Senate passed this bill in October). Section 304 of the act would require the Director of Central Intelligence to report to the Congress on Pakistani efforts to curb proliferation of weapons of mass destruction and to fight terrorism.

9/11 Commission Recommendations. *The 9/11 Commission Report* identifies the government of President Musharraf as the best hope for stability in Pakistan and Afghanistan, and it recommends that the United States make a long-term commitment to provide comprehensive support for Islamabad so long as Pakistan itself is committed to combating extremism and to a policy of "enlightened moderation." Pending legislation in the 108th Congress seeks to implement this and other Commission recommendations. In October 2004, the House passed the 9/11 Recommendations Implementation Act of 2004 (**H.R. 10**), which details particular areas of concentration regarding Pakistan — including democratization, economic modernization, nonproliferation, and education reform — and would require the President to transmit to Congress a "detailed proposed strategy" for long-term engagement with that country. Also in October, the House and Senate both passed the National Intelligence Reform Act of 2004 (**S. 2845**). S.Amdt. 3942 to the bill calls for a long-term U.S. commitment to Pakistan to include U.S. assistance sustained at a minimum of FY2005 levels requested by the President. The bill also would require the President to transmit to Congress within 180 days of enactment a description of U.S. efforts to support Pakistan and encourage moderation there, including examinations of and recommendations for funding levels for educational, military, and financial support, as well as an examination of the desirability of establishing a Pakistan Education Fund.

Table 1. U.S. Assistance to Pakistan, FY2001-FY2005

(in millions of dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY2005 Request
CSH	-.-	5.0	15.6	25.6	21.1
DA	-.-	10.0	34.5	42.4	29.0
ERMA	-.-	25.0	-.-	-.-	-.-
ESF	-.-	624.5	188.0[a]	200.0[a]	300.0
FMF	-.-	75.0	224.5	74.6	300.0
IMET	-.-	0.9	1.0	1.3	2.0
INCLE	3.5	90.5[b]	31.0	36.5	40.0
NADR	-.-	10.1	-.-	4.2	8.0
PKO	-.-	220.0	-.-	-.-	-.-
Subtotal	**$3.5**	**$1,061.0**	**$494.6**	**$384.6**	**$700.1**
P.L.480 Title I[c]	0.5	10.0	9.0	5.8	-.-
P.L.480 Title II[c]	1.9	5.1	9.7	([d])	([d])
Section 416(b)[c]	85.1	75.7	-.-	-.-	-.-
Total	**$91.0**	**$1,151.8**	**$513.3**	**$390.4**	**$700.1**

Sources: U.S. Departments of State and Agriculture; U.S. Agency for International Development.

Abbreviations:

CSH: Child Survival and Health
DA: Development Assistance
ERMA: Emergency Refugee and Migration Assistance
ESF: Economic Support Fund
FMF: Foreign Military Financing
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement (includes border security)
NADR: Nonproliferation, Anti-Terrorism, Demining, and Related
PKO: Peacekeeping Operations
P.L.480 Title I: Trade and Development Assistance food aid (loans)
P.L.480 Title II: Emergency and Private Assistance food aid (grants)
Section 416(b): The Agricultural Act of 1949, as amended (surplus agricultural commodity donations)

Notes:

a. Congress authorized Pakistan to use the FY2003 ESF allocation to cancel $988 million and the FY2004 ESF allocation to cancel $495 million in concessional debt to the U.S. government.
b. Included $73 million for border security projects that continued in FY2003.
c. Food aid amounts do not include what can be significant transportation costs.
d. Title II food aid accounts generally are held in reserve.