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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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Pakistan-U.S. Relations

SUMMARY

A stable, democratic, economically thriving Pakistan is considered 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. Since late 2003, Pakistan's army has been conducting unprecedented counterterrorism operations in traditionally autonomous western tribal areas.

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 has blamed

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, rates of foreign investment remain low, and inflation has been rising. Democracy has fared poorly in Pakistan; the country has endured direct military rule for half of its existence. In 1999, the elected government was ousted in a coup led by Army Chief Gen. Pervez Musharraf, who later assumed the title of president. Supreme Court-ordered elections in 2002 seated a new civilian government (Musharraf ally and Finance Minister Shaukat Aziz became prime minister in August 2004), but it remains weak, and Musharraf has retained his position as army chief. The United States strongly urges the Musharraf government to restore fully functioning democracy in Islamabad. Congress has granted President Bush authority to waive coup-related sanctions through FY2006.

Pakistan is among the world's leading recipients of U.S. aid. Including current appropriations and requests, Pakistan will receive about \$3.4 billion in direct U.S. assistance for FY2002-FY2006. Almost half of this (\$1.5 billion) is security-related aid. See also CRS Report RL32259, *Terrorism in South Asia*; and CRS Report RL32615, *Pakistan's Domestic Political Developments*.

MOST RECENT DEVELOPMENTS

In March, Secretary of State Rice met with Prime Minister Aziz and President Musharraf in Islamabad, where she told the Pakistani people that “the United States will be a friend for life.” The Bush Administration later announced that the United States would resume sales of F-16 fighters to Pakistan after a 16-year hiatus (see CRS Report RS22148, *Combat Aircraft Sales to South Asia*). In May, the Commander of the U.S. Central Command, Gen. Abizaid, and Assistant Secretary of State Rocca made separate visits to Islamabad for consultations with top Pakistani officials. On May 4, the Islamabad government announced having captured Abu Faraj al-Libbi, a Libyan native wanted in connection with lethal attempts to assassinate President Musharraf in December 2003. Libbi, captured in the northwestern city of Mardan, was described by some terrorism analysts as being the third-most senior Al Qaeda operative, although others disputed this claim. President Bush said Libbi was “a direct threat to America” and called his capture “a critical victory in the war on terror.” On May 14, press reports claimed that a U.S. Predator drone had fired a missile on Pakistani territory, killing suspected Al Qaeda explosives expert Haithem al-Yemeni. Pakistan denied the report.

On May 9, a *Newsweek* magazine report alleging that a Koran had been desecrated at the U.S. facility at Guantanamo Bay allegedly spurred four days of violent anti-U.S. protests in both Afghanistan and Pakistan, although senior U.S. and Afghan officials later disputed the connection. A State Department spokesman called any such desecration “abhorrent” and said the allegations would be investigated. *Newsweek* apologized and retracted the story, but Pakistan’s National Assembly passed a resolution condemning the alleged desecration and the Islamabad government reiterated its demand for an investigation into the allegations. On May 19, two U.S. citizens of Pakistani origin claimed that they had been detained in Pakistan for nine months, beaten by Pakistani agents, and interrogated by F.B.I. agents before being released without charges. New York-based Human Rights Watch later accused the U.S. government of “turning a blind eye” to the alleged torture and illegal detention.

Pakistan’s domestic security and political stability have appeared weakened in 2005. Beginning in January, well-armed tribesmen in the sparsely populated, but resource-rich Baluchistan province have been causing serious disruptions by targeting power, transportation, and communication lines, and engaging in sporadic battles with government forces there. March conflict caused thousands of civilians to flee their homes and at least 40 people were killed and scores injured when a bomb exploded at a religious shrine in a remote part of Baluchistan. On the political front, rallies centered around the April return to Lahore of opposition figure Asif Zardari caused authorities to arrest many thousands of People’s Party activists. Islamist parties have staged major street protests against the Musharraf government; on April 1, police arrested up to 2,000 protestors in both Lahore and Karachi. Moreover, in March, ruling party parliamentarians allied with Islamists to reject legislation which sought to strengthen national laws against “honor killings” and PM Aziz’s cabinet called for a restoration of a religious column on Pakistani passports. In April, police in the eastern city of Gujranwala clashed with Islamist protestors opposed to women’s participation in a foot race there. In May, police in Lahore used force to disperse a group of human rights activists who had staged another “mixed marathon,” and police in Islamabad and Lahore used batons to break up gatherings of journalists marking World Press Freedom Day, injuring

nine and detaining 30 more. Opposition parties and human rights groups claim that these developments belie Islamabad's claims to be pursuing a policy of "enlightened moderation."

On May 10, after consulting with the Pakistani and Indian governments, the World Bank named a Swiss engineer to serve as Neutral Expert to address the dispute over a dam India is constructing on the Chenab River in Baghliar. On May 11, an emergency supplemental appropriations bill became P.L. 109-13. The bill allows that up to \$1.22 billion in Pentagon funds be used to reimburse Pakistan and other key cooperating nations for their support of U.S. military operations. On May 18, the House passed H.Res. 272, recognizing the historic steps India and Pakistan have taken toward achieving bilateral peace. 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, \$508 million of this in military aid.

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 nuclear test by seeking its own nuclear weapons capability. Limited U.S. aid was resumed in 1975 but was suspended 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 1979, Pakistan was again viewed as a frontline ally in the effort to block Soviet expansionism. In 1981, the Reagan Administration offered 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, most of whom have yet to return.

PAKISTAN IN BRIEF

Population: 159 million; *growth rate:* 1.98% (2004)
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 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)
Gross Domestic Product (at PPP): \$340 billion; *per capita:* \$2,210; *growth rate* 6.2% (2004.)
Inflation: 7.4% (2004)
U.S. Trade: exports to U.S. \$2.87 billion; imports from U.S. \$1.81 billion (2004)
Sources: CIA World Factbook; U.S. Commerce Dept.

Despite the renewal of U.S. aid and close security ties, many in Congress remained troubled by Pakistan's nuclear weapons program. 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, Pakistan's nuclear activities again came under intensive U.S. scrutiny and, in 1990, President Bush again suspended aid to Pakistan. Under the provisions of the Pressler amendment, most bilateral economic and all military aid ended and deliveries of major military equipment ceased. In 1992, Congress partially relaxed the scope of the aid cutoff to allow for food assistance and continuing support for nongovernmental organizations. Among the notable results of the aid cutoff was the nondelivery of F-16 fighter aircraft ordered by Pakistan in 1989. In December 1998, the United States agreed to compensate Pakistan with \$324.6 million in cash payment and \$140 million in goods, including surplus wheat.

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 Pakistan and India. 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 countries 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 rebels 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, some 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." During 2004, numerous mid-level meetings, re-establishment of embassy staff and consulates, increased people-to-people contacts, and a cease-fire at the border and LOC 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. 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*). India's ambassador to the United States said in 2004 that the Islamabad-Beijing nuclear and missile "proliferation nexus" continued to cause serious concerns in New Delhi. In December 2004, the Pakistani prime minister visited Beijing, where Pakistan and China signed seven accords meant to boost bilateral cooperation. In April 2005, Chinese PM Wen Jiabao visited Islamabad, where Pakistan and China signed 22 more such pacts. The Chinese government has assisted Islamabad in constructing a major new port at Gwadar, near the border with Iran.

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. The Bhutto government was dismissed 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 moved quickly to bolster his power by curtailing those of the president and judiciary, and he emerged as one of Pakistan's strongest-ever elected leaders. 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." In April 2002, Musharraf assumed the title of president. National elections were held in October of that year, as ordered by the Supreme Court. At present, Musharraf continues to hold the dual offices of president and army chief. (See "Democracy and Governance" section 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 efforts to counter narcotics trafficking. These concerns have been affected by several key developments, including proliferation- and democracy-related sanctions; Pakistan-India conflict over Kashmir and a continuing bilateral nuclear standoff; and 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. U.S. 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 status that may be more symbolic than practical. Revelations that Pakistan has been a source of 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-terrorism 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 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 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. In the spring of 2002, U.S. military and law enforcement personnel 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 approximately 500 such fugitives to date.

Pivotal Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), and Khalid Sheik Mohammed (March 2003), several key captures in the summer of 2004, and Abu Faraj al-Libbi (May 2005). Yet Al Qaeda and Taliban fugitives remain in Pakistan and may have reestablished their organizations in Pakistani cities such as Karachi 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 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. In March 2005, Defense Intelligence Director Jacoby stated that, "Pakistan must maintain and expand [military] operations [in its tribal areas] in order to permanently disrupt insurgent and terrorist activity," adding that "international and indigenous terrorists pose a high threat to senior Pakistani government officials, military officers, and U.S. interests." (See also CRS Report RL32259, *Terrorism in South Asia*.)

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. 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 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. In August 2004, 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, which were held without major disturbances. In November, Musharraf visited Kabul, where he vowed full cooperation with Afghanistan and efforts to combat terrorism. Still, concern about infiltrations continues: in May 2005, U.S. military officials in Afghanistan indicated that insurgents opposed to the Kabul government continue to cross into Afghanistan to attack U.S.-led forces before returning to Pakistan.

Infiltration into Kashmir. Islamabad has been under continuous U.S. and international pressure to terminate the infiltration of insurgents across the Kashmiri Line of Control (LOC). Such pressure reportedly elicited a promise from President Musharraf to then-U.S. Deputy Secretary of State Armitage that all such movements would cease. During a 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 both to 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 statements from Indian officials during 2004 indicating that rates of militant infiltration were down significantly. However, in April 2005, the Indian prime minister asserted that "the threat to the peace process from extremist forces and terrorist organizations has not been eliminated."

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, widely viewed as expressions of militants' anger with the Musharraf regime for its cooperation with the United States, were linked to Al Qaeda, as well as to indigenous militant groups. During 2003-

2004, the worst domestic terrorism was directed against Pakistan's Shia minority. Indications are that the indigenous Lashkar-e-Jhangvi Sunni terrorist group was responsible for the most deadly incidents. Two attempts to kill Musharraf in December 2003 and failed efforts to assassinate other top Pakistani officials in mid-2004 may have been linked to Al Qaeda and illuminated the danger presented by the determined extremists.

Pakistan-U.S. Security Cooperation. In June 2004, President Bush designated Pakistan as a major non-NATO ally of the United States. The close U.S.-Pakistan security ties of the cold war era — which had come to a near halt after the 1990 aid cutoff — have been in the process of restoration as a result of Pakistan's role in U.S.-led anti-terrorism campaign. In 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 March 2005, the United States announced that it would resume sales of F-16 fighters to Pakistan after a 16-year hiatus. Since mid-2003, major U.S. military grants and proposed sales to Pakistan have included six C-130 military transport aircraft (\$75 million grant); six Aerostat surveillance radars (\$155 million sale); 12 radars and 40 Bell transport helicopters (\$300 million sale); military radio systems (\$78 million sale); a November 2004 proposed sale of eight P-3C aircraft, six Phalanx guns, and 2,000 TOW missiles (worth up to \$1.2 billion); and, in May 2005, the proposed sale of 300 Sidewinder air-to-air missiles and 60 Harpoon anti-ship missiles (worth \$226 million). The Pentagon reports Foreign Military Sales agreements with Pakistan worth \$27 million in FY2002, \$167 million in FY2003, and \$176 million in FY2004. The United States has undertaken to train and equip new Pakistan Army Air Assault units that can move quickly to find and target terrorist elements. Islamabad continues to seek increased arms imports, especially in an effort to bolster its air forces. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — met in 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 and discussed how the U.S. military can assist Pakistan in improving its counterterrorism capabilities. U.S. elections postponed the 2004 session, which met in February 2005 in Islamabad. There has been a direct U.S. role in training the security detail of the Pakistani president, help to fund a 650-officer Diplomatic Security Unit, and assistance with numerous programs designed to improve the quality of Pakistan's internal police forces through the provision of equipment and training. (See also CRS Report RS22148, *Combat Aircraft Sales to South Asia*.)

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 by states. 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.

The 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 Khan's proliferation network. 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*; CRS Report RL32745, *Pakistan's Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission*; and CRS Report RS21237, *India and Pakistan Nuclear Weapons*.)

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 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. However, 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 RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*, and CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*.)

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 were 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. A July 2001 summit meeting 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 mobilized 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 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 Indian 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, casting doubt on the peace effort. However, an October 2003 confidence-building initiative got Pakistan and India back on track toward improved relations, and a November cease-fire was initiated after a proposal by then-Pakistani PM Jamali. President Musharraf also 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, New Delhi 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. There Pakistan and India issued a joint “Islamabad Declaration” calling for a “composite dialogue” to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.” A major confidence-building development came in April 2005, when a new bus service was launched linking Muzaffarabad in Pakistani Kashmir and Srinagar in Indian Kashmir, and a summit meeting produced an agreement to address the Kashmir issue “in a forward looking manner for a final settlement.” Still, many Kashmiris reject any effort at settlement that excludes them. Pakistan-based and Kashmiri militant groups express a determination to continue fighting against Indian forces in Kashmir despite the Pakistan-India dialogue. Deadly attacks by separatist militants continue and underscore 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 moderates, and President Musharraf has decried any attempts to “Talibanize” regions of Pakistan. Islamists are notable for 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 Pakistanis believe the United States is sincere in its efforts to combat terrorism; half believe that the United States is seeking to “dominate the world,” and nearly two-thirds expressed 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, a senior U.S. 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 ensuing developments, including President Musharraf’s imposition of major constitutional changes. International and Pakistani human rights groups continue to issue reports critical of Islamabad’s military-dominated government. In 2005, and for the sixth 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 marked by evidence of fraud and coercion. In August 2002, the Musharraf government announced sweeping changes to the Pakistani constitution. These changes provide the office of President 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.” 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 a 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.

Other apparent reversals for Pakistani democratization came in 2004: 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, in the final month of 2004 Musharraf chose to 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 *Country Report on Human Rights Practices 2004* determined that the Pakistani government’s record on human rights again “remained poor; although there were some improvements in a few areas, serious problems remained.” Along with concerns about anti-democratic practices, the report lists “severe” 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. A 2005 report from the U.S. Commission on International Religious Freedom claimed that, “The response of the government of Pakistan to persistent and religiously motivated violence in Pakistan continues to be inadequate” and again recommended that Pakistan be designated a Country of Particular Concern. 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 then distributed mainly to Europe 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, down from an estimated 155 tons produced in 1995. However, opium production spiked in post-Taliban Afghanistan (which is now said to supply more than 80% of the world's heroin) and, in September 2004, President Bush again identified Pakistan as being among the world's “major illicit drug producing or drug-transit countries.” Elements of Pakistan's major intelligence agency are suspected of involvement in drug trafficking; in March 2003, a former U.S. Ambassador to Pakistan told a House International Relations Committee panel that their role in the heroin trade from 1997 to 2003 was “substantial.” Reports indicate that profits from drug sales are financing the activities of Islamic extremists in Pakistan, Afghanistan, and Kashmir. U.S. counter-narcotics programs aim to reduce the flow of opiates through Pakistan, eliminate Pakistan as a source of such opiates, and reduce the demand for illegal drugs within the country. 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. Since 2002, the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) has supported Pakistan's Border Security Project by training border forces, providing vehicles and surveillance and communications equipment, transferring helicopters and fixed-wing aircraft to the Interior Ministry's Air Wing, and road-building in western tribal areas.

Economic Issues

Overview. Pakistan is a poor country with great extremes in the distribution of wealth. Per capita GDP is about \$2,210 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 has 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 have hampered progress. 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 ranging from 5.5% to 7.2% 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. Inflationary pressures grew at least partly due to increased oil prices in 2004, resulting in an annual rate of 7.4%, but are expected to ease in 2005 and 2006. 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 bank, was Pakistan's largest-ever privatization move. Rewards for 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 a September 2004 country brief, the World Bank noted that Pakistan had turned a deteriorating macroeconomic situation into a rapidly improving one, but also called poverty a remaining serious concern. In January 2005, a top International Monetary Fund official congratulated Pakistan for its "successful implementation" of reforms that led to "impressive turnarounds" in macroeconomic trends. In February, the World Bank president praised Pakistan's "terrific" economic progress, but emphasized that Pakistan "has a long way to go in terms of achieving its human development goals." In April, an Asian Development Bank report noted improvement in the Pakistani economy in 2004-2005, but identified rising inflation, a large trade deficit, and a balance of payments deficit as major areas of concern.

Trade and Investment. The United States is by far Pakistan's leading export market, accounting for nearly one-quarter of the total. Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. During 2004, total U.S. imports from Pakistan were worth \$2.87 billion (up 14% over 2003). More than half of this value came from the

purchase of cotton apparel and household goods. U.S. exports to Pakistan during 2004 were worth \$1.8 billion, more than twice the 2003 value, led by a tripling in sales of machinery and transport equipment. Pakistan currently is the 49th largest export market for U.S. goods. According to the 2005 report of the U.S. Trade Representative (USTR), Pakistan has made progress in reducing import tariff schedules, though a number of trade barriers remain. Some items are banned from importation on religious, environmental, security, or health grounds. The U.S. pharmaceutical industry believes that Pakistan maintains discriminatory practices that impede U.S. manufacturer profitability. The International Intellectual Property Alliance estimated trade losses of \$143 million in 2004 due to copyright piracy and has criticized Islamabad for “fundamental failure” to address a problem — Pakistan is a world leader in the pirating of music CDs — that has kept Pakistan on the USTR’s “Special 301” Watch List for 16 consecutive years (in 2004, continuing violations caused the USTR to move Pakistan to the Priority Watch List). 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. The Heritage Foundation’s *2005 Index of Economic Freedom* again rated Pakistan’s economy as being “mostly unfree,” identifying a worsened circumstance in 2004 characterized by 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 government barriers to capital flows and foreign investment, along with new evidence that Islamabad was directly controlling or subsidizing prices on both goods and services.

U.S. Aid and Congressional Action

U.S. Assistance. Total U.S. economic and military assistance to Pakistan from 1947 to 2004 was nearly \$15 billion. Total non-food aid in FY2004 was \$387 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, split evenly between military and economic aid, began in FY2005. The Foreign Operations FY2005 Appropriations bill (P.L. 108-447) established a new base program of \$300 million for military assistance for Pakistan; half of the FY2005 funding came from a May 2005 emergency supplemental appropriations bill (P.L. 109-13). P.L. 108-447 also allows that up to \$200 million in FY2005 Economic Support Funds may be used for the modification of direct loans and guarantees for Pakistan (Congress made identical provisions in two previous foreign operations appropriations bills and Pakistan has used that \$400 million in ESF to reduce its concessional debt to the United States by \$1.48 billion, leaving a balance of some \$1.3 billion). When additional funds for development assistance, law enforcement, and other programs are included, the aid allocation for FY2005 is about \$692 million (see **Table 1**). Congress also has appropriated funds to reimburse Pakistan for its support of U.S.-led counterterrorism operations. 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. A November 2003 emergency supplemental appropriations act (P.L. 108-106) made available another \$1.15 billion for continuing reimbursements. A May 2005 supplemental appropriation (P.L. 109-13) provided another \$1.22 billion for such purposes. A report of the House Armed Services Committee (H.Rept. 109-89) said the Secretary of Defense expects to disburse that entire amount to Pakistan in FY2005. Pentagon documents indicate that Pakistan received coalition support funding of \$1.32 billion for the period January 2003-September 2004, an amount roughly equal to one-third of Pakistan’s total defense expenditures during that period.

Proliferation-Related Legislation. Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan resulting from its nuclear weapons proliferation activities.¹ After the September 2001 terrorist attacks on the United States, policymakers searched for new means of providing assistance to Pakistan. President Bush's issuance of a final determination that month removed remaining sanctions on Pakistan (and India) resulting from the 1998 nuclear tests, finding that restrictions were not in U.S. national security interests. Some Members of the 108th Congress urged reinstatement of proliferation-related sanctions in response to evidence of Pakistani assistance to third-party nuclear weapons programs. However, the Nuclear Black-Market Elimination Act (H.R. 4965) did not see floor action. Pending legislation in the 109th Congress includes **H.R. 1553**, which would prohibit the provision of military equipment to Pakistan unless the President can certify 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 October 1999 military 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 such restrictions. P.L. 107-57 (October 2001) waived coup-related sanctions on Pakistan through FY2002 and granted presidential authority to waive them through FY2003. The November 2003 emergency supplemental appropriations act (P.L. 108-106) extended the President's waiver authority through FY2004. The National Intelligence Reform Act of 2004 (P.L. 108-458) extended the President's waiver authority through FY2006 (H.R. 1403, which sought to remove the President's waiver authority, did not see floor action in the 108th Congress).

Trade-Related Legislation. The Miscellaneous and Technical Corrections Act of 2004 (P.L. 108-429) authorized 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 Finance Committee believes would be of particular benefit to Pakistan. Pending legislation in the 109th Congress includes **H.R. 1230**, which would extend trade benefits to certain tents imported into the United States from certain Middle Eastern countries, including Pakistan.

Other Legislation. In the 108th Congress, conference managers making foreign operations appropriations directed the Secretary of State to report to Congress by March 14, 2005 on Pakistan's education reform strategy and the U.S. strategy to provide relevant assistance (H.Rept. 108-792; see CRS Report RS22009, *Education Reform in Pakistan*). Also in the 108th Congress, the House-passed Foreign Relations Authorization Act, FY2004-2005 would have required the President to report to Congress on Pakistani actions related to

¹ 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*.)

terrorism and WMD proliferation. The Senate did not take action on this bill. The House-passed version of the Intelligence Authorization Act, FY2005 contained similar reporting requirements, but this section was removed in the Senate. In the 109th Congress, **S. 12** identifies a number of “critical issues” in U.S.-Pakistan relations, calls for “dramatically increasing” USAID funding for Pakistan-related projects, and would set nuclear proliferation-related conditions on assistance to Pakistan.

9/11 Commission Recommendations. *The 9/11 Commission Report* identified the government of President Musharraf as the best hope for stability in Pakistan and Afghanistan, and it recommended 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.” In passing the National Intelligence Reform Act of 2004 (P.L. 108-458), Congress broadly endorsed this recommendation by calling for U.S. aid to Pakistan to be sustained at a minimum of FY2005 levels and requiring the President to report to Congress by June 17, 2005, a description of a long-term U.S. strategy to engage with and support Pakistan.

Table 1. U.S. Assistance to Pakistan, FY2001-FY2006
(in millions of dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Estimate	FY2006 Request
CSH	--	5.0	15.6	25.6	21.0	20.5
DA	--	10.0	34.5	49.4	29.0	29.0
ERMA	--	25.0	--	--	--	--
ESF	--	624.5	188.0 ^a	200.0 ^a	297.6 ^a	300.0
FMF	--	75.0	224.5	74.6	298.8 ^b	300.0
IMET	--	0.9	1.0	1.4	2.0	2.0
INCLE	3.5	90.5 ^c	31.0	31.5	36.2 ^b	40.0
NADR	--	10.1	--	4.9	7.0	6.7
PKO	--	220.0	--	--	--	--
Subtotal	\$3.5	\$1,061.0	\$494.6	\$387.4	\$691.6	\$698.2
P.L.480 Title I ^d	0.5	10.0	9.0	6.0	--	--
P.L.480 Title II ^d	1.9	5.1	9.7	8.4	--	--
Section 416(b) ^d	85.1	75.7	--	9.6	--	--
Total	\$91.0	\$1,151.8	\$513.3	\$411.4	\$537.6	\$698.2

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

Abbreviations:

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

Notes:

- Congress authorized Pakistan to use the FY2003 ESF allocation to cancel \$988 million, the FY2004 allocation to cancel \$495 million, and a portion of the FY2005 allocation to cancel further concessional debt to the U.S. government.
- Includes Emergency Supplemental Appropriations Act, 2005 (P.L. 109-13) funding of \$150 million in FMF and \$4 million in additional counter-drug funding for Pakistan.
- Included \$73 million for border security projects that continued in FY2003.
- Food aid amounts do not include what can be significant transportation costs.