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Pakistan-U.S. Relations

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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; Pakistan-Afghanistan relations; 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. Pakistan is identified as a base for terrorist groups and their supporters operating in Kashmir, India, and Afghanistan. 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 India's Muslim-majority Jammu and Kashmir state has continued unabated since 1989. India has blamed Pakistan for the infiltration of Islamic mili-

tants 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 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 Shaukat Aziz is prime minister), but it remains weak, and Musharraf has retained his position as army chief. The United States strongly urges the restoration of fully functioning democracy in Islamabad and expects Pakistan's planned 2007 general elections to be free and fair throughout the entire process. Congress has granted President Bush authority to waive coup-related aid sanctions through FY2006.

Pakistan is among the world's leading recipients of U.S. aid, obtaining some \$2.63 billion in direct U.S. assistance for FY2002-FY2005, including \$1 billion in security-related aid. Pakistan also has received billions of dollars in reimbursement for its support of U.S.-led counterterrorism operations in South Asia. See also CRS Report RL32259, *Terrorism in South Asia*; and CRS Report RL32615, *Pakistan's Domestic Political Developments*.

MOST RECENT DEVELOPMENTS

On January 13, a missile attack on a residential compound in northwest Pakistan near the Afghan border killed up to 18 people, reportedly including numerous women and children. Pakistani officials blamed the attack on U.S. air forces, possibly Predator drones that were targeting top Al Qaeda leader Ayman al-Zawahri, who apparently was not at the scene. U.S. officials do not confirm U.S. involvement, but Islamabad lodged a formal protest with the U.S. Ambassador and the incident led to major public demonstrations by Pakistanis opposed to President Musharraf's alliance with the United States. Pakistan's ruling and opposition parties demanded a U.S. apology for "violating the sovereignty" of their country. Unnamed Pakistani officials later said that four Al Qaeda members, including Zawahri's son-in-law and a most-wanted bomb expert, were killed in the attack. Although Prime Minister Aziz insisted that "not one shred of evidence" had been found indicating Islamic militants had been at the site of the attack, Musharraf later expressed near-certainty that key Al Qaeda members had, in fact, been killed. Both Pakistani leaders deny their government had any advance notice of the attack. Aziz himself made an official visit to the United States from January 17-24, where President Bush hosted him at the White House and lauded the "strategic" and "vital" U.S.-Pakistan relationship. President Bush is slated to travel to Pakistan in early March.

Pakistan's domestic security has deteriorated in recent months. Western tribal areas have seen a spate of lethal incidents involving battles between Islamic militants, bandits, and Pakistani security forces. In the southwestern Baluchistan province, clashes between security forces and tribal militants began in December and continue, costing scores or perhaps hundreds of lives. A February 5 bus bombing the provincial capital of Quetta killed at least 13 people and was blamed on Baloch tribesmen. Moreover, new large-scale violence against Pakistan's Shia minority has arisen in the North West Frontier Province, where a February 9 suicide bombing killed some 30 people in a Shia procession. Subsequent communal rioting left at least six more dead. Also in February, Islamabad condemned "in the strongest terms" the publication in European newspapers of cartoons deemed offensive to Muslims, and thousands of Islamic activists marched in protest in Pakistani cities.

A two-year-old Pakistan-India peace process continued with a third round of "composite dialogue" talks January 17-18. The meetings ended with a positive assessment of bilateral relations and an expression of satisfaction with progress in the dialogue, but no major breakthroughs came on key issues, particularly the status of Kashmir, which remains the "core issue" for Islamabad. New bilateral frictions had arisen in December when President Musharraf accused India of arming and financing militants fighting in Baluchistan. Indian officials warn that continued "cross-border terrorism" involving Pakistan will harm the peace process, and lethal separatist-related violence in India's Jammu and Kashmir state continues.

In October, northern Pakistan was devastated by a major earthquake centered in Pakistan-controlled Kashmir. At least 73,000 Pakistanis and Kashmiris were killed and up to four million left homeless. In November, delegates from 75 countries and institutions pledged more than \$5.8 billion toward earthquake relief efforts (U.S. pledges include a total of \$510 million). (See CRS Report RL33196, *The Earthquake in South Asia*.)

On January 19, career Foreign Service officer Richard Boucher was nominated to be Assistant Secretary of State for South Asia. On January 26, former Prime Minister Benazir Bhutto held a press conference in Washington, where she claimed that Pakistan's military-dominated government was sidelining the country's secular democratic forces and creating a vacuum that is being filled by Islamist extremists. She called for countering terrorism with "stable, pluralistic structures through democratic reform." On January 30, Assistant Secretary of State for International Narcotics and Law Enforcement Enforcement Patterson visited Islamabad for meetings with top Pakistani leaders. On February 2, Pakistan and Saudi Arabia signed five agreements meant to enhance diplomatic, educational, and trade interactions. 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 (or "Baghdad Pact"). As a result of these alliances, Islamabad received nearly \$2 billion in U.S. assistance from 1953 to 1961, one-quarter 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 many 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. U.S. aid was suspended by the Carter Administration in 1979 in response to Pakistan's covert construction of a uranium enrichment facility. However, following the Soviet invasion of Afghanistan later that year, Pakistan again was 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 to Islamabad. Pakistan became a key

PAKISTAN IN BRIEF

Population: 162 million; *growth rate:* 2.03% (2005 est.)

Area: 803,940 sq. km. (slightly less than twice the size of California)

Capital: Islamabad

Ethnic Groups: Punjabi, Sindhi, Pashtun, Baloch, Muhajir (immigrants from India at the time of partition and their descendants)

Languages: Punjabi 58%, Sindhi 12%, Pashtu 8%, Urdu 8%; English widely used

Religions: Muslim 97% (Sunni 77%, Shia 20%), Christian, Hindu, and other 3%

Life Expectancy at Birth: female 64.0 years; male 62.0 years (2005 est.)

Literacy: female 35%; male 62% (2004 est.)

Gross Domestic Product (at PPP): \$376 billion; *per capita:* \$2,400; *growth rate* 8.1% (2005 est.)

Inflation: 8.9% (2005 est.)

Military Expenditures: \$3.85 billion (4.9% of GDP; 2004)

U.S. Trade: exports to U.S. \$3.26 billion; imports from U.S. \$1.175 billion (2005 est.)

Sources: CIA World Factbook; U.S. Commerce Department; Economist Intelligence Unit

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.

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 purchased by Pakistan in 1989. In December 1998, the United States agreed to compensate Pakistan with \$325 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 up to 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 in Kashmir. The latest 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. During most of 2002, one million Pakistani and Indian soldiers were mobilized at the shared border after India blamed Pakistan-based terrorist groups for undertaking 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, and led to a January 2004 summit meeting and a joint agreement to re-engage 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. Regular dialogue continued in 2005, although territorial disputes remain unresolved and Pakistani officials regularly express unhappiness that progress on substantive issues is not occurring.

The China Factor

Pakistan and China have enjoyed a generally close and mutually beneficial relationship over several 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: Policy Issues*). Indian officials have called the Islamabad-Beijing nuclear and missile "proliferation nexus" a cause of serious concern 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, the Chinese prime minister 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. Islamabad continues to view Beijing as an "all-weather friend" and perhaps its most important strategic ally.

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 58 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 ensuing 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 and Afghan stability, democratization and human rights, economic reform, and efforts to counter narcotics trafficking. Relations have been affected by several key developments, including proliferation- and democracy-related sanctions; a continuing Pakistan-India nuclear standoff and conflict over Kashmir; 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 and, in October 2001, large amounts of U.S. aid began flowing into Pakistan. Direct assistance programs include training and equipment for Pakistan security forces, along with aid for health, education, food, democracy promotion, human rights improvement, 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. 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 major 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 January 2002 speech, 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 detained, though most of these were later 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.

Important Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), Khalid Sheik Mohammed (March 2003), several key captures in the summer of 2004, and Abu Faraj al-Libbi (May 2005). Other alleged Al Qaeda figures were killed in gunbattles and missile attacks. Yet Al Qaeda and Taliban fugitives remain in Pakistan and appear to have regrouped in Pakistani cities, 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, are themselves believed to 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. President 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 a February 2006 review of global threats, U.S. Director of Intelligence Negroponte told a Senate panel that Pakistan "remains a major source of extremism that poses a threat to Musharraf, to the United States, and to neighboring India and Afghanistan." (See also CRS Report RL32259, *Terrorism in South Asia*.)

Infiltration into Afghanistan. U.S. military commanders overseeing Operation Enduring Freedom have since 2003 complained that renegade Al Qaeda and Taliban fighters

remain able to attack coalition troops in Afghanistan, then escape across the Pakistani frontier. They have 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 have voiced similar worries, even expressing concern that elements of Pakistan's intelligence agency might be assisting members of the Taliban. Tensions between the Kabul and Islamabad governments — which stretch back many decades — have at times reached alarming levels in recent years, with some top Afghan officials accusing Pakistan of manipulating Islamic militancy in the region to destabilize Afghanistan. During the autumn of 2003, in an unprecedented show of force, President Musharraf moved 25,000 Pakistani troops into the traditionally autonomous tribal areas near the Afghan frontier. 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). Combat between Pakistani troops and militants in the two Waziristan agencies has killed hundreds of Islamic militants (many of them foreigners), Pakistani soldiers, and civilians. The battles, which continue sporadically to date, have exacerbated already volatile anti-Musharraf and anti-American sentiments held by many Pakistani Pashtuns.

Kabul's October 2004 elections were held without major disturbances, apparently in part due to Musharraf's commitment to reducing infiltrations. Yet concerns sharpened in the spring of 2005, with U.S. military officials in Afghanistan again indicating that insurgents opposed to the Kabul government were making hit-and-run attacks before returning to Pakistan. In summer 2005, Afghan leaders accused Islamabad of actively supporting insurgents and providing their leadership with safe haven. Islamabad adamantly denied the charges and sought to reassure Kabul by dispatching an additional 9,500 troops to border areas, bringing the total to 80,000. Still, with 90 fatalities, 2005 was the deadliest year ever for U.S. troops in Afghanistan and, by the end of the year, there were indications that Islamabad's efforts to control the tribal areas were meeting with little success. Musharraf's "carrot and stick" approach of offering amnesty to those militant tribals who "surrender," and using force against those who resist, clearly has not rid the region of indigenous Islamic militants or Al Qaeda operatives, even as Islamabad's ability to collect actionable intelligence there may be increasing. Late 2005 and early 2006 missile attacks on suspected Al Qaeda targets — apparently launched by U.S. aerial drones flying over Pakistani territory — may be signs of a shifting U.S. strategy that entails use of U.S. military assets in areas where the Pakistanis are either unable or unwilling to strike. One result could be increasing Pakistan resentment at the perception that the country's sovereignty is under threat.

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 2002 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, 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 indicating that rates of militant infiltration were down significantly. However, in 2005 and early 2006, Indian leaders have renewed their complaints that Islamabad has taken insufficient action to eradicate the remaining "infrastructure of terrorism" on Pakistani-controlled territory.

Domestic Terrorism. Pakistan is known to be a base for numerous indigenous terrorist organizations, and the country continues to suffer from terrorism at home, especially that targeting the country's Shia minority. In recent years, attacks on Western targets have been rare, but 2002 saw several acts of lethal anti-Western terrorism, including the kidnaping and murder of reporter Daniel Pearl, a grenade attack on a Protestant church, and car bomb attacks on targets including the U.S. consulate in Karachi, which killed 29 people, among them 11 French military technicians. 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-present, the worst domestic terrorism was directed against Pakistan's Shia minority and included suicide bomb attacks that killed a total of some 60 people in May 2005 and February 2006. Indications are that the indigenous Lashkar-e-Jhangvi (LJ) 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 were said to be linked to LJ and other Al Qaeda-allied groups, and illuminated the danger presented by religious 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 came 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. Reports indicate that up to 55 new and 25 used F-16s may be offered in 2006. Major U.S. military grants and proposed sales to Pakistan since 2001 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); eight P-3C aircraft, six Phalanx guns, and 2,000 TOW missiles (proposed sales worth up to \$1.2 billion); the proposed sale of 300 Sidewinder air-to-air missiles and 60 Harpoon anti-ship missiles (worth \$226 million); and 115 self-propelled howitzers (\$56 million sale). The Pentagon reports Foreign Military Sales agreements with Pakistan worth \$343 million in FY2003-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. 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. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — sits for high-level discussions on military cooperation, security assistance, and anti-terrorism. (See also CRS Report RS22148, *Combat Aircraft Sales to South Asia: Potential Implications.*)

Nuclear Weapons and Missile Proliferation. Many 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 were 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 was later 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. While Musharraf has promised President Bush that he will share all information learned about Khan's proliferation network, Pakistan 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. The United States continues to urge Pakistan and India to join the Nuclear Nonproliferation Treaty (NPT) as non-nuclear weapon states and provides no official recognition of their nuclear weapons capabilities. During the latter years of the Clinton administration, the United States set forth nonproliferation “benchmarks” for Pakistan and India, 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. Concerns about onward proliferation, fears that Pakistan could become destabilized by the U.S.-led counterterrorism efforts in Afghanistan, and confusion over the issue of political succession in Islamabad 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. 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 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 2001 summit meeting in Agra, India failed to produce a joint statement, reportedly due to 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 force, President Musharraf in January 2002 vowed to end the presence of terrorist entities on Pakistani soil, and he outlawed five militant groups, including those most often named in attacks in India, 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 prime minister in April 2003 led to the restoration of full diplomatic relations, 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, a new confidence-building

initiative got Pakistan and India back on a positive track and a November 2003 cease-fire was initiated after a proposal by Pakistani Prime Minister Jamali. President Musharraf also has 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 prime minister attended a January 2004 summit meeting of the South Asian Association for Regional Cooperation (SAARC) in Islamabad. There Pakistan and India issued a joint “Islamabad Declaration” calling for a renewed “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 settlement process that excludes them. Pakistan-based and Kashmiri militant groups express determination to continue fighting in Kashmir despite the Pakistan-India dialogue. Deadly attacks by separatist militants are ongoing and demonstrate that the issue remains dangerous and unresolved.

Islamization and Anti-American Sentiment

An unexpected outcome of Pakistan’s 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 bordering Afghanistan, where 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 (Islamic law) bill in the provincial assembly. Two years later, the same assembly passed a “Hasba” (accountability) bill that many fear would create a parallel Islamic legal body and be harmful to human rights. Such developments alarm 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. 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. Some observers identify a causal link between the poor state of Pakistan’s primary education system and the persistence of xenophobia and religious extremism in that country (see CRS Report RS22009, *Education Reform in Pakistan*).

Anti-American sentiment is not limited to Islamic groups, however. In January 2004 testimony before a Senate panel, a senior U.S. expert opined: “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.” A July 2005 Pew Center opinion poll found 51% of Pakistanis expressing confidence in Al Qaeda founder Osama bin Laden to “do the right thing in world affairs” and, in an October 2005 *Time* magazine interview,

President Musharraf conceded that “the man on the street [in Pakistan] does not have a good opinion of the United States.” A Pew poll taken months before the 10/05 earthquake found only 23% of Pakistanis expressing a favorable view of the United States, the lowest percentage for any country surveyed. Yet that percentage doubled to 46% in an ACNielsen poll taken after major U.S. disaster relief efforts in earthquake-affected areas, with the great majority of Pakistani indicating that their perceptions had been influenced by seeing such efforts. However, a January 2006 missile attack on Pakistani homes near the Afghan border killed several civilians and was blamed on U.S. forces, perhaps renewing animosity toward the United States among some segments of the Pakistani populace.

Democratization and Human Rights

Democracy and Governance. There had been hopes that the October 2002 national elections would reverse Pakistan’s historic trend toward unstable governance and military interference in democratic institutions. Such hopes have been eroded by ensuing developments, including President Musharraf’s imposition of major constitutional changes and his retention of the position of army chief. 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 often-cited 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 presidency ostensibly was legitimized by a controversial referendum marked by evidence of fraud and coercion. In August 2002, Musharraf announced sweeping constitutional changes that bolster the president’s powers, 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 2002 election nominally fulfilled 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, but the civilian government was hamstrung for more than a year by fractious debate over the legitimacy of constitutional changes 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, including the sentencing of ARD leader Javed Hashmi to 23 years in prison for sedition, mutiny, and forgery, and the “forced” resignation of Prime Minister Jamali 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 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. The United States has indicated that it expects Pakistan's scheduled 2007 general elections to be free and fair throughout the entire process. In June 2005, Secretary of State Rice told an interviewer that "Pakistan has to make inroads on democracy." One month later, the Senate Appropriations Committee expressed concern with "the slow pace of the democratic development of Pakistan" (S.Rept. 109-96). Pakistan's August-October 2005 municipal elections saw major gains for candidates favored by the PML-Q and notable reversals for Islamists, but were also marked by widespread accusations of rigging (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 less than one-third of women can read and write. The State Department's *International Religious Freedom Report 2005* found that in practice the Islamabad government imposes limits on the freedom of religion in Pakistan. The report noted "some steps to improve the treatment of religious minorities," but indicated that "serious problems remained." However, the State Department rejected a U.S. Commission on International Religious Freedom recommendation that Pakistan be designated a Country of Particular Concern. A 2005 report from that Commission claimed that, "The response of the government of Pakistan to persistent and religiously motivated violence in Pakistan continues to be inadequate." In June 2005, a State Department report on trafficking in persons said that "Pakistan does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so," and it removed Pakistan from the "Tier 2 Watch List" in recognition of such efforts.

Narcotics

Pakistan is a major transit country for opiates that are grown and processed in Afghanistan then distributed worldwide by Pakistan-based traffickers. The State Department indicates that Pakistan's cooperation on drug control with the United States "remains excellent," and the Islamabad government has made impressive strides in eradicating indigenous opium poppy cultivation. However, opium production spiked in post-Taliban Afghanistan (which is now said to supply up to 90% of the world's heroin) and, in September 2005, 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 panel that their role in the heroin trade from 1997-2003 was "substantial." Some 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 own counter-narcotics efforts are hampered by lack of full government commitment, scarcity of funds, poor infrastructure, and "acute" corruption. Since 2002, the State Department's Bureau of International Narcotics and Law Enforcement Affairs 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, but the national economy has gathered significant positive momentum in recent years. Per capita GDP is \$708 (about \$2,400 when accounting for purchasing power parity). Severe human losses and property damage from an October 2005 earthquake in northern Pakistan are likely to have limited economic impact, given a large influx of foreign aid and the stimulus provided by reconstruction efforts. The long-term economic outlook for Pakistan is much improved since 2001, but remains clouded in a country highly dependent on foreign lending and the importation of basic commodities. 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 and 40% in 2004. Output from both the industrial and service sectors has grown substantially since 2002, but the agricultural sector has lagged (in part due to droughts), slowing overall growth. Agricultural labor accounts for nearly half of the country's work force. Pakistan's real GDP for the fiscal year ending June 2005 grew by an impressive 8.4%, driven by a strong manufacturing sector and greater than expected agricultural expansion. This was the best overall growth rate in two decades and up from 6.4% the previous year. Expanding textile production and the government's pro-growth measures have most analysts foreseeing solid growth ahead, with predictions at or above 6% for the next two years.

Pakistan stabilized its external debt at about \$33 billion by mid-2003, but rose to nearly \$38 billion in 2005. Still, such debt is only about one-third of GDP today, down from more than one-half in 2000. The country's total liquid reserves reached a record \$13 billion by mid-2005, an all-time high and an increase of more than 400% since October 1999. Foreign remittances in 2003 exceeded \$4 billion, nearly quadrupling the amount in 2001. Inflationary pressures have grown, at least partly due to increased oil prices, resulting in a year-on-year wholesale rate of 8.5% in December 2005, but may ease in 2006. Defense spending and interest on public debt together consume two-thirds 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. 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 January 2005, a top International Monetary Fund official congratulated Pakistan for its "successful implementation" of reforms that led to "impressive turnarounds" in macroeconomic trends. One month later, 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 2005, an Asian Development Bank report noted recent improvement in the Pakistani economy, 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 2005, total U.S. imports from Pakistan were worth an estimated \$3.26 billion (up 14% over 2004). About two-thirds of this value came from the purchase of cotton apparel and textiles. U.S. exports to Pakistan during 2005 were worth an estimated \$1.175 billion (down 36% from 2004), led by fertilizers and cotton fiber (the decline is a result of completed delivery of civilian aircraft). 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. The International Intellectual Property Alliance estimated trade losses of \$143 million due to copyright piracy in Pakistan in 2004, 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 exceeding \$1 billion for the year ending June 2005. More than one-quarter of this amount came from the United States. The Heritage Foundation's *2006 Index of Economic Freedom* — which may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — noted significant improvements, but again rated Pakistan's economy as being "mostly unfree," identifying restrictive trade policies, a heavy fiscal burden, weak property ownership protections, and a high level of "black market activity." Corruption is a serious problem: in 2005, Berlin-based Transparency International placed Pakistan 144th out of 158 countries in its annual ranking of world corruption levels.

U.S. Aid and Congressional Action

U.S. Assistance. Total U.S. economic and military assistance (loans and grants) to Pakistan from 1947 through 2005 more than \$15 billion. 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. When additional funds for development assistance, law enforcement, and other programs are included, the aid allocation for FY2005 was about \$688 million (see **Table 1**). Congress also has appropriated billions of dollars to reimburse Pakistan for its support of U.S.-led

counterterrorism operations. From FY2002-FY2005, annual supplemental appropriations have included a total of \$4.16 billion in additional defense spending to be used for coalition support payments to Pakistan and other cooperating nations. The vast majority of this funding has gone to Pakistan: Pentagon documents indicate Pakistan received coalition support funding of \$2.3 billion for the period FY2002-FY2004 — an amount roughly equal to one-fifth of Pakistan's total military expenditures during that period — and a report of the House Armed Services Committee (H.Rept. 109-89) said the Secretary of Defense expected to disburse to Pakistan the entire FY2005 allocation of \$1.22 billion.

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. Post-September 2001 circumstances 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. A November 2003 emergency supplemental appropriations act (P.L. 108-106) extended the President's waiver authority through FY2004. The Foreign Operations FY2006 appropriations bill (P.L. 109-102) extended it through FY2006. President Bush has exercised this waiver authority annually.

Other Legislation. In the 108th Congress, conference managers making foreign operations appropriations directed the Secretary of State to report to Congress 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 terrorism and WMD

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*.)

proliferation. The Senate did not take action on this bill. The House-passed version of the Intelligence Authorization Act, FY2005 contained similar reporting requirements; this section was removed in the Senate. In the 109th Congress, the pending Targeting Terrorists More Effectively Act of 2005 (**S. 12**) includes Pakistan-specific language.

9/11 Commission Recommendations. *The 9/11 Commission Report* (July 2004) 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 the Intelligence Reform and Terrorism Prevention 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 a description of long-term U.S. strategy to engage with and support Pakistan. A November 2005 follow-on report by Commissioners gave a “C” grade to U.S. efforts to support Pakistan’s anti-extremism policies and warned that the country “remains a sanctuary and training ground for terrorists.”

Table 1. U.S. Assistance to Pakistan, FY2001-FY2007
(in millions of dollars)

| Program or Account | FY2001 Actual | FY2002 Actual | FY2003 Actual | FY2004 Actual | FY2005 Actual | FY2006 Estimate | FY2007 Request |
|-------------------------------|---------------|-------------------|--------------------|--------------------|--------------------|----------------------------|----------------|
| CSH | — | 5.0 | 15.6 | 25.6 | 21.0 | 32.2 | 21.7 |
| DA | — | 10.0 | 34.5 | 49.4 | 29.0 | 40.6 | 29.0 |
| ERMA | — | 25.0 | — | — | — | — | — |
| ESF | — | 624.5 | 188.0 ^c | 200.0 ^c | 297.6 | 337.1 | 350.0 |
| FMF | — | 75.0 | 224.5 | 74.6 | 298.8 ^d | 297.0 | 300.0 |
| IMET | — | 0.9 | 1.0 | 1.4 | 1.9 | 2.0 | 2.1 |
| INCLE | 3.5 | 90.5 ^b | 31.0 | 31.5 | 32.1 ^d | 37.6 | 25.5 |
| NADR | — | 10.1 | — | 4.9 | 8.0 | 7.8 | 10.3 |
| PKO | — | 220.0 | — | — | — | — | — |
| Subtotal | \$3.5 | \$1,061.0 | \$494.6 | \$387.4 | \$688.4 | \$754.3^e | \$738.6 |
| P.L.480 Title I ^a | 0.5 | 10.0 | 9.0 | 6.0 | 10.2 | 23.0 | — |
| P.L.480 Title II ^a | 1.9 | 5.1 | 9.7 | 8.4 | 5.8 | 6.7 | — |
| Section 416(b) ^a | 85.1 | 75.7 | — | 9.6 | 2.0 | — | — |
| Total | \$91.0 | \$1,151.8 | \$513.3 | \$411.4 | \$706.4 | \$784.0^e | \$738.6 |

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:

- Food aid amounts do not include freight costs.
- Included \$73 million for border security projects that continued in FY2003.
- Congress authorized Pakistan to use the FY2003 ESF allocation to cancel \$988 million and the FY2004 allocation to cancel \$495 million in concessional debt to the U.S. government.
- Included Emergency Supplemental Appropriations Act, 2005 (P.L. 109-13) funding of \$150 million in FMF and \$4 million in counter-drug funding for Pakistan.
- FY2006 totals do not include International Disaster and Famine Assistance funds committed for earthquake relief.