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Pakistan-U.S. Relations

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Pakistan-U.S. Relations

SUMMARY

Key areas of U.S. concern regarding Pakistan include regional terrorism; weapons proliferation; the ongoing Kashmir dispute and Pakistan-India tensions; human rights protection; and economic development. A U.S.-Pakistan relationship marked by 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 anti-terrorism efforts. Top U.S. officials regularly praise Pakistan for its ongoing cooperation, although doubts exist about Islamabad's commitment to core U.S. interests in the region. Pakistan continues to face serious problems, including widespread poverty and domestic terrorism.

A potential Pakistan-India 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). South Asia is viewed by many analysts as a high-risk arena for the use of nuclear weapons, as both countries have institutionalized nuclear command structures and deployed nuclear-capable ballistic missiles. Pakistan and India have fought three full-scale wars since 1947.

Separatist violence in the disputed Kashmir region has continued unabated since 1989. India blames Pakistan for the ongoing infiltration of Islamic militants into Indian Kashmir, a charge Islamabad denies. The United States received a June 2002 pledge from Islamabad that all "cross-border terrorism" would cease, along with a May 2003 pledge that any terrorist training camps in Pakistani-controlled areas would be closed. The United States

strongly encourages a cease-fire along the Line of Control and renewed dialogue between Islamabad and New Delhi.

A stable, democratic, economically thriving Pakistan is vital to U.S. interests in South and Central Asia. Democracy has fared poorly in Pakistan; the country has endured three military coups and military rule for half of its existence. In October 1999, the government of Prime Minister Nawaz Sharif was ousted in an extra-constitutional coup led by Army Chief Gen. Pervez Musharraf. Musharraf has since assumed the title of President, a move ostensibly legitimized by a controversial April 2002 referendum. The United States strongly urges the Musharraf government to restore the country to civilian democratic rule. National elections held in October 2002 resulted in no clear majority party emerging but were marked by significant gains for a coalition of Islamic parties. A National Assembly and Prime Minister Jamali were seated in November 2002, but the civilian government remains stalled on procedural issues related to the legality of constitutional changes made by Musharraf in August 2002 and his status as Army Chief. The U.S. Congress granted the President authority to waive coup-related sanctions on Pakistan through FY2003; pending legislation may extend this authority through FY2005.

Pakistan received more than \$1.5 billion in U.S. assistance for FY2002 and FY2003. In June 2003, President Bush pledged to work with Congress on establishing a five-year, \$3 billion aid package for Pakistan to begin in FY2005. See also CRS Report RS21584, *Pakistan: Chronology of Events*, CRS Report RS21299, *Pakistan's Domestic Political Developments*, and CRS Report RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*.



MOST RECENT DEVELOPMENTS

During October, top U.S. government officials urged Pakistan to “redouble its efforts” to combat terrorist infiltration into neighboring regions. The Pakistani government has taken action to secure its border with Afghanistan through increased security operations, including the deployment of thousands of troops in traditionally autonomous tribal areas. On October 2, the Pakistan Army reported killing 8 suspected Al Qaeda fighters and capturing 18 others. Top State Department officials were in Pakistan in early October, reportedly in an attempt to reinvigorate a flagging bilateral Pakistan-India peace initiative and to underscore the U.S. commitment to assist in the social development of Pakistan through ongoing aid programs.

Heated rhetoric between Pakistani and Indian leaders in late September grew in part from a surge of separatist violence in Kashmir. The developments eroded hopes that a peace initiative begun in April could progress further, but on October 22, New Delhi unveiled 12 proposals aimed at improving bilateral relations, especially with increased people-to-people contacts. The United States warmly welcomed the Indian initiative. After consideration, Islamabad also welcomed the proposals and accepted several — including a restoration of sporting ties, the establishment of a joint coast guard hot-line, and the resumption of travel negotiations — while expressing disappointment that India continues to shun direct dialogue.

The United States in October 2003 designated the Pakistan-based Al Akhtar Trust as a terrorist support organization. Al Akhtar is said to be carrying on support for Al Qaeda and Taliban terrorist activities funded by the previously-designated Al Rashid Trust. The United States also identified Indian crime figure Dawood Ibrahim as a “global terrorist” with links to both Al Qaeda and Lashkar-e-Taiba. Ibrahim, wanted by the Indian government for 1993 Bombay bombings that killed and injured thousands, is believed to be in Pakistan.

Sectarian violence flared in Pakistan during October: On the 3rd, gunmen fired on a Karachi bus, killing 7 Shia Muslims and injuring 7 others. Three days later, Pakistani Sunni militant leader and National Assembly member Maulana Azam Tariq was shot dead along with four others in Islamabad. Pakistan continues to give mixed signals on the question of whether it will contribute troops to a potential Iraq stabilization force, saying that such a move would require UN backing and the participation of other Muslim nations.

For more information, see CRS Report RS21584, *Pakistan: Chronology of 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 the end of 1955, Pakistan had further aligned itself with the West by joining two regional defense pacts, the South East Asia Treaty Organization and the Central Treaty Organization. As a result

of these alliances, and a 1959 U.S.-Pakistan cooperation agreement, Islamabad received about \$508 million in U.S. military assistance from 1953 to 1961. Total U.S. economic and military assistance to Pakistan from 1947-2001 was just under \$12 billion.

Differing expectations of the security relationship have long bedeviled bilateral ties. During the Indo-Pakistani wars of 1965 and 1971, the United States suspended military assistance to both sides, resulting in a cooling of the Pakistan-U.S. relationship 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 apparent efforts to

respond to India's 1974 underground test of a nuclear device by seeking its own nuclear weapons capability. Limited U.S. military aid was resumed in 1975 but was suspended again by the Carter Administration in April 1979 in response to Pakistan's covert construction of a uranium enrichment facility. Following the Soviet invasion of Afghanistan in December 1979, Pakistan was again viewed as a frontline state in the effort to block Soviet expansionism. In September 1981, the Reagan Administration negotiated a 5-year, \$3.2 billion economic and military aid package with Islamabad. Pakistan became a key transit country for arms supplies to the Afghan resistance, as well as a camp for some three million Afghan refugees, many of whom have yet to return home.

Despite the renewal of U.S. aid and close security ties, many in Congress remained concerned about Pakistan's nuclear weapons program. Concern was based in part on evidence of U.S. export control violations that suggested a crash Pakistani program to acquire a nuclear capability. In 1985, Section 620E(e) (the Pressler amendment) was added to the Foreign Assistance Act, requiring the President to certify to Congress that Pakistan does not possess a nuclear explosive device during the fiscal year for which aid is to be provided. This amendment represented a compromise between those in Congress who thought that aid to Pakistan should be cut off because of evidence that it was continuing to develop its nuclear option and those who favored continued support for Pakistan's role in opposing Soviet occupation of Afghanistan.

With the Soviet withdrawal from Afghanistan beginning in May 1988, Pakistan's nuclear activities again came under closer U.S. scrutiny, and in October 1990 President Bush suspended aid to Pakistan. Under the provisions of the Pressler amendment, most economic and all military aid to Pakistan was stopped and deliveries of major military equipment suspended. Narcotics assistance of \$3-5 million annually was exempted. In 1992, Congress partially relaxed the scope of the aid cutoff to allow for P.L. 480 food assistance and continuing support for nongovernmental organizations. One of the most serious results of

PAKISTAN IN BRIEF

Population: 151 million; *growth rate:* 2.01% (2003 est.)

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

Capital: Islamabad

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

Language: Punjabi 58%, Sindhi 12%, Pashtu 8%, Urdu (official) 8%, other 14%; English widely used

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

Life Expectancy at Birth: female 63.1 years; male 61.3 years (2003 est.)

Literacy: female 31%; male 60% (2003 est.)

Gross Domestic Product (at PPP): \$311 billion; *per capita:* \$2,050; *growth rate* 4.5% (2002 est.)

Inflation: 3.9% (2002)

U.S. Trade: exports to U.S. \$2.3 billion; imports from U.S. \$694 million (2002)

Sources: CIA World Factbook; U.S. Department of Commerce

the aid cutoff for Pakistan was the nondelivery of some 71 F-16 fighter aircraft ordered by Pakistan in 1989. In December 1998, the United States agreed to pay Pakistan \$324.6 million from the U.S. Treasury's Judgment Fund, a fund used to settle legal disputes that involve the U.S. government, as well as provide Pakistan with \$140 million in goods.

Pakistan-India Rivalry

Three full-scale wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked the half-century of bitter rivalry between India and Pakistan. The acrimonious nature of the partition of British India into two successor states in 1947 and the continuing dispute over Kashmir have been major sources of tension. Both Pakistan and India have built large defense establishments at the cost of economic and social development. The Kashmir problem is rooted in claims by both countries to the former princely state, divided since 1948 by a military line of control into the Indian state of Jammu and Kashmir and Pakistan-held Azad (Free) Kashmir. India blames Pakistan for supporting a violent separatist rebellion in the Muslim-dominated Kashmir Valley that has taken at least 40,000, and as many as 90,000, lives since 1989. Pakistan admits only to lending moral and political support to the rebellion.

The China Factor

India and China fought a brief border war in 1962, and an occasionally tense border dispute remains unresolved. A strategic rivalry also exists between these two large nations. Pakistan and China, on the other hand, have enjoyed a generally close and mutually beneficial relationship over recent decades. Pakistan served as a link between Beijing and Washington in 1971, as well as a bridge to the Muslim world for China during the 1980s. China's continuing role as a major arms supplier for Pakistan began in the 1960s, and included helping to build a number of arms factories in Pakistan, as well as supplying complete weapons systems. In 1990, China agreed to supply Pakistan with components for M-11 surface-to-surface missiles, which brought warnings from the United States. Although it is not a member of the Missile Technology Control Regime (MTCR), China repeatedly has agreed to abide by the restrictions of the regime. In 1993, the United States determined that China had transferred to Pakistan prohibited missile technology and imposed trade sanctions on one Pakistani and 11 Chinese entities (government ministries and aerospace companies) for 2 years. The U.S. intelligence community reportedly has evidence of PRC provision of complete M-11 ballistic missiles to Pakistan. In 1996, leaked U.S. intelligence reports alleged that in 1995 China sold ring magnets to Pakistan that could be used in enriching uranium for nuclear weapons. Pakistan denied the reports. (See CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*).

Pakistan's Political Setting

Military regimes have ruled Pakistan for more than half of its 55 years of existence, interspersed with periods of generally weak civilian governance. After 1988, Pakistan had democratically elected governments, and the army appeared to have moved from its traditional role of "kingmaker" to one of power broker or referee. Benazir Bhutto and Nawaz Sharif each served twice as prime minister. Bhutto was elected in October 1988, following the death of military ruler Mohammad Zia-ul Haq in a plane crash. Gen. Zia had led a coup

in 1977 deposing Bhutto's father and founder of the Pakistan People's Party (PPP), Prime Minister Zulfikar Ali Bhutto, who was later executed. Despite the restoration of democratic process to Pakistan, the succeeding years were marred by political instability, economic problems, and ethnic and sectarian violence. In August 1990, President Ishaq Khan dismissed Bhutto for alleged corruption and inability to maintain law and order. The president's power to dismiss the prime minister derived from Eighth Amendment provisions of the Pakistan constitution, which dated from the era of Zia's presidency. Elections held in October 1990 brought to power Nawaz Sharif, who himself was ousted in 1993 under the Eighth Amendment provisions. Ensuing elections returned Bhutto and the PPP to power. The new Bhutto government faced even more serious economic problems and, according to some observers, performance also was hampered by the reemergence of Bhutto's husband, Asif Ali Zardari, in a decisionmaking role. In November 1996, President Farooq Leghari dismissed the Bhutto government for corruption and nepotism.

Nawaz Sharif's Pakistan Muslim League won a landslide victory in the February 1997 parliamentary elections, which were judged by international observers to be generally free and fair. Sharif moved quickly to consolidate his power by curtailing the powers of the President and the judiciary. In April 1997, the Parliament passed the Thirteenth Amendment to the constitution, removing the President's Eighth Amendment powers to dismiss the government and to appoint armed forces chiefs and provincial governors. After replacing the chief Justice of the Supreme Court and seeing the resignation of President Leghari, and with the Pakistan Muslim League in control of parliament, Sharif emerged as one of Pakistan's strongest elected leaders since independence. Critics accused him of further consolidating his power by intimidating the opposition and the press. In April 1999, a two-judge Bench of the Lahore High Court convicted former Prime Minister Bhutto and her husband of corruption and sentenced them each to 5 years in prison, fined them \$8.6 million, and disqualified them from holding public office. Bhutto was out of the country at the time. Six months later, in response to Sharif's attempt to remove him, Chief of Army Staff Gen. Pervez Musharraf overthrew the Sharif government, dismissed the National Assembly, installed a National Security Council, and appointed himself "Chief Executive." He declared a state of emergency, suspended the constitution, and, by special decree, ensured that his actions could not be challenged by any court, thus essentially imposing martial law.

Pakistan-U.S. Relations and Key Country Issues

U.S. policy interests in Pakistan encompass a wide range of issues, including nuclear weapons and missile proliferation, South Asian regional stability, democratization and human rights, economic reform and market opening, and efforts to counter terrorism and narcotics traffic. These concerns have been affected by several key developments in recent years, including the cutoff of U.S. aid to Pakistan in 1990, 1998, and 1999 over nuclear and democracy issues; a worsening Pakistan-India relationship over Kashmir since 1989 and a continuing bilateral nuclear standoff; and, most recently, the September 2001 terrorist attacks against the United States.

On September 13, 2001, President Musharraf — under strong U.S. diplomatic pressure — offered President Bush Pakistan's "unstinted cooperation in the fight against terrorism." Because of its shared border with Afghanistan and former close ties with the Taliban, Pakistan is considered key to U.S.-led efforts to combat terrorism in the region. The Taliban

and Osama bin Laden enjoy strong support among a substantial percentage of the Pakistan population, who share not only conservative Islamic views but also ethnic and cultural ties with Afghanistan. A major issue facing the Administration is how to make use of Pakistan's support, including for military operations in Afghanistan, without seriously destabilizing an already fragile, nuclear-armed state.

In an effort to shore up the Musharraf government, sanctions relating to Pakistan's 1998 nuclear tests and 1999 military coup were waived in the autumn of 2001. In October 2001, large 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 has supported grant, loan, and debt rescheduling programs for Pakistan by the various international financial institutions, including the World Bank, International Monetary Fund, and Asian Development Bank. In June 2003, President Bush met with President Musharraf in Washington. The U.S. President reportedly urged his Pakistani counterpart to ensure that his government take all necessary steps to end the movement of militants into Indian-controlled Kashmir, and also to ensure that the country remain on the path to full democracy. President Bush vowed to work with Congress on establishing a 5-year, \$3 billion aid package for Pakistan to begin in FY2005.

Security

International Terrorism. After the September 2001 terrorist attacks on the United States, Pakistan pledged and has provided support for the U.S.-led anti-terror coalition. According to the U.S. Departments of State and Defense, Pakistan has afforded the United States unprecedented levels of cooperation by allowing the U.S. military to use bases within the country, helping to identify and detain extremists, and tightening the border between Pakistan and Afghanistan. Top U.S. officials regularly praise Pakistani anti-terrorism efforts. In the spring of 2002, U.S. military and law enforcement personnel reportedly began engaging in direct, low-profile efforts to assist Pakistani security forces in tracking and apprehending fugitive Al Qaeda and Taliban fighters on Pakistani territory. Press reports indicate that Pakistan has remanded to U.S. custody nearly 500 such fugitives to date. In a landmark speech in January 2002, President Musharraf vowed to end Pakistan's use as a base for terrorism of any kind, and he banned numerous militant groups, including Lashkar-e-Taiba and Jaish-e-Muhammad, both blamed for terrorist violence in Kashmir and India and designated as Foreign Terrorist Organizations under U.S. law. In the wake of the speech, thousands of Muslim extremists were arrested and detained, though many of these have since been released. (See also CRS Reports RL31624, *Pakistan-U.S. Anti-Terrorism Cooperation*, and RS21658, *International Terrorism in South Asia*.)

In September 2002, Pakistani authorities announced a series of high-profile arrests of those deemed responsible for terrorism, and they claimed to have "broken the back" of the Al Qaeda network in Pakistan. Pivotal Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), and Khalid Mohammed (March 2003). Yet press reports indicate that Al Qaeda and Taliban fugitives still are numerous in Pakistan and may have re-established their organizations in Pakistani cities such as Karachi and Peshawar. Al Qaeda founder Osama bin Laden may himself be in Pakistan. Meanwhile, numerous banned groups continue to operate under new names: Lashkar-e-Taiba is now Jamaat al-Dawat; Jaish-e-Mohammed is now Khudam-ul Islam.

Islamabad has been under continuous pressure from the United States and numerous other governments to terminate the infiltration of insurgents across the Kashmiri Line of Control. Such pressure reportedly elicited an explicit promise from President Musharraf to U.S. Deputy Secretary of State Armitage that all such movements would cease. After confirmations from both U.S. and Indian government officials that infiltration was down significantly in the summer of 2002, the rate reportedly rose again and, in July 2003, the U.S. envoy to New Delhi declared that, "There are still terrorists coming across the [Kashmiri] Line of Control." During a May 2003 visit to Islamabad, Deputy Secretary Armitage is said to have received another pledge from the Pakistani President, this time an assurance that any existing terrorist camps in Pakistani Kashmir would be closed. President Musharraf adamantly insists that his government is doing everything possible to stop such movements and shut down militant base camps in Pakistani-controlled territory. Critics contend, however, that Islamabad has provided active support for the insurgents in Kashmir as a means to both maintain strategically the domestic backing of Islamists who view the Kashmir issue as fundamental to the Pakistani national idea, as well as to disrupt tactically the state government in Indian Kashmir and so seek to erode New Delhi's legitimacy there.

A more recent development is the increased infiltration of terrorists and their supporters across the Afghanistan-Pakistan border. Beginning in early 2003, top U.S. military commanders overseeing Operation Enduring Freedom have complained that renegade Al Qaeda and Taliban fighters are 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 have urged Islamabad to do more to secure its rugged western border area. U.S. government officials, including CIA Director Tenet, Special Envoy to Afghanistan Khalilzad, Senator Lugar, Senator Biden, and Senator McCain, have voiced similar worries, even expressing concern that members of Pakistan's powerful Inter-Services Intelligence agency might be assisting members of the Taliban and Al Qaeda. In July 2003, and continuing through the following months, 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.

Domestic Terrorism. Pakistan continues to suffer from anti-Shia, anti-Christian, and anti-Western terrorism at home. In January 2002, *Wall Street Journal* reporter Daniel Pearl was kidnaped in Karachi and later found murdered. Spring 2002 car bomb attacks on Western targets, including the U.S. consulate in Karachi, killed 29 people, among them 11 French military technicians. A March 2002 grenade attack on a Protestant church in Islamabad killed five, including a U.S. Embassy employee and her daughter. These attacks were viewed as expressions of militants' anger with the Musharraf regime for its cooperation with the United States. The incidents were linked to Al Qaeda, as well as to indigenous militant groups. During 2003, the worst domestic terrorism has been directed against Pakistan's Shia minority: in February, gunmen sprayed automatic weapons fire into a Shiite mosque, killing 9; in June, gunmen killed 11 police recruits, most of them Shiites; and, in what likely is the most lethal case of terrorism in Pakistani history, suicide bombers attacked a Shiite mosque in July, killing at least 53. Indications are that the indigenous Lashkar-i-Jhangvi Sunni militant group was responsible. The United States helped to fund a new 650-officer Diplomatic Security Unit in early 2003 and assists with numerous programs designed to improve the quality of Pakistan's internal police forces through the provision of equipment and training.

Pakistan-U.S. Security Cooperation. The close U.S.-Pakistan security ties of the cold war era — which had come to near halt after the 1990 aid cutoff — appear to be in the process of restoration as a result of Pakistan’s role in U.S.-led anti-terrorism campaign. In July 2003, U.S. Ambassador to Pakistan Powell announced that Islamabad will purchase six C-130 military transport aircraft from Lockheed Martin for approximately \$75 million under a Foreign Military Financing grant. Congress also was notified of another pending Foreign Military Sale arrangement with Pakistan reportedly worth \$155 million. Under this deal, Pakistan is to receive six Aerostat surveillance radars. These mark the first major arms sales to Pakistan in more than a decade and are intended to bolster Islamabad’s counterterrorism capabilities. Islamabad continues to seek U.S. weapons and technology, especially in an effort to bolster its air forces. Pakistani officials reportedly are eager to purchase of major U.S. weapons platforms, including F-16s fighter jets, P-3 maritime surveillance aircraft, and Harpoon anti-ship missiles. The Bush Administration and several Members of Congress are reported to be supportive of these efforts. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — met in September 2002 and included high-level discussions of military cooperation, security assistance, and anti-terrorism. Another meeting in September 2003 set a schedule for joint military exercises and training, discussed how the U.S. military can assist Pakistan in improving its counterterrorism capabilities, and included a U.S. vow to expedite future security assistance. A Pentagon statement called the meetings “substantive, cordial, [and] useful.” During the same month, the Pentagon notified Congress of three pending major arms sales to Pakistan potentially worth more than \$300 million. The 6 air surveillance, 6 air traffic control radars, and 40 Bell 407 helicopters are meant to enhance Pakistan’s ability to support Operation Enduring Freedom and to secure its borders.

Nuclear Weapons and Missile Proliferation. U.S. policy analysts consider the apparent arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons. In May 1998, India conducted five underground nuclear tests, breaking a 24-year, self-imposed moratorium on such testing. Despite U.S. and world efforts to dissuade it, Pakistan quickly followed, claiming five tests of its own before month’s end. The tests created a global storm of criticism, and represented a serious setback to two decades of U.S. nuclear nonproliferation efforts in South Asia. Both countries have aircraft capable of delivering nuclear bombs, which may number 35-100 on each side. India’s military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed to be capable of delivering 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 adamantly rejects such reports as “baseless,” and Secretary of State Powell has been assured that no such transfers are occurring. If such assistance is confirmed by President Bush, all non-humanitarian U.S. aid to Pakistan may be suspended, although the President has the authority to waive any sanctions that he determines would jeopardize U.S. national security. In March 2003, the Administration determined that the relevant facts “do not warrant imposition of sanctions under applicable U.S. laws.” August 2003 press reports suggested that Iran benefitted from Pakistani nuclear assistance, and the International Atomic Energy Agency

has implicated Pakistani companies in providing “critical technology and parts” to Tehran’s nascent nuclear weapons program. Islamabad denies any nuclear cooperation with Iran.

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

U.S. Nonproliferation Efforts. In May 1998, following the South Asian nuclear tests, President Clinton imposed full restrictions on all non-humanitarian aid to both India and Pakistan as mandated under Section 102 of the Arms Export Control Act. In some respects, Pakistan was less affected by the sanctions than was India, as most U.S. assistance to Pakistan had been cut off in 1990. At the same time, Pakistan’s smaller and more fragile economy was more vulnerable to the negative effects of aid restrictions. However, Congress and the President acted almost immediately to lift certain aid restrictions, and after October 2001 all remaining nuclear-related sanctions on Pakistan (and India) were removed.

During the latter years of the Clinton administration, the United States set forth five 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; restricting any and all exportation of nuclear materials or technologies; and taking steps to reduce bilateral tensions, especially on the issue of Kashmir. The results of U.S. efforts have been mixed, at best, and neither India nor Pakistan are signatories to the Nuclear Nonproliferation Treaty (NPT) or the CTBT. The Bush Administration makes no reference to the benchmark framework. (See CRS Reports RL31559, *Proliferation Control Regimes*; RS20995, *India and Pakistan: Current U.S. Economic Sanctions*; and RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*).

Kashmir Dispute. Bilateral relations between Pakistan and India remain deadlocked on the issue of Kashmiri sovereignty, and a separatist rebellion has been underway in the region since 1989. The prospects for India-Pakistan detente suffered a severe setback in mid-1999, when the two countries teetered on the brink of their fourth full-scale war, once again in Kashmir. In the worst fighting since 1971, Indian soldiers sought to dislodge up to 1,000 Pakistan-supported infiltrators who were occupying fortified positions along mountain ridges on the Indian side of the Line of Control (LOC) near Kargil. Pakistani Army regulars were later reported to be involved in the fighting. Following a meeting between then Pakistani PM Sharif and President Clinton in Washington in July 1999, the infiltrators withdrew across the LOC. New Delhi accuses Pakistan of sponsoring the movement of “terrorists” into Indian Kashmir; Islamabad accuses India of human rights violations there. The United States strongly urges India and Pakistan to create the proper climate for peace, respect the LOC and institute a cease-fire there, reject violence, and return to the Lahore peace process.

Tensions between India and Pakistan remained extremely high in the wake of the Kargil conflict, which cost thousands of lives. Throughout 2000 and 2001, cross-border firing and

shelling caused scores of both military and civilian deaths. A 6-month-long unilateral cease-fire and halt to offensive military operations in Kashmir was undertaken by India in 2000-2001, and the Pakistani government responded by announcing that its forces deployed along the LOC in Kashmir would observe “maximum restraint.” Kashmir’s main militant groups, however, rejected the cease-fire as a fraud and continued to carry out attacks on military personnel and government installations. As security forces conducted counter-operations, deaths of Kashmiri civilians, militants, and Indian security forces continued to rise.

In May 2001, the Indian government announced that it was ending its unilateral cease-fire in Kashmir but that PM Vajpayee would invite President Musharraf to India for talks. A July summit meeting in Agra failed to produce a joint communique, reportedly as a result of pressure from hardliners on both sides. Major stumbling blocks were India’s refusal to acknowledge the “centrality of Kashmir” to future talks and Pakistan’s objection to references to “cross-border terrorism.” U.S. Secretary of State Colin Powell visited the region in an effort to ease escalating tensions over Kashmir, but an October terrorist attack on the Jammu and Kashmir state assembly was followed by a December terrorist attack on the Indian Parliament in New Delhi. Both incidents were blamed on Pakistan-based terrorist groups. The Indian government responded by mobilizing some 700,000 troops to forward stations along the Pakistan-India frontier and threatening war unless Islamabad put an end to all cross-border infiltrations of Islamic militants. Under significant international diplomatic pressure and the threat of India’s use of possibly massive force, President Musharraf in January 2002 vowed to end the presence of terrorist entities on Pakistani soil and he outlawed five militant groups, including Lashkar-e-Taiba and Jaish-e-Mohammed.

Despite the Pakistani pledge, infiltrations into Indian-held Kashmir continued, and a May 2002 terrorist attack on an Indian army base at Kaluchak killed 34, most of them women and children. This event again brought Pakistan and India to the brink of full-scale war, and caused Islamabad to recall army troops from both patrol operations along the Pakistan-Afghanistan border as well as from international peacekeeping operations. Pakistan also tested three ballistic missiles in late-May 2002, sending an implicit message to India that it would employ nuclear weapons in a conflict. A flurry of intensive diplomatic missions to South Asia appears to have reduced tensions during the summer of 2002 and prevented the outbreak of war. Numerous top U.S. diplomats were involved in this effort.

The U.S. government continues strenuously to urge the two countries to renew a bilateral dialogue that has been moribund since the summer of 2001. New Delhi refuses to engage such dialogue until it is satisfied that Pakistan has ended all militant infiltration into its Jammu and Kashmir state. A “hand of friendship” offer by the Indian Prime Minister in April 2003 led to the restoration of full diplomatic relations in July, but only halting movement toward further improvements in bilateral relations. Surging separatist violence in September led to an exchange of sharp rhetoric between Pakistani and Indian leaders at the United Nations, casting further doubt on the current peace initiative, but an October initiative may get Pakistan and India back on track toward improved relations.

Islamization and Anti-American Sentiment

In June 2003, the Islamist coalition in the NWFP 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 has alarmed Pakistan’s

secularists, and President Musharraf has decried any attempts to “Talibanize” regions of Pakistan. The Islamists are notable for their virulent expressions of anti-American sentiment; they have at times called for “jihad” against what they view as the existential threat to Pakistani sovereignty that alliance with Washington entails. Anti-American sentiment is not limited to Islamic groups, however. A U.S. Senator returned from the region in February 2003 to report “extremely high” levels of anti-Americanism there, and a June public opinion survey found that 45% of Pakistanis had at least “some confidence” in Osama bin Laden’s ability to “do the right thing regarding world affairs.”

Democratization and Human Rights

Democracy and Governance. There had been hopes that national elections in October 2002 would reverse Pakistan’s historic trend toward unstable governance and military interference in democratic institutions. Such hopes were eroded by the passage of some highly restrictive election laws, including those that prevented the country’s two leading civilian politicians from participating, as well as President Musharraf’s unilateral imposition of major constitutional amendments in August 2002. In 2003, and for the eleventh straight year, the nonpartisan Freedom House rated Pakistan as “not free” in the areas of political rights and civil liberties. An October 2003 report from Human Rights Watch claimed that four years of military rule has “led to serious human rights abuses.” While praising Pakistan’s electoral exercises as moves in the right direction, the United States has expressed concern that seemingly nondemocratic developments may make the realization of true democracy in Pakistan more elusive.

Gen. Musharraf’s April 2002 assumption of the title of President ostensibly was legitimized by a controversial referendum that many observers claimed was marked by “excessive fraud and coercion.” In August 2002, the Musharraf government announced sweeping changes in the Pakistani constitution under a “Legal Framework Order” (LFO). These changes provide the office of President and the armed forces powers not previously available in the country’s constitutional history, including provisions for Presidential dissolution of the National Assembly and appointment of the Army Chief and provincial governors, among others. The United States expressed concerns that the changes “could make it more difficult to build strong, democratic institutions in Pakistan.” In October 2002, the country held its first national elections since 1997, fulfilling in a limited fashion Musharraf’s promise to restore the National Assembly that was dissolved in the wake of his extra-constitutional seizure of power in October 1999. Numerous credible observers complained that the exercise was “deeply flawed.” No party won a majority of parliamentary seats, though the pro-Musharraf Pakistan Muslim League-Quaid-e-Azam (PML-Q) won a plurality. In November 2002, the new National Assembly chose Musharraf supporter and former Baluchistan Chief Minister Mir Zafarullah Jamali to serve as Pakistan’s Prime Minister. Jamali’s coalition later won a required vote of confidence. Yet, as of early November 2003, the civilian government remains hamstrung by a fractious dispute over Musharraf’s continued role as Army Chief and the legality of the LFO amendments to the constitution. Some analysts express concern that President Musharraf may launch a “second coup” by dissolving the fledgling Assembly.

An unexpected outcome of the 2002 elections saw the Muttahida Majlis-e-Amal (MMA or United Action Forum), a coalition of six Islamic parties, win 68 seats — about 20% of the total — in the national assembly. 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. anti-terrorism operations are ongoing. This result has led to concerns that a shift in Pakistan's foreign policy might be in the offing, most especially with growing anti-American sentiments and renewed indications of the "Talibanization" of western border regions. Thus far, however, Islamabad's foreign and economic policies have remained fairly consistent. (See CRS Report RS21299, *Pakistan's Domestic Political Developments*.)

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

The Human Rights Commission of Pakistan, Amnesty International, and Human Rights Watch have issued reports critical of Pakistan's lack of political freedoms and of the country's perceived abuses of the rights of women and minorities. Discrimination against women is widespread, and traditional constraints — cultural, legal, and spousal — have kept women in a subordinate position in society. "Honor killings" continue to occur throughout the country. The adult literacy rate for men in Pakistan is 60%, while only half as many women can read and write. Religious minorities, mainly Christians and Ahmadi Muslims, reportedly are subjected to discriminatory laws and social intolerance. Blasphemy laws, instituted under the Zia regime and strengthened in 1991, carry a mandatory death penalty for blaspheming the Prophet or his family. Blasphemy charges reportedly are commonly brought as a result of personal or religious vendettas. Anti-Christian and anti-Western violence, which peaked in the summer of 2002, has cost scores of lives. In 2003, Islamist lawmakers in the NWFP have launched efforts to impose harsh penalties under *Sharia*, such as amputating the hands of thieves and stoning adulterers, as well as establish a Department of Vice and Virtue to implement Islamic law.

Narcotics

Pakistan is a major transit country for opiates that are grown and processed in Afghanistan and western Pakistan, then distributed throughout the world by Pakistan-based traffickers. The region has in the past supplied up to 40% of heroin consumed in the United States and 70% of that consumed in Europe, and has been second only to Southeast Asia's Golden Triangle as a top source of the world's heroin. The U.S. Department of State indicates that Pakistan's cooperation on drug control with the United States "remains excellent." The Islamabad government has made impressive strides in eradicating opium poppy cultivation. Estimated production in 2001 was only 5 metric tons, down 59% from 2000 and less than one-thirtieth of the estimated 155 tons produced in 1995. In March 2003, a State Department official claimed that Pakistan had "essentially eliminated opium production." However, numerous press reports indicate that opium production has spiked in post-Taliban Afghanistan and, in September 2003, President Bush formally identified Pakistan as being among the world's "major illicit drug producing or drug-transit countries."

Pakistan's powerful Inter-Services Intelligence agency (ISI) is suspected of involvement in drug trafficking; in March 2003, former U.S. Ambassador to Pakistan Wendy Chamberlain stated that the role of the ISI in the heroin trade over the past six years has been "substantial." Some reports indicate that profits from drug sales are financing the activities of Islamic militant groups in both Pakistan and Kashmir.

Pakistan's counter-narcotics efforts continue to be hampered by a number of factors, including lack of full government commitment; scarcity of funds; poor infrastructure in drug-producing regions; government wariness of provoking unrest in tribal areas; and "acute" corruption. Direct U.S. counter-narcotics aid to Pakistan totaled \$2.4 million in 2002. The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) oversaw Pakistani projects with more than \$90 million in FY2002, including \$73 million in emergency supplemental appropriations for border security efforts that continue in FY2003. The INL allocation for FY2003 was \$6 million, rising to \$38 million requested for FY2004.

Economic Issues

Overview. Pakistan is a poor country with great extremes in the distribution of wealth. Per capita GDP is about \$2,060 when accounting for purchasing power parity. The long-term economic outlook for Pakistan is notably improved in 2003, 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). In the middle term, greater political stability following 2002 elections brightened the outlook by providing President Musharraf with a political base for the further pursuit of economic reform, but a hamstrung National Assembly and ongoing 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 more than 60% 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 2003 grew by an estimated 5.8%, up from 3.6% growth in FY2002. An industrial sector recovery and the end of a 3-year drought have some foreseeing continued growth ahead, with most predictions putting the FY2004 rate above 5%.

The Pakistani government stabilized the country's external debt at about \$33 billion by June 2003. The country's total liquid reserves topped \$11 billion by August 2003, an all-time high and an increase of more than \$8 billion since October 1999. Foreign remittances for FY2003 exceeded \$4.2 billion, nearly quadrupling the amount in 2001. Inflation, hovering below 3%, is low due largely to weak consumer demand, but is expected to rise in 2004. Defense spending and interest on public debt together consume 70% of total revenues, thus squeezing out development expenditure. Pakistan's resources and comparatively well-developed entrepreneurial skills may hold promise for more rapid economic growth and development in coming years. This is particularly true for Pakistan's textile industry, which accounts for 60% of Pakistan's exports. Analysts point to the pressing need to broaden the country's tax base in order to provide increased revenue for investment in improved infrastructure, health, and education, all prerequisites for economic development. Only 1-2% of Pakistanis currently pay income taxes.

Attempts at economic reform historically have floundered due to political instability. The Musharraf government has had some modest successes in effecting economic reform. Pakistan's participation in the post-September 2001 anti-terror coalition had the effect of easing somewhat its 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. A December 2002 World Bank report claimed that "Pakistan's economic revival program is beginning to produce good results," but also noted numerous problems that seemed to require further implementation of structural reforms. An April 2003 report of the Asian Development Bank noted that continued macroeconomic stability enhanced Pakistan's medium-term economic prospects, but warned that renewed tensions with India and/or domestic political instability could quickly dampen optimism. In June 2003, World Bank President Wolfensohn lauded several years of Pakistani economic reforms and said the country's "dramatically improved financial position" put it on a "strong footing to really tackle poverty." In October, the IMF approved a \$248 million loan for Pakistan and noted "strong improvement in Pakistan's external and fiscal prospects" while encouraging further economic reforms. The national budget for 2003/04 largely reflected the need to meet IMF poverty reduction and growth facility conditions that end in 2004.

Trade and Investment. Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. During 2002, total U.S. imports from Pakistan were worth about \$2.3 billion. Nearly 90% of this value came from the purchase of textiles, clothing, and related articles. U.S. exports to Pakistan during 2002 were worth \$694 million, an increase of 28% over 2001. The U.S. trade deficit with Pakistan has been approximately \$1.7 billion for each of the past three years. The State Bank of Pakistan reports a steady increase in foreign investment in the country since 2001, with a total of \$820 million for the year ending June 2003. More than one-quarter of this amount came from the United States.

According to the report of the U.S. Trade Representative for 2002, Pakistan has made progress in reducing import tariff schedules, though a number of trade barriers remain. Some items are either restricted or banned from importation for reasons related to religion, national security, luxury consumption, or protection of local industries. The U.S. pharmaceutical industry believes that Pakistan maintains discriminatory practices that impede U.S. manufacturer profitability, while several U.S. companies have complained about Pakistani violations of their intellectual property rights. The International Intellectual Property Alliance estimated trade losses of \$116 million in 2002, and widespread piracy (Pakistan is a world leader in the pirating of CDs) has kept Pakistan on the U.S. Trade Representative's "Special 301" watch list for 13 consecutive years. The Heritage Foundation's *2003 Index of Economic Freedom* rated Pakistan as being "mostly unfree," highlighting an especially restrictive set of trade policies, weak property ownership protections, and a high level of black market activity.

U.S. Aid and Congressional Action

U.S. Assistance. Actual U.S. assistance to Pakistan in FY2002 was just over \$1 billion, up from less than \$5 million in FY2001 (excluding food aid). The Bush Administration requested a total of \$505 million in assistance to Pakistan for FY2003, including supplemental appropriations. Congress allocated about \$295 million of this in the Consolidated Appropriations Resolution, 2003 (P.L. 108-7). This included security-related assistance in the amount of \$56.5 million and \$188 million in Economic Support Funds

(ESF) that Congress authorized Pakistan to use to cancel approximately \$1 billion in concessional debt to the U.S. government. (At the end of 2002, Pakistan's international debt was estimated at \$36.3 billion. P.L. 107-57 allowed Pakistan to reschedule \$379 million of its debt to the United States thereby enabling it to cancel its arrearage.) In April 2003, President Bush signed into law the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11), allocating \$200 million in additional security-related assistance to Pakistan for FY2003. The current Administration request for FY2004 stands at \$395 million, including about \$120 million for security-related programs (see **Table 1**, below). During a June 2003 visit to Washington by President Musharraf, President Bush vowed to work with Congress on establishing a 5-year, \$3 billion aid package for Pakistan. Five annual installments of \$600 million each are meant to begin in FY2005 and be evenly split between military and economic aid.

Proliferation-Related Legislation. Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan and India resulting from their nuclear weapons proliferation activities. 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 (incorporated into P.L. 105-277) authorized a one-year sanctions waiver exercised by President Clinton in November 1998. Title IX of the Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority after October 1999 to waive sanctions applied against Pakistan and India in response to the nuclear tests. In a presidential determination on Pakistan and India issued on October 27, 1999, the President waived economic sanctions on India (Pakistan 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*.)

After the September 2001 terrorist attacks on the United States, and in recognition of Pakistan's cooperation with the U.S.-led coalition being assembled, policymakers searched for new means of providing assistance to Pakistan. President Bush's issuance of a final determination on September 22, 2001 removed remaining sanctions on Pakistan and India resulting from their 1998 nuclear tests, finding that denying export licences and assistance was not in the national security interests of the United States. Some Members of the 108th Congress have urged reinstatement of proliferation-related sanctions in response to press reports of Pakistani assistance to the North Korean and Iranian nuclear weapons programs, though no country-specific legislation is pending. The Missile Threat Reduction Act of 2003 (**H.R. 1875**) would strengthen U.S. missile proliferation laws in ways that could affect Pakistan, among other countries. **H.R. 2063** would authorize the use of Cooperative Threat Reduction funds for projects and activities to address proliferation threats outside the states of the former Soviet Union, potentially including Pakistan and India.

Coup-Related Legislation. The October 1999 coup in Pakistan triggered U.S. aid restrictions under Section 508 of the annual Foreign Assistance Appropriations Act. The new geopolitical circumstances after September 2001 spurred Congress to take action on democracy-related aid restrictions on Pakistan. P.L. 107-57 (October 2001) granted presidential authority to waive coup-related sanctions on Pakistan through FY2003. President Bush exercised this authority in March 2003. Some Members of the 107th Congress had introduced legislation to reimpose restrictions on aid to Pakistan in light of

perceived continuing anti-democratic practices by the Musharraf government. These resolutions did not see floor action. In the 108th Congress, pending legislation includes **H.R. 1403**, which seeks to remove the President's waiver authority with regard to Section 508 sanctions on Pakistan; Section 608 of the Foreign Relations Authorization Act, FY2004-2005 (**S. 790**), which would extend the President's waiver authority through FY2005; and **H.R. 3289** (see below) which would limit the extension through FY2004 only. (See also CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions.*)

Other Legislation. In November 2003, Congress approved a presidential request for emergency supplemental funding for FY2004 (**H.R. 3289**). The bill includes provisions that \$1.15 billion in additional defense spending may be used “for payments to reimburse Pakistan, Jordan, and other key cooperating nations” for their support of U.S. military operations; that would extend the President's P.L. 107-57 waiver authority through FY2004; and that — upon Presidential determination that Pakistan is cooperating with the United States in the global war on terrorism — up to \$200 million in FY2004 Economic Support Funds may be used for the modification of direct loans and guarantees for Pakistan. Another pending bill, the Foreign Operations Appropriations Act, 2004 (**H.R. 2800**, incorporated in **H.J.Res. 73**) would provide a maximum of only \$65 million in ESF for debt forgiveness.

In July 2003, the Foreign Relations Authorization Act, FY2004-2005 (**H.R. 1950**) was passed by the House. Section 709 of the Act would require the President to report to Congress on actions taken by Islamabad to close terrorist camps in Pakistan-controlled areas, prohibit the infiltration of militants at the Kashmiri Line of Control, and cease the transfer of WMD or related technologies to any third parties. Many Pakistanis held the “India lobby” responsible for the legislation of “conditions” on future U.S. aid to Pakistan. When considered alongside a senior White House official's June assertion that long-term U.S. aid requires that the United States be “satisfied” with Pakistan's progress on nonproliferation, anti-terrorism, and democratization — and a July letter to President Bush signed by 16 Members of Congress outlining their concerns on these same issues — the legislation is seen to reflect ongoing congressional attention to developments in Pakistan, and also has renewed Pakistani worries about the reliability of U.S. pledges of assistance.

In a July 2003 report accompanying the Foreign Operations Appropriations Act, 2004 (**S. 1426**), the Senate Committee on Appropriations praised Pakistan's efforts to combat international terrorism, and earmarked not less than \$15 million in Economic Support Funds for indigenous Pakistani human development organizations. The Committee also recommended “continued vigilance” by U.S. agencies on the use of U.S. foreign assistance to Pakistan and expressed concern about “reports of Taliban activity inside Pakistan's borders.”

Legislation in the 107th Congress included S. 1675 to authorize the President to reduce or suspend duties on Pakistani textiles. The bill did not see floor action. In the 108th Congress, **H.R. 2267**, **H.R. 2467**, and **S. 1121** seek to extend certain trade benefits that are meant to increase trade and investment with eligible countries of the greater Middle East, including Pakistan. Section 1705 of the Miscellaneous and Technical Corrections Act of 2003 (**S. 671**) would authorize the President to designate certain hand-made or hand-woven carpets as eligible articles for duty-free treatment under the Generalized System of Preferences, a move that the Senate Committee on Finance believes would be of particular benefit to Pakistan. During a February 2003 visit to the United States, the Pakistani foreign

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

Table 1. U.S. Assistance to Pakistan, FY2001-FY2004
(in millions of U.S. dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Allocation	FY2004 Request
CSH	--	14.0 ^a	15.6	25.0
DA	--	10.0	34.5	50.0
ERMA	--	25.0	--	--
ESF	--	624.5	188.0 ^b	200.0
FMF	--	75.0	224.5	75.0
IMET	--	0.9	1.0	1.3
INCLE	3.5	90.5 ^c	31.0	38.0
NADR	--	10.1	--	5.0
PKO	--	220.0	--	--
Subtotal	\$3.5	\$1,070.0	\$494.6	\$394.3
P.L.480 Title I ^e	0.5	10.0	15.0	--
P.L.480 Title II ^e	1.9	5.1	12.4	(^d)
Section 416(b) ^e	85.1	75.7	--	--
Total	\$91.0	\$1,160.8	\$522.0	\$394.3

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

Abbreviations:

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

Notes:

- Includes \$9 million in U.N. Family Planning Funds that currently are on hold pending presidential determination.
- Congress authorized Pakistan to use this ESF allocation to cancel approximately \$1 billion in concessional debt to the U.S. government.
- Includes \$73 million for border security projects continuing in FY2003.
- Title II food aid accounts generally are held in reserve.
- Food aid amounts do not include what can be significant transportation costs.