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Pakistan-U.S. Relations

Summary

A stable, democratic, prosperous Pakistan is considered vital to U.S. interests. U.S. concerns regarding Pakistan include regional and global terrorism; Afghan stability; democratization and human rights protection; the ongoing Kashmir problem and Pakistan-India tensions; 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 key ally in U.S.-led counterterrorism efforts. Top U.S. officials regularly praise Pakistan 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. Pakistan’s army has conducted unprecedented and largely ineffectual counterterrorism operations in the country’s western tribal areas, where Al Qaeda operatives and their allies are believed to enjoy “safehavens.”

A separatist insurgency in the divided Kashmir region has been underway since 1989. India has long blamed Pakistan for the infiltration of Islamic militants into its Muslim-majority Jammu and Kashmir state, a charge Islamabad denies. The United States and India have received pledges from Islamabad that all “cross-border terrorism” would cease and that any terrorist facilities in Pakistani-controlled areas would be closed. The United States strongly encourages maintenance of a bilateral cease-fire and continued, substantive dialogue between Pakistan and India, which have fought three wars since 1947. A perceived 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 1998. More recently, the United States has been troubled by evidence of the transfer of Pakistani nuclear technologies and materials to third parties, including North Korea, Iran, and Libya. Such evidence became stark in 2004.

Pakistan’s macroeconomic indicators have turned positive since 2001, with some meaningful poverty reduction seen in this still poor country. President Bush seeks to expand U.S.-Pakistan trade and investment relations. Democracy has fared poorly in Pakistan; the country has endured direct military rule for more than half of its existence. In 1999, the elected government was ousted in a coup led by then-Army Chief General Pervez Musharraf, who later assumed the title of president. Supreme Court-ordered elections seated a new civilian government in 2002, but it remained weak, and Musharraf retained the position as army chief until his November 2007 retirement. The United States urges restoration of civilian rule, expecting Pakistan’s planned February 2008 elections to be free, fair, and transparent. Such expectations became sharper after Musharraf’s November 2007 suspension of the Constitution and imposition of emergency rule, and the December 2007 assassination of former Prime Minister and leading opposition figure Benazir Bhutto. Congress has annually granted presidential authority to waive coup-related aid sanctions. Pakistan is among the world’s leading recipients of U.S. aid, obtaining more than $4 billion in direct, overt assistance since 2001, including about $1.7 billion in security-related aid. Pakistan also has received some $5.7 billion in reimbursements for its support of U.S.-led counterterrorism efforts.
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Pakistan-U.S. Relations

A stable, democratic, prosperous Pakistan actively working to counter Islamist militancy is considered vital to U.S. interests. Current top-tier U.S. concerns regarding Pakistan include regional and global terrorism; Afghan stability; and domestic political stability and democratization. Pakistan remains a vital U.S. ally in U.S.-led anti-terrorism efforts. Yet the outcomes of U.S. policies toward Pakistan since 9/11, while not devoid of meaningful successes, have seen a failure to neutralize anti-Western militants and reduce religious extremism in that country, a failure to contribute sufficiently to the stabilization of neighboring Afghanistan, and a failure to secure civilian governance and rule of law in Islamabad. Many observers thus urge a broad re-evaluation of such policies.

A months-old political crisis and a November emergency proclamation severely undermined the status of the military-dominated government of President Pervez Musharraf, who resigned his position as Chief of Army Staff in November. A surge in domestic Islamist militancy following the July denouement of a standoff involving Islamabad’s Red Mosque complex has contributed to this dynamic. The December assassination of former Prime Minister and leading opposition figure Benazir Bhutto, who had returned to Pakistan from self-imposed exile in October, plunged Pakistan and the Musharraf government into further uncertainty. Many observers fear that further spikes in violence could lead to another postponement of already-overdue parliamentary elections, with some more cynical analysts (and opposition political activists) believing Musharraf and his ruling party will seek such delays to preserve their own power. Developments in Pakistan in 2007 have led many Washington-based critics — both governmental and independent — to more forcefully question the Bush Administration’s ongoing and largely uncritical support for President Musharraf.

Moreover, there are indications that anti-American sentiments are widespread in Pakistan, and that a significant segment of the populace views U.S. support for the Musharraf government as being an impediment to, rather than facilitator of, the process of democratization there. The Bush Administration continues to proclaim its ongoing strong support for Musharraf.1 However, in late 2007 the Administration has shown signs of a shift in its long-standing policies toward Pakistan, in particular on the issues of democratization and on Islamabad’s counterterrorism policies in western tribal areas. Congress reportedly is considering

1 In a November 20, 2007, interview, President Bush offered strong support for President Musharraf, saying Musharraf “hasn’t crossed the line” and “truly is somebody who believes in democracy.” Some independent analysts, along with Senate Foreign Relations Committee Chairman Senator Joe Biden, expressed incredulity at President Bush’s continuing personal investment in the Pakistani leader (“Bush Gives Stronger Backing to Musharraf,” Washington Post, November 20, 2007; interview transcript at [http://abcnews.go.com/WN/Vote2008/story?id=3891196]).
making adjustments to U.S. aid programs for Pakistan, including the possible institution of new conditions on assistance and/or on major arms sales to Pakistan.

Key Current Issues

Political Crises, State of Emergency, and Bhutto’s Assassination

The year 2007 has seen Pakistan buffeted by numerous and serious political crises culminating in the December 27 assassination of former Prime Minister and leading opposition figure Benazir Bhutto, who had returned to Pakistan from self-imposed exile in October. Bhutto’s killing in an apparent gun and bomb attack (the circumstances remain controversial) has been called a national tragedy for Pakistan and did immense damage to already troubled efforts to democratize the country. Bhutto was “chairperson for life” of what arguably is Pakistan’s most popular party, the Pakistan People’s Party (PPP), which won the most total votes in the 2002 national election. In fact, Bhutto’s death appears to leave the United States even more dependent on an increasingly embattled Musharraf as the only major pro-U.S. leader in Pakistan. The assassination came just 12 days after Pakistani President Pervez Musharraf had lifted a six-week-old emergency order. The PPP named her young son, Bilawal, and her husband, Asif Zardari, to succeed her as party leaders. Bhutto’s long-time party deputy, Makhdoom Amin Fahim, is expected to be the put forward as the PPP’s prime ministerial candidate. Following Bhutto’s death, President Musharraf proclaimed in a nationally televised speech that Bhutto’s mission — “to promote democracy and struggle against terrorism” — remains his mission, as well.

Pakistan’s current political crisis is its worst since an October 1999 military coup, when then-Army Chief General Musharraf overthrew the democratically-elected government of Prime Minister Nawaz Sharif. The country now suffers from considerable political uncertainty as the tenuous governance structure put in place by Musharraf has come under strain. Popular opposition to military rule had been growing steadily in Pakistan, especially following a series of political crises in 2007: a bungled attempt by Musharraf to dismiss the country’s Chief Justice; Supreme Court rulings which damaged Musharraf’s standing and credibility; constitutional questions about the legality of Musharraf’s status as president; a return to Pakistan’s political stage by two former Prime Ministers with considerable public support; and the pressures of impending parliamentary elections. The catastrophic December removal of Benazir Bhutto from Pakistan’s political equation dealt a serious blow both to the cause of Pakistani democratization and to U.S. interests. Moreover, a worsening security situation and increase in violent Islamist extremism is contributing to even greater political instability.

2 See also CRS Report RL34240, Pakistan’s Political Crises.
Many among the Pakistani public appear increasingly put off by a seemingly arbitrary electoral process that preserves the power of a corrupt elite that demonstrates little meaningful concern with the problems of ordinary citizens. Moreover, there has been an accompanying and widespread dismay among Pakistanis at the appearance of unabashed U.S. interference in their political system, interference that from their perspective serves only to perpetuate the corruption. Musharraf’s ‘second coup’ seemed to many observers a desperate power grab by a badly discredited military ruler. One international human rights group issued a report which argues that Musharraf’s central goal in declaring an emergency was to remove the threat to his continued rule represented by the country’s judiciary. It criticized the U.S. and other Western governments for “propping up” Musharraf with military and financial assistance. There are fears that the move could, in fact, further destabilize Pakistan and embolden Islamist militants, while further alienating Pakistani civil society.

In December there was a sense among some in the U.S. government that Pakistan was getting back on a path of democratization and stability, especially after the December 15 lifting of the emergency. Such cautious optimism was swept away by the Bhutto assassination.

*Foreign Policy* magazine offered a November 2007 exchange between two senior Pakistan experts which captures the main arguments of those who believe the United States must continue to support President Musharraf’s flawed leadership in Islamabad so as to maintain “continuity in the face of political instability” there, and those believe Musharraf has become a liability, one whose rejection by the United States would signal to the Pakistani military that it must “start negotiating with the country’s political parties and civil society instead of dictating to them.” This debate has continued with even more vigor following Bhutto’s death.

**Benazir Bhutto Assassinated.** On December 27, former Prime Minister and key opposition leader Benazir Bhutto was assassinated in a gun and suicide bomb attack following a political rally in the city of Rawalpindi. President Bush and the State Department offered deep sympathy and sincere condolences, strongly condemning the “cowardly” attack. The killing elicited widespread condemnation from around the world. The next day, Bhutto’s body was interred in her ancestral village in Sindh as the Pakistani government ordered a nearly total shutdown of services in anticipation of spreading violence. Bhutto’s killing led to country-wide rioting. Some 60 people were killed and the caretaker government called the damage from ensuing violence “colossal,” saying “manufacturing, revenue, exports have all

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suffered badly.” Property damage and other losses have been estimated at more than $1 billion. Whether deserving or not, Musharraf himself took the brunt of the blame for ensuing instability.9 Bhutto’s killing also brought renewed attention to the ever-present, if unlikely, danger that Pakistan could fracture along ethno-provincial lines, especially with the widespread manifestation of anti-Punjabi sentiments among the country’s Sindhis.10

The circumstances of Bhutto’s death remain controversial. Early reports about the cause were conflicting: a government official claimed that neither bullets nor shrapnel caused her death and that she was killed after her head hit a latch on the vehicle’s sunroof. A more senior official later withdrew the claim, but the government has continued to maintain that gunshots played no role. Emergency room doctors who tried to revive Bhutto may have been pressured to conform to the government’s accounts and later sought to distance themselves from such accounts, calling for an autopsy.11 Video and photographs of the event appear to show a gunman firing three shots at Bhutto from close range, closely followed by an explosion which left more than 20 bystanders dead. In a blow to subsequent investigations, city fire trucks used high-pressure hoses to clear the crime scene of debris, likely destroying what could be vital forensic evidence.

Many observers have criticized the Musharraf government for providing insufficient security for Bhutto. President Musharraf adamantly rejects suggestions that he or any members of his government were complicit, claiming the security provided to Bhutto was sufficient and that she had acted recklessly in the face of known dangers.12 Yet with Pakistanis widely skeptical of their government’s capacity and intention in launching a probe — and many holding the government directly or indirectly responsible for Bhutto’s death — demands soon arose for an international investigation into the assassination. Some called for a U.N. probe modeled on that which investigated the 2005 assassination of Lebanon’s Prime Minister; Bhutto’s widower and other PPP officials insist on this course. The Islamabad government denied any need for U.N. involvement, a sentiment echoed by Washington. In the absence of Security Council action or a Pakistan government request, there are no signs that the U.N. will become involved. However, under international diplomatic pressure, Musharraf agreed to consider foreign assistance in the investigation and allowed a team from Britain’s Scotland Yard to take a supporting role in the investigation. The U.S. government welcomed Musharraf’s

12 “Musharraf Says Bhutto Took Excessive Risks,” New York Times, January 3, 2008. Musharraf, in comments viewed as unseemly and unnecessary by some, told an American television interviewer that, by lifting herself up and emerging from her vehicle’s sunroof, Bhutto “alone” was to blame for her own killing (“Musharraf: Bhutto Knew of Risks” (interview), CBS News, January 6, 2008).
decision as a positive step and stands ready to provide its own assistance should Pakistan request it.

Pakistani government officials quickly blamed pro-Taliban and Al Qaeda-linked militant Baitullah Mehsud for Bhutto’s killing, claiming they had intercepted a telephone conversation in which Mehsud took credit for the act. Through a spokesman, Mehsud has denied any involvement in the killing. The U.S. government has not taken a position on the identity of Bhutto’s killers, with some officials saying Islamabad was too abrupt in blaming Mehsud. Still, some increasingly appear confident that Mehsud was, in fact, complicit.13 Along with Al Qaeda itself, a number of religious extremist groups indigenous to Pakistan are seen to have had a motive for assassinating Bhutto and the means to do so. These include banned terrorist groups such as Lashkar-e-Taiba and Jaish-e-Mohammed, as well as Sunni extremists in Lashkar-e-Jhangvi or Sipah-e-Sahaba (Bhutto had Shiite ancestry). Conspiracy theories became rampant in Pakistan, with many versions implicating government agencies as complicit.14

State of Emergency Imposed, Then Lifted. On November 3, 2007, President Musharraf suspended the country’s constitution and assumed emergency powers under a Provisional Constitutional Order (PCO) in his role as both president and army chief. Musharraf justified the constitution’s suspension as necessary due to the country’s rapidly deteriorating security circumstances and to the allegedly negative role being played by the country’s judiciary. The ensuing PCO required, inter alia, that the country’s judiciary take a new oath of office, and it barred the judiciary from making any orders against the PCO or from taking any action against the President, the Prime Minister, or anyone acting under their authority. It also suspended a number of “Fundamental Rights” listed in Chapter One of the Pakistani Constitution. These include freedom from unlawful arrest and detention, and freedoms of movement, assembly, association, and speech.15 Seven Supreme Court justices, including the Chief Justice, and scores of High Court judges refused to take a new oath of office under the PCO and were summarily dismissed. The court has since been reconstituted with justices appointed by Musharraf himself.

News of the emergency decree and PCO elicited immediate criticism from Washington: Secretary of State Condoleezza Rice called the move a “highly regrettable” step backward. In his first public comments on the issue, President George W. Bush on November 5 said the United States expects elections in Pakistan as soon as possible and that Musharraf should resign his military post. Two days later, President Bush telephoned Musharraf for a “very frank discussion” on U.S. desires that the Pakistani leader resign from the military and hold elections.


Islamabad characterized President Bush as showing understanding of the “difficult circumstances” being faced by Musharraf and of the Pakistani leader’s commitment to “full democracy and civilian rule.”16 Several bills condemning the emergency declaration were introduced in Congress (S.Res. 372, H.Res. 810, and H.Res. 823), but none has moved out of committee to date.

The emergency declaration triggered an immediate and harsh crackdown on Pakistan’s independent media outlets and wholesale arrests of opposition political activists. Numerous private television and radio stations were blacked out in the wake of Musharraf’s televised announcement and a new government order banned any media reports that “defame or bring ridicule” to the government or military. Moreover, several thousand opposition figures, human rights activists, and lawyers were rounded up and detained in the days following the emergency proclamation.17 The U.S. government expressed “grave concern” at the crackdown, calling such “extreme and unreasonable measures” contradictory to the goal of a fully democratic Pakistan.18 Musharraf later had Pakistan’s 1952 Army Act amended to allow for military trials of civilians, chilling human rights groups and potentially providing a retroactive sanctioning of “disappearances” traced to the country’s security services and criticized by the Supreme Court.19

On December 15, President Musharraf lifted the state of emergency in what he claimed was a “complete restoration of the constitution.” In a speech to the Pakistani nation, he again asserted that the emergency was declared as a last resort — “against my own will” — in order to defeat a “conspiracy” to “derail the democratic process.” Musharraf also took credit for laying “the foundation of real democracy.”20 Skeptics identified little evidence that the lifting of the emergency would lead to meaningful change, given what they see as repressive media curbs and a stacked judiciary. Indications are that the Musharraf government has continued to clamp down on the country’s media. One Pakistani analyst called Musharraf’s move a “public relations exercise.”21 Human Rights Watch echoed the sentiments of many in calling the “restoration of the constitution” a “sham” that would do little to restore genuine rule

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17 On November 6, 33 U.S. Senators signed a letter to President Musharraf urging him to immediately release leading Pakistani lawyer and opposition political figure Aitzaz Ahsan from prison. Ahsan subsequently was released, but remains under house arrest.
18 U.S. Embassy statement at [http://usembassy.state.gov/pakistan/h07110401.html].
of law unless “arbitrary” laws and amendments made after November 3 were withdrawn. On the day before his action, Musharraf, acting under the PCO, issued several decrees and made amendments the Pakistani Constitution, some of which would ensure that his actions under emergency rule would not be challenged in court.

Background to the Emergency: Judicial Crisis. A judicial crisis began with President Musharraf’s March 2007 dismissal of the country’s Chief Justice, Iftikhar Chaudhry, on charges of nepotism and misconduct. Analysts widely believe the action was an attempt by Musharraf to remove a potential impediment to his reelection as president, given Chaudhry’s rulings that exhibited independence and went contrary to government expectations. The move triggered immediate outrage among Pakistani lawyers; ensuing street protests by opposition activists grew in scale. By providing a platform upon which anti-Musharraf sentiments could coalesce, the imbroglio morphed into a full-fledged political crisis.

The deposed Chief Justice became an overnight political celebrity, attracting many thousands of supporters at several rallies. His May visit to Karachi led to rioting after activists of a regional, government-allied party reportedly blocked his exit from the airport. Ensuing street battles between pro-government cadres and opposition activists killed dozens of people, most of them members of the PPP. Many observers charged the government with complicity. In July, in what was widely seen as a major political defeat for Musharraf, the Supreme Court unanimously cleared Chaudhry of any wrongdoing and reinstated him to office.

August brought further indications the Supreme Court would not be subservient to military rule and could derail President Musharraf’s political plans, in particular with a ruling that former Prime Minister Sharif could return to Pakistan after seven years in exile. When Sharif attempted a September 10 return, the government immediately arrested him on corruption charges and deported him. Also in September, the government arrested hundreds of opposition political leaders and activists. A statement from the U.S. Embassy called the development “extremely disturbing and confusing,” and Secretary Rice called the arrests “troubling.”

President Musharraf Reelected as President, Resigns Army Commission. President Musharraf won provisional reelection on October 6, 2007, capturing 98% of the votes cast by Pakistan’s 1,170-member Electoral College. About 57% of the total possible vote from the membership of all national and provincial legislatures went to Musharraf; two-fifths of the body had either abstained (members of the Bhutto-led PPP) or resigned in protest (mostly members of the Islamist party coalition). Musharraf vowed to resign his military commission

22 See [http://hrw.org/english/docs/2007/12/14/pakistan17562.htm].

23 The Human Rights Commission of Pakistan called the riots “the result of a calculated adventure hatched by the president and the MQM with the cooperation of the Sindh government” (May 13, 2007, press release at [http://www.hrcp.cjb.net]; see also “Pakistan on Brink of Disaster as Karachi Burns,” Telegraph (London), May 12, 2007, and “Clashes in Pakistan Kill 28, Injure Scores as Unrest Escalates,” Washington Post, May 13, 2007).

following reelection, even knowing he would become even more politically vulnerable as a civilian president. Controversy had arisen over Musharraf’s intention to seek reelection by the current assemblies, as well as his candidacy while still serving as army chief. Opposition parties called such moves unconstitutional and they petitioned the Supreme Court to block this course.

On October 5, the court ruled the presidential election could take place as scheduled but that official results would be withheld until after the court rules on such legal challenges. While few observers predicted the court would void the result, Musharraf was to some degree left in political limbo — he was not expected to doff his army uniform until his reelection was confirmed. Some analysts feared that a state of emergency would be declared were the court to rule against Musharraf. U.S. and other Western officials, including Secretary Rice, urged Musharraf to refrain from any such move. On November 19, the new Supreme Court (as reconstituted under the PCO) struck down legal challenges to the validity of the reelection, thus paving the way for Musharraf’s retirement from the army and swearing in for a second term, which took place on November 29.

**Musharraf-Bhutto Engagement.** President Musharraf and former Prime Minister Bhutto in 2007 had negotiations on a power-sharing arrangement that could have facilitated Musharraf’s continued national political role while allowing Bhutto to return to Pakistan from self-imposed exile, potentially to serve as prime minister for a third time. The Bush Administration encouraged such an arrangement as the best means of both sustaining Musharraf’s role and of strengthening moderate political forces in Islamabad. Some analysts took a cynical view of Bhutto’s motives in the negotiations, believing her central goal was personal power and removal of standing corruption cases against her. Bhutto insisted that she engaged Musharraf so as to facilitate “an effective and peaceful transition to democracy.”

On October 4, President Musharraf and Bhutto agreed to an accord that could have paved the way for a power-sharing deal. The National Reconciliation Ordinance (NRO) provides amnesty for all politicians who served in Pakistan between 1988 and 1999 (officials said the amnesty would not apply to former Prime Minister Sharif). In return, Bhutto reportedly agreed to (tacitly) accept Musharraf’s reelection plans. Many Pakistanis were unhappy with news of the potential deal, viewing it as a politically unprincipled arrangement between two opportunistic figures. Following the imposition of emergency, Bhutto stated that she would not meet or negotiate with Musharraf, effectively ending prospects for a deal.

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25 Ijaz Hussain, “Deal-ing a Bad Hand” (op-ed), *Daily Times* (Lahore), August 29, 2007; “Bhutto’s Persona Raises Distrust, As Well As Hope,” *New York Times*, November 11, 2007; “Skepticism Tinges Support for Bhutto,” *Los Angeles Times*, December 3, 2007. Bhutto’s own niece called the political posturing “sheer pantomime” (Fatima Bhutto, “Aunt Benazir’s False Promises,” *Los Angeles Times*, November 14, 2007). Other Bhutto detractors emphasize that she was in power while the Pakistani government nurtured the Afghan Taliban movement, that she did little to reduce the “cross-border” exfiltration of Islamist militants into Indian-controlled Kashmir, that Pakistan was the site of numerous and serious human rights violations under her government, and that the PPP has been run in a nondemocratic fashion (see, for example, William Dalrymple, “Bhutto’s Deadly Legacy” (op-ed), *New York Times*, January 4, 2008).
When asked whether the United States still favored a Musharraf-Bhutto power-sharing agreement in the wake of the emergency decree and deteriorating relations between the president and former prime minister, U.S. officials only reiterated a belief that Pakistan’s moderate forces should work together to bring constitutional, democratic rule. Yet reports continued to suggest that Washington was pushing for such an accommodation even after Bhutto’s apparently full post-emergency embrace of the opposition and perhaps even after her assassination.26 Until Bilawal Bhutto Zardari completes studies at Oxford, Asif Zardari will run the party. Zardari is a controversial figure in Pakistan: he has spent years in prison (without conviction) on charges ranging from corruption to complicity in murder.27 His rise to leadership of Pakistan’s largest opposition party could present difficulties for U.S. policy makers. Bhutto’s long-time party deputy and recent National Assembly member Makhdoom Amin Fahim is expected to be the put forward as the PPP’s prime ministerial candidate. Fahim, who comes from a feudal Sindh background similar to that of Bhutto, led the party competently in her absence, but does not possess national standing and support anything close to that enjoyed by Bhutto herself.28

Benazir Bhutto’s Return. On October 18, Benazir Bhutto returned to Pakistan after more than eight years of self-imposed exile and was welcomed by hundreds of thousands of supporters. She proceeded to vigorously re-enter Pakistan’s political stage with a major and polarizing effect. While Bhutto continued to enjoy significant public support in the country, especially in rural Sindh, there were signs that many PPP members were ambivalent about her return and worried that her credibility as an opponent of military rule has been damaged through deal-making with Musharraf. Only hours after Bhutto’s arrival in Karachi, two blasts near her motorcade — likely perpetrated by at least one suicide attacker — left some 145 people dead, but Bhutto was unharmed. To date, police have made no breakthroughs in the case, but there are signs (along with widely-held suspicions) that the perpetrators are linked to Al Qaeda and other Islamist extremists in Pakistan. Without offering evidence, Bhutto herself implicated elements of Pakistan’s own security apparatus in the attack.

Nawaz Sharif’s Return. On November 25, former Prime Minister Nawaz Sharif returned to Pakistan after seven years in exile, reportedly after Saudi King Abdullah persuaded President Musharraf to allow the return (Sharif was deported four hours after his September effort to return). Tens of thousands of supporters cheered Sharif’s return to Lahore in his native Punjab province. The next day, Sharif filed papers registering him as a candidate in the January 2008 elections (he is constitutionally barred from serving a third term as Prime Minister) and threatened to lead street protests if his demands for the lifting of emergency rule and reinstatement of the Supreme court were not met.


Because he has refused to engage in any negotiations with the Musharraf government, Sharif has been able to seize a mantle as a opposition “purist,” and he wields considerable political influence in the populous Punjab province. Sharif’s electoral plans met a major obstacle when, on December 3, his nomination papers were rejected, apparently making him ineligible to compete in the January 2008 elections because of criminal convictions related to his 1999 ouster from power (his brother Shabaz, a former Punjab Chief Minister and political heavyweight in his own right, saw his own nomination papers rejected days earlier, apparently due to pending criminal charges against him). With Bhutto’s demise, Sharif has been able to step up as the most visible opposition figure with national credentials. Even detractors have acknowledged that Sharif has acted with uncharacteristic grace and dignity following Bhutto’s killing. A conservative with long-held ties to Pakistan’s Islamist political parties, Sharif is a bitter enemy of Musharraf and is viewed with considerable skepticism by many in Washington, where there are concerns that a resurgence of his party to national power could bring a diminishment of Pakistan’s anti-extremism policies and be contrary to U.S. interests.

National Election Calendar and Credibility Concerns. Pakistan’s National Assembly ended its five-year term on November 15. This was the first time in the country’s history that the body had completed a full term without interruption. With Prime Minister Shaukat Aziz’s term also ending, President Musharraf appointed his political ally and recent Chairman of the Senate, Mohammadmn Soomro, to serve as caretaker Prime Minister during the election period. Benazir Bhutto rejected the caretaker government and appeared to have sought formation of a “national unity government” that would oversee planned elections. Many analysts view the caretaker cabinet as being stacked with partisan Musharraf supporters and so further damaging to hopes for credible elections.

There have been numerous reports of government efforts to “pre-rig” the polls. Those who see a “stacked judiciary, cowed media, and toothless election commission” have been pessimistic about the chances for a credible process. Bhutto herself reportedly was set to give visiting U.S. Members of Congress a 160-page report detailing the Election Commission’s and major intelligence agency’s


alleged plans to illicitly manipulate the outcome. In January 2008, PPP officials complained that the government was using the law and order situation following Bhutto’s killing to harass and arrest thousands of party activists and sympathizers. Paris-based Reporters Without Borders warned in January 2008 that press censorship and intimidation continue to severely hamper free media coverage of the election campaign. Musharraf repeatedly has promised the elections will credible, and he opines that opposition parties are claiming the polls will be rigged to justify their own anticipated losses.

Even before the emergency proclamation, some observers saw signs that the government did not intend to conduct credible elections, most prominently controversy surrounding the possible disenfranchisement of scores of millions of Pakistanis from voter rolls and the apparent absence of an effective and neutral Election Commission. More than $26 million in U.S. aid to Pakistan has been devoted to bilateral and multilateral democracy-related programs there. Washington also plans to sponsor election observation programs in support of parliamentary elections. U.S. officials repeatedly have emphasized that the United States is neutral with regard to the outcome of Pakistan’s such elections.

In November, Pakistan’s Chief Election Commissioner announced that national polls would be held on January 8, 2007. About 13,500 candidates subsequently filed papers to vie for Pakistan’s 272 National Assembly seats and 577 provincial assembly constituencies. Opposition parties were placed in the difficult position of choosing whether to participate in elections that may well be manipulated by the incumbent government or to boycott the process in protest. Upon Bhutto’s assassination, a nationwide debate was launched over the issue of postponing the election date. Both Zardari, the new PPP leader, and Sharif demanded that the election be held as scheduled. The Bush Administration appeared to support their demands. Zardari’s calculation likely was rooted in expectations of a significant sympathy vote for the PPP. The ruling PML-Q appeared to seek (and later welcome) a decision to postpone the polls. Sharif, for his part, has maintained a hardline stand against Musharraf’s continued rule, demanding that a broad-based national unity government be put in place. Some analysts insist that an election boycott would only serve the interests of the ruling PML-Q, and they urge full poll participation while stressing the need to minimize any rigging or manipulation of the process.

38 See, for example, Najam Sethi, “Rigging, Not Boycott, Core Issue” (op-ed), Friday Times (continued...
While conceding that the Pakistanis must determine whether or not to make changes to the election schedule, a State Department spokesman offered that the best way to honor Bhutto’s memory was for the democratic process to continue, and he opined that polls should “by all means” go ahead as scheduled “if an election can be held safely and smoothly on January 8.” When asked about the issue, Secretary Rice said “it’s just very important that the democratic process go forward.” Some analysts believe the U.S. government’s apparent push for January elections may have been part of an eagerness to “graft legitimacy” onto Musharraf by anointing a successor to Bhutto.

The Election Commission’s January 2 decision to delay the polls until February 18 was met with vocal denouncement by the main opposition parties, who accuse the government of fearing a major loss. The State Department welcomed the setting of a firm date and urged Pakistani officials to use the interim period to ensure that an independent media is able to operate and that all restrictions on political parties are lifted. Musharraf, in a speech to the nation, defended the postponement as necessary given the scale of destruction in Sindh. To his often-used phrase “free, fair, and transparent elections” he added a fourth requirement: that the polls be “peaceful.” Some observers have called the postponement unconstitutional. Opposition parties did not organize large-scale street protests against the decision, but vow to do so if the slated polls are seen to lack credibility.

**Increasing Islamist Militancy**

Islamist extremism and militancy has been a menace to Pakistani society throughout the post-2001 period and has become especially prevalent in 2007. Much of the militancy in western Pakistan appears to be fueled by people’s anger at Islamabad’s perceived pro-American agenda, especially in the wake of Benazir Bhutto’s return and subsequent assassination. A week-long July siege at...
Islamabad’s Red Mosque ended when Pakistani commandos stormed the complex and, following a 20-hour battle, defeated the well-armed Islamist radicals therein. Beginning in January and escalating steadily over the course of the year, an open Islamist rebellion of sorts had been taking place in Pakistan’s relatively serene capital. Radical Islamists at the Red Mosque and their followers in the attached women’s Jamia Hafsa seminary had occupied illegally constructed religious buildings, kidnapped and detained local police officers and alleged Chinese prostitutes, battled security forces, and threatened to launch a violent anti-government campaign unless Sharia (Islamic law) was instituted nationwide. Several thousand people had been barricaded in the mosque complex, reportedly including a small number of foreign militants. Some cynics in Pakistan suggested that the government was complicit in allowing the standoff to fester, its alleged slow and uncertain response being a purposeful effort to bolster its own standing as a bulwark against spreading Islamist radicalism.

In the months since the Red Mosque raid, religious militants have perpetrated more than three dozen suicide bomb attacks in Pakistan — most of them against security personnel — taking some 700 lives. Moreover, upon reopening, the Red Mosque has continued to be a gathering place for strongly anti-Musharraf and anti-Western Islamist figures. By one account, the mosque is now “a memorial, a rallying cry, and a propaganda tool” for radical religious groups, thus enlarging the pool of potential terrorist recruits.45

More recently, Pakistan has faced a “neo-Taliban” insurgency in the scenic Swat Valley just 100 miles northwest of the capital, where radical Islamic cleric Maulana Fazlullah and up to 5,000 of his armed followers have sought to impose Sharia law.46 Fazlullah, also known as “Maulana Radio” for his fiery (and unlicensed) FM broadcasts, may be seeking to set up his own parallel government in Swat like that established by pro-Taliban militant leader Baitullah Mehsud in South Waziristan. The ability of Fazlullah and his followers to impose their will on large swaths of Pakistani territory with apparent impunity over a period of months was widely viewed as evidence that the Islamabad government’s campaign against indigenous extremists had faltered.

Pakistan in October deployed some 2,500 Frontier Corps soldiers to the Swat Valley in an effort to counter the creeping “Talibanization” there. Ensuing battles left scores of militants and soldiers dead. As fighters loyal to Fazlullah captured at least three towns in early November, reportedly securing control of six of Swat’s eight subregions, the army took charge of the counterinsurgency effort at the request of the North West Frontier Province governor. Pakistan reportedly massed some

44 (...continued)
2007.


46 The Pakistani army estimates that only 500-700 militants are operating in the Swat region, and it claims that these forces receive external assistance and that some are “foreign elements.”
15,000 regular army troops and, by early December, most militant elements in the Swat were reported to be in retreat. On December 15, the Pakistani government claimed victory in its battle with Islamist militants in Swat, saying Fazlullah’s loyalists had been routed. Pakistan army officials claim to have killed hundreds of militants during the campaign, which is ongoing.47

Al Qaeda in Pakistan. U.S. officials increasingly are concerned that Al Qaeda and other anti-Western terrorists remain active on Pakistani territory. Such concern surged following the July release of an unclassified version of a new National Intelligence Estimate on terrorist threats to the U.S. homeland, which concluded that Al Qaeda “has protected or regenerated key elements of its Homeland attack capability, including a safehaven in the FATA, operational lieutenants, and its top leadership.”48 In September, Al Qaeda founder Osama bin Laden released an audio tape in which he urged Muslims in Pakistan to rise up against President Musharraf to avenge his “aid to America against the Muslims.”49 In December, Defense Secretary Robert Gates said, “Al Qaeda right now seems to have turned its face toward Pakistan and attacks on the Pakistani government and Pakistan people.” In what could be considered a telling slip, Musharraf claimed in January 2008 that Pakistan had killed or neutralized 700 Al Qaeda “leaders.”50 The number of Al Qaeda suspects reported killed or captured in Pakistan has remained essentially unchanged since 2004. Some Pakistani and Western security officials see Islamabad losing its war against religious militancy and Al Qaeda forces enjoying new areas in which to operate, due in part to the Pakistan army’s poor counterinsurgency capabilities and to the central government’s eroding legitimacy.51

Conflict in Western Pakistan and the Afghan Insurgency. An ongoing Taliban insurgency in Afghanistan and its connection to developments in Pakistan remain matters of serious concern, especially in light of signs that Al Qaeda terrorists move with impunity on the Pakistani side of the rugged border. In July, pro-Taliban militants in North Waziristan announced their withdrawal from a controversial September 2006 truce made with the Islamabad government, claiming the accord had been violated by army deployments and attacks on tribals. Simultaneously, U.S. National Security Advisor Stephen Hadley stated that Washington had determined President Musharraf’s policies in the region to be ineffective and he said the United States was fully supporting new efforts to crack down on Pakistan’s pro-Taliban militants. The U.S. commander of counterterrorism operations in Afghanistan, Maj.
Gen. David Rodriguez, subsequently blamed a growing Al Qaeda presence in Pakistan for a large increase in the number of foreign fighters infiltrating into Afghanistan. With three-quarters of supplies for U.S. troops in Afghanistan going either through or over Pakistan, Pentagon officials are said to be studying alternative routes in case further political instability in Pakistan disrupts supply lines.

It is possible that President Musharraf and the new army chief, Gen. Kayani, will divide their responsibilities so that the former will retain political management of the country while the latter oversees the military’s counterinsurgency efforts. This might serve to make more effective Pakistan’s anti-extremism efforts over time (in both their political and their militarized aspects). Musharraf adamantly insists that he Pakistani military is unified in its fight against terrorism and extremism, even as he concedes that “some elements” urge a “different solution” in Afghanistan, one involving political dialogue with the Taliban.

The Pakistan army has deployed some 100,000 regular and paramilitary troops in western Pakistan in response to the surge in militancy there. Battles with pro-Taliban militants are ongoing and became particularly fierce in North Waziristan in October. The militants appear to be employing heavy weapons in more aggressive tactics, making frontal attacks on army outposts instead of the hit-and-run skirmishes of the past. The army also is suffering from a raft of recent suicide bomb attacks and the kidnaping of hundreds of its soldiers. Such setbacks have damaged the army’s morale, and also have caused some to question the organization’s loyalties and capabilities.

In other developments:

- On January 10, a suicide bomber killed at least 23 police officers near the Lahore High Court building moments before a rally of opposition lawyers was set to pass by.

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56 In the most egregious example of the latter development, on August 30 some 250 Pakistani soldiers, including a colonel and 8 other officers, were taken prisoner when pro-Taliban militants ambushed their convoy in South Waziristan. The troops apparently offered no resistance before surrendering to Islamist extremists reportedly loyal to fugitive commander Baitullah Mahsud. President Musharraf later criticized the troops for taking insufficient precautionary measures. Only hours after Musharraf’s November 3 emergency decree, the militants released 211 of the troops. Reports indicate that government authorities had released 25 detained militants in exchange, including several men said to be convicted aspiring suicide bombers.
On January 9, a Pakistani official announced the December arrest of a retired army major in connection with past and planned suicide bomb attacks.

On January 6, suspected Uzbek Islamist militants in South Waziristan shot and killed eight tribal elders who were working with a government-sponsored peace movement.

On January 5, NWFP Governor Ali Mohammed Jan Orakzai resigned his post, citing personal reasons. His replacement is former Baluchistan governor Owais Ahmed Ghani, who has taken stern action against Baloch separatist militants.

On January 2, Pakistan’s Election Commission announced a postponement of scheduled parliamentary polls to February 18.

On December 26, Afghan President Karzai met with President Musharraf in Islamabad.

On December 21, a suicide bomb attack inside a crowded mosque killed some 50 people in the NWFP. Former Interior Minister Sherpao, believed to be a target for assassination, was unharmed.

On December 6, the Senate Foreign Relations Committee held a hearing on Pakistan.

On November 22, the 53-member Commonwealth Ministerial Action Group suspended Pakistan’s membership pending restoration of democracy and rule of law there.

On November 20, President Musharraf met with Saudi King Abdullah in Riyadh, where the two men agreed on the need to reinvigorate their counterterrorism efforts.

On November 19, four days of fierce sectarian battles between Sunnis and Shiites left at least 100 people dead in Parachinar in the Kurram tribal agency.

On November 10, Pakistan and Iran reportedly finalized a deal to build a multi-billion-dollar pipeline that would deliver Iranian natural gas to Pakistan and potentially on to India.

On November 7, the House Foreign Affairs Committee held a hearing on Pakistan.

On October 18, at least one suicide bomb attacker killed some 140 people near the motorcade of returning former Prime Minister Bhutto, who was unharmed.

Setting and Regional Relations

Historical Setting

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, making Pakistan one of America’s most important security assistance partners of the period. President Dwight D. Eisenhower famously called Pakistan America’s “most allied ally in Asia.” Differing expectations of the security relationship long bedeviled bilateral ties, however. 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 President Carter 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 Islamabad a five-year, $3.2 billion aid package. Pakistan became a key transit country for arms supplies to the Afghan resistance, as well as home for some three million Afghan refugees, most of whom have yet to return.

Despite this 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 George H.W. 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 sanctions 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. Nine years later, the United States agreed to compensate...
Pakistan with a $325 million cash payment and $140 million in goods, including surplus wheat, but the episode engendered lingering Pakistani resentments.

During the 1990s, with U.S. attention shifted away from the region, Islamabad further consolidated its nuclear weapons capability, fanned the flames of a growing separatist insurgency in neighboring Indian-controlled Kashmir, and nurtured the Taliban movement in Afghanistan, where the radical Islamist group took control of Kabul in 1996. After more than a decade of alienation, U.S. relations with Pakistan were once again transformed in dramatic fashion, this time 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. A small trickle of foreign assistance to Pakistan again became a prodigious flow and, in a sign of renewed U.S. recognition of the country’s importance, President George W. Bush designated Pakistan as a major non-NATO ally of the United States in June 2004. One month later, a Congressional Pakistan Caucus was formed to facilitate dialogue among Pakistani-Americans and their political representatives in Congress, and to improve and strengthen bilateral relations between Pakistan and the United States.

**U.S.-Pakistan Diplomatic Engagement**

U.S. diplomatic engagement with Pakistan continues to be deep and multifaceted. President Bush traveled to Pakistan in March 2006 for the first such presidential visit in six years, and numerous high-level governmental meetings have ensued. During the visit, President Bush and President Pervez Musharraf issued a Joint Statement on the U.S.-Pakistan “strategic partnership” that calls for a “strategic dialogue” and “significant expansion” of bilateral economic ties, including mutual trade and investment, as well as initiatives in the areas of energy, peace and security, social sector development, science and technology, democracy, and nonproliferation. In the wake of that meeting, engagements have continued apace.

Over the past year, visits to Islamabad have been made by Secretary of State Rice, Vice President Dick Cheney, Secretary of Defense Robert Gates, Speaker of the House Nancy Pelosi, and several top U.S. military commanders, among others. Pakistani visitors to Washington, DC, in the past year have included President Musharraf, Foreign Minister Kurshid Kasuri, Foreign Secretary Riaz Khan, and the then-Chairman of Pakistan’s Joint Chiefs of Staff Committee, General Ehsan ul-Haq. Among formal sessions were a February 2007 meeting of the U.S.-Pakistan Joint Committee on Science and Technology in Washington, and a September meeting of the U.S.-Pakistan Strategic Dialogue in Islamabad, where the U.S. delegation was led by Deputy Secretary of State John Negroponte.

**Political Setting**

Pakistan’s political history is a troubled one, marked by tripartite power struggles among presidents, prime ministers, and army chiefs. Military regimes have

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58 See [http://usembassy.state.gov/pakistan/h06030404.html].

59 See also CRS Report RL32615, *Pakistan’s Domestic Political Developments*. 
ruled Pakistan for more than half of its 60 years of existence, interspersed with periods of generally weak civilian governance. From 1988 to 1999, Islamabad had democratically elected governments, and the army appeared to have moved from its traditional role of “kingmaker” to one of power broker. 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 on charges of corruption and nepotism in 1996 and Sharif won a landslide victory in ensuing elections, which were judged generally free and fair by international observers. Sharif moved quickly to bolster his powers by curtailing those of the president and judiciary, and he emerged as one of Pakistan’s strongest-ever elected leaders. Critics accused him of intimidating the opposition and the press. Many observers hold Pakistan’s civilian political leaders at least as responsible as the army for the anemic state of the country’s governance institutions.60

In October 1999, in proximate response to Prime Minister Sharif’s attempt to remove him, Chief of Army Staff General Musharraf overthrew the government, dismissed the National Assembly, and appointed himself “chief executive.” In the wake of this military overthrow of the elected government, Islamabad faced considerable international opprobrium and was subjected to automatic coup-related U.S. sanctions under section 508 of the annual foreign assistance appropriations act (Pakistan was already under nuclear-related U.S. sanctions). Musharraf later assumed the title of president following a controversial April 2002 referendum. National elections were held in October of that year, as ordered by the Supreme Court. A new civilian government was seated — Prime Minister M.Z. Jamali was replaced with Musharraf ally Shaukat Aziz in August 2005 — but it has remained weak. In apparent contravention of democratic norms, Musharraf has continued to hold the dual offices of president and army chief. Many figures across the spectrum of Pakistani society welcomed Musharraf, or at least were willing to give him the benefit of the doubt, as a potential reformer who would curtail both corruption and the influence of religious extremists. Yet his domestic popularity has suffered following indications that, as with Pakistan’s previous president-generals, expanding his own power and that of the military would be his central goal.

Pakistan’s next parliamentary elections are slated to take place on February 18, 2008. President Bush has said that electoral process will be “an important test of Pakistan’s commitment to democratic reform” and, during his 2006 visit to Islamabad, said President Musharraf understands the elections “need to be open and honest.”61 In October 2007, Secretary of State Rice repeated the admonition, saying the expected parliamentary elections will be “a real test” of the Islamabad government’s commitment to democratization and that the U.S. government is “pressing that case very hard.” The Chairman of the Senate Foreign Relations Committee, Senator Joe Biden, warned President Musharraf in December “there will be consequences” if upcoming elections are not fair and open, saying U.S. aid levels

could be decreased. Musharraf himself stood for (and controversially won) reelection as president in October 2007. Under the Pakistani system, the president is indirectly elected by a 1,170-person electoral college comprised of the membership of all national and provincial legislatures.

In September, President Musharraf promoted Gen. Kayani, a highly-regarded, pro-Western figure, to the position of Vice Chief of Army Staff. Kayani succeeded Musharraf in the powerful role of army chief upon Musharraf’s late November resignation from the army. In assuming his new role, Kayani vows to press ahead with Pakistan army efforts to root out extremists from western Pakistan. The constitutionally-designated successor to the office of the president is the chairman of the Pakistani Senate. Kayani appears to have become a new locus of U.S. hopes for Pakistani democratization, with U.S. officials reportedly seeing an opportunity for him to oversee a peaceful transition to civilian rule while maintaining a disinterest in pursuing his own political power.

Regional Relations

Pakistan-India Rivalry. Three full-scale wars — in 1947-1948, 1965, and 1971 — and a constant state of military preparedness on both sides of their mutual border have marked six decades of bitter rivalry between Pakistan and India. The acrimonious 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 as many as 66,000 lives since 1989. Pakistan admits only to lending moral and political support to the rebels, and it criticizes India for human rights abuses in “Indian-occupied Kashmir.”

India held Pakistan responsible for late 2001 terrorist attacks in Kashmir and on the Indian Parliament complex in New Delhi. The Indian response, a massive military mobilization, was mirrored by Pakistan and within months some one million heavily-armed soldiers were facing-off at the international frontier. During an extremely tense 2002 another full-scale war seemed a real and even likely possibility, and may have been averted only through international diplomatic efforts, including multiple visits to the region by top U.S. officials. An April 2003 peace initiative brought major improvement in the bilateral relationship, allowing for an October cease-fire agreement initiated by Pakistan. The process led to a January 2004 summit meeting in Islamabad 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, normalized diplomatic relations, and increased people-to-people contacts brought modest, but still meaningful progress toward stable relations. Regular dialogue continued in 2005 and a third round of Composite Dialogue talks was held in 2006. Numerous confidence-building measures have been put in place, most notably travel and commerce across the Kashmiri LOC for the first time in decades, and bilateral trade has increased. Yet militarized territorial disputes over Kashmir, the Siachen Glacier, and the Sir Creek remain unresolved, and Pakistani officials regularly express unhappiness that more substantive progress, especially on the “core issue” of Kashmir, is not occurring.

Following July 2006 terrorist bombings in Bombay, India, New Delhi postponed planned foreign secretary-level talks, bringing into question the continued viability of the already slow-moving process. However, after meeting on the sidelines of a Nonaligned Movement summit in Cuba in September, President Musharraf and Indian Prime Minister Singh announced a resumption of formal peace negotiations and also approved implementation of a joint anti-terrorism mechanism. The Composite Dialogue resumed in November after a four-month hiatus when Foreign Secretary Khan paid a visit to New Delhi for talks with his Indian counterpart. No progress was made on outstanding territorial disputes, and India is not known to have presented evidence of Pakistani involvement in the 7/11 Bombay terrorist bombings, but the two officials did give shape to the proposed joint anti-terrorism mechanism and they agreed to continue the dialogue process in early 2007. A notable step came in December 2006, when bilateral talks on the militarized Sir Creek dispute ended with agreement to conduct a joint survey.

In January 2007, Pakistani Foreign Minister Kasuri hosted his Indian counterpart, Pranab Mukherjee, in Islamabad for the first such visit in more than a year. The two men reviewed past progress and planned for a fourth Composite Dialogue round in March. On February 18, two bombs exploded on an Indian segment of the Samjhauta [Friendship] Express train linking Delhi, India, with Lahore, Pakistan. Resulting fires killed 68 people, most of them Pakistanis. Days later, Kasuri traveled to New Delhi, where he and Mukherjee reaffirmed a bilateral commitment to the peace process despite the apparent effort to subvert it. While India refused a Pakistani request to undertake a joint investigation into that attack, the two countries did sign an agreement to reduce the risk of accidental nuclear war.

The new joint Pakistan-India anti-terrorism mechanism met for the first time in Islamabad in March 2007 and produced a joint statement in which both governments agreed to use the forum for exchanging information about investigations of and/or efforts to prevent terrorist acts on either side of the shared border, and to meet quarterly while immediately conveying urgent information. Hopes that the Samjhauta train bombing would provide a fitting “test case” apparently were dashed, however, when India declined to share relevant investigative information with Pakistan. Moreover, Indian officials were unhappy with Islamabad’s insistence that

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the “freedom struggle” underway in Kashmir should not be treated as terrorism under this framework. Still, the continuing engagement even after a major terrorist attack was widely viewed as evidence that the bilateral peace process had gained a sturdy momentum. A new round of dialogue was then launched in mid-March, when the two foreign ministers met again in Islamabad. No new agreements were reached, but both officials lauded improved bilateral relations and held “the most sustained and intensive dialogue” ever on the Kashmir problem. Political turmoil and uncertainty arose in Islamabad around that same time, however, and has since greatly slowed progress in the Pakistan-India peace process.

A fourth round of bilateral talks on economic and commercial cooperation ended in August 2007 with agreements to facilitate importation of cement from Pakistan and tea from India, among others. Pakistani and Indian officials also held technical-level talks on the modalities of cross-border movement, and separate talks on the Tubal navigation project/Wullar barrage water dispute ended without progress. In September, Pakistan issued a formal protest and expressed “deep concern” in response to the Indian government’s announced intention to open the disputed territory of the Siachen Glacier to tourism, saying the region was “illegally occupied” by Indian troops in 1984 and its final status has yet to be determined due to an “inflexible Indian attitude.” In a more positive sign, on October 1 trucks carrying tomatoes from India to Pakistan crossed the international border for the first time in 60 years. Mid-October saw mid-level Pakistani and Indian officials meet to discuss both conventional and nuclear confidence-building measures, but no new initiatives were announced. Later in October, the countries held a second meeting of their Joint Anti-Terrorism Mechanism in New Delhi, where the two sides shared new information on terrorism and agreed to continue mutual investigatory cooperation.

**The “IPI” Pipeline Project.** Islamabad insists it is going forward with a proposed joint pipeline project to deliver Iranian natural gas to Pakistan and possibly on to India. In January 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for further progress. In February, the fourth meeting of the Pakistan-India Joint Working Group on the Iran-Pakistan-India (IPI) pipeline was held in Islamabad, where the two countries agreed to split equally expected gas supplies. In June, Pakistani and Indian officials reportedly reached an agreement in principle on transportation charges, and officials from all three countries suggested a final deal was imminent. Former Prime Minister Aziz described the pipeline as being critical to Pakistan’s economic growth and political stability. Doubts about financing the approximately $7 billion project combined with concerns about security in Pakistan’s Baluchistan province have some analysts skeptical about fruition. Some independent observers and Members of Congress assert that completion of the pipeline would represent a major confidence-building measure in the region and could bolster regional energy security while facilitating friendlier Pakistan-India ties (see, for example, H.Res. 353 in the 109th Congress).

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67 See also CRS Report RS20871, *The Iran Sanctions Act.*
As part of its efforts to isolate Iran economically, the Bush Administration actively seeks to dissuade the Islamabad and New Delhi governments from participation in this project, and a State Department official has suggested that current U.S. law dictates American opposition: The Iran-Libya Sanctions Act (P.L. 107-24) requires the President to impose sanctions on foreign companies that make an “investment” of more than $20 million in one year in Iran’s energy sector. The 109th Congress extended this provision in the Iran Freedom Support Act (P.L. 109-293). No firms have been sanctioned under this act to date.

**Afghanistan.** Pakistani leaders have long sought access to Central Asia and “strategic depth” with regard to India though friendly relations with neighboring Afghanistan. Such policy contributed to President-General Zia ul-Haq’s support for Afghan mujahideen “freedom fighters” who were battling Soviet invaders during the 1980s and to Islamabad’s later support for the Afghan Taliban regime from 1996 to 2001. British colonialists had purposely divided the ethnic Pashtun tribes inhabiting the mountainous northwestern reaches of their South Asian empire with the 1893 “Durand Line.” This porous, 1,600-mile border is not accepted by Afghan leaders, who have at times fanned Pashtun nationalism to the dismay of Pakistanis.

Following Islamabad’s major September 2001 policy shift, President Musharraf consistently has vowed full Pakistani support for the government of Afghan President Hamid Karzai and he insists that Pakistan is playing a “totally neutral role” in Afghanistan. Islamabad claims to have arrested many hundreds of Taliban militants and remanded most of them to Afghan custody, and it reportedly has provided $300 million in economic assistance to Kabul since 2001. Nevertheless, Musharraf and Karzai have exchanged public accusations and recriminations about the ongoing movement of Islamic militants in the border region, and U.S. officials have issued increasingly strong claims about the problems posed by Taliban insurgents and other militants who are widely believed to enjoy safehaven on the Pakistani side of the Durand Line. Moreover, Pakistan is wary of signs that India is pursuing a policy of “strategic encirclement,” taking note of New Delhi’s past support for Tajik and Uzbek militias which comprised the Afghan Northern Alliance, and the post-2001 opening of numerous Indian consulates in Afghanistan. Both Pakistan and Afghanistan play central roles as U.S. allies in global efforts to combat Islamic militancy. Continuing acrimony between Islamabad and Kabul is thus deleterious to U.S. interests.

In August 2007, an unprecedented joint “jirga,” or tribal assembly, was held in Kabul and included nearly 700 delegates from both Pakistan and Afghanistan. The meeting was endorsed by the United States as a means of bringing stability to Afghanistan. In the days immediately preceding the opening session, some 40 tribal elders from North Waziristan announced they would not attend, saying the absence of Taliban representatives rendered it pointless, and President Musharraf himself later announced his withdrawal from participation. Analysts widely considered the move a snub to both Afghan President Karzai and to the U.S. government, which expressed dismay at the decision. Musharraf made a last-minute decision to attend the final day’s session, where he offered a rare admission that support for militants emanating from Pakistan has caused problems for Afghanistan, saying “There is no doubt Afghan militants are supported from Pakistan soil. The problem that you have in your region is because support is provided from our side.” The jirga ended with

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, \textit{China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues}). Indian leaders have called the Islamabad-Beijing nuclear and missile “proliferation nexus” a cause of serious concern in New Delhi, and U.S. officials remain seized of this potentially destabilizing dynamic.

Analysts taking a realist, power political perspective view China as an external balancer in the South Asian subsystem, with Beijing’s material support for Islamabad allowing Pakistan to challenge the aspiring regional hegemony of a more powerful India. Many observers, especially in India, see Chinese support for Pakistan as a key aspect of Beijing’s perceived policy of “encirclement” or constraint of India as a means of preventing or delaying New Delhi’s ability to challenge Beijing’s region-wide influence.

In April 2005, the Chinese prime minister visited Islamabad, where Pakistan and China signed 22 accords meant to boost bilateral cooperation. President Musharraf’s five-day visit to Beijing in February 2006 saw bilateral discussions on counterterrorism, trade, and technical assistance. Chinese President Hu’s November 2006 travel to Islamabad was the first such visit by a Chinese president in ten years; another 18 new bilateral pacts were inked, including a bilateral Free Trade Agreement and plans for joint development of airborne early warning radars. Islamabad may seek future civil nuclear assistance from Beijing, including potential provision of complete power reactors, especially in light of Washington’s categorical refusal of Pakistan’s request for a civil nuclear cooperation similar to that being planned between the United States and India.

In May 2007, Prime Minister Aziz visited Beijing, where Pakistan and China signed 27 new agreements and memoranda of understanding to “re-energize” bilateral cooperation in numerous areas, including defense, space technology, and trade. No public mention was made regarding civil nuclear cooperation. The Chinese government has assisted Pakistan in constructing a major new port at Gwadar, near
the border with Iran; Islamabad and Beijing aspire to make this port, officially opened in March 2007, a major commercial outlet for Central Asian states. Some Western and Indian analysts are concerned that the port may be used for military purposes and could bolster China’s naval presence in the Indian Ocean region. Pakistan continues to view China as an “all-weather friend” and perhaps its most important strategic ally.

**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, trade and 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 intense 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 tranches of U.S. aid began flowing into Pakistan.

Direct U.S. assistance programs include training and equipment for Pakistani security forces, along with aid for health, education, food, democracy promotion, human rights improvement, counternarcotics, 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 in 2004 that Pakistan has been a source of nuclear proliferation to North Korea, Iran, and Libya complicated Pakistan-U.S. relations and attracted congressional attention as a serious security issue.

**Terrorism**

After the September 2001 terrorist attacks on the United States, Pakistan pledged and has provided major support for the U.S.-led global 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, tightening the border between Pakistan and Afghanistan, and blocking terrorist financing. 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,

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including Lashkar-e-Taiba and Jaish-e-Muhammad, both blamed for terrorist violence in Kashmir and India, and both 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 claim to have captured some 700 Al Qaeda suspects and remanded most of these to U.S. custody.  

Important Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), Khalid Sheik Mohammed (March 2003), and Abu Faraj al-Libbi (May 2005). Other allegedly senior Al Qaeda figures were killed in gunbattles and missile attacks, including in several apparent U.S.-directed attacks on Pakistani territory from aerial drones. Yet Al Qaeda fugitives and their Taliban allies remain active in Pakistan, especially in the mountainous tribal regions along the Afghan border. Meanwhile, numerous banned indigenous groups continue to operate under new names: Lashkar-e-Taiba became Jamaat al-Dawat (banned under U.S. law in April 2006); 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. At present, Islamabad declares a four-pronged strategy to counter terrorism and religious extremism, containing military, political, administrative, and development aspects. Nonetheless, some analysts have long called Musharraf’s efforts cosmetic, ineffective, and the result of international pressure rather than a genuine recognition of the threat posed. In recent years, some Pakistani nationals and religious seminaries have been linked to Islamist terrorism plots in Western countries, especially the United Kingdom.

In a January 2007 review of global threats, then-U.S. Director of Intelligence Negroponte issued what may have been the strongest relevant statements from a Bush Administration official to date, telling a Senate panel that, “Pakistan is a frontline partner in the war on terror. Nevertheless, it remains a major source of Islamic extremism and the home for some top terrorist leaders.” He identified Al Qaeda as posing the single greatest terrorist threat to the United States and its interests, and warned that the organization’s “core elements ... maintain active connections and relationships that radiate outward from their leaders’ secure hideout in Pakistan” to affiliates on four continents.

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72 Some more cynical observers see a Pakistani connection to nearly all major jihadi terrorist attacks worldwide; a few even find a connection to elements of Pakistan’s military establishment in most jihadi terrorist attacks within Pakistan (see, for example, B. Raman, “Al Qaeda in GHQ, Rawalpindi,” South Asia Analysis Group International Terrorism Monitor (New Delhi) Paper No. 2522, December 28, 2007).

73 Statement before the Senate Select Committee on Intelligence, January 11, 2007.
In February 2007, Vice President Cheney and the Deputy Director of the CIA, Steve Kappes, made an unannounced four-hour visit to Islamabad, where they reportedly warned President Musharraf that a Democratic-controlled Congress could cut U.S. aid to Pakistan unless that country takes more aggressive action to hunt down Al Qaeda and Taliban operatives on its soil. The unusually strong admonition came after U.S. intelligence officials concluded that a “terrorist infrastructure” had been rebuilt in western Pakistan, that Islamabad’s counterterrorism efforts had been feckless to date, and that the Bush Administration was recognizing that current U.S. and Pakistani policies were not working.

When asked during a February Senate hearing about the possible source of a hypothetical future Al Qaeda attack on the United States, the new Director of National Intelligence, Mike McConnell, stated his belief that such an attack “most likely would be planned and come out of the [Al Qaeda] leadership in Pakistan.” The State Department’s Country Reports on Terrorism 2006, released in April 2007, said “Pakistan executed effective counterterrorism cooperation and captured or killed many terrorists” while also reiterating U.S. concerns that the Federally Administered Tribal Areas (FATA) is “a safe haven for Al Qaeda, the Taliban, and other militants.” According to Under Secretary of State Burns in July 2007 testimony before the Senate Foreign Relations Committee,

We know that the tribal areas of the mountainous border regions inside Pakistan have never been within the effective control of any central government. We know that the regions of North and South Waziristan have become safe havens for violent extremist and terrorist activity.... [W]e would like to see a more sustained and effective effort by the Pakistani government to defeat terrorist forces on its soil. Although the United States lauded Islamabad’s anti-terrorism financing efforts earlier this decade, Under Secretary Burns also encouraged more energetic Pakistani action:

We want to see Pakistan use all tools at its disposal to choke the flow of funds to terrorist groups. We are particularly concerned about terrorist groups exploiting charitable donations, and by their tactic of re-forming under new names to evade international prohibitions on donations to terrorist organizations.... We urge Pakistan to pass an Anti-Money Laundering bill that meets international standards, and to establish a Financial Intelligence Unit within the State Bank of Pakistan.

75 Statement before the Senate Armed Services Committee, February 27, 2007. A July 2007 National Intelligence Estimate on the terrorist threat included the assessment that Al Qaeda has “protected or regenerated” its capability to attack the United States, in part due to its enjoying “safehaven” in Pakistan’s tribal areas (see [http://www.dni.gov/press_releases/20070717_release.pdf]).
76 See [http://www.state.gov/s/ct/rls/crt/2006/82734.htm].
Pakistani officials are resentful of criticisms and doubts about their commitment to the counterterrorist fight, and they aver that U.S. pressure on Pakistan to “do more” could undermine President Musharraf and destabilize his government.78

**Al Qaeda’s Resurgence in Pakistan.** Pakistani authorities reportedly have remanded to U.S. custody roughly 500 wanted Al Qaeda fugitives to date, including some senior alleged operatives. However, despite clear successes in disrupting Al Qaeda and affiliated networks in Pakistan since 2001, there are increasing signs that Al Qaeda is resurgent on Pakistani territory, with anti-U.S. terrorists appearing to have benefitted from what some analysts call a Pakistani policy of appeasement in western tribal areas near the Afghan border. By seeking accommodation with pro-Taliban leaders in these areas, the Musharraf government may inadvertently have allowed foreign (largely Arab) militants to obtain safe haven from which they can plot and train for terrorist attacks against U.S. and other Western targets. Moreover, many observers warn that an American preoccupation with Iraq has contributed to allowing Al Qaeda’s reemergence in Pakistan.79

Al Qaeda founder Osama Bin Laden and his lieutenant, Egyptian Islamic radical leader Ayman al-Zawahri, are believed by many to be hiding somewhere in Pakistan’s western border region. Pakistani officials reject such suspicions and generally insist there is no evidence to support them, but numerous U.S. officials have suggested otherwise. While some 2006 reports placed the Al Qaeda founder in the remote Dir Valley of northwestern Pakistan, the country’s prime minister said those hunting Bin Laden had no clues as to his whereabouts, a claim bolstered by Western press reports indicating that the U.S. and other special forces tasked with finding Bin Laden had not received a credible lead in years.80 President Bush has said he would order U.S. forces to enter Pakistan if he received good intelligence on Osama Bin Laden’s location.81

**Infiltration Into Afghanistan.** Tensions between the Kabul and Islamabad governments — which stretch back many decades — have at times reached alarming levels in recent years, with top Afghan officials accusing Pakistan of manipulating Islamic militancy in the region to destabilize Afghanistan. Likewise, 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 urge Islamabad to do more to secure its rugged western border area. U.S. government

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80 See, for example, “The Ongoing Hunt for Osama bin Laden,” *Newsweek*, September 3, 2007.

officials have voiced similar worries, even expressing concern that elements of Pakistan’s intelligence agency might be assisting members of the Taliban. In 2006, the State Department’s top counterterrorism official told a Senate panel that elements of Pakistan’s “local, tribal governments” are believed to be in collusion with the Taliban and Al Qaeda, but that the United States had no “compelling evidence” that Pakistan’s intelligence agency is assisting militants.\(^{82}\) Later that year, the Commander of the U.S. European Command told the same Senate panel it was “generally accepted” that the Taliban headquarters is somewhere in the vicinity of Quetta, the capital of Pakistan’s southwestern Baluchistan province.\(^{83}\)

**Pakistan Launches Internal Military Operations.** During the autumn of 2003, in an unprecedented show of force, President Musharraf moved 25,000 Pakistani troops into the traditionally autonomous FATA on 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.\(^{84}\) The battles, which continued sporadically throughout 2005 and again became fierce in the spring of 2006, exacerbated volatile anti-Musharraf and anti-American sentiments held by many Pakistani Pashtuns.\(^{85}\)

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\(^{82}\) Statement of Henry Crumpton before the Senate Foreign Relations Committee, June 13, 2006. After conducting interviews with numerous active and retired Pakistan army and intelligence officials, an American reporter concluded in 2007 that “many officers of Pakistan’s covert security agencies remain emotionally committed to jihad and hostile to the U.S. role in the region” (“Role of Pakistan’s ‘Captain’ Shows Enduring Taliban Ties,” *Newsday*, October 14, 2007).

\(^{83}\) Statement of Gen. James Jones before the Senate Foreign Relations Committee, September 21, 2006. See also “In the Land of the Taliban,” *New York Times*, October 22, 2006; “Next-Gen Taliban,” *New York Times*, January 6, 2008. The Pakistani Taliban differ from their Afghan brethren in several respects, perhaps most significantly in a lack of organization and cohesion, and they possess no unified leadership council. Moreover, the Pakistani Taliban appear to have more limited objectives, in contrast with the Afghan Taliban who are struggling to regain national power in Kabul. At the same time, however, both groups pledge fealty to a single leader — Mullah Omar — and both share fundamental policy objectives with regard to U.S. and other Western government roles in the region (see “The Emergence of the Pakistani Taliban,” *Jane’s Islamic Affairs Analyst*, January 1, 2008).

\(^{84}\) One U.S. press report claimed that Pentagon documents from 2004 gave U.S. special forces in Afghanistan authority to enter Pakistani territory — even without prior notice to Islamabad — while in “hot pursuit” of Al Qaeda and Taliban fighters or to take direct action against “the Big 3”: Osama bin Laden, Ayman al Zawahri, or Mullah Omar. A Pakistani military spokesman called the report “nonsense” and denied there was any such arrangement. As the U.S. presidential campaign gained momentum in late 2007, some candidates urged that U.S. forces should enter Pakistan to neutralize suspected Al Qaeda assets there; President Musharraf responded by saying he would consider such unauthorized crossing an invasion (“U.S. OK’d Troop Terror Hunts in Pakistan,” *Associated Press*, August 23, 2007; “Musharraf on Bhutto and Taleban” (interview), *Straits Times* (Singapore), January 11, 2008).

\(^{85}\) Pakistan is home to some 28 million Pashto-speaking people, most of them living near the border with Afghanistan, which is home to another 13.5 million ethnic Pashtuns (also known (continued...)}
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 2005 and, by the middle of that year, Afghan leaders were openly accusing Islamabad of actively supporting insurgents and providing their leadership with safe haven. Islamabad adamantly denied the charges and sought to reassure Kabul by dispatching additional troops to border areas, bringing the total to 80,000. Still, 2006 was the deadliest year to date for U.S. troops in Afghanistan and, at year’s end, there were growing indications that Islamabad’s efforts to control the tribal areas were meeting with little success.

President Musharraf’s “carrot and stick” approach of offering amnesty to those militant tribals who “surrendered,” and using force against those who resisted, clearly did not rid the region of indigenous Islamic militants or Al Qaeda operatives. Late 2005 and early 2006 missile attacks on suspected Al Qaeda targets — apparently launched by U.S. aerial drones flying over Pakistani territory — hinted at more aggressive U.S. tactics that could entail use of U.S. military assets in areas where the Pakistanis are either unable or unwilling to strike. Yet the attacks, in particular a January 2006 strike on Damadola in the Bajaur tribal agency that killed women and children along with several alleged Al Qaeda suspects, spurred widespread resentment and a perception that the country’s sovereignty was under threat.

Meanwhile, Pakistani troops operating in the region are hampered by limited communications and other counterinsurgency capabilities, meaning their response to provocations can be overly reliant on imprecise, mass firepower. This has contributed to a significant number of civilian casualties. Simultaneously, tribal leaders who cooperate with the federal government face dire threats from the extremists — as many as 200 were the victims of targeted killings in 2005 and 2006 — and the militants have sought to deter such cooperation by periodically beheading accused “U.S. spies.”

**Islamabad Shifts Strategy.** As military operations failed to subdue the militants while causing much “collateral damage” and alienating local residents, Islamabad in 2004 began shifting strategy and sought to arrange truces with Waziri commanders, first at Shakai in South Waziristan in April 2004, then again in February 2005. Officials in Islamabad recognized that the social fabric of the FATA had changed following its role as a staging and recruiting area for the war against the Soviet Army in Afghanistan during the 1980s: the traditional power base was eroded as the influence of religious elements had greatly increased. President Musharraf lambasts the creeping “Talibanization” of the tribal areas and has sought to implement a new scheme, shifting over time from an almost wholly militarized approach to one emphasizing negotiation and economic development in the FATA, as well as (re-)elevating the role of tribal maliks who would work in closer conjunction with federal political agents. The aim, then, became restoration of a kind of enhanced status quo ante with a limited state writ (maliks would enjoy more pay...

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85 (...continued)
as Pakhtuns or Pathans). A hardy people with a proud martial history (they are disproportionately represented in the Pakistani military), Pashtuns played an important role in the anti-Soviet resistance of the 1980s.
and larger levies), and the reduction and ultimately full withdrawal of army troops.\(^{86}\) The U.S. government offered cautious initial support for the new strategy.\(^{87}\)

**Cease-Fire and North Waziristan Truce.** In June 2006, militants in North Waziristan announced a unilateral cease-fire to allow for creation of a tribal council seeking resolution with government forces. The Islamabad government began releasing detained Waziri tribesmen and withdrawing troops from selected checkpoints in a show of goodwill. Hundreds of Pashtun tribesmen and clerics later held a tribal council with government officials, and the cease-fire was extended. Then, on September 5, 2006, the Islamabad government and pro-Taliban militants in Miramshah, North Waziristan, signed a truce to ensure “permanent peace” in the region. A representative of the North West Frontier Province (NWFP) governor agreed on behalf of the government to end army operations against local tribesmen; release all detainees; lift all public sanctions, pay compensation for property damage, return confiscated vehicles and other goods; and remove all new army checkpoints. In turn, two representatives of the North Waziristan “local mujahideen students” (trans. “Taliban”) agreed to end their attacks on government troops and officials; halt the cross-border movement of insurgents to Afghanistan; and evict all foreigners who did not agree to live in peace and honor the pact.\(^{88}\)

News of the truce received lukewarm reception in Washington, where officials took a “wait-and-see” approach to the development. Within weeks there was growing concern among both U.S. government officials and independent analysts that the truce represented a Pakistani “surrender” and had in effect created a sanctuary for extremists, with the rate of Taliban activities in neighboring Afghanistan much increased and the militants failing to uphold their commitments. Still, Islamabad pressed ahead with a plan to extend a similar truce to the Bajaur tribal agency. Only hours before such a deal was to be struck on October 30, 2006, 82 people were killed in a dawn air attack on a madrassa in Chingai, Bajaur. The Pakistani military claimed to have undertaken the attack after the school’s pro-Taliban leader continued to train terrorists and shelter “unwanted foreigners,” yet many observers speculated that the attack had in fact been carried out by U.S. Predator drones, perhaps after intelligence reports placed fugitive Al Qaeda lieutenant al-Zawahri at the site. Nine days later, after a local pro-Taliban militant leader vowed to retaliate against Pakistani security forces, a suicide bomber killed 42 army recruits at a military training camp at Dargai in the NWFP, not far from the sight of the Chingai attack. The bombing was the most deadly attack on the Pakistani military in recent memory.

**The FATA in 2007.** Instability in the FATA only increased in 2007, with a large trust deficit between government forces and tribal leaders, and a conclusion by top U.S. officials that President Musharraf’s strategy of making truce deals with pro-

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\(^{86}\) Author interview with a senior advisor to Prime Minister Aziz, Islamabad, September 2006; “President General Pervez Musharraf’s Address to the Nation,” July 20, 2006, at [http://www.presidentofpakistan.gov.pk/SpeechAddressList.aspx].


\(^{88}\) A translated version of the pact is at [http://www.pbs.org/wgbh/pages/frontline/taliban/etc/nwdeal.html].
Taliban militants had failed. In January, the director of the U.S. Defense Intelligence Agency, Lt. Gen. Michael Maples, told a Senate panel that tribal leaders in Waziristan had not abided by most terms of the September 2006 North Waziristan agreement. In March, Undersecretary of Defense for Policy Eric Edelman reported to the same panel that there was “an almost immediate and steady increase of cross-border infiltration and attacks” just after that agreement had been reached. Some reports even describe anecdotes of the Pakistani military providing fire support for Taliban units operating in Afghanistan. Combat between Pakistani troops and militants in the two Waziristan agencies reportedly has killed roughly 1,000 Islamist extremists (many of them foreigners), along with a similar number of Pakistani soldiers and many hundreds of civilians.

In March 2007, battles erupted between tribal forces and Uzbek militants in South Waziristan. Heavy arms — including mortars, large-caliber machineguns, and rockets — were used by both sides, and some 300 people, most of them Uzbeks, were reported killed. President Musharraf later acknowledged that the Pakistani army had provided fire support for what essentially were pro-Taliban tribal forces. The fighting was touted by Islamabad as a sign that its new strategy was paying dividends. Yet such conflict may well have been more about long-brewing local resentments toward Uzbeks, and there is further concern among skeptics that the battles served to strengthen the “Pakistani Taliban” and helped to consolidate their control in the tribal areas.

By 2007, U.S. intelligence analysts had amassed considerable evidence indicating that Islamabad’s truces with religious militants in the FATA had given Taliban, Al Qaeda, and other Islamist extremists space in which to rebuild their networks. Faced with such evidence, President Musharraf refrained from any change in strategy, saying he was “making adjustments” and would proceed cautiously. A behind-the-scenes diplomatic effort to prod the Musharraf government on its counterterrorism strategy was ramped up during the course of the year, but it may have only been through more public and strongly-worded U.S. criticisms of Pakistan in July that Islamabad was convinced to be more energetic in its militarized efforts. A spate of militant attacks on Pakistani military targets during that month — apparently in retaliation for the government’s armed assault on Islamabad’s radical Red Mosque — led Musharraf to further bolster the army’s presence in the region and coincided with an announcement by North Waziristan tribal leaders that they were withdrawing from the September 2006 truce agreement due to alleged government violations. Top Bush Administration officials subsequently conceded that the agreement had failed to produce the desired results for both Pakistan and the United States, and they suggested the tack should be abandoned.
Meanwhile, it appears the “Pakistani Taliban” of North Waziristan has succeeded in establishing a local administrative infrastructure much as was done in South Waziristan following the April 2004 Shakai agreement. In the words of one Washington-based expert,

“[W]e cannot ignore the fact that across much of Pakistan’s border with Afghanistan, Islamabad has, for now, lost the battle to fight militancy and terrorism.... Today the Pakistan state has virtually ceded North and South Waziristan to powerful radical forces. Justice, education, and social policies are in the hands of the Pakistani militants who practice a strongly conservative form of Islam.... By indulging and supporting extremists as a tool to retain and hold influence in Afghanistan, Pakistan has introduced changes that undermined its ability to maintain its writ within its own borders.”

Reports also continue to indicate that the FATA increasingly provides a base for a new generation of Islamist militants and is the site of numerous terrorist training camps, some associated with Al Qaeda.

Despite acknowledged setbacks, the Bush Administration claims to strongly support President Musharraf’s efforts to adopt a more comprehensive approach to include economic and social development, and governance reform in the region, flowing in part from an acknowledgment that purely military solutions are unlikely to succeed. Yet international donors and lending agencies appear hesitant to finance projects in the region while the security situation remains tense, and some in the U.S. government reportedly are wary of infusing development aid that could end up in the hands of elements unfriendly to U.S. interests. Many analysts insist that only by bringing the tribal areas under the full writ of the Pakistani state and facilitating major economic development there can the FATA problem be resolved.

**Infiltration into Kashmir and India.** Islamabad has been under continuous U.S. and international pressure to terminate the infiltration of separatist militants across the Kashmiri Line of Control (LOC). Such pressure reportedly elicited a

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94 Statement of Prof. Marvin Weinbaum before the House Armed Services Committee, October 10, 2007.


January 2002 promise from President Musharraf to then-U.S. Deputy Secretary of State Richard Armitage that all such movements would cease. During a June 2002 visit to Islamabad, Deputy Secretary Armitage reportedly received another pledge from the Pakistani president, this time an assurance that any existing terrorist camps in Pakistani Kashmir would be closed. Musharraf has assured India that he will not permit any territory under Pakistan’s control to be used to support terrorism, and he insists that his government is doing everything possible to stop infiltration and shut down militant base camps in Pakistani-controlled territory. Critics contend, however, that Islamabad continues to actively support anti-India militants 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 are down significantly. However, Indian leaders periodically reiterate their complaints that Islamabad has taken insufficient action to eradicate the remaining “infrastructure of terrorism” on Pakistani-controlled territory. With indications that terrorism on Indian soil beyond the Jammu and Kashmir state may have been linked to Pakistan-based terrorist groups, Indian leaders repeat demands that Pakistan uphold its promises to curtail the operations of Islamic militants and violent Kashmiri separatists originating on Pakistani-controlled territory.

Following conflicting reports from Indian government officials about the criminal investigation into July 2006 Bombay terrorist bombings, India’s prime minister stated that India had “credible evidence” of Pakistani government complicity in the plot. Islamabad rejected Indian accusations as “propaganda” designed “to externalize an internal [Indian] malaise.” Several other terrorist attacks against Indian targets outside of Kashmir have been linked to Pakistan-based groups, including lethal assaults on civilians in Delhi and Bangalore in 2005, in Varanasi in 2006, and in Hyderabad in 2007. Indian security officials also routinely blame Pakistan’s intelligence service for assisting the infiltration of Islamist militants into India from Nepal, Bangladesh, and Bhutan, as well as across the Kashmiri LOC.

**Domestic Terrorism.** Pakistan is known to be a base for numerous indigenous terrorist organizations, and the country continues to suffer from terrorism at home. Until a March 2006 car bombing at the U.S. consulate in Karachi that left one American diplomat dead, recent attacks on Western targets had 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 in Islamabad that killed a U.S. Embassy employee, and two car bomb attacks, including one on the same U.S. consulate, which killed a total of 29 people. These attacks, widely viewed as expressions of militants’ anger with the Musharraf regime for its cooperation with

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99 “We Have Credible Evidence: Manmohan,” *Hindu* (Madras), October 25, 2006; Pakistan Ministry of Foreign Affairs Media Briefing, October 2, 2006.

100 According to India’s national security advisor, most terrorist activity in India has been “generated from outside” (“MK Narayanan” (interview), *India Abroad*, September 21, 2007).
From 2003-2006, Pakistan’s most serious domestic terrorism was directed against the country’s Shia minority and included suicide bomb attacks that killed scores of people (nearly 60 Sunnis also were killed in a 2006 suicide bombing in Karachi). Indications are that the indigenous Lashkar-e-Jhangvi (LJ) Sunni terrorist group is responsible for the most deadly anti-Shia violence. Two attempts to kill Musharraf in December 2003 and failed efforts to assassinate other top Pakistani officials in mid-2004 were linked to the LJ and other Al Qaeda-allied groups, and illuminated the grave and continuing danger presented by religious extremists.

Following a July 2006 suicide bombing in Karachi that killed a prominent Shiite cleric, Musharraf renewed his pledge to crack down on religious extremists; hundreds of Sunni clerics and activists were subsequently arrested for inciting violence against Shiites through sermons and printed materials. However, serious sectarian and other religiously-motivated violence flared anew in late 2006 and continued in 2007. Bomb attacks, many of them by suicidal extremists motivated by sectarian hatreds, killed scores of people; some reports link the upsurge in such attacks to growing sectarian conflict in Iraq. Since the summer of 2007 and continuing to the time of this writing, most suicide bomb attacks have been perpetrated against Pakistan’s security apparatus in apparent retaliation for the army’s July raid on Islamabad’s radical Red Mosque. By one accounting, Pakistan suffered 60 suicide bomb attacks in 2007 costing 770 lives.

A leading pro-Taliban militant in the South Waziristan tribal agency, Baitullah Mehsud, issued vows to avenge Pakistani military and paramilitary attacks in the region in early 2007; he reportedly has been linked to at least four anti-government suicide bombings in Pakistan and in 2007 emerged as a major challenge to Islamabad’s writ in the tribal areas. Some analysts believe that, by redirecting Pakistan’s internal security resources, an increase in such violence can ease pressure on Al Qaeda and affiliated groups and so allow them to operate more freely there. In June 2007, Pakistan’s National Security Council reportedly warned President Musharraf that Islamist militancy was rapidly spreading beyond western tribal areas and that a “policy of appeasement” had emboldened the Taliban. The Council was said to have formulated new plans to address the issue, including the deployment of pilotless reconnaissance drones, bolstering local law enforcement capabilities, and shifting more paramilitary troops to the region from other parts of Pakistan.

Other Security Issues

Pakistan-U.S. Security Cooperation. U.S.-Pakistan security cooperation accelerated rapidly after 2001, and President Bush formally designated Pakistan as

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a major non-NATO U.S. ally in June 2004. 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 restored as a result of Pakistan’s role in the 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 2005, the United States announced that it would resume sales of new F-16 fighters to Pakistan after a 16-year hiatus. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — again sits for high-level discussions on military cooperation, security assistance, and anti-terrorism; its most recent session came in May 2006. In 2003, a U.S.-Pakistan-Afghanistan Tripartite Commission was established to bring together military commanders for discussions on Afghan stability and border security; a session held in Pakistan in January 2007 included establishment of the first joint intelligence sharing center in Kabul to boost cooperation against Taliban and other extremists. Officers from NATO’s International Security Assistance Force in Afghanistan have joined the body.

In response to ever-increasing rates of Islamist-related violence in Pakistan, the Bush Administration reportedly is in 2008 considering giving a freer hand to the CIA and Pentagon to conduct covert military operations in that country’s tribal areas. Critics argue that U.S. military intervention is likely to be ineffective and perhaps even counterproductive by alienating the Pakistani army and increasing local support for the militants. Islamabad vigorously rejects any suggestions that foreign military operations will be allowed on Pakistani territory.

**Defense Supplies.** Major government-to-government arms sales and grants to Pakistan since 2001 have included items useful for counterterrorism operations, along with a number of “big ticket” platforms more suited to conventional warfare. In dollar value terms, the bulk of purchases are made with Pakistani national funds — the Pentagon reports total Foreign Military Sales agreements with Pakistan worth $863 million in FY2002-FY2005; in-process sales of F-16s and related equipment raised the value to $3.5 billion in FY2006 alone. The United States also has provided Pakistan with about $1.23 billion in Foreign Military Financing (FMF) since 2001, with a “base program” of $300 million per year since FY2005. These funds are used to purchase U.S. military equipment. Pakistan also has been granted U.S. defense supplies as Excess Defense Articles (EDA). Major post-2001 defense supplies under FMF include:

- eight P-3C Orion maritime patrol aircraft and their refurbishment (valued at $295 million);
- about 5,250 TOW anti-armor missiles ($186 million);
- more than 5,600 military radio sets ($163 million);
- six AN/TPS-77 surveillance radars ($100 million);
- six C-130E transport aircraft and their refurbishment ($76 million);
- and 20 AH-1F Cobra attack helicopters granted under EDA, then refurbished ($48 million).

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Supplies paid for with a mix of Pakistani national funds and FMF include:

- up to 60 mid-life upgrade kits for F-16A/B combat aircraft (total value of $891 million, with $108 million of this in FMF); and
- 115 M-109 self-propelled howitzers ($87 million, with $53 million in FMF).

Notable items paid for entirely with Pakistani national funds include:

- 18 new F-16C/D Block 50/52 combat aircraft (with an option for 18 more) (valued at $1.43 billion);
- 500 AMRAAM air-to-air missiles ($629 million);
- 100 Harpoon anti-ship missiles ($298 million);
- 600 Sidewinder air-to-air missiles ($95 million); and
- six Phalanx close-in naval guns ($80 million).\(^{104}\)

The Pentagon is negotiating the possible transfer to Pakistan of three P-3B aircraft as EDA grants that would be modified to carry the E-2C Hawkeye airborne early warning suite in a deal worth up to $855 million. If implemented, FMF could be used toward this purchase. Major EDA grants since 2001 also include four F-16A combat aircraft (24 more such aircraft will be transferred to Pakistan as they become excess to the U.S. Air Force). Under Coalition Support Funds (part of the Pentagon budget), Pakistan also received 26 Bell 412 helicopters, along with related parts and maintenance, valued at $235 million. The Department of Defense has characterized F-16 fighters, P-3C patrol aircraft, and anti-armor missiles as having significant anti-terrorism applications. The State Department claims that, since 2005, FMF funds have been “solely for counterterrorism efforts, broadly defined.”\(^{105}\) These claims elicit skepticism from some analysts.

Other security-related U.S. assistance programs for Pakistan are said to be aimed especially at bolstering Islamabad’s counterterrorism and border security efforts, and have included U.S.-funded road-building projects in the NWFP and FATA; and the provision of night-vision equipment, communications gear, protective vests, and transport helicopters and aircraft. The United States also has undertaken to train and equip new Pakistan Army Air Assault units that can move quickly to find and target terrorist elements. Modest U.S.-funded military education and training programs seek to enhance the professionalism of Pakistan’s military leaders, and develop respect for rule of law, human rights, and democratic values.

Some reports indicate that U.S. military assistance to Pakistan has failed to effectively bolster the paramilitary forces battling Islamist militants in western Pakistan. Such forces are said to remain underfunded, poorly trained, and

\(^{104}\) Data reported by the U.S. Department of Defense. See also CRS Report RS22757, U.S. Arms Sales to Pakistan.

\(^{105}\) See [http://www.state.gov/p/sca/rls/rm/2007/97946.htm].
“overwhelmingly outgunned.” As part of a five-year, $750 million FATA development assistance plan for Pakistan, the Bush Administration has launched an initiative to strengthen the capacity of the Frontier Corps (FC), an 80,000-man paramilitary force overseen by the Pakistani Interior Ministry. The FC has primary responsibility for border security in the NWFP and Baluchistan provinces. The Pentagon in 2007 began using its funds to train and equip the FC, as well as to increase the involvement of the U.S. Special Operations Command in assisting with Pakistani counterterrorism efforts. One former Pakistani police official opines that, without fundamental structural reforms, the prospects for meaningfully improving Frontier Corps capabilities are dim. Among his recommended changes are the appointment of more local tribesmen into command positions and a restoration of the authority of local political agents. A potential effort to bolster the capabilities of tribal leaders near the Afghan border would target that region’s Al Qaeda elements and be similar to U.S. efforts in Iraq’s Anbar province. Employing this tack in Pakistan presents new difficulties, however, including the fact that the “neo-Taliban” is not alien to Pakistan’s western regions but is, in fact, comprised of the tribals’ ethnolinguistic brethren.

U.S. security assistance to Pakistan’s civilian sector is aimed at strengthening the country’s law enforcement capabilities through basic police training, provision of advanced identification systems, and establishment of a new Counterterrorism Special Investigation Group. U.S. efforts may be hindered by Pakistani shortcomings that include poorly trained and poorly equipped personnel who generally are underpaid by ineffectively coordinated and overburdened government agencies.

Renewed F-16 Sales and Congressional Concerns. In June 2006, the Pentagon notified Congress of a possible Foreign Military Sale to Pakistan worth up to $5.1 billion. The deal involves 18 newly-built advanced F-16 combat aircraft (and an option for 18 more), along with related munitions and equipment, and would represent the largest-ever weapons sale to Pakistan. Associated munitions for new F-16s and for mid-life upgrades on others include 500 AMRAAM air-to-air missiles and 700 BLU-109 bombs. Congressional concerns about the sale and displeasure at the Bush Administration’s apparently improper notification procedures spurred a July 2006 hearing of the House International Relations Committee. During that session, many Members worried that F-16s were better suited to fighting India than to combating terrorists; some warned that U.S. military technology could be passed from Pakistan to China. The State Department’s lead official on political-military

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106 “U.S. Aid to Pakistan Misses Al Qaeda Target,” Los Angeles Times, November 5, 2007.
109 See, for example, Seth Jones, et al., “Securing Tyrants or Fostering Reform?,” RAND Corporation Monograph, January 7, ch. 6, 2007.
110 See also CRS Report RL33515, Combat Aircraft Sales to South Asia.
relations sought to assure the committee that the sale would serve U.S. interests by strengthening the defense capabilities of a key ally without disturbing the regional balance of power and that all possible measures would be taken to prevent the onward transfer of U.S. technologies. H.J.Res. 93, disapproving the proposed sale, was introduced in the House, but died in committee.

Secretary of State Rice subsequently informed Congress that no F-16 combat aircraft or related equipment would be delivered to Pakistan until Islamabad provided written security assurances that U.S. technology will not be accessible by third parties. Islamabad has denied that any “extraordinary” security requirements were requested; however, congressional concerns appear to have been satisfactorily addressed. After further negotiations on specifics, including a payment process that will require a major outlay from the Pakistani treasury, the United States and Pakistan signed a September 2006 letter of acceptance for the multi-billion dollar F-16 deal. Since then, several major U.S. defense corporations have won contracts worth hundreds of millions of dollars to supply F-16 parts and munitions to Pakistan, including a December 2007 award to Lockheed-Martin worth about $500 million.

**Nuclear Weapons and Missile Proliferation.**

Many policy analysts consider an apparent arms race between India and Pakistan to be among the most likely potential causes of 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 (U.S.-supplied F-16 combat aircraft in Pakistan’s air force reportedly have been refitted to carry 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. Both countries have tested cruise missiles with radar-evading capabilities. All missiles 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. According to the director of the U.S. Defense Intelligence Agency, Pakistan is building its stockpile of fission weapons and is likely to continue work on advanced warhead and delivery systems.113

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The A.Q. Khan Nuclear Proliferation Network. 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 early 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 a national hero, when he confessed to involvement in an illicit nuclear smuggling network. Khan and at least seven associates were 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. Some independent observers have insisted that Khan’s activities were, in fact, well known to top Pakistani authorities and that elements of the U.S. government turned a blind eye to the proliferation while seeking Pakistan’s continued cooperation with other foreign policy efforts.

While President Musharraf did promise President Bush that all information learned about Khan’s proliferation network would be shared, Pakistan has refused to allow any direct access to Khan by U.S. or international investigators. In May 2006, days after releasing from detention nuclear scientist and suspected Khan collaborator Mohammed Farooq, the Islamabad government declared the investigation “closed.” Some in Congress remained skeptical, however, and a House panel subsequently held a hearing at which three nongovernmental experts insisted that U.S. and international investigators be given direct access to Khan, in particular to learn more about assistance given to Iran’s nuclear program. No alleged Pakistani participants, including Khan himself, have faced criminal charges in the case.

In May 2007, the London-based International Institute for Strategic Studies released a report on the Khan network, finding that “at least some of Khan’s

114 See also CRS Report RL32745, Pakistan’s Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission.

115 In May 2007, Pakistan’s Ambassador to the United States reportedly said that if Khan had not been a national hero, “we would have strung him from the highest tree” (“A ‘Worrisome’ Time in Pakistan” [interview], USA Today, May 23, 2007).

116 At least one report indicates that U.S. investigators have, in fact, had direct access to Khan (Seymour Hersh, “The Iran Plans,” New Yorker, April 17, 2006).
associates appear to have escaped law enforcement attention and could, after a period of lying low, resume their black-market business." 117 Shortly after, a House panel held another hearing on the Khan network, at which several Members and nongovernmental experts called for Pakistan to allow direct access to Khan for U.S. investigators. In July, Islamabad reportedly eased house arrest restrictions on Khan, although the Foreign Ministry denied any change in Khan’s status. Some observers say Iran’s strides in uranium enrichment and the related international crisis are almost wholly attributable to Khan’s past assistance to Tehran’s nuclear program. 118

**Major New Plutonium Facilities?** Revelations in July 2006 that Pakistan is in the midst of constructing a major heavy water nuclear reactor at the Khushab complex brought a flurry of concern from analysts who foresee a regional competition in fissile material production, perhaps including China. A subsequent report identified a third plutonium production reactor at Khushab. Upon completion, which could be several years away, two new reactors with combined 1,000-megawatt capacity might boost Pakistan’s weapons-grade plutonium production capabilities to more than 200 kilograms per year, or enough for up to 50 nuclear weapons. Moreover, a January 2007 report warned that Pakistan may soon be reprocessing weapons-grade plutonium at its Chashma facility, further adding to its potential stockpile and aiding in the development of thermonuclear weapons. 119 While Islamabad does not comment directly on the constructions, government officials there insist that Pakistan will continue to update and consolidate its nuclear program for the purpose of minimum credible deterrence. The Bush Administration responded to the 2006 revelations by claiming it had been aware of Pakistani plans and that it discourages the use of the facilities for military purposes. 120

**Pakistan’s Nuclear Transparency and Security.** 121 During 2006, Islamabad appeared to launch a public relations effort aimed at overcoming the stigma caused by Khan’s proliferation activities. The effort included dispatching to Washington the chief of the country’s Strategic Plans Division, Lt. Gen. Khalid Kidwai, who attempted to make more transparent Pakistan’s nuclear command and control structure, and who acknowledged that Pakistan’s past proliferation record had been “poor and indefensible.” 122 Many analysts now assert that meaningful efforts have been made to improve the physical security of Pakistan’s strategic arsenal.

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121 See also CRS Report RL34248, *Pakistan’s Nuclear Weapons*.
Among the most urgent concerns of U.S. officials during Pakistan’s political crisis has been the security of Pakistan’s nuclear weapons and materials, which could be degraded as instability persists. While the danger of Islamist extremist gaining possession of a nuclear explosive device is considered remote, the risk of rogue scientists or security officials seeking to sell nuclear materials and/or technology is seen to be higher in a setting of deteriorating security conditions. Pentagon officials backpedaled from early expressions of concern, saying they believe Pakistan’s arsenal was “under the appropriate control.” The United States reportedly has spent nearly $100 million since 2001 on a classified program to help secure Pakistan’s strategic weapons. Islamabad emphatically rejected suggestions that the country’s nuclear arsenal is anything but fully secure, calling the story “distorted.”

Most analysts appear to have concluded that the security of Pakistan’s nuclear weapons and facilities are much improved in recent years. More worrisome, many claim, is the possibility that Pakistan’s nuclear know-how or technologies could remain prone to leakage. Even India’s national security advisor — a figure not expected to downplay the dangers — has stated an opinion that Pakistan’s nuclear arsenal is “largely safe.” Still, in January 2008, IAEA Director-General Mohammed ElBaradei expressed fear that continued “chaos” could lead to Pakistan’s nuclear weapons falling into the hands of extremist elements. As expected, the Islamabad government angrily rejects such fears as unrealistic, but even some Pakistani commentators aver that such warnings should not be dismissed.

Pakistan reportedly has since 2005 been employing a multilayered system of checks that most prominently includes a Personnel Reliability Program modeled after that used by the United States. The program carefully vets and monitors potential and serving employees at the country’s nuclear facilities with a particular emphasis on religious sentiments. Other aspects include biometric scanners and what Pakistani officials call their indigenously developed versions of Permissive Action Links (PALs), sophisticated locks put on U.S. nuclear weapons to prevent their unauthorized use. Reports of U.S. “war-gaming” scenarios to intervene in Pakistan to secure the country’s nuclear weapons in a crisis suggest that U.S. options are severely limited and that the cooperation of the Pakistani government and military

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124 See, for example, Andrew Koch and Kristin Rayhack, “Political Fallout: The Threat to Pakistan’s Nuclear Stability,” *Jane’s Intelligence Review*, January 1, 2008.


would be crucial to the success of such efforts. Such reports may themselves antagonize Islamabad. 127

**U.S. Nonproliferation Efforts.** The United States has long sought to halt or limit the proliferation of nuclear weapons in South Asia. In May 1998, following the Indian and Pakistani nuclear tests, President Clinton imposed full restrictions on all non-humanitarian aid to both countries as mandated under Section 102 of the Arms Export Control Act. However, Congress and the President acted almost immediately to lift certain aid restrictions and, in October 2001, all remaining nuclear-related sanctions on Pakistan (and India) were removed. Officially, the United States continues to urge Pakistan and India to join the Nuclear Nonproliferation Treaty (NPT) as non-nuclear weapon states and it offers no official recognition of their nuclear weapons capabilities, which exist outside of the international nonproliferation regime.

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 the NPT. The Bush Administration quickly set aside the benchmark framework. Concerns about onward proliferation, fears that Pakistan could become destabilized by the U.S.-led counterterrorism efforts in Afghanistan, and concern over the issue of political succession in Islamabad have heightened U.S. attention to weapons proliferation in the region. Section 1601 of P.L. 107-228 outlined U.S. nonproliferation objectives for South Asia. Some Members of Congress have identified “contradictions” in U.S. nonproliferation policy toward South Asia, particularly as related to the Senate’s rejection of the CTBT and indications that the United States seeks to build new nuclear weapons.

During a July 2007 policy review for the Senate Foreign Relations Committee, Under Secretary of State Burns said,

We welcome the action Pakistan has taken to bring its export controls in line with international standards, including the recent establishment of a Strategic Export Control Division within its Ministry of Foreign Affairs to centralize licensing and enforcement. Pakistan continues its cooperation with the United States under the Export Control and Related Border Security (EXBS) program. We welcome Pakistan’s participation in the Container Security Initiative and the Secure Freight Initiative.... We are also pleased that, in early June, Pakistan joined the Global Initiative to Combat Nuclear Terrorism.... Additionally, the U.S. Department of Energy is working with their counterparts in Pakistan on radiation source security and is in the process of finalizing an agreement to install radiation detection equipment at Pakistani ports and border crossings. We hope Pakistan will continue to take steps to join additional international

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nonproliferation programs and regimes so it can finally move beyond the stigma of the A.Q. Khan era.\textsuperscript{128}

**Pakistan-India Tensions and the Kashmir Issue.** In the interests of regional stability, the United States strongly encourages an ongoing Pakistan-India peace initiative and remains concerned about the potential for long-standing disagreements to cause open hostilities between these two nuclear-armed countries. 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 July 2001 Pakistan-India summit meeting failed to produce even 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.”

**The 2002 Crisis.** Secretary of State Powell visited South Asia in mid-October 2001 in an effort to ease escalating tensions over Kashmir, but a bombing at the Jammu and Kashmir state assembly building later that month was followed by a December assault on the Indian Parliament in New Delhi (both incidents were blamed on Pakistan-based terrorist groups). India mobilized some 700,000 troops along the Pakistan-India frontier and threatened war unless Islamabad ended all “cross-border infiltration” of Islamic militants. This action triggered a corresponding Pakistani military mobilization. Under significant international diplomatic pressure (and likely also the threat of India’s use of force), President Musharraf in January 2002 gave a landmark address in which he 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.\textsuperscript{129}

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. 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 the effort and strenuously urged the two countries to renew bilateral dialogue.\textsuperscript{130}

**The Most Recent Peace Process.** Pakistan and India began full military draw-downs in October 2002 and, after a cooling-off period, a “hand of friendship” offer to Pakistan by the Indian prime minister in April 2003 led to the restoration of full diplomatic relations. Yet surging separatist violence that summer contributed to

\textsuperscript{128} See [http://www.state.gov/p/us/rm/2007/89418.htm].

\textsuperscript{129} Text at [http://www.presidentofpakistan.gov.pk/FilesSpeeches/Addresses/1020200475758AMword%20file.pdf]

an exchange of sharp rhetoric between Pakistani and Indian leaders at the United Nations, casting doubt on the nascent peace effort. 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 then-Pakistani Prime Minister Zafarullah Khan Jamali. President Musharraf subsequently 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 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.

Even as the normalization of India-Pakistan relations moves forward — and likely in reaction to their apparent marginalization in the face of this development — separatist militants continue their attacks, and many observers in both India and the United States believe support for Kashmiri militants remains Pakistani state policy. Yet many indicators show positive long-term trends. Steadily reduced rates of infiltration may be attributed to the endurance of the Pakistan-India dialogue. Moreover, President Musharraf has made considerable efforts to exhibit flexibility, including December 2006 statements that Pakistan is “against independence” for Kashmir, and his offering of a four-point proposal that would lead to “self-governance ... falling between autonomy and independence.” This was seen by many analysts as being roughly in line with New Delhi’s Kashmir position. Indeed, the Indian prime minister welcomed Musharraf’s proposals, saying they “contribute to the ongoing thought process.” Prospects for a government-to-government accommodation may thus be brighter than ever before. However, political and security crises in Pakistan have slowed the process in 2007.

India has watched Pakistan’s late 2007 political and security turmoil with great interest, but little public comment. A destabilized Pakistan represents a major security concern for New Delhi, but at the same time history shows that as Pakistan’s internal difficulties grow, Pakistani interference in Indian affairs tends to decrease.

Baluchistan Unrest. Pakistan’s vast southwestern Baluchistan province is about the size of California and accounts for 44% of the country’s land area, but only 5% of its population. The U.S. military has made use of bases in the region to support its operations in neighboring Afghanistan. The province is the proposed setting for a pipeline that would deliver Iranian natural gas to both Pakistan and India, a project which, if brought to fruition, could bring hundreds of millions of dollars in annual transit fees to Islamabad’s national treasury. The United States opposes this “IPI” pipeline project as part of its effort to isolate Iran internationally. Security problems in Baluchistan reduce the appeal to investors of building a pipeline across the province. The presence in Baluchistan of Jundallah, a trans-border militant group that claims to fight on behalf of Baloch rights, has caused friction between Islamabad and Tehran. More broadly, such problems raise serious questions about Pakistan’s internal stability and national cohesion.

Over the decades of Pakistani independence, many of the ethnic Baloch and some of the Pashtun tribes who inhabit this relatively poor and underdeveloped province have engaged in armed conflict with federal government forces, variously seeking more equitable returns on the region’s rich natural resources, greater autonomy under the country’s federal system, or even outright independence and formation of a Baloch state that might include ethnic brethren and some territories in both Afghanistan and Iran. Non-Baloch (mostly Punjabis) have been seen to benefit disproportionately from mineral and energy extraction projects, and indigenous Baloch were given only a small role in the construction of a major new port at Gwadar. Many Baloch thus complain of being a marginalized group in their own homeland. Long-standing resentments sparked armed conflicts in 1948, 1958, and 1973. The latter insurrection, which lasted four years, involved tens of thousands of armed guerillas and brought much destruction to the province; it was put down only after a major effort by the Pakistan Army, which made use of combat helicopters provided by Iran. Some 8,000 rebels and Pakistani soldiers were killed.

The Current Conflict. Mid-2004 saw an increase in hit-and-run attacks on army outposts and in the sabotage of oil and gas pipelines. The alleged rape of a Baloch doctor by Pakistani soldiers in January 2005 sparked provincial anger and a major spike in separatist violence over the course of the year. In December 2005, rockets were fired at a Baluchistan army camp during a visit to the site by President Musharraf. A Baloch separatist group claimed responsibility and the Pakistani military began major offensive operations to destroy the militants’ camps. In the midst of increasingly heavy fighting in January 2006, Musharraf openly accused India of arming and financing militants fighting in Baluchistan. New Delhi categorically rejected the allegations. U.N. and other international aid groups soon suspended their operations in Baluchistan due to security concerns. Shortly after, Baloch militants shot and killed three Chinese engineers and their Pakistani driver, causing disruption in Islamabad-Beijing relations.

President Musharraf calls Baloch rebels “miscreants” and “terrorists;” the Islamabad government officially banned the separatist Baluchistan Liberation Army as a terrorist organization in April 2006 and at times suggests that Baloch militants are religious extremists. Yet most rebel attacks are taken against military and infrastructure targets, and — despite a government campaign to link the two movements — Islam appears to play little or no role as a motive for Baloch
Islamabad has employed helicopter gunships and fixed-wing aircraft in its effort to defeat the rebel forces.

**The Death of Nawab Bugti.** Fighting waned in the middle of 2006, with hundreds of rebels surrendering in return for amnesty. The main rebel tribal leader and onetime Baluchistan chief minister, 79-year-old Nawab Akbar Bugti, had gone into hiding and was believed cut off from his own forces. In August, Bugti was located in a cave hideout and was killed by Pakistan army troops in a battle that left dozens of soldiers and rebels dead. Recognizing Bugti’s popularity among wide segments of the Baloch populace and of the potential for his killing to provide martyr status, government officials denied the tribal leader had been targeted. Nevertheless, news of his death spurred major unrest across the province and beyond, with hundreds of arrests in the midst of large-scale street demonstrations. Bugti’s killing was criticized across the spectrum of Pakistani politicians and analysts, with some commentators calling it a Pakistani Army miscue of historic proportions. Days of rioting included numerous deaths and injuries, but the more dire predictions of spreading unrest and perhaps even the disintegration of Pakistan’s federal system did not come to pass. By October 2006, Pakistan’s interior minister was claiming a “normalization” and decrease in violence in Baluchistan, although a low-intensity insurgency continues and the overarching problem remains unresolved.

**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 “remains strong,” 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 92% of the world’s heroin. Elements of Pakistan’s intelligence agency are suspected of past 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.” Taliban militants are reported to benefit significantly by taxing Afghan farmers and extorting traffickers. Other reports indicate that profits from drug sales are financing the activities of Islamic extremists in Pakistan and Kashmir.

U.S. counternarcotics 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 Pakistan. Islamabad’s own counternarcotics efforts are hampered

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136 See also “Pakistan: The Forgotten Conflict in Balochistan,” International Crisis Group Asia Briefing No. 69, October 22, 2007.


by lack of full government commitment, scarcity of funds, poor infrastructure, and likely 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. Congress funded such programs with roughly $50 million for FY2007.

Islamization, Anti-American Sentiment, and Madrassas

With some 160 million citizens, Pakistan is the world’s second-most populous Muslim country, and the nation’s very foundation grew from a perceived need to create a homeland for South Asian Muslims in the wake of decolonization. However, religious-based political parties traditionally have fared poorly in national elections. An unexpected outcome of the country’s 2002 polls saw the Muttahida Majlis-e-Amal (MMA or United Action Front), a coalition of six Islamic parties, win 11% of the popular vote and 68 seats in the National Assembly — about one-fifth of the total. It also gained control of the provincial assembly in the North West Frontier Province (NWFP) and leads a coalition in the Baluchistan assembly. These Pashtun-majority western provinces border Afghanistan, where U.S.-led counterterrorism operations are ongoing. In 2003, the NWFP provincial assembly passed a Shariat (Islamic law) bill. In both 2005 and 2006, the same assembly passed a Hasba (accountability) bill that many fear could create a parallel Islamic legal body. Pakistan’s Supreme Court, responding to petitions by President Musharraf’s government, rejected most of this legislation as unconstitutional, but in February 2007 it upheld most of a modified Hasba bill re-submitted by the NWFP assembly. Such developments alarm Pakistan’s moderates and Musharraf has decried any attempts to “Talibanize” regions of Pakistan.

Pakistan’s Islamists are notable for expressions of anti-American sentiment, at times calling for “jihad” against the existential threat to Pakistani sovereignty they believe alliance with Washington entails. Most analysts contend that two December 2003 attempts to assassinate President Musharraf were carried out by Islamist militants angered by Pakistan’s post-September 2001 policy shift. The “Pakistani Taliban” that has emerged in western tribal areas has sought to impose bans on television and CD players, and has even instigated attacks on girls schools in an effort to prevent female education. Some observers identify a causal link between the poor state of Pakistan’s public education system and the persistence of xenophobia and religious extremism in that country.

Anti-American sentiment is not limited to Islamic groups, however. Many across the spectrum of Pakistani society express anger at U.S. global foreign policy, in particular when such policy is perceived to be unfriendly or hostile to the Muslim world (as in, for example, Palestine and Iraq). In 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

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140 Author interviews in Islamabad, September 2006.
lifers and Westernized elites on the other side.”

In a 2005 American magazine interview, President Musharraf conceded that “the man on the street [in Pakistan] does not have a good opinion of the United States.” He added, by way of partial explanation, that Pakistan had been “left high and dry” after serving as a strategic U.S. ally during the 1980s Afghan war.

A Pew poll taken shortly before the catastrophic October 2005 earthquake found only 23% of Pakistanis expressing a favorable view of the United States, the lowest percentage for any country surveyed. That percentage doubled to 46% in an ACNielsen poll taken after large-scale U.S. disaster relief efforts in earthquake-affected areas, with the great majority of Pakistanis indicating that their perceptions had been positively influenced by witnessing such efforts. However, a January 2006 missile attack on Pakistani homes near the Afghan border killed numerous civilians and was blamed on U.S. forces, renewing animosity toward the United States among segments of the Pakistani populace. An October 2006 missile attack in the same border area ostensibly was launched by Pakistani forces, but widespread suspicions of U.S. involvement further engendered anti-Americanism and concerns about Pakistani sovereignty. A further noteworthy episode in 2006 saw Pakistani cities hosting major public demonstrations against the publication in European newspapers of cartoons deemed offensive to Muslims. These protests, which were violent at times, included strong anti-U.S. and anti-Musharraf components, suggesting that Islamist organizers used the issue to forward their own political ends. Subsequently, a June 2006 Pew Center poll found only 27% of Pakistanis holding a favorable opinion of the United States, and this dropped to 19% in a September 2007 survey by the U.S.-based group Terror Free Tomorrow, suggesting that public diplomacy gains following the 2005 earthquake had receded.

In January 2008, the University of Maryland-based Program on International Policy Attitudes released a survey of public opinion in Pakistan. The findings indicated that significant resentment toward and distrust of the United States persist among notable segments of the Pakistani public:

- 64% of Pakistanis do not trust the United States to “do the right thing in world affairs;”
- more than two-thirds believe the U.S. military presence in Afghanistan is “a critical threat to Pakistan’s interests;”
- only 27% feel that Pakistan-U.S. security cooperation has benefitted Pakistan; and
- 86% now believe that weakening and dividing the Muslim world is a U.S. goal (70% believe this is “definitely” the case).

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141 Statement of Stephen Cohen before the Senate Foreign Relations Committee, July 14, 2004. More than three years later, country expert Lisa Curtis warned a House panel about “the increasingly shrill anti-Americanism that is gripping Pakistani civil society” (statement before the House Armed Services Committee, October 10, 2007).


143 See [http://www.worldpublicopinion.org/pipa/pdf/jan08/Pakistan_Jan08_rpt.pdf].
Meanwhile, an open Islamist rebellion of sorts took place in Pakistan’s relatively serene capital in 2007, where from January to July radical leaders of the Red Mosque and their followers in the attached Jamia Hafsa seminary occupied illegally constructed religious buildings, kidnapped and detained local police officers, battled security forces, and threatened to launch a violent anti-government campaign unless Sharia (Islamic law) was instituted nationwide. Government security forces laid siege to the compound and subsequently launched an armed assault on its intransigent occupants. Later, in the autumn, Pakistan faced a “neo-Taliban” insurgency in the scenic Swat Valley just 100 miles northwest of the capital, where a radical Islamic cleric and up to 5,000 of his armed followers sought to impose Sharia law. The episodes indicate that support for religious extremism is spreading into previously unaffected areas of the country.

Pakistani’s Religious Schools (Madrassas).\textsuperscript{144} Afghanistan’s Taliban movement itself began among students attending Pakistani religious schools (madrassas). Among the more than 10,000 madrassas training some 1.5 million children in Pakistan are a small percentage that have been implicated in teaching militant anti-Western, anti-American, anti-Hindu, and even anti-Shia values. Former Secretary of State Colin Powell once identified these as “programs that do nothing but prepare youngsters to be fundamentalists and to be terrorists.”\textsuperscript{145} Contrary to popularly held conceptions, however, research indicates that the great majority of Pakistan’s violent Islamist extremists does not emerge from the country’s madrassas, but rather from the dysfunctional public school system or even from private, English-medium schools. One study found that only 17% of international terrorists sampled had Islamic education backgrounds.\textsuperscript{146}

Many of Pakistan’s madrassas are financed and operated by Pakistani Islamist political parties such as the JUI-F (closely linked to the Taliban), as well as by multiple unknown foreign entities, many in Saudi Arabia.\textsuperscript{147} As many as two-thirds of the seminaries are run by the Deobandi sect, known in part for traditionally anti-Shia sentiments and at times linked to the Sipah-e-Sahaba terrorist group. In its 2006 report on international religious freedom, the U.S. State Department said, “Some unregistered and Deobandi-controlled madrassas in the FATA and northern Baluchistan continued to teach extremism” and that schools run by the Jamaat al-Dawat — considered to be a front organization of the proscribed Lashkar-e-Taiba terrorist group — serve as recruitment centers for extremists. President Musharraf

\textsuperscript{144} See also CRS Report RS22009, \textit{Education Reform in Pakistan}, and CRS Report RS21654, \textit{Islamic Religious Schools, Madrasas: Background}.

\textsuperscript{145} Statement before the House Appropriations Committee, March 10, 2004.


himself has acknowledged that a small number of seminaries were “harboring terrorists” and he has asked religious leaders to help isolate these by openly condemning them.\footnote{148}{See [http://www.state.gov/g/drl/rls/irf/2006/71443.htm]; “Some Madrassas Bad: Musharraf,” \textit{Daily Times} (Lahore), September 8, 2004.}

International attention to Pakistan’s religious schools intensified during the summer of 2005 after Pakistani officials acknowledged that suspects in July’s London terrorist bombings visited Pakistan during the previous year and may have spent time at a madrassa near Lahore. While President Musharraf has in the past pledged to crack down on the more extremist madrassas in his country, there continues to be little concrete evidence that he has done so, and even the president himself has admitted that movement on this issue has been slow.\footnote{149}{Some observers speculate that Musharraf’s reluctance to enforce reform efforts is rooted in his desire to remain on good terms with Pakistan’s Islamist political parties, which are seen to be an important part of his political base.\footnote{150}{“At an Islamic School, Hints of Extremist Ties,” \textit{Washington Post}, June 13, 2004; Vali Nasr, “Military Rule, Islamism, and Democracy in Pakistan,” \textit{Middle East Journal} 58, 2, Spring 2004.}} When asked in late 2007 about progress in reforming the country’s madrassa system, Musharraf made a rare admission of “lack of achievement,” but went on to call the registration campaign and efforts to mainstream the curriculum successful.\footnote{151}{“Full Transcript Musharraf Interview,” \textit{ABC News} (online), November 30, 2007.}

The U.S. Congress has appropriated many millions of dollars to assist Pakistan in efforts to reform its education system, including changes that would make madrassa curriculum closer in substance to that provided in non-religious schools. More than $200 million has been allocated for education-related aid programs since 2002. In November 2006, the U.S.-Pakistan Education dialogue was launched in Washington to bolster further engagement.

Democratization and Human Rights

\textbf{Democracy and Governance.}\footnote{152}{The status and development of Pakistan’s democratic institutions are key U.S. policy concerns, especially among those analysts who view representative government in Islamabad as being a prerequisite for reducing religious extremism and establishing a moderate Pakistani state. 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 were 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 2007, and for the eighth 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 expresses concern that seemingly nondemocratic developments may make the realization of true democracy in Pakistan more elusive, and U.S. officials continue to press Pakistani leaders on this issue.

**Pakistan’s Military-Dominated Government.** General Musharraf’s assumption of the presidency ostensibly was legitimized by a controversial April 2002 referendum marked by evidence of fraud. In August 2002, Musharraf announced sweeping constitutional changes to 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 democratic institutions in Pakistan. The 2002 elections 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.

The civilian government was hamstrung for more than a year by fractious debate over the legitimacy of constitutional changes and by Musharraf’s continued status as army chief and president. A surprise December 2003 agreement between Musharraf and the MMA 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. Pakistan’s nominally non-party 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. The Bush Administration made no public comment on reported irregularities.

Other apparent reversals for Pakistani democratization came in 2004, including the sentencing of ARD leader and PML-N stalwart Javed Hashmi to 23 years in prison for sedition, mutiny, and forgery (Hashmi was released in August 2007), 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. One senior Pakistani scholar offers a critical summary of the country’s political circumstances under President Musharraf’s rule:

> The current power structure, often described as the “Musharraf model of governance,” is narrow and suffers from a crisis of legitimacy. Its major features are: a concentration of power in the presidency, with backup from its

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army/intelligence and bureaucratic affiliates; induction of retired and serving military officers into important civilian institutions and thus an undermining of the latter’s autonomy; co-option of a section of the political elite, who are given a share of power and patronage in return for mobilizing civilian support, on President Musharraf’s terms; a reluctant partnership with the Islamic parties, especially the Muttahida Majlis-i-Amal (MMA), and soft-peddling towards Islamic groups; manipulation of the weak and divided political forces and exclusion of dissident political leaders.154

Many analysts have opined that, despite being a self-professed “enlightened moderate,” Musharraf has in practice strengthened the hand of Pakistan’s Islamist extremist forces and that, while he “talks a good game about liberalizing Pakistani society ... his choice of allies suggests he’s not serious.”155 In the meantime, the Pakistan army has further entrenched itself in the country’s corporate sector, generating billions of dollars in annual profits from businesses ranging from construction to breakfast cereal. One estimate has this “milbus” (military business) accounting for 6% of the country’s gross domestic product.156

Some analysts argue that much of the criticism leveled at Musharraf is unfair and that he has been a relatively benign “military dictator.” Such analysts will, for example, point out that Musharraf’s policies vis-a-vis India have allowed for a reduction of bilateral tensions and an ongoing peace dialogue, that he appears to have clamped down on Kashmiri militancy, and that he has not come under fire for corruption, as did Bhutto and other leaders.157

In May 2007, a delegation from the Washington-based National Democratic Institute issued a report on its visit to Pakistan, calling expected national elections there “critical to the nation’s future;” warning that tainted elections could strengthen the position of extremist elements or further consolidate the role of the military in governance; urging President Musharraf to retire his military commission in the interest of public confidence; and calling for a significantly strengthened Pakistan Election Commission to ensure credible polls.158 An October follow-on report lamented what it said was almost no progress on efforts to resolve problems noted in May. Such problems include long-standing provincial vacancies on the Election Commission; correction of suspect voter rolls; an absence of normal political activity in the FATA; insufficient measures to protect women’s political rights; and a perceived need for the issuance and publicizing of government orders to prevent security forces such as the ISI from interfering in the political process.159 In an indication that the Commission’s credibility remains in doubt, former Prime Minister

159 See [http://www.accessdemocracy.org/library/2208_pakistan_peam_stamt_102107.pdf].
Bhutto in June 2007 filed a petition with the Pakistani Supreme Court on the removal of tens of millions of Pakistanis from election rolls, and the Hong Kong-based Asian Human Rights Commission later claimed that the Commission was illegitimately denying voting rights to 38 million people, most of them women.

The leadership of the country’s leading moderate, secular, and arguably most popular party — the Pakistan People’s Party — seek greater U.S. support for Pakistani democratization and warn that the space in which they are allowed to operate is so narrow as to bring into question their continued viability as political forces. They also identify a direct causal link between nondemocratic governance and the persistence of religious militancy in Pakistan. In a December 2007 opinion article, Benazir Bhutto argued that the all the countries of the world had a direct interest in Pakistani democratization, reiterating her long-held view that dictatorship had fueled extremism in her country and that credible elections there were a necessary condition for the reduction of religion militancy. As for U.S. policy, she opined that, “At the very least, America can and should prod Musharraf to give Pakistanis an independent election commission, a neutral caretaker administration, and an end to blatant vote manipulation.”

Judicial/Political Crisis in 2007. On March 9, President Musharraf summarily dismissed the Chief Justice of Pakistan’s Supreme Court, Iftikhar Chaudhry, on unspecified charges of misconduct and nepotism. Analysts widely believe the dismissal was an attempt by Musharraf to remove a potential impediment to his continued roles as president and army chief, given Chaudhry’s recent rulings that exhibited independence and went contrary to government expectations. The move triggered immediate outrage among numerous Pakistani lawyers and others who claimed Musharraf had acted unconstitutionally. Several judges and a deputy attorney general resigned in protest, ensuing street protests by lawyers grew in scale and were joined by both secular and Islamist opposition activists. By providing an issue upon which anti-Musharraf sentiments could coalesce, the imbroglio soon morphed from a judicial crisis to a full-fledged political crisis and the greatest threat to Musharraf’s government since it was established in 1999. Numerous analyses concluded that the developments severely weakened Musharraf politically and could threaten the viability of his continued rule.

The U.S. State Department at first declared the issue to be a purely internal matter and withheld further comment but, as a sense of crisis increased in Pakistan, a Department spokesman called Chaudhry’s dismissal “a matter of deep concern” that the U.S. government was “monitoring very closely,” and he called for the issue to be handled in a transparent manner in accordance with Pakistani law. However, in a statement that triggered concern among many Pakistanis and skeptical analysts


162 Teresita Schaffer, “Pakistan: Shrinking Control,” CSIS Commentary, May 18, 2007, is representative.
alike, the spokesman also claimed President Musharraf was “acting in the best interest of Pakistan and the Pakistani people.”

In refusing to be cowed by the Musharraf government and voluntarily resign his post, the suspended Chief Justice became a popular figure in Pakistan. In May, tens of thousands of supporters lined the streets as Chaudhry drove from Islamabad to Lahore to address the High Court there (a normally 4-hour drive took more than 24 hours). Chaudhry later flew to Karachi but was blocked from leaving the city’s airport, reportedly by activists of the regional, government-allied Muttahida Qaumi Movement (MQM) party. Ensuing street battles between MQM cadres and opposition activists left at least 40 people dead on May 12, most of them PPP members. Reports had local police and security forces standing by without intervening while the MQM attacked anti-Musharraf protesters, leading many observers to charge the government with complicity in the bloody rioting. The incidents did significant further damage to President Musharraf’s standing.

**U.S. Policy.** While the United States maintains a keen interest in Pakistani democratization, the issue is widely seen as having become a secondary consideration as counterterrorism concerns grew after 2001. As stated by Assistant Secretary of State for South and Central Asia Boucher in a December 2007 statement before the Senate Foreign Relations Committee:

> The United States wants to see Pakistan succeed in its transition to an elected civilian-led democracy, to become a moderate, democratic, Muslim nation committed to human rights and the rule of law. All of our assistance programs are directed toward helping Pakistan achieve these goals. This is a long-term undertaking that will require years to accomplish.

Bush Administration officials repeatedly have emphasized that democratization is key to the creation of a more moderate and prosperous Pakistan. However, numerous critics of Administration policy assert that the Islamabad government has for more than five years been given a “free pass” on the issue of representative government, in part as a means of enlisting that country’s continued assistance in U.S.-led counterterrorism efforts. At the same Senate Foreign Relations Committee hearing cited above, one former U.S. diplomat offered that, “Overall U.S. policy toward

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166 For example, two former senior Clinton Administration officials have criticized President Bush for choosing to “back the dictator” rather than offer clear support for democracy and rule of law in Pakistan. They contend that such a policy is damaging to U.S. interests in South Asia and in the Muslim world (Sandy Berger and Bruce Riedel, “America’s Stark Choice” (op-ed), *International Herald Tribune*, October 9, 2007).
Pakistan until very recently gave no serious attention to encouraging democracy in Pakistan.” Numerous other U.S. officials have opined that the Bush Administration’s relatively meager attention to Pakistani democratization has been rooted in an aversion to any moves that could alienate Musharraf and so reduce his cooperation on counterterrorism. U.S. congressional committees have long expressed concern with “the slow pace of the democratic development of Pakistan” (S.Rept. 109-96) and “the lack of progress on improving democratic governance and rule of law” there (H.Rept. 109-486).

Many commentators have criticized the Bush Administration’s perceived over-emphasis on relations with Musharraf and the Pakistani military at the expense of positive ties with the broader Pakistan society. In the representative commentary of a former Pakistani diplomat,

The United States made a critical mistake in putting faith in one man — General Pervez Musharraf — and one institution — the Pakistani military — as instruments of the U.S. policy to eliminate terrorism and bring stability to the Southwest and South Asia. A robust U.S. policy of engagement with Pakistan that helps in building civilian institutions, including law enforcement capability, and eventually results in reverting Pakistan’s military to its security functions would be a more effective way of strengthening Pakistan and protecting United States policy interests there.168

The U.S. State Department’s Country Report on Human Rights Practices 2006, issued by the Bureau of Democracy, Human Rights, and Labor in March 2007, does not use the word “democracy” or any of its derivatives in discussing Pakistan, but does note that “restrictions on citizens’ right to change their government” represent a “major problem.” In a June 2007 letter to Secretary of State Rice, several Members of Congress decried the “spiral of civil unrest and harshly suppressed protest in Pakistan” and asserted that U.S. and Pakistani national interests “are both served by a speedy restoration of full democracy to Pakistan and the end to state-sponsored intimidation — often violent — of Pakistani citizens protesting government actions in a legal and peaceful manner.” Leading opposition political figures in Islamabad have warned that unconditional U.S. support for Musharraf’s military-dominated government could result in an anti-American backlash among Pakistan’s moderate forces. Yet others opine that overt U.S. conditionality is unlikely to be effective and may only foster anti-U.S. resentments in Pakistan. One

168 Statement of Husain Haqqani before the House Armed Services Committee, October 10, 2007.
169 See [http://www.state.gov/g/drl/rls/hrrpt/2006/78874.htm].
171 See, for example, Lisa Curtis, “Bolstering Pakistan in its Fight Against Extremism,” (continued...)
analysis by a former Bush State Department official concluded that “the United States should resist the urge to threaten [Musharraf] or demand a quick democratic transition,” arguing that the Pakistani military must be pushed toward political reform in ways that do not jeopardize its “core interests.”

**Human Rights Problems.** The State Department’s most recent *Country Report on Human Rights Practices* (issued March 2007) again determined that the Pakistan government’s record on human rights “remained poor.” Along with concerns about anti-democratic practices, the report lists extrajudicial killings, torture, and abuse by security forces; “widespread” government and police corruption; lack of judicial independence; political violence; terrorism; and “extremely poor” prison conditions among the major problems. It further notes an increase in restrictions on press freedoms and in reports of “disappearances” of political activists. Improvement was noted, however, with government efforts to crack down on human trafficking. The most recent State Department report on trafficking in persons (issued in June 2007) again said, “Pakistan does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so.”

According to the Department of State, the Islamabad government is known to limit freedoms of association, religion, and movement, and to imprison political leaders. In June 2007, the House Appropriations Committee (H.Rept. 110-197) expressed concern about the Pakistani government’s apparent lack of respect for human rights. Senate reports have expressed similar concerns. The Human Rights Commission of Pakistan and international human rights groups periodically issue reports critical of Pakistan’s lack of political freedoms, lawlessness in many areas (especially the western tribal agencies), and of the country’s perceived abuses of the rights of women and minorities.

**Gender Discrimination.** Discrimination against women is widespread in Pakistan and traditional constraints — cultural, legal, and spousal — keep women in a subordinate position in society. In 2005, Pakistani gang rape victim Mukhtaran Mai — and Islamabad’s (mis)handling of her case — became emblematic of gender discrimination problems in Pakistan. The Hudood Ordinance was promulgated during the rule of President General Zia ul-Haq and is widely criticized for imposing stringent punishments and restrictions under the guise of Islamic law. Among its provisions, the ordinance criminalizes all extramarital sex and makes it extremely difficult for women to prove allegations of rape (those women who make such charges without the required evidence often are jailed as adulterers). In November 2006, the Hudood laws were amended in the Women’s Protection Bill. President

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171 (...continued)


173 See [http://www.state.gov/g/drl/rls/hrrpt/2006/78874.htm]. A Pakistan Foreign Ministry spokeswoman claimed the report “lacks objectivity and contains inaccuracies.”

174 See [http://www.state.gov/g/tip/rls/tiprpt/2007/82806.htm].
Musharraf supported the changes and the ruling PML-Q party joined with the opposition PPP to overcome fierce resistance by Islamist parties. The step was viewed as a landmark in efforts to create more a moderate Pakistani state. However, with the February 2007 murder of a female provincial minister in Punjab by a radical Islamist and threats being issued against girls’ schools and female health workers in the NWFP, among other incidents, well-entrenched societal discrimination continues.

**Religious Freedom.** The State Department’s most recent *International Religious Freedom Report* (released in September 2007) again found that in practice the Islamabad government imposes limits on the freedom of religion in Pakistan:

> The Government took some steps to improve its treatment of religious minorities during the period covered by this report, but serious problems remained. Law enforcement personnel abused religious minorities in custody. Security forces and other government agencies did not adequately prevent or address societal abuse against minorities. Discriminatory legislation and the Government’s failure to take action against societal forces hostile to those who practice a different faith fostered religious intolerance, acts of violence, and intimidation against religious minorities. Specific laws that discriminate against religious minorities include anti-Ahmadi and blasphemy laws that provide the death penalty for defiling Islam or its prophets.\(^{175}\)

The State Department has rejected repeated U.S. Commission on International Religious Freedom recommendations that Pakistan be designated a “country of particular concern.” The 2007 annual report from that Commission claims that, “Sectarian and religiously motivated violence persists in Pakistan ... and the government’s somewhat improved response to this problem continues to be insufficient and not fully effective.”\(^{176}\)

**Press Freedom.** Press freedom and the safety of journalists recently have become major concerns in Pakistan, spurred especially by the June 2006 discovery of the handcuffed body of Pakistani journalist Hayatullah Khan in a rural area of North Waziristan. Khan, who had been missing for more than six months, was abducted by unknown gunmen after he reported on an apparent U.S.-launched missile attack in Pakistan’s tribal region. Khan’s family is among those who suspect the involvement of Pakistani security forces; an official inquiry into the death was launched. Other journalists have been detained and possibly tortured, including a pair reportedly held incommunicado without charges for three months after they shot footage of the Jacobabad airbase that was used by U.S. forces. Paris-based Reporters Without Borders placed Pakistan 152nd out of 169 countries in its most recent annual ranking of world press freedom.

Pakistani journalists have taken to the streets to protest perceived abuses and they complain that the government seeks to intimidate those who would report the facts of Pakistani counterterrorism operations. In May 2007, the New York-based Committee to Protect Journalists placed Pakistan sixth in a list of the ten countries

\(^{175}\) See [http://www.state.gov/g/drl/rls/irf/2007/90233.htm].

\(^{176}\) See [http://www.uscirf.gov/countries/publications/currentreport/index.html].
where press freedom had most deteriorated since 2002. In early June, in apparent reaction to media coverage of rallies in support of Pakistan’s suspended Chief Justice, the Musharraf government issued an ordinance allowing the Pakistan Electronic Media Regulatory Agency to impose strict curbs on television and radio station operations. Human Rights Watch later called the decree a “disgraceful assault on media freedom.” Implementation of the ordinance subsequently was halted. In September 2007, the U.S. Embassy in Islamabad expressed concern about recent incidents in which Pakistani journalists were subject to assaults and harassment.

“Disappeared” Persons. According to the U.S. State Department, there was an increase of politically motivated disappearances in Pakistan in 2006, with police and security forces holding prisoners incommunicado and refusing to provide information on their whereabouts, particularly in terrorism and national security cases. In November 2006, Pakistan’s Supreme Court ordered the government to disclose the whereabouts of 41 suspected security detainees who had “disappeared.” Human rights groups claim to have recorded more than 400 cases of such secret detentions since 2002. London-based Amnesty International has criticized Islamabad for human rights abuses related to its cooperation with the U.S.-led “war on terror,” including the arbitrary detention, enforced disappearance, and torture of hundreds of people. In late 2007, Pakistan’s military and intelligence agencies reportedly released from detention nearly 100 terrorism suspects without charges. No official explanation for the releases was offered and some analysts assert that the primary motive was avoiding the embarrassment of having to reveal that the suspects were being held “on flimsy evidence in [a] secret system.” Islamabad denies involvement in extralegal detentions.

Economic Issues

Overview. Pakistan is a poor country, but the national economy has gathered significant positive momentum in recent years, helped in large part by the government’s pro-growth policies and by post-2001 infusions of foreign aid. However, presently high rates of domestic inflation (near 8%) have many analysts concerned about the country’s macroeconomic stability, and some observers warn that the domestic capacity to sustain growth does not exist. According to the World Bank, nominal GDP per capita in 2006 was only $771, but poverty rates have dropped from 34% to 24% over the past five years. Severe human losses and property damage from an October 2005 earthquake in northern Pakistan have had limited follow-on economic impact, given a large influx of foreign aid and the stimulus provided by reconstruction efforts. Even as the bulk of criticism of

177 See [http://cpj.org/backsliders/index.html].
178 See [http://hrw.org/english/docs/2007/06/06/pakist16084.htm].
179 See [http://usembassy.state.gov/pakistan/h07092101.html].
Musharraf focuses on the authoritarian aspects of his rule, many ordinary Pakistanis are unhappy with his government’s economic policies, which are seen to benefit only a fraction of the country’s people.182

Pakistan’s political crises in late 2007 have harmed what had been a generally strong national economy. The country’s main stock market lost nearly 5% of its value when trading opened on November 5 — the market’s worst-ever one-day decline — and the country’s attractiveness for foreign investors almost certainly has suffered with December’s instability. Following Bhutto’s killing, the market again fell by nearly 5%. Credible estimates have some $1 billion in damage being caused by rioting in the wake of Bhutto’s death.183

Still, the long-term economic outlook for Pakistan is much improved since 2001, even as it remains clouded in a country still dependent on foreign lending and the importation of basic commodities. Substantial fiscal deficits and dependency on external aid have been chronic (public and external debt equal nearly three-fifths of GDP), counterbalancing a major overhaul of the tax collection system and what have been major gains in the Karachi Stock Exchange, which nearly doubled in value as the world’s best performer in 2002 and was up by 40% in 2007. Along with absolute development gains in recent years, Pakistan’s relative standing has also improved: The U.N. Development Program ranked Pakistan 136th out of 177 countries on its 2007/2008 human development index (between Laos and Bhutan), down from 134th the previous year, but up from 144th in 2003.184

Pakistan’s real GDP grew by 7% in the fiscal year ending June 2007, driven by booming manufacturing and service sectors. Overall growth was up from the previous year and has averaged nearly 7% over the past five years. Output from both the industrial and service sectors has grown substantially since 2002, but the agricultural sector continues to lag considerably (in part due to droughts), slowing overall growth. Agricultural labor accounts for nearly half of the country’s workforce, but only about one-fifth of national income and 2% of tax revenue. Expanding textile production and the government’s pro-growth measures have most analysts foreseeing solid expansion ahead, with predictions near 6% for the next two years. More recently, a relatively small but rapidly growing entrepreneurial class has brought a boom in the consumption of luxury goods.185

In June 2007, the Musharraf government unveiled a 1.6 trillion rupee ($26.5 billion) federal budget plan for FY2007-FY2008 calling for a 22% boost in public development spending and a 10% jump in defense spending. This latter expenditure combines with interest on public debt to consume two-thirds of total revenues, thus

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squeezing out development funds. Pakistan stabilized its external debt at about $33 billion by 2003, but this has risen above $40 billion in 2007. Still, such debt is less than one-third of GDP today, down from more than one-half in 2000. The country’s reported total liquid reserves reached $13.7 billion by May 2007, an all-time high and a nearly five-fold increase since 1999. Foreign remittances have exceeded $4 billion annually since 2003 (at around $5.5 billion in FY2006/2007), up from slightly more than $1 billion in 2001. High oil prices and high food commodity prices have driven inflationary pressures, resulting in year-on-year consumer rates above 6%. While inflation is expected to ease somewhat in 2008, many analysts call rising prices the single most important obstacle to future growth. 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 the country’s textile industry, which accounts for two-thirds of all exports (and up to 90% of exports to the United States).

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. Serious environmental degradation also retards growth: a September 2007 World Bank report conservatively estimated that at least 6% of Pakistan’s GDP is lost to illness and premature mortality caused by air pollution (both outdoor and indoor); diseases caused by inadequate water supplies, sanitation, and hygiene; and reduced agricultural productivity due to soil degradation.186

Attempts at macroeconomic reform historically have floundered due to political instability, but the Musharraf government has had notable successes in effecting such reform. 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. According to the Asian Development Bank’s Outlook 2007:

Buoyant growth, improved macroeconomic fundamentals, and strengthened international credit ratings have been the economy’s hallmarks in recent years. In FY2006, high oil prices, a weak agricultural performance, as well as the effect of the October 2005 earthquake, trimmed the expansion, while strong demand-side pressures have exposed macroeconomic stresses. The economy is expected to pick up slightly in FY2007, reflecting some strengthening in agriculture and manufacturing. Inflation is set to moderate, after a further tightening of monetary policy, but still come in above the central bank’s target. Spurred by an expansionary, pro-growth fiscal policy, the budget deficit will widen slightly, as will the current account deficit. The medium-term outlook remains positive, but macroeconomic stability has to be maintained and structural issues addressed.187

Trade and Investment. Pakistan’s primary exports are cotton, textiles and apparel, rice, and leather products. The United States is by far Pakistan’s leading

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export market, accounting for about one-quarter of the total. During 2007, total U.S. imports from Pakistan were worth an estimated $3.9 billion (up about 5% over 2006). Some 90% of this value came from purchases of textiles and apparel. U.S. exports to Pakistan during 2007 were worth an estimated $2 billion (virtually unchanged from 2006). Civilian aircraft and associated equipment accounted for about one-quarter of this value; electricity generating machinery is another notable U.S. export.188 Pakistan is the 54th largest export market for U.S. goods.

According to the 2007 National Trade Estimate of the U.S. Trade Representative (USTR), Pakistan has made substantial progress in reducing import tariff schedules, though a number of trade barriers remain. While estimated trade losses due to copyright piracy in Pakistan were notably lower in 2005 and 2006, book piracy accounted for about half of the 2006 losses and remains a serious concern.189 Pakistan also has been a world leader in the pirating of music CDs and has appeared on the USTR’s “Special 301” Watch List for 17 consecutive years (in 2004, continuing violations caused the USTR to move Pakistan to the Priority Watch List; improved intellectual property rights protection saw it lowered back to the Watch List in 2006).190 From the USTR report:

The government of Pakistan continued to take noticeable steps during 2006 to improve copyright enforcement, especially with respect to optical disc piracy. Nevertheless, Pakistan does not provide adequate protection of all intellectual property. Book piracy, weak trademark enforcement, lack of data protection for proprietary pharmaceutical and agricultural chemical test data, and problems with Pakistan’s pharmaceutical patent protection remain serious barriers to trade and investment.191

In April 2007, the USTR again named Pakistan to its Special 301 watch list, lauding Islamabad for progress on intellectual property rights enforcement, but also expressing ongoing concerns about Pakistan’s lack of effective protections in the pharmaceutical sector.

According to Pakistan’s Ministry of Finance, total foreign direct investment in Pakistan exceeded $7 billion for the year ending June 2007 — an unprecedented amount doubling that of the previous year — but many investors remain wary of the country’s uncertain political-security circumstances.192 About one-third of the foreign investment value came from U.S.-based investors; much of the remainder

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188 See [http://www.census.gov/foreign-trade/statistics/country/index.html].
originates in Saudi Arabia and other Persian Gulf states. Islamabad is eager to finalize a pending Bilateral Investment Treaty and reach a Free Trade Agreement with the United States, believing that its vital textile sector will be bolstered by duty-free access to the U.S. market. The establishment of Reconstruction Opportunity Zones that could facilitate development in Pakistan’s poor tribal regions, an initiative of President Bush during his March 2006 visit to Pakistan, may be forwarded for consideration by the 110th Congress.

The Heritage Foundation’s 2007 Index of Economic Freedom — which may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — again rated Pakistan’s economy as being “mostly unfree” and ranked it 89th out of 157 countries. The index identified restrictive trade policies, a heavy fiscal burden, weak property ownership protections, and limited financial freedoms.193 Corruption is another serious problem: in September 2007, Berlin-based Transparency International placed Pakistan 138th out of 179 countries in its annual ranking of world corruption levels.194

U.S. Aid and Congressional Action

**U.S. Assistance.** A total of about $16.5 billion in direct U.S. aid went to Pakistan from 1947 through 2007, including some $4.5 billion for military programs. Since the 2001 renewal of large U.S. assistance packages, Pakistan has received nearly $10 billion, including some $2.4 billion for economic purposes and $1.7 billion for security-related purposes, along with about $5.7 billion in coalition support reimbursements (see Table 1). As asserted by the Bush Administration, current U.S. assistance to Pakistan will maintain Pakistan’s support in the Global War on Terrorism and efforts to build peaceful and positive relations with its neighbors, India and Afghanistan. [It] also will encourage Pakistan’s participation in international efforts to prevent the spread of weapons of mass destruction and support in the development of a moderate, democratic, and civilian government which promotes respect for human rights and participation of its citizens in government and society.195

In June 2003, President Bush hosted President Musharraf at Camp David, Maryland, where he 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 FY2005.196 When additional funds for development assistance, law enforcement, earthquake relief, and other programs are included, the non-food aid allocation for FY2006 was $788 million. An estimated

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193 See [http://www.heritage.org/research/features/index/country.cfm?id=Pakistan].
194 See [http://www.transparency.org].
total of $793 million was delivered in FY2007, the first year of the Administration’s new plan to devote $750 million in U.S. development aid to Pakistan’s tribal areas over a five-year period.

**FATA Development Plan.** The U.S.-assisted development initiative for the Federally Administered Tribal Areas, launched in 2003, seeks to improve the quality of education, develop healthcare services, and increase opportunities for economic growth and micro-enterprise specifically in Pakistan’s western tribal regions.197 One senior USAID official estimated that, for FY2001-FY2007, about 6% of U.S. economic aid to Pakistan has been allocated for projects in the FATA.198 There has been considerable skepticism about the potential for the new policy of significantly boosted funding to be effective. Corruption is endemic in the tribal region and security circumstances are so poor that Western nongovernmental contractors find it extremely difficult to operate there. Moreover, as much as half of the allocated funds likely will be devoted to administrative costs.199

The related establishment of Reconstruction Opportunity Zones (ROZs) that could facilitate further development in the FATA, an initiative of President Bush during his March 2006 visit to Pakistan, has run into obstacles in Congress and is yet to be finalized. The ROZ program would provide duty-free access into the U.S. market for certain goods produced in approved areas and potentially create significant employment opportunities. While observers are widely approving of the ROZ plan in principle, many question whether there currently are any products with meaningful export value produced in the FATA. One senior analyst suggests that the need for capital and infrastructural improvements outweighs the need for tariff reductions. A Pakistani commentator has argued that an extremely poor law and order situation in the region will preclude any meaningful investment or industrialization in the foreseeable future.200

**Economic Support Funds.** The Foreign Assistance Act authorizes the President to furnish assistance to countries and organizations in order to promote economic or political stability. The Economic Support Funds (ESF) requested under this authorization have represented a significant proportion of U.S. assistance to Pakistan. Immediately following the September 2001 terrorist attacks on the United States, the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. 107-38) included appropriation of $600 million in cash transfers for Pakistan under ESF. Congress subsequently authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel about $1.5 billion in concessional debt to the U.S. government.

Within the Administration’s FY2005-FY2009 assistance plan for Pakistan it was agreed that $200 million of ESF each year (two-thirds of the category total) would be delivered in the form of “budget support” — cash transfers meant to enable the Islamabad government to spend additional resources on education, improving macroeconomic performance, and the quality of and access to healthcare and education. (In the Administration’s FY2008 request for foreign operations, Pakistan was to be one of only three countries — along with Jordan and Lebanon — to receive ESF in this form.) These funds were to be used for purposes spelled out in mutually agreed “Shared Objectives” based on goals Pakistan set for itself in its Poverty Reduction Strategy Paper, which is the reference widely used by the donor community. While the State Department and USAID insisted that use of the funds was carefully monitored, criticisms arose that poor oversight and the fungibility of money could allow Pakistan’s military-dominated government to use them for purposes other than those intended. In December 2007, the State Department appeared to agree in announcing that budget support for Pakistan will henceforth be “projectized to ensure the money is targeted at the most urgent priorities.”

Coalition Support Funds. Congress has appropriated billions of dollars to reimburse Pakistan for its operational and logistical support of U.S.-led counterterrorism operations. As of December 2007, a total of about $8 billion had been appropriated or authorized for FY2002-FY2008 Defense Department spending for coalition support payments to “Pakistan, Jordan, and other key cooperating nations.” Pentagon documents show that disbursements to Islamabad — at an estimated $5.7 billion or an average of about $79 million per month — account for the great majority of these funds. The amount is equal to more than one-quarter of Pakistan’s total military expenditures. The Defense Department Appropriations Act, 2007 (P.L. 109-289) allowed up to $900 million in Pentagon funds be used for FY2007 reimbursements. The Bush Administration requested another $1 billion in emergency supplemental coalition support funds (CSF) for FY2007, however, the supplemental bill signed into law (P.L. 110-28) allowed for only $200 million in new CSF appropriations, bringing the FY2007 CSF authorization to $1.1 billion. The National Defense Authorization Act for FY2008 (H.R. 1585) would authorize up to $1.2 billion more for such purposes.

The State Department claims that Pakistan’s requests for CSF reimbursements are carefully vetted by several executive branch agencies and must be approved by the Secretary of Defense. However, a large proportion of CSF funds may have been lost to waste and mismanagement, given a dearth of adequate controls and oversight. Senior Pentagon officials reportedly are taking steps to overhaul the process through which reimbursements and other military aid is provided to Pakistan, perhaps including linking payments to specific objectives.

Possible Adjustments to U.S. Assistance Programs. Numerous commentators on U.S. assistance programs for Pakistan have recommended making

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adjustments to the proportion of funds devoted to military versus economic aid and/or to the objectives of such programs. For most of the post-2001 period, funds have been split roughly evenly between economic and security-related aid programs, with the great bulk of the former going to a general economic (budget) support fund and most of the latter financing “big ticket” defense articles such as airborne early warning aircraft, and anti-ship and anti-armor missiles. Only about one-tenth of the roughly $10 billion provided to Pakistan since 2001 (including coalition support) has been specifically devoted to development and humanitarian programs. Many Pakistan-watchers argue that it could be useful to better target U.S. assistance programs in such a way that they more effectively benefit the country’s citizens. Some analysts call for improving America’s image in Pakistan by making U.S. aid more visible to ordinary Pakistanis.

One idea commonly floated by analysts is the “conditioning” of aid to Pakistan, perhaps through the creation of “benchmarks.” For example, in 2003, a task force of senior American South Asia watchers issued a report on U.S. policy in the region which included a recommendation that the extent of U.S. support for Islamabad should be linked to that government’s own performance in making Pakistan a more “modern, progressive, and democratic state” as promised by President Musharraf in January 2002. Specifically, the task force urged directing two-thirds of U.S. aid to economic programs and one-third to security assistance, and conditioning increases in aid amounts to progress in Pakistan’s reform agenda. A more recent perspective is representative of ongoing concerns about the emphases of U.S. aid programs:

[T]he United States has given Musharraf considerable slack in meeting his commitments to deal with domestic extremism or his promises to restore authentic democracy. The U.S. partnership with Pakistan would probably be on firmer footing through conditioned programs more dedicated to building the country’s political and social institutions than rewarding its leadership.

Some commentators emphasize that, to be truly effective, conditionality should be applied by many donor countries rather than just the United States and should be directed toward the Pakistani leadership — especially the military — to the exclusion of the general populace. In the wake of political crises and deteriorating security circumstances in Pakistan in late 2007, some senior Members of Congress have been.

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203 For an extensive review of the U.S. assistance strategy for Pakistan, see Craig Cohen, “A Perilous Course,” Center for Strategic and International Studies, August 2007.
more vocal in calling for conditions on further U.S. assistance in lieu of improvements in these areas.208

Many analysts, however, including those making policy for the Bush Administration, aver that conditioning U.S. aid to Pakistan has a past record of failure and likely would be counterproductive by reinforcing Pakistani perceptions of the United States as a fickle and unreliable partner. From this perspective, putting additional pressure on an already besieged and weakened Musharraf government might lead to significant political instability in Islamabad.209 One senior Washington-based analyst who advocates against placing conditions on U.S. aid to Pakistan instead offers an admittedly modest and “not entirely satisfying” approach that would modify current U.S. policy through more forceful private admonitions to Islamabad to better focus its own counterterrorism efforts while also targeting Taliban leadership, increased provision of U.S. counterinsurgency technologies and training to Pakistani security forces, and the establishment of benchmarks for continued provision of coalition support funding.210 Private admonitions are considered by some analysts to be meaningless in the absence of public consequences, however.

For Pakistanis themselves, aid conditionality in U.S. congressional legislation can raise unpleasant memories of 1985’s so-called Pressler Amendment, which led to a near-total aid cutoff in 1990. Islamabad’s sensitivities are thus acute: in July 2007, the Pakistan Foreign Ministry said aid conditions legislated in the Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) “cast a shadow” on existing U.S.-Pakistan cooperation and create linkages that “did not serve the interest of bilateral cooperation in the past and can prove to be detrimental in the future.”211 Late 2007 and early 2008 calls for further conditionality from some in Congress led Islamabad to again warn that such moves could harm the bilateral relationship and do damage to U.S. interests. Nevertheless, the State Department reports being “comfortable” with congressional conditions and “confident” that required reports can be issued.212


208 See, for example, “Senate Leader Wants Bush to Pressure Pakistan,” Reuters, January 10, 2008.
212 “Pakistan Rejects Call for Conditions on U.S. Aid,” Reuters, January 11, 2008; State Department claim at [http://www.state.gov/p/sca/rls/rm/2007/97946.htm].
operations FY2006 appropriations bill (P.L. 109-102) extended it through FY2006. The Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) provided a two-year extension through FY2008. In issuing the waiver, the President must certify for Congress that it “would facilitate the transition to democratic rule in Pakistan” and “is important to United States efforts to respond to, deter, or prevent acts of international terrorism.” President Bush has exercised this waiver authority five times, most recently in July 2007.213

**Proliferation-Related Legislation.** Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan resulting from its nuclear weapons proliferation activities.214 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) died in committee. Legislation in the 109th Congress included the Pakistan Proliferation Accountability Act of 2005 (H.R. 1553), which sought to 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. This bill also did not emerge from committee.

In the 110th Congress, the House-passed version of the Implementing the 9/11 Commission Recommendations Act of 2007 (H.R. 1) included provisions to suspend all arms sales licenses and deliveries to any “nuclear proliferation host country” unless the President certifies that such a country is, *inter alia*, fully investigating and taking actions to permanently halt illicit nuclear proliferation activities. Related Senate-passed legislation (S. 4) contained no such language and the provisions did not appear in the subsequent law (P.L. 110-53).

**9/11 Commission Recommendations.** The 9/11 Commission Report, released in 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

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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.” In the 109th Congress, H.R. 5017 and S. 3456 sought to insure implementation of the recommendations of the 9/11 Commission. The bills contained Pakistan-specific language, but neither emerged from committee.

A new Democratic majority took up the issue again in 2007. The premiere House resolution of the 110th Congress, the Implementing the 9/11 Commission Recommendations Act of 2007 (H.R. 1), was passed in January containing discussion of U.S. policy toward Pakistan. The bill was passed by the Senate in July and became P.L. 110-53 in August, including conditions on U.S. aid to Pakistan for the first time in the post-9/11 era (see below). The Bush Administration opposed the language on the grounds that “conditionality” would be counterproductive to the goal of closer U.S.-Pakistan relations.

**Selected Pakistan-Related Legislation in the 110th Congress**


- Ends U.S. military assistance and arms sales licensing to Pakistan in FY2008 unless the President reports to Congress that Islamabad is “undertaking a comprehensive military, legal, economic, and political campaign” to “eliminating from Pakistani territory any organization such as the Taliban, al Qaeda, or any successor, engaged in military, insurgent, or terrorist activities in Afghanistan,” and “is currently making demonstrated, significant, and sustained progress toward eliminating support or safe haven for terrorists.”
- Requires the President report to Congress a long-term U.S. strategy for engaging Pakistan.
- Provides an extension of the President’s authority to waive coup-related sanctions through FY2008.

**P.L. 110-28**: The U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (became Public Law on May 27, 2007):

- Provides up to $200 million in further coalition support payments to “Pakistan, Jordan, and other key cooperating nations” in FY2007.
- Provides up to $60 million in counterdrug funds for Pakistan and Afghanistan in FY2007.
- Allows that up to $110 million in Pentagon funds may be used for Economic Support Funds (ESF) for development projects in Pakistan’s tribal areas in FY2007.
- Withholds all FY2007 supplemental ESF for Pakistan until the Secretary of State submits to Congress a report on the oversight
mechanisms, performance benchmarks, and implementation processes for such funds.

- Earmarks $5 million in FY2007 ESF for the Human Rights and Democracy Fund of the Bureau of Democracy, Human Rights, and Labor, Department of State, for political party development and election observation programs in Pakistan.

**P.L. 110-161:** The Consolidated Appropriations Act, 2008 (became Public Law on December 26, 2007):

- Provides $250 million in FY2008 Foreign Military Financing for Pakistani counterterrorism activities. Another $50 million will be provided for such purposes after the Secretary of State reports to Congress that Pakistan is “making concerted efforts” to combat both Al Qaeda and Taliban forces on Pakistani territory and is “implementing democratic reforms.”


- Would authorize up to $75 million in FY2008 Section 1206 funding to enhance the counterterrorism capabilities of Pakistan’s paramilitary Frontier Corp.
- Would authorize up to $1.2 billion in FY2008 Pentagon coalition support reimbursements to “any key cooperating nation” in connection with U.S. military operations in Iraq or Afghanistan.
- Would withhold coalition support reimbursements to Pakistan unless the Administration submits to Congress by March 31, 2008, a report on enhancing security and stability along the Afghanistan-Pakistan border. The report must include “detailed description” of Pakistan’s efforts to “eliminate safe havens for the Taliban, Al Qaeda and other violent extremists on the national territory of Pakistan” and to “prevent the movement of such forces across the border of Pakistan into Afghanistan ....”
- Would require the Secretary of Defense to submit to Congress itemized descriptions of coalition support reimbursements to Pakistan for the period February 2008-September 2009.

**H.R. 2446:** The Afghanistan Freedom and Security Support Act of 2007 (passed by the House on June 6, 2007; referred to Senate committee):

- Would require the President to report to Congress on implementation of policies to encourage greater Pakistan-Arab country reconstruction assistance to Afghanistan and on Pakistan-Afghanistan cooperation.
- Would authorize the President to appoint a new special envoy to promote closer Pakistan-Afghanistan cooperation.
- Would require the President to report to Congress on actions taken by Pakistan to permit or impede transit of Indian reconstruction materials to Afghanistan across Pakistani territory.
### Table 1. Direct Overt U.S. Assistance and Military Reimbursements to Pakistan, FY2001-FY2008

(rounded to the nearest millions of dollars)

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<tbody>
<tr>
<td>Economic Support Funds$^a$</td>
<td>—</td>
<td>615</td>
<td>188$^b$</td>
<td>200$^b$</td>
<td>298</td>
<td>297</td>
<td>284</td>
<td>1,880</td>
<td>443$^c$</td>
</tr>
<tr>
<td>Other Development Aid$^d$</td>
<td>—</td>
<td>50</td>
<td>50</td>
<td>75</td>
<td>50</td>
<td>141</td>
<td>118</td>
<td>484</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total Economic Aid</strong></td>
<td>—</td>
<td>665</td>
<td>238</td>
<td>275</td>
<td>348</td>
<td>437</td>
<td>401</td>
<td>2,364</td>
<td>501</td>
</tr>
<tr>
<td>Foreign Military Financing</td>
<td>—</td>
<td>75</td>
<td>225</td>
<td>75</td>
<td>299</td>
<td>297</td>
<td>297</td>
<td>1,267</td>
<td>300</td>
</tr>
<tr>
<td>Other Security-Related Aid$^e$</td>
<td>4</td>
<td>102$^f$</td>
<td>32</td>
<td>38</td>
<td>50</td>
<td>102</td>
<td>95</td>
<td>418</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total Security-Related Aid</strong></td>
<td>4</td>
<td>177</td>
<td>257</td>
<td>112</td>
<td>349</td>
<td>399</td>
<td>392</td>
<td>1,685</td>
<td>399</td>
</tr>
<tr>
<td>Coalition Support Funds (CSF)$^g$</td>
<td>—</td>
<td>1,169$^h$</td>
<td>1,247</td>
<td>705</td>
<td>964</td>
<td>862</td>
<td>769$^i$</td>
<td>5,716</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-Food Aid Plus Coalition Support Funds</strong></td>
<td>4</td>
<td>2,010</td>
<td>1,741</td>
<td>1,093</td>
<td>1,661</td>
<td>1,698</td>
<td>1,562</td>
<td>9,765</td>
<td>900</td>
</tr>
<tr>
<td>Food Aid$^k$</td>
<td>86</td>
<td>90</td>
<td>19</td>
<td>24</td>
<td>18</td>
<td>26</td>
<td>—</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>90</td>
<td>2,100</td>
<td>1,760</td>
<td>1,117</td>
<td>1,679</td>
<td>1,724</td>
<td>1,562</td>
<td>9,942</td>
<td>900</td>
</tr>
</tbody>
</table>

**Sources:** U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development. FY2007 figures are estimates; FY2008 figures are requested. Figures may not add up due to rounding.

**Notes:**
- a. From FY2005 onward, $200 million per year in ESF has been delivered in the form of “budget support” — cash transfers to Pakistan.
- b. 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.
- c. Includes a $60 million supplemental ESF request.
- d. Includes Child Survival and Health; Development Assistance; Emergency Refugee and Migration Assistance; and International Disaster and Famine Assistance.
- e. Includes International Military Education and Training; International Narcotics Control and Law Enforcement; Nonproliferation, Anti-Terrorism, Demining and Related; Pentagon Section 1206 train and equip funds; and Pentagon counternarcotics funds.
- f. Includes $73 million for border security projects that continued in FY2003.
- g. CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations. It is not considered to be foreign assistance, although it is often portrayed as such.
- h. Includes $220 million in Peacekeeping Operations Emergency Response Funds reported by the State Department.
- i. Includes pending supplemental CSF payments of $200 million.
- k. P.L.480 Title I (loans), P.L.480 Title II (grants), Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations), and Food for Progress.
Figure 1. Map of Pakistan

Source: Map Resources. Adapted by CRS.