CRS Report for Congress

Pakistan-U.S. Relations

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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 2007 retirement. The United States urges full restoration of civilian rule. International concerns grew 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. However, February 2008 parliamentary elections were relatively peaceful and credible, and seated a coalition opposed to Musharraf’s further rule. 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 $5 billion in overt assistance since 2001, including about $2 billion in security-related aid. Pakistan also has received nearly $6 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, economic development, 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 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 Minster 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 feared that further violence would lead to another postponement of already-overdue parliamentary elections, with some more cynical analysts (and opposition political activists) believing Musharraf and his ruling party would seek such delays to preserve their own power. Developments in Pakistan in 2007 led many Washington-based critics — both governmental and independent — to more forcefully question the Bush Administration’s largely uncritical support for President Musharraf as a key U.S. ally. Such questioning continues with even greater urgency in 2008, especially in the wake of February parliamentary elections that seated a coalition of former opposition parties vehemently opposed to Musharraf’s continued rule.

There are indications that anti-American sentiments are widespread in Pakistan, and that a significant segment of the populace views U.S. support for President Musharraf as being an impediment to, rather than facilitator of, the process of democratization there. The Bush Administration continued to proclaim its ongoing support for Musharraf even after his imposition of emergency rule and the later apparently sweeping rejection of his parliamentary allies by Pakistani voters.¹

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 (continued...
However, in 2008, the Administration has shown signs of a shift in its long-standing Pakistan policies, in particular on the issues of democratization and on Islamabad’s counterterrorism policies in western tribal areas. Congress reportedly continues to consider adjustments to U.S. aid programs for Pakistan, including the possible institution of new conditions on assistance and/or on major arms sales to that country. As articulated by a State Department spokesman in late March:

> We look forward to working with that new government as well as President Musharraf, going forward.... And fundamentally, we would like to see a Pakistan that broadens and deepens its economic and political reform.... The long-term hedge against the expansion of violent extremists and terrorists in the region and in Pakistan is the broadening and deepening of these economic and political reforms.\(^2\)

**Key Current Issues**

**2008 Parliamentary Elections and New Political Setting\(^3\)**

On February 18, 2008, Pakistan held elections to seat a new National Assembly and all four provincial assemblies. A consensus among independent analysts had foreseen a process entailing rampant political-related violence and electoral rigging in favor of the recently incumbent, Musharraf-friendly Pakistan Muslim League-Q (PML-Q) faction. While the weeks leading up to the polls did witness much bloodshed, and the pre-election setting was not considered conducive to democratic processes, the day itself was marked by a surprising degree of calm and turnout was a relatively solid 46%, slightly higher than in the 2002 election. Moreover, fears of large-scale rigging appear to have proven unfounded, as the PML-Q was swept from power in a considerable wave of support for Pakistan’s two leading opposition parties, the PPP, now overseen by Benazir Bhutto’s widower, Asif Zardari, and the PML-N of former Prime Minister Nawaz Sharif. (Neither of these figures ran for parliamentary seats and so neither currently is eligible to serve as Prime Minister, but this circumstance could change.) The two largely secular, moderate parties proceeded to form a ruling parliamentary coalition in Islamabad. Their leadership explicitly seeks to legislate sovereign powers back to the Parliament by restoring the 1973 Constitution (Musharraf had overseen amendments empowering the office of the president) and to reinstate Supreme Court and other judges who were dismissed in Musharraf’s November 2007 emergency imposition. They also will lead coalition governments in the two most populous of the country’s four provinces.

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1 (...continued)

2 See [http://www.state.gov/r/pa/prs/dpb/2008/mar/102592.htm].

3 See also CRS Report RL34335, *Pakistan’s Scheduled 2008 Elections.*
After meeting with myriad Pakistani officials in Islamabad in late March, Deputy Secretary of State John Negroponte said,

Many have asked us this week about the prospects for U.S.-Pakistan relations. Our response is that the U.S.-Pakistan partnership remains strong, and that we envision a continued close, productive alliance that benefits both countries. The United States is committed to working with all of Pakistan’s leaders on the full spectrum of bilateral issues, from fighting violent extremism to improving educational and economic opportunities. In the months ahead, the United States looks forward to engaging Pakistan’s new government on how best to promote economic growth and reduce poverty. The United States will continue to help the Pakistani people build a secure, prosperous, and free society.

For the first time in more than eight years, the United States must deal with a new political dispensation in Islamabad, one that has fundamentally differing views not on the need to combat religious extremism, but on the methods by which to do so. In their first official meetings with the new government, visiting U.S. officials received a reported “dressing down,” in particular from Nawaz Sharif, who declined to give Deputy Secretary Negroponte “a commitment” on fighting terrorism.

In the view of many outside observers, President Musharraf’s efforts to keep himself in power have “reinforced his alliance with thoroughly illiberal forces” and have “alienated all the modern, secular and liberal forces in Pakistan.” Nevertheless, Musharraf called the election a “milestone” that his government had “worked tirelessly” to make credible, and he vowed to work with the new Parliament to defeat terrorism, build effective democratic government, and create a foundation for economic growth. PPP leader Zardari called the occasion a vindication of his late wife’s battle for the restoration of democracy in Pakistan and a new start for a country that had been “battered by dictatorship.” Indeed, as a perceived referendum on Musharraf’s rule, the polls represented a widespread popular rejection of the Pakistani president’s policies. They also appeared to forward arguments that the Pakistani populace supports moderate political parties without explicitly religious manifestos. At the same time, the results were seen by many analysts as compounding difficulties for U.S. policy makers who may have placed too much faith in the person of Musharraf, an increasingly isolated figure whose already damaged status is now further weakened. Still, there is a widespread view that the

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4 See [http://islamabad.usembassy.gov/pr_03272008.html].
exercise represents an important new chance for the development of democratic governance in Pakistan.

Rising inflation and food and energy shortages have elicited considerable economic anxieties in Pakistan. Such concerns are believed to have played a key role in the anti-incumbency vote and are likely to weigh heavily on the new government. At the same time, Islamist extremism and militancy has been a menace to Pakistani society throughout the post-2001 period and became especially prevalent in 2007. In a sign that radicals might seek to test the new government, suicide bomb and other attacks on both security forces and civilian targets have been rampant since the elections and have taken hundreds of lives.

**Election Preparations.** Pakistan’s National Assembly ended its five-year term on November 15, 2007. This was the first time in the country’s history that the body had completed a full term without interruption. President Musharraf appointed a caretaker Prime Minister and cabinet for the election period. Many analysts viewed this body as being stacked with partisan Musharraf supporters and so further damaging to hopes for credible elections. Numerous reports appeared describing government efforts to “pre-rig” the polls. Elections originally were scheduled to be held on January 8, 2008. About 13,500 candidates filed papers to vie for Pakistan’s 272 elected National Assembly seats and 577 provincial assembly constituencies. Opposition parties were placed in the difficult position of choosing whether to participate in elections that could well be manipulated by the incumbent government or to boycott the process in protest. Upon Benazir Bhutto’s late December assassination, a nationwide debate was launched over the issue of postponing the election date. PPP and PML-N leaders demanded 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 Election Commission’s early January decision to delay the polls until February 18 was met with vocal denouncement by the main opposition parties, who accused 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. Opposition parties did not organize large-scale street protests against the decision, but vowed to do so if the impending polls were seen to lack credibility. In late January, Assistant Secretary for South and Central Asia Richard Boucher told a House panel that the fundamental U.S. goals with regard to Pakistan remained unchanged and included a desire to see “successful transition to democracy and civilian rule” and “the emergence of leaders through a credible election.” While denying that the Administration was prepared to accept “a certain level of fraud,” he expressed an expectation that some level would be seen: “On a scale from terrible to great, it’ll be somewhere in the middle.”

More than $26 million in U.S. aid to Pakistan was devoted to democracy-related programs there in FY2007.

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Election Day. More than 25,000 Pakistani citizens were accredited by the Pakistan Election Commission to serve as domestic observers. Some 500 international observers — including 56 from the United States — were in the country on February 18, along with more than 500 more foreign journalists there to cover the election. Preliminary statements from European Union observers conceded that a level playing field had not been provided for the campaign but that, on election day itself, “voting on the whole was assessed as positive.” The mission fielded by Democracy International — a nongovernmental group contracted by the State Department — also identified a “seriously flawed and difficult pre-election environment,” but reached its own preliminary conclusion that the reasonably peaceful and smoothly conducted polls represented “a dramatic step forward for democracy in Pakistan.” Pakistan’s print media were cautiously optimistic about the mostly fair and violence-free elections. On the economic front, the process likely contributed to a steadying of the rupee’s value and a 3% rise in the Karachi Stock Exchange’s main index.

Election Results. While President Musharraf had been reelected in a controversial indirect vote in October 2007 and was not on the ballot in 2008, the elections were almost universally viewed as being a referendum on his rule. Thus, a sweeping victory by opposition parties and the near-total defeat of the previously ruling PML-Q was portrayed as a resounding rejection of Musharraf and led many observers to predict the Pakistani president’s days in power are now numbered. As shown in Table 1 below, the PPP won a clear plurality of seats in the National Assembly, as well as a majority in the provincial parliament of Sindh, the Bhutto’s ancestral homeland. In the wealthy and densely populated Punjab province, Nawaz Sharif’s PML-N will oversee a coalition in the provincial assembly based in Lahore. Voters in the North West Frontier Province (NWFP) roundly rejected the previously incumbent Islamist coalition and awarded the secular Pashtun nationalist Awami National Party (ANP) a resounding comeback after its virtual shutout in 2002. The PPP and ANP agreed to share power in the NWFP, with the Chief Minister and 12 of 21 cabinet ministers coming from the ANP. Only in sparsely populated Baluchistan did the PML-Q seem sufficiently strong to retain power.10

The membership of the new National Assembly is generally wealthier and more secularly-oriented than its predecessors.11 The PPP’s expected sympathy vote apparently did not materialize in any major way, as the party’s overall vote count was not much higher than that enjoyed in 2002. It was, in fact, the PML-N of Nawaz Sharif that appeared to perform best in the key battleground region of southern Punjab, winning wholesale votes from disgruntled former PML-Q supporters. Despite a result seen by many as suboptimal from Washington’s perspective, a senior Bush Administration official responded with broad approval:

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10 The Muttahida Quami Movement (MQM), a Sindhi regional party mainly composed of the descendants of pre-partition, Urdu-speaking immigrants (Muhajirs) from what is now India, did well in its traditional stronghold of Karachi.

The election outcome proves that moderate pro-democracy parties are the heart of Pakistan’s political system and that religious-based politics have no hold over the voters. While not perfect, the elections reflected the will of the voters, who have embraced the results.... We supported Pakistan’s elections and now we will support the Pakistani people as they choose their leaders.\textsuperscript{12}

\textbf{Table 1. Selected Election Results}

\small{(shown as a percentage of announced seats won; 2002 results in parentheses)}

<table>
<thead>
<tr>
<th>Party/Coalition</th>
<th>NA</th>
<th>PP</th>
<th>PS</th>
<th>PF</th>
<th>PB</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP (Pakistan People’s Party)</td>
<td>36% (23%)</td>
<td>29%</td>
<td>55%</td>
<td>26%</td>
<td>17%</td>
</tr>
<tr>
<td>PML-N (Pakistan Muslim League - Nawaz)</td>
<td>27% (5%)</td>
<td>45%</td>
<td>0%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>PML-Q (Pakistan Muslim League - Quaid-e-Azam)</td>
<td>16% (34%)</td>
<td>24%</td>
<td>6%</td>
<td>4%</td>
<td>32%</td>
</tr>
<tr>
<td>MQM (Muttahida Quami Movement)</td>
<td>7% (5%)</td>
<td>0%</td>
<td>32%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>ANP (Awami National Party)</td>
<td>4% (0%)</td>
<td>0%</td>
<td>0%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>MMA (Muttahida Majlis-e-Amal, a coalition of Islamist parties)</td>
<td>2% (17%)</td>
<td>1%</td>
<td>0%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>All others (mostly independent candidates, but includes five additional parties)</td>
<td>8%</td>
<td>1%</td>
<td>7%</td>
<td>11%</td>
<td>29%</td>
</tr>
</tbody>
</table>

\textsuperscript{NA: National Assembly; PP: Punjab Assembly; PS: Sindh Assembly; PF: North West Frontier Province Assembly; PB: Baluchistan Assembly}


\textbf{Outlook.} After their victory, the leaders of both major opposition parties issued calls for Musharraf’s resignation. Negotiations on coalition building were settled on March 9, when PPP leader Zardari and PML-N leader Sharif issued a written declaration of their intention to share power at the center (along with the ANP) under a PPP Prime Minister and in the Punjab under a PML-N Chief Minister. In a major show of opposition unity, the accord notably vowed to seek restoration of deposed judges to office within 30 days of the new government’s seating (see below). The leaders also promised to implement a May 2006 “Charter of Democracy” inked by Benazir Bhutto and Nawaz Sharif that would include removing the president’s power to dissolve parliament, as well as his power to appoint military service chiefs. Many viewed the March 9 “Murree Declaration” as an historic rejection of military-bureaucratic rule in Islamabad and a victory over forces that sought to keep the

opposition divided. The new ruling coalition was soon bolstered when 11 parliamentarians elected as independents joined it (7 aligning with the PPP and four others taking up with the PML-N). Fahima Mirza — a Sindhi businesswoman, PPP stalwart, and close associate of Zardari — is now Pakistan’s first-ever female National Assembly Speaker.

President Musharraf has expressed a willingness to work with the new Parliament, even as he recognizes the potential for a two-thirds opposition majority to reverse many of the changes made during his rule. This might in particular include parts of the 17th Amendment to the Constitution, which grants presidential powers to dismiss the Prime Minister and dissolve Parliament. Such a super-majority could even move to impeach him. Table 1 shows that a PPP/PML-N/ANP combine could without great difficulty collect two-thirds of the National Assembly vote, but it presently appears that a PPP-led government will not (in the immediate-term, at least) seek to remove Musharraf through impeachment. Many analysts contend that Musharraf has sought to manipulate the transfer of power process through the creation of uncertainty and instability, and some continue to insist that Musharraf should follow “the logic of the people’s verdict” and resign.

Asif Zardari has at times seemed to flirt with the idea of offering himself as the PPP’s prime ministerial candidate, then later rule himself out for the job. Still, many analysts believe Zardari may be grooming himself for that office in the near future. Zardari is a controversial figure in Pakistan: he spent at least eight years in prison (without conviction) on charges ranging from corruption to complicity in murder. In March 2008, a court dismissed seven pending corruption cases against Zardari, perhaps clearing the way for him to win a by-election and become eligible to serve as Prime Minister. (Until Benazir Bhutto’s teenaged son and political heir Bilawal Bhutto Zardari completes studies at Oxford University, Zardari will run the PPP.)

Benazir Bhutto’s long-time party deputy and recent National Assembly member Makhdoom Amin Fahim initially had been dubbed the PPP’s leading prime ministerial candidate. Fahim, who comes from a feudal Sindh background similar to that of Bhutto, was seen to have led the party competently in her absence, but does not possess national standing and support anything close to that enjoyed by Bhutto herself. During early March, intra-PPP discord arose over the party’s prime ministerial candidate, with some party leaders reportedly unhappy with Fahim and seeking a leader from the Punjab province. Some reports also indicated that Sharif’s PML-N had pushed for the nomination of a Punjabi Prime Minister, and the more vehemently anti-Musharraf Nawaz faction reportedly opposed Fahim’s candidacy because of his frequent contacts with the unpopular Pakistani president. On March 22, Zardari announced the candidacy of Yousaf Raza Gillani, a party stalwart from the Punjab province who had served as National Assembly Speaker under Benazir

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14 See, for example, Shafqat Mahmood, “Musharraf Should Give Up” (op-ed), News (Karachi), March 21, 2008.

Bhutto in the 1990s. Two days later, Gillani — who spent nearly five years in prison during President Musharraf’s rule on corruption-related charges (he was never convicted) — won 264 of 306 votes cast to become Pakistan’s new Prime Minister.

Nawaz Sharif himself may eventually prove to be the greatest benefactor of Pakistan’s political upheaval, and there is little doubt he would serve a third time at the head of government if given the opportunity. Some analysts speculate that Sharif is angling for early new national elections in which his party might overtake the PPP.16 With a history of links to Pakistan’s Islamist parties and his sometimes strident anti-Western rhetoric, Sharif is viewed warily by many in Washington.

Never before in Pakistan’s history have the country’s two leading political parties come together to share power. While many observers praise the Murree Declaration as representing what could be a new conciliatory style of party politics, many others note that the PPP and PML-N spent most of the 1990s as bitter enemies. The history of mutual party animosity in fact dates to 1972, when Benazir’s father, then-Prime Minister Zulfikar Ali Bhutto, nationalized industries owned by Nawaz Sharif’s father.17 Opposition to President Musharraf’s continued power unites these parties at present, but with Musharraf likely to fan the flames of party competition — and with his possibly imminent departure from power removing the key unifying factor between them — many analysts are pessimistic that a PPP-PML-N accommodation can last.

**Restoration of Deposed Judges.** As part of a six-week-long state of emergency launched by President Musharraf on November 3, 2007, seven Supreme Court justices, including the Chief Justice, and scores of High Court judges refused to take a new oath of office and were summarily dismissed. The Supreme Court was then reconstituted with justices appointed by Musharraf himself. The question of whether and how to restore the Chief Justice and other deposed senior judges remains a key divisive issue. Immediately upon taking office, the new Prime Minister ordered all remaining detained judges to be released. In declaring an intention to restore the pre-November 3 Supreme Court, the new civilian dispensation appeared to set itself on a collision course with Musharraf. Reseating that court would almost certainly lead to the Pakistani president’s removal from office, as the justices had appeared close to finding his October reelection unconstitutional.

Pakistan’s recently retired Attorney General and longtime Musharraf ally, Malik Qayyum, rejected the new government’s plan to reinstate the judges within 30 days, saying their dismissal was constitutional and that efforts to reverse it through executive order or parliamentary resolution would be futile. According to him, only an amendment to the constitution can reverse President Musharraf’s earlier actions. Many legal experts cast doubt on Qayyum’s position, however, claiming that because Musharraf’s emergency imposition was inherently unconstitutional (as ruled by the

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16 “Moeed Yusuf, “Well Played, Mr Sharif” (op-ed), Friday Times (Lahore), February 27, 2008.

Supreme Court on November 3, 2007, just before its reconstitution), all actions taken under that authority are invalid. Some detractors of the new government’s intentions call the effort a farce rooted in a desire for revenge, and they seek establishment of an independent judiciary without bringing back what is termed “a group of biased, politicized, and vengeful judges.”

The “lawyer’s movement” that arose in response to Musharraf’s March 2007 dismissal of Chief Justice Iftikhar Chaudhry (who was reseated in July) was a vital facet of the pro-rule of law, anti-Musharraf sentiment that spread in Pakistan during 2007. It has not faded away: lawyers continue to boycott many courts and the movement remains able to mobilize significant street protests, which Chaudhry continues to publicly support. Nawaz Sharif himself has accused the U.S. government of actively discouraging the restoration of the deposed judges. When asked during a Senate hearing about the status of Supreme Court justices and other judges dismissed under Musharraf’s emergency proclamation, the Deputy Secretary conceded that the U.S. government had “been silent on the subject.”

Aitzaz Ahsan, the lawyer who lead the successful effort to have former Chief Justice Chaudhry reseated earlier in 2007, has been at the forefront of the current effort to restore the pre-November 3 judiciary. He has criticized the U.S. government of callousness regarding Musharraf’s crackdown on the Supreme Court. Ahsan, a Punjabi, could represent a new power pole within the traditionally hierarchical PPP and is viewed by many as a potential future party leader. Even before the PPP’s poll victory there were signs that Zardari would seek to ensure party unity by offering Ahsan deputy status. On March 2, Ahsan was released from four months of detention and was quickly back in the public eye calling for the judges’ release and full restoration.

President Musharraf reportedly sought to make a deal in which he would relinquish his powers to dissolve parliament if the opposition agreed to drop its efforts to restore the deposed judges. Although this deal was not consummated, it was taken by some as a sign of desperation from the Pakistani president, who finds himself increasingly without allies or influence. Musharraf may be willing to accept the judges’ restoration provided the Parliament order it with a two-thirds majority.

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Role of the Pakistani Military. The army traditionally has been a key player in Pakistani politics. Following President Musharraf’s November resignation as army chief, the new leadership has shown signs of distancing itself from both Musharraf and from direct involvement in the country’s governance. The president’s handpicked successor, Gen. Ashfaq Pervez Kayani, issued orders barring officers from holding unauthorized meetings with civilian leaders; dictated that all active officers holding posts in civilian agencies resign from those positions; and announced that the military’s only role in the election process would be maintenance of security. He has since called for a “harmonized relationship between various pillars of state, as provided in the constitution.”24 In late March, Gen. Kayani exerted further influence by making his first major new appointments, replacing two of the nine corps commanders appointed by Musharraf. Many analysts see Kayani as motivated to improve the image of the military as an institution after an erosion in its status under Musharraf. His moves have brought accolades from numerous commentators.

U.S. Policy. Both before and after the elections, U.S. officials expounded a desire to see “moderate forces” within Pakistani politics come together to sustain their country’s political and economic reforms and to carry on the fight against religious extremism and terrorism. President Bush telephoned new Pakistani Prime Minister Gillani on March 25, reportedly having a “good conversation” in which the two leaders agreed that U.S. and Pakistani interests are best served by continuing to fight terrorism and extremism. On this basis, the White House anticipates Pakistan’s “continued cooperation.”25 There are, however, concerns in Washington that the new Islamabad government will curtail militarized efforts to combat Islamist militants and instead seek negotiations with Pakistan’s pro-Taliban forces (see “Increasing Islamist Militancy” section below).

Upon completion of Pakistan’s February 18 poll exercise, the State Department lauded that country’s “step toward the full restoration of democracy.”26 Given the plummeting popularity and political influence of their key Pakistani ally, President Musharraf, over the course of 2007, Bush Administration officials were seen to have no “Plan B” and were left with few viable options beyond advocating a credible electoral process and awaiting the poll results. With those results showing a sweeping rejection of Musharraf’s parliamentary allies, the Administration found its long-standing policy in what many consider disarray and now faces even greater pressures to work more closely with civilian and military leaders beyond the president. By some accounts, however, the U.S. government sought to influence the coalition-building process in Islamabad, in particular by pressuring the PPP to strike

23 (...continued)
2, 2008.
26 See [http://www.state.gov/rla/prs/dpb/2008/fec/101059.htm].
a deal with the remnants of the Musharraf-friendly PML-Q.\textsuperscript{27} Some observers suspect the Bush Administration remains wedded to a policy that would keep the embattled Musharraf in power despite his weakness and lack of public support. According to reports, this tack may fuel interagency disputes in Washington, with some career diplomats arguing the United States could damage its position by appearing to go against a clear popular mandate rejecting Musharraf.

When asked in February about coalition-forming negotiations and the outstanding issue of the ousted judiciary, a State Department spokesman summarized the U.S. view:

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Ultimately, what we want to see happen is the formation of a government that’s going to be an effective partner for the United States, not only in confronting extremism but also in helping Pakistan achieve the broad-based goals for that country’s political and economic development. In terms of the specifics of how that’s done, of who winds up in a coalition, who winds up in which ministry, what happens in terms of judicial reform or in terms of judicial appointments, those are really matters for the Pakistanis themselves and for the new government to decide.\textsuperscript{28}
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Meanwhile, a statement by the spokeswoman had the White House continued to offer support for Musharraf in the face of questions about post-election calls for his resignation:

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Well, the President does support President Musharraf for all of the work that he’s done to help us in counterterrorism. And if you look at what we asked President Musharraf to do — which is to take off the uniform, to set free and fair elections, and to lift the emergency order — he did all of those things. And so now it will be up to the people of Pakistan to see what their new government will look like. But the President does certainly support him, and has continued to.\textsuperscript{29}
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Upon returning from a trip that included observing the Pakistani elections, Senate Foreign Relations Committee Chairman Senator Joe Biden concluded that Pakistan had “passed the most important test” by holding reasonably free and fair polls, and he again argued that the United States “should move from a Musharraf policy to a Pakistani policy.” During a subsequent SFRC hearing on Pakistan, Senator Biden proposed tripling U.S. economic and development aid to $1.5 billion, adding an annual “democracy dividend” of $1 billion to reward Islamabad if the government there is able to continue a peaceful transition to democracy, and demanded transparency and accountability in continued military aid.\textsuperscript{30}


\textsuperscript{28} See [http://www.state.gov/r/pa/prs/dpb/2008/feb/101267.htm].

\textsuperscript{29} See [http://www.whitehouse.gov/news/releases/2008/02/20080225-5.html].

Most Pakistanis express a keen sensitivity to signs of U.S. attempts to influence the post-election coalition-building negotiations, especially when such attempts were seen to run contrary to the expressed will of the Pakistani electorate. The continuation of perceived U.S. meddling in Pakistan’s domestic politics has elicited widespread resentment among Pakistanis. Many analysts urge the U.S. government to respect Pakistani sovereignty and self-determination by allowing the Pakistanis to determine their own political arrangements without foreign interference.

The Bush Administration’s public statements reflect a willingness to do just this, at least at a rhetorical level. In what was taken to be a clear indication of shifting U.S. policy, visiting Deputy Secretary Negroponte — who had in late 2007 described the Pakistani president as an “indispensable ally” of the United States — offered little in the way of public defense for Musharraf and called his future status a matter to be determined by “the internal Pakistani political process.” Considerable criticism had arisen in the Pakistani press over the timing of Deputy Secretary Negroponte’s visit, with some commentators expressing anger that American officials were intruding before the new government’s formation was complete. A Pakistani Foreign Ministry spokesman sought to clarify that the visit had been planned for some time and its concurrence with formation of the new government was merely coincidental.

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

The year 2007 saw 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) was 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 both the 2002 and 2008 national elections. Bhutto’s death appeared to leave the United States even

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30 (...continued)


34 See [http://www.mofa.gov.pk/Spokesperson/2008/Mar/Spokes_26_03_08.htm].

35 See also CRS Report RL34240, *Pakistan’s Political Crises*. 
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. Following Bhutto’s death, President Musharraf proclaimed in a nationally televised speech that Bhutto’s mission — “to promote democracy and struggle against terrorism” — remained his mission, as well.

Pakistan’s 2007 political crises were 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 has suffered from considerable political uncertainty as the tenuous governance structure put in place by Musharraf came 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 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 contributed to even greater political instability.

Musharraf’s “second coup” seemed to many observers a desperate power grab by a badly discredited military ruler, and U.S. and other Western governments come under increasing fire for “propping up” Musharraf with military and financial assistance. 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, but has returned following unexpectedly peaceful February polls that seated a new civilian government.

State of Emergency Imposed, Then Lifted. On November 3, 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.\footnote{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.\footnote{See [http://www.state.gov/secretary/rm/2007/11/94586.htm].} On December 15, President Musharraf lifted the state of emergency in what he claimed was a “complete restoration of the constitution.”\footnote{“Text of Pakistan President’s Speech on Lifting Emergency,” \textit{BBC Monitoring South Asia}, December 16, 2007.} Skeptics saw little evidence that the lifting of the emergency would lead to meaningful change, given the persistence of allegedly repressive media curbs and a stacked judiciary.\footnote{“For Now, Musharraf Has Muzzled Legal Critics in Pakistan,” \textit{New York Times}, January 5, 2008; “Pakistan’s Government Threatens Media,” \textit{Associated Press}, December 19, 2007.} 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.

\textbf{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 major rioting after activists of a regional, government-allied party reportedly blocked his exit from the airport. 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.

\textbf{President Musharraf Reelected as President, Resigns Army Commission.} President Musharraf won provisional reelection on October 6, 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 following reelection, knowing he would become even more politically vulnerable as
a civilian president. Much controversy had arisen over Musharraf’s intention to seek reelection while still serving as army chief. Opposition parties called the move unconstitutional and they petitioned the Supreme Court to block it.

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 course (which came in early November). 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-PPP 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.44 Bhutto insisted that she engaged Musharraf so as to facilitate an effective and peaceful transition to democracy. 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.45

**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

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44 Bhutto’s own niece called the political posturing “sheer pantomime.” 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 (Fatima Bhutto, “Aunt Benazir’s False Promises,” *Los Angeles Times*, November 14, 2007; William Dalrymple, “Bhutto’s Deadly Legacy” (op-ed), *New York Times*, January 4, 2008).

four hours after a September effort to return). Sharif immediately filed papers registering him as a candidate in the slated 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 refused to engage in any negotiations with the Musharraf government (as had Bhutto), Sharif was able to seize a mantle as an opposition “purist,” and he wields considerable political influence in the populous Punjab province.

Sharif’s electoral plans met a major obstacle when his nomination papers were rejected in December, making him ineligible to compete in the January 2008 elections due to 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, apparently due to pending criminal charges against him). With Bhutto’s demise, Sharif was able to step forward 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 were concerns that his party’s return to national power could bring a diminishment of Pakistan’s anti-extremism policies and be contrary to U.S. interests.46

**Benazir Bhutto’s Return and Assassination.** Former Prime Minister Benazir Bhutto had returned to Pakistan in October 2007 after more than eight years of self-imposed exile. She proceeded to vigorously re-enter Pakistan’s political stage with a major and polarizing effect. While Bhutto enjoyed 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 her 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.

On December 27, 2007, Bhutto was assassinated in a gun and suicide bomb attack following a political rally in the city of Rawalpindi. Some 20 others in attendance were killed. 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 and led to country-wide rioting. Scores of people were killed and the caretaker government called the damage from ensuing violence “colossal;” losses were estimated at more than $1

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billion. Whether deserving or not, Musharraf himself took the brunt of the blame for ensuing instability.47

The circumstances of Bhutto’s death remain controversial. Images of the event show a gunman firing three shots at Bhutto from close range, closely followed by an explosion. 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. Early reports on the cause were conflicting, with government officials claiming that gunshots had not caused her death and that she was killed after her head hit a latch on the vehicle’s escape hatch. With Pakistanis widely skeptical of their government’s capacity and intention in launching a probe, demands soon arose for an international investigation into the assassination. Some have 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, which finds some support in the U.S. Congress, as well. The Islamabad government denies any need for U.N. involvement, a sentiment echoed by the Bush Administration.48 Upon taking office, Prime Minister Gillani reiterated the PPP call for a U.N. investigation. The U.N. Security Council reportedly will consider authorizing such an investigation upon a formal request by the Islamabad government. As of March 25, no such request had been received.49

Pakistani government officials blame pro-Taliban and Al Qaeda-linked militant Baitullah Mehsud for Bhutto’s killing. British investigators later agreed the evidence implicated Mehsud, and CIA analyses apparently drew the same conclusion.50 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). At least five people are known to have been arrested in connection with the murder. Conspiracy theories are rampant in Pakistan, and several public opinion surveys showed that a solid majority of Pakistanis believe the Musharraf government was complicit in Bhutto’s killing.51 Under international diplomatic pressure President Musharraf agreed to allow a team from Britain’s Scotland Yard to take a


48 The State Department views Scotland Yard’s involvement as “a credible investigation by independent outside experts” and believes the Pakistanis themselves should decide if further external investigatory efforts are required (see [http://www.state.gov/r/pa/prs/dpb/2008/feb/100222.htm]).


supporting role in the investigation. The Yard’s preliminary February report on the
cause of Bhutto’s death drew “reliable conclusions” confirming earlier Pakistani
government claims that the force of a suicide bomb blast pushed Bhutto’s head into
the lip of the vehicle’s escape hatch, causing a fatal injury. While not categorically
excluding the possibility, the report states that “all evidence suggests there was no
gunshot injury.”

Increasing Islamist Militancy

Islamist extremism and militancy has been a menace to Pakistani society
throughout the post-2001 period and became especially prevalent in 2007. According
to U.S. Director of National Intelligence Mike McConnell, the loss of human life
related to Islamist militancy was greater in 2007 than in the previous six years
combined. Much of the extremism 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, and even more so following
a succession of suspected U.S.-directed Predator aerial drone missile attacks on
Pakistani territory. The myriad religious militant groups operating in Pakistan —
many of which have in the past displayed mutual animosity — may be increasing
their levels of coordination and planning. Moreover, a new generation of militants
is comprised of battle-hardened jihadis with fewer allegiances to religious and tribal
leaders and customs. Religious militants appear to have stepped up attacks and
threats against foreign aid agencies operating in northwestern Pakistan, forcing some
groups to scale back their programs.

In 2008, the influence of Islamist militants appears to grow unchecked in large
parts of Pakistan, bringing insecurity even to the NWFP provincial capital of
Peshawar, where signs of “Talibanization” now include orders that schoolgirls wear
burkas and attacks on stores selling DVDs. Demoralized security forces in the city
are said to be defecting in increasing numbers. Other so-called settled areas of
Pakistan beyond the tribal regions have come under attack from pro-Taliban
militants. The major increase in violence may have turned many Pakistanis away
from their previous sympathies toward religious extremists. A public opinion survey
conducted in January 2008 found that public support for Osama bin Laden, Al Qaeda,

52 See [http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/08_02_2008bhattoreport.pdf].
53 Statement before the House Permanent Select Committee on Intelligence, February 7,
2008. The Lahore-based Pak Institute for Peace Studies issued an annual report which
counted 1,442 “terrorist attacks, incidents of political violence, and border clashes” in 2007.
These attacks, along with 61 military operations in western Pakistan, left 3,448 people dead
(see [http://pips.com.pk/san/pakistan/july7/AnnualReport.html]).
54 “Pakistani Militants Teaming Up, Officials Say,” Washington Post, February 9, 2008;
Spreading Across Pakistan,” McClatchy Newspapers, January 29, 2008; “In Northwestern
and the Taliban had dropped by half in only five months (favorable opinions were
down to 24%, 18%, and 19%, respectively).56

Pakistan’s new civilian leaders have called for a new effort at negotiating with
the country’s religious militants, claiming a strategy reliant on military confrontation
had backfired and allowed the militants to become stronger and more influential.
Asif Zardari, Benazir Bhutto’s widower and the new PPP leader, has called for a new
approach to the FATA:

While immediate steps must be taken to hunt down identified terrorists, the long-
term solution to extremism lies in respecting the will of the people and in
providing them with a means of livelihood at every level — food, clothing,
shelter, jobs and education. By talking to and respecting our people, we will be
able to isolate the extremists and terrorists.57

The militants themselves have expressed a willingness to engage such talks, while
also warning the new government that they will retaliate if militarized efforts
continue in the tribal regions.58 Islamabad and Washington increasingly are at odds
over counterterrorism strategy. An approach emphasizing negotiation reportedly
alarms U.S. officials, who are concerned that such a tack would only allow extremist
elements the space in which to consolidate and bolster their own positions. Secretary
of Defense Gates has cautioned Islamabad against negotiating with pro-Taliban
militants, saying past efforts had failed. During his late March visit to Islamabad,
Deputy Secretary of State Negroponte averred that “irreconcilable elements” cannot
be dealt with through negotiation.59

**Multiple Armed Islamist Uprisings.** A July 2007 siege at Islamabad’s Red
Mosque appears to have embittered Pakistani radicals and elicited acts of vengeance.
The siege ended when Pakistani commandos stormed the complex and, following a
day-long battle, defeated the well-armed Islamist radicals therein. Beginning in
January 2007 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

57 Asif Ali Zardari, “Momentous Day for Pakistan, Bhutto’s Legacy” (op-ed), CNN.com,
March 18, 2008.
58 “A Call for Talks on Pakistan Border,” Chicago Tribune, February 23, 2008; “Pakistan
2008; “US Concern Over Pakistan Deal With Militants,” Telegraph (London), March 1,
2008; “Pakistan to Talk With Militants, New Leaders Say,” New York Times, March 22,
2008; “US Cautions Pakistan Over Talibam,” BBC News, February 27, 2008; “US Says No
Meddling to Save Musharraf,” Associated Press, March 27, 2008.
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 scores of suicide bomb attacks in Pakistan — most of them against security personnel — taking some 1,000 lives. Moreover, upon reopening, the Red Mosque has continued to be a gathering place for strongly anti-Musharraf and anti-Western Islamist figures.60

Pakistan also faced a late 2007 “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.61 Fazlullah, also known as “Maulana Radio” for his fiery (and unlicensed) FM broadcasts, sought to create 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 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, reportedly massing 15,000 regular army troops. By December, most militant elements in the Swat were reported to be in retreat and the Pakistani government claimed victory in Swat, saying Fazlullah’s loyalists had been routed. Pakistan army officials claim to have killed hundreds of militants while losing only 36 of their own soldiers in the fighting, which is ongoing.62

Fighting between government security forces and religious militants has again become fierce in South Waziristan. Shortly after Bhutto’s assassination the Pakistan army was reported to be undertaking a major operation against the region’s Mehsud tribe. Several hundred militants assumed loyal to Baitullah Mehsud retaliated by attacking and briefly occupying an army fort in Sararogoha, where two dozen Pakistani soldiers were killed in a mid-January battle. At least one other fort was occupied by militants after being abandoned by paramilitary soldiers, reportedly


61 The Pakistani army estimated that only 500-700 militants are operating in the Swat region, claiming that these forces receive external assistance and that some are “foreign elements.”

without a fight. The ensuing counterattack by government forces killed up to 150 militants and led to the capture of scores more.63

The Pakistani government had in 2005 and 2006 negotiated a series of controversial — and failed — peace deals with pro-Taliban militants in western Pakistan. Signs of a possible new peace deal in North Waziristan first arose with January reports that the army had turned key checkpoints over to paramilitary forces as part of a “realignment” spurred by an allegedly improved situation. Weeks later, a spokesman for the militants said a shura (council meeting) chaired by Baitullah Mehsud decided to call a ceasefire. The Pakistani army denied any ceasefire was in place, but witnesses reported that army checkpoints were being dismantled, and the caretaker interior minister said the government was ready for “dialogue” with the militants.64 The State Department response reiterated a U.S. belief that past agreements with tribal leaders had not produced the desired results.

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 2007 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.”65 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.”66 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.” President Musharraf government claimed in January 2008 that Pakistan had killed or neutralized 700 Al Qaeda “leaders.”67 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 eroded legitimacy.68 In 2008, Al Qaeda appears to be increasing its

68 “Gates: Pakistan an Al Qaeda Target,” Washington Post, December 22, 2007; “Pakistan (continued...
influence among the myriad Islamist militant groups operating along the Pakistan-Afghanistan border.69

**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 2007, 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.70 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. Taliban forces have interdicted NATO supplies as they crossed through Pakistan to Afghanistan, most recently with a late March attack that left 25 fuel trucks destroyed and at least 50 people injured.71

At a January 2008 House Armed Services Committee hearing on Afghanistan, three nongovernmental expert witnesses expressed an opinion that success in Afghanistan can only come through the close engagement and cooperation of Pakistan and that the key to stabilizing Afghanistan is to improve the longstanding animosity between Islamabad and Kabul.72 The Pakistan army has deployed some 100,000 regular and paramilitary troops in western Pakistan in response to the surge in militancy there. 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.73 The army also is suffering from a raft of recent suicide

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68 (...continued)

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.

Pakistan’s mixed record on battling Islamist extremism includes an ongoing
apparent tolerance of Taliban elements operating from its territory. The “Kandahari
clique” reportedly operates not from Pakistan’s tribal areas, but from populated areas
in and around the Baluchistan provincial capital of Quetta. Many analysts believe
that Pakistan’s intelligence services know the whereabouts of these Afghan Taliban
leadership elements and likely even maintain active contacts with them at some level
as part of a hedge strategy in the region.

U.S.-Pakistan Counterterrorism Cooperation

Increasing Islamist militancy in Pakistan has elicited acute U.S. government
attention and multiple high-level visits. In January, America’s two top intelligence
officials undertook a “secret” trip to Islamabad. Director of National Intelligence
McConnell and CIA Director Michael Hayden reportedly made an effort to convince
President Musharraf to allow expanded direct U.S. military presence in his country.
At month’s end, the Chairman of the U.S. Joint Chiefs of Staff, Gen. Mullen, was in
Islamabad to meet with top Pakistani officials, including President Musharraf and
Gen. Kayani, to discuss new ways to bolster joint counterterrorism cooperation, such
as offers to Pakistan of expanded counterinsurgency training, and vital equipment
such as transport helicopters and communications and surveillance gear. The United
States might even seek to deploy a limited number of its own Special Forces troops
to Pakistan.

With a drastic increase in violent attacks in Pakistan in the latter half of 2007
— especially those targeting the country’s security forces — Pakistan’s military
leadership may take a more welcoming view of U.S. offers of direct military

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74 In the most egregious example of the latter development, in August 2007, 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.

75 “Kidnapings and Suicide Attacks Shake Morale of Pakistan’s Armed Force,” Times of

76 See, for example, Ashley Tellis, “Pakistan’s Mixed Record on Anti-Terrorism”
(interview), February 6, 2008, at [http://www.cfr.org/publication/15424].


government also is assisting Pakistan’s military with counterinsurgency training (“UK Helps
assistance in battling religious militancy. Some reports suggest that U.S. officials continue to be frustrated by signs that the Pakistani military is slow to shift away from a conventional war strategy focused on India and they have made clear that the United States stands ready to assist Pakistan in “reorienting” its army for counterinsurgency efforts.79 The Pentagon’s top official for special operations has suggested that U.S. special operations or even conventional forces could become involved in joint operations with Pakistani forces in the FATA “in a low-visibility manner.”80 Reported U.S. deployments in Pakistan include some 30 military trainers, a number that may grow to 100 by mid-2008. The trainers are said to be restricted to training compounds, but with Pakistani consent could eventually go into the field with Pakistani troops “to the point of contact” with militants.81 The United States also currently is building two new coordination and intelligence-sharing centers on the Afghan side of the shared border near the Khyber Pass. Four more such sites reportedly are being considered.82 The now explicit U.S. readiness to increase bilateral counterterrorism cooperation is described by some as being expressed to Islamabad in the form of “pressure.” President Musharraf adamantly rejects suggestions that U.S. troops could be more effective than Pakistanis in battling Islamist militants and he insists that a direct U.S. military presence in Pakistan is neither necessary nor acceptable. Instead, he urges the United States to increase its troops levels in Afghanistan.83

Missile strikes in Pakistan launched by unmanned American Predator aircraft have been a controversial, but sometimes effective tactic against Islamist militants in remote regions of western Pakistan. By some accounts, U.S. officials in January reached a quiet understanding with President Musharraf to allow for increased employment of U.S. aerial surveillance and Predator strikes against suspected terrorist targets on Pakistani territory. With the defeat of Musharraf-allied parties in Parliament, many in Washington are concerned that this new policy will be


80 U.S. military forces operating in the FATA would likely face significant resistance from well-armed tribesmen with a proud martial history. The military strength of the FATA tribes is unclear, but one estimate counts some 200,000 young, unemployed males who could be considered potential fighters, especially against what was perceived to be a foreign invasion. Also among the radical Islamist militants operating in the FATA are an estimated 2,000 battle-hardened Uzbeks (Brian Cloughley, “Insurrection in Pakistan’s Tribal Areas,” Pakistan Security Research Unit Brief 29, January 24, 2008; “Open Borders and the Militant Uzbeks of Pakistan,” Jane’s Intelligence Digest, January 25, 2008).


Three Predators are said to be deployed at a secret Pakistani airbase and can be launched without specific permission from the Islamabad government (Pakistan officially denies the existence of any such bases). Pentagon officials eager to increase the use of armed drones in Pakistan reportedly meet resistance from State Department diplomats who fear that Pakistani resentments built up in response to sovereignty violations and to the deaths of women and children are harmful to U.S. interests, outweighing potential gains.

Neither Washington nor Islamabad will offer official confirmation of Predator strikes on Pakistani territory and there are conflicting open-source reports on the question of the Pakistani government’s explicit or tacit permission for such operations. A January 2008 strike reportedly was planned and executed without the involvement of Pakistan authorities, who were notified only when the attack was underway. After some two years without scoring a notable success against Al Qaeda forces in Pakistan, on January 29, 12 alleged militants were killed in a reported missile strike in a remote area of North Waziristan. Among the dead in the apparent Predator attack was Abu Laith al Libi, a Libyan national said to be top Al Qaeda commander.

Other Recent Developments

- On March 27, some 40 people were reported killed in two days of sectarian violence in the NWFP near Kohat.
- On March 25, President Bush waived democracy-related aid sanctions on Pakistan for FY2008, saying such a waiver will facilitate the transition to democratic rule in Pakistan and is important to U.S. counterterrorism efforts.
- On March 20, a suicide car bomber killed five Pakistani soldiers in South Waziristan near the Afghan border.
- On March 16, up to 20 people were reported dead following a missile strike on a house in South Waziristan. Among those killed in the possible Predator drone attack were numerous Pakistani, Arab, and other foreign Islamist militants.
- On March 15, an explosion at an Islamabad restaurant popular with foreign diplomats killed a Turkish national and injured 11 other people, including four American FBI agents.
- On March 13, S. 2776, to provide duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan, and for other purposes, was introduced in the Senate.


On March 12, **H.Res. 1044**, condemning the dismissal of the Supreme court in Pakistan and calling for their reinstatement by the government of Pakistan, was introduced in the House.

On March 11, the U.S. State Department released its annual *Country Reports on Human Rights Practices* report, which found that the human rights situation in Pakistan “worsened” during 2007.

Also on March 11, two apparently synchronized bomb attacks on government targets in Lahore left 31 people dead, including 12 Federal Investigation Agency officials, and nearly 200 more injured.

On March 4, two suicide bombers attacked Pakistan’s naval war college, killing at least four other people, including three members of the navy.

On March 2, at least 42 people were killed when a bomb exploded at a gathering of anti-militant tribal elders in the NWFP.

On February 29, some 46 people were killed when a suicide bomber attacked a funeral for a slain policeman in the Swat Valley.

On February 28, the Senate Foreign Relations Committee held a hearing on Pakistan.

Also on February 28, up to 13 people were killed in a reported missile strike in South Waziristan. Among those killed in the possible Predator drone attack were 8 suspected Islamist militants.

On February 25, a suicide car bomb attack in Rawalpindi killed a Pakistani army general and three others.

Also on February 25, up to one dozen gunmen attacked the office of a British-based aid group north of the Pakistani capital and killed four local staff before escaping.

February 16, a suicide bomber killed at least 39 people in an attack on PPP rally in the Kurram tribal agency.

On February 11, senior Taliban commander Mullah Mansour Dadullah was wounded and captured by Pakistani security forces along with five other Taliban fighters in Baluchistan.

Also on February 11, Pakistan’s Ambassador to Afghanistan was reported missing and feared abducted in the Khyber tribal agency.

On February 4, a suicide bomber killed at least eight people in an attack on an army bus in Rawalpindi.

On January 29, the House Government Reform and Oversight Subcommittee on National Security and Foreign Affairs held a hearing on Pakistan, during which Assistant Secretary of State for South and Central Asia Boucher discussed the outlook for impending Pakistan elections.

Also on January 29, 12 people were killed in a reported missile strike in a remote area of North Waziristan. Among the dead in the possible Predator drone attack was alleged top Al Qaeda commander Abu Laith al Libi.

On January 22, the Commander of the U.S. Central Command, Adm. William Fallon, met with top Pakistani leaders in Islamabad.

On January 20, President Musharraf began an eight-day visit to Europe that included meeting with top government officials in Brussels, Paris, Davos, and London.
On January 17, a suicide bomber killed 12 people at a Peshawar mosque.

On January 16, **H.Res. 912**, condemning the assassination of Benazir Bhutto, urging the pursuit of democracy in Pakistan, expressing support for freedom of speech and judicial independence there, and reaffirming the U.S. commitment to assist the people of Pakistan, was passed by the House.

On January 10, a suicide bomber killed at least 23 police officers near the Lahore High Court building.

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.

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 pledged for 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.

U.S. disengagement from Pakistan (and Afghanistan) after 1990 had serious and lasting effects on Pakistani perceptions. Even retired Army Chief and U.S. ally President Musharraf himself repeatedly has voiced a narrative in which Pakistan joined the United States to “wage a jihad” in Afghanistan in the 1980s, only to see “disaster” follow when the “military victory was bungled up” and the United States then left the region “abandoned totally.” When combined with ensuing sanctions on U.S. aid, this left many Pakistanis with the sense they had been “used and ditched.”

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 2004. A Congressional Pakistan Caucus was formed that same year 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.

Today, 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.87

Political Setting88

Pakistan’s political history is a troubled one, marked by tripartite power struggles among presidents, prime ministers, and army chiefs. Military regimes have 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.89

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

87 See [http://usembassy.state.gov/pakistan/h06030404.html].
88 See also CRS Report RL32615, Pakistan’s Domestic Political Developments, and CRS Report RL34335, Pakistan’s Scheduled 2008 Elections.
A new civilian government was seated — Prime Minister M.Z. Jamali was replaced with Musharraf ally Shaukat Aziz in August 2005 — but it remained weak. In apparent contravention of democratic norms, Musharraf continued to hold the dual offices of president and army chief. Many figures across the spectrum of Pakistani society at first 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 suffered following multiple 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 most recent parliamentary elections took place on February 18, 2008. President Bush had predicted the polls would be “an important test of Pakistan’s commitment to democratic reform” and, during his 2006 visit to Islamabad, said President Musharraf understood the elections “need to be open and honest.” In October 2007, Secretary of State Rice repeated the admonition, saying the expected polls would be “a real test” of the Islamabad government’s commitment to democratization and that the U.S. government was “pressing that case very hard.” The Chairman of the Senate Foreign Relations Committee, Senator Joe Biden, warned President Musharraf in December there would be “consequences” if slated elections were 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 November resignation from the army. In assuming his new role, Kayani vowed to press ahead with Pakistan army efforts to root out extremists from western Pakistan. He 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 some 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.” New Delhi continues to blame Pakistan for maintaining an “infrastructure of terror” and for actively supporting terrorist groups such as Jaish-e-Mohammed and Laskar-e-Taiba that are held responsible for attacks inside India.

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 September meeting on the sidelines of a Nonaligned Movement summit in Cuba, 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, 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 February, 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 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 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.94 Political turmoil and uncertainty arose in Islamabad around that same time, however, and led to 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.”95 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 that month, 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.

With President Musharraf’s early November 2007 imposition of a state of emergency and growing instability and insecurity in Pakistan, the bilateral peace process ground to a seemingly temporary halt. India has watched Pakistan’s 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. Moreover, interstate relations may be sufficiently improved and “de-hyphenated” that acute Indian concerns shown in the past are no longer elicited. In February 2008, the head of Pakistan’s new coalition-leading PPP, Asif Zardari, caused a stir when he suggested that Pakistan-India relations should not be hindered by differences over Kashmir, thus appearing to contradict a long-standing Pakistani position that Kashmir represents the “core issue” in bilateral relations. Zardari was quoted as saying, “people-to-people contacts should be improved, then trade” and Kashmir “is a situation [on which] we can agree to disagree.” India’s leadership, for its part, has offered to work with the new Pakistani government in the interests of collective security and prosperity.

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 early 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. New Delhi’s willingness to participate appeared to wane in the later half of 2007, but there reportedly are plans to re-engage talks during a planned April 2008 Pakistan trip by India’s oil minister. 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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98 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
a declaration that included plans for dialogue with “the opposition,” i.e., the Taliban. In December 2007, Karzai met with President Musharraf in Islamabad for a relatively cordial meeting after which the two men issued a joint statement reaffirming their commitment to intensifying counterterrorism cooperation. (see also “Infiltration into Afghanistan” section below).

The China Factor. Pakistan and China have enjoyed a generally close and mutually beneficial relationship over several decades. Pakistan served as a link between Beijing and Washington in 1971, as well as a bridge to the Muslim world for China during the 1980s. China’s continuing role as a major arms supplier for Pakistan began in the 1960s and included helping to build a number of arms factories in Pakistan, as well as supplying complete weapons systems. After the 1990 imposition of U.S. sanctions on Pakistan, the Islamabad-Beijing arms relationship was further strengthened (see CRS Report RL31555, China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues). Indian 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.102

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. There are indications Pakistan’s intelligence agencies have over time lost control of some of the religious militants it previously groomed to do its foreign policy bidding.103 In recent years, some Pakistani nationals and religious seminaries have been linked to Islamist terrorism plots in Western countries, especially the United Kingdom.104

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


104 Some more cynical observers — many of them Indian — identify 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; Wilson John, “Pakistan’s Drift Into Extremism and Its Impact,” Observer Research Foundation, January 8, 2008).
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.\textsuperscript{105}

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.\textsuperscript{106} 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.”\textsuperscript{107} The State Department’s \textit{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.”\textsuperscript{108} According to Under Secretary of State Burns in July 2007 testimony before the Senate Foreign Relations Committee,

\begin{quote}
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 safehavens 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.
\end{quote}

Although the United States lauded Islamabad’s anti-terrorism financing efforts earlier this decade, Under Secretary Burns also encouraged more energetic Pakistani action:

\begin{quote}
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
\end{quote}

\textsuperscript{105} Statement before the Senate Select Committee on Intelligence, January 11, 2007.
\textsuperscript{107} 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]).
\textsuperscript{108} See [http://www.state.gov/s/ct/rls/crt/2006/82734.htm].
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.109

Pakistan officials are resentful of criticisms and doubts about their commitment to the counterterrorist fight, and they aver that Western pressure on Pakistan to “do more” undermines their effort and has, in fact, fueled instability and violence.110

**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.111

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.112 President Bush has said he would order U.S. forces to enter Pakistan if he received good intelligence on Osama Bin Laden’s location.113

**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

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112 See, for example, “The Ongoing Hunt for Osama bin Laden,” *Newsweek*, September 3, 2007.
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 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.114 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.115

**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.116 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.  

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 and larger levies), and the reduction and ultimately full withdrawal of army troops.\footnote{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].}

The U.S. government offered cautious initial support for the new strategy.\footnote{“White House Backing New Plan to Defuse Insurrection in Pakistan,” \textit{McClatchy}, August 16, 2006.}

\textbf{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.\footnote{A translated version of the pact is at [http://www.pbs.org/wgbh/pages/frontline/taliban/etc/nwdeal.html].}

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-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.121 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.122 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. The now-defunct September 2006 Waziristan peace deal clearly failed to curb violence and religious militancy in the region and had no apparent effect on the continued cross-border movement of pro-Taliban forces into Afghanistan. Many analysts insist that any such future agreements of this nature are doomed to similar failure in the absence of substantive changes in Pakistan’s fundamental regional and domestic policies.123

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.124

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

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127 Statement of Prof. Marvin Weinbaum before the House Armed Services Committee, October 10, 2007.
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.\textsuperscript{130} 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.\textsuperscript{131}

**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 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.”\textsuperscript{132} 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


\textsuperscript{132} “We Have Credible Evidence: Manmohan,” *Hindu* (Madras), October 25, 2006; Pakistan Ministry of Foreign Affairs Media Briefing, October 2, 2006.
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.133

**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 kidnapping 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 the United States, were linked to Al Qaeda, as well as to indigenous militant groups, by U.S. and Pakistani officials.

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.134 Mehsud claims allegiance to Taliban chief Mullah Omar, but his espousal of a pan-Islamic jihad places him ideologically closer...
to Al Qaeda.\textsuperscript{135} In forging a February 2005 peace accord with Mehsud (a deal that collapsed after 31 months), the Islamabad government essentially ceded territorial control over parts of South Waziristan to the militant leader and several thousand of his loyal armed supporters. Some analysts believe that, by redirecting Pakistan’s internal security resources, an increase in militant 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.\textsuperscript{136}

\subsection*{Other Security Issues}

\textbf{Pakistan-U.S. Security Cooperation.} U.S.-Pakistan security cooperation accelerated rapidly after 2001, and President Bush formally designated Pakistan as 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.\textsuperscript{137}


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).

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).138

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

138 Data reported by the U.S. Department of Defense. See also CRS Report RS22757, U.S. Arms Sales to Pakistan.
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.” 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 “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. Fewer than 100 Americans reportedly have been engaged in training Pakistan’s elite Special Service Group commandos with a goal of doubling that force’s size to 5,000.

One former Pakistani police official, presently a Harvard-based analyst, 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

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140 “U.S. Aid to Pakistan Misses Al Qaeda Target,” Los Angeles Times, November 5, 2007.
“neo-Taliban” is not alien to Pakistan’s western regions but is, in fact, comprised of the tribals’ ethnolinguistic brethren.143

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.144

Renewed F-16 Sales and Congressional Concerns.145 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 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.


144 See, for example, Seth Jones, et al., “Securing Tyrants or Fostering Reform?,” RAND Corporation Monograph, January 7, ch. 6, 2007.

145 See also CRS Report RL33515, Combat Aircraft Sales to South Asia
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.

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

146 See also CRS Report RL32115, Missile Proliferation and the Strategic Balance in South Asia; and CRS Report RS21237, Indian and Pakistani Nuclear Weapons.
149 See also CRS Report RL32745, Pakistan’s Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission.
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 associates appear to have escaped law enforcement attention and could, after a period of lying low, resume their black-market business.” 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.

**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.

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150 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).

151 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).

152 See [http://www.iiss.org/publications/strategic-dossiers/nbm].

Most analysts appear to have concluded that the security of Pakistan’s nuclear weapons and facilities is 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.\textsuperscript{159} 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.”\textsuperscript{160} 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. Unsurprisingly, the Islamabad government angrily rejected such fears as unrealistic, but even some Pakistani commentators aver that such warnings should not be dismissed.\textsuperscript{161}

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. Kidwai claims that 10,000 soldiers are devoted to the task of guarding the country’s nuclear weapons. 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 would be crucial to the success of such efforts. Such reports may themselves antagonize Islamabad.\textsuperscript{162}

**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

\textsuperscript{159} See, for example, Andrew Koch and Kristin Rayhack, “Political Fallout: The Threat to Pakistan’s Nuclear Stability,” *Jane’s Intelligence Review*, January 1, 2008.


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 nonproliferation programs and regimes so it can finally move beyond the stigma of the A.Q. Khan era.163

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.164

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.165

**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 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

164 Text at [http://www.presidentofpakistan.gov.pk/FilesSpeeches/Addresses/1020200475758AMword%20file.pdf]

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 slowed the process in 2007.

**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 disproportionally 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 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 militancy. 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

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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.” The Pakistani criminal network involved in production, processing, and trafficking is described as being “enormous, highly motivated, profit-driven, ruthless, and efficient.” 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 though 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 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 politics.

170 “Bugti’s Killing Is the Biggest Blunder Since Bhutto’s Execution” (editorial), Daily Times (Lahore), August 28, 2006.
171 See also “Pakistan: The Forgotten Conflict in Balochistan,” International Crisis Group Asia Briefing No. 69, October 22, 2007.
172 See also CRS Report RL32686, Afghanistan: Narcotics and U.S. Policy.
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.175

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).176 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 liberals and Westernized elites on the other side.”177 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.178

175 In a late 2007 public opinion survey, 48% of Pakistani respondents completely agreed that “religion and government should be separate,” up from only 33% in 2002 (see [http://pewglobal.org/reports/pdf/258.pdf]).
176 Author interviews in Islamabad, September 2006.
177 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).
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, renewinganimosity 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).179

Another public opinion survey, conducted in January 2008, found nearly three-quarters of Pakistanis agreeing that religious extremism represented a serious problem for their country, yet only one-third supported Pakistani army operations against religious militants in western Pakistan, and a scant 9% thought Pakistan should cooperate with the United States in its “war on terror.”180

**Pakistan’s Religious Schools (Madrassas).**181 Afghanistan’s Taliban movement itself began among students attending Pakistani religious schools
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.”

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.

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. 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 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.

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. Some observers

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186 See “Pakistan: Reforming the Education Sector,” International Crisis Group Report 84, October 7, 2004; “Radical Teachings in Pakistan Schools,” *Boston Globe*, September 29, 2006. Author interviews with Pakistani government officials and scholars have tended to (continued...)
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. 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. In the lead-up to Pakistan’s February 2008 parliamentary elections, 16 of the country’s major parties committed to raising the federal education budget to 4% of GDP, up from the current 2.4%.

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. About $256 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**

**Democracy and Governance.** 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 2008, and for the ninth 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 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.

191 Hasan-Askari Rizvi, “Towards a Solution of the Present Crisis” (op-ed), Daily Times (continued...)
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.”  

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.

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.

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. 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.

In an indication that the Commission’s credibility remained in doubt, former Prime Minister 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 — has sought greater U.S. support for Pakistani democratization and warned that the space in which they were being

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191 (...continued)  
192 Peter Beinart, “How to Deal with Dictators” (op-ed), Time, July 26, 2007.  
allowed to operate was 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 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

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199 Teresita Schaffer, “Pakistan: Shrinking Control,” CSIS Commentary, May 18, 2007, is representative.

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 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

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203 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).

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 overemphasis 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.205

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.”206 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.207 Yet others opine that overt U.S. conditionality is unlikely to be effective and may only foster anti-U.S. resentments in Pakistan.208 One 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

204 (...continued)
6, 2008.
205 Statement of Husain Haqqani before the House Armed Services Committee, October 10, 2007.
206 See [http://www.state.gov/g/drl/rls/hrpt/2006/78874.htm].
208 See, for example, Lisa Curtis, Statement before the House Committee on Foreign Affairs Subcommittee on the Middle East and South Asia, January 16, 2008; Ashley Tellis, “Pakistan: Conflicted Ally in the War on Terror,” Carnegie Endowment Policy Brief 56, December 2007.
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 2008) determined that the human rights situation in Pakistan “worsened” during 2007, due primarily to President Musharraf’s six-week-long imposition of emergency powers and the attendant suspension of the constitution and dismissal of Supreme and High Provincial Courts. Along with concerns about these anti-democratic practices, the report lists extrajudicial killings, torture, and disappearances; “widespread” government and police corruption; lack of judicial independence; political violence; terrorism; and “extremely poor” prison conditions among the major problems.

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 regularly 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 promulgated during the rule of President General Zia ul-Haq 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 late 2006, the Hudood laws were amended in the Women’s Protection Act. President 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, in 2008, the State Department, while acknowledging that the Women’s Protection Act had improved conditions,
noted that rape, domestic violence, and abuse against women, such as honor crimes and discriminatory legislation that affected women, remain serious problems.212

**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.213

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.”214

**Press Freedom.** Press freedom and the safety of journalists recently have become major concerns in Pakistan, spurred especially by the 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 152rd 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. In May 2007, the New York-based Committee to Protect Journalists placed Pakistan sixth in a list of the ten countries where press freedom had most deteriorated since 2002.215 In early June, in apparent reaction to media coverage of rallies in support of Pakistan’s suspended Chief Justice, the Musharraf government issued an

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212 See [http://www.state.gov/g/drl/rls/hrprt/2007/100619.htm].
213 See [http://www.state.gov/g/drl/rls/irf/2007/90233.htm].
215 See [http://cpj.org/backsliders/index.html].
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. In its March 2008 human rights report, the State Department asserted that there was an increase in government arrests, harassment, and intimidation of journalists during 2007.

“Disappeared” Persons. According to the U.S. State Department, there was an increase of politically motivated disappearances in Pakistan in 2006 which continued in 2007, 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. Overall growth has averaged nearly 7% over the past five years. However, poverty remains widespread and presently high rates of domestic inflation (above 8%) have many analysts concerned about the country’s macroeconomic stability, with some observers warning that the domestic capacity to sustain growth does not exist. According to the World Bank, nominal GDP per capita in 2006 was only $771, even as poverty rates dropped from 34% to 24% in the first half of the current decade. 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

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216 See [http://hrw.org/english/docs/2007/06/06/pakist16084.htm].
217 See [http://usembassy.state.gov/pakistan/h07092101.html].
218 See [http://www.state.gov/g/drl/rls/hrrpt/2007/100619.htm].
the stimulus provided by reconstruction efforts. Even as the bulk of criticism of 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.²²¹

Pakistan’s political crises in 2007 harmed what had been a generally strong national economy. The country’s main stock market lost nearly 5% of its value when trading opened following the November 3 emergency imposition — the market’s worst-ever one-day decline — and the country’s attractiveness for foreign investors almost certainly has suffered with ensuing instability. In the wake of Bhutto’s killing, the market again fell by nearly 5%. Credible estimates have some $1.3 billion in damage being caused by rioting in the wake of Bhutto’s death. Food prices have spiked, contributing to inflationary pressures that have in turn sapped exports.²²²

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 2003.²²³

Pakistan’s real GDP grew by 7% in the fiscal year ending June 2007, driven by booming manufacturing and service sectors. Output from both of these 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 work force, 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.²²⁴

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 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 near 9% in December 2007. Inflationary pressures are projected to remain strong during 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.

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.
A 2008 report from the World Bank urged major efforts to strengthen Pakistan’s water, power, and transport infrastructure, finding that major inefficiencies were costing the country several percentage points in economic growth each year.

**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 export market, accounting for about one-quarter of the total. During 2007, total U.S. imports from Pakistan were worth just under $3.6 billion (down nearly 3% from 2006). Some 90% of this value came from purchases of textiles and apparel. U.S. exports to Pakistan during 2007 were worth some $2 billion (virtually unchanged from 2006). Civilian aircraft and associated equipment accounted for about one-quarter of this value; raw cotton is another notable U.S. export. Pakistan is the 59th largest export market for U.S. goods.

According to the 2008 National Trade Estimate of the U.S. Trade Representative (USTR), Pakistan has “progressively and substantially reduced tariffs and liberalized its import policies” over the past decade, though a number of trade barriers remain. While estimated trade losses due to copyright piracy in Pakistan were notably lower in 2005, business software and book piracy remains serious concerns. 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). From the USTR report:

The government of Pakistan continued to take noticeable steps during 2006 and 2007 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.

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

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amount doubling that of the previous year — but many investors remain wary of the country’s uncertain political-security circumstances. About one-third of the foreign investment value came from U.S.-based investors; much of the remainder originates in Saudi Arabia and other Persian Gulf states. Islamabad is eager to finalize a pending Bilateral Investment Treaty (BIT) 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, currently is under consideration by the 110th Congress (S. 2776).

The Heritage Foundation’s 2008 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 93rd out of 157 countries. The index identified restrictive trade policies, a heavy fiscal burden, weak property ownership protections, and limited financial freedoms. 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.

U.S. Aid and Congressional Action

U.S. Assistance. A total of about $16.5 billion in direct, overt 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 and reimbursements for military counterterrorism efforts, Pakistan has received or is set to receive nearly $11 billion, more than half of this in the form of coalition support reimbursements, with another $2.8 billion for economic purposes and $2 billion for security-related programs (see Table 2). As asserted by the Bush Administration, 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.


232 According to the U.S. Trade Representative, “a small but significant number of differences have persisted on issues of considerable importance to the United States and [BIT] negotiations are currently suspended” (USTR, 2008 Trade Policy Agenda and 2007 Annual Report, March 2008).

233 See [http://www.heritage.org/research/features/index/country.cfm?id=Pakistan].

234 See [http://www.transparency.org].

235 U.S. Department of State FY2008 Congressional Budget Justification for Foreign (continued...)
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. When additional funds for development assistance, law enforcement, earthquake relief, and other programs are included, the non-food aid allocation for FY2007 was $810 million. FY2007 was 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. A 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. 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. Islamabad is insisting that implementation is carried out wholly by Pakistani civil and military authorities and that U.S. aid, while welcomed, must come with no strings attached.

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, ran into political 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

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235 (...continued)
Operations (Revised), May 2, 2007.

236 The Foreign Operations FY2005 Appropriations bill (P.L. 108-447) established a new “base program” of $300 million for military assistance for Pakistan.


238 Statement of Acting Deputy USAID Administrator James Kunder before the Senate Foreign Relations Committee, December 6, 2007.


foreseeable future.\textsuperscript{241} In March 2008, more than two years after the initiative was announced, S. 2776, which would provide duty-free treatment for certain goods from designated ROZs in Afghanistan and Pakistan, was introduced in the Senate.

\textbf{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 post-2001 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.”\textsuperscript{242}

\textbf{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 $8.2 billion had been appropriated or authorized for FY2002-FY2008 Defense Department spending for coalition support payments to “key cooperating nations.” Pentagon documents show that disbursements of coalition support funds (CSF) to Islamabad — at an estimated $5.6 billion or an average of about $79 million per month — account for roughly four-fifths of these funds. The amount is equal to more than one-quarter of Pakistan’s total military expenditures. According to Secretary of Defense Gates, CSF funds have been used to support approximately 90 Pakistani army operations and help to keep some 100,000 Pakistani troops in the field in northwest Pakistan by

\begin{footnotes}
\item\textsuperscript{242} See [http://www.state.gov/p/sca/rls/rm/2007/96566.htm].
\end{footnotes}
paying for food, clothing, and housing. They also compensate Islamabad for ongoing coalition usage of Pakistani airfields and seaports.243

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 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 Consolidated Appropriations Act, 2008 (P.L. 110-161), appropriated $300 million in CSF for FY2008. The National Defense Authorization Act for FY2008 (P.L. 110-181) authorizes up to $1.2 billion for such purposes, $500 million less than the Administration request. The act also for the first time requires the Secretary of Defense to submit to Congress itemized descriptions of coalition support reimbursements to Pakistan.

Concerns have grown in Congress and among independent analysts that standard accounting procedures were not employed in overseeing these large disbursements from the U.S. Treasury. The State Department claims that Pakistan’s requests for CSF reimbursements are carefully vetted by several executive branch agencies, must be approved by the Secretary of Defense, and ultimately can be withheld though specific congressional action. 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.244

Possible Adjustments to U.S. Assistance Programs. Numerous commentators on U.S. assistance programs for Pakistan have recommended making 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.245 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.

243 Statement before the Senate Armed Services Committee, February 6, 2008.
245 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.

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:

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 more vocal in calling for conditions on further U.S. assistance in lieu of improvements in these areas.

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. One senior Washington-


250 See, for example, “Senate Leader Wants Bush to Pressure Pakistan,” Reuters, January 10, 2008.

251 See, for example, Daniel Markey, “A False Choice in Pakistan,” Foreign Affairs, July
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.\(^{252}\) 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.”\(^{253}\) 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.\(^{254}\)

**Coup-Related Legislation.** Pakistan’s October 1999 military coup triggered U.S. aid restrictions under Section 508 of the annual foreign assistance appropriations act. Post-September 2001 circumstances saw Congress take action on such restrictions. P.L. 107-57 (October 2001) waived coup-related sanctions on Pakistan through FY2002 and granted presidential authority to waive them through FY2003. A November 2003 emergency supplemental appropriations act (P.L. 108-106) extended the President’s waiver authority through FY2004. The foreign operations FY2006 appropriations bill (P.L. 109-102) extended it through FY2006. The Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) provided a further 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 six times, most recently in March 2008.\(^{255}\)

**Proliferation-Related Legislation.** Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan resulting from its

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\(^{251}\) (...continued)

2007.


\(^{254}\) “Pakistan Rejects Call for Conditions on U.S. Aid,” Reuters, January 11, 2008; State Department claim at [http://www.state.gov/p/sca/rls/rlm/2007/97946.htm].

\(^{255}\) See [http://www.whitehouse.gov/news/releases/2008/03/20080325-2.html].
nuclear weapons proliferation activities. After the September 2001 terrorist attacks on the United States, policymakers searched for new means of providing assistance to Pakistan. President Bush’s 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 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

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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.

**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.”
- Appropriates $300 million for FY2008 coalition support reimbursements to “Pakistan, Jordan, and other key cooperating nations.”

- Authorizes up to $75 million in FY2008 Section 1206 funding to enhance the counterterrorism capabilities of Pakistan’s paramilitary Frontier Corp. Such assistance is to provided in a manner that “promotes respect for human rights and fundamental freedoms and respect for legitimate civilian authority within Pakistan.”
- Authorizes 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.
- Withholds coalition support reimbursements to Pakistan unless the Secretary of Defense 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 ....”
- Requires 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.

H.Res. 912 (passed by the House on January 16, 2008):

- Condemns the assassination of Benazir Bhutto, urges the pursuit of democracy in Pakistan, expresses support for freedom of speech and judicial independence there, and reaffirms the U.S. commitment to assist the people Pakistan.


- Would provide duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan.
Table 2. Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2009  
(rounded to the nearest millions of dollars)

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

Abbreviations:

CN: Counternarcotics Funds
CSF: Coalition Support Funds
CSH: Child Survival and Health
DA: Development Assistance
ESF: Economic Support Fund
FC: Section 1206 of the NDAA for FY2008 (P.L. 110-181, Pakistan Frontier Corp train and equip)
FMF: Foreign Military Financing
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement (includes border security)
NADR: Nonproliferation, Anti-Terrorism, Demining, and Related<sup>b</sup>
Notes for Table 2:

a. CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations. It is not officially designated as foreign assistance, but is counted as such by many analysts.

b. The great majority of NADR funds allocated for Pakistan are for anti-terrorism assistance.

c. Congress authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of $1.48 billion in concessional debt to the U.S. government. From FY2005-FY2007, $200 million per year in ESF was delivered in the form of “budget support” — cash transfers to Pakistan. Such funds will be “projectized” from FY2008 on.

d. P.L.480 Title I (loans), P.L.480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs.

e. Includes $220 million for Peacekeeping Operations reported by the State Department.

f. Includes $25 million for Emergency Refugee and Migration assistance.

g. Although the Emergency Supplemental Appropriations Act, 2006 (P.L. 109-234) did not earmark International Disaster and Famine Assistance funds for Pakistani earthquake relief, it allocated sufficient funds to meet the Administration request of $70 million for this purpose; these are added to the total.

h. Includes CSF payments made through February 2008 for support provided through June 2007. The Department of Defense Appropriations Act, 2007 (P.L. 109-289) and an emergency supplemental appropriations act (P.L. 110-28) appropriated a total of $1.1 billion for FY2007 CSF payments to “Pakistan, Jordan, and other key cooperating nations.”

i. Division L of the Consolidated Appropriations Act, 2008 (P.L. 110-161), appropriated $300 million for FY2008 CSF payments. The National Defense Authorization Act for FY2008 (P.L. 110-181) authorizes up to $1.2 billion in total CSF payments to “any key cooperating nation” in connection with U.S. military operations in Iraq or Afghanistan. To date, no CSF requests have been made for FY2009.

j. This funding is “requirements-based” for “urgent and emergent threats and opportunities.” Thus, there are no pre-allocation data.
Figure 1. Map of Pakistan

Source: Map Resources. Adapted by CRS.