



Pakistan-U.S. Relations

K. Alan Kronstadt

Specialist in South Asian Affairs

July 1, 2009

Congressional Research Service

7-5700

www.crs.gov

RL33498

CRS Report for Congress

Prepared for Members and Committees of Congress

Summary

A stable, democratic, prosperous Pakistan actively combating religious militancy 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 praise Pakistan for its ongoing cooperation, although long-held 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, until recently, largely ineffectual counterinsurgency operations in the country's western tribal areas, where Al Qaeda operatives and pro-Taliban militants are said to enjoy "safe haven." U.S. officials increasingly are concerned that indigenous religious extremists represent a serious threat to the stability of the Pakistani state.

The United States strongly encourages maintenance of a bilateral cease-fire and a continuation of substantive dialogue between Pakistan and neighboring 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. The United States has been troubled by evidence of transfers of Pakistani nuclear technologies and materials to third parties, including North Korea, Iran, and Libya. Such evidence became stark in 2004, and related illicit smuggling networks may still be operative.

Pakistan's macroeconomic indicators turned positive after 2001, with some meaningful poverty reduction seen in this still poor country. However, conditions deteriorated sharply in 2008-2009. Democracy has fared poorly in Pakistan, with the country enduring direct military rule for more than half of its existence. In 1999, the elected government was ousted in a coup led by Army Chief General Pervez Musharraf, who later assumed the title of president. Musharraf retained the position as army chief until his November 2007 retirement from the military. Late 2007 instability included Musharraf's six-week-long imposition of emergency rule and the assassination of former Prime Minister and leading opposition figure Benazir Bhutto. However, February 2008 parliamentary elections were relatively credible and seated a coalition led by Bhutto's widower, Asif Zardari, and opposed to Musharraf's continued rule. Musharraf resigned the presidency in August and Zardari subsequently was (indirectly) elected as the new President. The Bush Administration determined in early 2008 that a democratically elected government was restored in Islamabad, thus permanently removing coup-related aid sanctions.

The Obama Administration states an intention to continue pursuing close and mutually beneficial relations with Islamabad. As part of its "new strategy" for Afghanistan, the Administration seeks development of a "more coherent" Pakistan policy to include tripling nonmilitary aid to improve the lives of the Pakistani people, as well as conditioning U.S. military aid to Islamabad on that government's progress in combating militancy and on democratization. A Special Representative was appointed to coordinate U.S. government efforts with both Pakistan and Afghanistan. Pakistan is among the world's leading recipients of U.S. aid and will by the end of FY2009 have obtained more than \$7.7 billion in overt assistance since 2001, including about \$4.6 billion in development and humanitarian aid. Pakistan also has received about \$7.2 billion in military reimbursements for its support of counterterrorism efforts. Congress in 2009 authorized large and sustained increases in bilateral assistance to Pakistan along with conditions on future security aid.

Contents

Introduction	1
Key Current Issues and Developments	3
The New U.S. Administration	3
The Appointment of a U.S. Special Representative	5
The Administration's Afghanistan-Pakistan Policy Review	6
May 2009 Trilateral Summit	8
Deteriorating Economic Circumstances	8
The Friends of Pakistan (FOP) Group	9
Increasing Islamist Militancy	10
Threats to Punjab and Sindh	12
Conflict in Western Pakistan and the Afghan Insurgency	13
Pro-Taliban Militants in the Tribal Agencies	16
The Swat Valley	19
Internally Displaced Persons (IDPs)	23
Questions About Pakistan's Main Intelligence Agency	27
Major Shift in Pakistani Attitudes Toward the Taliban	29
U.S. Policy and Bilateral Counterterrorism Cooperation	29
Cross-Border Coordination and U.S. Military Action	32
Unmanned Aerial Vehicle (UAV) Attacks	33
Deteriorated Relations With India	36
Pre-November 26 Pakistan-India Engagement	36
Mumbai Terrorism and Islamabad's Response	37
Fallout for Bilateral Relations	39
Implications for U.S. Interests	41
Selected Commentary on U.S. Policy Options	42
Setting and Regional Relations	44
Historical Setting	44
Political Setting	46
Musharraf's 1999 Coup d'Etat	46
The 2008 Democratic Revival	46
Role of the Pakistani Military	53
Regional Relations	55
Pakistan-India Rivalry	55
The "IPI" Pipeline Project	57
Afghanistan	58
China	60
Pakistan-U.S. Relations and Key Country Issues	61
Terrorism	62
Al Qaeda's Resurgence in Pakistan	64
Infiltration Into Afghanistan	66
Infiltration into Kashmir and India	68
Domestic Terrorism	69
Other Security Issues	70
Pakistan-U.S. Security Cooperation	70
Nuclear Weapons and Missile Proliferation	74
U.S. Nonproliferation Policy	79

Pakistan-India Tensions and the Kashmir Issue.....	80
Baluchistan Unrest	82
Narcotics	83
Islamization, Anti-American Sentiment, and Madrassas	84
Democratization and Human Rights	88
Democracy and Governance.....	88
Human Rights Problems.....	92
Economic Issues	94
Overview	94
Trade and Investment	97
U.S. Aid and Congressional Action	98
U.S. Assistance	98
Possible Adjustments to U.S. Assistance Programs	106
Coup-Related Legislation.....	108
Proliferation-Related Legislation.....	108
9/11 Commission Recommendations	109
Selected Pakistan-Related Legislation in the 110 th Congress	109
Selected Pakistan-Related Legislation in the 111 th Congress	111

Figures

Figure 1. Map of Pakistan	115
Figure 2. District Map of Pakistan's North West Frontier Province and Federally Administered Tribal Areas.....	116

Tables

Table 1. Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2010	113
--	-----

Contacts

Author Contact Information	116
----------------------------------	-----

Introduction

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; domestic political stability and democratization; nuclear weapons proliferation and security; human rights protection; and economic development. 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, and a failure to contribute sufficiently to the stabilization of neighboring Afghanistan. In the assessment of a former senior U.S. government official, “Pakistan is the most dangerous country in the world today. All of the nightmares of the 21st century come together in Pakistan: nuclear proliferation, drug smuggling, military dictatorship, and above all, international terrorism.”¹ Terrorist bombings and other militant attacks became a near-daily scourge in 2008 and continue at a high rate in 2009, with Islamist militancy spreading beyond western tribal areas and threatening major Pakistani cities. *Foreign Policy* magazine’s Failed State Index 2009 ranked Pakistan 10th in the world with a “critical” score, citing especially acute group grievances and factionalized elites.²

Pakistan suffered a series of destabilizing developments in 2007, including a months-long political crisis and a November emergency proclamation which severely undermined the status of the military-dominated government of then-President and Army Chief Gen. Pervez Musharraf; a surge in domestic Islamist militancy following the July denouement of a standoff involving Islamabad’s Red Mosque complex; and the December assassination of former Prime Minister and leading opposition figure Benazir Bhutto, who had returned to Pakistan from self-imposed exile only months earlier. These developments led many Washington-based analysts to more forcefully question the Bush Administration’s largely uncritical support for President Musharraf as a key

Pakistan in Brief

Population: 176 million; growth rate: 1.95% (2009 est.)

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

Capital: Islamabad

Heads of Government: President Asif Ali Zardari and Prime Minister Yousaf Raza Gilani (both of the Pakistan People’s Party)

Ethnic Groups: Punjabi 45%, Pashtun 15%, Sindhi 14%, Saraiki 8%, Muhajir 8%, Baloch 4%, other 6%

Languages: Punjabi 48%, Sindhi 12%, Saraiki 10%, Pashtu 8%, Urdu (official) 8%; Baluchi, English (official), and others 14%

Religions: Muslim 95% (Sunni 75%, Shia 20%), Christian, Hindu, and other 5%

Life Expectancy at Birth: female 66 years; male 64 years (2009 est.)

Literacy: 50% (female 36%; male 63%; 2005 est.)

Gross Domestic Product (at PPP): \$406 billion; per capita: \$2,440; growth rate 5.1% (2008)

Currency: Rupee (100 = \$1.21)

Inflation: 14.4% (May 2009)

Defense Budget: \$3.56 billion (2.8% of GDP; 2008)

U.S. Trade: exports to U.S. \$3.6 billion; imports from U.S. \$1.9 billion (2008)

Sources: CIA, The World Factbook; Departments of Commerce and State; Government of Pakistan; Economist Intelligence Unit; Global Insight; The Military Balance

¹ Bruce Riedel, “Pakistan and Terror: The Eye of the Storm,” *Annals of the American Academy of Political and Social Science*, 618, 31, July 2008.

² See the July 2009 index at http://www.foreignpolicy.com/articles/2009/06/22/the_2009_failed_states_index.

U.S. ally. Following February 2008 parliamentary elections that seated a coalition of former opposition parties vehemently opposed to Musharraf's continued rule, the U.S. government became more measured in its public posturing and, when Musharraf came under imminent threat of impeachment in August, the Bush Administration called his fate a matter of internal Pakistani politics. Abandoned by many political allies and even by his military successor, Musharraf made the decision to resign the presidency and exit Pakistan's political stage that month.

Islamabad's new civilian ruling dispensation was welcomed by U.S. leaders. In July 2008, President George W. Bush hosted Prime Minister Yousaf Raza Gilani at the White House, where the two leaders issued a joint statement reaffirming the U.S.-Pakistan "Strategic Partnership."³ In September, Benazir Bhutto's widower Asif Ali Zardari—a controversial figure long bedeviled by corruption charges who had taken the reins of her Pakistan People's Party (PPP) upon her demise—ascended to the Pakistani presidency with the congratulations of senior U.S. officials. Later that month, a third round of the Pakistan-U.S. Strategic Dialogue was held in Washington, where the two sides "reaffirmed their commitments to a wide-ranging, substantive, and long-term strategic partnership."⁴ President Zardari warns American audiences that failure to neutralize the militant threat in his country will have global repercussions and he requests immediate financial assistance along with increased trade to foster Pakistan's economic independence.⁵

There exist widely held suspicions among foreign governments and independent analysts alike that Islamabad's civilian leaders do not fully control the army, that the army does not fully control the intelligence agencies, and that these intelligence agencies have lost their ability to rein in the very militant groups they helped to create. Moreover, anti-American sentiments are deep and widespread in Pakistan, with a significant segment of the populace viewing years of U.S. support for President Musharraf and the Pakistani military as an impediment to, rather than facilitator of, the process of democratization there. Underlying this sentiment is a pervasive, but perhaps malleable perception that the United States is fighting a war against Islam.⁶ The Bush Administration continued to proclaim its ongoing support for Musharraf even after his imposition of emergency rule and the later sweeping rejection of his parliamentary allies by Pakistani voters. However, during the course of 2008, that Administration shifted its long-standing Pakistan policies, in particular on the issue of democratization. Still, many Pakistanis remained resentful of perceived U.S. interference and pressure. Many also have been hopeful that the new U.S. administration of President Barack Obama would be less overbearing in its dealings with Islamabad and do more to nurture Pakistan's nascent democratic institutions.⁷

³ See <http://georgewbush-whitehouse.archives.gov/news/releases/2008/07/20080728-5.html>. Gilani's visit was panned by many analysts, who saw the new Pakistani leader failing to impress audiences in both Washington and Islamabad, thus further straining already tense bilateral relations (see, for example, "Gilani's Poor Show in the US," *Jane's Foreign Report*, August 12, 2008).

⁴ See <http://2001-2009.state.gov/r/pa/prs/ps/2008/sep/110444.htm>.

⁵ Asif Ali Zardari, "The Frontier Against Terrorism" (op-ed), *Washington Post*, June 22, 2009.

⁶ Kenneth Ballen, "Bin Laden's Soft Support," *Washington Monthly*, May 2008. A mid-2009 opinion poll found fully 88% of Pakistani respondents believing it is a U.S. goal to weaken and divide the Muslim world (see http://www.worldpublicopinion.org/pipa/pdf/jul09/WPO_Pakistan_Jul09_rpt.pdf).

⁷ "Pakistanis Hope U.S. Under Obama Will Be Less Bossy," *Reuters*, November 5, 2008.

Key Current Issues and Developments

Pakistan's worsening economic conditions, fluid political setting, and perilous security circumstances make the job of U.S. decision makers difficult. On the economic front, the civilian government in Islamabad faces crises that erode its options and elicit growing public resentment. On the political front, an unprecedented ruling coalition including the country's two leading mainstream parties collapsed almost immediately upon the resignation of President Musharraf, without having enacted any major policies. A more narrow ruling coalition then narrowly survived a March 2009 crisis. On the security front, Pakistan is the setting for multiple armed Islamist insurgencies, some of which span the border with Afghanistan and contribute to the destabilization of that country. Al Qaeda forces remain active on Pakistani territory.

In September 2008, at least 53 people were killed and hundreds wounded when a suicide truck bomber attacked the Marriott hotel in Islamabad. Pakistani officials suspect Taliban militants based in western tribal areas of perpetrating the bombing. The attack—called “Pakistan's 9/11” by some observers—spurred numerous commentaries arguing that the “war on terrorism” could no longer be perceived as an “American war” as it clearly requires Pakistanis to fight in their own self-defense.⁸ In February 2009, pro-Taliban militants consolidated their positions in the Swat Valley, reached a peace accord with the government, and began incursions into the Buner district only 60 miles from Islamabad. Upon this accord's collapse in April, Pakistani security forces launched major and apparently successful offensive operations in the North West Frontier Province (NWFP), encouraging U.S. and other Western observers that Islamabad is willing to undertake sustained counterinsurgency and counterterrorism efforts, perhaps with the broader support of the Pakistani public, which may have a newly negative attitude toward indigenous religious extremists. Government military operations in northwestern Pakistan have created up to 3 million internally displaced persons in less than one year.

The New U.S. Administration

A key aspect of the Obama Administration's new approach to Pakistan is the development of a more coherent policy, to include conditioning U.S. military aid to Islamabad on that government's progress in combating militancy and also the tripling of nonmilitary aid to improve the lives of the Pakistani people, with a particular focus on the FATA region. President Obama, Vice President Joseph Biden, and Secretary of State Hillary Clinton all supported the Enhanced Partnership With Pakistan Act of 2008 (S. 3263) as Senators in the 110th Congress, and they encourage the 111th Congress to pass a new version of that legislation in the 111th Congress (S. 962).⁹ Another Pakistan-specific bill, the Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (H.R. 1886) was passed by the full House in June 2009.

Even as President-elect, Barack Obama asserted that Afghanistan cannot be “solved” without “solving Pakistan” and working more effectively with that country, saying he thinks Pakistan's

⁸ See, for example, “Admit It: This is Pakistan's War” (editorial), *News* (Karachi), September 22, 2008.

⁹ See Secretary of State Clinton's confirmation hearing statements at <http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf>.

democratically elected government understands the threat and will participate in establishing “the kind of close, effective, working relationship that makes both countries safer.”¹⁰

Pakistani President Zardari said his country looked forward to a “new beginning” in bilateral relations, but repeated his admonition that Pakistan “needs no lectures on our commitment [to fighting terrorism]. This is our war.” He has asked the Obama Administration to strengthen Pakistan’s democracy and economic development in the interest of fighting extremism.¹¹ Despite Pakistani hopes that President Obama will more energetically engage diplomatic efforts to resolve the Kashmir problem, the Administration has offered no public expressions of support for such a shift. Secretary of State Clinton has recognized the dangers of rising tensions in Kashmir while also deferring calls for greater U.S. involvement there, saying the U.S. role will continue to be as it was under the previous Administration: settlement facilitation, but no mediation.¹²

In what many observers considered to be a bracing U.S. government wake-up call to Islamabad, Secretary Clinton told a House panel in April that “the Pakistani government is basically abdicating to the Taliban and to the extremists.” Secretary of Defense Robert Gates followed with his own warning that U.S.-Pakistan relations could suffer if Islamabad did not “take appropriate actions” to deal with the militant threat.¹³ Days later, President Obama himself expressed “grave concern” about the situation in Pakistan, offering that the “very fragile” civilian government there did not appear to have the capacity to deliver basic services to the Pakistani people. He further stated that this lack of capacity makes it difficult for the government to gain the support and loyalty of its people. He did, however, acknowledge that the Pakistani military was showing more seriousness in addressing the threat posed by militants.¹⁴

Pakistani Army Chief Gen. Ashfaq Pervez Kayani issued a rare public statement of reaction to the U.S. criticisms, condemning the “pronouncements by outside powers raising doubts on the future of the country.” Shortly after, the Pakistani Ambassador to the United States, Husain Haqqani, penned an article in which he downplayed fears of an extremist takeover in Pakistan and called the “panicked reactions” in the U.S. media counterproductive to the cause of strengthening Pakistani democracy or facilitating the counterterrorism effort. He warned that “ordinary Pakistanis are beginning to wonder if our alliance with the West is bringing any benefits at all.”¹⁵

The Obama Administration’s tone shifted after Pakistani forces launched major offensive operations against Taliban militants in the Swat Valley later in April. Visiting Islamabad and the camps of internally displaced persons in early June at the specific request of President Obama, Special Representative Richard Holbrooke saw Pakistan having turned a corner in both public attitudes toward the militants and in the military’s offensive posture in western regions. Secretary Clinton also expressed being “incredibly heartened by the resolve shown by the Pakistani people, government, and military.” Pentagon officials say they are “encouraged” by the Pakistani military effort, asserting that “sustained operations” will be key to success. In this regard, they look

¹⁰ See the December 7, 2008, “Meet the Press” transcript at <http://www.msnbc.msn.com/id/28097635>.

¹¹ Asif Ali Zardari, “Partnering With Pakistan” (op-ed), *Washington Post*, January 28, 2009.

¹² See <http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf>.

¹³ Transcript: House Committee on Foreign Affairs Holds a Hearing on “New Beginnings: Foreign Policy Priorities in the Obama Administration,” April 22, 2009; “Pentagon Chief in Taliban Warning,” BBC News, April 23, 2009.

¹⁴ “Obama Transcript: First 100 Days,” CNN.com, April 29, 2009.

¹⁵ “Pakistan Army Chief Hits Back at US Criticism,” *Financial Times* (London), April 27, 2009; Husain Haqqani, “How Pakistan is Countering the Taliban” (op-ed), *Wall Street Journal*, April 29, 2009.

favorably upon signals that Pakistan has undertaken “fairly significant combat operations in South Waziristan.”¹⁶

The Appointment of a U.S. Special Representative

Two days after taking office, President Obama announced the appointment of former Clinton Administration diplomat Richard Holbrooke to be Special Representative to Afghanistan and Pakistan. Holbrooke’s central task will be to coordinate across the entire U.S. government to achieve U.S. strategic goals in the region. Secretary of State Clinton strongly recommended such an appointment on the grounds that Afghan-Pakistani relations were troubled and required special attention from Washington.¹⁷ In accepting the job, Holbrooke called the Pakistan situation “infinitely complex” and noted the need to coordinate what he called a “clearly chaotic foreign assistance program.”¹⁸ Prior to the announcement, there was speculation that the new U.S. President would appoint a special envoy to the region with a wider brief, perhaps to include India and even Kashmir. Upon persistent questioning, a State Department spokesman insisted that Holbrooke’s mandate is “strictly” limited to dealing with “the Pakistan-Afghanistan situation.”¹⁹ Even some Pakistani analysts see Holbrooke’s leverage in Islamabad as being inherently limited by the omission of India from his brief.²⁰

Given Ambassador Holbrooke’s reputation as a “bulldozer” with strong and sometimes negative views about South Asia’s circumstances, his appointment caused some consternation in the region.²¹ One senior analyst—seeing “dim and dismal” prospects for Holbrooke—predicted that efforts to get Islamabad to finally shut down militant sanctuaries on Pakistani territory will be the single hardest test of the Special Representative. Indeed, a key task for Holbrooke may be determining whether Pakistan’s security establishment continues to see a strategic interest in maintaining links with Islamist extremist groups or whether lack of capacity for dealing with such groups is the crux of the problem. Other analysts warn that the regional setting is not amenable to increased U.S. diplomatic engagement and/or pressure, and that U.S. involvement could even backfire by breeding resentments in regional capitals. These observers urge instead a measured approach focused on the creation of a coherent and comprehensive U.S. regional strategy.²²

¹⁶ See the June 5, 2009, State Department press release at <http://www.state.gov/p/sca/rls/remarks/124399.htm>; “Clinton Hails Pakistani Resolve in Battling Taliban,” *USA Today*, June 2, 2009; see the June 8, 2009, Defense Department press release at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4430>; “U.S. Sees New Pakistan Combat Drive in Waziristan,” Reuters, June 8, 2009.

¹⁷ “Special Representative Holbrooke’s Role in Afghanistan and Pakistan” at <http://2001-2009.state.gov/secretary/rm/2009a/02/116314.htm>.

¹⁸ See <http://2001-2009.state.gov/secretary/rm/2009a/01/115297.htm>. In 2008, Holbrooke penned a *Foreign Affairs* article in which he declared that Afghanistan and Pakistan “now constitute a single theater of war.” Among the major problem areas identified with regard to U.S. efforts in Afghanistan, he called pacifying the “insurgent sanctuaries” in Pakistan’s tribal areas as being the toughest, noting that “Pakistan can destabilize Afghanistan at will—and has” (“Mastering a Daunting Agenda,” *Foreign Affairs*, September/October 2008).

¹⁹ See <http://2001-2009.state.gov/r/pa/prs/dpb/2009/jan/115448.htm>.

²⁰ Moeed Yusuf, “Welcome to South Asia, Mr. Holbrooke!” (op-ed), *Friday Times* (Lahore), February 6, 2009.

²¹ “New Envoy Unnerves South Asia,” *Los Angeles Times*, February 2, 2009; “South Asian Chasm of Mistrust Awaits Obama’s Envoy,” Reuters, February 8, 2009.

²² “For Holbrooke, Situation in Pakistan, Afghanistan is ‘Dim and Dismal’” (interview with Bruce Riedel), Council on Foreign Relations, January 28, 2009; “US Envoy Faces Tough S Asia Test,” BBC News, February 11, 2009; Daniel Markey, “So You Want to Be a Special Envoy,” *Foreign Policy* (online), January 2009.

Ambassador Holbrooke has made multiple trips to the region in 2009. His maiden visit was made to “listen and learn the ground realities.” In Islamabad, the Ambassador heard expected requests for more U.S. assistance, as well as what was reported to be “universal” opposition to Predator strikes on Pakistani territory.²³ In April, Holbrooke and Adm. Mullen traveled together for meetings with senior officials in Pakistan, where they reportedly sought to get Pakistan to step up its fight against Islamist militants. By some accounts, the duo was coolly received by Pakistani leaders who resent ongoing unmanned aerial vehicle (UAV) attacks and criticisms of the Inter-Services Intelligence agency.²⁴ When the visit continued in New Delhi, Holbrooke sought to forge unified purpose by identifying “a common threat, a common challenge, a common task” facing the United States, Pakistan, and India alike. Indian audiences can be skeptical of such a tack, given pervasive sentiments there that the Pakistani government is a fomenter, rather than pure victim, of Islamist extremism.²⁵

The Administration’s Afghanistan-Pakistan Policy Review

In February, President Obama assigned former CIA official and current Brookings Institution scholar Bruce Riedel to lead a review that would bring together various other U.S. government strategy proposals for Afghanistan and Pakistan. His co-chairs in the process were Special Representative Holbrooke and Undersecretary of Defense for Policy Michelle Flournoy.

In March, President Obama announced a new strategy for Afghanistan and Pakistan that conceives of the two countries as being part of “one theater of operations for U.S. diplomacy and one challenge for our overall policy.”²⁶ The strategy is rooted in the assumption that, “The United States has a vital national security interest in addressing the current and potential security threats posed by extremists in Afghanistan and Pakistan.” All elements of U.S. national power—including diplomatic, informational, military, and economic—are to be brought to bear in attaining the “core goal” of disrupting, dismantling, and defeating Al Qaeda and its safe havens in Pakistan, and in preventing their re-emergence in Pakistan or Afghanistan. To this end, the Administration intends to overcome the “trust deficit” the United States faces in the region and to “engage the Pakistani people based on our long-term commitment to helping them build a stable economy, a stronger democracy, and a vibrant civil society.”²⁷ As such, the Administration supports the Enhanced Partnership With Pakistan Act of 2009 (S. 962). It also supports congressional passage of legislation that would provide duty-free treatment for certain goods from designated “Reconstruction Opportunity Zones” in Afghanistan and western Pakistan.

There are seven key aspects of the new strategy for U.S.-Pakistan relations: (1) bolstering Afghanistan-Pakistan cooperation; (2) engaging and focusing Islamabad on the common threat posed by extremism; (3) assisting Pakistan’s capability to fight the extremists; (4) increasing and broadening assistance in Pakistan; (5) exploring other areas of bilateral economic cooperation; (6) strengthening Pakistani government capacity; and (7) asking for assistance from U.S. allies for

²³ See <http://islamabad.usembassy.gov/pakistan/press-releases-2009.html>; “In Pakistan, U.S. Special Envoy Finds Discontent,” *New York Times*, February 12, 2009.

²⁴ “US Pushes Pakistan to Boost Fighting of Militants,” Associated Press, April 6, 2009; “Holbrooke’s Visit,” *News* (Karachi), April 11, 2009.

²⁵ “U.S. Envoy Seeks Alliance With India and Pakistan Against Militants,” *New York Times*, April 9, 2009.

²⁶ “Administration Officials Hold a News [sic] on the Administration’s Interagency Policy Review on Pakistan and Afghanistan,” *CQ Transcriptions*, March 27, 2009.

²⁷ See the “White Paper” at http://www.whitehouse.gov/assets/documents/Afghanistan-Pakistan_White_Paper.pdf.

both Afghanistan and Pakistan.²⁸ The Administration thus supports a policy that would significantly increase nonmilitary aid to Pakistan and that would establish as yet undetermined “benchmarks” for measuring Islamabad’s success in combating extremism. President Obama stated that “we must focus our military assistance on the tools, training, and support that Pakistan needs to root out the terrorists. After years of mixed results, we will not provide a blank check.”²⁹ Performance benchmarks for military aid are likely to concentrate on measures of violence. A process for establishing benchmarks was only just beginning as of late March, but the Administration intends to establish these “across the board.”³⁰

Ambassador Holbrooke has asserted that, of the many challenges faced by the Administration in formulating its “AfPak” policy, the most daunting is dealing with western Pakistan and the “red lines” set by Islamabad barring foreign troops from operating there.³¹ Holbrooke believes the new approach differs from that of the previous Administration in its aim of better integrating “stove-piped” policies, in its greater resource endowment, and in its proposed effort to more directly counter the propaganda of Islamist radicals in the region. Senate Foreign Relations Committee Chairman Senator John Kerry welcomed the new strategy as “realistic and bold.” House Foreign Affairs Committee Chairman Representative Howard Berman also voiced strong support for the President’s plan to boost civilian assistance efforts in Pakistan and Afghanistan. President Zardari called the strategy “positive change” and welcomes increased U.S. aid as the best way to combat militancy.³² Even well before the U.S. President announced the new regional strategy, Islamabad had expressed support for a regional approach emphasizing reconstruction and development, and warned that a past overemphasis on the military dimension had not proven fruitful.³³

Some analysts worried that the new strategy was in trouble even before its unveiling, as a weakened Pakistani government might be unable to serve as a viable counterpart in implementation.³⁴ In April, when asked by a Senate panel how the Administration would know if its new strategy was working, Under Secretary of Defense Fournoy said there were “some very broad metrics” for Pakistani counterinsurgency and counterterrorism efforts, and she promised that “in a very short amount of time” the Administration would provide details about more specific metrics. There are in Washington some analysts who argue that U.S. success in Afghanistan will require taking a far harder line with the Pakistani military than has been the case to date, perhaps by threatening to cut off all aid to compel better cooperation.³⁵

²⁸ Ibid.

²⁹ President’s speech at <http://blogs.wsj.com/washwire/2009/03/27/obama-announces-new-strategy-for-afghanistan-and-pakistan>.

³⁰ “Administration Officials Hold a News [sic] on the Administration’s Interagency Policy Review on Pakistan and Afghanistan,” *CQ Transcriptions*, March 27, 2009.

³¹ Ibid.

³² “President Obama’s Afghanistan- Pakistan (AFPAK) Strategy,” U.S. Department of State Foreign Press Center briefing, March 27, 2009; “Interview with Amb. Holbrooke and Gen. Petraeus,” Jim Lehrer Newshour (PBS) transcript, March 27, 2009; Sen. Kerry’s statement at <http://kerry.senate.gov/cfm/record.cfm?id=310648>; Rep. Berman’s statement at http://www.internationalrelations.house.gov/press_display.asp?id=603; “Pakistan’s President Praises Obama and Offers New Concession to Opposition,” *New York Times*, March 28, 2009.

³³ See http://www.mofa.gov.pk/Press_Releases/2009/Feb/PR_62_09.htm.

³⁴ “Pakistani Political Crisis Jeopardizes U.S. Regional Strategy,” *Washington Post*, March 17, 2009; “Senate Armed Services Committee Holds Hearing on US Policy Toward Afghanistan and Pakistan,” *CQ Transcriptions*, April 1, 2009.

³⁵ See, for example, Selig Harrison, “Face Down Pakistani Army” (op-ed), *USA Today*, April 1, 2009.

U.S. policy options for addressing Pakistan's myriad problems are quite limited, and the United States seeks to fight Pakistani militants by proxy, "through an army over which it has little control, and in alliance with a government in which it has little confidence."³⁶ A pair of May opinion articles in the Hong Kong-based *Far Eastern Economic Review* contained harsh, and in some ways representative, criticism of the Pakistani government and the new U.S. strategy. One called President Obama's strategy "wholly inadequate" and said the real problem was Islamabad's lack of will, not lack of capacity. Another argued that massive new foreign aid is unlikely to produce positive results because Pakistan's central problem is a dysfunctional government that will not be repaired through infusions of foreign assistance, but rather requires the Pakistanis themselves to reform their own political system and restore the primacy of parliament.³⁷

May 2009 Trilateral Summit

Following a February trilateral meeting of top diplomats from the United States, Pakistan, and Afghanistan, Secretary of State Clinton announced that the format had proved valuable enough to continue on a regular basis.³⁸ On May 6 and 7, President Obama hosted the Pakistani and Afghan presidents in Washington, where he characterized their meeting as one of "three sovereign nations joined by a common goal": to permanently defeat Al Qaeda and its extremist allies in Pakistan and Afghanistan. The U.S. President expressed being pleased that his counterparts were serious in addressing the threat posed by such extremists, and he stated that such trilateral meetings would continue on a regular basis.³⁹ Secretary Clinton saw "very promising early signs" of improved trilateral cooperation, and said she was "quite impressed" by the recent Pakistani military operations.⁴⁰ Press reports suggested that President Zardari's meeting with the House Committee on Foreign Affairs left many Members confused and disappointed, with the Chairman quoted as saying Zardari "did not present a coherent strategy for the defeat of the insurgency."⁴¹

Deteriorating Economic Circumstances⁴²

Soaring inflation and unemployment, along with serious food and energy shortages, have elicited considerable economic anxiety in Pakistan. Such concerns weigh heavily on the civilian government. The Finance Ministry's most recent annual Economic Survey (June 2009) reported dismal economic performance, growing fiscal and current account deficits, rising external debt, dwindling foreign exchange reserves, and a depreciating currency.⁴³ Consumer prices in 2008 reached their highest levels since 1975, with an inflation rate above 25% for many months. The rupee's value hit record lows, down more than 20% against the U.S. dollar for the year, and net international reserves have declined by more than half in only one year to around \$7 billion. Two major international investor rating indices recently cut Pakistan's sovereign debt rating to

³⁶ "U.S. Options in Pakistan Limited," *Washington Post*, May 4, 2009.

³⁷ Jeff Smith, "Time to Get Tough With Pakistan" (op-ed), and Mosharraf Zaidi, "Pakistan Demands Money for Nothing" (op-ed), both in *Far Eastern Economic Review*, May 1, 2009.

³⁸ See <http://www.state.gov/secretary/rm/2009a/02/119864.htm>.

³⁹ See <http://www.gpoaccess.gov/presdocs/2009/DCPD-200900331.pdf>.

⁴⁰ White House press briefing, May 6, 2009.

⁴¹ "Emphasis on Al Qaeda at Three-Way Talks," *New York Times*, May 7, 2009.

⁴² See also "Economic Issues" section below and CRS Report RS22983, *Pakistan's Capital Crisis: Implications for U.S. Policy*.

⁴³ See http://www.finance.gov.pk/finance_economic_survey.aspx.

“negative.” Moreover, serious power shortages have led to nationwide outages, triggering protests that turned violent at times and further harmed the economy.⁴⁴ Such economic deterioration likely leads to an increase in the pool of potential recruits for extremist groups.⁴⁵

A senior International Monetary Fund (IMF) official saw Pakistan requiring “substantial external financing” to stabilize its economy. Estimates in the fall of 2008 had Pakistan urgently requiring at least \$4 billion to avoid defaulting on its balance of payments. Islamabad first looked to intergovernmental organizations such as the World Bank and to traditional close state allies such as China and Saudi Arabia. Meeting with no clear assurances, it then shifted attention to the recently created, informal “Friends of Pakistan” grouping of countries, which met in mid-November. Yet this “Plan B” also failed to generate the desired results.⁴⁶

As a fallback position, Pakistani leaders approached the IMF to discuss infusions of desperately sought capital, although these came with stringent fiscal belt-tightening conditions that threatened to damage the government’s domestic political standing. In November the IMF reached a Stand-By Arrangement (SBA) to provide a \$7.6 billion loan to Pakistan aimed at resolving the country’s serious balance of payments difficulties. A first tranche of about \$3.1 billion was delivered on November 24. An IMF official later expressed confidence that Islamabad possessed a sound strategy of action to include reducing unsustainably high fiscal deficits and tightening monetary policy to reduce inflation and boost foreign exchange reserves.⁴⁷ In its first formal review of the SBA, the IMF in February reported being “impressed” by the Islamabad government’s “strong resolve to sustain prudent macroeconomic policies, strengthen and broaden the social safety net, and pursue reforms to enhance Pakistan’s medium-term growth prospects.”⁴⁸ A second loan tranche of \$847 million was delivered on April 1, 2009. In addition, the World Bank, which also has praised Islamabad’s stabilization program, intends to loan Pakistan up to \$2 billion in 2009 to support economic growth and poverty-focused programs.⁴⁹

The Friends of Pakistan (FOP) Group

A “Friends of Pakistan” (FOP) group was launched in September 2008, when President Zardari and the top diplomats of the United Arab Emirates, Britain, and the United States were joined by foreign ministers from Australia, Canada, France, Germany, Italy, Japan, and Turkey, and representatives of China, the European Union, and the United Nations. A resulting statement expressed agreement to work in strategic partnership with Pakistan to combat violent extremism; develop a comprehensive approach to economic and social development; coordinate an approach to stabilizing and developing border regions; address Pakistan’s energy shortfall; and support

⁴⁴ “Moody’s Cuts Pakistan’s Bond Outlook to Negative,” *Reuters*, September 23, 2008; “Electricity Outages Anger, Frustrate Pakistanis,” *Associated Press*, June 4, 2008. See also “Troubled Pakistan Economy Compounds Leaders’ Woes,” *Wall Street Journal*, September 19, 2008.

⁴⁵ “Pakistan’s Slump Creates Openings for Terrorists,” *USA Today*, February 24, 2009.

⁴⁶ In October, the lead U.S. diplomat for the region told an Islamabad audience that the purpose of the Friends of Pakistan effort was not to “throw money on the table” or to provide “a cash advance,” but rather to forward a “systematic process” in which foreign aid to Pakistan is optimally targeted (see <http://2001-2009.state.gov/p/sca/rls/rm/2008/111084.htm>).

⁴⁷ See <http://www.imf.org/external/pubs/ft/survey/so/2008/car111508a.htm> and <http://www.imf.org/external/np/vc/2008/121108.htm>.

⁴⁸ IMF press release, February 25, 2009, at <http://www.imf.org/external/np/sec/pr/2009/pr0948.htm>.

⁴⁹ World Bank press release, February 7, 2009.

democratic institutions.⁵⁰ The FOP met in Abu Dhabi in November to discuss the parameters of its work. Participants noted Pakistan's formidable challenges and called for well-coordinated international action to address them. Such cooperation is planned for four broad areas: development, security, energy, and institution-building.⁵¹

In April, 31 countries and 18 international institutions sent representatives to an FOP/Donors' Conference in Tokyo. There Ambassador Holbrooke announced the Administration's intent to provide a total of \$1 billion in assistance to Pakistan over the 2009-2010 period, calling the funds a "downpayment on President Obama's commitment" to support pending Pakistan-specific legislation (S. 962).⁵² The U.S. pledge brought to more than \$5 billion the total offered by the international community on top of the IMF package. In the lead-up to the conference, Pakistani officials called for a "Marshall Plan" for Pakistan that would provide \$30 billion in international donations over a five-year period. The Pakistani Ambassador to the United States is among those who called such proposed aid "miniscule" when compared to the bailouts being provided to American automobile and other companies, a characterization that rankled some in Congress.⁵³

Increasing Islamist Militancy

Islamist extremism and militancy has been a menace to Pakistani society throughout the post-2001 period, becoming especially prevalent since 2007. Pakistan is the site of numerous armed insurgencies of various scales that represent an increasingly severe threat to domestic, regional, and perhaps global security.⁵⁴ The U.S. intelligence community has concluded that, "Radical elements in Pakistan have the potential to undermine the country's cohesiveness." A September 2008 report by leading U.S.-based experts on Pakistan claimed that, "Militant groups freely meet, train, and raise funds throughout Pakistan."⁵⁵ According to the State Department's *Country Reports on Terrorism 2008* (released April 2009),

The United States remained concerned that the Federally Administered Tribal Areas (FATA) of Pakistan were being used as a safe haven for Al Qaeda (AQ) terrorists, Afghan insurgents, and other extremists. ... The coordination, sophistication, and frequency of suicide bombings that increased sharply in 2007, continued to grow in Pakistan in 2008. ... Extremists led by Baitullah Mehsud and other AQ-related extremists spread north throughout the FATA with

⁵⁰ See <http://2001-2009.state.gov/r/pa/prs/ps/2008/sept/110353.htm>.

⁵¹ See http://www.mofa.gov.pk/Press_Releases/2008/Nov/PR_345_08.htm. During President Zardari's June 2009 visit to Brussels, EU officials pledged to provide as much as \$92 million in new humanitarian aid.

⁵² See the State Department's April 17, 2009, press release at <http://www.state.gov/r/pa/prs/ps/2009/04/121822.htm>.

⁵³ "Pakistan Asks U.S. for 30 Billion Dollar 'Marshall Plan' to Stabilize Region" (interview), *Washington Times*, April 8, 2009.

⁵⁴ For example, in late 2008, the British Prime Minister estimated that three-quarters of the most serious terrorism plots investigated in Britain had links to Al Qaeda in Pakistan ("Brown Offers Pakistan Anti-Terror Aid," *Washington Post*, December 15, 2008).

⁵⁵ See http://www.dni.gov/testimonies/20080227_testimony.pdf and <http://www.cfr.org/content/publications/attachments/PakistanPolicyWorkingGroupReport.pdf>. One mid-2008 Pakistani newspaper editorial estimated that only 30% of the country or less was under the effective writ of the state, down from about half in the late 1990s. Another lamented that "it is quite obvious that the militants call the shots" in much of western Pakistan. According to the Human Rights Commission of Pakistan, "Militancy is spreading and recruitment is in full swing." The group cites what it calls credible reports that "militants are being handled with kid gloves while security forces are regularly using excessive force against noncombatants" ("Is There Peace Deal with the Terrorists or Not?" (editorial), *Daily Times* (Lahore), June 11, 2008; "Militant Menace" (editorial), *News* (Karachi), June 25, 2008; "HRCP Urges Holistic Approach to Combating Militants," Press Release, June 3, 2008).

an increased presence in Bajaur and Khyber. In most of the FATA, the militants continued to openly challenge the writ of the state with high levels of violence. ... There was a growing trend of militants garnering support by promising to fill a vacuum left by “ineffective” government structures.⁵⁶

The U.S. National Counterterrorism Center reports that the incidence of terrorism in Pakistan in 2008 was more than double that of the previous year, with 2,293 terrorism-related fatalities placing the country second in the world on such a scale, after Iraq. The country also suffered 1,264 kidnappings in 2008, the most in the world and more than double the number in neighboring Afghanistan.⁵⁷ Only two suicide bombings were reported in Pakistan in 2002; that number grew to 59 in 2008. Pakistan’s intelligence agency reports that Pakistan has overtaken Iraq as site of the world’s most suicide-bombing deaths. Pakistani police have proven unable to deal with suicide attacks, given a dearth of proper training and equipment. By nearly all accounts, Pakistani law enforcement personnel are outgunned and out-financed by militants.⁵⁸

The myriad militant groups operating in Pakistan, many of which have displayed mutual animosity in the past, have increased their levels of coordination and planning. According to Secretary of Defense Gates, Al Qaeda, the Taliban, the Haqqani network, Gulbaddin Hekmatyar, and other affiliated groups are “all working together” in safe havens on the Pakistani side of the Durand Line.⁵⁹ The FATA has been called “the most ungoverned, combustible region in the world,” and an unrelenting surge in Islamist-related violence in Pakistan has some observers fearing for the stability of the civilian government in Islamabad and even the potentially total collapse of the Pakistani state.⁶⁰ Representative of such concerns are the warnings of a senior regional analyst who asserts that a “chronic failure of leadership” by Pakistani civilians and military alike had left “state institutions paralyzed” and brought the country “close to the brink, perhaps not of a meltdown of the government, but to a permanent state of anarchy.”⁶¹

Top Islamabad government officials identify terrorism and extremism as Pakistan’s most urgent problems. They vow that combating terrorism is their top priority, and President Zardari stated in June 2009 that his government would “continue this war to the end.”⁶² Opinion surveys in Pakistan in late 2008 and early 2009 found strong support for an Islamabad government emphasis on negotiated resolutions. They also showed scant support for unilateral U.S. military action on Pakistani territory.⁶³ As Islamist-related violence in Pakistan increases in intensity, Pakistani animosity toward U.S. policies appears to grow, as well. Afghan and Pakistan Taliban militants

⁵⁶ See <http://www.state.gov/s/ct/rls/crt/2008/122434.htm>.

⁵⁷ NCTC 2008 report at <http://wits.nctc.gov/ReportPDF.do?f=crt2008nctcannexfinal.pdf>; Asif Ali Zardari, “The Terrorists Want to Destroy Pakistan, Too” (op-ed), *New York Times*, December 9, 2008.

⁵⁸ See <http://www.satp.org/satporgtp/countries/pakistan/database/Fidayeenattack.htm>; “Suicide Attacks a Growing Threat in Pakistan,” *Christian Science Monitor*, October 10, 2008; “Neither Safe Nor Sorry,” *Herald* (Karachi), December 2008; “Pakistan Losing Fight Against Militants,” Associated Press, December 5, 2008.

⁵⁹ Transcript: “Meet the Press With David Gregory,” March 1, 2009.

⁶⁰ “Like the Wild, Wild West, Plus Al Qaeda,” *Washington Post*, March 30, 2008; “Analysts Fear Pakistan Could Fall to Extremists,” *Los Angeles Times*, September 23, 2008; “Islamist Insurgency Threatens Pakistan’s Fledgling Democracy,” Agence France Presse, December 7, 2008; “Militants Killing Laughter and Music in Pakistan Region,” Reuters, February 9, 2009.

⁶¹ Ahmed Rashid, “Pakistan on the Brink,” *New York Review of Books*, June 11, 2009.

⁶² Quoted in “Pakistan’s Zardari Vows to Fight Taliban to the End,” Reuters, June 12, 2009.

⁶³ See <http://www.terrorfreetomorrow.org/upimagestft/PakistanPollReportJune08.pdf> and <http://www.iri.org/newsreleases/2009-05-11-Pakistan.asp>.

may also be closing ranks in preparation for an expected influx of U.S. troops in Afghanistan. In March, one of a trio of senior Taliban commanders in the FATA told an interviewer that Pakistan-based militants are specifically targeting U.S. troops in Afghanistan.⁶⁴

U.S. Director of National Intelligence Dennis Blair told a House panel in 2009 that,

No improvement in Afghanistan is possible without Pakistan taking control of its border areas and improving governance and creating economic and educational opportunities throughout the country. In 2008, Islamabad intensified counterinsurgency efforts, but its record in dealing with militants has been mixed, as it balances conflicting internal and counterterrorist priorities. The government is losing authority in the north and the west and even in the more developed parts of the country. Mounting economic hardships and frustration over poor governance have given rise to greater radicalization.⁶⁵

Threats to Punjab and Sindh

Lahore—the provincial capital of Punjab and so-called cultural heart of Pakistan—was for many years mostly unaffected by spiraling violence elsewhere in the country. This conclusively ended with three major terrorist attacks in less than three months in early 2009: On March 3, about a dozen terrorists attacked the Sri Lankan cricket team with automatic weapons, rockets, and hand grenades as it was being driven through central Lahore. Six players were wounded, and six policemen in another vehicle were killed along with two by-standers. Most or all of the assailants escaped, and the security lapses were a major international embarrassment for the Pakistani state. Then, on March 30, militants loyal to Baitullah Mehsud attacked a police academy in Manawan—near the Indian border and only a few miles from central Lahore—killing eight cadets and wounding scores more before elite commandos secured the facility in a day-long siege. Four extremists were reported killed during the commando raid. Mehsud himself claimed the attack was revenge for U.S.-launched drone attacks in Pakistan.⁶⁶ Finally, on May 27, terrorists used automatic weapons and a car bomb in a failed effort to attack the Punjabi headquarters of the ISI. Security personnel apparently prevented the suicide bombers from reaching the target building, but their explosives leveled a neighboring building and the assault left 27 people dead, including an ISI agent, 12 policemen, and several civilian bystanders.

Such attacks heighten the sense of crisis surrounding Pakistan's civilian leaders. Militants from western Pakistan appear intent on attacking Lahore to demonstrate the extent of their capabilities and to threaten the government's writ throughout the country.⁶⁷ Following the May suicide assault, Army Chief Gen. Kayani said Pakistan "will not be terrorized" and he vowed to press ahead with efforts to "defeat the destabilizing forces that are out to harm the country."⁶⁸

⁶⁴ "Pakistani and Afghan Taliban Unify in Face of U.S. Influx," *New York Times*, March 27, 2009; "Taliban Commander Says U.S. Troops Are Being Targeted," ABC News.com, March 18, 2009.

⁶⁵ Transcript: "House Permanent Select Committee on Intelligence Holds Hearing on 'Worldwide Threats,'" February 25, 2009.

⁶⁶ "Militant Claims Responsibility for Pakistan Attack," *New York Times*, April 1, 2009.

⁶⁷ "Sense of Crisis Deepens in Pakistan After Lahore Attack," Reuters, March 3, 2009; "Why Attack Lahore?," BBC News, March 30, 2009; "Insurgent Threat Shifts in Pakistan," *Washington Post*, March 31, 2009.

⁶⁸ See the Inter-Service Public Relations May 28, 2009, press release at http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/5/28.

Islamist militants may be increasing their influence in southern Punjab, where most anti-India groups have originated and where a number of Taliban cells have already been discovered.⁶⁹ A report from the Brussels-based International Crisis Group urged Islamabad to end its effort to differentiate between militant networks and instead move toward a “zero-tolerance” policy, especially with regard to Punjab-based Sunni extremist organizations.⁷⁰ The “Punjabi Taliban,” a loose conglomeration of banned militant groups in the Pakistani heartland, are comparatively better educated and better equipped than their Pashtun countrymen, and are notable for having in many cases enjoyed state patronage in the recent past.⁷¹ An apparent consolidation of an alliance between Taliban forces from western Pakistan and indigenous Punjabi extremists is identified as having the potential to seriously destabilize the Pakistani state.⁷²

Extremists may also be moving from the FATA to Karachi in large numbers in 2009, exacerbating preexisting ethnic tensions and perhaps forming a new Taliban safe haven in Pakistan’s largest city. In April, at least 20 people were killed in ethnic clashes pitting Muhajirs against Pashtuns in Karachi.⁷³ A human rights group has warned that an influx of Pashtuns displaced by combat in the northwest into Karachi’s Sindh province is leading to discrimination and could further inflame interethnic tensions.⁷⁴

Conflict in Western Pakistan and the Afghan Insurgency⁷⁵

An ongoing Taliban insurgency in Afghanistan and its connection to developments in Pakistan remain matters of serious concern to U.S. policy makers. It is widely held that success in Afghanistan cannot come without the close engagement and cooperation of Pakistan, and that the key to stabilizing Afghanistan is to improve the longstanding animosity between Islamabad and Kabul. In September 2008, U.S. Joint Chiefs Chairman Adm. Mike Mullen said he viewed the two countries as “inextricably linked in a common insurgency” and had directed that maps of the Afghan “battle space” be redrawn to include the tribal areas of western Pakistan.⁷⁶ As President-elect, Barack Obama asserted that Afghanistan cannot be “solved” without “solving Pakistan” and working more effectively with that country.⁷⁷ Numerous other senior U.S. officials—both civilian and military—share the view that Pakistan and Afghanistan are best considered as a single “problem set” in the context of U.S. interests.⁷⁸

⁶⁹ “Pakistan Fears Taliban Will Regroup in South,” *Financial Times* (London), June 25, 2009; “Meeting Punjab’s Police and Bombers,” BBC News, June 25, 2009.

⁷⁰ International Crisis Group, “Pakistan: The Militant Jihadi Challenge,” Asia Report No. 164, March 13, 2009.

⁷¹ Hasan Abbas, “Defining the Punjabi Taliban Network,” *CTC Sentinel* 2:4, April 2009.

⁷² “Insurgents Make Inroads in Key Pakistan Province,” *New York Times*, April 14, 2009.

⁷³ “Pakistan Influx Fans Karachi Tensions,” BBC News, February 12, 2009; “Are the Taliban Finding a New Foothold in South?,” *Christian Science Monitor*, May 6, 2009; “Refugee Crisis Inflames Ethnic Strife in Pakistan,” *Wall Street Journal*, May 30, 2009; “Deadly Clashes Rock Pakistan City,” BBC News, April 29, 2009.

⁷⁴ See Amnesty International’s July 2, 2009, press release at <http://www.amnesty.org/en/for-media/press-releases/pakistan-more-two-million-people-living-outside-displacement-camps-face->.

⁷⁵ See also CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*.

⁷⁶ Statement before the House Armed Services Committee, September 10, 2008.

⁷⁷ See the December 7, 2008, “Meet the Press” transcript at <http://www.msnbc.msn.com/id/28097635>.

⁷⁸ “Petraeus: Afghan, Pakistan Problems Are Really One,” Associated Press, January 9, 2009; “National Security Advisor Say Pakistan is Top U.S. Challenge,” *Wall Street Journal*, January 7, 2009.

Many independent analysts agree that, so long as Taliban forces enjoy “sanctuary” in Pakistan, their Afghan insurgency will persist. U.S. civilian and military now call for a more comprehensive strategy for fighting the war in Afghanistan, one that will encompass Pakistan’s tribal regions. According to a 2008 Pentagon report, the existence of militant sanctuaries inside Pakistan’s FATA represents “the greatest challenge to long-term security within Afghanistan.” In March 2009, an American combat commander in Afghanistan claimed that major Taliban attacks inside that country continue to occur only with an “almost absolute reliance on foreign fighters from Pakistan and other countries.” Despite an upswing in Pakistani military efforts in western Pakistan, U.S. requests that Pakistan “do more” in its fight against the Taliban did not recede: In April, the top U.S. military commander in Afghanistan said Pakistan “must erase these [Taliban] safe havens” near the border. However, more recently, a U.S. combat officer said that Pakistani military operations were having a major impact on the ability of Taliban forces to operate on both sides of the Durand Line and that U.S. military efforts in eastern Afghanistan were being coordinated with the Pakistanis to maximize this effect.⁷⁹

Afghan officials accuse Pakistani officials of aiding and abetting terrorism inside Afghanistan. Islamabad has sought to allay fears that truces in the tribal regions would lead to more cross-border attacks, assuring Afghan officials that Pakistan makes no distinction between Pakistani and Afghan interests on this issue.⁸⁰ Yet Afghan President Karzai has specifically named Baitullah Mehsud and Maulana Fazlullah among the anti-Afghan militants he wishes to see neutralized.⁸¹

Pakistan’s mixed record on battling Islamist extremism includes an ongoing apparent tolerance of Taliban elements operating from its territory.⁸² The “Kandahari clique” reportedly operates not from Pakistan’s tribal areas, but from populated areas in and around the Baluchistan provincial capital of Quetta.⁸³ 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. Some reports indicate that elements of Pakistan’s major intelligence agency and military forces aid the Taliban and other extremists forces as a matter of policy. Such support may even include providing training and fire support for Taliban offensives (see also “Questions About Pakistan’s Main Intelligence Agency” below).⁸⁴ Other reports indicate that U.S. military personnel have been unable to count on the

⁷⁹ U.S. Department of Defense, “Report on Progress Toward Security and Stability in Afghanistan,” June 2008; Defense Department press release, March 6, 2009, at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4367>; “US Commander: Pakistan Must Do More to Fight Taliban,” Reuters, April 19, 2009; U.S. colonel’s June 23, 2009, comments at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4437>.

⁸⁰ See http://www.mofa.gov.pk/Press_Releases/2008/June/PR_156_08.htm. Some nongovernmental commentators in Pakistan openly insist that Pakistan’s domestic security is the primary goal and helping Afghanistan is a secondary objective, only (see, for example, Khalid Aziz, “Has Waziristan Stabilized?” (op-ed), *News* (Karachi), June 7, 2008).

⁸¹ “Karzai Threatens to Send Soldiers Into Pakistan,” *New York Times*, June 15, 2008. Afghan intelligence officials claimed that suicide bombers who undertook a brazen daylight attacks in Kabul in February 2009 were trained at camps in the FATA (“Pakistan Accused of Link to Kabul Attacks,” *New York Times*, March 20, 2009).

⁸² “Right at the Edge,” *New York Times*, September 7, 2008; “Pakistan’s Dangerous Double Game,” *Newsweek*, September 15, 2008.

⁸³ Mukhtar Khan, “Quetta: The Headquarters of the Afghan Taliban,” *CTC Sentinel* 2,5, May 2009.

⁸⁴ See, for example, “Killing Ourselves in Afghanistan,” *Salon.com*, March 10, 2008. One U.S. military officer claimed that Pakistani military forces flew multiple helicopter missions to resupply Taliban fighters inside Afghanistan’s Nangarhar province in 2007. The Islamabad government angrily denied the claims and a former top U.S. military commander in Afghanistan cast doubt on their veracity. In another example, an October 2008 press report claimed that British officials covered up evidence that a Taliban commander killed in Afghanistan in 2007 was in fact a Pakistani military officer (“Pakistani Forces Helped Taliban in 2007: U.S. Lt. Col.,” *Defense News*, September 22, 2008; (continued...)

Pakistani military for battlefield support and do not trust Pakistan's Frontier Corps, whom some say are active facilitators of militant infiltration into Afghanistan. At least one senior U.S. Senator has questioned the wisdom of providing U.S. aid to a group that is ineffective, at best, and may even be providing support to "terrorists."⁸⁵

As pressure on Islamabad to curtail the cross-border attacks has increased, Pakistani officials more openly contend that the problem is essentially internal to Afghanistan and has its roots in the inability of the Kabul government to effectively extend its writ, and in the lack of sufficient Afghan and Western military forces to defeat the Taliban insurgents. This view is supported by some independent analyses.⁸⁶ Pakistani leaders insist that Afghan stability is a vital Pakistani interest. They ask interested partners to enhance their own efforts to control the border region by undertaking an expansion of military deployments and checkpoints on the Afghan side of the border, by engaging more robust intelligence sharing, and by continuing to supply the counterinsurgency equipment requested by Pakistan. Islamabad touts the expected effectiveness of sophisticated technologies such as biometric scanners in reducing illicit cross-border movements, but analysts are pessimistic that such measures can meaningfully address militant infiltration, as such elements generally skirt border checkpoints, in any case.⁸⁷

U.S./NATO Supply Routes

With roughly three-quarters of supplies for U.S. troops in Afghanistan moving either through or over Pakistan, insurgents in 2008 began more focused attempts to interdict NATO supply lines, especially near the historic Khyber Pass connecting Peshawar with Jalalabad, Afghanistan. Such efforts included a March 2008 attack that left 25 fuel trucks destroyed. In November, scores of masked militants hijacked a supply convoy of 13 trucks, capturing loads of wheat along with two Humvees. Weeks later, insurgents set fire to nearly 100 trucks, destroying at least 50 cargo containers and killing several Pakistani drivers in the process. At year's end, the Pakistani military reportedly launched a major offensive in the Khyber agency aimed at securing the supply route, which was temporarily closed during the height of the fighting. Despite the Pakistani effort, sporadic interdiction attacks continue to date.⁸⁸

U.S. military officials claim that attacks on supply routes have a negligible effect on combat operations in Afghanistan, with only about 1% of the cargo moving from the Karachi port into Afghanistan being lost to such attacks, and with stockpiled supplies that could last 60-90 days in the event of a severing of the supply chain.⁸⁹ Nevertheless, in the fall of 2008 the U.S. military

(...continued)

"Taliban Leader Killed by SAS Was Pakistan Officer," *London Sunday Times*, October 12, 2008).

⁸⁵ "Border Complicates War in Afghanistan," *Washington Post*, April 4, 2008; "Democrat Questions US Aid to Pakistan," *Associated Press*, May 27, 2008.

⁸⁶ See, for example, "As ISAF Command Changes, Time for a Reality Check on the Conflict in Afghanistan and Pakistan," *Defense & Foreign Affairs Special Analysis*, June 4, 2008; "American Failure in Afghanistan & Need for a New Social Contract in the FATA," Center for Research and Security Studies, Islamabad, July 2008.

⁸⁷ See http://www.mofa.gov.pk/Press_Releases/2008/July/PR_208_08.htm; "Stopping Terrorists" (editorial), *News* (Karachi), June 10, 2008.

⁸⁸ "Taliban Hits NATO Supply Line," *New York Times*, February 4, 2009; "Militants in Pakistan Torch Afghan-Force Supplies," Reuters, March 15, 2009.

⁸⁹ "US Plays Down Impact of Convoy Attacks in Pakistan," Reuters, December 8, 2008. In April 2009, Centcom Commander Gen. Petraeus told a House panel that between February 15 and March 15 roughly 3,600 NATO cargo containers went through the Khyber Pass and only about 1% of these was damaged or destroyed in transit ("House (continued...)

began testing alternative routes, concentrating especially on lines from Central Asia and Russia. Moscow agreed to allow non-lethal NATO supplies to Afghanistan to cross Russian territory, but apparently declines to allow passage of troops as sought by NATO. The Centcom commander subsequently reported that alternative routes had been secured, but it is not yet clear whether these can carry the kind of heavy traffic seen in Pakistan. In March, an alternate route through Russian and Uzbek territory opened for nonlethal cargo. It is expected to carry about 500 containers per month, less than one-seventh of that taken through Pakistan.⁹⁰

Pro-Taliban Militants in the Tribal Agencies

Fighting between government security forces and religious militants intensified in 2008. Shortly after former Prime Minister Benazir Bhutto's December 2007 assassination, the Pakistan army undertook a major operation against militants in the South Waziristan agency assumed loyal to Baitullah Mehsud. Occasionally fierce fighting continued in that area throughout the year and into 2009. The NWFP governor has claimed Mehsud oversees an annual budget of up to \$45 million devoted to perpetuating regional militancy. Most of this amount is thought to be raised through narcotics trafficking, although pro-Taliban militants also sustain themselves by demanding fees and taxes from profitable regional businesses such as marble quarries. The apparent impunity with which Mehsud is able to act has caused serious alarm in Washington, where officials worry that his power and influence are only growing.⁹¹

The Pakistani Taliban

The Tehrik-i-Taliban Pakistan (TTP) emerged as a coherent grouping in late 2007 under Baitullah Mehsud's leadership. This "Pakistani Taliban" is said to have representatives from each of Pakistan's seven tribal agencies, as well as from many of the "settled" districts abutting the FATA. There appears to be no reliable evidence that the TTP receives funding from external states. The group's principal aims are threefold: (1) to unite disparate pro-Taliban groups active in the FATA and NWFP; (2) to assist the Afghan Taliban in its conflict across the Durand Line; and (3) to establish a Taliban-style Islamic state in Pakistan and perhaps beyond. As an umbrella group, the TTP is home to tribes and sub-tribes, some with long-held mutual antagonism. It thus suffers from factionalism. Mehsud himself is believed to command 5,000-10,000 militants.⁹² In August 2008, the Islamabad government formally banned the TTP due to its involvement in a series of suicide attacks in Pakistan.

(...continued)

Armed Services Committees Holds Hearing on the New Strategy for Afghanistan and Pakistan," CQ Transcripts, April 2, 2009).

⁹⁰ Pentagon Seeks New Afghan Supply Routes," *Financial Times* (London), September 23, 2008; "U.S. to Widen Supply Routes in Afghan War," *New York Times*, December 31, 2008; "U.S. Secures New Supply Routes to Afghanistan," *New York Times*, January 21, 2009; "Seeking Safe Supply Routes," *Chicago Tribune*, February 2, 2009; "Avoiding Pakistan, New Supply Route to Afghanistan Opens," *New York Times*, March 4, 2009.

⁹¹ "Mehsud Spending Up to 3bn on Militancy Annually: Ghani," *Daily Times* (Lahore), May 30, 2008; "Pakistan Marble Helps Taliban Stay in Business," *New York Times*, July 14, 2008; "Taliban Leader Flaunts Power Inside Pakistan," *New York Times*, June 2, 2008.

⁹² "Tehrik-e-Taliban Pakistan (TTP)," *Jane's World Insurgency and Terrorism*, October 28, 2008; Hassan Abbas, "A Profile of the Tehrik-i-Taliban Pakistan," *CTC Sentinel*, January 2008.

Militancy in western Pakistan is not coherent, and Taliban forces there are riven by deep-seated tribal rivalries that may prevent the TTP from ever becoming a truly unified force. Some analysts believe that by pursuing sometimes contradictory military strategies in the region the United States and Pakistan have missed a chance to exploit such divisions. According to this argument, U.S.-launched missile strikes have a unifying effect on the militants and so undermine the Pakistani strategy of driving a wedge between various Islamist factions.⁹³ In 2009, U.S. intelligence agencies reportedly have launched a major effort to examine potential fault lines within the Islamist militant groups of western Pakistan with an eye toward exploiting rifts with diplomatic and economic initiatives, a strategy associated with Gen. Petraeus that realized successes in Iraq.⁹⁴ Some scholars argue, however, that the Taliban is not nearly as fragmented as many believe, but rather is a decentralized organization, and that distinctions between Pakistani and Afghan networks are largely arbitrary.⁹⁵

Pakistani Military Operations

The Pakistan army has deployed some 120,000 regular and paramilitary troops to western Pakistan in response to the surge in militancy there. Their militant foes have employed heavy weapons in more aggressive tactics, making frontal attacks on army outposts instead of the hit-and-run skirmishes of the past. Pakistan has sent major regular army units to replace Frontier Corps soldiers in some areas near the Afghan border and has deployed elite, U.S.-trained and equipped commandos to the tribal areas.⁹⁶

Ongoing battles with militants have concentrated on three fronts: the Swat valley, and the Bajaur and South Waziristan tribal agencies. Yet the strife has affected other areas of western Pakistan. Taliban forces may also have opened a new front in the Upper Dir valley of the NWFP, where one report says a new militant “headquarters” has been established.⁹⁷ In late 2008 and early 2009, Taliban forces also spread their activities into the previously relatively peaceful Orakzai agency, the only in the FATA that does not border Afghanistan.⁹⁸ Moreover, an unprecedented January 2009 attack on a Frontier Corps outpost in the Mohmand district by some 600 Taliban militants represented an unusual reversal in that the militants had crossed into Pakistan from Afghanistan, signaling increased coordination by Taliban units spanning the border.⁹⁹

Military Operations in the Tribal Agencies

“Operation Sher Dil,” launched in Bajaur in September 2008, reportedly caused the deaths of more than 1,500 militants and some 100 soldiers before Pakistani officials declared it successfully completed in February. Still, pessimistic analysts view the gains from such operations as

⁹³ “Tribal Tribulations – The Pakistani Taliban in Waziristan,” *Jane’s Intelligence Review*, January 13, 2009.

⁹⁴ “US Probes Divisions Within Taliban,” *Boston Globe*, May 24, 2009.

⁹⁵ See, for example, Antonio Giustozzi, “One or Many? The Issue of the Taliban’s Unity and Disunity,” Pakistan Security Research Unit Brief No. 48, April 23, 2009.

⁹⁶ “Pakistan May Step Up Action Against Insurgents,” *Los Angeles Times*, August 3, 2008.

⁹⁷ “Taliban Opens New Front in Pakistan,” *Daily Telegraph* (London), September 19, 2008.

⁹⁸ “Six Killed in Orakzai Agency Suicide Blast,” *Daily Times* (Lahore), December 6, 2008; “Orakzai Becomes New Haven for Taliban,” *Daily Times* (Lahore), February 4, 2009.

⁹⁹ “46 Die in Taliban Attack on Pakistani Troops,” *New York Times*, January 12, 2009.

temporary and predict that widespread militant presence in Bajaur and neighboring regions is apt to continue in the future.

A new peace agreement was signed with Bajaur's tribal elders, but it appears that the bulk of militants forces repositioned themselves, and the army's heavy bombardments may have alienated large segments of the local population.¹⁰⁰ Some 8,000 Pakistani troops were backed in Bajaur by helicopter gunships and ground attack jets. The Frontier Corps' top officer estimated that militant forces in the agency numbered about 2,000, including foreigners. Battles included a series of engagements at the strategic Kohat tunnel, a key link in the U.S. military supply chain running from Karachi to Afghanistan.¹⁰¹ The fighting apparently attracted militants from neighboring regions and these reinforced insurgents were able to put up surprisingly strong resistance, complete with sophisticated tactics, weapons, and communications systems, and reportedly made use of an elaborate network of tunnels in which they stockpile weapons and ammunition.¹⁰²

Sporadic military operations in the FATA have been ongoing, with Pakistani authorities sometimes reporting significant militant casualties, although these claims cannot be corroborated. Civilians are often killed in the fighting.¹⁰³ The Pakistani military reports that many FATA tribal leaders are fully supportive of the army's efforts there.¹⁰⁴ In June 2009, Pakistani security forces apparently opened a new front for offensive operations in the northwest. During the second week of the month, some 800 militants reportedly moved into the Bannu region 90 miles southwest of Peshawar.¹⁰⁵ The army responded with artillery and helicopter gunship assaults on Taliban positions. Operations were expanded into South Waziristan with multiple strikes by fixed-wing aircraft in direct response to Taliban-launched suicide attacks.

On June 14, the NWFP governor announced that the government was preparing to begin military operations targeting Baitullah Mehsud and his loyalists in South Waziristan, with army troops reportedly massing in surrounding areas. Within days, the troops were reported to have virtually surrounded Mehsud-controlled areas (on the Pakistani side of the international border), though no ground operation has been launched to date. Islamabad has ramped up pressure by posting large monetary rewards for information leading to the death or capture of Mehsud and his deputies. A military blockade of Mehsud's strongholds and weeks of near-constant airstrikes against his fighters' positions have no doubt weakened Taliban forces in South Waziristan, yet the June 23 assassination of a key pro-government tribal leader there demonstrated that Mehsud remained a potent enemy able to violently suppress local opposition.¹⁰⁶

¹⁰⁰ "Pakistan Says Wins Key Region on Afghan Border," Reuters, February 28, 2009; "28-Point Bajaur Peace Accord Signed," *News* (Karachi), March 10, 2009; "Pakistan Regains Control of Remote Area, For Now," *New York Times*, March 9, 2009..

¹⁰¹ "'Stability in Bajaur Within Two Months,'" *Daily Times* (Lahore), September 27, 2008; "Pakistan and Taliban Battle for Key Tunnel," *London Sunday Times*, October 19, 2008.

¹⁰² "Pakistani Troops Destroy Taliban Stronghold," *Financial Times* (London), September 30, 2008; "8,000 Pakistani Soldiers Take on Al Qaeda in Volatile Tribal Region," *London Times*, September 27, 2008.

¹⁰³ See, for example, "Pakistan Militant Raid 'Kills 50,'" BBC News, February 7, 2009; "11 Children Among 26 Killed in Darra Shelling," *News* (Karachi), February 10, 2009.

¹⁰⁴ See for example, the Inter-Services Public Relations' February 7, 2009, press release at http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/2/7.

¹⁰⁵ "Pakistan Lifts Veil on Not-So-Secret Waziristan War," *Reuters*, May 20, 2008; "War on Taliban Sparks Refugee Crisis," *Sunday Times* (London), November 16, 2008.

¹⁰⁶ "Pakistan Treads Warily as New Fight Looms," *Washington Post*, June 29, 2009.

In June, North Waziristan militants loyal to Hafiz Gul Bahadar formally scrapped a 16-month-old peace deal with the government in what they called a protest against U.S. drone attacks in the region. Bahadar also reportedly demanded an end to military operations against Mehsud's forces. Shortly after, some 150 militants ambushed a Pakistani army convoy moving through North Waziristan, killing up to 30 soldiers. Despite such provocation, there are no signs of a Pakistani military offensive in the region where Bahadar's forces are active. Increased conflict in North Waziristan could, however, make more difficult the campaign against Mehsud.¹⁰⁷

Some analysts suspect that the Pakistani military is setting what may, from a U.S. perspective, be overly narrow objectives in targeting Mehsud while leaving untouched other Taliban groups operating in the FATA. These include militant forces loyal to Mullah Nazir, Hafiz Gul Bahadar, and perhaps even Jalaluddin Haqqani, all of whom are seen to be focused on fighting U.S.-led forces in Afghanistan rather than against the Pakistani army. They are thus in some accounts considered to be "pro-government Taliban" with whom the Pakistani army may yet hope to conclude truce deals.¹⁰⁸ Indeed, to the extent that the Pakistani military's motives are limited to ending Mehsud's ability to launch attacks inside Pakistan, they may not sufficiently coincide with the U.S. aim of ending the region's status as an Al Qaeda safe haven from which attacks inside Afghanistan and potentially on Western/U.S. targets can be plotted and launched.¹⁰⁹

The Swat Valley

Pakistan has since late 2007 faced a "neo-Taliban" insurgency in the scenic Swat Valley just 100 miles northwest of the capital, where radical Islamic cleric Maulana Fazlullah and some 5,000 of his armed followers seek to impose *Sharia* law. This rebellion against the state is notable as the only insurgency with geographic reach beyond the "tribal belt" and in part of Pakistan's "settled areas" nearer the Indus river plains. Fazlullah, also known as "Maulana Radio" for his fiery (and unlicensed) FM broadcasts, moved to create a parallel government like that established by Baitullah Mehsud in South Waziristan. Some 2,500 Frontier Corps soldiers were deployed to the valley, and the army soon took charge of the counterinsurgency effort at the request of the provincial governor, massing about 15,000 regular troops. By the close of 2007, militant elements in the area were reported to be in retreat, and the Pakistani government claimed victory.¹¹⁰ Yet, in 2008, with militants still active in Swat, government officials reportedly struck a peace deal. That deal collapsed by mid-year, with sporadic and sometimes heavy fighting in Swat continuing throughout the year.¹¹¹

By all accounts, Islamist insurgents expanded their influence in Swat in 2008, and many observers asserted that by 2009 the state's writ had completely vanished from the scenic valley. Over the course of 2008, scores of local police officers were killed by insurgents, many of them beheaded, and fully half of the region's police force reportedly deserted in the face of brutal Taliban assaults.¹¹² Aggressively pursuing their radical social agenda, Taliban militants issued an

¹⁰⁷ "Second Front Opens in Waziristan Following Militant Attack," *Jane's Defense Weekly*, July 3, 2009.

¹⁰⁸ "Analysis: Waziristan Operation to Focus on Baitullah Mehsud," *Long War Journal*, June 17, 2009.

¹⁰⁹ "Gains in Pakistan Fuel Pentagon Optimism for Pursuing Al Qaeda," *Washington Post*, June 13, 2009.

¹¹⁰ "Pakistan Claims Win in Crucial NW Valley," *Washington Post*, December 15, 2007.

¹¹¹ "Forces Launch New Offensive in Swat," *Dawn* (Karachi), January 6, 2008; "Army Vows to Clear Swat of Militants," *News* (Karachi), February 26, 2008; "Pakistan Clashes Take Heavy Toll," *BBC News*, August 4, 2008.

¹¹² "In Pakistan, Radio Amplifies Terror of Taliban," *New York Times*, January 25, 2009; Kamila Hyat, "Debate in Swat" (op-ed), *News* (Karachi), January 22, 2009; "In Pakistan, Swat Valley Cops Give Up Fight," *Christian Science* (continued...)

edict that girls' education cease as of mid-January. In response, the government ordered all private schools closed in the region. Pakistan's army chief claimed that month that his forces "had both the will and resolve to establish the writ of government" in Swat.¹¹³

The 2009 Swat Accord

By February, the NWFP chief minister was calling the problem a full-blown rebellion against the state, and President Zardari himself conceded that militant forces had established a "huge" presence in his country. Shortly after, Zardari reportedly agreed in principle to restore *Sharia* law in the Swat region in a bid to undercut any popular support for the uprising there.¹¹⁴ The accord announced on February 16 hung in limbo for nearly two months, with neither side willing to formalize its still clouded terms.¹¹⁵ In addition to bringing Islamic law to the entire Malakand division of the NWFP (including Swat), the provisions of the accord reportedly included requirements that the Taliban recognize the writ of the state, give up their heavy weapons and refrain from displaying personal weapons in public, denounce suicide attacks, and cooperate with local police forces. In return for such gestures, the government agreed to gradually withdraw the army from the region.¹¹⁶ Pakistanis appeared to strongly support the government's move.¹¹⁷

President Zardari asserted that his government's strategy in Swat was to engage "traditional local clerics to help restore peace in the area, and return the writ of the state." He insisted that there was not and would not be any negotiations with the Taliban.¹¹⁸ The deal may have been an attempt at face-saving by a provincial government that had been badly discredited by the NWFP's rapidly worsening security circumstances.¹¹⁹ It may also have been part of a "counter-spin" strategy by the Pakistani army, which would demonstrate to the Pakistani people that the government was not taking dictation from the United States, while also showing that the government was willing to negotiate. When the Taliban disregarded the provisions of the accord, Pakistani leaders would have more firm justification for an all-out military offensive.¹²⁰ On April 13, Zardari signed a regulation imposing Islamic law after Parliament passed a resolution recommending such a move.

(...continued)

Monitor, February 5, 2009.

¹¹³ See http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/1/28.

¹¹⁴ "Pakistani Violence Intensifies As Policy Wobbles," Reuters, February 10, 2009; "Taliban is in 'Huge' Amounts of Pakistan: Zardari," Reuters, February 13, 2009; "Pakistan Restores Islamic Law to Pacify Swat Valley," Reuters, February 16, 2009.

¹¹⁵ "Taliban's Terms Unclear," *Los Angeles Times*, February 24, 2009.

¹¹⁶ "Secret Details of Swat Peace Accord," *News* (Karachi), April 11, 2009.

¹¹⁷ According to one scientific opinion survey taken in March, an impressive 80% of Pakistani respondents supported the government's decision to sign the Swat accord, with nearly that percentage believing the deal would bring peace to the region. A majority (56%) also expressed support for potential future Taliban demands to impose *Sharia* law in major Pakistani cities (see <http://www.iri.org/newsreleases/2009-05-11-Pakistan.asp>).

¹¹⁸ Asif Zardari, "Pakistan is Steadfast Against Terror" (op-ed), *Wall Street Journal*, March 4, 2009.

¹¹⁹ "Sharia Deal Saves ANP Govt?," *Pulse* (Islamabad), February 20, 2009.

¹²⁰ This narrative was conveyed by a Pakistani army spokesman in "Winning Over Pakistan," *Macleans* (Toronto), May 21, 2009.

Reactions to the Swat Accord

The White House was critical of the April Sharia deal in Swat, saying that solutions to Pakistan's security problems "don't include less democracy and less human rights." A State Department spokesman emphasized that the United States was "very concerned" and maintained a view that "violent extremists need to be confronted."¹²¹ Prime Minister Gilani dismissed U.S. criticisms by claiming the issue was an internal matter and that his government had no alternatives given the circumstances. Pakistan's lead diplomat in Washington sought to assure a skeptical American audience that his government was not offering any concessions or ceding any ground to the Taliban, but rather was "attempting to drive a wedge" between Al Qaeda and Taliban militants on the one hand, and an indigenous Swati movement on the other, as part of a "pragmatic" strategy "to turn our native populations against the terrorists."¹²²

Still, most observers saw the deal as a blatant capitulation and unprecedented surrender of territory to a militant minority beyond the FATA, and as part of a disturbing broader trend.¹²³ The Human Rights Commission of Pakistan marked April 13 as a day of "humiliating submission" by the government. London-based Amnesty International warned that the deal could legitimize human rights abuses that have taken place as Taliban influence increases. New York-based Human Rights Watch called the move a "grave threat" to the rights of women, especially.¹²⁴ A senior independent Pakistani analyst and former army general said the government "has yielded under compulsion at a time when Talibanization is sweeping the country and overwhelming the state." Even a senior Pakistani Islamist politician, Jamaat Ulema-e-Islam chief Fazlur Rehman, told Parliament that the Taliban were threatening the Pakistani capital.¹²⁵ The peace deal was particularly alarming for India, where officials feared it would further exacerbate the existing Islamist militant threat they face. The Pakistan army's subsequent offensive operation was not entirely encouraging for New Delhi, as Islamabad was seen to be selectively targeting some extremist groups while leaving so-called "anti-India assets" undisturbed.¹²⁶

Accord Fails, Army Moves In

As with past iterations of truce deals in the nearby FATA, the Swat accord was seen to give militants breathing space and an ability to consolidate their gains. Reports immediately arose that Taliban forces were moving into the valley by the thousands to establish training camps in the forests around Mingora, Swat's largest town. Lucrative emerald mines came under control of militants and profits reportedly were used to finance attacks on NATO forces in Afghanistan.¹²⁷

¹²¹ "US Criticizes Islamic Law Deal in Pakistan," Associated Press, April 14, 2009; <http://www.state.gov/r/pa/prs/dpb/2009/04/121748.htm>. At least one report claimed that U.S. officials were privately supportive of a truce deal as an attempt to drive a wedge between Swat's militants and the Al Qaeda-linked Pakistani Taliban led by Baitullah Mehsud (US Backs Sharia Plan to Split Muslim Extremists," *London Daily Telegraph*, February 18, 2009).

¹²² "Gilani Defends Deal With Swat Militants," *Financial Times* (London), April 20, 2009; Husain Haqqani, "We're Not Ceding Ground" (op-ed), *USA Today*, February 19, 2009.

¹²³ See, for example, Shuja Nawaz, "Wariness in Pakistan" (op-ed), *Boston Globe*, February 22, 2009; Ahmed Rashid, "Pakistan's Deal With the Devil" (op-ed), *Los Angeles Times*, February 24, 2009.

¹²⁴ HRCF press release, April 14, 2009; AI press release, February 16, 2009; HRW press release, April 15, 2009.

¹²⁵ Talat Masood, "Implications of the Deal" (op-ed), *News* (Karachi), April 20, 2009; "Taliban Nearing Capital, Warns Fazl," *News* (Karachi), April 23, 2009.

¹²⁶ "Pakistan's Swat Offensive Leaves India Skeptical," Reuters, May 18, 2009.

¹²⁷ "Truce in Pakistan May Mean Leeway for Taliban," *New York Times*, March 6, 2009; "Pakistan Peace Deal Gives New Clout to Taliban Rebels," *Wall Street Journal*, April 14, 2009; "Swat's Taliban Expand Operations," BBC News, (continued...)

Fears that, rather than being placated by the truce, militants would use their Swat positions as a springboard from which to launch further forays were quickly confirmed. In early April, Taliban forces moved into the neighboring Buner district, now only 60 miles from the Pakistani capital. Local tribal militias put up resistance, but were quickly overwhelmed, and the Pakistani army had no local presence. Within two weeks Taliban forces were said to have taken full control of Buner.¹²⁸ Islamabad responded to the incursion with assurances that regular army troops would be used to evict militants from the district.¹²⁹

In late April, Pakistani paramilitary troops supported by helicopter gunships reportedly were engaging militants in Buner and Lower Dir. At the same time, the army accused the militants of “gross violations” of the accord.¹³⁰ Pakistani commandos were airdropped into Buner’s main town and regained control, but heavy fighting forced many hundreds of civilians to flee. Some reports had the militants using civilians as “human shields.”¹³¹ The fighting pitted about 15,000 government troops against an estimated 4,000-5,000 militants.

As militants appeared to consolidate their hold on large swaths of the NWFP, alarm grew in Washington that the Pakistani government may have lacked the will to sustain the fight; on May 4 Adm. Mullen expressed being “gravely concerned” about the progress made by militants. He identified Pakistan’s simultaneous pursuit of peace deals and military operations as “strategic moves” that are, from an American perspective, “at cross purposes.”¹³² Secretary of Defense Gates concluded that the Swat agreement’s “failure,” followed by militant movements into neighboring Buner, was a “real wakeup call for the Pakistani government.”¹³³

Heavy combat raged throughout May, with militants putting up strong resistance. When Taliban forces returned in large numbers to Mingora, army leaders reportedly resolved to finally abandon negotiations and press ahead with a larger offensive effort, this time with greater support from the Pakistani public.¹³⁴ Still, the army itself continued to avoid heavy ground combat, preferring instead to employ helicopter gunships, aerial bombing, and artillery.¹³⁵ By mid-May, Pakistani government officials were reporting that more than 1,000 militants had been killed in the military offensive, though these figures cannot be independently confirmed. Still, reports indicated that even in Buner the army was not in full control, and Pakistani commanders were acknowledging

(...continued)

April 21, 2009; “Taliban Jihad Against West Funded by Emeralds From Pakistan,” *Sunday Telegraph* (London), April 5, 2009.

¹²⁸ “Taliban Swarm District Near Swat,” BBC News, April 8, 2009; “Pakistani Taliban Begin Imposing Rule in New Area,” Reuters, April 13, 2009; “Buner Falls to Swat Taliban,” *Dawn* (Karachi), April 22, 2009.

¹²⁹ “Pakistan Military Prepares to Block Taliban Expansion,” *Financial Times* (London), April 25, 2009.

¹³⁰ Inter-Services Public Relations press release, May 2, 2009, at http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/5/2.

¹³¹ “Taliban Face Human Shields Charge,” BBC News, May 4, 2009.

¹³² “Taliban Advance, Pakistan’s Wavering Worry Obama Team,” *Washington Post*; “U.S. Questions Pakistan’s Will to Stop Taliban,” *New York Times*, both April 24, 2009; “DoD News Briefing With Adm. Mullen From the Pentagon Briefing Room, Arlington, Va.,” May 4, 2009.

¹³³ “Interview With Secretary Gates,” CNN.com, May 3, 2009.

¹³⁴ “The Taliban Tightens Hold in Pakistan’s Swat Region,” *Washington Post*, May 5, 2009; “Pakistani Army Posed for New Push Into Swat,” *New York Times*, May 6, 2009. At one point, the army claimed to have killed up to 200 militants in a single day (see http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/5/10).

¹³⁵ “Pakistani Army Avoiding Close Combat With Taliban,” Associated Press, May 8, 2009; “Pakistan Says it is Stepping Up Attacks Against Taliban,” *New York Times*, May 13, 2009.

that regaining full control of the region could take many months.¹³⁶ In late May, the battle for Mingora was engaged and a week later the army was declaring that Swat's main city had been fully secured.

On June 4, Pakistani Army Chief Gen. Ashfaq Pervez Kayani told a Corps Commanders' meeting that the tide in Swat had "decisively turned," and he expressed hope that the government would immediately launch "a robust administrative effort" to enable the return of IDPs as soon as possible. By month's end, the army was claiming to have cleared the last remaining Taliban stronghold in Swat. Nevertheless, sporadic lethal battles have continued in the region in July even as IDPs have begun returning.¹³⁷ If the summer passes and Swat is still seen to be unsecured, the Zardari government is likely to face growing domestic political problems. Some observers speculate that the military wants to substantively secure the Swat Valley before initiating an anticipated ground offensive in South Waziristan. The army reportedly plans to maintain a presence in Swat for at least six months and perhaps for as long as one year. One estimate sees reconstruction of Swat and four neighboring districts costing \$1 billion or more.¹³⁸

A senior Pakistani official reportedly claimed the two-month-long Swat offensive had left more than 3,500 militants dead, but Islamabad's official body count stands at about 1,700. There are no independent confirmations of such claims. There are, however, signs that the Swat militants refrained from entering pitched battles with army forces and instead retreated back into rural areas, thus retaining the capability to harass both residents and security forces in the future. No top Taliban commanders are known to have been killed or captured and, by many accounts, the military succeeded only in establishing control of Malakand's urban centers and main roadways. Particularly skeptical observers suspect that the Pakistani military has vastly over-reported Taliban casualties in a possible effort to impress an American audience and so continue to receive large assistance packages.¹³⁹

Internally Displaced Persons (IDPs)

Violence between Pakistani security forces and religious militants in western Pakistan beginning in the first half of 2008 and continuing to date has driven millions of civilians from their homes and caused a humanitarian crisis of major proportions. Current estimates of the total number of Internally Displaced Persons (IDPs) range from 1.9 million to 3.5 million, a significant discrepancy that in part reflects the difficulty of identifying and reaching a population that is scattered in villages, remote areas, and urban environments.

¹³⁶ "Pakistan Army Struggles in Buner," BBC News, May 20, 2009; "Pakistani Troops Make Gains Against Taliban in Swat Valley," *Washington Post*, May 22, 2009.

¹³⁷ See the June 4, 2009, press release at http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/6/4; "Pakistani Troops Clear Taliban Stronghold in Swat," Reuters, July 1, 2009; "Taliban Resurface in Parts of Buner District," *News* (Karachi), July 18, 2009.

¹³⁸ Inter-Services Public Relations press release, May 31, 2009, at http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/5/31; "Pakistan Focus Turns to Swat Reconstruction," *Financial Times* (London), May 26, 2009.

¹³⁹ "Pakistan's Victories Over the Taliban: Less Than Meets the Eye," *Time*, June 1, 2009; "Taliban Losses Are No Sure Gain for Pakistanis," *New York Times*, June 28, 2009; B. Raman, "The Missing Dead" (op-ed), *Outlook* (Delhi), June 24, 2009.

According to one report, nearly half of the estimated 450,000 residents of the Mehsud territories of South Waziristan were driven from their homes by conflict in early 2008.¹⁴⁰ The Pakistani military effort in Bajaur ran from mid-2008 to early 2009; some 300,000 refugees reportedly fled the region and many continue to live in makeshift camps near Peshawar.¹⁴¹ By June, following weeks of fierce combat in the Swat Valley, more than two million Pakistanis had been displaced, about half of them children. Less than 10% of these were reported to be staying in the 26 U.N.-run camps; the remainder appear to have found haven with friends, relatives, or in “spontaneous shelters.”¹⁴² Beds and medicine have been in short supply in the affected areas; indeed, the crisis may be pushing Pakistan’s already deteriorated health care system to the brink of collapse. Humanitarian relief efforts inside Pakistan historically have been significantly hindered by bureaucratic snags and by corruption.¹⁴³

International human rights groups have called for greater international assistance to civilians adversely affected by the more recent fighting in and around the Swat valley. One warned that citizens there were being left “at the mercy of the Taliban” and it accused the Pakistani government of “fiddling while the NWFP burns.” In May, the U.N. High Commissioner for Refugees called for a massive aid operation to cope with the new IDPs caused by the combat. To date, the United Nations has received less than half of the \$543 million in requested international donations for Pakistani IDP relief. Aid agencies warn that the funding gap threatens to undermine their efforts to address what one called the worst funding crisis faced in a major humanitarian emergency in more than a decade.¹⁴⁴

On May 19, 2009, Secretary of State Clinton announced that some \$110 million in urgent U.S. humanitarian assistance would flow into Pakistan, to include relief kits, tents, radios, and generators to provide light and water, along with many thousands of tons of wheat and other basic foodstuffs. Upon arriving in Islamabad and visiting IDP camps in early June at the explicit request of President Obama, Amb. Holbrooke announced that the United States would provide an additional \$200 million in urgent humanitarian assistance to address Pakistan’s IDP problem.¹⁴⁵ In mid-June, a House committee hearing on the crisis heard testimony from several witnesses who warned against premature returns, but who also emphasized that fast action was required to forestall any increase in anti-government sentiments among the displaced.¹⁴⁶

¹⁴⁰ “Pakistan Lifts Veil on Not-So-Secret Waziristan War,” *Reuters*, May 20, 2008.

¹⁴¹ “Pakistan: People of Buner at Mercy of Taliban,” Amnesty International press release, April 23, 2009; “Pakistanis Flee Into Afghanistan,” *BBC News*, September 29, 2008; “War on Taliban Sparks Refugee Crisis,” *Sunday Times* (London), November 16, 2008.

¹⁴² These “invisible refugees” are placing a crushing burden on the country’s already insufficient infrastructure (“Pakistan’s ‘Invisible Refugees’ Burden Cities and Families’ Hospitality,” *New York Times*, June 18, 2009).

¹⁴³ “Pakistan Hospitals, Camps Are Overwhelmed,” *Los Angeles Times*, May 15, 2009; “Pakistan Health Care Crumbles With Refugee Influx,” Associated Press, June 8, 2009; “Pakistan Appears Unprepared for ‘Massive Displacement,’” *Los Angeles Times*, May 7, 2009.

¹⁴⁴ “Aid Warning Amid Pakistan Unrest,” *BBC News*, June 11, 2009.

¹⁴⁵ See the State Department’s press release at <http://www.state.gov/secretary/rm/2009a/05/123640.htm> and a June 3, 2009, press release at <http://islamabad.usembassy.gov/pr-09060301.html>.

¹⁴⁶ “Rep. John F. Tierney Holds a Hearing on U.S. Contributions to the Response to Pakistan’s Humanitarian Crisis,” CQ Transcriptions, June 16, 2009.

Civil-Military Relations and Relief Efforts

Poor civil-military coordination appears to have hindered humanitarian relief efforts. Civilian administration of the “underprepared, underfunded, and overwhelmed” undertaking has by many accounts been poor.¹⁴⁷ The Islamabad government’s relief and reconstruction efforts are being overseen by a federal Special Support Group (SSG) of the Pakistani army established on May 11, 2009. The SSG’s director, Mangla Corps Commander Lt. Gen. Nadeem Ahmed, had previously served as deputy director of the Earthquake Reconstruction and Rehabilitation Authority, the lead agency in the 2005 earthquake response which, by some accounts, was marred by a lack of transparency and accountability.¹⁴⁸ In mid-July, U.S. Joint Chiefs Chairman Adm. Mike Mullen lauded the Pakistani army for learning from previous failed campaigns against the Taliban and for dealing effectively with the problem of IDPs.¹⁴⁹

The Pakistani military’s years of vacillation and inconsistent operations against Islamist militant groups in the NWFP and FATA likely expanded the geographic scope and collateral effects of the Malakand fighting. If such wavering policies continue in the Waziristan regions, as some observers fear they may, the negative impact on civilians could again be worsened. As articulated by one analysis,

The military’s contradictory policies of appeasement and heavy force have dramatically raised the civilian costs of fighting terrorism, but the military will nevertheless be keen to exploit any successes in relief and reconstruction to win public support and bolster its standing. ... The elected federal government must be the focal point of reconstruction and ensure local community participation in identifying priorities, implementing projects and maintaining accountability.¹⁵⁰

Independent analysts strongly urge the Islamabad government and the international community to ensure that relief and reconstruction efforts are overseen by civilian authorities so as to best empower displaced communities in determining their own needs and priorities. This would entail intimate engagement of the NWFP provincial government, and include building the capacity of civilian police forces and judicial administration. Indeed, it is widely held that the government’s broader counterinsurgency effort can only succeed if the military component is combined with sustained political outreach to consolidate the anti-Taliban consensus that appears to have emerged among the Pakistani public. Such outreach would emphasize the reconstruction and rehabilitation aspects of the government’s policy goals. Ultimately, this process would for many analysts result in bringing the full writ of the Pakistani state into largely autonomous areas like the FATA.¹⁵¹ Obama Administration officials remain concerned that the Islamabad government

¹⁴⁷ “After the Exodus,” *Economist* (London), June 4, 2009.

¹⁴⁸ “Pakistan: Political Impact of the Earthquake,” International Crisis Group Asia Briefing No. 46, March 15, 2006.

¹⁴⁹ See the June 5, 2009, State Department press release at <http://www.state.gov/p/sca/rls/remarks/124399.htm>; “Clinton Hails Pakistani Resolve in Battling Taliban,” *USA Today*, June 2, 2009; see the June 8, 2009, Defense Department press release at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4430>; “U.S. Sees New Pakistan Combat Drive in Waziristan,” Reuters, June 8, 2009; “Head of U.S. Joint Chiefs Praises Pakistani Operation,” *New York Times*, July 17, 2009.

¹⁵⁰ “Pakistan’s IDP Crisis: Challenges and Opportunities,” International Crisis Group Asia Briefing No. 93, June 3, 2009.

¹⁵¹ See, for example, Maleeha Lodhi, “Winning the Peace” (op-ed), *News* (Karachi), June 2, 2009, Rasul Bakhsh Rais, “Securing Victory” (op-ed), *Daily Times* (Lahore), June 2, 2009; Sherry Rehman, “Malakand: The Next Test” (op-ed), *News* (Karachi), June 6, 2009.

will be unable to follow through on its stated intentions to quickly rebuild and provide lasting security to the areas devastated by the Swat offensive.¹⁵²

Pakistani Public Perceptions

Available evidence strongly suggests that recent months have witnessed a major shift in Pakistani public attitudes toward religious militancy and extremism, with a majority of citizens now appearing to support Pakistani military operations that were only recently and for many years seen to have been launched only at the behest and in the interests of the United States.¹⁵³ Yet Pakistani leaders, along with independent analysts, are concerned that public sentiments will quickly shift if the government fails to effectively assist the IDPs.¹⁵⁴ The broad public and political support for military operations could evaporate if civilian casualties mount and the government's humanitarian response is seen as inadequate.¹⁵⁵ Some analysts are pessimistic in this regard, given a lack of effective civil or judicial systems in place and the absence of the kinds of local police forces that could ensure civilian security in the middle- and long-term. In a setting of rampant government corruption and nearly nonexistent public services, extremism could continue to thrive. According to one mid-June commentary, "We are still waiting to see any semblance of a government plan for dealing with the IDP's return home."¹⁵⁶

Pakistan's refugee crisis may provide the U.S. government with an opportunity to demonstrate its professed humanitarian concerns for the Pakistani people and so perhaps reverse widespread public hostility toward the United States.¹⁵⁷ Yet Islamist charities have been active in the relief effort and by some accounts are using the opportunity to forward an anti-Western agenda, potentially turning public sentiment against Islamabad's cooperation with the United States. Such a tack is facilitated by the near-total absence of an overt U.S. "footprint" due to still-pervasive anti-American sentiments, despite America's status as the leading contributor of international relief funds. Sensitive to being too closely associated with an unpopular ally, Pakistani authorities reportedly do not allow American aid workers or aircraft to distribute humanitarian aid at IDP camps, thus denying potential public diplomacy gains and leaving open a space in which extremist groups such as the banned Jamaat-ud-Dawa (JuD, now operating as Falah-i-Insaniyat) can influence opinion without "competition."¹⁵⁸

¹⁵² "Seeking Truth and Trust in Pakistan," *Washington Post*, June 16, 2009.

¹⁵³ "For Pakistanis, A Fight Against Their Own," *Washington Post*, June 12, 2009; "Support for Pakistan's Anti-Taliban War Seen Solid," Reuters, June 29, 2009.

¹⁵⁴ "Pakistani Leaders Worries About Public Relations War," Reuters, May 15, 2009.

¹⁵⁵ "Pakistan's IDP Crisis: Challenges and Opportunities," International Crisis Group Asia Briefing No. 93, June 3, 2009; Ahmed Rashid, "Hearts on the Line in Pakistan" (op-ed), *Washington Post*, June 12, 2009; "Urgency Rises in Pakistan," *Los Angeles Times*, June 8, 2009.

¹⁵⁶ Shuja Nawaz, "Pakistan's Summer of Chaos," Atlantic Council, June 18, 2009; "Pakistan Faces Challenge of Cementing Victory Against Taliban," *Los Angeles Times*, June 22, 2009.

¹⁵⁷ Trudy Rubin, "Pakistanis' Flight Opens Window for U.S." (op-ed), *Philadelphia Inquirer*, May 24, 2009.

¹⁵⁸ "In Pakistani Relief Camps, Charities Press Anti-U.S. View," *New York Times*, July 2, 2009. The JuD—a nominally charitable organization—is identified as a continuation of the banned Lashkar-e-Taiba (LeT) with a new name. The LeT, a U.S.-designated terrorist organization, has been held responsible for numerous deadly attacks inside both Pakistan and India, including the November 2008 gun and bomb assault on Mumbai that left some 173 people dead.

Questions About Pakistan's Main Intelligence Agency

The Inter-Services Intelligence Directorate (ISI) is Pakistan's main intelligence agency. Close U.S. links with the ISI date back at least to the 1980s, when American and Pakistani intelligence officers oversaw cooperative efforts to train and supply Afghan "freedom fighters" who were battling the Soviet Army. Yet mutual mistrust has been ever-present and, in 2008, long-standing doubts about the activities and aims of the ISI compounded.¹⁵⁹ Some analysts label the ISI a "rogue" agency driven by Islamist ideology that can and does act beyond the operational control of its nominal administrators. Yet most conclude that the ISI, while sometimes willing to "push the envelope" in pursuing Pakistan's perceived regional interests, is a disciplined organization that obeys the orders of its commanders in the Pakistani military.¹⁶⁰

A 2002 statement by the then-British foreign secretary noted the British government's acceptance of "a clear link" between the ISI and Pakistan-based terrorist groups including the LeT, JeM, and Harakat Mujahideen.¹⁶¹ The Afghan government claims to have evidence of ISI complicity in both an April 2008 assassination attempt on President Karzai and in the July 2008 bombing of India's Kabul Embassy. New Delhi joined Kabul in accusing the ISI of involvement in the latter attack. Islamabad countered that, despite repeated demands, neither neighbor provided evidence supporting the "unsubstantiated allegations."¹⁶² The top Afghan intelligence official has reported to his government that the ISI provides material support to Taliban commanders based in Quetta.¹⁶³ A 2008 think-tank report on insurgency in Afghanistan included the finding that, "There is some indication that individuals within the Pakistan government—for example, within the Frontier Corps and the ISI—were involved in assisting insurgent groups" inside Afghanistan.¹⁶⁴ The ISI may even maintain contacts with Baitullah Mehsud, possibly tipping off the Taliban commander when Pakistani army forces get any fixes on his position.¹⁶⁵

In mid-2008, a top U.S. intelligence official reportedly presented evidence to Pakistani officials that ISI agents were providing assistance to militant elements who undertake attacks in Afghanistan. Specifically mentioned was an alleged relationship between ISI agents and members of the Haqqani network believed based in the FATA and named as responsible the Kabul embassy

¹⁵⁹ "When Spies Don't Play Well with Their Allies," *New York Times*, July 20, 2008.

¹⁶⁰ See, for example, "The ISI and Terrorism: Beyond the Accusations," Council on Foreign Relations Background, July 9, 2008. In an episode that only brought embarrassment for Pakistan's newly seated civilian government, a July 2008 effort to bring the ISI under the formal control of the Interior Ministry was reversed only hours its announcement, fueling speculation that the Pakistani military does not intend to relinquish its traditionally primary role in foreign and national security policy making. U.S. officials reportedly continue to quietly criticize the new civilian government for its alleged "lack of supervision" of the ISI ("Spy Agency Confusion in Pakistan," *BBC News*, July 27, 2008; "Pakistan Puts Move to Rein in Spies on Ice," *Reuters*, August 5, 2008; "Pakistan's 'Rogue' Spy Agency Attacked," *Financial Times* (London), August 19, 2008).

¹⁶¹ See the June 2002 British Foreign Office press release at http://www.fco.gov.uk/resources/en/news/2003/10/fco_nst_100602_strawindpak.

¹⁶² "Pakistan 'Behind Afghan Attacks,'" *BBC News*, July 14, 2008; "India Blames Pakistan in Embassy Bombing," *Associated Press*, July 21, 2008; http://www.mofa.gov.pk/Spokesperson/2008/Aug/Spokes_13_08_08.html.

¹⁶³ "Afghan Official: Pakistan Spy Agency Aided Taliban Militants," *Associated Press*, March 27, 2009.

¹⁶⁴ Seth Jones, "Counterinsurgency in Afghanistan," RAND Counterinsurgency Study 4, 2008, at <http://www.rand.org/pubs/monographs/MG595/index.html>, p. xiv. A spokesman for Pakistan's Inter-Services Public Relations rejected the report's findings as "misleading, factually incorrect, and based on propaganda," saying it was part of a "smear campaign" aimed at disrupting Pakistan's relations with its partners in fighting terrorism (<http://www.ispr.gov.pk/Archive&Press/CurrentMonth/10-Jun-2008.htm>).

¹⁶⁵ "Mehsud's Friends in High Places," *Newsweek*, April 13, 2009.

bombing. U.S. counterterrorism officials do not appear to believe that senior Pakistani leaders have sanctioned aid to the Haqqani network, but suspect that local and retired ISI operatives are complicit.¹⁶⁶ Islamabad angrily rejected such reports as “baseless and malicious,” but Pakistan’s federal information minister did concede that some individuals within ISI “probably” remain “ideologically sympathetic to the Taliban” and act out of synch with government policy.¹⁶⁷

In September 2008, the Islamabad government named a new ISI chief, Lt. Gen. Ahmed Shuja Pasha, who had served as director general of military operations since 2005. Pasha, said to be close with Gen. Kayani, is identified as a professional soldier who takes the threat of Islamist extremism seriously. Although little is known about the new intelligence chief, his appointment was met with cautious optimism by the Bush Administration.¹⁶⁸ In November, the civilian government disbanded the ISI’s political wing, which was widely suspected of manipulating domestic political outcomes over a period of decades. Foreign Minister Qureshi said the move would free the ISI to concentrate on counterterrorism efforts.¹⁶⁹

U.S. suspicions have not receded, however. A 2009 book by a senior *New York Times* reporter cited a May 2008 U.S. signals intelligence intercept in which Pakistan’s Army Chief allegedly referred to terrorist leader Jalaluddin Haqqani as a “strategic asset.”¹⁷⁰ More recently, U.S. officials have fingered Pakistan’s military intelligence agency as actively supporting the Afghan Taliban with money, supplies, and planning guidance. A Pakistan Foreign Ministry spokesman called the relevant press report “sensational journalism” that conveyed “flawed” assumptions about Pakistan’s intent, which is to see a peaceful and stable Afghanistan.¹⁷¹ Only days later, Secretary of Defense Gates told an Afghan television interviewer that “the ISI’s contacts with some of these extremist groups [such as those led by Hekmatyar, Haqqani, and others] are a real concern for us, and we have made those concerns known directly to the Pakistanis.” In fact, the period coinciding with the public release of the Obama Administration’s new regional strategy saw a spate of senior U.S. military officers issuing accusations of ongoing ISI support the regional militants.¹⁷² Pakistani officials repeatedly provide assurances that no elements of the ISI are cooperating with militants or extremists. In May 2009, a State Department spokesman indicated that the United States takes such officials “at their word.”¹⁷³

¹⁶⁶ “C.I.A. Outlines Pakistan Links With Militants,” *New York Times*, July 30, 2008; “Pakistanis Aided Attack in Kabul, U.S. Officials Say,” *New York Times*, August 1, 2008; “Pakistan’s Dangerous Double Game,” *Newsweek*, September 22, 2008.

¹⁶⁷ “Pakistan Denies ‘Malicious’ Report on CIA Confrontation,” *Agence France Presse*, July 30, 2008; “Pakistan Concedes Some ISI Spies Sympathetic to Taliban,” *Los Angeles Times*, August 2, 2008.

¹⁶⁸ “The Mystery Spymaster,” *Newsweek*, October 13, 2008; “Pakistan Picks New Chief for Intelligence Agency,” *Washington Post*, September 29, 2008.

¹⁶⁹ “Pakistan Disbands Political Wing of Spy Agency,” Reuters, November 23, 2008.

¹⁷⁰ David Sanger, *The Inheritance* (Harmony Books, 2009).

¹⁷¹ “Afghan Strikes by Taliban Get Pakistan Help, U.S. Aides Say,” *New York Times*, March 26, 2009; http://www.mofa.gov.pk/Spokesperson/2009/March/Spokes_26_03_09.htm.

¹⁷² See the April 2009 Pentagon transcript at <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4392>; “American Leverage in South Asia,” BBC News, March 30, 2009.

¹⁷³ See <http://www.state.gov/r/pa/prs/dpb/2009/05/122798.htm>.

Major Shift in Pakistani Attitudes Toward the Taliban

During the first several months of 2009, the FATA-based Taliban launched numerous suicide bombings and other terrorist attacks across Pakistan in retaliation for the army operations against their allies in Swat. They took responsibility for multiple bomb explosions and warned people to evacuate several large cities, saying “major attacks” would be forthcoming.¹⁷⁴ Taliban militants and their allies had been terrorizing the people of western Pakistan for some time before 2009, but they may have gone one step too far by quickly violating the Swat accord with incursions into neighboring districts.¹⁷⁵ Moreover, in April, video footage of Taliban militants in Swat flogging a teenaged girl accused of having an affair was widely viewed on television and the internet, and contributed to turning public sentiment against the extremists. The result appeared to be a major shift in sentiments held by Pakistani public and media.¹⁷⁶

In a seminal nationally televised speech on May 7, Prime Minister Gilani announced that a “remedy for [the situation in Swat] has become necessary,” explaining that his government’s sincere efforts at peaceful resolution had failed upon the militants’ refusal to lay down their arms as agreed. He thus called for national unity and full support for the government in taking the “extreme step” of sending the army into Swat and Malakand to halt the “reign of terror” being perpetrated by the militants. Parliamentarians voiced approval of the army operations, and even many high-profile Muslim clerics endorsed the offensive. On May 18, an all-parties conference in Islamabad issued a 16-point resolution vowing to unite the country against the NWFP insurgents and to combat extremism and terrorism more generally.¹⁷⁷

Available evidence now strongly suggests that recent months have witnessed a major shift in Pakistani public attitudes toward religious militancy and extremism, with a majority of citizens now supporting military operations that were only recently and for many years seen to have come only at the behest and in the interests of the United States. One opinion survey conducted by a Maryland-based group in late May found that the percentage of Pakistanis who consider the activities of Islamist militants a major threat to Pakistan more than doubled in only 18 months to 81%. Solid majorities also expressed support for the government’s policy in Swat.¹⁷⁸

U.S. Policy and Bilateral Counterterrorism Cooperation

The spread of Islamist militancy in Pakistan has elicited acute U.S. government attention, multiple high-level visits, and increasingly large amounts of security-related assistance. Pentagon

¹⁷⁴ “Multiple Blasts in Pakistan After Taliban Warning,” *New York Times*, May 28, 2009; “Pakistani Cities Are New Battleground for Taliban,” *Los Angeles Times*, May 31, 2009.

¹⁷⁵ Sufi Mohammed, apparently emboldened by the government’s concession in Swat, laid out an ambitious plan to bring a “complete Islamist system” to the entire NWFP and perhaps all of Pakistan (“Extremist Tide Rises in Pakistan,” *Washington Post*, April 20, 2009).

¹⁷⁶ “War on Taliban Hailed,” *Daily Times* (Lahore), May 8, 2009; “Taliban-Style Justice Stirs Growing Anger,” *Washington Post*, May 10, 2009.

¹⁷⁷ “Pakistan PM Addresses Nation, Declares War on Militants,” BBC Monitoring South Asia, May 7, 2009; “NA Echoes With Support for Swat Operation,” *Daily Times* (Lahore), May 13, 2009; “Clerics Back Pakistani Offensive Against Taliban,” *Wall Street Journal*, May 12, 2009; “APC Wants End to Terror,” *Daily Times* (Lahore), May 19, 2009.

¹⁷⁸ “For Pakistanis, A Fight Against Their Own,” *Washington Post*, June 12, 2009; “Support for Pakistan’s Anti-Taliban War Seen Solid,” Reuters, June 29, 2009; poll details at http://www.worldpublicopinion.org/pipa/pdf/jul09/WPO_Pakistan_Jul09_rpt.pdf.

officials have for some time been frustrated by the allegedly feckless counterinsurgency efforts of the internally squabbling Islamabad government.¹⁷⁹ Numerous reports indicate that U.S. officials have been 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 the United States stands ready to assist Pakistan in “reorienting” its army for counterinsurgency efforts. This is not clearly a task the Pakistani military leadership is eager to complete.¹⁸⁰ Some U.S. military commanders in Afghanistan are reported to be deeply skeptical that Islamabad will use future U.S. military assistance for its intended purposes.¹⁸¹ Some senior Members of Congress, the Chairman of the Senate Armed Services Committee among them, have continued to express doubts about Pakistan’s will and capacity to make meaningful changes in the near-term.¹⁸²

The *New York Times* has reported that, since 2004, the U.S. military has used secret authority to carry out covert attacks against Al Qaeda and other militants in several countries, including Pakistan.¹⁸³ Then-President Musharraf rejected suggestions that U.S. troops could be more effective than Pakistanis in battling militants, saying a direct U.S. military presence in Pakistan was neither necessary nor acceptable. Upon assuming the presidency, Asif Zardari warned that Pakistan “will not tolerate the violation of [its] sovereignty and territorial integrity by any power in the name of combating terrorism.” He, too, insisted that, with the provision of U.S. intelligence, Pakistani forces are better suited to combating terrorists in the border region.¹⁸⁴ U.S. military incursions into Pakistan put tremendous pressure on both Islamabad’s civilian government and on the country’s military. Pakistan’s Ambassador to the United States has warned that such attacks are counterproductive to the extent that they turn Pakistani public opinion against the counterterrorism effort.¹⁸⁵ One former Bush State Department official assesses that unilateral U.S. military activity on Pakistani territory can be “profoundly counterproductive” by empowering Pakistani elements who already distrust U.S. intentions.¹⁸⁶ Even President Bush’s Deputy Secretary of State, John Negroponte, said, “Unilateral actions are probably not a durable or a viable solution over a prolonged period of time.”¹⁸⁷

The United States has built a new coordination and intelligence-sharing center on the Afghan side of the shared border near the Khyber Pass. Another such site is under construction and four more reportedly are being considered. Hundreds of millions of dollars of U.S. aid is slated to go toward training and equipping more than 8,000 paramilitary Frontier Corps (FC) troops by mid-2010. A “secret task force” of more than 70 U.S. military advisors and technical specialists reportedly has

¹⁷⁹ “U.S. Debates Going After Militants in Pakistan,” *Los Angeles Times*, August 23, 2008.

¹⁸⁰ “Realigning Pakistan’s Security Forces,” Council on Foreign Relations Backgrounder, June 18, 2009.

¹⁸¹ “Sen. Carl Levin and Sen. Bob Casey Hold a News Conference on Their Trip to Pakistan and Afghanistan,” *CQ Transcriptions*, June 3, 2008.

¹⁸² Transcript: “Senate Armed Services Committee Holds Hearing on Current and Worldwide Threats to the National Security of the United States,” March 10, 2009; “Levin: No US Aid Until Pakistan Takes on Militants,” Associated Press, March 31, 2009.

¹⁸³ “Secret Order Lets U.S. Raid Al Qaeda in Many Countries,” *New York Times*, November 10, 2008.

¹⁸⁴ “Special Ops Chief Sees Opportunities to Assist Pakistani Military,” *Inside the Pentagon*, February 7, 2008; “Pakistan’s Musharraf Says No to US Troops,” *Associated Press*, January 24, 2008; <http://www.pid.gov.pk/Final%20Speech%20of%20President.doc>; “Zardari to U.S.: Let Pakistan Go After Terrorists” (interview), *MSNBC.com*, September 22, 2008.

¹⁸⁵ “U.S. Raids Hurt Cause By Angering Pakistanis - Envoy,” *Reuters*, September 5, 2008.

¹⁸⁶ See the statement of Daniel Markey before the House Government Reform and Oversight Subcommittee on National Security and Foreign Affairs, September 24, 2008.

¹⁸⁷ See <http://2001-2009.state.gov/s/d/2008/109857.htm>.

been working in Pakistan since the summer of 2008. The Taliban's April 2009 advances in Pakistan spurred U.S. officials to consider stepping up U.S. counterinsurgency training for Pakistani security forces, perhaps at a site outside of Pakistan. Through the International Military Education and Training (IMET) program, the United States hosted a reported 260 Pakistani officers in 2008 for a variety of exchanges.¹⁸⁸ Moreover, the Obama Administration reportedly has launched a clandestine effort in Pakistan and Afghanistan to prevent Taliban forces from using FM radio transmissions and the internet to intimidate civilians and plan attacks, by jamming or otherwise blocking such communication channels.¹⁸⁹

In late 2008, U.S. and Pakistani military forces reportedly were improving their coordination and intelligence sharing efforts, perhaps reflecting a greater willingness by Pakistan to combat militants on its territory. Pakistani officers are now allowed to view video feeds from unmanned American drones and to access U.S. intercepts of militants' communications.¹⁹⁰ Vice President Biden returned from a trip to the region and reported seeing "a great deal more cooperation" between the U.S. and Pakistani militaries in the border area. Then-ISAF Commander U.S. Gen. David McKiernan lauded improved tactical-level coordination that has allowed for joint operations along the border.¹⁹¹

Yet some reporting has been less encouraging and suggests that progress on cooperation and coordination is hampered by language barriers, tensions between Pakistani and Afghan officials, and pervasive mistrust among the U.S., Pakistani, and Afghan militaries. For example, the \$3 million Border Coordination Center (BCC) at Torkham opened in March 2008, but operations were delayed by logistical problems and political wrangling. During the period, the number of insurgent attacks in the region increased sharply, reportedly delaying construction of a second BCC to the southeast.¹⁹²

Appearing before both Senate and House panels in May 2009, Secretary of Defense Gates urged Congress to quickly provide significant new counterinsurgency funding for Pakistan, arguing that the newly authorized Pakistan Counterinsurgency Capability Fund (PCCF) should be overseen by U.S. military commanders rather than by State Department civilians. Yet many in Congress voiced doubts about the wisdom of creating a major new stream of military funding under Pentagon oversight, as such aid traditionally has been subject to Foreign Assistance Act restrictions. When the House Appropriations Committee took up the issue in May, its members determined to place PCCF oversight in the hands of the State Department after FY2010.¹⁹³

¹⁸⁸ "Secret U.S. Unit Trains Commandos in Pakistan," *New York Times*, February 23, 2009; "Taliban Advance in Pakistan Prompts Shift by U.S.," *Washington Post*, April 29, 2009; "US, Pakistan Build Military Ties, One Officer at a Time," *Christian Science Monitor*, May 10, 2009.

¹⁸⁹ "Pentagon Jams Web, Radio Links of Taliban," *Wall Street Journal*, April 18, 2009.

¹⁹⁰ "Beneath US-Pakistani Tension, A New Cooperation," *Christian Science Monitor*, October 29, 2008; "U.S., Pakistan Work Together in Afghan Border Operation," *Wall Street Journal*, November 14, 2008; "Pakistan and U.S. Rebuild Strained Military Ties," *Wall Street Journal*, January 5, 2009.

¹⁹¹ "Vice President Joseph R. Biden Jr. on CBS's 'Face the Nation,'" CQ Transcripts, January 25, 2009; "Transcript: General David McKiernan Speaks at Council's Commander Series," Federal News Service, November 18, 2008. See also an ISAF press releases at <http://www.nato.int/isaf/docu/pressreleases/2008/11-november/pr081117-622.html> and <http://www.nato.int/isaf/docu/pressreleases/2008/11-november/pr081120-630.html>.

¹⁹² "U.S.-Funded Intelligence Center Struggles in Khyber Region," *Washington Post*, January 12, 2009.

¹⁹³ "Gates Pushes Congress to Boost Pakistan Aid," *Washington Post*, May 1, 2009; "Democrats Steer Pakistan Security Account to State," Associated Press, May 7, 2009.

Cross-Border Coordination and U.S. Military Action

American commanders in Afghanistan reportedly have sought greater leeway to attack indigenous Pakistani militants on Pakistani soil. Permission for U.S.-led attacks on forces under the command of militant leaders such as Sirajuddin Haqqani and Baitullah Mehsud is not overtly forthcoming to date.¹⁹⁴ By one account, top Bush Administration officials in 2007 drafted a secret plan to facilitate U.S. Special Operations force missions in western Pakistan, a plan that the U.S. President may have approved in July 2008. Pakistan's army chief strongly denied that his country had agreed to any new rules of engagement permitting U.S. ground forces to operate inside Pakistan. As part of the Joint Statement issued following a September 2008 session of the U.S.-Pakistan Strategic Dialogue, the United States reiterated "support for Pakistan's sovereignty, independence, unity, and territorial integrity."¹⁹⁵

U.S.-led coalition forces at times come under artillery fire launched on the Pakistani side of the border. Mid-2008 reports of a major buildup of U.S.-led coalition forces in eastern Afghanistan triggered alarm in Pakistan, where fears of a "foreign invasion" are exacerbated by cross-border military action. According to a NATO spokesman at the time, "There is no planning for, nor mandate for, an incursion of NATO troops into Pakistan."¹⁹⁶ Airstrikes and rumors of potential U.S. ground incursions "seriously undermine" the Pakistani people's support for the Islamabad government, according to the NWFP governor.¹⁹⁷ There is in Pakistan no shortage of conspiracy theorists, some of whom are convinced that the true intent of U.S. policy is to dismantle the world's only Muslim state with nuclear weapons.¹⁹⁸

2008 Frontier Corps Deaths and U.S. Special Forces Raid

In June 2008, a unit of Pakistani paramilitary soldiers was caught up in a firefight between Taliban militants and U.S.-led coalition forces at the Pakistan-Afghanistan border in the Mohmand tribal agency. U.S. air assets, apparently targeting fleeing insurgents, delivered 12 gravity bombs on Pakistani territory and killed 11 Frontier Corps soldiers. Islamabad strongly condemned the airstrike, calling it "unprovoked" and "a gross violation of the international border" that "tends to undermine the very basis of our cooperation." A Pakistani military statement called the airstrike "cowardly," and some in Pakistan believe the country's troops were

¹⁹⁴ "U.S. Commanders Seeking to Widen Pakistan Attacks," *New York Times*, April 20, 2008. 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).

¹⁹⁵ "Bush Said to Give Orders Allowing Raids in Pakistan," *New York Times*, September 10, 2008; "Pakistan Did Not Agree to New Rules, Officials Say," *Washington Post*, September 12, 2008; <http://2001-2009.state.gov/r/pa/prs/ps/2008/sep/110444.htm>.

¹⁹⁶ "US Troops Poised to Cross Afghan Border for Raid on Bases," *Times* (London), July 16, 2008; "Afghan NATO Force Hits Targets Inside Pakistan," *Reuters*, July 16, 2008.

¹⁹⁷ "Pakistan Fears Over US Air Raids," *BBC News*, July 14, 2008. See also "Unilateral Action by U.S. a Growing Fear in Pakistan," *New York Times*, July 22, 2008.

¹⁹⁸ See, for example, "Ringed by Foes, Pakistanis Fear the U.S., Too," *New York Times*, November 23, 2008.

intentionally targeted. The Bush Administration expressed regret for the deaths of Pakistani soldiers, but the incident served to inflame already sensitive bilateral ties.¹⁹⁹

Two months later, U.S. special forces troops staged a helicopter raid in a South Waziristan village; at least 20 people were reported killed, women and children among them. The Pakistani government strongly condemned the “completely unprovoked act of killing” and lodged formal protests with the U.S. Embassy for the “gross violation of Pakistan’s territory” and “grave provocation.” Both chambers of Parliament issued unanimous resolutions strongly condemning the “cowardly” attack.²⁰⁰ In a strongly-worded statement, Gen. Kayani said, “The sovereignty and territorial integrity of the country will be defended at all cost and no external force is allowed to conduct operations inside Pakistan.... There is no question of any agreement or understanding with the Coalition Forces whereby they are allowed to conduct operations on our side of the border.”²⁰¹ Plans for further U.S. ground incursions reportedly were suspended to allow the Pakistani military to press its own attacks, although some observers say the Pentagon had underestimated the strength of the Pakistani response to cross-border raids. The backlash may have caused U.S. officials to focus on an intensified Predator missile strike campaign.²⁰²

Unmanned Aerial Vehicle (UAV) Attacks

Missile strikes in Pakistan launched by armed American Predator and Reaper UAVs have been a controversial, but sometimes effective tactic against Islamist militants in remote regions of western Pakistan.²⁰³ Pakistani press reports suggest that such drones “violate Pakistani airspace” on a daily basis, and there appear to have been 23 separate U.S.-launched drone attacks in western Pakistan during the first half of 2009, for a rough average of one attack every eight days.²⁰⁴ Three Predators are said to be deployed at a secret Pakistani airbase and can be operated by the U.S. Central Intelligence Agency without specific permission from the Islamabad government.²⁰⁵ In February 2009, the CIA for the first time publically acknowledged the drone

¹⁹⁹ See http://www.mofa.gov.pk/Press_Releases/2008/June/PR_164_08.htm; “Pakistan Says U.S. Airstrike Killed 11 of Its Soldiers,” *New York Times*, June 10, 2008; http://www.mofa.gov.pk/Press_Releases/2008/June/PR_173_08.htm; “US Strikes Undercut Efforts on Pakistan-Afghan Border,” *Associated Press*, June 11, 2008; “Air Strike Damages Trust in Pakistan-US Alliance,” *Reuters*, June 12, 2008.

²⁰⁰ See <http://www.ispr.gov.pk/Archive&Press/Sep2008/3-sep-2008.htm>; http://www.mofa.gov.pk/Press_Releases/Printer_Friendly/Sep/PR_Print_264_08.htm.

²⁰¹ See <http://www.ispr.gov.pk/Archive&Press/Sep2008/10-Sep-2008.htm>.

²⁰² “U.S. Stops Spec Ops Raids Into Pakistani Tribal Areas,” *Army Times*, October 6, 2008; “United States Takes to Air to Hit Militants Inside Pakistan,” *New York Times*, October 27, 2008.

²⁰³ “Unilateral Strike Called a Model for U.S. Operations in Pakistan,” *Washington Post*, February 19, 2008. In mid-2008, the Predator drones operating in the Pakistan-Afghanistan border region reportedly were fitted with sophisticated new surveillance systems that were employed successfully in Iraq. These systems allow for much better tracking of human targets, even those inside buildings (“Higher-Tech Predators Targeting Pakistan,” *Los Angeles Times*, September 12, 2008).

²⁰⁴ A Pakistani press report counted 60 U.S.-launched drone attacks on Pakistan from January 2006 through early April 2009, claiming that only a small fraction of these hit their intended targets, killing 14 extremists along with 687 civilians (“60 Drone Hits Kill 14 Al Qaeda Men, 687 Civilians,” *News* (Karachi), April 10, 2009).

²⁰⁵ Pakistan officially denies the existence of any such bases; however, a senior U.S. Senator confirmed the claim in 2009, and subsequent reporting indicated that the United States reportedly flies armed UAVs out of the Shamsi airbase some 200 miles southwest of Quetta (“Drones Based in Pakistan,” *Los Angeles Times*, February 12, 2009; “Secrecy and Denial as Pakistan Lets CIA Use Airbase to Strike Militants,” *London Times*, February 18, 2009).

campaign in Pakistan when the Agency's new director, Leon Panetta, said the effort had been successful and would continue.²⁰⁶

The accelerated drone campaign in western Pakistan that began in mid-2008 appears to have taken a significant toll on Al Qaeda operatives. Centcom Commander Gen. Petraeus claims that such strikes are "extremely important" and have killed at least three top extremist leaders in that region.²⁰⁷ According to Pakistani intelligence officials, who reportedly are now providing targeting information to the United States, drone attacks have eliminated more than half of the top 20 Al Qaeda "high-value targets" in western Pakistan since mid-2008. Yet such officials also say the strikes have exacerbated the Al Qaeda threat by dispersing terrorist cells. Even a self-described "Taliban logistics tactician" conceded that drone attacks have been "very effective."²⁰⁸ Some critics of the armed UAV program suggest that its managers use the secrecy surrounding the effort to hide abuses and sometimes significant civilian casualties.²⁰⁹

By some accounts, U.S. officials reached a quiet January 2008 understanding with then-President Musharraf to allow for increased employment of U.S. aerial surveillance and UAV strikes on Pakistani territory.²¹⁰ Musharraf's successor, President Zardari, may even have struck a secret accord with U.S. officials involving better bilateral coordination for UAV attacks and a jointly approved target list. Reports citing unnamed senior officials from both countries have claimed that a tacit agreement on drone attacks was reached in September 2008; these reports are officially denied by Islamabad. Nevertheless, Secretary of Defense Gates has assured Congress that the U.S. intent to continue with such strikes has been conveyed to the Pakistani government.²¹¹ 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 civilians are harmful to U.S. interests, outweighing potential gains. There exists an ongoing and vigorous debate over whether drone attacks create more extremists than they eliminate.²¹²

Officially, Pakistan's Foreign Ministry calls Predator attacks "destabilizing" and "helping the terrorists." Strident Pakistani government reaction has included summoning the U.S. Ambassador to lodge a strong protest, condemning missile attacks that Islamabad believes "undermine public support for the government's counterterrorism efforts" and should be "stopped immediately."

²⁰⁶ "Drone Attacks Inside Pakistan Will Continue, CIA Chief Says," *Washington Post*, February 26, 2009.

²⁰⁷ "Al Qaeda Seen as Shaken in Pakistan," *Washington Post*, June 1, 2009; "Petraeus: Afghan Tribes Needed to Fight Militants," Associated Press, November 6, 2008.

²⁰⁸ "Predators on the Hunt in Pakistan," *Newsweek*, February 9, 2009; "Pakistan Lends Support for U.S. Military Strikes," *Wall Street Journal*, February 18, 2009; "Strikes Worsen Qaeda Threat, Pakistan Says," *New York Times*, February 25, 2009; Talib quoted in "Porous Pakistani Border Could Hinder U.S.," *New York Times*, May 5, 2009.

²⁰⁹ "CIA Secrecy on Drone Attacks Data Hides Abuses," Inter Press Service, June 12, 2009.

²¹⁰ "US Launches Waziristan UAV Strike With Tacit Pakistani Approval," *Jane's Defense Weekly*, March 19, 2008.

²¹¹ David Ignatius, "A Quiet Deal With Pakistan" (op-ed), *New York Times*, November 4, 2008; "Pakistan and U.S. Have Tacit Deal on Airstrikes," *Washington Post*, November 16, 2008; "No Understanding With US on Drone Attacks: FM," *Daily Times* (Lahore), November 18, 2008; Gates statement in "Senate Armed Services Committee Holds Hearing on Challenges Facing the Defense Department" (transcript), January 27, 2009. In October 2008, Pakistan's Ambassador to the United States acknowledged that there is "definitely" bilateral cooperation "in using strategic equipment that is used against specific targets," but that U.S. military aircraft do not overfly or launch strikes on Pakistani territory (see <http://www.cfr.org/publication/17567>).

²¹² "Do U.S. Drones Kill Pakistani Extremists or Recruit Them?," McClatchy News, April 7, 2009; "Drones Sharpen Pakistani Outrage," *Chicago Tribune*, May 5, 2009; "The CIA's Silent War in Pakistan," *Time*, June 1, 2009.

During his first visit to Pakistan as Centcom chief in late 2008, Gen. Petraeus reportedly was met with a single overriding message from Pakistani interlocutors: cross-border U.S. military strikes in the FATA are counterproductive. Pakistan's defense minister warned Gen. Petraeus that the strikes were creating "bad blood" and contributing to anti-American outrage among ordinary Pakistanis. The Islamabad government has asked for full Pakistani control of UAVs over Pakistani territory.²¹³

In November 2008, the first suspected Predator strike beyond the FATA was recorded when missiles hit a village in the Bannu district—well inside Pakistan's "settled areas." This attack spurred Islamabad to issue a strong protest, and Pakistan's army chief called for an end to such strikes.²¹⁴ Yet, two days later, fugitive British militant Rashid Rauf was reported killed in a missile strike in North Waziristan. Pakistani military officials then responded by issuing thinly-veiled threats to shoot down any American drones flying over Pakistani territory.²¹⁵ No such efforts are known to have been undertaken. A strike in South Waziristan in February may have been targeting Pakistani Taliban chief Baitullah Mehsud for the first time. Subsequent attacks in the region are believed to be in support of the Pakistani military's own mid-2009 operations against Mehsud's forces and included a June 23 strike on a funeral that reportedly killed scores of militants and may have narrowly missed Mehsud himself.²¹⁶

President Zardari had called on then-President-Elect Obama to re-assess the Bush Administration policy of employing aerial attacks on Pakistani territory. Yet dual Predator strikes apparently took place just days after President Obama took office.²¹⁷ The Obama Administration may be considering proposals to expand the UAV campaign into the Baluchistan province where many Afghan Taliban commanders are said to be based. While some officials favor such an expansion, others fear it could create a backlash and destabilize Islamabad's fragile civilian government.²¹⁸ In May, the U.S. military said that Pakistan was for the first time being given a broad array of noncombat surveillance information, including real-time video feeds, collected by American UAVs, but they denied a *Los Angeles Times* report that Pakistan had been offered joint control of armed drones. The Pakistani government also denied any agreement on joint control. The limited intelligence-sharing program is said to be part of a bilateral trust-building effort.²¹⁹

²¹³ "Pakistan Condemns US Strikes in Border Regions," *Associated Press*, October 10, 2008; http://www.mofa.gov.pk/Press_Releases/2008/Oct/PR_331_08.htm; "U.S. Airstrikes Creating Tension, Pakistan Warns," *Washington Post*, November 3, 2008; http://www.mofa.gov.pk/Press_Releases/2009/March/PR_128_09.htm; "Pakistani: U.S. Should Cede Control of Drones," *San Antonio Express-News*, April 29, 2009.

²¹⁴ "American craft Kills 5 Militants in Pakistan," *New York Times*, November 20, 2008; http://www.mofa.gov.pk/Press_Releases/2008/Nov/PR_349_08.htm; "Pakistani General Calls for Halt to Missile Strikes," Reuters, November 20, 2008.

²¹⁵ "Pakistan Can Stop Drone Raids: Air Force chief," Reuters, November 25, 2008.

²¹⁶ "Obama Widens Missile Strikes Inside Pakistan," *New York Times*, February 21, 2009; "Strike Reportedly Missed Chief of Pakistani Taliban by Hours," *New York Times*, June 25, 2009.

²¹⁷ "Pakistani Leader Seeks New US Policy," *Associated Press*, November 10, 2008; "President Orders Air Strikes on Villages in Tribal Area," *Guardian* (London), January 24, 2009.

²¹⁸ "U.S. Weighs Taliban Strike Into Pakistan," *New York Times*, March 18, 2009; "US Appears Split Over Missile Strikes in Pakistan," Reuters, April 29, 2009.

²¹⁹ "Pakistan Gets Sensitive U.S. Drone Images, With Limits," *New York Times*, May 14, 2009; "Pakistan Gets a Say in Drone Attacks on Militants," *Los Angeles Times*, May 13, 2009; "Pakistan Says Has No Deal With U.S. on Drone Use," Reuters, May 15, 2009; "U.S. Resumes Surveillance Flights Over Pakistan," *New York Times*, June 30, 2009.

Deteriorated Relations With India²²⁰

Pre-November 26 Pakistan-India Engagement

Among the top goals of Indian officials in 2008 was gauging the new civilian Pakistani government's commitment to the bilateral peace process. Within this modest context, the outcome of Pakistan's national elections was viewed as generally positive. However, ensuing months saw a marked deterioration of India-Pakistan relations. In May 2008, India accused Pakistan of committing multiple cease-fire and territorial violations along the Kashmiri Line of Control (LOC). Reported violations continued and Indian officials suspect the Pakistani military was renewing its alleged practice of providing cover fire for militant infiltrations into Indian Kashmir.²²¹ Visits to Islamabad by the Indian foreign minister and later by Foreign Minister Qureshi to New Delhi were cordial and appeared to get the peace process back on track, but produced no new initiatives. Then, on July 7, a suicide car bomb killed 58 people, including 4 Indian nationals, at the Indian Embassy in Kabul, Afghanistan. Afghan, Indian, and American officials claimed that Pakistan's intelligence agency was complicit.²²²

New Delhi subsequently warned Islamabad that recent events—culminating in the embassy bombing—had brought the peace process “under stress.” Blunt language again followed when a senior Indian official suggested that Pakistan-India relations were at a four-year low ebb.²²³ Along with the Kabul bombing, Indians widely suspected Pakistani complicity in July 2008 terrorist attacks inside India, and India's Prime Minister warned that such terrorism could bring the bilateral peace process to a halt. Moreover, New Delhi's progress in an initiative that would allow India to purchase nuclear materials and technologies on the international market spurred Islamabad to warn of a potential new nuclear arms race on the Asian subcontinent.²²⁴

Renewed violence in India's Jammu and Kashmir state in August further exacerbated bilateral tensions. Later that month, a senior Indian official expressed worry at the possibly imminent removal from office of Pakistani President Musharraf, saying such a development would “leave radical extremist outfits with freedom to do what they like” in the region.²²⁵ Still, senior officials in both capitals sought to press ahead with engagement. The new Pakistani President met with the Indian Prime Minister in New York City in September, where the two leaders formally stated their intent to restart the waning peace process by scheduling the fifth round of the composite dialogue.²²⁶ Yet, Islamabad continued to criticize New Delhi's Kashmir policies, calling the

²²⁰ See also CRS Report R40087, *Terrorist Attacks in Mumbai, India, and Implications for U.S. Interests*, by K. Alan Kronstadt, and “Pakistan-India Rivalry” section below.

²²¹ “India to Protest to Pakistan Over Border Shooting,” *Reuters*, May 19, 2008; “Skirmishes Can Hurt India-Pakistan Peace Process,” *Reuters*, July 30, 2008; “Despite Warning, Pak Violates Ceasefire Again,” *Times of India* (Delhi), August 14, 2008.

²²² “Pakistan ‘Behind Afghan Attacks,’” *BBC News*, July 14, 2008; “India Blames Pakistan in Embassy Bombing,” *Associated Press*, July 21, 2008; “Pakistanis Aided Attack in Kabul, U.S. Officials Say,” *New York Times*, August 1, 2008.

²²³ “Briefing by Foreign Secretary After India-Pakistan Foreign Secretary-Level Talks,” Indian Ministry of External Affairs, July 21, 2008; “India Official Sees Sinking Relations With Pakistan,” *New York Times*, August 1, 2008.

²²⁴ “India Says Peace Talks With Pakistan Under Threat,” *Associated Press*, August 15, 2008; “India Suggests Pakistani Hand in New Delhi Blasts,” *Associated Press*, September 15, 2008; “Pakistan Warns of New Nuclear Arms Race With India,” *Associated Press*, July 23, 2008.

²²⁵ “Q&A With Indian National Security Advisor MK Narayanan,” *Straits Times* (Singapore), August 12, 2008.

²²⁶ “India, Pakistan Leaders Agree to Kickstart Peace Talks,” *Agence France Presse*, September 24, 2008.

uprising in Indian Kashmir “entirely indigenous” and urging India to “bring the atrocities against Kashmiris to an end.”²²⁷

In November, a fifth round of Home/Interior Secretary-level talks on terrorism and drug trafficking was held in Islamabad and, hours before the November 26 Mumbai terrorist attacks began, Foreign Minister Qureshi was in New Delhi to review progress in the composite dialogue. Thus, on the brink of yet another serious derailing of the peace process caused by a major terrorist attack, many observers were sanguine about the outlook for improving relations.²²⁸

Mumbai Terrorism and Islamabad’s Response²²⁹

On the evening of November 26, a number of well-trained militants came ashore from the Arabian Sea on small boats and attacked numerous high-profile targets in Mumbai, India, with automatic weapons and explosives. By the time the episode ended some 62 hours later, about 174 people, including nine terrorists, had been killed and hundreds more injured. Among the multiple sites attacked in the peninsular city known as India’s business and entertainment capital were two luxury hotels—the Taj Mahal Palace and the Oberoi-Trident—along with the main railway terminal, a Jewish cultural center, a café frequented by foreigners, a cinema house, and two hospitals. Six American citizens were among the 26 foreigners reported dead. Indian officials concluded that the attackers numbered only ten, one of whom was captured and later confirmed to be a Pakistani national.

The audacious, days-long attack on India’s most populous city deeply affected the Indian people and their government. Because the attackers appear to have come from, and received training and equipment in, neighboring Pakistan, the episode has led to renewed bilateral tensions. In the U.S. Congress, H.Res. 1532, agreed to by unanimous consent, condemned the attacks, offered condolences and support to the people and government of India, and expressed U.S. congressional desire to improve coordination between the United States and India to combat terrorism and advance international security. The resolution also called upon the Pakistani government to cooperate fully with India in bringing the culprits to justice and to prevent Pakistan’s territory from “serving as a safe-haven and training ground for terrorists.”

The investigation into the attacks remains incomplete to date, but press reporting, statements from U.S. and Indian authorities, and a “dossier” of purported evidence compiled by New Delhi strongly suggest that all of the attackers came to India from neighboring Pakistan, and that the perpetrators likely were members and acting under the orchestration of the Pakistan-based Lashkar-e-Taiba (LeT) terrorist group. The LeT—originally a Kashmiri-separatist-oriented militant organization that later developed broader jihadi aspirations and that has links to Al Qaeda—is widely believed to have past ties with Pakistan’s military and intelligence services. By some accounts, these links are ongoing, leading to suspicions, but no known evidence, of involvement in the attack by Pakistani state elements.

Over the course of December, Pakistani officials began to acknowledge evidence that the attack had links to Pakistani soil and nationals. By January, they were declaring that the entire Pakistan-

²²⁷ See http://www.mofa.gov.pk/Spokesperson/2008/Oct/Spokes_31_10_08.html.

²²⁸ Indian Ministry of External Affairs, “Opening Statement by Minister of External Affairs,” November 26, 2008; “Signs of Thaw in Bitter South Asian Dispute,” *Christian Science Monitor*, November 26, 2008.

²²⁹ See also CRS Report R40087, *Terrorist Attacks in Mumbai, India, and Implications for U.S. Interests*.

based leadership of LeT, a total of 124 people, was in custody. Later they reported that all assets and property of the Jamaat-ud-Dawa (JuD)—a nominally charitable organization that is identified as a continuation of the LeT with a new name—were under Punjabi government control.²³⁰ The U.S. Assistant Secretary of State expressed approval of the steps taken by Islamabad while also asserting that there was “a long way to go” in efforts to eliminate militant Islamist threat from Pakistani soil.²³¹ In February, senior Indian officials were again intimating that the ISI had close links with the perpetrators of the Mumbai attack. Islamabad called the accusation “yet another manifestation of undisguised hostility and global smear campaign being conducted by India against Pakistan.”²³²

In mid-February, Pakistani authorities began taking steps toward criminal prosecutions of people suspected of perpetrating the Mumbai attack, while also complaining that a lack of evidence could make convictions difficult. Such complaints rankled New Delhi, where officials expressed no doubt that the attacks were planned and executed from Pakistani soil, and that sufficient evidence had been provided. Soon after, Islamabad for the first time openly admitted that at least part of the attack planning took place inside Pakistan, and it announced the filing of related criminal charges against nine Pakistani nationals.²³³ The unprecedented admission marked a dramatic reversal of Pakistan’s long-standing policy of denying culpability in terrorist attacks inside India, and so was welcomed by Indian observers as a positive step.

Pakistani authorities had posed 30 questions related to Indian dossier. In March, New Delhi provided replies to these queries, saying the documents contained a “solid basis” for investigating and prosecuting the suspects. In May, more new information was conveyed to Pakistan, including DNA samples from the accused gunmen, and the Indian home minister repeated his belief that Islamabad had “more than adequate” evidence to move forward with prosecutions. Islamabad continues to complain that New Delhi is slow to submit requested information.²³⁴

On June 2, a Pakistani court ordered the release from house arrest of LeT founder Hafiz Saeed, ruling that there was insufficient evidence to continue holding him. New Delhi expressed being “disappointed” with the “regrettable” development, saying it “raises serious doubts over Pakistan’s sincerity” in tackling terrorism on its territory and in investigating the Mumbai attack. A U.S. State Department spokesman also was critical, saying Pakistan “has a special responsibility” to act “transparently, fully, and urgently” in bringing the perpetrators to justice.²³⁵ In late June, an Indian court issued arrest warrants for 22 Pakistani suspects and prosecutors

²³⁰ “Pakistan’s Probe Finds Local Links to Attacks on Mumbai,” *Wall Street Journal*, December 31, 2008; “Pakistan Arrests Top Leaders of Lashkar-e-Taiba,” *Wall Street Journal*, January 15, 2009; “Pakistan Takes Over Main Center of Suspect Charity,” Associated Press, January 25, 2009.

²³¹ “Promising Start By Pakistan, But Need More: US,” Reuters, January 8, 2009.

²³² “India Says Pakistan’s Spy Agency Linked to Mumbai Raid Planners,” Reuters, February 4, 2009; http://www.mofa.gov.pk/Press_Releases/2009/Feb/PR_54_09.htm.

²³³ “India Accuses Pakistan on Mumbai,” BBC News, February 10, 2009; “Assault on Mumbai Planned in Pakistan,” *Washington Post*, February 12, 2009.

²³⁴ “India Replies to Pakistan’s Queries on Mumbai Dossier,” Reuters, March 13, 2009; “Indian Says Pakistan Given Enough Mumbai Evidence,” Reuters, May 25, 2009; Pakistan Ministry of Foreign Affairs June 4, 2009, press release at http://www.mofa.gov.pk/Press_Releases/2009/June/PR_224_09.htm.

²³⁵ “Statement on the Release of Hafeez Sayeed,” Indian Ministry of External Affairs press release, June 2, 2009; “U.S. Criticizes Pakistan for Release of Militant,” Reuters, June 3, 2009.

demanded their extradition for trial, but Islamabad said it had received no extradition request from New Delhi and probably would not act on one, even if it were received.²³⁶

Fallout for Bilateral Relations

Islamabad strongly condemned the Mumbai attack and offered New Delhi its full cooperation with the ongoing investigation, but mutual acrimony clouds such an effort, and the attack brought into question the viability of a five-year-old bilateral peace process, which New Delhi declared was “in a pause.” In the face of domestic pressure from their respective publics, the leadership of both India and Pakistan visibly sought to keep the situation from escalating. Yet political posturing has to an extent polarized the situation and reversed years of increasingly positive bilateral interactions.²³⁷ New Delhi welcomed Islamabad’s December crackdown while also pressing Pakistan to shut down the LeT and JuD entirely. In response to a formal Indian request, the U.N. Security Council sanctioned the JuD for its alleged links to terrorism.

Tensions remained high throughout December, with reports of military activity on both sides of the shared border exacerbating the sometimes fraught rhetoric of national leaders.²³⁸ Yet Indian leaders shied from explicit saber-rattling and many analysts have concluded that circumstances present New Delhi with few viable options other than pursuing a diplomatic offensive against Islamabad. In this effort, India won considerable international support, but Islamabad had some success in obfuscating the issue with troop movements away from the Afghan border and by protesting the threat of Indian military retaliation.²³⁹ In January, the ISI chief stated flatly that there would not be a war with India as a result of the Mumbai attack, saying, “We may be crazy in Pakistan, but we are not completely out of our minds. We know full well that terror is our enemy, not India.”²⁴⁰

The Indian government has maintained that the attackers not only collaborated and came from Pakistani territory, but also that official Pakistani elements were complicit. In releasing a “dossier” of what it called evidence linking the Mumbai attackers to Pakistan, India’s foreign secretary said it “beggared the imagination” to think that the perpetrators could act without the knowledge of Pakistani establishment elements, and he asserted that Pakistan was obligated to extradite the “criminals” on Pakistani soil. Prime Minister Singh himself said, “There is enough evidence to show that, given the sophistication and military precision of the attack, it must have had the support of some official agencies in Pakistan.”²⁴¹ Islamabad rejected such “unfortunate

²³⁶ “Pakistan: No Extradition Request From India,” Associated Press, June 24, 2009.

²³⁷ “India, Pakistan Tread Lightly After Mumbai Attack,” Associated Press, December 2, 2008; “Public Anger Strains India-Pakistan Cooperation,” *Christian Science Monitor*, December 5, 2008. In one example of heightened public emotion, tens of thousands of demonstrators gathered in southern Mumbai a week after the attacks began to express their anger, at times chanting “death to Pakistan” (“As Rice Presses Pakistan, Tens of Thousands Take to Streets in Mumbai,” *New York Times*, December 4, 2008).

²³⁸ “Pakistani Jets Scramble as India Hardens Tone,” *Wall Street Journal*, December 23, 2008; “Pakistan Cancels Army Leave, India Tensions Rise,” Reuters, December 26, 2008.

²³⁹ “India’s Singh Plays Down Possibility of War With Pakistan,” *Washington Post*, December 23, 2008; “No Easy Indian Response to Pakistan’s Troop Shift,” *New York Times*, December 29, 2008; “Pakistan May Outsmart India in Diplomatic Poker,” Reuters, January 6, 2009.

²⁴⁰ ““Terror is Our Enemy, Not India”” (interview with Lt. Gen. Ahmed Shuja Pasha), *Spiegel* (Hamburg), January 6, 2009.

²⁴¹ Indian Ministry of External Affairs, “Briefing by Foreign Secretary on Mumbai Terror Attacks,” January 5, 2009; “India PM Says Pakistan ‘Agencies’ Linked to Attack,” Reuters, January 6, 2009. The dossier’s contents may be (continued...)

allegations” and criticized New Delhi for “ratcheting up tensions” with “hostile propaganda.” It termed the dossier’s contents as “information” rather than “evidence.”²⁴²

Indian leaders have at times expressed displeasure with a perceived lack of sufficient diplomatic pressure on Pakistan from the U.S. and other Western governments.²⁴³ In their efforts to maintain such pressure on Islamabad, top Indian officials continued to issue sometimes harsh rhetoric. For example, in January, India’s defense minister voiced long-standing doubts that Islamabad’s leaders were taking meaningful action against anti-India militants in Pakistan, saying he saw no noticeable change in their attitude.²⁴⁴ The Indian external affairs minister later said the Mumbai attack “put a very large question mark over the achievements of the composite dialogue process” and lamented what he called “the absence of a sincere and transparent position on terrorism” in Islamabad, saying this has “significantly eroded” popular support for the peace process among Indians.²⁴⁵ The Indian Prime Minister himself has used strong and direct language:

During the past year, we faced a severe challenge from terrorist groups operating from outside our country. Many of them act in association with hostile intelligence agencies in these countries. ... Terrorism ... is largely sponsored from outside our country, mainly Pakistan, which has utilized terrorism as an instrument of state policy.²⁴⁶

The Pakistani position was captured in a January statement from its Foreign Ministry:

Pakistan believes that sustained engagement and dialogue is necessary to allay each other’s concerns. Breakdown of dialogue only works to the advantage of the terrorists. Conflict, confrontation and tensions is exactly what the terrorists want. We should not walk into their trap. It is important to show statesmanship.²⁴⁷

Pakistan repeatedly has requested a quick resumption of the moribund peace process, saying such a process is crucial to regional stability. Yet India has for several months been explicit in its refusal to reengage the composite dialogue unless and until Pakistan brings the Mumbai attacks to justice and takes “credible action” to dismantle what they call the “terror infrastructure” on Pakistani soil. Islamabad reacts angrily to what it calls New Delhi’s “dismissive” attitude, with the Foreign Ministry accusing Indian leaders seeking domestic political gain by “creating, encouraging, and encashing on anti-Pakistan frenzy.” The Pakistani foreign minister himself has rejected any conditionality on resuming the dialogue, and the de facto interior minister has

(...continued)

viewed at <http://www.hinduonnet.com/nic/dossier.htm>.

²⁴² See http://www.mofa.gov.pk/Press_Releases/2009/Jan/PR_12_09.htm; “Pakistan Dismisses Indian Data as ‘Not Evidence,’” Associated Press, January 14, 2009.

²⁴³ “US, UK Not Doing Enough to Rein in Pak: Pranab,” *Times of India* (Delhi), December 23, 2008.

²⁴⁴ “India Says Pakistan Attitude Unchanged on Militants,” Reuters, January 2, 2009. Many independent Indian analysts concur and see in Islamabad’s response to the Mumbai attacks evidence that the government there lacks both the will and the resources to reverse the perceived spread of a jihadist agenda (Praveen Swami, “Understanding Pakistan’s Response to Mumbai” (op-ed), *Hindu* (Chennai), January 26, 2009).

²⁴⁵ Quoted in “Pakistan is in a State of Denial: Pranab,” *Times of India* (Delhi), January 17, 2009.

²⁴⁶ Indian Ministry of External Affairs, “Address by Prime Minister at CM’s Conference,” January 6, 2009. In mid-January, ten former Indian ambassadors, including four former foreign secretaries, signed a letter urging the New Delhi government to downgrade its diplomatic ties with Islamabad due to Pakistan’s allegedly inability to take meaningful action against suspected orchestrators of the Mumbai attack. (“Downgrade Diplomatic Ties With Pakistan,” *Hindu* (Chennai), January 9, 2009).

²⁴⁷ See http://www.mofa.gov.pk/Spokesperson/2009/Jan/Spokes_15_01_09.htm.

lamented an allegedly systematic refusal by Indian authorities to share important information related to the criminal investigation.²⁴⁸

In the spring of 2009, New Delhi's insistence that dialogue would not commence until Islamabad dismantles the "infrastructure of terrorism" in Pakistan and brings the Mumbai perpetrators to justice began to appear untenable, especially as the Obama Administration has deepened its own engagement with the Zardari government. In early June, Indian officials began hinting that they were open to reengagement, but on their own terms and with effective interlocutors. The Indian Prime Minister himself said he was willing to meet Pakistan "more than half way" if its leaders are willing to "take this road of peace." Islamabad responded that resuming dialogue was its foremost priority with India.²⁴⁹ The U.S. State Department expressed encouragement at signs that the bilateral dialogue may be reengaged, while also emphasizing that "the pace, scope, and character of the dialogue is something for Indian and Pakistani leaders to decide."²⁵⁰

On June 16, President Zardari met with Prime Minister Singh at the Shanghai Cooperation Organization summit in Russia, where the Indian leader expressed "unhappiness" over Pakistan's alleged inaction against anti-Indian terrorism and the release of LeT chief Hafiz Saeed. Yet the brief encounter gave rise to fresh expectations of a slow thaw in bilateral relations, a warming being quietly encouraged by Washington. The next day, the Indian leader said his country was prepared to resume the dialogue with Pakistan while warning that progress would be slow given the "considerable stress" still existent. Some analysts speculate that the Indian moves are aimed at bolstering Pakistan's civilian government.²⁵¹

Implications for U.S. Interests

U.S. regional policy focuses foremost on fostering stability and precluding open conflict between two nuclear-armed powers; neutralizing the threat posed by religious extremists; democratization; and economic development. The Bush Administration had responded to the Mumbai attacks by reaffirming its commitment to close and supportive relations with India. Given the perspective of senior Obama Administration officials and top U.S. military commanders that success in efforts to stabilize Afghanistan may require an easing of India-Pakistan tensions, fallout from the Mumbai terrorist attacks further complicated U.S. policy in South Asia. According to press reports, the CIA orchestrated back-channel intelligence exchanges between Pakistan and India almost immediately following the November Mumbai attack. More broadly, the CIA reportedly has sponsored an effort to encourage intelligence sharing between Pakistan and India.²⁵²

²⁴⁸ "No Dialogue Till Pak Takes Credible Action: Menon," *Times of India* (Delhi), March 30, 2009; "Act on Terror First for Talks: Pak Told," *Times of India* (Delhi), May 23, 2009; Pakistan Foreign Ministry 's April 11, 2009, press release at http://www.mofa.gov.pk/Press_Releases/2009/April/PR_153_09.htm; "Qureshi Rejects Indian Terms of Talks," *News* (Karachi), April 13, 2009; "India Not Cooperating in Mumbai Probe: Malik," *News* (Karachi), April 22, 2009.

²⁴⁹ "India Looking at Dialogue Option on Pakistan Again," *Hindu* (Chennai), June 4, 2009; "India Looks to Restart Peace Talks With Pakistan, But on Own Terms," *Times of India* (Delhi), June 9, 2009.

²⁵⁰ See the June 16, 2009, statements at <http://www.state.gov/r/pa/prs/dpb/2009/124991.htm>.

²⁵¹ "Hint of Thaw for India and Pakistan," *New York Times*; "India Says Its Ready to Talk Peace With Pakistan," Associated Press, both June 17, 2009; "India Aims Talks at Boosting Civilian Pakistan Govt," Reuters, June 25, 2009.

²⁵² "CIA Helped India, Pakistan Share Secrets in Probe of Mumbai Siege," *Washington Post*, February 16, 2009; "Pakistan, India, and U.S. Begin Sharing Intelligence," *Wall Street Journal*, May 21, 2009.

Selected Commentary on U.S. Policy Options

Numerous observers are identifying Pakistan as being among the most important foreign policy issues facing President Obama. In addressing the several policy dilemmas posed by Pakistan, most analyses have urged a greater U.S. emphasis on diplomacy and development aid; many include a corresponding call for de-emphasizing strictly militarized approaches to regional issues. Some notable commentary includes:

- The Pakistan Policy Working Group, comprised of 13 Washington-based experts, released a September 2008 report on the future of U.S.-Pakistan relations, which argued that, “Pakistan may be the single greatest challenge facing the next American President.” The report offers a series of key recommendations for U.S. policy, including exhibiting patience with Islamabad’s new civilian leadership while working to stabilize their government with economic aid and diplomacy.²⁵³
- Also in September, a Carnegie Endowment-based analyst offered the incoming Administration a five-point strategy, urging it to: (1) strengthen Islamabad’s civilian government so as to consolidate democracy and convey respect for the wishes of the Pakistani people; (2) invest in improving Pakistan’s human capital and support its civil society with a focus on education and health; (3) help Pakistan in its struggle against terrorism and radicalism with security assistance that improves counterinsurgency capabilities; (4) encourage reconciliation between Pakistan and India; and (5) foster South Asian economic integration.²⁵⁴
- In a November 2008 *Foreign Affairs* article, two senior regional analysts warned that neither adding more U.S. and Western troops in Afghanistan nor increasing cross-border attacks into Pakistan would be likely to improve the regional security situation. Instead, they argued for political and diplomatic initiatives that would distinguish between local militants and global jihadists such as Al Qaeda, offer inclusion to a wide array of reconcilable insurgent elements in both Afghanistan and Pakistan, and include a major development initiative to boost living standards there. They viewed a U.S. policy of “pressuring” Pakistan to be inherently flawed in the absence of efforts to address Islamabad’s fundamental sources of insecurity.²⁵⁵
- *Partnership for Progress*, a November 2008 report from the Center for American Progress, reviewed the challenges and new opportunities presented by Pakistan, and recommended pursuit of U.S. policies that recognize the regional aspects of Pakistan’s security orientation; better integrate international support; move beyond a narrow focus on military and intelligence cooperation; encourage democratization and civilian governance oversight in Islamabad; enhance transparency and accountability in U.S. assistance efforts; reform U.S. national security institutions so as to strengthen non-military tools; and create a long-term and proactive engagement with Pakistan.²⁵⁶

²⁵³ See <http://www.cfr.org/content/publications/attachments/PakistanPolicyWorkingGroupReport.pdf>.

²⁵⁴ See http://www.carnegieendowment.org/files/pb64_tellis_pakistan_final.pdf.

²⁵⁵ See <http://www.foreignaffairs.org/20081001faessay87603/barnett-r-rubin-ahmed-rashid/from-great-game-to-grand-bargain.html>.

²⁵⁶ See <http://www.americanprogress.org/issues/2008/11/pdf/pakistan.pdf>.

- A January 2009 report on the FATA from a Pakistani specialist asserted a need for long-term U.S. engagement with Pakistan and its people, “shifting from a transactional relationship to one built on strategic considerations and respect for Pakistan’s political and development needs.” It offered U.S. policy makers numerous recommendations for dealing with militancy in the FATA, including defining an exit strategy from Afghanistan and accelerating funding for economic development in western Pakistan. For the U.S. military, it urged a rebuilding of trust with Pakistani counterparts, increased provision of helicopters and other equipment for counterinsurgency operations, and the establishment of tripartite training and exercises with Afghan, Pakistani, and U.S. forces, among others.²⁵⁷
- An April report from a senior Council on Foreign Relations specialist questioned the prioritization of U.S. objectives, lauding President Obama’s “AfPak” strategy as attempting to walk a middle-path between a narrow counterterrorist mission and a more ambitious nation-building agenda, but also arguing that “only a comprehensive, Pakistan-centered strategy will serve U.S. security requirements today and into the future.” It urged a near-term surge of U.S. resources into South Asia, a middle-term effort to identify and empower viable partners in both Pakistan and Afghanistan, and a longer-term objective of building more effective state institutions in both countries while developing better cooperation with Pakistan’s security services.²⁵⁸
- A senior RAND Corporation analyst offered an April journal article that focused on the apparent problem of Washington’s and Islamabad’s significantly divergent perceptions and interests, asserting that, “The urgent task before the international community is to help Pakistan understand that shutting down all militant groups in its territory is in its core national security interests.” To this end, it proposed taking a harder line with Pakistan to include U.S. insistence that Pakistan abandon militancy as a tool of foreign policy; development of alternative regional partners to reduce U.S. dependence on Pakistan; more proactive engagement with countries that have influence in Islamabad, especially China and Saudi Arabia; a U.S. assistance package that concentrates on building Pakistan’s counterinsurgency capabilities; and a more comprehensive U.S. effort to build Pakistan’s democratic and legal institutions, especially parliament and civilian police.²⁵⁹
- An Asia Society task force produced an April report on stabilizing Afghanistan and Pakistan that recommended a comprehensive strategy integrating counterterrorism, governance, economic development, and regional objectives based largely on an integrated civil-military plan to be designed through a cooperative U.S.-Pakistani-Afghan effort. Recommendations regarding Pakistan included political reform in and political integration of the FATA, and the creation of conditions in which Pakistan’s security doctrine can be transformed to abjure “the use of covertly supported guerilla forces against neighbors.”²⁶⁰

²⁵⁷ See http://www.csis.org/media/csis/pubs/081218_nawaz_fata_web.pdf.

²⁵⁸ See <http://www.cfr.org/publication/19125>.

²⁵⁹ See <http://www.twq.com/09april/index.cfm?id=343>.

²⁶⁰ See <http://www.asiasociety.org/taskforces/afpak/Afghanistan-PakistanTaskForce.pdf>.

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 Jimmy 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 millions of Afghan refugees, many 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.²⁶¹ Among the notable results of the aid cutoff was the

²⁶¹ Popularly known as the "Pressler Amendment," Section 902 of the International Security and Development Cooperation Act of 1985 (P.L. 99-83), signed into law in August 1985, amended Section 620E of the Foreign Assistance Act of 1961 (P.L. 87-195). It originally banned most economic and military assistance to Pakistan unless the President annually certified that "Pakistan does not possess a nuclear explosive device and that the proposed United States assistance program will reduce significantly the risk that Pakistan will possess a nuclear explosive device." No President has issued this certification since October 1989. The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1996 (P.L. 104-107) changed this requirement to apply only to military assistance to Pakistan (also known as the "Brown Amendment"), making the country eligible for other types of foreign assistance, including that related to counternarcotics and to multilateral peacekeeping operations (also known as the "Brownback Amendments"). After the Pakistani and Indian tests of nuclear explosive devices in May 1998, Congress passed a one-year waiver authority for these restrictions in the India-Pakistan Relief Act (Title IX of Division A of P.L. 105-277), which President Clinton exercised for FY1999 in December 1998. The waiver was extended for FY2000 in September (continued...)

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 worth of surplus wheat and soy, but the episode engendered lingering Pakistani resentments.

U.S. disengagement from Pakistan (and Afghanistan) after 1990 had serious and lasting effects on Pakistani perceptions. Former Pakistani Army Chief and President Musharraf himself repeatedly 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.”²⁶² The succeeding Pakistani President, Asif Zardari, has taken up a similar narrative, writing in January 2009 that, “Frankly, the abandonment of Afghanistan and Pakistan after the defeat of the Soviets in Afghanistan in the 1980s set the stage for the era of terrorism that we are enduring.”²⁶³

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 this more than one 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 the 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. Then-President Bush traveled to Pakistan in March 2006 for the first such presidential visit in six years, and numerous high-level governmental meetings ensued. During his visit, President Bush and President Musharraf issued a Joint Statement on the U.S.-Pakistan “strategic partnership” calling for a “strategic dialogue” and “significant expansion” of bilateral economic ties.²⁶⁴ As President-elect, Barack Obama stated his intention to create an “effective, strategic partnership with Pakistan” that will “make both countries safer.”²⁶⁵

(...continued)

1999. Section 9001 of the Department of Defense Appropriations Act, 2000 (P.L. 106-79) provided the President with the authority to permanently waive these remaining sanctions. President George W. Bush exercised this permanent waiver in September 2001.

²⁶² “President’s Address at Royal United Services Institute, London,” January 25, 2008.

²⁶³ Asif Ali Zardari, “Partnering With Pakistan” (op-ed), *Washington Post*, January 28, 2009.

²⁶⁴ See <http://usembassy.state.gov/pakistan/h06030404.html>.

²⁶⁵ See the December 7, 2008, “Meet the Press” transcript at <http://www.msnbc.msn.com/id/28097635>.

Political Setting²⁶⁶

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 nearly 62 years of existence, interspersed with periods of generally weak civilian governance.²⁶⁷ 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 (in fact, 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).

Musharraf's 1999 Coup d'Etat

In October 1999, in proximate response to Prime Minister Sharif's attempt to remove him, Chief of Army Staff Gen. Pervez 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 2002 referendum. National elections were held in October of that year, as ordered by the Supreme Court. A new civilian government was seated, but it remained weak. In 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 corruption and the influence of religious extremists. Yet his domestic popularity suffered following numerous indications that, as with Pakistan's previous president-generals, expanding his own power and that of the military would be his central goal.

The 2008 Democratic Revival

President Musharraf stood for—and controversially won—reelection as president in October 2007 (under the Pakistani system, the president is indirectly elected by an Electoral College comprised of the membership of all national and provincial legislatures). In February 2008, Pakistan held elections to seat a new National Assembly and all four provincial assemblies. Analysts had foreseen a process entailing rampant political-related violence and electoral rigging in favor of the incumbent, Musharraf-friendly Pakistan Muslim League-Q (PML-Q) faction. Fears of large-scale rigging were proven unfounded, however, as the PML-Q was swept from power in a wave of support for Pakistan's two leading opposition parties, the Pakistan People's Party (PPP), now overseen by Benazir Bhutto's widow, Asif Zardari, and the Pakistan Muslim League-Nawaz (PML-N) of former Prime Minister Sharif. The two largely secular, moderate

²⁶⁶ See also "Democracy and Governance" section below.

²⁶⁷ See also CRS Report RL32615, *Pakistan's Domestic Political Developments*.

parties proceeded to form a ruling parliamentary coalition in Islamabad, and also took charge of coalition governments in the two most populous of the country's four provinces.

Election Results and Coalition Politics

The 2008 elections saw the PPP win a clear plurality of seats (121 of 342) in the National Assembly. The Sharif's PML-N took another 91 seats. The incumbent PML-Q won only 54. This outcome provided the country's two main secular opposition parties with a near two-thirds majority. They were joined in a new national ruling coalition by the secular Pashtun nationalist Awami National Party (ANP) and the Islamist Jamiat Ulema-i-Islam faction of Fazl-ur-Rehman (JUI-F), both of which find their main strength in the Pashtun-majority North West Frontier Province (NWFP). The PPP also won an outright majority in the provincial parliament of Sindh, the Bhuttos' ancestral homeland, but still moved to form a ruling provincial coalition with the regional Muttahida Quami Movement (MQM), which dominates Karachi's political landscape (in 2009, the MQM joined the federal coalition). In the wealthy and densely populated Punjab province, Sharif's PML-N thrashed the PML-Q to take nearly half the provincial assembly seats. Sharif's brother Shabaz is serving again as Punjab chief minister, overseeing a coalition with the PPP. Voters in the NWFP roundly rejected the previously incumbent Islamist coalition and awarded the 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 most cabinet ministers coming from the ANP. Only in sparsely populated Baluchistan did the PML-Q win a plurality of seats, but the Quetta-based assembly is managed by a grand alliance under a PPP chief minister.

Musharraf's post-election status. Following the election of an opposition alliance, President Musharraf rejected repeated calls for his resignation and claimed to maintain the support of the powerful army. He expressed a willingness to work with the new Parliament, even as he recognized the potential for a two-thirds opposition majority to reverse many of the changes made during his rule. Such a super-majority could even have moved to impeach him, but for months the PPP put a damper on impeachment talk and instead appeared to seek a "dignified exit" for the embattled Musharraf. Although the Pakistani president's power and status were much eroded, he remained a potent political player in Islamabad, given especially his lingering support from the military and from some foreign governments, including the United States.

Coalition building and government formation. In March 2008, PPP leader Zardari and PML-N leader Sharif declared 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.²⁶⁸ In a major show of opposition unity, their accord vowed to seek restoration of deposed judges to office within 30 days of the new government's seating. Many viewed this "Murree Declaration" as an historic rejection of military-bureaucratic rule in Islamabad.

Zardari announced the prime ministerial candidacy of Yousaf Raza Gilani, a party stalwart from the Punjab province. Gilani was National Assembly Speaker during Benazir Bhutto's second government (1993-1996) and spent five years in prison (2001-2006) after being sentenced by an anti-corruption court created under President Musharraf. Gilani became Pakistan's 22nd Prime Minister in March 2008. Of his 24 cabinet ministers, 11 were from the PPP and 9 from the PML-N. Important new federal ministers included Foreign Minister Shah Mehmood Qureshi, who hails from a land-owning family in southern Punjabi city of Multan and has been a PPP lawmaker

²⁶⁸ Declaration text available at <http://thenews.jang.com.pk/updates.asp?id=39768>.

since 1985, serving as a Punjab provincial minister during the 1990s; and Defense Minister Chaudhry Ahmed Mukhtar, an industrialist from the Gujrat region of Punjab, who served as federal commerce minister in Benazir Bhutto's second government and who won his parliamentary seat in 2008 by defeating PML-Q leader Chaudhry Shujaat Hussein. The de facto Interior Minister, Rehman Malik, is a PPP member and former bureaucrat who headed the Federal Investigation Agency during Bhutto's second government.

Coalition politics. Never before in Pakistan's history had the country's two leading political parties come together to share power. While many observers praised the Murree Declaration as representing a potentially new conciliatory style of party politics, others noted that the PPP and PML-N spent most of the 1990s as bitter enemies. The history of mutual party animosity dates to 1972, when Benazir's father, Prime Minister Zulfikar Ali Bhutto, nationalized industries owned by Nawaz Sharif's father.²⁶⁹ Opposition to Musharraf's continued power united these parties for a time, but with Musharraf fanning the flames of party competition—and with his possibly imminent departure from power removing the key unifying factor between them—analysts were pessimistic that an accommodation could last.

In May 2008, Zardari announced that a constitutional reforms package had been completed, saying this proposed "18th Amendment" would reverse changes to the constitution made under Musharraf and so "walk [Musharraf] away rather than impeach him away." The PPP transmitted to the PML-N an 80-point draft proposal that would restore the deposed judges while greatly reducing the power of the presidency. Proposed amendments would, *inter alia*, remove the president's powers to declare war, dismiss the Parliament, and appoint governors and military service chiefs. The bill faced a lengthy period of assessment before legislative action was expected. Critics of the bill decried its alleged indemnification of President Musharraf's November 2007 actions. In June 2008, Zardari and Sharif met to create a consensus on outstanding issues, including judicial restorations and the possible impeachment of the president, but no breakthroughs were announced. Still, both leaders vowed to keep the coalition intact.

Restoration of Deposed Judges

During the six-week-long state of emergency launched by President Musharraf in November 2007, seven Supreme Court justices, including the Chief Justice, and about 56 High Court judges refused to take a new oath of office and were 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 judges remained a key divisive issue. In declaring an intention to restore the pre-November Supreme Court, the new civilian dispensation appeared to set itself on a collision course with Musharraf. Reseating that court likely would have led to Musharraf's removal from office, as the justices had appeared close to finding his October reelection unconstitutional. Many Pakistanis suspected the U.S. government of hindering restoration efforts.²⁷⁰ Independent analysts argued that respect for judicial independence is a key requirement for sustaining and strengthening Pakistan's democratic transition.²⁷¹ For many

²⁶⁹ "Decades of Enmity Threaten Pakistani Coalition, Say Analysts," *Agence France -Presse*, February 22, 2008.

²⁷⁰ Nawaz Sharif himself accused the U.S. government of actively discouraging such restoration. "Judges Not Being Restored Due to American Pressure: APDM," *News* (Karachi), June 19, 2008; "Hold Your Horses, Zardari Tells Lawyers," *News* (Karachi), May 24, 2008; "Pakistan TV Show Discusses Judges' Restoration Issue," *BBC Monitoring South Asia*, March 18, 2008.

²⁷¹ See, for example, "Reforming the Judiciary in Pakistan," International Crisis Group Asia Report 160, October 16, (continued...)

months, the PPP leadership continued to vow that all sacked judges would be restored, but they did not provide a deadline for such reinstatement. Pakistani cynics saw Zardari behaving similarly to Musharraf in his efforts to prevent a truly independent judiciary from taking shape.²⁷²

The “Lawyers’ Movement.” The “lawyer’s movement” that arose in response to Musharraf’s March 2007 dismissal of Chief Justice Iftikhar Chaudhry (who was reelected in July of that year and dismissed again in the November emergency) was a vital facet of the pro-rule of law, anti-Musharraf sentiment that spread in Pakistan during 2007. It did not fade away: lawyers continued to boycott many courts and the movement remained able to mobilize significant street protests. Aitzaz Ahsan, the Supreme Court Bar Association president and PPP Senator who led the successful effort to have Chaudhry reelected in mid-2007, was at the forefront of efforts to restore the pre-emergency judiciary.²⁷³ His subsequent detention attracted the attention of some in the U.S. Congress, who called for his immediate release. Ahsan criticized Washington for callousness regarding Musharraf’s crackdown on the Supreme Court, claiming that U.S. policy was “deaf and oblivious” to the voice of ordinary Pakistanis.²⁷⁴ Nawaz Sharif himself declared an intention to personally participate in “lawyers’ movement” efforts to restore deposed judges to office, which were slated to include a March 2009 “long march” on the Pakistani capital.

Coalition discord. The April 2008 deadline for the judge’s restoration passed without action. Despite Sharif’s apparent optimism that a resolution would be reached, subsequent meetings with Zardari in London again failed to break the deadlock. In May of that year, Sharif announced his party’s withdrawal from the federal cabinet; nine PML-N ministers subsequently handed in resignations. A legal advisor to Sharif reportedly held the Bush Administration partly responsible for the negotiation’s breakdown, given an alleged U.S. concern that President Musharraf be “protected” and allowed a “safe exit” sometime near the end of 2008. His claims reflected widely held suspicions among Pakistanis about U.S. “meddling” in their country’s coalition politics.²⁷⁵

Impeachment Plans and Musharraf’s Resignation

In August 2008, PPP leader Zardari and PML-N leader Sharif agreed in principle to seek the impeachment of President Musharraf (under Pakistan’s Constitution, impeachment of the president requires a two-thirds majority vote by the combined 442-seat membership of Parliament’s two chambers). Musharraf’s aides vowed that the president would fight the effort, but some former political allies began urging Musharraf to resign rather than further polarize the country. Prime Minister Gilani expressed confidence that the military leadership was pro-

(...continued)

2008.

²⁷² “Nov 3 Actions Cannot Be Undone: Naek,” *News* (Karachi), August 28, 2008; “Aitzaz Deplores Oath By Eight SHC Judges,” *Daily Times* (Lahore), August 28, 2008; “Resignations of PML-N Ministers Will Be Accepted Soon: PM,” *Daily Times* (Lahore), August 30, 2008; Asif Edzi, “In Musharraf’s Footsteps” (op-ed), *News* (Karachi), October 30, 2008.

²⁷³ See “The Lawyers’ Crusade,” *New York Times*, June 1, 2008.

²⁷⁴ “Civil Rights Activist Criticizes U.S. as ‘Oblivious’” (interview), *Washington Times*, July 3, 2008. See also, Aitzaz Ahsan, “Pakistan’s Tyranny Continues” (op-ed), *New York Times*, December 23, 2007. When asked during a Senate hearing about the status of judges dismissed under Musharraf’s emergency proclamation, Deputy Secretary of State John Negroponte conceded that the U.S. government had “been silent on the subject” (“Sen. Joseph R. Biden Jr. Holds a Hearing on U.S. Policy Options in Post-Election Pakistan,” *CQ Transcripts*, February 28, 2008).

²⁷⁵ “Coalition Partner Leaves Pakistan’s Cabinet in Dispute Over Reinstating Judges,” *New York Times*, May 13, 2008.

democracy and would not intervene to protect Musharraf.²⁷⁶ Cynical observers saw the two major party leaders valuing their own political fortunes over the health of the Pakistani nation. Such cynicism only deepened with the later news that Zardari would present himself as candidate to be Pakistan's next president.²⁷⁷

The first aspect of the federal coalition's plan to remove the president involved passing anti-Musharraf resolutions in each of the country's four provincial assemblies. The Punjab assembly overwhelmingly passed the first such resolution; the NWFP, Sindh, and Baluchistan assemblies followed within days. With signs that the military brass would not come to his aid, the besieged president appeared to have no allies remaining, and a flood of reports indicated that his resignation was imminent.²⁷⁸ On August 18, President Musharraf delivered a resignation address to the nation in which he claimed responsibility both for turning around Pakistan's economy and for introducing the "essence of democracy" there. He blamed the new civilian government for the country's current economic and political instability, and explained his decision to resign as an effort to avoid confrontation and further instability.²⁷⁹

Coalition Collapse and PPP Consolidation

Almost instantly upon Musharraf's resignation, serious rifts again appeared in the ruling coalition, with Nawaz Sharif reportedly delivering an ultimatum to the PPP that the Chief Justice be restored to office within 72 hours or the PML-N would withdraw support. Moreover, the PPP's announcement that Zardari himself would be a candidate for the presidency violated Sharif's understanding that the new president would be a nonpolitical figure.²⁸⁰ In late August, Sharif responded to what he saw as a series of broken promises by withdrawing his party's support for the ruling coalition and joining the opposition benches in Parliament. The end of the five-month-long accommodation between the PPP and PML-N did not lead to new elections, as Zardari's party collected enough smaller party support to remain in power.²⁸¹

Zardari's candidacy to replace Musharraf suggested that the presidency's constitutional powers would not be amended in the foreseeable future. With support from the influential regional MQM party based in Karachi, Zardari won the September presidential election with 481 out of 702 votes in the electoral college. Allegations of corruption still haunt Zardari, and reports arose that cast doubt on his recent mental health.²⁸² Zardari's controversial record led many analysts to decry his

²⁷⁶ "Allies Call on Beleaguered Musharraf to Quit," *Reuters*, August 10, 2008; "Pakistan Army Won't Support Musharraf - Government," *Reuters*, August 12, 2008.

²⁷⁷ See, for example, "M.B. Naqvi, 'While Rome Burns, Plain Words' (op-ed), *News* (Karachi), August 6, 2008; S. Sathananthan, "Retrieving Democracy?" (op-ed), *Outlook* (Delhi), August 12, 2008; "The Zardari Card" (editorial), *News* (Karachi), August 22, 2008.

²⁷⁸ "Military Cuts Power From Under Musharraf," *Financial Times* (London), August 13, 2008; "Musharraf Expected to Resign Within Days," *New York Times*, August 15, 2008.

²⁷⁹ "Going, Going, Gone!," *Daily Times*, (Lahore), August 19, 2008. Speech text at http://www.cfr.org/publication/16999/president_musharrafs_resignation_speech.html?breadcrumb=%2Fregion%2F279%2Fsouth_asia.

²⁸⁰ "Interview With Nawaz Sharif," *Wall Street Journal*, August 21, 2008.

²⁸¹ "Fractious Coalition in Pakistan Breaks Apart," *New York Times*, August 25, 2008; "Pakistani Stability Hope Fades With Coalition Split," *Reuters*, August 26, 2008.

²⁸² "Numbers Game Tilts in Favor of People's Party," *Daily Times* (Lahore), August 22, 2008; "Zardari on the Hot Seat," *Newsweek* (online), August 20, 2008; "Battle Scars On Show as Zardari in Spotlight," *Financial Times* (London), August 25, 2008.

candidacy as a “disaster” for both Pakistan and its democratic institutions.²⁸³ According to some reports, the Pakistani security establishment was dead-set against a Zardari presidency and put its full weight behind the PML-N candidate.²⁸⁴

Zardari himself posed the presidential election as a culmination of his assassinated wife’s efforts, and he vowed to “bring back into balance the powers of the presidency,” reconstitute judicial independence through the reinstatement of judges deposed by Musharraf, and carry on the fight against Taliban and other religious extremists.²⁸⁵ In his inaugural speech, Zardari called for an all-parties committee to “revisit” the 17th Amendment and Article 58(2)b of the Constitution, which gives the President the power to dismiss Parliament.²⁸⁶

Confidence in the civilian leadership has been harmed by seemingly worsening security and economic crises, leaving both ordinary Pakistanis and foreign diplomats uneasy about its capacity. Pakistani disappointment in President Zardari and his PPP-led government appears to be pervasive. Many analysts have concluded that Zardari and his top advisors no longer intend to reduce the powers of the presidency as they had previously promised to do. More generally, critics see the PPP-led government as lacking both expertise and direction.²⁸⁷ An opinion survey conducted in March 2009 found Zardari’s approval rating at a mere 19% (unchanged from October 2008), and support for the PPP had plummeted from 32% in June 2008 to only 17%.²⁸⁸

The March 2009 Political Crisis

Pakistan’s most recent political crisis began in late February, when the Supreme Court ruled that Nawaz Sharif and his brother Shabaz, the sitting Punjab Chief Minister, were ineligible to hold elected office due to past criminal convictions. Sharif called the ruling a political one “given on the directives of Mr. Zardari.”²⁸⁹ The court decision sparked days of large-scale pro-Sharif street protests across the province. Zardari initiated governor’s rule in the Punjab, putting a PPP ally in charge of governance there, thus fueling suspicions that the Sharifs’ removal was a political ploy. Turmoil deepened in early March when Pakistan’s acting interior minister suggested that, by inciting his supporters to demonstrate publicly, Sharif was guilty of “sedition,” hinting that Sharif’s arrest might be imminent.²⁹⁰ Sharif himself continued to demand the restoration of the deposed Chief Justice.

The crisis came to a hilt in mid-March, when public demonstrations spread and the Zardari government instituted what seemed to many to be dictatorial policies, such as placing up to 800

²⁸³ “Pakistan’s Next President is a Category 5 Disaster” (op-ed), *Wall Street Journal*; “Bhutto’s Homeland Has Little Love for Zardari,” Agence France Presse, both September 2, 2008; “Bhutto Widower With Clouded Past is Poised to Lead Pakistan,” *New York Times*, September 5, 2008.

²⁸⁴ See, for example, “Establishment Determined to Stop Zardari to Become President,” *Business Recorder* (Karachi), August 30, 2008.

²⁸⁵ Asif Ali Zardari, “Democracy Within Our Reach” (op-ed), *Washington Post*, September 4, 2008.

²⁸⁶ See <http://www.pid.gov.pk/Final%20Speech%20of%20President.doc>.

²⁸⁷ See, for example, Hasan Askari Rizvi, “A Year of Hope and Disappointment” (op-ed), *Friday Times* (Lahore), January 2, 2009; Asif Ezdi, “Heading for a Fall” (op-ed), *News* (Karachi), February 3, 2009; Maleeha Lodhi, “Rule Without Governance” (op-ed), *News* (Karachi), February 5, 2009.

²⁸⁸ See <http://www.iri.org/newsreleases/2009-05-11-Pakistan.asp>.

²⁸⁹ “Pakistan’s Leader Stirs Fresh Turmoil,” *Wall Street Journal*, February 26, 2009.

²⁹⁰ “Pakistan Crisis Deepens With March, Talk of Arrest,” Associated Press, March 9, 2009.

political opponents under house arrest and blocking media outlets.²⁹¹ At least two senior PPP figures resigned in protest over such actions. Yet, on March 15, with a “long march” of agitating lawyers and thousands of their supporters poised to cross the province under the leadership of Sharif, Zardari suddenly conceded to civil society demands on March 16 by ordering Chaudhry’s restoration (the judge was formally reinstated on March 22). Ambassador Holbrooke lauded Zardari’s “statesmanlike” act, and many Pakistanis and outside observers alike hailed the unprecedented apparent victory for “people’s power” in Islamabad.²⁹² Other observers were encouraged by the Pakistan military’s low-key role during the crisis, calling Gen. Kayani’s behind-the-scenes efforts to persuade President Zardari toward compromise a positive sign.²⁹³

Days after the climax of the mid-March crisis, the Zardari government asked the Supreme Court to review the ruling banning the Sharif brothers from politics. Prime Minister Gilani met with Nawaz Sharif at the latter’s Punjab estate, where the two leaders agreed to seek reconciliation under the 2006 Charter of Democracy. In a March 28 speech to a joint session of Parliament, widely seen as conciliatory, Zardari repeated his request that Parliament establish an all-parties committee to revisit the 17th Amendment and Article 58-2(b) of the Constitution (which grants to the presidency powers previously held by the prime minister), urging that new amendments be finalized “without any further delay.”²⁹⁴ Two days later, Zardari lifted federal rule in Punjab, paving the way for Shabaz Sharif’s return to office, which the Supreme Court endorsed on April 1. Gilani subsequently invited Sharif’s political party, the PML-N, to rejoin the federal cabinet.²⁹⁵

Zardari’s concessions appeared to leave him seriously discredited, and the Supreme Court may now move to reverse the National Reconciliation Order made under Musharraf that protected both him and his wife (and Musharraf) from corruption prosecutions. Despite Zardari and Sharif both taking conciliatory stances in the wake of the crisis—and Zardari repeating earlier promises to reverse constitutional changes that empowered the presidency under Musharraf—some observers predict that the PPP-led coalition will face early elections and that Sharif is likely to serve as Prime Minister for a third time.²⁹⁶

Nawaz Sharif’s political fortunes were only brightened by his role in the March 2009 crisis. Sharif, who holds “Musharraf’s dictatorship” responsible for the terrorism and extremism now afflicting Pakistan, insists that he “stands for democracy” and wants to see the Charter of Democracy he inked with Benazir Bhutto in May 2006 adopted as law and made part of the constitution. He vows to continue supporting the PPP-led government so long as that government “follows a democratic agenda” as set forth by that agreement.²⁹⁷ Sharif is by most accounts by far the most trusted political figure in Pakistan, outranking his closest competitor in the category—

²⁹¹ “Pakistan Seeks Way Out of Crisis, Detentions Multiply,” Reuters, March 13, 2009. The Human Rights Commission of Pakistan accused the Zardari government of “adopting dictatorial ways” by restricting freedom of assembly and by arbitrarily arresting peaceful protestors (HCRP press release, March 11, 2009).

²⁹² “Pakistan Leader Backs Down and Reinstates Top Judge,” *New York Times*, March 16, 2009.

²⁹³ “Pakistan Military Chief Meets With Pres on Opposition Demands,” *Wall Street Journal*, March 13, 2009; “Behind-Scenes Crisis Role Seen for Pakistan Military,” Reuters, March 18, 2009.

²⁹⁴ “President Zardari’s Address to Joint Session of Parliament,” Pakistan Information Department transcript, March 28, 2009.

²⁹⁵ “Pakistan PM in Key Talks With Sharif,” Agence France Presse, March 22, 2009; “Zardari Ends Central Rule in Punjab to Calm Politics,” Reuters, March 30, 2009.

²⁹⁶ “Zardari Reversals Strengthen Opposition,” *Financial Times* (London), March 16, 2009.

²⁹⁷ “Transcript: FT Interview With Nawaz Sharif,” *Financial Times* (London), April 1, 2009.

President Zardari—by 55% to 9% in one major poll. More than two-thirds of respondents in the poll said they would rather see Sharif in the presidency than Zardari.²⁹⁸

Role of the Pakistani Military

The army's role as a dominant and overt political player in Pakistan may be changing. Following President Musharraf's November 2007 resignation as army chief, the new leadership showed signs of distancing itself from both Musharraf and from direct involvement in the country's governance. The president's handpicked successor, Gen. 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 electoral process would be maintenance of security. He later called for a "harmonized relationship between various pillars of state, as provided in the Constitution." In March 2008, Kayani exerted further influence by making his first major new appointments, replacing two of the nine corps commanders appointed by Musharraf.

Gen. Kayani reportedly has removed about 3,000 active or retired military personnel from civilian government posts. In November 2008, he allowed the disbanding of both the political wing of the country's main intelligence agency and the dissolution of the National Security Council established under former President Musharraf, a body that critics had said facilitated the military's ongoing involvement in Pakistan's governance. Many analysts see Gen. Kayani as motivated to improve the institutional image of the military after a serious erosion of its status under Musharraf. His dictates and rhetoric have brought accolades from numerous commentators.²⁹⁹ According to Pakistan's envoy to the United States, the country's "national consensus on democracy" is fully supported by the Pakistani military, which is "scrupulously" avoiding any overt or covert role in the country's politics.³⁰⁰ Yet Islamabad's civilian government may still be meeting significant resistance from the country's military institutions when the former makes moves toward shifting Pakistan's emphasis away from the alleged threat posed by India and toward that posed by domestic insurgents. By some accounts, President Zardari's efforts to ease tensions with India are seen as coming in response to U.S./British pressure.³⁰¹

U.S. Policy

Pakistan's relatively credible 2008 polls allowed the Bush Administration to issue a determination that a democratically elected government had been restored in Islamabad after a 101-month hiatus. This permanently removed coup-related aid sanctions that President Bush had been authorized to waive annually.³⁰² The Administration recognized Pakistan's 2008 political shift as a renewed opportunity to assist in efforts to consolidate the country's democratic institutions. Both before and after the elections, U.S. officials expounded a desire to see "moderate forces"

²⁹⁸ See <http://www.iri.org/newsreleases/2009-05-11-Pakistan.asp>. See also "Khaled Ahmed, 'The Rise of Nawaz Sharif' (op-ed), *Friday Times* (Lahore), June 5, 2009.

²⁹⁹ "Pakistan Military Retreats From Musharraf's Influence," *McClatchy Newspapers*, January 18, 2008; "Army Chief Urges Harmony Among Pakistan's Leaders," *Reuters*, March 6, 2008; "Quiet General Tries to Keep Army Out of Politics," *Wall Street Journal*, August 22, 2008.

³⁰⁰ Remarks by Ambassador Husain Haqqani at the Center for Strategic and International Studies, Washington, D.C., August 20, 2008.

³⁰¹ "Zardari in Power Struggle With Army Over India Detente," *London Daily Telegraph*, June 26, 2009.

³⁰² Federal Register 73, 69, p. 19276-19277, April 9, 2008.

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.³⁰³ Senior Bush Administration officials appeared to be recognizing the importance of a broader array of political figures in Islamabad. In what was taken to be a clear indication of shifting U.S. policy, Deputy Secretary Negroponte—who had in late 2007 described the Pakistani president as an “indispensable ally” of the United States—offered little public defense of Musharraf in early 2008, calling his future status a matter to be determined by “the internal Pakistani political process.” The White House also said Pakistanis themselves must determine the outcome.³⁰⁴

By removing the single most important interlocutor in Islamabad, Musharraf's resignation presented yet another challenge for U.S. officials in their dealings with Pakistan. Despite the Bush Administration's official noninterference posture, many reports had the U.S. government urging a “soft landing” for Musharraf. Still, in the end, the Bush Administration watched quietly as its key Pakistani ally was marginalized, apparently concluding that Musharraf's time was up and that any further overt U.S. support for the discredited ex-general would only stoke visceral anti-American sentiments in Pakistan. Both major party U.S. presidential candidates welcomed Musharraf's August 2008 exit as a step toward ending Pakistan's political crisis.³⁰⁵

The Obama Administration has emphasized support for Pakistan's democratic institutions as opposed to political personalities. As the March 2009 crisis grew more intense, a State Department spokesman stressed the U.S. view that political differences in Islamabad be resolved in accordance with the Pakistani constitution and with respect for the rule of law. The U.S. government did not, however, take a position on the question of possible constitutional violations.³⁰⁶ Senior U.S. diplomats were in close contact with Pakistani officials in the days preceding the mid-March climax. Some reports had the United States warning that aid to Pakistan could be cut if the crisis was not resolved. Upon Chaudhry's restoration, Secretary Clinton praised the Pakistanis for resolving the difficulties on their own.³⁰⁷

Nawaz Sharif's reemergence as a major political force in Pakistan has led U.S. and other Western governments to pay heed, with some reports suggesting that his increased role could help broaden popular support for the counterinsurgency effort in Pakistan. By some accounts, Washington may even look to Sharif as a viable alternative interlocutor in Islamabad if the Zardari government appears too weak and ineffective.³⁰⁸

³⁰³ See <http://2001-2009.state.gov/g/drl/rls/afdr/2008/104862.htm>.

³⁰⁴ “Press Statement - Deputy Secretary John Negroponte,” U.S. Embassy Press Release, March 27, 2008; “US Cautious Amid Musharraf Resignation Reports,” *Agence France Presse*, August 15, 2008.

³⁰⁵ “US Wants ‘Honorable’ Stay for President of Pakistan,” *Dawn* (Karachi), August 11, 2008; “As Musharraf Faltered, U.S. Stayed at a Distance,” *Washington Post*, August 19, 2008; “How Bush Was Persuaded to Let Musharraf Go,” *Dawn* (Karachi), August 19, 2008; “McCain, Obama Welcome Musharraf Resignation,” *Agence France Presse*, August 18, 2008.

³⁰⁶ See <http://www.state.gov/r/pa/prs/dpb/2009/03/120261.htm>.

³⁰⁷ “American Envoys Try to Defuse Political Crisis in Pakistan,” *New York Times*, March 13, 2009; “Clinton Warned Pakistan of Aid Cut If No Deal,” *Dawn* (Karachi), March 17, 2009; “Clinton Praises Pakistan's Restoration of Judge,” Associated Press, March 16, 2009.

³⁰⁸ “Rise of Pakistani Raises Questions,” *New York Times*, March 25, 2009; “US Warming Up to Sharif,” *Dawn* (Karachi), April 18, 2009; “In Pakistan, U.S. Courts Leader of Opposition,” *New York Times*, May 2, 2009.

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 up to 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 that are held responsible for attacks inside India.³⁰⁹

For many analysts, efforts to ameliorate Pakistan’s “obsession” with India could be key to normalizing South Asian politics and ending Islamabad’s historic and ambivalent links to religious extremism.³¹⁰ Some call on New Delhi to reach out to the new Islamabad government with conciliatory gestures that could facilitate the consolidation of democratization in Pakistan.³¹¹ However, the U.S. Director of National Intelligence warned a House panel in early 2009 that efforts to resolve the Pakistan-India conflict may come to naught “unless Islamabad, for its part, takes meaningful steps to cut support to anti-Indian militant groups, and New Delhi, for its part, in turn makes credible efforts to allay Pakistan’s security concerns.”³¹²

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. A spring 2003 peace initiative brought major improvement in the bilateral relationship, allowing for an autumn cease-fire agreement initiated by Pakistan. The process led to a January 2004 summit meeting in Islamabad

³⁰⁹ While levels of violence in Kashmir have declined significantly as compared to previous years, India’s army chief claimed in March 2009 that the “terrorist infrastructure” was very much intact in Pakistani Kashmir and includes 40-50 “terror camps.” Senior Indian military officers in Kashmir say Pakistani forces continue to aid and abet separatist militants there and report regular seizures of large weapons caches near the LOC (“Pakistan Still Running Terror Camps: Army Chief,” *Times of India* (Delhi), March 26, 2009; “India Says Pakistan Still Aiding Kashmir Rebels,” Reuters, April 25, 2009).

³¹⁰ See, for example, Bruce Riedel, “Pakistan and Terror: The Eye of the Storm,” *Annals of the American Academy of Political and Social Science*, 618, 31 July 2008.

³¹¹ See, for example, Praful Bidwai, “Changing Pakistan,” *Frontline* (Chennai), July 4, 2008.

³¹² Transcript: “House Permanent Select Committee on Intelligence Holds Hearing on ‘Worldwide Threats,’” February 25, 2009.

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.”³¹³

Since this new initiative was launched, mid-level meetings, normalized diplomatic relations, and increased people-to-people contacts have 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. Notable confidence-building measures are in place—in particular 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.³¹⁴

Following July 2006 terrorist bombings in Mumbai, India, New Delhi postponed planned foreign secretary-level talks, bringing into question the continued viability of the already slow-moving process. However, after meeting on the sidelines of a Nonaligned Movement summit two months later, President Musharraf and Indian Prime Minister Singh announced a resumption of formal negotiations and also approved implementation of a joint anti-terrorism mechanism. The Composite Dialogue resumed, but no progress was made on outstanding territorial disputes. The new joint anti-terrorism mechanism met for the first time in Islamabad in March 2007, producing 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. Political turmoil and uncertainty arose in Islamabad around that same time, however, and led to slowed progress. With President Musharraf’s November 2007 imposition of a state of emergency in Pakistan, the bilateral peace process ground to a temporary halt. India 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.³¹⁵

Revelations of a three-year-long back-channel negotiation between Pakistani and Indian officials illuminated that the two governments had come close to a workable solution on the Kashmir issue: a “non-paper” outlined a plan to create a largely autonomous Kashmir region containing “soft” borders across which people, goods, and service could pass unhindered. Eventually, these borders were expected to become irrelevant, with an anticipated decline in separatist violence allowing for a gradual withdrawal of security forces on both sides of the LOC. According to one journalist’s account, the secret negotiations, which began in 2004, consisted of about two dozen meetings in hotel rooms in various overseas locations. The process apparently failed due to President Musharraf’s declining political fortunes in early 2007, and not because of any substantive differences between the two sides.³¹⁶

³¹³ http://www.indianembassy.org/press_release/2004/jan/07.htm.

³¹⁴ A 2008 public opinion survey conducted in both India and Pakistan found a majority of respondents expressing an openness to a range of possible outcomes for Kashmir, including outright independence. While such an outcome was described as “unacceptable” by half of the Indians surveyed, the pollsters concluded that, “If a majority of all Kashmiris were to choose independence, a majority of Indians and Pakistanis would find such independence at least tolerable” (see http://www.worldpublicopinion.org/pipa/pdf/jul08/Kashmir_Jul08_rpt.pdf).

³¹⁵ “As Pakistan Boils, India Watches,” *Chicago Tribune*, December 30, 2007; “Pakistan Turmoil Draws Muted Concern in India,” *Washington Post*, January 19, 2008; Indian Ministry of External Affairs Press Statement, February 20, 2008.

³¹⁶ Steve Coll, “The Back Channel,” *New Yorker*, March 2, 2009; “Secret India-Pakistan Talks Cited,” *Washington Post*, February 22, 2009.

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. India's leadership, for its part, offered to work with the new Pakistani government in the interests of collective security and prosperity.³¹⁷ Yet, as noted above, although some positive developments came in 2008, the November terrorist attack on Mumbai spurred a breakdown in the bilateral peace process, and Indian officials continue to blame Islamabad for sheltering terrorist elements on Pakistani territory.³¹⁸ However, in a further sign that Pakistan's civilian leader seek to "pivot" their security attention toward the west, President Zardari was quoted in June 2009 as saying he did not think India was a military threat.³¹⁹

The "IPI" Pipeline Project³²⁰

Islamabad insists it is going forward with a proposed multi-billion-dollar joint pipeline project to deliver Iranian natural gas to Pakistan and possibly on to India. In 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for further progress. The fourth meeting of the Pakistan-India Joint Working Group on the Iran-Pakistan-India (IPI) pipeline subsequently was held in Islamabad, where the two countries agreed to split equally expected gas supplies. New Delhi's willingness to participate appeared to wane in the later half of 2007, but an April 2008 visit to Islamabad by India's oil minister led to a reiteration of New Delhi's commitment to the project, and the Iranian president's subsequent South Asia visit included stops in both Islamabad and New Delhi, where more positive signals were issued. In April 2009, Pakistan's federal cabinet approved the project without India's participation and accepted the pricing formula proposed by Tehran. Islamabad continues to welcome India's potential future reengagement in the project. However, deteriorating security circumstances in Pakistan have only fueled further pessimism about the project's viability. Doubts about financing the approximately \$7 billion project also have many analysts skeptical about fruition.³²¹

Senior Pakistani officials have described the IPI pipeline as being critical to Pakistan's economic growth and political stability. 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). In late 2008, a group of senior, U.S.-based Pakistan experts recommended that Washington reconsider its opposition to the pipeline so as "to encourage better ties and more robust economic linkages between India and Pakistan."³²²

As part of its efforts to isolate Iran economically, the Bush Administration had actively sought to dissuade the Islamabad and New Delhi governments from participation in this project, and a State Department official suggested that current U.S. law dictates American opposition: The Iran-Libya

³¹⁷ "Benazir Bhutto's Widower Wants Improved Relations With India," Associated Press, February 29, 2008; "India PM Wants to Meet Pakistan's Leaders Halfway," Reuters, March 5, 2008.

³¹⁸ Indian intelligence agencies reported in June 2009 that there were 42 "terrorist training camps" in Pakistan housing more than 2,000 militants ("42 Operational Terror Camps in Pak, PoK," *Times of India* (Delhi), June 19, 2009).

³¹⁹ "India Not a Threat," *Daily Times* (Lahore), June 24, 2009.

³²⁰ See also CRS Report RS20871, *Iran Sanctions*.

³²¹ "IPI Project: Iran Backs Out of Gas Deal," *News* (Karachi), November 13, 2008; Khaled Ahmed, "A Requiem for the IPI Project" (op-ed), *Friday Times* (Lahore), January 2, 2009.

³²² See <http://www.cfr.org/content/publications/attachments/PakistanPolicyWorkingGroupReport.pdf>.

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 through 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 2001.³²³ 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.³²⁴ Moreover, after fleeing Afghanistan during the 1980s and 1990s, millions of refugees have returned home since 2002, but Pakistan remains the setting for more than 80 encampments and about 2.4 million Afghan refugees. Islamabad plans to repatriate these people entirely by the end of 2009, citing extremism and economic stresses.

Both Pakistan and Afghanistan play central roles as U.S. allies in global efforts to combat Islamist militancy in the region. Ongoing acrimony between Islamabad and Kabul is thus deleterious to U.S. interests. Bilateral commerce is up markedly in recent years, albeit from a low base, and diplomatic engagement is more regular, particularly since the seating of a civilian government in Islamabad in 2008. Yet divergent security perspectives remain a serious stumbling block to better relations, and progress in this realm has been extremely limited.³²⁵ Washington and Kabul both continue to face the problem of a porous border separating Pakistan and Afghanistan, one that allows Taliban militants to span the frontier in a way that their adversaries cannot. Kabul continues to suspect Pakistan-based militants of perpetrating attacks inside Afghanistan, and the Quetta-based Taliban continue to be identified as ongoing threat to Afghan stability.³²⁶

Following Islamabad’s major September 2001 policy shift, President Musharraf consistently vowed full Pakistani support for the government of Afghan President Hamid Karzai and insisted that Pakistan was 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 repeatedly exchanged public accusations and recriminations about the ongoing movement of Islamic militants in the border region, and U.S. officials issued

³²³ Documentary evidence indicates that Islamabad provided military and economic support, perhaps including the combat troops, to the Afghan Taliban during the latter half of the 1990s (see “Pakistan: ‘The Taliban’s Godfather’?,” National Security Archive Briefing Book 227, August 14, 2007).

³²⁴ Pakistan is home to some 28 million Pashto-speaking people, most of them living near the border with Afghanistan, which is home to another 13.5 million ethnic Pashtuns (also known as Pakhtuns or Pathans). A hardy people with a proud martial history (they are disproportionately represented in the Pakistani military), Pashtuns played an important role in the anti-Soviet resistance of the 1980s.

³²⁵ “Forging Pakistan/Afghanistan Links,” *Jane’s Islamic Affairs Analyst*, May 28, 2009.

³²⁶ “Porous Pakistani Border Could Hinder U.S.,” *New York Times*, May 5, 2009; “Afghans Investigate Pakistan Link to Kabul Raids,” Reuters, February 12, 2009; “The Taliban in Pakistan Are Raising U.S. Fears,” *New York Times*, February 10, 2009.

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.

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. More fundamental, perhaps, than the regime type in Islamabad is the Pakistani geopolitical perspective focused on India as the primary threat and on Afghanistan as an arena of security competition between Islamabad and New Delhi. In the conception of one long-time analyst, “Pakistan’s grand strategy, with an emphasis on balancing against Afghanistan and India, will continue to limit cooperation in the war on terrorism, regardless of whether elected civilian leaders retain power or the military intervenes again.”³²⁷

In 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. President Musharraf, after initially declining to participate (a perceived snub to both Afghan President Karzai and to the U.S. government), attended the jirga’s final session. 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.³²⁸

Still, bilateral relations worsened in 2008. The Kabul government claimed to have evidence of Pakistani complicity in both an April 2008 assassination attempt on Karzai and in a July 2008 bombing of India’s Kabul Embassy. Afghan resentment over these incidents led the Karzai government to suspend its participation in bilateral and regional meetings that include Pakistan until such time as “bilateral trust is restored.”³²⁹ In August, the Kabul government agreed to resume talks with Pakistan and Pakistan substantively re-engaged the Tripartite Commission when Army Chief Gen. Kayani traveled to Kabul to meet with his Afghan counterpart and ISAF Commander U.S. Gen. David McKiernan.

In September 2008, President Zardari and President Karzai reaffirmed a commitment to working together to resolve bilateral tensions and to fight the Taliban insurgency. Following Turkish-sponsored talks between Pakistani and Afghan leaders in December, the two men agreed to better collaborate in combating regional terrorism. A January 2009 Joint Declaration expressed the desire of both governments to open a new chapter in cooperative relations, in part through the maintenance of frequent high-level contacts and of a joint jirga process.³³⁰ The Pakistani and Afghan Ambassadors to the United States have jointly stressed the role of economic development and poverty reduction as counterterrorism tools. In this context, they strongly urged passage of

³²⁷ Polly Noyak, “The Impact of Pakistan’s and Bangladesh’s National Strategies on U.S. Interests,” *Strategic Asia 2008-2009*, National Bureau of Asian Research, September 2008.

³²⁸ “Pakistan Leader Snubs Afghan Meeting,” Reuters, August 8, 2007; “Afghan Rebels Find Haven in Pakistan, Musharraf Says,” *New York Times*, August 12, 2007. Declaration text at http://www.dailytimes.com.pk/print.asp?page=2007/08/13/story_13-8-2007_pg7_48.

³²⁹ “Pakistan ‘Behind Afghan Attacks,’” *BBC News*, July 14, 2008; “Kabul Pulls Out of Talks With Pakistan,” *Daily Times* (Lahore), July 14, 2008.

³³⁰ “Afghanistan, Pakistan to Fight Al Qaeda Together,” Associated Press, December 5, 2008; Joint Declaration at http://www.mofa.gov.pk/Press_Releases/2009/Jan/PR_14_09.htm.

pending U.S. legislation that would create Reconstruction Opportunity Zones in their mutual border regions.³³¹

China

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 primary 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.³³² Pakistan continues to view China as an "all-weather friend" and perhaps its most important strategic ally. More recently, however, there are some signs that Beijing is keeping some distance from its longtime Islamabad allies.³³³ Some of the approximately 8 million Muslim Uighurs living in China's Xinjiang province have agitated for autonomy from Beijing; a number of Uighur militants have sought refuge on Pakistani territory. Moreover, Chinese engineers and other nationals have been victims of violence perpetrated by Pakistani Islamist militants inside Pakistan. Still, Islamabad and Beijing continue to boost their bilateral counterterrorism cooperation to neutralize Islamist militant "syndicates" that operate along the shared border.³³⁴

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 planned between the United States and India. 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.

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 those 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. 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. As Pakistan's security and economic circumstances have deteriorated in 2008-2009, some analysts urge Washington to work more closely with Beijing to exert leverage on Islamabad so as to foster regional stability.³³⁵

³³¹ Husain Haqqani and Said Jawad, "Pakistan and Afghanistan Unite Against Terrorism" (op-ed), *Wall Street Journal*, September 26, 2008.

³³² See CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*.

³³³ "Pakistan and China: A Fraying Friendship?," *Time*, February 19, 2009.

³³⁴ "Pakistan, China Fighting Militancy Together," Reuters, June 12, 2009.

³³⁵ See, for example, "U.S. Seeks China's Help in Stabilizing Pakistan," *Chicago Tribune*, May 24, 2009, and the May 20, 2009, recommendations of Heritage Foundation Senior Research Fellow Lisa Curtis at <http://www.heritage.org/research/asiaandthepacific/tst052609a.cfm>.

In 2005, China's Prime Minister visited Islamabad, where Pakistan and China signed 22 accords meant to boost bilateral cooperation. President Musharraf's visit to Beijing in early 2006 saw bilateral discussions on counterterrorism, trade, and technical assistance. Chinese President Hu's travel to Islamabad later that year was the first such visit by a Chinese president in a decade; another 18 new bilateral pacts were inked, including a bilateral Free Trade Agreement. In 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. President Musharraf's April 2008 travel to Beijing produced ten new memoranda of understanding and a reiteration of the two countries "special relations."

President Zardari paid an October 2008 visit to Beijing. Speculation on his central motive focused on Pakistan's urgent need for aid to correct its growing balance of payments deficit; China's huge foreign-exchange reserves are a potential source of a major cash infusion. Yet Zardari left Beijing without having secured any Chinese commitment in this area, although reports did suggest that the Chinese had agreed to build two new nuclear power reactors in Pakistan.³³⁶ U.S. congressional opponents of such a development confirmed with the Bush State Department that China's provision of new nuclear reactors to Pakistan would represent a clear violation of its international obligations as members of the NSG.³³⁷ Late 2008 visits to Beijing by senior Pakistani military officers reviewed progress on multiple military hardware deals, including Pakistan's purchase of four new Chinese guided-missile frigates and a fleet of co-produced JF-17 fighter aircraft.³³⁸ Pakistan's foreign secretary was in Beijing in mid-May 2009 for a third round of the Pakistan-China Strategic dialogue, where the two countries agreed to "deepen and broaden" their partnership "in all aspects."³³⁹

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 are affected by key developments, including proliferation- and democracy-related sanctions; the 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

³³⁶ "Pakistan Secures China's Help to Build 2 Nuclear Reactors," *Wall Street Journal*, October 20, 2008.

³³⁷ See http://markey.house.gov/index.php?option=com_content&task=view&id=3486&Itemid=141.

³³⁸ See http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2008/12/19 and http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2008/12/20.

³³⁹ See the Pakistan Foreign Ministry's May 15, 2009, press release at http://www.mofa.gov.pk/Press_Releases/2009/May/PR_186_09.htm.

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.

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.³⁴⁰ For most of the Bush Administration's two terms in office, senior U.S. officials regularly praised Pakistani anti-terrorism efforts.

In a landmark January 2002 speech, President Musharraf vowed to end Pakistan's use as a base for terrorism of any kind, and he banned numerous militant groups, including Lashkar-e-Taiba and Jaish-e-Muhammad, both blamed for terrorist violence in Kashmir and India, and 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.³⁴¹

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 armed 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. For example, Lashkar-e-Taiba operates as Jamaat al-Dawat (banned under U.S. law in April 2006) and more recently Falah-i-Insaniyat. Jaish-e-Mohammed has been re-dubbed Khudam-ul Islam.

Former President Musharraf repeatedly 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 2003. Islamabad declared a four-pronged strategy to counter terrorism and religious extremism, containing military, political, administrative, and development aspects. Nonetheless, analysts have long called the Islamabad government's post-2001 efforts cosmetic, ineffective, and the result of international pressure rather than a genuine recognition of the threat posed. Moreover, there have been indications that Pakistan's intelligence agencies have over time lost control of some of the religious militants they previously had groomed to do their foreign policy bidding. In recent years, some Pakistani

³⁴⁰ See, for example, "Pakistan Key Partner in War on Terror, Defense Department Says," U.S. Department of State *Washington File*, March 6, 2006; "Pakistan 'Indispensable' in Global Anti-Terrorism Fight," U.S. Department of State *Washington File*, July 25, 2007.

³⁴¹ "Musharraf: Bhutto Knew of Risks" (interview), *CBS News*, January 6, 2008.

nationals and religious seminaries have been linked to Islamist terrorism plots in Western countries, especially the United Kingdom.³⁴² Reports also indicate that terrorist training camps operate on Pakistani soil.³⁴³

When asked during a 2007 Senate hearing about the possible source of a hypothetical future Al Qaeda attack on the United States, then-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.”³⁴⁴ According to then-Under Secretary of State Burns in mid-2007 testimony before the Senate Foreign Relations Committee,

We know that the tribal areas of the mountainous border regions inside Pakistan have never been within the effective control of any central government. We know that the regions of North and South Waziristan have become 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.

Although the United States lauded Islamabad’s anti-terrorism financing efforts earlier this decade, Burns also encouraged more energetic Pakistani action in this area, expressing particular concern about terrorist groups exploiting charitable donations, and about their tactic of re-forming under new names to evade international prohibitions on donations to terrorist organizations. Burns urged 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.³⁴⁵

Also in mid-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 shifting more paramilitary troops to the FATA from other parts of Pakistan.³⁴⁶ The State Department’s *Country Reports on Terrorism 2007* (released April 2008) warned that religious extremists in the FATA were becoming stronger and were spreading their influence to “settled” areas abutting the tribal zone.³⁴⁷

Congressional analysts identified serious shortcomings in the Bush Administration’s FATA policy: In April, the U.S. Government Accountability Office (GAO) issued a report in response to congressional requests for assessment of progress in meeting U.S. national security goals related

³⁴² Some more critical observers—many of them Indian—identify a Pakistani connection to nearly all major jihadi terrorist attacks worldwide; a few even seek to link elements of Pakistan’s military-intelligence establishment to most jihadi terrorist attacks in the South Asia region (see, for example, Wilson John, “Pakistan’s Drift Into Extremism and Its Impact,” Observer Research Foundation (Delhi), January 8, 2008; K.P.S. Gill, “The ISI Mark,” *Outlook* (Delhi), June 11, 2008).

³⁴³ “In Pakistan’s Mountains, Jihadis Train for War,” *Wall Street Journal*, July 28, 2008. One report claims that more than 100 “terror camps” are operating in western Pakistan, nearly a third of these in the Waziristan agencies (“More Than 100 Terror Camps’ in Operation in Northwestern Pakistan,” *Long War Journal*, July 11, 2008).

³⁴⁴ 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).

³⁴⁵ See <http://2001-2009.state.gov/p/us/rm/2007/89418.htm>.

³⁴⁶ “Pakistani President Reviews Political, Economic, Anti-Terrorism Measures,” *BBC Monitoring South Asia*, June 4, 2007.

³⁴⁷ See <http://2001-2009.state.gov/s/ct/rls/crt/2007/103709.htm>.

to counterterrorism efforts in Pakistan's FATA. Their investigation found that, "The United States has not met its national security goals to destroy terrorist threats and close safe haven in Pakistan's FATA," and, "No comprehensive plan for meeting U.S. national security goals in the FATA has been developed." The Chairman of the House Foreign Affairs Committee, Representative Howard Berman, called the report's conclusions "appalling."³⁴⁸

President Zardari emphatically declares that "the war on terror is Pakistan's war" and asserts that, as a grieving husband who lost his wife to terrorism, his commitment to the fight is both national and personal. In a thinly veiled response to U.S. pressure, he wrote, "We do not need lectures about terrorism from anyone.... We live it each and every day." He calls for international support for Pakistani democracy and economic viability, saying "a secure Pakistan is the greatest asset in the world's fight against terrorism."³⁴⁹ U.S. officials take note of Islamabad's leaders to take greater and more concerted action against extremists elsewhere in the country.³⁵⁰

Pakistani officials resent criticism and doubt about their commitment to the counterterrorist fight. They aver that Western pressure on Pakistan to "do more" undermines their effort and has in fact fueled instability and violence.³⁵¹ Some argue that their "Waziristan problem" is largely traceable to U.S. policies in the region. From this perspective, the United States essentially abandoned the region after infusing it with money and arms during the 1980s, thus "leaving the jihadi baby in Pakistan's lap." Furthermore, the argument goes, a U.S. failure to decisively defeat Afghan Taliban remnants in 2002, a diversion of key resources to the war in Iraq and the recruiting boon that war provided to jihadi groups, and an over-reliance on allegedly ill-equipped NATO troops all combined to build and sustain in western Pakistan a religious extremist movement that did not previously exist.³⁵²

Al Qaeda's Resurgence in Pakistan

U.S. officials remain concerned that Al Qaeda terrorists operate with impunity on Pakistani territory, and the group appears to have increased its influence among the myriad Islamist militant groups operating along the Pakistan-Afghanistan border. Numerous press reports indicate Al Qaeda has reestablished terrorist training camps in that region. Al Qaeda founder Osama Bin Laden and his lieutenant, Egyptian Islamic radical Ayman al-Zawahri, are believed by many to be hiding somewhere in northwestern Pakistan.³⁵³ Concerns surged following the 2007 release of a 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

³⁴⁸ See <http://www.gao.gov/new.items/d08622.pdf>; http://internationalrelations.house.gov/press_print.asp?id=504.

³⁴⁹ "Terrorism Fears and Economic Trouble Shake Pakistan's Faith in New Leader," *New York Times*, September 27, 2008; "Is Pakistan's New Leader Up to the Job?," *Los Angeles Times*, September 29, 2008; Asif Ali Zardari, "Pakistan Will Prevail Against Terrorism" (op-ed), *Boston Globe*, September 25, 2008.

³⁵⁰ See <http://islamabad.usembassy.gov/pr-08120303.html>.

³⁵¹ "Cheney Warns Pakistan to Act on Terrorism," *New York Times*, February 25, 2007; "US May Be 'Undermining' Pakistan," *BBC News*, March 1, 2007; "UK's War 'Failure Sparked Pakistan Violence,'" *Telegraph* (London), March 26, 2008; author interviews with Pakistani government officials.

³⁵² See, for example, Ali Abbas Rizvi, "American Connection to the Waziristan Problem" (op-ed), *News* (Karachi), January 29, 2008. Author discussions with Pakistani nationals commonly touch upon this historical narrative.

³⁵³ "CIA Chief Says Bin Laden in Pakistan," Reuters, June 11, 2009. In June 2009, bin Laden is believed to have issued an audio tape in which he said that U.S. policy in Pakistan was sowing "new seeds of hatred and revenge against America" ("Purported bin Laden Tape Slams U.S. Role in Pakistan," CNN.com, June 3, 2009).

safehaven in the FATA, operational lieutenants, and its top leadership.”³⁵⁴ Later that year, 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.”³⁵⁵ In its very first official policy statement on Pakistan, the Obama White House called the resurgence of Al Qaeda and the Taliban in western Pakistan the greatest threat to U.S. security and it expressed an intention to increase nonmilitary aid to Islamabad while holding that government accountable for security in the border region.³⁵⁶

Islamabad reportedly has remanded to U.S. custody roughly 500 Al Qaeda fugitives to date, including some senior alleged operatives. However, despite clear successes in disrupting extremist networks in Pakistan since 2001, there are numerous 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. The total number of Al Qaeda suspects estimated killed or captured in Pakistan—approximately 700—has remained essentially unchanged since 2004. Some Pakistani and Western security officials have seen 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. At an April 2008 congressional hearing on Al Qaeda, a panel of nongovernmental experts agreed that the ongoing hunt for the group’s top leaders was foundering.³⁵⁷ In September 2008, Pakistan’s top internal security official conceded that Al Qaeda operatives moved freely in his country.³⁵⁸ More recently, however, U.S. officials have claimed that drone-launched U.S. missile attacks and Pakistan’s pressing off military offensives against extremist groups in the border areas have meaningfully disrupted Al Qaeda activities there while inflicting heavy losses on their cadre.³⁵⁹

By seeking accommodation with pro-Taliban leaders in these areas, the Pakistani 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 contributed to allowing Al Qaeda’s reemergence in Pakistan.³⁶⁰ The then-head of the U.S. Central Intelligence Agency portrayed Al Qaeda as being on the defensive in South Asia, claiming that its leadership is losing the battle for hearts and minds in the Muslim world. Some independent analysts agree that Al Qaeda’s “grand project” of establishing a militant Islamic caliphate has been a resounding failure, but warn that the group remains potent and serves as a model for global jihadi groups.³⁶¹

³⁵⁴ See http://www.dni.gov/press_releases/20070717_release.pdf.

³⁵⁵ “News Briefing with Secretary Gates and Gen. Cartwright From the Pentagon,” December 21, 2007.

³⁵⁶ See http://georgewbush-whitehouse.archives.gov/agenda/foreign_policy.

³⁵⁷ “Foreign Fighters of Harsher Bent Bolster Taliban,” *New York Times*, October 30, 2007; “In Pakistan, Tentacles of Al Qaeda,” *Associated Press*, October 26, 2008; Transcript: House Select Committee on Intelligence Holds Hearing on Al Qaeda, April 9, 2008.

³⁵⁸ “Pakistan Admits Al Qaeda Moves Freely,” *McClatchy News*, September 2, 2008.

³⁵⁹ “Al Qaeda Seen as Shaken in Pakistan,” *Washington Post*, June 1, 2009; “Gains in Pakistan Fuel Pentagon Optimism for Pursuing Al Qaeda,” *Washington Post*, June 13, 2009.

³⁶⁰ See, for example, Bruce Riedel, “Al Qaeda Strikes Back,” *Foreign Affairs*, May 2007; “Influx of Al Qaeda, Money Into Pakistan Is Seen,” *Los Angeles Times*, May 20, 2007.

³⁶¹ “U.S. Cites Big Gains Against Al Qaeda,” *Washington Post*, May 30, 2008; Peter Bergen, “Al Qaeda at 20 Dead or Alive?” (op-ed), *Washington Post*, August 17, 2008.

Infiltration Into Afghanistan

Tensions between the Kabul and Islamabad governments—which stretch back many decades—have at times reached alarming levels in recent years, with top Afghan officials accusing Pakistan of manipulating Islamic militancy in the region to destabilize Afghanistan. Likewise, U.S. military commanders in Afghanistan have since 2003 complained that Islamist insurgents remain able to attack coalition troops in Afghanistan, then escape across the Pakistani frontier. U.S. government officials voice 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.³⁶² 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.³⁶³

The more than 100,000 Pakistani troops operating in the border 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 significant numbers of civilian casualties. Simultaneously, tribal leaders who cooperate with the federal government face dire threats from the extremists—as many as 500 have been the victims of targeted killings—and the militants have sought to deter such cooperation by regularly beheading accused “U.S. spies.”

Pakistan Launches Internal Military Operations

In late 2003, President Musharraf made an unprecedented show of force by moving 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.³⁶⁴ 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 supporting insurgents and providing their leadership with safe haven.

³⁶² Statement of Henry Crumpton before the Senate Foreign Relations Committee, June 13, 2006. After conducting interviews with numerous active and retired Pakistan army and intelligence officials, one American reporter concluded in 2007 that “many officers of Pakistan’s covert security agencies remain emotionally committed to jihad and hostile to the U.S. role in the region” (“Role of Pakistan’s ‘Captain’ Shows Enduring Taliban Ties,” *Newsday*, October 14, 2007).

³⁶³ Statement of Gen. James Jones before the Senate Foreign Relations Committee, September 21, 2006. See also “In the Land of the Taliban,” *New York Times*, October 22, 2006; “Next-Gen Taliban,” *New York Times*, January 6, 2008. The Pakistani Taliban differ from their Afghan brethren in several respects, perhaps most significantly in a lack of organization and cohesion, and they possess no unified leadership council. Moreover, the Pakistani Taliban appear to have more limited objectives, in contrast with the Afghan Taliban who are struggling to regain national power in Kabul. At the same time, however, both groups pledge fealty to a single leader—Mullah Omar—and both share fundamental policy objectives with regard to U.S. and other Western government roles in the region (see “The Emergence of the Pakistani Taliban,” *Jane’s Islamic Affairs Analyst*, January 1, 2008).

³⁶⁴ U.S. forces have no official authorization to cross the border into Pakistan. One U.S. press report claimed that Pentagon documents from 2004 gave U.S. special forces in Afghanistan authority to enter Pakistani territory—even without prior notice to Islamabad—while in “hot pursuit” of Al Qaeda and Taliban fighters or to take direct action against “the Big 3”: Osama bin Laden, Ayman al Zawahri, or Mullah Omar. A Pakistani military spokesman called the report “nonsense” and denied there was any such arrangement (“U.S. OK’d Troop Terror Hunts in Pakistan,” Associated Press, August 23, 2007).

Islamabad 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. Former 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 Islamist militants.

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 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 lambasted the creeping "Talibanization" of the tribal areas and sought to implement a new scheme, shifting over time from an almost wholly militarized approach to one emphasizing negotiation and economic development, 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. The U.S. government offered cautious initial support for the new strategy.³⁶⁵

Cease-Fire and North Waziristan Truce

In mid-2006, militants in North Waziristan announced a unilateral cease-fire to allow for creation of a tribal council seeking resolution with government forces. On September 5, 2006, the Islamabad government and pro-Taliban insurgents in Miramshah, North Waziristan, signed a truce to ensure "permanent peace" in the region. A representative of the provincial 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 checkposts. In turn, two representatives of the "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.³⁶⁶

News of the truce received lukewarm reception in Washington, where officials took a "wait-and-see" approach. 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. 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 Chinghai, Bajaur. The Pakistani military

³⁶⁵ Author interview with senior Pakistani official, Islamabad, September 2006; "President General Pervez Musharraf's Address to the Nation," July 20, 2006; "White House Backing New Plan to Defuse Insurrection in Pakistan," *McClatchy*, August 16, 2006.

³⁶⁶ A translated version of the pact is at <http://www.pbs.org/wgbh/pages/frontline/taliban/etc/nwdeal.html>.

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 U.S. Predator drones were involved. Nine days later, a suicide bomber killed 42 army recruits at a military training camp at Dargai in the NWFP, not far from the sight of the Chinghai 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 then-director of the U.S. Defense Intelligence Agency told a Senate panel that tribal leaders in Waziristan had not abided by most terms of the September 2006 North Waziristan truce.³⁶⁷ In March, the then-Undersecretary of Defense for Policy 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. The now-defunct September 2006 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.³⁶⁸

By the close of 2007, U.S. intelligence analysts had amassed considerable evidence 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. A behind-the-scenes diplomatic effort to prod the Islamabad 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.³⁶⁹ 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. Top Bush Administration officials suggested the tack of seeking accommodation with regional extremist elements should be abandoned.³⁷⁰ Many analysts insist that only by bringing the tribal areas under the full writ of the Pakistani state and facilitating major economic development there can the FATA problem be resolved.

Infiltration into Kashmir and India

Islamabad has been under continuous U.S. and international pressure to terminate the infiltration of separatist militants across the Kashmiri Line of Control (LOC). Such pressure reportedly elicited a January 2002 promise from President Musharraf to Deputy Secretary of State Armitage that all such movements would cease. Armitage later reportedly received another pledge from the Pakistani president, this time an assurance that any existing terrorist camps in Pakistani Kashmir

³⁶⁷ Statement before the Senate Select Committee on Intelligence, January 11, 2007.

³⁶⁸ See, for example, Evangoras Leventis, "The Waziristan Accord," *Middle East Review of International Affairs* 11,4, December 2007.

³⁶⁹ "Tougher Stance on Pakistan Took Months," *Washington Post*, August 5, 2007.

³⁷⁰ "U.S. Boosts Pressure on Musharraf Over Al Qaeda," Reuters, July 18, 2007.

would be closed. Musharraf assured India that he would not permit any territory under Pakistan's control to be used to support terrorism, and he insisted that his government did everything possible to stop infiltration and shut down militant base camps in Pakistani-controlled territory. Critics contended, however, that Islamabad continued 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."³⁷¹ 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, in Hyderabad in 2007, and in Mumbai in 2008. Indian security officials also routinely blame Pakistan's intelligence service for assisting the infiltration of Islamist militants into India from Nepal, Bangladesh, and Bhutan, as well as across the Kashmiri LOC.³⁷²

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, post-2001 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. 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. 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.

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. Indications are that the indigenous Lashkar-e-Jhangvi (LJ) Sunni terrorist group is responsible for the most deadly

³⁷¹ "We Have Credible Evidence: Manmohan," *Hindu* (Madras), October 25, 2006; Pakistan Ministry of Foreign Affairs Media Briefing, October 2, 2006.

³⁷² According to India's national security advisor, most terrorist activity in India has been "generated from outside" ("MK Narayanan" (interview), *India Abroad*, September 21, 2007).

anti-Shia violence. Two attempts to kill Musharraf in December 2003 and failed efforts to assassinate other top Pakistani officials in 2004 were linked to the LJ and to other Al Qaeda-allied groups, and illuminated the grave and continuing danger presented by religious extremists.

Other Security Issues

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 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 and, three years later, Washington 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 from 1997 to 2001—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 regular discussions on Afghan stability and border security. Officers from NATO's International Security Assistance Force in Afghanistan have since joined the body, which met for the 25th time in January 2009.

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 \$4.9 billion for FY2002-FY2008 (in-process sales of F-16 combat aircraft and related equipment account for about three-quarters of this). The United States also has provided Pakistan with nearly \$1.9 billion in Foreign Military Financing (FMF) since 2001, with a “base program” of \$300 million annually for FY2005-FY2009. 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 paid for with FMF include the following:

- eight P-3C Orion maritime patrol aircraft and their refurbishment (valued at \$474 million);
- about 5,250 TOW anti-armor missiles (\$186 million; 2,007 delivered);
- 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, 12 delivered, 8 pending refurbishment for an additional \$65 million).

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

- up to 60 Mid-Life Update kits for F-16A/B combat aircraft (valued at \$891 million, with \$477 million of this in FMF; Pakistan's current plans are to purchase 35 such kits); 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, none delivered to date);
- F-16 armaments including 500 AMRAAM air-to-air missiles; 1,450 2,000-pound bombs; 500 JDAM bomb tail kits for gravity bombs; and 1,600 Enhanced Paveway laser-guided bomb kits, also for gravity bombs (\$629 million);
- 100 Harpoon anti-ship missiles (\$298 million);
- 500 Sidewinder air-to-air missiles (\$95 million);
- six Phalanx close-in naval guns (\$80 million).³⁷³

While the Pentagon has notified Congress to 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, this effort has not progressed beyond the notification stage. Major EDA grants since 2001 include 14 F-16A/B combat aircraft and 39 T-37 military trainer jets. Pakistan may receive an EDA Oliver Perry-class anti-submarine frigate, the *USS McNerney*, in mid-2010 (the transfer was authorized by Congress in October 2008). Islamabad reportedly has requested \$65 million worth of refurbishment and weapons for the 40-year-old vessel.³⁷⁴ Under Coalition Support Funds (part of the Pentagon budget), Pakistan received 26 Bell 412 utility helicopters, along with related parts and maintenance, valued at \$235 million. Finally, under 1206 and Frontier Corps Authorities, the United States has provided Pakistan with helicopter spare parts, night vision goggles, radios, body armor, helmets, first aid kits, litters, and other individual soldier equipment.

The Defense Department has characterized F-16 fighters, P-3C patrol aircraft, and anti-armor missiles as having significant anti-terrorism applications.³⁷⁵ The State Department claims that, since 2005, FMF funds have been “solely for counterterrorism efforts, broadly defined.”³⁷⁶ Such claims elicit skepticism from some observers. Moreover, analysts who emphasize the importance of strengthening the U.S.-India strategic partnership call U.S. military aid to Pakistan incompatible with U.S. strategic goals in the region.³⁷⁷ Pakistan is eager to receive more counterinsurgency equipment for use in western Pakistan, including helicopters, armored personnel carriers, laser target designators, laser-guided munitions, and more night-vision goggles and surveillance gear. By some accounts, Pakistani officials are frustrated by what they see as a slow U.S. supply chain that fails to produce some equipment even years after it was promised. Top

³⁷³ Data reported by the U.S. Department of Defense. See also CRS Report RS22757, *U.S. Arms Sales to Pakistan*.

³⁷⁴ “US Sanctions Frigate Transfer to Pakistan,” *Jane's Naval International*, October 22, 2008.

³⁷⁵ Pakistani pilots are slated to receive U.S. training in precision nighttime ground attack beginning in early 2009 (“Pakistani Pilots Will Get U.S. Training in F-16 Ground Attack,” *Bloomberg News*, September 16, 2008).

³⁷⁶ See <http://2001-2009.state.gov/p/sca/rls/rm/2007/97946.htm>.

³⁷⁷ See, for example, Selig Harrison, “Support to Pakistan Distorts Asia's Balance of Power” (op-ed), *Boston Globe*, September 27, 2008.

Pakistani military officials complain that U.S. security assistance provided to date has been insufficient for counterinsurgency purposes, comprised mainly of “a small number of night-vision devices and a few [transport] helicopters.” They request better and more sophisticated surveillance and communications equipment, along with more attack and utility helicopters.³⁷⁸

Other security-related 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. The Pentagon seeks to substantially increase the value of its own assistance program for the Pakistani military by establishing a new Counterinsurgency Capability Fund of perhaps \$400 million per year through FY2015.³⁷⁹

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.”³⁸⁰ However, a July 2008 Pentagon-funded assessment found that Section 1206 “Global Train and Equip” funding was important for providing urgently needed military assistance to Pakistan and that the counterinsurgency capabilities of Pakistani special operations forces were measurably improved by the training and equipment that came through such funding.³⁸¹ The Bush Administration launched an initiative to strengthen the capacity of the Frontier Corps (FC), an 65,000-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 5,000.³⁸²

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

³⁷⁸ “Urgent Plea: Send More Gear,” *Newsweek*, December 22, 2008; “Taking on the Taliban,” ABC News (online), January 14, 2009; “US Military Aid is Insufficient” (interview with Maj. Gen. Athar Abbas), *Friday Times* (Lahore), February 20, 2009.

³⁷⁹ “Pentagon Wants \$2.6 Bn for Pakistan,” Bloomberg News, December 17, 2008.

³⁸⁰ “U.S. Aid to Pakistan Misses Al Qaeda Target,” *Los Angeles Times*, November 5, 2007.

³⁸¹ “Assessments of the Impact of 1206-Funded Projects in Selected Countries,” CNA Corporation, July 2008.

³⁸² “Pentagon Draws Up Plans to Train, Expand Pakistani Frontier Corps,” *Agence France -Presse*, November 19, 2007; “U.S. to Step Up Training of Pakistanis,” *Washington Post*, January 24, 2008; “Joint Chiefs Chairman and Musharraf Discuss Terror Threat,” *New York Times*, February 10, 2008. One Harvard University-based analyst and former Pakistani police official opines that, without fundamental structural reforms, the prospects for meaningfully improving Frontier Corps capabilities are dim. Among his recommended changes are the appointment of more local tribesmen into command positions and a restoration of the authority of local political agents (Hassan Abbas, “Transforming Pakistan’s Frontier Corps,” *Terrorism Monitor*, March 29, 2007).

government agencies.³⁸³ A 2008 think-tank report asserts that Pakistan's police and civilian intelligence agencies are better suited to combating insurgency and terrorism than are the country's regular army. It finds that Pakistan's police forces are "incapable of combating crime, upholding the law, or protecting citizens and the state against militant violence," and places the bulk of responsibility on the politicization of the police forces. The report recommends sweeping reforms to address corruption and human rights abuses.³⁸⁴

Renewed F-16 Sales and Congressional Concerns³⁸⁵

In 2005, the State Department announced a renewal of F-16 sales to Pakistan after a 16-year hiatus. A subsequent October 2005 earthquake in northern Pakistan put the F-16 purchase program on hold and led to a sharp reduction in the number of aircraft requested by Pakistan, which originally had been 75. 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 F-16 Block 50/52 aircraft, along with related munitions and equipment, and represents the largest-ever weapons sale to Pakistan (Islamabad later declined an option to purchase 18 additional new aircraft). Associated munitions for new F-16s and for mid-life upgrades on others include 500 AMRAAM air-to-air missiles and thousands of both gravity and "smart" bombs.³⁸⁶

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 requires 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.

³⁸³ See, for example, Seth Jones, et al., "Securing Tyrants or Fostering Reform?," RAND Corporation Monograph, January 7, 2007.

³⁸⁴ "Reforming Pakistan's Police," International Crisis Group Asia Report No. 157, July 14, 2008.

³⁸⁵ See also CRS Report RL33515, *Combat Aircraft Sales to South Asia: Potential Implications*.

³⁸⁶ See http://www.dsca.osd.mil/PressReleases/36-b/2006/Pakistan_06-09.pdf; http://www.dsca.osd.mil/PressReleases/36-b/2006/Pakistan_06-34.pdf; and http://www.dsca.osd.mil/PressReleases/36-b/2006/Pakistan_06-10.pdf.

F-16 Reprogramming

In July 2008, the State Department notified Congress of its intention to shift \$227 million in FY2008 FMF funds toward supporting Pakistan's F-16 mid-life update program. The Islamabad government had previously vowed to use its own national funds for the bulk of such upgrades. The proposal was met with anger and dismay by some in Congress who said it would do little to enhance Pakistan's counterterrorism capabilities. A State Department spokesman asserted that Islamabad sought and was granted the consideration so as to provide much-needed financial relief. Two senior House Members, concerned that the proposal would "divert funds from more effective counterterrorism tools," requested a hold be placed on the planned reprogramming and proposed that Congress provide \$200 million in budgetary support to Pakistan.³⁸⁷ The hold request was not honored and \$116 million in reprogrammed funds was disbursed in August. More such reprogramming of FMF funds may come in FY2009.

At a subsequent hearing on Pakistan's F-16 program, a House subcommittee chairman criticized what he called the Bush Administration's "cavalier discard" of congressional concerns about the appropriate uses of Foreign Military Sales. He and other Members in attendance cast doubt on the efficacy of F-16s as counterinsurgency weapons. The State Department's witness insisted that, by paying for upgrades to Pakistan's existing F-16s, the United States would both bolster that country's counterterrorism capabilities and ease fiscal pressures on the new civilian government. He said the aircraft had become "an iconic symbol" of the U.S. commitment to Pakistan.³⁸⁸

Nuclear Weapons and Missile Proliferation³⁸⁹

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).³⁹⁰ 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 chaired by the President.

³⁸⁷ "Plans Would Use Antiterror Aid on Pakistani Jets," *New York Times*, July 24, 2008; <http://2001-2009.state.gov/r/pa/prs/dpb/2008/july/107436.htm>; the July 27, 2008, Lowey-Berman statement is at http://www.internationalrelations.house.gov/press_display.asp?id=540.

³⁸⁸ "House Foreign Affairs Subcommittee on the Middle East and South Asia Holds Hearing on Pakistan's F-16 Program," *CQ Transcripts*, September 16, 2008.

³⁸⁹ See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*, and CRS Report RL34248, *Pakistan's Nuclear Weapons: Proliferation and Security Issues*.

³⁹⁰ "Pakistan Jets Said to be Nuclear-Capable," Associated Press, July 25, 1989.

According to the 2008 global threat assessment by the U.S. Director of National Intelligence, “Although both New Delhi and Islamabad are fielding a more mature strategic nuclear capability, they do not appear to be engaged in a Cold War-style arms race for numerical superiority.”³⁹¹ In late 2008, President Zardari said he favored a no-first-use policy on nuclear weapons, the first-ever such statement by a Pakistani leader. While the informal declaration was widely welcomed globally, it was met with consternation in many Pakistani circles and has not to date appeared in any official Pakistani policy statements.³⁹² Reports that Pakistan is rapidly building its nuclear arsenal have alarmed many in Congress, raising concerns that future U.S. aid to Pakistan may be diverted to such purposes.³⁹³

*The A.Q. Khan Nuclear Proliferation Network*³⁹⁴

Sensitive Pakistani nuclear materials and technologies have been transferred illicitly to third parties over a period of years. 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. Islamabad rejected such reports as “baseless” and Secretary of State Colin Powell was assured that no such transfers were occurring. Under U.S. law, if such assistance is confirmed by the U.S. President, 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 Bush Administration determined that the relevant facts “do not warrant imposition of sanctions under applicable U.S. laws.” Press reports during 2003 suggested that both Iran and Libya benefitted from Pakistani nuclear assistance. Islamabad denied any nuclear cooperation with Tehran or Tripoli, although it conceded in December 2003 that certain senior scientists were under investigation for possible “independent” proliferation activities.

The investigation led to the February 2004 “public humiliation” of metallurgist Abdul Qadeer Khan, known as the founder of Pakistan’s nuclear weapons program and a national hero, when he confessed to involvement in an illicit nuclear smuggling network. Khan and at least seven associates were said to have sold crucial nuclear weapons technology and uranium-enrichment materials to North Korea, Iran, and Libya. Such technology may have included complete blueprints for an advanced nuclear weapon design.³⁹⁵ President Musharraf, citing Khan’s contributions to his nation, issued a pardon that was later called conditional.³⁹⁶ The United States has been assured that the Islamabad government had no knowledge of such activities; Washington called the decision to pardon an internal Pakistani matter. Some independent observers insist that Khan’s activities were, in fact, well known to top Pakistani authorities and that elements of the

³⁹¹ Statement of J. Michael McConnell before the Senate Select Committee on Intelligence, February 5, 2008, at <http://intelligence.house.gov/Media/PDFS/DNITestimony020708.pdf>.

³⁹² “Pakistan President Says Supports No-First-Use Nuclear Policy,” Agence France Presse, November 23, 2008.

³⁹³ “Pakistan is Rapidly Adding Nuclear Arms, U.S. Says,” *New York Times*, May 18, 2009; “Photos in Pakistan Signal Growing Nuclear-Arms Program,” McClatchy News, May 21, 2009; “Nuclear Aims by Pakistan, India Prompt U.S. Concern,” *Washington Post*, May 28, 2009.

³⁹⁴ See also CRS Report RL32745, *Pakistan’s Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission: U.S. Policy Constraints and Options*.

³⁹⁵ “Smugglers Had Design for Advanced Warhead,” *Washington Post*, June 15, 2008; “Nuclear Ring Was More Advanced Than thought, U.N. Says,” *Washington Post*, September 12, 2008.

³⁹⁶ 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).

U.S. government turned a blind eye to the proliferation while seeking Pakistan's continued cooperation with other foreign policy efforts.³⁹⁷ Khan himself has alleged that at least one illicit shipment of uranium enrichment equipment to North Korea was supervised by the Pakistani army with the consent of then-Army Chief Musharraf. A spokesman for Musharraf called the allegations "lies."³⁹⁸

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 urged 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. Some analysts even claim that 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.³⁹⁹ No alleged Pakistani participants have faced criminal charges in the case.

In 2007, a London-based think tank 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; several Members and nongovernmental expert witnesses again called for Pakistan to allow direct access to Khan for U.S. investigators.⁴⁰⁰

In July 2007, Islamabad reportedly eased house arrest restrictions on Khan, although the Foreign Ministry denied any change in Khan's status. A Foreign Ministry spokesman in April 2008 said no foreign countries were seeking access to Khan as, internationally, the issue is "a closed chapter." In May 2008, Khan reneged on his 2004 confession, saying its "false allegations" were made only under pressure from the Musharraf government. Two months later, the new, civilian-led government relaxed travel and communications restrictions on Khan even as it persuaded a judge to bar Khan from speaking about nuclear proliferation.⁴⁰¹

In January 2009, the U.S. government placed sanctions on 13 people and three firms linked to the Khan network. On February 6, 2009, Khan was released from house arrest on the order of the Islamabad High Court, a development that triggered new worries for both the Obama Administration and in the U.S. Congress.⁴⁰² Many analysts believe the move was a political rather

³⁹⁷ See, for example, Adrian Levy and Catherine Scott-Clark, *Deception: Pakistan, the United States, and the Secret Trade in Nuclear Weapons* (Walker & Company, 2007).

³⁹⁸ "Pakistani Says Army Knew Atomic Parts Were Shipped," *Associated Press*, July 5, 2008.

³⁹⁹ Douglas Frantz and Catherine Collins, "Pakistan's Dr. Doom" (op-ed), *Los Angeles Times*, December 2, 2007.

⁴⁰⁰ See <http://www.iiss.org/publications/strategic-dossiers/nbm>; "A.Q. Khan's Nuclear Wal-Mart: Out of Business or Under New Management?," Joint Hearing of the House Foreign Affairs Subcommittee on the Middle East and South Asia and the Subcommittee on Terrorism, Nonproliferation, and Trade, June 27, 2007.

⁴⁰¹ "Atom Expert Restrictions 'Eased,'" *BBC News*, May 22, 2008; "Khan: Pakistan Claims 'Are False,'" *BBC News*, May 29, 2008; "US Fears Over A.Q. Khan Nuclear Ring," *Financial Times* (London), June 15, 2008; "Court Silences Pakistan Nuclear Scientist," *Associated Press*, July 21, 2008.

⁴⁰² Khan's release spurred House Foreign Affairs Committee Chairman Rep. Howard Berman to express "deep concern" and to take the matter into account when legislating future U.S. assistance to Pakistan ("US Lawmaker Says Aid to Pakistan Could Be Reviewed," *Associated Press*, February 6, 2009).

than legal one intended to bolster support for the Zardari-led government. A State Department spokesman called the decision “unfortunate” given Khan’s continuing status as a “serious proliferation risk.” Islamabad assured a wary U.S. government that Khan’s activities would remain under strict monitoring, but the Obama Administration’s concern did not wane.⁴⁰³

Some in Congress reacted to the news by renewing demands that Pakistan provide international investigators with direct access to Khan.⁴⁰⁴ On March 12, 2009, H.R. 1463 was introduced in the House. The bill would prohibit U.S. military assistance to Pakistan unless the President certifies for Congress that the Islamabad government is making A.Q. Khan available for questioning by U.S. officials and that it is adequately monitoring Khan’s activities so as to prevent his participation in any further nuclear proliferation.

Major New Plutonium Facilities?

Revelations in 2006 that Pakistan is 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 many years away, two new reactors with combined 1,000-megawatt capacity might boost Pakistan’s weapons-grade plutonium production capabilities to more than 200 kilograms per year, or enough for up to 50 nuclear weapons. Moreover, a 2007 report warned that Pakistan may soon be reprocessing weapons-grade plutonium at its Chashma facility, further adding to its potential stockpile and aiding in the development of thermonuclear weapons. While Islamabad does not comment directly on the constructions, government officials there insist that Pakistan will continue to update and consolidate its nuclear program for the purpose of minimum credible deterrence. The Bush Administration responded to the 2006 revelations by claiming it had been aware of Pakistani plans and that it discouraged the use of the facilities for military purposes.⁴⁰⁵

*Pakistan’s Nuclear Transparency and Security*⁴⁰⁶

During 2006, Islamabad appeared to launch a public relations effort aimed at overcoming the stigma caused by Khan’s proliferation activities. The effort included dispatching to Washington the chief of the country’s Strategic Plans Division (SPD), Khalid Kidwai, a retired lieutenant general who attempted to make more transparent Pakistan’s nuclear command and control structure, and who acknowledged that Pakistan’s past proliferation record had been “poor and indefensible.”⁴⁰⁷ Among the most urgent concerns of U.S. officials has been the security of Pakistan’s nuclear weapons and materials, which could be degraded as instability persists. While the danger of Islamist extremists gaining possession of a nuclear explosive device is considered remote, such a development would represent a huge threat to U.S. security.⁴⁰⁸ Moreover, the risk

⁴⁰³ State Department press briefing, February 6, 2009, at <http://www.state.gov/r/pa/prs/dpb/2009/02/116225.htm>; “U.S. skeptical About Pakistan’s Restrictions on Nuclear Scientist,” *Washington Post*, February 9, 2009.

⁴⁰⁴ Jane Harman, “Loose Nuke Scientist” (op-ed), *Washington Times*, February 23, 2009.

⁴⁰⁵ See <http://www.isis-online.org/publications/southasia/ThirdKhushabReactor.pdf> and <http://www.isis-online.org/publications/southasia/chashma.pdf>; “U.S. Says It Knew Of Pakistani Reactor Plan,” *Washington Post*, July 25, 2006.

⁴⁰⁶ See also CRS Report RL34248, *Pakistan’s Nuclear Weapons: Proliferation and Security Issues*.

⁴⁰⁷ Speech at the Carnegie Endowment for International Peace, Washington, DC, October 24, 2006.

⁴⁰⁸ “Al Qaeda Says It Would Use Pakistani Nuclear Weapons,” Reuters, June 22, 2009.

of rogue scientists or security officials seeking to sell nuclear materials and/or technology is seen to be higher in a setting of deteriorating security conditions. In 2008, a high-ranking U.S. intelligence official called the security of Pakistan's nuclear weapons a "number one" worry for the United States that is tracked as a continuing high priority.⁴⁰⁹

Most analysts appear to have concluded that the security of Pakistan's nuclear weapons and facilities is much improved in recent years. Some note that periods of interstate crisis between Pakistan and India can be particularly dangerous in the context of nuclear security, when Pakistan's warheads are more likely to be mobilized and so are outside of their heavily guarded storage sites.⁴¹⁰ More worrisome, many claim, is the possibility that Pakistan's nuclear know-how or technologies could remain prone to leakage.⁴¹¹ A congressionally-mandated commission on the prevention of WMD proliferation and terrorism issued a late 2008 report that highlighted Pakistan as existing at "the intersection of nuclear weapons and terrorism." The report made several recommendations aimed at strengthening stability and governance in Pakistan so as to prevent the use of Pakistani WMD materials or technologies in a potential future terrorist attack on the United States.⁴¹²

In 2007, India's national security advisor—a figure not expected to downplay the dangers—assessed that Pakistan's nuclear arsenal is "largely safe." Similarly, some India-friendly analysts are sanguine about Pakistan's nuclear security, citing the military's fundamental interest in keeping nuclear weapons under its tight control.⁴¹³ Still, in 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 rejects such fears as unrealistic, but even some Pakistani commentators aver that such warnings should not be dismissed.⁴¹⁴ With Taliban forces on the march in Pakistan in 2009, international fears about the country's nuclear weapons security has spiked.⁴¹⁵ U.S. and Pakistani officials reportedly have engaged in behind-the-scenes negotiations on potentially increasing the U.S. role in assisting Pakistan with such security.⁴¹⁶

Pakistan 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

⁴⁰⁹ See http://www.dni.gov/speeches/20080529_speech.pdf.

⁴¹⁰ Statement of Michael Krepon before the Senate Committee on Homeland Security and Governmental Affairs, June 12, 2008.

⁴¹¹ See, for example, "Political Fallout: The Threat to Pakistan's Nuclear Stability," *Jane's Intelligence Review*, January 1, 2008.

⁴¹² See <http://www.preventwmd.gov>.

⁴¹³ "Pakistan Nukes Safely Guarded: Narayanan," *Hindu* (Chennai), December 18, 2007; Sumit Ganguly, "Nuclear Nonstarter (op-ed)," *Newsweek* (online), May 6, 2009.

⁴¹⁴ "Pakistan Rejects IAEA Chief's Concerns," *United Press International*, January 9, 2008; "Why is the World Scared of Pakistan?" (editorial), *Daily Times*, January 10, 2008.

⁴¹⁵ See, for example, Steven David, "The Nightmare Scenario," *Foreign Policy* (online), May 2009; "Pakistan Strife Raises U.S. Doubts on Nuclear Arms," *New York Times*, May 4, 2009; Bruce Riedel, "Pakistan and the Bomb" (op-ed), *Wall Street Journal*, May 30, 2009.

⁴¹⁶ "Pakistan, U.S. in Talks on Nuclear Security," *Boston Globe*, May 5, 2009.

unauthorized use. The United States reportedly has spent nearly \$100 million since 2001 on a classified program to help secure Pakistan's strategic weapons. Islamabad claims the amount is closer to \$10 million, and it emphatically rejects suggestions that the country's nuclear arsenal is anything but fully secure.⁴¹⁷ A spring 2009 British press report claimed that Pakistan was sharing details of its nuclear program with Western countries in a bid to allay fears about the country's nuclear security. The Islamabad government denied the report.⁴¹⁸ More recent international attention to Pakistan's nuclear arsenal and questions about its security continue to rankle the Islamabad government, which views media reports casting doubt as being part of a "malicious campaign" against Pakistan.⁴¹⁹

The SPD 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 themselves antagonize Islamabad.⁴²⁰ SPD chief Kidwai insists that Pakistan's security systems are foolproof, but serious concerns about laboratory security, the auditing of nuclear fuel, and the ability of Pakistan's nuclear engineers to sell their knowledge continue to be widespread. Of the roughly 70,000 people said to work at Pakistani nuclear installations, 7,000 are scientists, and some 2,000 are labeled by Kidwai himself as holding "critical knowledge."⁴²¹

U.S. Nonproliferation Policy

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 has continued to urge Pakistan and India to join the Nuclear Nonproliferation Treaty (NPT) as non-nuclear weapon states and it offers no official recognition of their nuclear weapons capabilities, which exist outside of the international nonproliferation regime.

During the latter years of the Clinton Administration, the United States set forth nonproliferation "benchmarks" for Pakistan and India, including halting further nuclear testing and signing and ratifying the Comprehensive Test Ban Treaty (CTBT); halting fissile material production and pursuing Fissile Material Control Treaty negotiations; refraining from deploying nuclear weapons and testing ballistic missiles; and restricting any and all exportation of nuclear materials or

⁴¹⁷ "U.S. Secretly Aids Pakistan in Guarding Nuclear Arms," *New York Times*, November 18, 2007; Pakistani statements at http://www.mofa.gov.pk/Spokesperson/2007/Nov/Spokes_12_11_07.htm and http://www.mofa.gov.pk/Press_Releases/2007/Nov/PR_281_07.htm.

⁴¹⁸ "Pakistan Shares Nuclear Secrets," *Financial Times* (London), April 29, 2009.

⁴¹⁹ "Pakistan Says Nuclear Reports Are 'Malicious,'" Reuters, May 21, 2009.

⁴²⁰ "Inside Pakistan's Drive to Guard Its A-Bombs," *Wall Street Journal*, November 29, 2007; "Pakistan Says Its Nuclear Assets Are Safe From Militants," *Associated Press*, January 26, 2008; "Calculating the Risks in Pakistan," *Washington Post*, December 2, 2007.

⁴²¹ "The Worst Pakistan Nightmare for Obama," *New York Times*, January 11, 2009. Pakistan's Foreign Ministry called the information in this story "unfortunate and contrary to the facts" (see http://www.mofa.gov.pk/Press_Releases/2009/Jan/PR_21_09.htm).

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. However, 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. 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. Section 1601 of the Foreign Relations Authorization Act of FY2003 (P.L. 107-228) outlined congressionally mandated U.S. nonproliferation objectives for Pakistan and India.⁴²²

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

Then-Secretary of State Powell visited South Asia in 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 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.⁴²³

⁴²² These include continuation of a nuclear testing moratorium; commitments not to deploy nuclear weapons; commitments not to deploy ballistic missiles that can carry nuclear weapons and to restrain the ranges and types of missiles developed or deployed; agreement by both governments to bring their export controls in accord with the guidelines and requirements of the Nuclear Suppliers Group and other international guidelines; establishment of a modern, effective systems to control the export of sensitive dual-use items related to WMD; and the conduct of bilateral meetings between senior Pakistani and Indian officials to discuss security issues and establish confidence-building measures with respect to nuclear policies and programs. The act also makes it the policy of the United States to encourage and work with the Pakistani and Indian governments to establish “effective systems to protect and secure their nuclear devices and materiel from unauthorized use, accidental employment, or theft” (without recognizing those countries as nuclear weapon states as defined in the NPT).

⁴²³ Text at <http://www.presidentofpakistan.gov.pk/FilesSpeeches/Addresses/1020200475758AMword%20file.pdf>.

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 appeared 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.⁴²⁴

The Most Recent Peace Process

Pakistan and India began full military draw-downs in October 2002 and 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 Pakistani Prime Minister Z.K. Jamali. President Musharraf later 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 improved enough that the Indian prime minister attended a January 2004 summit meeting of the South Asian Association for Regional Cooperation in Islamabad. There Pakistan and India issued a joint “Islamabad Declaration” calling for a renewed “Composite Dialogue” to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”⁴²⁵ 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. 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 have continued 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 made notable efforts to exhibit flexibility, including late 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.”⁴²⁶ 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. Prospects for a government-to-government accommodation may thus be improved. However, political and security crises in Pakistan slowed the process in 2007. Following the seating of a new civilian government in Islamabad in early 2008, dialogue resumed in May.

⁴²⁴ See Polly Nayak and Michael Krepon, “US Crisis Management in South Asia’s Twin Peaks Crisis” at <http://www.stimson.org/southasia/pdf/USCrisisManagement.pdf>.

⁴²⁵ http://www.indianembassy.org/press_release/2004/jan/07.htm.

⁴²⁶ “Pakistani Says Concessions Could Produce Kashmir Pact,” *New York Times*, December 6, 2006.

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, but conflict in Baluchistan reduces 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, national cohesion, and federal-provincial relations.⁴²⁷

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 of both Afghanistan and Iran. Non-Baloch (mostly Punjabis) have been seen to benefit disproportionately from provincial 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 2005 sparked provincial anger and a major spike in separatist violence. In December of that year, rockets were fired at a Baluchistan army camp during a visit 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 early 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.

Fighting waned in mid-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 of that year, 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

⁴²⁷ See "Simmering Balochistan," *Jane's Islamic Affairs Analyst*, March 1, 2008.

the province and beyond, with hundreds of arrests in the midst of large-scale street demonstrations. Bugti's killing was criticized across the spectrum of Pakistani politicians and analysts, with some commentators calling it a Pakistani Army miscue of historic proportions.⁴²⁸ 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 late 2006, Pakistan's interior minister was claiming "normalization" and decreasing violence in Baluchistan, although a low-intensity insurgency continued and the overarching problem remained unresolved.⁴²⁹ President Musharraf called Baloch rebels "miscreants" and "terrorists;" the government officially banned the separatist Baluchistan Liberation Army as a terrorist organization and at times suggests that Baloch militants are religious extremists who even receive support from India and Russia, among other foreign states. Yet most rebel attacks are taken against military and infrastructure targets, and—despite an apparent government campaign to link the two movements—Islam appears to play little or no role as a motive for Baloch militancy.⁴³⁰

Pakistan's new civilian government has undertaken some efforts to peacefully resolve the Baluchistan dispute, including the May 2008 release of Baloch nationalist leader and former provincial chief minister Akhtar Mengal, who had been imprisoned for two years. Yet major mid-2008 skirmishes between Baloch militants and security forces left several dozen people dead, and subsequent reports suggest that the government has failed to keep promises made to the Baloch people, dashing expectations and leaving the troubled province even less secure. In March 2009, President Zardari directed the Baloch provincial government to form a parliamentary committee to hold talks with agitating elements.⁴³¹ Violent riots erupted in several Baluchistan cities in April after police discovered the dead bodies of three senior Baloch ethnic leaders who had been missing since reportedly being detained by security forces. The U.S. government condemned the killings and called on Pakistani authorities to investigate the deaths and bring those responsible to justice.⁴³² Amnesty International has criticized Islamabad for failing to provide information about hundreds of persons who have "disappeared" from Baluchistan during the course of security operations there. In the first few months of 2009, Baluchistan reportedly suffered hundreds of violent incidents and more than 150 deaths related to the low-grade insurgency.⁴³³

Narcotics⁴³⁴

In September 2008, President Bush again named Pakistan (along with both Afghanistan and India) among the world's 20 "major drug transit or major illicit drug producing" countries."⁴³⁵

⁴²⁸ "Bugti's Killing Is the Biggest Blunder Since Bhutto's Execution" (editorial), *Daily Times* (Lahore), August 28, 2006.

⁴²⁹ See also "Pakistan: The Forgotten Conflict in Balochistan," International Crisis Group Asia Briefing No. 69, October 22, 2007.

⁴³⁰ "Musharraf Sees Foreign Hand in Baluchistan Insurgency," *Dawn* (Karachi), August 5, 2008; "Russia, India Supporting BLA, Malik Tells Senate," *News* (Karachi), April 23, 2009; Frederic Grare, "Pakistan: The Resurgence of Baluch Nationalism," Carnegie Paper No. 65, January 2006. New Delhi dismisses accusations that it supports Baloch separatists as being "entirely baseless" (Indian External Affairs Ministry press release, April 23, 2009).

⁴³¹ "Zardari Vows to Pacify Disgruntled Baloch," *Daily Times* (Lahore), March 27, 2009.

⁴³² "Riots as Baloch Chiefs Found Dead," BBC News; U.S. Embassy Islamabad press release, both April 9, 2009.

⁴³³ "Pakistan: Resolve Hundreds of Baluch 'Disappearances,'" Amnesty International press release, February 25, 2009; "Conflict in Baluchistan" (editorial), *Dawn* (Karachi), June 24, 2009.

⁴³⁴ See also CRS Report RL32686, *Afghanistan: Narcotics and U.S. Policy*.

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, the Department's most recent *International Narcotics Control Strategy Report* (issued March 2008) asserted that "the imperative of combating militants in the FATA diverted resources and political attention away from Pakistan's goal of returning to a poppy-free status and Pakistan saw an increase of poppy cultivation in 2007." It also expressed concern that Pakistan's long-anticipated Master Drug Control Plan, expected in early 2007, is yet to be approved.⁴³⁶

Opium production spiked in post-Taliban Afghanistan and is at all-time high, supplying more than 90% of the world's heroin.⁴³⁷ Elements of Pakistan's intelligence agency are suspected of past involvement in drug trafficking; in 2003, a former U.S. Ambassador to Pakistan told a House panel that their role in the heroin trade from 1997-2003 was "substantial."⁴³⁸ The State Department finds no evidence that the Islamabad government or any of its senior officials are complicit in narcotics trafficking, but concedes that low government salaries and endemic societal corruption contribute to lower-level complicity.⁴³⁹ 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.⁴⁴⁰ 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 assist Pakistan in fortifying its borders and coast against drug trafficking and terrorism, support expanded regional cooperation, encourage Pakistani efforts to eliminate poppy cultivation, and inhibit further cultivation. The United States also aims to increase the interdiction of narcotics from Afghanistan. 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, establishing border outposts, 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 \$22 million in FY2008.

Islamization, Anti-American Sentiment, and Madrassas

With some 170 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

(...continued)

⁴³⁵ See <http://2001-2009.state.gov/p/inl/rls/prsrl/ps/109777.htm>.

⁴³⁶ See <http://2001-2009.state.gov/p/inl/rls/nrcrpt/2008/vol1/html/100779.htm>.

⁴³⁷ United Nations, *World Drug Report 2007*. See also "Is Afghanistan a Narco-State?," *New York Times*, July 27, 2008.

⁴³⁸ Statement of Amb. Wendy Chamberlain before the House International Relations Subcommittee on Asia and the Pacific, March 20, 2003.

⁴³⁹ See <http://2001-2009.state.gov/p/inl/rls/nrcrpt/2008/vol1/html/100779.htm>.

⁴⁴⁰ "Security: Pakistan," *Jane's Sentinel Security Assessments*, March 5, 2008; "Taliban Reaping Opium Profits," Associated Press, April 11, 2007.

Asian Muslims in the wake of decolonization. However, religious-based political parties traditionally have fared poorly in national elections. An unexpected outcome of the country's 2002 polls saw the Muttahida Majlis-e-Amal (MMA or United Action Front), a coalition of six Islamic parties, win 11% of the popular vote. It also gained control of the provincial assembly in the North West Frontier Province (NWFP) and led 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 feared could create a parallel Islamic legal body. Pakistan's Supreme Court, responding to petitions by the central government, rejected most of this legislation as unconstitutional, but in 2007 it upheld most of a modified Hasba bill re-submitted by the NWFP assembly. Such developments alarm Pakistan's moderates and the Pakistani President himself decried any attempts to "Talibanize" regions of Pakistan.⁴⁴¹ The Islamist coalition was ousted from power in Peshawar and suffered major electoral losses nationwide when February 2008 polls saw the secular Pashtun nationalist Awami National Party take over the NWFP government. Still, in the latter months of 2008, nearly two-thirds of Pakistanis reported believing that Sharia law should play a greater role in the country's governance.⁴⁴²

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 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 instigated attacks on girls schools and nongovernmental organization-operated clinics, obstructing efforts to improve female health and 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.⁴⁴³

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).⁴⁴⁴ 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."⁴⁴⁵ In a 2005 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. When asked about anti-American sentiment in Pakistan during his maiden July 2008 visit to the United States as

⁴⁴¹ 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>).

⁴⁴² See <http://www.iri.org/newsreleases/2008-12-18-Pakistan.asp>.

⁴⁴³ See, for example, "Pakistan: Do School Texts Fuel Bias?," *Christian Science Monitor*, January 21, 2009.

⁴⁴⁴ Author interviews in Islamabad, September 2006.

⁴⁴⁵ 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).

head of government, Prime Minister Gilani offered that the impression in Pakistan is that “America wants war.”⁴⁴⁶

A Pew poll taken shortly before Pakistan’s catastrophic October 2005 earthquake found only 23% of Pakistanis expressing a favorable view of the United States, the lowest percentage for any country surveyed. That percentage doubled to 46% in an ACNielsen poll taken after large-scale U.S. disaster relief efforts in earthquake-affected areas, with the great majority of Pakistanis indicating that their perceptions had been positively influenced by witnessing such efforts. However, a January 2006 missile attack on Pakistani homes near the Afghan border killed numerous civilians and was blamed on U.S. forces, renewing animosity toward the United States among segments of the Pakistani populace. Another 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 May 2009, the Washington-based International Republican Institute (IRI) released a survey of public opinion in Pakistan taken in March. The findings indicated that significant resentment toward and distrust of the United States persist among large segments of the Pakistani public, which still appears split on the issue of Pakistani military efforts to combat extremists:

- Nearly two-thirds opposed Pakistan’s cooperation with the United States in the so-called war on terrorism;
- nearly three-quarters opposed U.S. military incursions in Pakistan’s tribal areas;
- more than half said they opposed Pakistan army operations in western Pakistan;
- nearly two-thirds reported believing that either India or the United States was responsible for the November terrorist attacks in Mumbai, India; only 2% blamed the Taliban or terrorists;
- 43% reported holding a favorable opinion of the Lashkar-e-Taiba (a U.S.-designated terrorist organization);
- an overwhelming 80% expressed support for their government’s entry into a February 2009 peace deal with Swat Valley militants; and
- more than half would support Taliban demands for *Sharia* law in major Pakistani cities.⁴⁴⁷

The 2009 surge in negative public sentiments toward Islamist militants in Pakistan has had little or no corresponding increase in positive feelings toward the United States. One opinion survey conducted by a Maryland-based group in May found that the percentage of Pakistanis who consider the activities of Islamist militants a major threat to Pakistan more than doubled in only

⁴⁴⁶ “10 Questions for Pervez Musharraf,” *Time*, October 3, 2005; “A Conversation With Yousaf Raza Gillani,” Council on Foreign Relations transcript, July 29, 2008.

⁴⁴⁷ See <http://www.iri.org/newsreleases/2009-05-11-Pakistan.asp>.

18 months to 81%. Solid majorities also expressed support for the government's policy in Swat. At the same time, however, more than two-thirds of respondents expressed an unfavorable view of the U.S. government, with fully 88% believing that it is a U.S. goal to weaken and divide the Muslim world. More than eight in ten oppose U.S.-launched drone attacks on Pakistani territory, and nearly three-quarters oppose the NATO mission in Afghanistan. Another noteworthy finding is that, while overwhelming majorities think Al Qaeda and the Afghan Taliban should not be allowed to maintain camps inside Pakistan, more than three-quarters do not believe such camps exist.⁴⁴⁸

*Pakistan's Religious Schools (Madrassas)*⁴⁴⁹

Afghanistan's Taliban movement itself began among students attending Pakistani religious schools (madrassas). Among the more than 15,000 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 Powell once identified these as "programs that do nothing but prepare youngsters to be fundamentalists and to be terrorists."⁴⁵⁰ 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.⁴⁵¹ One study found that less than one in five international terrorists sampled had Islamic education backgrounds.⁴⁵² However, a senior leader of the secular Awami National Party that now leads a coalition government in the North West Frontier Province said in 2008 that many Pakistani madrassas encourage militancy and are breeding grounds for terrorism. He appealed to international donors to help Pakistan establish modern educational institutions.⁴⁵³

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.⁴⁵⁴ 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 2007 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. Then-President Musharraf himself acknowledged that a small

⁴⁴⁸ See http://www.worldpublicopinion.org/pipa/pdf/jul09/WPO_Pakistan_Jul09_rpt.pdf.

⁴⁴⁹ See also CRS Report RS22009, *Education Reform in Pakistan*, and CRS Report RS21654, *Islamic Religious Schools, Madrasas: Background*, by Christopher M. Blanchard.

⁴⁵⁰ Statement before the House Appropriations Committee, March 10, 2004.

⁴⁵¹ A 2009 study found that private schools are cost-effective and affordable for many Pakistanis, and outperform public schools at all income levels. The authors encouraged the international donor community to assist in developing what they call Pakistan's most dynamic education sector (Tahir Andrabi, et. al, "The Madrassa Myth," *Foreign Policy* (online), June 2009).

⁴⁵² Marc Sageman, *Understanding Terror Networks* (University of Pennsylvania Press, 2004). See also Mariam Abou Zahab and Olivier Roy, *Islamist Networks* (Columbia University Press, 2004); Peter Bergen and Swati Pandney, "The Madrassa Myth," *New York Times*, June 14, 2005.

⁴⁵³ "Pak Madrassas Breeding Ground for Militants: Pak Leader," *Press Trust of India*, June 1, 2008.

⁴⁵⁴ P.W. Singer, "Pakistan's Madrassahs: Ensuring a System of Education Not Jihad," Brookings Institution Analysis Paper 14, November 2001; Ali Riaz, "Global Jihad, Sectarianism, and the Madrassahs in Pakistan," Institute of Defence and Strategic Studies, Singapore, August 2005.

number of seminaries were “harboring terrorists” and he asked religious leaders to help isolate these by openly condemning them.⁴⁵⁵

Global attention to Pakistan’s religious schools intensified during the summer of 2005 after Pakistani officials acknowledged that suspects in London terrorist bombings visited Pakistan during the previous year and may have spent time at a madrassa near Lahore. While the Islamabad government repeatedly has pledged to crack down on the more extremist madrassas in his country, there continues to be little concrete evidence that it has done so.⁴⁵⁶ Some observers speculate that the past leadership’s alleged reluctance to enforce reform efforts was rooted in its desire to remain on good terms with Pakistan’s Islamist political parties, which were seen to be an important part of their political base.⁴⁵⁷ When asked in 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.⁴⁵⁸

A key aspect of madrassas’ enduring appeal to Pakistani parents is the abysmal state of the country’s public schools. Pakistan’s primary education system ranks among the world’s least effective. Congress, the Bush Administration, and the 9/11 Commission each have identified this issue as relevant to U.S. interests in South Asia. In the lead-up to Pakistan’s February 2008 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 2006, the U.S.-Pakistan Education dialogue was launched in Washington to bolster further engagement. In April 2008, USAID launched a new \$90 million project to bolster the effectiveness of Pakistan’s public education sector. Requested funding for FY2009 includes a total of \$166 million for basic and higher education programs in Pakistan.⁴⁵⁹

Democratization and Human Rights

Democracy and Governance⁴⁶⁰

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

⁴⁵⁵ See <http://2001-2009.state.gov/g/drl/rls/irf/2007/90233.htm>; “Some Madrassas Bad: Musharraf,” *Daily Times* (Lahore), September 8, 2004.

⁴⁵⁶ 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 tend to confirm that movement on madrassa reform is slow, at best.

⁴⁵⁷ “At an Islamic School, Hints of Extremist Ties,” *Washington Post*, June 13, 2004; Vali Nasr, “Military Rule, Islamism, and Democracy in Pakistan,” *Middle East Journal* 58, 2, Spring 2004.

⁴⁵⁸ “Full Transcript Musharraf Interview,” *ABC News* (online), November 30, 2007. As of January 2008, more than 14,600 madrassas were reportedly registered with the government, leaving up to 1,500 yet to register (“Madressah Reforms Put on Hold for Next Government,” *Dawn* (Karachi), January 12, 2008).

⁴⁵⁹ See <http://www.usaid.gov/pk/education/index.htm>.

⁴⁶⁰ See also CRS Report RL34240, *Pakistan’s Political Crises*, and CRS Report RL34449, *Pakistan’s 2008 Elections: Results and Implications for U.S. Policy*.

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 continued to issue reports critical of Islamabad's military-dominated government throughout the Musharraf-dominated era. In 2008, and for the ninth straight year, Freedom House rated Pakistan as "not free" in the areas of political rights and civil liberties.

Pakistan's Military-Dominated Government, 2002-2008

General Musharraf's assumption of the presidency ostensibly was legitimized by a controversial April 2002 referendum marked by evidence of fraud.⁴⁶¹ 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 PML-Q party 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. Further 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 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 was seen to be an able financial manager and technocrat favored by the military, but he had no political base in Pakistan. In the final month of 2004 Musharraf chose to continue his role as army chief beyond the stated deadline. Moreover, 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.

One senior Pakistani scholar offered a critical summary of the country's political circumstances under President Musharraf's rule:

[T]he "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-optation 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

⁴⁶¹ "Pakistan's Musharraf Wins Landslide, Fraud Alleged," Reuters, May 1, 2002.

partnership with the Islamic parties, especially the MMA, and soft-peddling towards Islamic groups; and manipulation of the weak and divided political forces and exclusion of dissident political leaders.⁴⁶²

Many analysts have opined that, despite being a self-professed “enlightened moderate,” Musharraf in practice strengthened the hand of Pakistan’s Islamist extremist forces and that, despite rhetoric about liberalizing Pakistani society, his choice of political allies suggested he was not serious.⁴⁶³ In the meantime, the Pakistan army 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 fully 6% of the country’s gross domestic product.⁴⁶⁴

Some observers argue that much of the criticism leveled at President Musharraf was unfair and that he had been a relatively benign “military dictator.” Such analyses will, for example, point out that Musharraf’s policies vis-à-vis India allowed for a reduction of bilateral tensions and an ongoing peace dialogue, that he appeared to have an extent clamped down on Kashmiri militancy, and that he did not come under fire for corruption, as did Bhutto and other civilian leaders.⁴⁶⁵

During their years of marginalization, the leadership of the country’s leading moderate, secular, and arguably most popular party—the Pakistan People’s Party—sought greater U.S. support for Pakistani democratization and warned that the space in which they were being allowed to operate was so narrow as to bring into question their continued viability as political forces.⁴⁶⁶ They also typically identify a direct causal link between nondemocratic governance and the persistence of religious militancy in Pakistan. In an opinion piece composed shortly before her 2007 assassination, 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.⁴⁶⁷

U.S. policy

While the United States maintains a keen interest in Pakistani democratization, the issue was widely seen as having become a secondary consideration as counterterrorism concerns grew after 2001. As stated by Assistant Secretary of State Boucher in a 2007 statement to a Senate panel:

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.⁴⁶⁸

⁴⁶² Hasan-Askari Rizvi, “Towards a Solution of the Present Crisis” (op-ed), *Daily Times* (Lahore), June 17, 2007.

⁴⁶³ See, for example, Peter Beinart, “How to Deal with Dictators” (op-ed), *Time*, July 26, 2007.

⁴⁶⁴ Ayesha Siddiqi, *Military Inc: Inside Pakistan’s Military Economy* (Pluto Press, 2007).

⁴⁶⁵ See, for example, Jonathan Power, “In Defense of Pakistan’s Military Dictator” (op-ed), *Toronto Star*, January 6, 2008.

⁴⁶⁶ Author interview with Benazir Bhutto, Washington, DC, February 2006, and with numerous other PPP officials.

⁴⁶⁷ Benazir Bhutto, “Why the World Needs Democracy in Pakistan,” *Christian Science Monitor*, December 10, 2007.

⁴⁶⁸ See <http://2001-2009.state.gov/p/sca/rls/rm/2007/96566.htm>.

Bush Administration officials repeatedly emphasized that democratization is key to the creation of a more moderate and prosperous Pakistan. However, many critics of their policies asserted that the Islamabad government was for more than five years 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.⁴⁶⁹ U.S. congressional committees long expressed concern with “the slow pace of the democratic development of Pakistan” (S.Rept. 109-96) and “the lack of progress on improving democratic governance and rule of law” there (H.Rept. 109-486). Secretary of State Rice argued that strong Bush Administration support for Pakistan’s democratization process was a “very well kept secret,” and she rejected as untrue claims that the U.S. supported a military government in Islamabad without attention to democracy.⁴⁷⁰

Many commentators criticized the Bush Administration’s perceived over-emphasis on relations with President Musharraf and the Pakistani military at the expense of positive ties with the broader Pakistan society. As articulated by a scholar who would later become Pakistan’s Ambassador to Washington,

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.⁴⁷¹

The U.S. State Department’s *Country Report on Human Rights Practices 2006*, issued by the Bureau of Democracy, Human Rights, and Labor in 2007, did not use the word “democracy” or any of its derivatives in discussing Pakistan, but did note that “restrictions on citizens’ right to change their government” represented a “major problem.”⁴⁷² Leading opposition political figures in Islamabad warned that unconditional U.S. support for Musharraf’s military-dominated government contributed to an anti-American backlash among Pakistan’s moderate forces. Yet others opine that overt U.S. conditionality is unlikely to be effective and may only foster anti-U.S. resentments in Pakistan.⁴⁷³

⁴⁶⁹ For example, two former senior Clinton Administration officials criticized President Bush for choosing to “back the dictator” rather than offer clear support for democracy and rule of law in Pakistan. They contended that such a policy has damaged U.S. interests in South Asia and in the Muslim world. In late 2007 Senate testimony, 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 former 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 (Sandy Berger and Bruce Riedel, “America’s Stark Choice” (op-ed), *International Herald Tribune*, October 9, 2007; Statement of Amb. Teresita Schaffer before the Senate Foreign Relations Committee, December 6, 2007; “Democracy Gets Small Portion of U.S. Aid,” *Washington Post*, January 6, 2008).

⁴⁷⁰ See <http://2001-2009.state.gov/secretary/rm/2008/05/104634.htm>.

⁴⁷¹ Statement of Husain Haqqani before the House Armed Services Committee, October 10, 2007.

⁴⁷² See <http://2001-2009.state.gov/g/drl/rls/hrrpt/2006/78874.htm>.

⁴⁷³ “US Warned Over Backing for Musharraf,” *Financial Times* (London), June 12, 2007; 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.

Human Rights Problems

Pakistan is the setting for numerous and serious perceived human rights abuses, some of them perpetrated and/or sanctioned by the state. According to the U.S. Department of State, the Islamabad government is known to limit freedoms of association, religion, and movement, and to imprison political leaders. The Department's most recent *Country Report on Human Rights Practices* (issued February 2009) determined that, despite some improvements after the late 2007 state of emergency, the human rights situation in Pakistan "remained poor" during 2008. The report lists extrajudicial killings, torture, and disappearances; "widespread" government and police corruption; lack of judicial independence; political violence; terrorism; poor prison conditions; violence against women; and religious freedom violations among the major problems.⁴⁷⁴ The Taliban's growing geographic influence has led to an increase in violence directed against Pakistan's Christian, Sikh, and Hindu minorities.⁴⁷⁵

The most recent State Department report on trafficking in persons (issued June 2009) said, "Pakistan does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so." It again placed Pakistan at "Tier 2" because Islamabad "did not show evidence of progress in addressing the serious issues of bonded labor, forced child labor, and the trafficking of migrant workers by fraudulent labor recruiters."⁴⁷⁶ In 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 aired 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 females 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 such 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 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.⁴⁷⁷

⁴⁷⁴ See <http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>.

⁴⁷⁵ "Pakistani Minorities Fall Prey to Taliban," Associated Press, May 17, 2009.

⁴⁷⁶ See <http://www.state.gov/documents/organization/123363.pdf>.

⁴⁷⁷ See <http://2001-2009.state.gov/g/drl/rls/hrrpt/2007/100619.htm>.

Religious Freedom

The State Department's most recent *International Religious Freedom Report* (issued September 2008) 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.⁴⁷⁸

The State Department has rejected repeated U.S. Commission on International Religious Freedom recommendations that Pakistan be designated a "country of particular concern." The Commission's most recent annual report (May 2009) asserts that Pakistan has in the recent year

seen the largely unchecked growth in the power and reach of religiously-motivated extremist groups whose members are engaged in violence in Pakistan and abroad, with Pakistani authorities ceding effective control to armed insurgents espousing a radical Islamist ideology. ... In addition, all of the serious religious freedom concerns on which the Commission has reported in the past persist. Sectarian and religiously motivated violence continues, particularly against Shia Muslims, Ahmadis, Christians, and Hindus, and the government's response continues to be insufficient, and in some cases is outright complicit.

The Commission's finding of state complicity is new in 2009.⁴⁷⁹

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, and his widow was killed in an apparently targeted November 2007 bombing. 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 places Pakistan 152nd out of 173 countries in its most recent annual ranking of world press freedom.⁴⁸⁰ In 2007, the New York-based Committee to Protect Journalists placed Pakistan sixth in a list of the ten countries where press freedom had

⁴⁷⁸ See <http://2001-2009.state.gov/g/drl/rls/irf/2008/108505.htm>.

⁴⁷⁹ See <http://www.uscirf.gov>.

⁴⁸⁰ See <http://www.rsf.org/en-rapport74-Pakistan.html>.

most deteriorated since 2002.⁴⁸¹ In its February 2009 human rights report, the State Department asserted that the Islamabad government “often impeded criticism ... by monitoring political activity and controlling the media,” and that, “Journalists and their families were arrested, beaten, and intimidated, leading many to practice self-censorship.”⁴⁸² Pakistani journalists have taken to the streets to protest perceived abuses.

“Disappeared” Persons

According to the U.S. State Department, there was a decline in the rate of politically motivated disappearances in Pakistan in 2008, but police and security forces continued holding prisoners incommunicado and refused to provide information on their whereabouts, particularly in terrorism and national security cases. It cites a Human Rights Commission of Pakistan estimate that some 1,100 individuals were still missing under official detention, down from about 1,600 in 2007.⁴⁸³ 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.”⁴⁸⁴ The Islamabad government formally denies involvement in extralegal detentions. It also has denied that any Pakistani citizens had been remanded to U.S. custody for imprisonment at Guantanamo Bay, saying that any Pakistani nationals held in that facility were arrested outside Pakistan, mostly in Afghanistan.⁴⁸⁵

Economic Issues⁴⁸⁶

Overview

Pakistan is a poor country, but the national economy gathered significant positive momentum in the new century, helped in large part by the government’s pro-growth policies and by post-2001 infusions of foreign aid. Overall growth averaged nearly 6.7% from 2004-2008. However, poverty remains widespread, and presently high rates of domestic inflation and a serious balance of payments crisis have many analysts concerned about the country’s macroeconomic stability. The national economy may contract in 2009. According to the World Bank, nominal GDP per capita in 2007 was only \$855, 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 the stimulus provided by reconstruction efforts.

⁴⁸¹ See <http://cpj.org/backsliders/index.html>.

⁴⁸² See <http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>.

⁴⁸³ See <http://www.state.gov/g/drl/rls/hrrpt/2008/sca/119139.htm>.

⁴⁸⁴ “Picture of Secret Detentions Emerges in Pakistan,” *New York Times*, December 19, 2007.

⁴⁸⁵ See http://www.mofa.gov.pk/Spokesperson/2008/Mar/Spokes_12_03_08.htm.

⁴⁸⁶ See also CRS Report RS22983, *Pakistan’s Capital Crisis: Implications for U.S. Policy*.

Pakistan's political crises in 2007 harmed what had been a generally strong national economy, and the country's attractiveness for foreign investors almost certainly has suffered with ensuing instability. Food prices have spiked, contributing to inflationary pressures that have in turn sapped exports. Rising fuel costs and food subsidies spurred the new government to order "massive cuts" in federal spending, including that for the military, and to seek \$4-5 billion from international lenders to reverse a sharp deterioration on the current account of its balance of payments. Pakistan also faces a shortfall of some 4,000 megawatts of electricity and scheduled blackouts affect homes and businesses many hours each day.

Despite these negative signs, the long-term economic outlook for Pakistan improved after 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, but was down by nearly 75% in 2008 after a 40% gain 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), up from 144th in 2003.⁴⁸⁷

Pakistan's real GDP grew by 5.8% in the fiscal year ending June 2008, driven by a booming service sector. A similar rate is expected in the current fiscal year. Output from the service and the manufacturing 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 had most analysts foreseeing solid expansion ahead, but political and security turmoil in 2008 have caused previously optimistic predictions to drop precipitously in coming years (the Economist Intelligence Unit predicts a 0.9% *contraction* in 2009). A relatively small but rapidly growing entrepreneurial class has boosted the consumption of luxury goods.⁴⁸⁸

Pakistan stabilized its external debt at about \$33 billion by 2003, but this rose to about \$46 billion in 2008. Still, such debt is only slightly more than one-quarter of GDP today, down about 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, but were rapidly depleted in 2008. 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 a peak year-on-year consumer rate above 25% in August 2008. Inflationary pressures are projected to remain strong into 2009; 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).

⁴⁸⁷ See <http://hdr.undp.org/en/reports/global/hdr2007-2008>.

⁴⁸⁸ "Modern and Muslim: In Turbulent Pakistan, Start-Ups Drive a Boom," *Wall Street Journal*, September 5, 2007.

Analysts press for further broadening the country's tax base in order to provide increased revenue for investment in improved infrastructure, health, and education, all prerequisites for economic development. Political insecurity appears to fuel a patronage system of excessive spending without sufficient revenue enhancement efforts.⁴⁸⁹ Serious environmental degradation also retards growth: a 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.⁴⁹⁰

Attempts at macroeconomic reform historically have floundered due to political instability, but the Musharraf government 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. The World Economic Forum's *Global Competitiveness Report* for 2008-2009 ranked Pakistan 101st out of 134 countries, saying the country benefits from a large market size. However,

a number of competitive weaknesses are hindering its ability to fully benefit from the potential economies of scale, mainly related to the human resources base. Specifically, Pakistan's rankings are low in the pillars measuring health and primary education (116th), higher education and training (123rd), labor market efficiency (121st), and technological readiness (100th). In addition, there has also been a measurable weakening over the past year in the perceived quality of public institutions.⁴⁹¹

Even as the bulk of criticism of President Musharraf focused on the authoritarian aspects of his rule, many ordinary Pakistanis were unhappy with his government's economic policies, which were seen to have benefitted only a fraction of the country's people. Pakistan's new government took office lambasting the Musharraf regime's alleged mismanagement of the national economy and warning that the country would be unable to meet its economic targets for FY2007/20008.⁴⁹² World Bank economist and former Pakistani Finance Minister Shahid Javed Burki is among those who asserted that high rates of growth were not sustainable. He also faulted Islamabad for maintaining a weak regulatory structure that has not constrained private sector expansion nor regulated emerging monopolies, thus spurring sharp price increases, especially in the telecommunications, real estate, and construction sectors. This, according to him, partly explains why Pakistan's impressive economic growth has brought little benefit to the country's poor.⁴⁹³

The roots of Pakistan's current economic difficulties are found in fundamental structural problems that create repeated balance of payments crises. At the heart of such problems is the country's heavy dependence on foreign capital, a circumstance that may well be traced to the

⁴⁸⁹ Ali Cheema, "The Political Economy of Crises" (op-ed), *Friday Times* (Lahore), October 24, 2008.

⁴⁹⁰ See <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1188777211460/pakceasummary.pdf>.

⁴⁹¹ See <http://www.weforum.org/pdf/GCR08/GCR08.pdf>.

⁴⁹² "Hungry for More Than Change," *Los Angeles Times*, November 28, 2007; "Pakistan Likely to Miss Most Economic Targets - Minister," Reuters, April 9, 2008.

⁴⁹³ See http://www.csis.org/media/csis/events/080421_pakistans_econ_swot_burki.pdf.

policies of President Musharraf that favored high consumption rates and correspondingly high inflation rates combined with a failure to address fiscal shortfalls.⁴⁹⁴

Trade and Investment

Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. Although China is the country's leading trade partner (based on more than \$5 billion worth of exports to Pakistan in 2007), the United States is by far Pakistan's leading export market, accounting for about one-quarter of the total. During 2008, total U.S. imports from Pakistan were worth about \$3.6 billion (virtually unchanged from 2007). Some 90% of this value came from purchases of textiles and apparel. U.S. exports to Pakistan during 2008 were worth \$1.9 billion (down 2% from 2007). Civilian aircraft and associated equipment, raw cotton combined, and military weapons were the top three export categories.⁴⁹⁵ Pakistan was the 63rd largest export market for U.S. goods in 2008, down from 57th the previous year.

According to the U.S. Trade Representative's (USTR) *2008 Annual Report on the Trade Agreements Program*,

The government of Pakistan made progress in recent years to improve copyright enforcement, taking significant steps against unauthorized optical disc production and exports of pirated optical discs. Pakistan also created the Intellectual Property Rights Organization, providing for the first time a centralized government body to oversee intellectual property rights enforcement and education. Nevertheless, there are still a number of concerns about the adequacy of Pakistan's regime for protection and enforcement of intellectual property rights. In the enforcement area, prosecutions and deterrent sentences for intellectual property infringement are lacking. Other serious barriers include continuing 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. As a result, Pakistan was elevated to the Special 301 Priority Watch List in 2008.⁴⁹⁶

Pakistan has been a world leader in the pirating of music CDs and has appeared on the USTR's "Special 301" Watch List for 18 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, but this status lasted only two years). The latest (2009) USTR report identifies several obstacles to expanded trade with Pakistan, including high tariff rates and "little progress" with copyright enforcement.⁴⁹⁷

According to Pakistan's Ministry of Finance, total foreign direct investment in Pakistan exceeded \$6 billion for the year ending June 2008, but many investors remain wary of the country's uncertain political-security circumstances.⁴⁹⁸ More than one-third of the foreign investment value

⁴⁹⁴ Robert Looney, "Failed Takeoff: An Assessment of Pakistan's October 2008 Economic Crisis," Pakistan Security Research Unit Brief No. 46, April 21, 2009.

⁴⁹⁵ See <http://www.census.gov/foreign-trade/statistics/country/index.html>.

⁴⁹⁶ See http://www.ustr.gov/sites/default/files/uploads/reports/2009/asset_upload_file422_15403.pdf. The International Intellectual Property Alliance, a coalition of U.S. copyright-based industries, estimated U.S. losses of \$156 million due to copyright piracy in Pakistan in 2007 (see <http://www.iipa.com/rbc/2008/2008SPEC301PAKISTAN.pdf>).

⁴⁹⁷ See http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file282_15496.pdf.

⁴⁹⁸ "Pakistan Investors Wary of Political Instability," Reuters, August 27, 2007. Pakistan's Finance Ministry reports (continued...)

comes from U.S.-based investors; over the past decade, roughly 30% of all FDI into Pakistan has come from the United States.⁴⁹⁹ Much of the remainder originates in Saudi Arabia and other Persian Gulf states. A March 2009 report by the U.S. Chamber of Commerce and the U.S.-Pakistan Business Council offered numerous recommendations for U.S. policy makers aimed at expanding bilateral economic relations in the interests of both countries.⁵⁰⁰

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.⁵⁰¹ 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, was considered by the 110th Congress (S. 2776 and H.R. 6387), but no action was taken. Similar bills (H.R. 1318 and S. 496) are pending in the 111th Congress.

The Heritage Foundation's *2009 Index of Economic Freedom*—which some say 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 102nd out of 179 countries. The index identified restrictive trade policies, a heavy fiscal burden, weak property ownership protections, and limited financial freedoms as issues.⁵⁰² Corruption is another serious problem: for 2008, Berlin-based Transparency International placed Pakistan 135th out of 180 countries in its annual ranking of world corruption levels.⁵⁰³

U.S. Aid and Congressional Action

U.S. Assistance

A total of about \$18.7 billion in direct, overt U.S. aid went to Pakistan from 1947 through 2008, including some \$6 billion for military programs. Since the 2001 renewal of large U.S. assistance packages and reimbursements for militarized counterterrorism efforts, Pakistan by the end of FY2009 will have received more than \$15 billion, about half of this in the form of coalition support reimbursements, with another \$4.6 billion for economic purposes and some \$3.1 billion

(...continued)

that foreign investment rates were down by nearly half for the nine-month period ending March 2008.

⁴⁹⁹ See the Pakistan Board of Investment data at <http://www.pakboi.gov.pk/foreign-invest.htm>.

⁵⁰⁰ These include diplomatic and advocacy efforts such as enhancing high-level economic dialogue; advocating on behalf of U.S. companies to ensure a level playing field with other foreign competitors in Pakistan; pressing the international community to help Pakistan attract financial assistance; and bolstering the availability of U.S. government financing and insurance to stimulate greater private sector investments. Among the more specific recommendations was a call to review U.S. bilateral trade policy and consider cutting tariffs on Pakistani textiles; approving pending legislation to create Reconstruction Opportunity Zones in western Pakistan; working with Pakistanis to bolster intellectual property rights and data protection laws; and concluding a bilateral investment treaty with Pakistan to better safeguard U.S. investors (see “Strengthening the U.S.-Pakistan Economic Partnership” at http://www.uschamber.com/publications/reports/0903_uspakistan.htm).

⁵⁰¹ 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).

⁵⁰² See <http://www.heritage.org/Index/Country/Pakistan>.

⁵⁰³ See <http://www.transparency.org>.

for security-related programs (see **Table 1**). U.S. assistance to Pakistan is meant primarily to maintain that country's ongoing support for U.S.-led counterterrorism efforts. It also seeks to support Pakistan in "fulfilling its vision of a moderate, democratic, and prosperous country that is at peace with its neighbors, and contributing to regional stability."⁵⁰⁴

In 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 FY2005.⁵⁰⁵ When additional funds for development assistance, law enforcement, and other programs are included, the non-food aid allocation for FY2008 was \$1.03 billion. FY2007 was the first year of the Bush Administration's new plan to devote \$750 million in U.S. development aid to Pakistan's tribal areas over a five-year period. The new civilian government seated in Islamabad in early 2008 repeatedly has urged the United States to further boost its aid as a means of strengthening democracy and combating extremism in Pakistan.⁵⁰⁶

Potential New Restrictions on U.S. Assistance

Congressional scrutiny of the uses and effects of U.S. assistance to Pakistan is greatly increased in the 111th Congress. Senate Foreign Relations Committee (SFRC) Chairman Senator Kerry is among the senior Members of Congress who favor "strict accountability" for future military aid to Pakistan.⁵⁰⁷ Other SFRC members have raised doubts about the Administration's plans for large increases in aid to Pakistan, questioning whether the funds will be properly overseen in light of past accountability problems. Several Senators have more broadly questioned whether the Administration has adequately mapped out its Pakistan strategy.⁵⁰⁸ In May 2009, the SFRC held a hearing on U.S. strategy toward Pakistan, during which several Senators expressed skepticism about Pakistan's use of past U.S. assistance funds and about current U.S. plans to ensure that future funds are used effectively. At a defense budget hearing of the Senate Armed Services Committee days later, Chairman Senator Carl Levin repeated his determination that no amount of U.S. assistance to Pakistan will be effective unless that country's leaders commit themselves in both words and deeds to combating extremists there.⁵⁰⁹ Moreover, Senator Patrick Leahy, Chairman of the Senate Appropriations subcommittee that funds U.S. foreign assistance programs, has voiced concerns that domestic political turmoil in Pakistan could jeopardize the

⁵⁰⁴ U.S. Department of State FY2010 Congressional Budget Justification for Foreign Operations, May 2009.

⁵⁰⁵ The Foreign Operations FY2005 Appropriations bill (P.L. 108-447) established a new "base program" of \$300 million for military assistance for Pakistan.

⁵⁰⁶ "Premier Says Pakistan Needs More U. S. Aid," *Wall Street Journal*, May 29, 2008; Asif Ali Zardari, "The Frontier Against Terrorism" (op-ed), *Washington Post*, June 22, 2009.

⁵⁰⁷ See the press release at <http://kerry.senate.gov/cfm/record.cfm?id=310648>.

⁵⁰⁸ "Senators Question Administration's Pakistan Aid Plan," *USA Today*; "At Hill Hearing, Details Sought on Afghanistan-Pakistan Policy," *Washington Post*, both May 13, 2009.

⁵⁰⁹ "Sen. John Kerry Holds a Hearing on U.S. Strategy Toward Pakistan," CQ Transcriptions, May 12, 2009; CQ Transcriptions, May 12, 2009; Transcript: "Senate Armed Services Committee Holds a Hearing on the Defense Authorization Request for Fiscal Year 2010 and the Future Years Defense Program," May 14, 2009. As articulated by Sen. Levin at the mid-May SASC hearing: "If Pakistan makes the fight against those extremists their own fight, then the United States should be willing to help Pakistan achieve a more stable and secure future. But we can't buy their support for our cause or appear to do so, since that would play into the hands of their and our enemy."

effective use of U.S. aid funds.⁵¹⁰ A number of other Senators have vowed to support conditioning future military aid to Pakistan.⁵¹¹

Such sentiments have arisen on the House side, as well. House Foreign Affairs Committee (HFAC) Chairman Representative Berman—sponsor of a major Pakistan-specific authorization and appropriation bill in the 111th Congress (H.R. 1886)—aims to ensure that all future U.S. assistance provided to Pakistan is managed through that country’s civilian authorities, and that such assistance is audited, monitored, and evaluated.⁵¹² Defense Department officials have asked Congress to soften conditions seen to “severely constrain” the U.S. strategy in Pakistan.⁵¹³

With the appearance of several bills containing Pakistan-specific aid restrictions, Pakistani government officials began pushing back, with President Zardari telling visiting U.S. envoys that his country needs “unconditional support” for its efforts. Prime Minister Gilani argued that his country has sacrificed much more than had the United States in the effort to combat terrorism and extremism, and he later told Senator Kerry that conditions should not be placed on proposed U.S. aid. Pakistan’s Ambassador to the United States urged an avoidance of “intrusive” aid conditions, saying “Once again there’s talk of fixing Afghanistan and Pakistan. Please do not fix us.” Some Pakistani analysts reacted to proposed aid conditions by concluding that the United States has taken a clear tilt toward India and cannot be trusted as a partner.⁵¹⁴ Pakistani officials also have complained that U.S. assistance flows have been too slow.⁵¹⁵

The Administration’s FY2009 Supplemental Appropriations Request and Congressional Appropriations⁵¹⁶

The 111th Congress passed supplemental appropriations bills for FY2009 that include large assistance programs for Pakistan. The President’s original request included a total of more than \$900 million in proposed spending directly related to Pakistan, and another \$1 billion in Coalition Support Funds (CSF), the bulk of which would likely to be used to reimburse Pakistan for its support of U.S. military operations in the region. The Administration argued that \$497 million in new foreign operations assistance was urgently needed “to help stem the rapidly deteriorating security and economic conditions confronting” Pakistan, and it emphasized that “failure to address these conditions could lead to a further opening for extremists” there.⁵¹⁷ It further argued that ongoing CSF reimbursements are “critical to maintaining the viability” of U.S.-led military coalition efforts, and that establishment of a new “Pakistan Counterinsurgency Capability Fund”

⁵¹⁰ Quoted in “Pakistani Political Crisis Jeopardizes U.S. Regional Strategy,” *Washington Post*, March 17, 2009.

⁵¹¹ “US Senators Insist on Conditions for Pakistan Military Aid,” *Agence France Presse*, May 21, 2009.

⁵¹² See the press release at http://www.internationalrelations.house.gov/press_display.asp?id=603.

⁵¹³ “Pentagon ‘Concerns’ With Pakistan Aid,” *Politico.com*, April 29, 2009.

⁵¹⁴ “With Conditions Set on Aid, Pakistan Sharpens Tone,” *Associated Press*, April 5, 2009; “Pakistan Wants ‘Unconditional’ Aid to Fight Terror,” *Associated Press*, April 7, 2009; “No Conditions on US Aid – Pakistani PM,” *Reuters*, April 13, 2009; “Pakistan Displays Defiance in Washington,” *Dawn* (Karachi), April 10, 2009; Ejaz Haider, “Rethinking the Alliance” (op-ed), *Daily Times* (Lahore), April 11, 2009. See also “Ominous Conditions” (editorial), *Dawn* (Karachi), April 13, 2009.

⁵¹⁵ “Haqqani Urges Fast-Track US Aid for Pakistan,” *Daily Times* (Lahore), March 19, 2009.

⁵¹⁶ See also CRS Report R40531, *FY2009 Spring Supplemental Appropriations for Overseas Contingency Operations*.

⁵¹⁷ U.S. Department of State, “FY2009 Supplemental Justification,” April 9, 2009.

(PCCF) is necessary to bolster Pakistan's security forces and make that country a more effective partner in U.S. efforts to stabilize neighboring Afghanistan and the region.⁵¹⁸

In a June 2009 conference report on FY2009 supplemental appropriations (H.Rept. 111-151), congressional conferees authorized the following specifically for Pakistan:

- \$1 billion for coalition support fund reimbursements to “key cooperating nations” (Pakistan since 2001 has received roughly 80% of such funds);
- \$896 million for embassy security, construction, and maintenance;
- \$539 million in Economic Support Funds;
- \$65.5 million for International Law Enforcement and Narcotics Control;
- \$55 million for International Disaster Assistance for Pakistani IDPs;
- \$45.6 million for diplomatic and consular activities;
- \$10 million for public diplomacy broadcasting activities near the Pakistan-Afghanistan border;
- \$10 million for Pentagon counterdrug activities;
- \$7.6 million for USAID operating costs; and
- \$3.5 million for Inspector General oversight of programs (in both Afghanistan and Pakistan).

Congress also established two new funds to build Pakistan's counterinsurgency capabilities. The first, a Pakistan Counterinsurgency Fund (PCF), will receive \$400 million for such purposes through FY2010. These funds will be overseen by the Secretary of Defense with the concurrence of the Secretary of State. The second, labeled PCCF, will receive \$700 million for such purposes beginning on the final day of FY2009 and available through FY2011. These funds will be overseen by the Secretary of State with the concurrence of the Secretary of Defense. In their report, the conferees expressed concern about providing the Pentagon with oversight of an assistance program that would traditionally fall under the purview of the State Department and so directed the Secretary of Defense and Secretary of State to jointly develop a plan for transitioning the PCF from Defense to State by FY2010, fully executed by FY2011.

The Administration's FY2010 Foreign Operations and Defense Department Requests

In its first base request for Function 150 foreign operations assistance, the Obama Administration seeks nearly \$1.6 billion specifically for Pakistan (see **Table 1**). This represents an increase of about 14% over the previous fiscal year. Highlighted program areas to receive major funding

⁵¹⁸ U.S. Department of Defense, “Fiscal Year 2009 Supplemental Request,” April 2009. The Pentagon's assistance request would continue CSF payments to reimburse Pakistan for its ongoing operational and logistical support of U.S. efforts in the region. Moreover, the proposed counterinsurgency aid would (1) fund an existing, multi-year Security Development Plan for Pakistan; (2) assist Pakistani security forces to organize, train, equip, and operate as a counterinsurgency-capable force; and (3) provide humanitarian relief in post-combat/conflict areas. Secretary of Defense Gates favors funding the proposed PCCF with up to \$3 billion over a five-year period and folding into this single account many sometimes disparate Pentagon-funded security programs for Pakistan.

increases include education (from \$154 million in FY2009 to \$364 million in FY2010); health care (from \$89 million to \$180 million); private sector competitiveness (from \$64 million to \$129 million); economic growth in the agriculture sector (from \$80 million to \$124 million); and rule of law and human rights (from \$10 million to \$39 million).⁵¹⁹ The Department of Defense has requested additional Pakistan-specific funds, including \$700 million for the newly-established counterinsurgency fund (PCCF) and \$1.6 billion for ongoing coalition support fund reimbursements, the large majority of which have gone to Pakistan in recent years.

Pakistan-Specific Authorization and Appropriation Bills in the 111th Congress

In April 2009, the Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (H.R. 1886) was introduced in the House and passed by that chamber on June 11, 2009. The act would authorize \$1.5 billion in annual nonmilitary aid for Pakistan for FY2010-FY2013. Among its extensive reporting requirements and provisions for auditing, evaluating, and monitoring U.S. aid to Pakistan are certain conditions on future U.S. military assistance related to nonproliferation and counterterrorism. A Pakistan-specific bill was introduced in the Senate in May 2009. This Enhanced Partnership With Pakistan Act of 2009 (S. 962) would also boost nonmilitary assistance to \$1.5 billion per year for FY2009-FY2013, and additionally establish a sense of Congress that such aid levels should continue through FY2018. Its conditions on future military assistance and arms transfers to Pakistan relate to counterterrorism and democratization.

The sponsors of both bills express an intention to move away from the “transactional” dynamic they believe has characterized U.S.-Pakistan relations and reverse a pervasive Pakistani sentiment that the United States is not a reliable ally.⁵²⁰ SFRC Chairman Senator Kerry is among the senior U.S. officials who seek to qualitatively alter the nature of Pakistan-U.S. relations, which have for decades been widely perceived as U.S. efforts “to influence Pakistan by providing billions of dollars in unaccountable military aid and compensation, while neglecting the needs of the population itself.” It is proposed that, by passing legislation such as S. 962, and so investing heavily in projects meant to directly benefit ordinary Pakistanis, policy makers could transform “this dysfunctional and suspicious relationship into a longer-term strategic engagement with the Pakistani people based on mutual trust and cooperation.” Upon the full House’s passage of H.R. 1886 by a vote of 234-185, HFAC Chairman Representative Berman lauded the “step forward to create a new, more positive framework for U.S.-Pakistan relations.”⁵²¹

FATA Development Plan and ROZs⁵²²

As noted above, Pakistan’s tribal areas are remote, isolated, poor, and traditional in cultural practices. The social and economic privation of the inhabitants is seen to make the region an attractive breeding ground for violent extremists. The U.S.-assisted development initiative for the Federally Administered Tribal Areas, launched in 2003, seeks to improve the quality of education,

⁵¹⁹ See <http://www.state.gov/documents/organization/124072.pdf>.

⁵²⁰ According to its sponsors, S. 962 “seeks to transform the relationship between the United States and Pakistan from a transactional, tactically-driven set of short-term exercises in crisis-management, into a deeper, broader, long-term strategic engagement” (S.Rept. 111-33).

⁵²¹ John Kerry, “Empower Pakistanis Now,” Politico.com, June 12, 2009; June 11, 2009, HFAC press release at http://www.internationalrelations.house.gov/press_display.asp?id=625.

⁵²² See also CRS Report R40627, *Afghanistan and Pakistan Reconstruction Opportunity Zones (ROZs)*, H.R. 1318/H.R. 1886/H.R. 2410 and S. 496: *Issues and Arguments*.

develop healthcare services, and increase opportunities for economic growth and micro-enterprise specifically in Pakistan's western tribal regions.⁵²³ 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.⁵²⁴ The Bush Administration urged Congress to continue funding a proposed five-year, \$750 million aid plan for the FATA initiated in FY2007. The plan supports Islamabad's own ten-year, \$2 billion Sustainable Development effort there. In H.Rept. 111-151, the 111th Congress expressed its intention that the majority of the \$399 million in unallocated FY2009 supplemental assistance for Pakistan be used to support programs in the FATA and NWFP "to counter the influence of violent extremists through local initiatives, including infrastructure, health, education, governance, rule of law, and employment opportunities."

Skepticism has arisen 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.⁵²⁵ Islamabad insists 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.⁵²⁶ Attacks on aid workers exacerbate a circumstance in which corruption and tangled bureaucracy thwart U.S. aid efforts in the FATA. The NWFP governor himself has complained that very little new assistance funds are reaching the tribal belt.⁵²⁷

The related establishment of Reconstruction Opportunity Zones (ROZs) that could facilitate further development in the FATA (and neighboring Afghanistan), an initiative of President Bush during his March 2006 visit to Pakistan, ran into political obstacles in the 110th Congress. The ROZ program would provide duty-free access into the U.S. market for certain goods produced in approved areas and potentially create significant employment opportunities. While observers are widely approving of the ROZ plan in principle, many question whether there currently are any products with meaningful export value produced in the FATA. One senior analyst suggests that the need for capital and infrastructural improvements outweighs the need for tariff reductions. A Pakistani commentator has argued that an extremely poor law and order situation in the region will preclude any meaningful investment or industrialization in the foreseeable future.⁵²⁸ 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. A related bill, H.R. 6387, was referred to House subcommittee four months later. Both failed to emerge from committee. In the spring of 2009, new ROZ legislation was introduced in both chambers of the 111th Congress (S. 496 and H.R. 1318). The House version subsequently was inserted into The Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (H.R. 1886), which was passed by the full House in June 2009.

⁵²³ See <http://www.usaid.gov/pk/mission/news/fata.htm>.

⁵²⁴ Statement of Acting Deputy USAID Administrator James Kunder before the Senate Foreign Relations Committee, December 6, 2007.

⁵²⁵ "Doubts Engulf an American Aid Plan for Pakistan," *New York Times*, December 25, 2007; "US Aid 'Failing to Reach Target,'" *BBC News*, May 16, 2008.

⁵²⁶ "U.S. Aims to Turn Hostile Pakistani Tribes Friendly," Reuters, January 30, 2008.

⁵²⁷ "Violence Mars US Aim to Win Hearts, Minds," Associated Press, February 27, 2009.

⁵²⁸ Statement of Amb. Teresita Schaffer before the Senate Foreign Relations Committee, December 6, 2007; Hamid Waleed, "Establishment of Reconstruction Opportunity Zones Almost Impossible" (op-ed), *Daily Times* (Lahore), January 13, 2007.

A major 2008 report from the Council on Foreign Relations presented a cooperative, incentives-based strategy for U.S. engagement in the FATA that would bolster the Pakistani government's capacity while building mutual confidence in the bilateral relationship. The report urges policy makers to weigh the potential gains of unilateral U.S. actions in the FATA—whether military, political, or economic in nature—against the likely costs in the context of fostering mutual trust. It emphasizes that tactical security gains in the region are likely to be ephemeral if not accompanied by rapid political change and economic incentives that comprise what it labels a “generational challenge.”⁵²⁹ For many observers, successful counterinsurgency in the FATA must look beyond military efforts and focus on improving local governance and normalizing politics there. Religion, too, is a key factor, and some analysts urge U.S. diplomacy to better engage with the regions religious parties, which could have the benefit of depoliticizing the role of religion.⁵³⁰

Economic Support Funds

The Foreign Assistance Act authorizes the President to furnish foreign assistance in order to promote 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 program 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 late 2007, the State Department appeared to agree in announcing that budget support for Pakistan would henceforth be “projectized to ensure the money is targeted at the most urgent priorities.”⁵³¹

Coalition Support Funds (CSF)

At the Bush Administration's behest, Congress in FY2002 began appropriating billions of dollars to reimburse Pakistan and other nations for their operational and logistical support of U.S.-led

⁵²⁹ Daniel Markey, “Securing Pakistan's Tribal Belt,” Council on Foreign Relations Special Report No. 36, July 2008.

⁵³⁰ Joshua White, “Pakistan's Islamist Frontier,” Center on Faith and International Affairs, Religion and Security Monograph Series No. 1, November 12, 2008. See also “Is Pakistan Failing in the FATA?,” *Jane's Islamic Affairs Analyst*, December 18, 2008.

⁵³¹ See <http://2001-2009.state.gov/p/sca/rls/rm/2007/96566.htm>.

counterterrorism operations. These “coalition support funds” (CSF) have accounted for about half of U.S. financial transfers to Pakistan since 2001. As of June 2009, more than \$8.3 billion had been appropriated or authorized for FY2002-FY2009 Pentagon spending for CSF for “key cooperating nations.” Pentagon documents show that disbursements to Islamabad—at some \$7.2 billion or an average of \$81 million per month—account for roughly four-fifths of these funds. The amount is equal to about one-quarter of Pakistan’s total military expenditures. According to Secretary of Defense Gates, CSF payments have been used to support approximately nearly 100 Pakistani army operations and help to keep some 100,000 Pakistani troops in the field in northwest Pakistan by paying for food, clothing, and housing. They also compensate Islamabad for coalition usage of Pakistani airfields and seaports.⁵³²

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 through 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 have taken steps to overhaul the process through which reimbursements and other military aid is provided to Pakistan, and the Bush Administration may have concluded in late 2008 that Pakistan diverted much of the funds toward a military buildup focused on India.⁵³³ The National Defense Authorization Act (NDAA) for FY2008 (P.L. 110-181) for the first time required the Secretary of Defense to submit to Congress itemized descriptions of coalition support reimbursements to Pakistan. Section 1213 of the House-passed version of the NDAA for FY2010 would require the Secretary of Defense to submit to Congress quarterly reports on the uses of CSF.

The Government Accountability Office (GAO) was tasked to address oversight of coalition support funds that go to Pakistan. Its June 2008 report found that, until about one year before, only a small fraction of Pakistani requests were disallowed or deferred. In March 2007, the value of rejected requests spiked considerably, although it still represented one-quarter or less of the total. The apparent increased scrutiny corresponded with the arrival in Islamabad of a new U.S. Defense Representative who reportedly has played a greater role in the oversight process. GAO concluded that increased oversight and accountability was needed over Pakistan’s reimbursement claims for coalition support funds.⁵³⁴ In August 2008, the leader of Pakistan’s ruling party, now-President Asif Zardari claimed, without providing evidence, that former president Pervez Musharraf had been passing only a fraction of the funds over to the Pakistani military, leaving some \$700 million of reimbursements per year “missing.”⁵³⁵

⁵³² Statement before the Senate Armed Services Committee, February 6, 2008.

⁵³³ See <http://2001-2009.state.gov/p/sca/rls/rm/2007/96566.htm>; “U.S. Payments to Pakistan Face New Scrutiny,” *Washington Post*, February 21, 2008; “Pakistani Military ‘Misspent Up to 70% of American Aid,’” *Guardian* (London), February 28, 2008; “Democrats Question \$6 Billion in Pakistan Aid,” *Associated Press*, May 6, 2008; “Revamping Aid to Pakistan is Expected in Bush Report,” *New York Times*, December 7, 2008.

⁵³⁴ See <http://www.gao.gov/new.items/d08806.pdf>. See also “Pentagon Puts Brakes on Funds to Pakistan,” *Los Angeles Times*, May 7, 2008.

⁵³⁵ Quoted in “Where’s the Money?,” *Sunday Times* (London), August 10, 2008.

Possible Adjustments to U.S. Assistance Programs

Critics contend that many of the stated institutional and development goals of U.S. assistance to Pakistan remain largely unmet in part due to a perceived U.S. over-reliance on security-related aid. One major study found that only about one-tenth of U.S. post-2001 aid was directed toward development, governance, and humanitarian programs.⁵³⁶ For numerous Pakistan-watchers, a policy of “enhanced cooperation and structured inducements” is viewed as likely to be more effective than a policy based on pressure and threats.⁵³⁷ Many argue that it could be useful to target U.S. assistance programs in such a way that they more effectively and more directly benefit the country’s citizens. Some analysts call for improving America’s image in Pakistan by making U.S. aid more visible to ordinary Pakistanis.⁵³⁸ There is also concern that consulting fees and administrative overhead account for a large proportion of appropriated aid, meaning large sums may never reach the people they are meant to benefit.⁵³⁹

A costly downside of the perceived focus on security-related aid is that it can empower illiberal forces in Pakistan, namely, the country’s military and intelligence agencies, which are seen to have stunted the growth and development of democratic institutions and the rule of law. One Washington-based analyst reflects such concerns about foreign assistance in general and to Pakistan in particular: that aid itself “corrupts and corrodes,” and that only through internal political and fiscal reforms can Pakistan realize the full benefits of donor assistance. This analyst proposes a trust fund administered by an organization such as the World Bank as an alternative to direct aid.⁵⁴⁰ Even many Pakistanis worry that, without fundamental reforms in the way foreign aid is used, major increases in the amounts of such aid are likely to produce few meaningful results. Only when corruption is reduced and rule of law prevails, the argument goes, is the environment suitable for effective use of development assistance.⁵⁴¹

One idea commonly floated in critiques 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 that 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.” Specifically, the experts 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.⁵⁴² 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 public.⁵⁴³ In the wake of

⁵³⁶ Craig Cohen, “A Perilous Course: U.S. Strategy and Assistance to Pakistan,” Center for Strategic and International Studies, August 2007.

⁵³⁷ See, for example, Daniel Markey, “Securing Pakistan’s Tribal Belt,” Council on Foreign Relations Special Report No. 36, July 2008.

⁵³⁸ See, for example, Lisa Curtis, “Denying Terrorists Safe Haven in Pakistan,” Heritage Foundation Backgrounder No. 1981, October 26, 2006.

⁵³⁹ “US Aid ‘Failing to Reach Target,’” *BBC News*, May 16, 2008.

⁵⁴⁰ Christine Fair, “A Better Bargain for Aid to Pakistan” (op-ed), *Washington Post*, May 30, 2009.

⁵⁴¹ “Pakistanis Doubt the Effectiveness of More U.S. Aid,” *Los Angeles Times*, March 29, 2009; Abid Hasan, “Linking Donors’ Aid to Governance Reforms” (op-ed), *News* (Karachi), March 30, 2009.

⁵⁴² “New Priorities in South Asia: U.S. Policy Toward India, Pakistan, and Afghanistan,” Chairmen’s Report of an Independent Task Force Cosponsored by the Council on Foreign Relations and the Asia Society, October 2003.

⁵⁴³ See, for example, Frederic Grare, “Rethinking Western Strategies Toward Pakistan,” Carnegie Endowment for (continued...)

political crises and deteriorating security circumstances in Pakistan in 2007, some senior Members of Congress were more vocal in calling for conditions on further U.S. assistance in lieu of improvements in these areas.⁵⁴⁴

Many analysts, however, including those who made policy for the Bush Administration, contend 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 weak Islamabad government might lead to significant political instability in Pakistan.⁵⁴⁵ One senior Washington-based analyst who advocates against placing conditions on U.S. aid to Pakistan instead offered 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.⁵⁴⁶ 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 Pressler Amendment, which led to a near-total aid cutoff in 1990. Islamabad’s sensitivities are thus acute: in 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.”⁵⁴⁷ 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 reported being “comfortable” with congressional conditions and “confident” that required reports could be issued.⁵⁴⁸

Analysts have also issued criticisms of the programming of aid to Pakistan within the security-related portions. Foremost among these are assertions that the Pakistani military maintains an institutional focus on conventional war-fighting capabilities oriented toward India and that it has used U.S. security assistance to bolster these capabilities while paying insufficient attention to the kinds of counterinsurgency capacity that U.S. policy makers might prefer to see strengthened.⁵⁴⁹ For example, of the nearly \$1.9 billion in Foreign Military Financing provided to Pakistan from FY2002-FY2009, more than half has been used by Islamabad to purchase weapons of limited use

(...continued)

International Peace, 2007.

⁵⁴⁴ See, for example, “Senate Leader Wants Bush to Pressure Pakistan,” Reuters, January 10, 2008; “Democrat Questions US Aid to Pakistan,” Associated Press, May 27, 2008.

⁵⁴⁵ See, for example, Daniel Markey, “A False Choice in Pakistan,” *Foreign Affairs*, July 2007.

⁵⁴⁶ Ashley Tellis, “Pakistan: Conflicted Ally in the War on Terror,” *Carnegie Endowment Policy Brief 56*, December 2007.

⁵⁴⁷ See http://www.mofa.gov.pk/Press_Releases/2007/july/PR_199_07.htm.

⁵⁴⁸ “Pakistan Rejects Call for Conditions on U.S. Aid,” Reuters, January 11, 2008; State Department claim at <http://2001-2009.state.gov/p/sca/rls/rm/2007/97946.htm>.

⁵⁴⁹ The Omnibus Appropriations Act, 2009 (P.L. 111-8), limits FY2009 Foreign Military Financing for Pakistan to counterterrorism programs only, and it bars the Administration from using such funds for any programs initially funded under Section 1206 of the 2006 defense authorization (P.L. 109-163), which pertains to Pentagon programs for training and equipping foreign military forces.

in the context of counterterrorism. These include maritime patrol aircraft, anti-armor missiles, surveillance radars, update kits for F-16 combat aircraft, and self-propelled howitzers. Counterarguments contend that such purchases facilitate regional stability and allow Pakistan to feel more secure vis-à-vis India, its more powerful neighbor.

Pervasive anti-American sentiment in Pakistan has led the U.S. government to minimize its “footprint” when providing aid in certain regions, especially those bordering Afghanistan. This has meant that some projects are conducted in ways similar to covert operations under the cover of Pakistani government agencies. Although such an approach facilitates delivery of aid, public diplomacy gains can be sacrificed when aid beneficiaries are unaware of the origin of the assistance they are receiving. Because development of Pakistan’s tribal areas is identified as a key U.S. national security goal in and of itself, such costs may be considered acceptable. Instability in Pakistan has led to increased calls for more and better-spent U.S. assistance there. While support for the “Kerry-Lugar” plan (S. 962) is widespread among analysts, some warn that Pakistan’s crises are so urgent that the country requires large infusions of aid in the nearer-term.⁵⁵⁰

A June 2009 House hearing was held to address what one senior Member called the “serious accountability and transparency concerns that have plagued U.S. programs and operations in both Afghanistan and Pakistan for the past seven years.” At the hearing, Administration witness Amb. Holbrooke expressed his support for expanding the responsibilities of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to monitor U.S. aid programs in Pakistan.⁵⁵¹

Coup-Related Legislation

Pakistan’s 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 waived coup-related sanctions on Pakistan through FY2002 and granted presidential authority to waive them through FY2003. In issuing the waiver, the President was required to certify that doing so “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 exercised this authority six times. Pakistan’s relatively credible 2008 polls spurred the Bush Administration to issue an April 2008 determination that a democratically elected government had been restored in Islamabad after a 101-month hiatus. This determination permanently removed coup-related aid sanctions.⁵⁵²

Proliferation-Related Legislation

Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan resulting from its nuclear weapons proliferation activities.⁵⁵³ After the September 2001 terrorist

⁵⁵⁰ “Pakistan Unrest Raises Fresh Calls for U.S. Aid,” *Reuters*, September 23, 2008; Anatol Lieven, “Urgent Aid for Pakistan” (op-ed), *International Herald Tribune*, September 7, 2008.

⁵⁵¹ Transcript: “Joint Hearing of the House Oversight and Government Reform Committee and National Security and Foreign Affairs Subcommittee of the House Oversight and Government Reform Committee, ‘Afghanistan and Pakistan: Oversight of a New Interagency Strategy,’” June 24, 2009.

⁵⁵² See <http://georgewbush-whitehouse.archives.gov/news/releases/2008/03/20080325-2.html>; Federal Register 73, 69, p. 19276-19277, April 9, 2008.

⁵⁵³ The Agricultural Export Relief Act of 1998 (P.L. 105-194) allowed U.S. wheat sales to Pakistan after July 1998. The India-Pakistan Relief Act of 1998 (in P.L. 105-277) authorized a one-year sanctions waiver exercised by President (continued...)

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 could 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). In the 111th Congress, both H.R. 1463 and H.R. 1886 would prohibit military assistance to Pakistan unless the President certifies that Pakistan is taking certain actions to prevent nuclear proliferation.

9/11 Commission Recommendations

The 9/11 Commission Report of 2004 recommended that the United States make a long-term commitment to provide comprehensive support for Islamabad so long as Pakistan itself was 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 develop a long-term U.S. strategy to engage with and support Pakistan. A follow-on report gave a "C" grade to U.S. efforts to support Pakistan's anti-extremism policies and warned that the country remained a safe haven for terrorists. Bills in the 109th Congress (H.R. 5017 and S. 3456) sought to insure implementation of Commission recommendations. These contained Pakistan-specific language, but neither emerged from committee. A new Democratic majority took up the issue in 2007. The premiere House resolution of the 110th Congress, the Implementing the 9/11 Commission Recommendations Act of 2007, contained discussion of U.S. policy toward Pakistan. The resultant law (P.L. 110-53) included conditions on U.S. aid to Pakistan for the first time in the post-9/11 era.

Selected Pakistan-Related Legislation in the 110th Congress

P.L. 110-53: The Implementing the 9/11 Commission Recommendations Act of 2007 (became Public Law on August 3, 2007):

(...continued)

Clinton in November 1998. The Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority to waive nuclear-test-related sanctions applied against Pakistan and India after October 1999, when President Clinton waived economic sanctions on India (Pakistan remained under sanctions as a result of the October 1999 coup). (See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*.)

- Would have ended U.S. military assistance and arms sales licensing to Pakistan in FY2008 unless the President reported to Congress that Islamabad was “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 was making progress toward eliminating support or safe haven for terrorists.”
- Required the President report to Congress a long-term U.S. strategy for engaging Pakistan.
- Provided an extension of the President’s authority to waive coup-related sanctions through FY2008.

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

- Provided \$250 million in FY2008 Foreign Military Financing for Pakistani counterterrorism activities. Another \$50 million would be provided for such purposes after the Secretary of State reported to Congress that Pakistan is “making concerted efforts” to combat both Al Qaeda and Taliban forces on Pakistani territory and is “implementing democratic reforms.”
- Appropriated \$300 million for FY2008 coalition support reimbursements to Pakistan and other key cooperating nations.

P.L. 110-181: The National Defense Authorization Act (NDAA) for FY2008 (became Public Law on January 28, 2008):

- Authorized up to \$75 million in FY2008 Section 1206 funding to enhance the counterterrorism capabilities of Pakistan’s paramilitary Frontier Corp. Such assistance is to be provided in a manner that “promotes respect for human rights and fundamental freedoms and respect for legitimate civilian authority within Pakistan.”
- Authorized up to \$1.2 billion in FY2008 Pentagon coalition support reimbursements to “any key cooperating nation” in connection with U.S. military operations in Iraq or Afghanistan.
- Would have withheld coalition support reimbursements to Pakistan unless the Secretary of Defense submitted to Congress a report on enhancing security and stability along the Afghanistan-Pakistan border. The report required a “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.... ”
- Required the Secretary of Defense to submit to Congress itemized descriptions of coalition support reimbursements to Pakistan for the period February 2008-September 2009.

P.L. 110-417: The NDAA for FY2009 (became Public Law on October 14, 2008):

- Extended Section 1206 authority to build the capacity of Pakistan's Frontier Corps through FY2009 and limits the authorized funding for such assistance to \$25 million.
- Amended the NDAA for FY2008 (P.L. 110-181) by requiring additional Administration reporting on efforts to enhance security and stability along the Pakistan-Afghanistan border.

P.L. 110-429: The Naval Vessel Transfer Act of 2008 (became Public Law on October 15, 2008):

- Authorized the President to transfer to Pakistan the guided missile frigate *USS McInerney* as an excess defense article as per H.R. 5916.

Selected Pakistan-Related Legislation in the 111th Congress

P.L. 111-8: The Omnibus Appropriations Act, 2009 (became Public Law on March 11, 2009):

- Limits FY2009 Foreign Military Financing for Pakistan to "border security, counterterrorism, and law enforcement activities directed against Al Qaeda, the Taliban, and associated groups."
- Bars the use of such funds for any program initially funded under the authority of Section 1206 of the 2006 defense authorization (P.L. 109-163), which pertains to Pentagon programs for training and equipping foreign military forces.

P.L. 111-32: The Supplemental Appropriations Act, 2009 (became Public Law on June 24, 2009)

- Appropriates \$672 million in supplemental FY2009 assistance funds for Pakistan.
- Appropriates \$1 billion for continuing coalition support reimbursements to key cooperating nations (Pakistan has since 2002 received roughly 80% of such funds).
- Establishes new U.S. Treasury funds providing a total of \$1.1 billion for strengthening Pakistani counterinsurgency capabilities through FY2011.
- Requires the President to report to Congress an assessment of the extent to which the Afghan and Pakistani governments are demonstrating the necessary commitment, capability, conduct and unity of purpose to warrant the continuation of the President's policy announced in March 2009.
- Requires the President to report to Congress a clear statement of the objectives of United States policy with respect to Afghanistan and Pakistan, and the metrics to be used to assess progress toward achieving such objectives.

H.R. 1463: To restrict U.S. military assistance to Pakistan (referred to House committee on March 12, 2009):

- Would prohibit U.S. military assistance to Pakistan unless the President certifies for Congress that the Islamabad government is making A.Q. Khan available for

questioning by U.S. officials and that it is adequately monitoring Khan's activities so as to prevent his participation in any further nuclear proliferation.

H.R. 1886: The Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (passed by the full House on June 11, 2009):

- Would authorize \$1.5 billion per fiscal year for nonmilitary assistance to Pakistan for FY2010-FY2013.
- Would authorize \$300 million for FY2010 and such funds as may be necessary in FY2011-FY2013 for a "Pakistan Counterinsurgency Capabilities Fund."
- Would authorize not less than \$300 million in FMF for Pakistan per fiscal year, not less than 75% of which would be used for purchases related to counterinsurgency and counterterrorism operations.
- Would prohibit military assistance unless the President annually determines for Congress that Pakistan is cooperating with U.S. efforts to curb nuclear proliferation and is making progress in efforts to combat terrorism.
- Would prohibit Pakistan's use of FMF funds to purchase or update F-16 fighter aircraft or related munitions.
- Would require that direct assistance to Pakistan after 2009 be provided only to civilian authorities of a government constituted through free and fair elections.
- Would require several Administration reports to Congress on issues related to U.S.-Pakistan relations.
- Would establish procedures for monitoring, auditing, and evaluating U.S. assistance to Pakistan.
- Would provided duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan.

S. 496: Afghanistan and Pakistan Reconstruction Opportunity Zones Act of 2009 (referred to Senate committee on February 26, 2009; a related bill, H.R. 1318, was inserted into H.R. 1886):

- Would provided duty-free treatment for certain goods from designated Reconstruction Opportunity Zones in Afghanistan and Pakistan.

S. 962: The Enhanced Partnership With Pakistan Act of 2009 (passed by the full Senate on June 24, 2009):

- Would authorize \$1.5 billion per fiscal year for nonmilitary assistance to Pakistan for FY2009-FY2013, and establish a sense of Congress that such aid levels should continue through FY2018.
- Would prohibit military assistance after FY2009 and arms transfers after FY2011 unless the Secretary of State annually certifies for Congress that the security forces of Pakistan are making efforts to combat terrorism, and that such forces are not interfering in Pakistan's political or judicial processes.
- Would require several Administration reports to Congress on issues related to U.S.-Pakistan relations, including on the most effective use of U.S. assistance.

Table 1. Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2010

(rounded to the nearest millions of dollars)

Program or Account	FY2002-FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 (est.)	FY2002- FY2009 Total	FY2010 (req.)
I206	—	—	—	23	14	110	^d	147	^e
CN	—	—	8	24	49	54	47 ^d	182	38
CSF ^a	2,416 ^c	705	964	862	731	1,020	1,000 ^e	7,698	1,280 ^f
FC	—	—	—	—	—	75	25 ^d	100	^e
FMF	300	75	299	297	297	298	300	1,866	298
IMET	2	1	2	2	2	2	2	13	4
INCLE	122	32	32	38	21	22	88 ^f	355	155
NADR	11	5	8	9	10	10	13 ^f	66	23
PCF/PCCF	—	—	—	—	—	—	400	400	700
Total Security-Related	2,851	818	1,313	1,255	1,124	1,591	1,875	10,827	2,498
CSH	30	26	21	28	22	30	28	185	28
DA	45	49	29	38	95	30	—	286	—
ESF ^b	803	200	298	337	389	347	1,114 ^f	3,379	1,074
Food Aids	33	13	32	55	—	50	37	220	—
HRDF	1	2	2	1	11	—	—	17	—
IDFA	—	—	—	70	50	50	55	225	—
MRA	16	6	6	10	4	—	45	87	—
Total Economic-Related	928	296	388	539	571	507	1,279	4,598	1,102
Grand Total	3,779	1,114	1,701	1,794	1,695	2,098	3,154	15,335	3,600

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

Abbreviations:

I206: Section 1206 of the National Defense Authorization Act (NDAA) for FY2006 (P.L. 109-163, global train and equip; Pentagon budget)
CN: Counternarcotics Funds (Pentagon budget)
CSF: Coalition Support Funds (Pentagon budget)
CSH: Child Survival and Health
DA: Development Assistance
ESF: Economic Support Funds
FC: Section 1206 of the NDAA for FY2008 (P.L. 110-181, Pakistan Frontier Corp train and equip; Pentagon budget)
FMF: Foreign Military Financing
HRDF: Human Rights and Democracy Funds
IFDA: International Disaster and Famine Assistance (Pakistani earthquake relief)
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement (includes border security)
MRA: Migration and Refugee Assistance
NADR: Nonproliferation, Anti-Terrorism, Demining, and Related (the great majority allocated for Pakistan is for anti-terrorism assistance)
PCF/PCCF: Pakistan Counterinsurgency Fund/Pakistan Counterinsurgency Capability Fund (Pentagon budget through FY2010, State Department thereafter)

Notes:

- 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. Congress authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of about \$1.5 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 are being “projectized” from FY2008 on.
- c. Includes \$220 million for Peacekeeping Operations reported by the State Department.
- d. This funding is “requirements-based.” Thus, there generally are no pre-allocation data. FY2009 CN funding includes a “bridge” appropriation of \$37 million and a supplemental appropriation of \$10 million. The FY2009 NDAA (P.L. 110-417) limits FY2009 FC funding to \$25 million.
- e. Congress appropriated \$200 million for continuing CSF payments in FY2009 (P.L. 110-252). The FY2009 supplemental appropriation includes \$1 billion, and the FY2010 Pentagon base request \$1.6 billion, in additional CSF for all U.S. coalition partners, including Pakistan, which in the past has received about 80% of such funds. This ratio is used to create the FY2009 and FY2010 estimates.
- f. Includes a “bridge” ESF appropriation of \$150 million (P.L. 110-252), \$15 million of which the Administration later transferred to INCLE. Also includes FY2009 supplemental appropriations of \$539 million for ESF, \$66 million for INCLE, and \$2 million for NADR.

- g. 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.

Figure 1. Map of Pakistan



Source: Map Resources. Adapted by CRS.

Figure 2. District Map of Pakistan's North West Frontier Province and Federally Administered Tribal Areas



Author Contact Information

K. Alan Kronstadt
 Specialist in South Asian Affairs
 kkronstadt@crs.loc.gov, 7-5415