

CRS Report for Congress

Pakistan-U.S. Relations

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Pakistan-U.S. Relations

Summary

A stable, democratic, economically thriving Pakistan is considered vital to U.S. interests. U.S. concerns regarding Pakistan include regional and global terrorism; Afghan stability; human rights protection and democratization; the ongoing Kashmir problem and Pakistan-India tensions; and economic development. A U.S.-Pakistan relationship marked by periods of both cooperation and discord was transformed by the September 2001 terrorist attacks on the United States and the ensuing enlistment of Pakistan as a key ally in U.S.-led counterterrorism efforts. Top U.S. officials regularly praise Pakistan for its ongoing cooperation, although doubts exist about Islamabad's commitment to some core U.S. interests. Pakistan is identified as a base for terrorist groups and their supporters operating in Kashmir, India, and Afghanistan. In 2003, Pakistan's army began conducting unprecedented counterterrorism operations in the country's western tribal areas. Islamabad later shifted to a strategy of negotiation with the region's pro-Taliban militants (combined with longer-term economic and infrastructure development in the region), a tack that has elicited scepticism in Western capitals and that appears to have failed in its central purposes.

Separatist violence in India's Muslim-majority Jammu and Kashmir state has continued unabated since 1989, with some notable relative decline in recent years. India blames Pakistan for the infiltration of Islamic militants into Indian Kashmir, a charge Islamabad denies. The United States and India have received pledges from Islamabad that all "cross-border terrorism" would cease and that any terrorist facilities in Pakistani-controlled areas would be closed. The United States strongly encourages maintenance of a bilateral cease-fire and continued, substantive dialogue between Pakistan and India, which have fought three wars since 1947. A perceived Pakistan-India nuclear arms race has been the focus of U.S. nonproliferation efforts in South Asia. Attention to this issue intensified following nuclear tests by both countries in 1998. More recently, the United States has been troubled by evidence of the transfer of Pakistani nuclear technologies and materials to third parties, including North Korea, Iran, and Libya. Such evidence became stark in 2004.

Pakistan's macroeconomic indicators have turned positive since 2001, with some meaningful poverty reduction seen in this still poor country. President Bush seeks to expand U.S.-Pakistan trade and investment relations. Democracy has fared poorly in Pakistan; the country has endured direct military rule for more than half of its existence. In 1999, the elected government was ousted in a coup led by Army Chief General Pervez Musharraf, who later assumed the title of president. Supreme Court-ordered elections seated a new civilian government in 2002 (Musharraf ally Shaukat Aziz now serves as prime minister), but it remains weak, and Musharraf has retained his position as army chief. The United States urges restoration of full democracy, expecting Pakistan's planned 2007 elections to be free, fair, and transparent. Congress has annually granted one-year presidential authority to waive coup-related aid sanctions. Pakistan is among the world's leading recipients of U.S. aid, obtaining about \$3.2 billion in direct U.S. assistance for FY2002-FY2006, including more than \$1.2 billion in security-related aid. Pakistan also has since 2001 received some \$5 billion in reimbursements for its support of U.S.-led counterterrorism operations.

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Pakistan-U.S. Relations

A stable, democratic, economically thriving Pakistan actively working to counter Islamist militancy is considered vital to U.S. interests. Current top-tier U.S. concerns regarding Pakistan include regional and global terrorism; Afghan stability; and domestic political stability and democratization. Pakistan remains a vital U.S. ally in U.S.-led anti-terrorism efforts. Yet the outcomes of U.S. policies toward Pakistan since 9/11, while not devoid of meaningful successes, have neither neutralized anti-Western militants and reduced religious extremism in that country, nor have they contributed sufficiently to the stabilization of neighboring Afghanistan. Many observers thus urge a broad re-evaluation of such policies. This is especially so in light of a months-old judicial/political crisis that has severely damaged the status of the military-dominated government of President Gen. Pervez Musharraf and a surge in domestic Islamist militancy following the early July denouement of a standoff involving Islamabad's Lal (Red) Mosque complex. There are indications that anti-American sentiments remain widespread in Pakistan, and that a segment of the populace views U.S. support for the Musharraf government as being an impediment to, rather than facilitator of, the process of democratization there. To date, the Bush Administration publicly proclaims its ongoing strong support for Musharraf. However, in 2007 the Administration is showing signs that it may shift its long-standing policies toward Pakistan, in particular on the issues of democratization and on Islamabad's counterterrorism policies in western tribal areas, potentially including direct, but low-profile U.S. military action in western Pakistan.

Most Recent Developments

U.S. Policy Statements. Pakistan is at present going through a period of considerable instability, including a significant rise in the incidence of Islamist militancy, and increased political divisiveness caused by opposition to President Musharraf's military-dominated government. On July 17, Secretary of State for South and Central Asian Affairs Richard Boucher lauded Islamabad for "dealing decisively" with Islamist extremism and he listed four aspects of a plan for future action against such extremism in western Pakistan: 1) targeted military action; 2) U.S. support for efforts to strengthen Pakistan's security capabilities, especially with the Frontier Corps; 3) U.S. support for efforts to develop the tribal areas economically; and 4) U.S. support for democratic transition in Islamabad. He also claimed that the terms of a September 2006 truce between the Pakistani government and pro-Taliban forces in North Waziristan had been violated by militants, allowing Al Qaeda to "operate, meet, plan, recruit, [and] obtain financing in more comfort in the tribal areas than previously." He set out three "fundamental conditions" for

Pakistan's tribal areas: "no Talibanization, no cross-border activity, and no Al Qaeda plotting and planning."¹

U.S. Intelligence on Al Qaeda in Pakistan. At a July 11 House Armed Services Committee hearing on global threats, top U.S. intelligence officials offered an assessment that the Al Qaeda terrorist network had become progressively active in western Pakistan, where they are determined to be enjoying "safe haven" and increased financial support. A subsequent unclassified version of a new National Intelligence Estimate on terrorist threats to the U.S. homeland concluded that Al Qaeda "has protected or regenerated key elements of its Homeland attack capability, including: a safehaven in the Pakistan Federally Administered Tribal Areas (FATA), operational lieutenants, and its top leadership."² A Pakistan Foreign Ministry statement criticized the document's "unsubstantiated assertions." In mid-July, several top U.S. officials said the United States would not rule out taking unilateral military action on Pakistani territory given "actionable targets." Pakistan's Foreign Ministry issued a statement calling such statements "irresponsible and dangerous."

Afghan Insurgency and Conflict in Western Pakistan. An ongoing Taliban insurgency in Afghanistan and its connection to developments in Pakistan remain matters of serious concern, especially in light of signs that Al Qaeda terrorists move with impunity on the Pakistani side of the rugged border. U.S.-led forces operating in Afghanistan reportedly have been involved in recent battles affecting Pakistani territory: In mid-June, a suspected missile attack, possibly launched by U.S. forces in Afghanistan, killed some 32 pro-Taliban militants in North Waziristan near the Pakistan-Afghanistan border. Some of the dead may have been Arabs. Days later, NATO forces in Afghanistan apparently directed air-to-ground and artillery fire at Taliban militants fleeing across the Durand Line into Pakistan, killing some 33 people there, including several women and children.

On July 15, pro-Taliban militants in North Waziristan announced their withdrawal from a controversial September 2006 truce made with the Islamabad government, claiming the accord had been violated by army deployments and attacks on tribals. On the same day, U.S. National Security Advisor Hadley told an interviewer that Washington had determined President Musharraf's policies in the region to be ineffective and he said the United States was fully supporting new efforts to crack down on Pakistan's pro-Taliban militants. Islamabad still defends the North Waziristan truce and seeks to see it restored, but Pakistan's efforts to make peace with pro-Taliban tribesmen are widely viewed as having failed. Islamist militants from the tribal agencies have spread their influence to Pakistan's "settled areas," including North West Frontier Province (NWFP) districts such as Dir and Swat, and suicide bomb attacks on military and police targets have become more prevalent in recent months. The Pakistan army reportedly plans to move 15,000 additional troops into western Pakistan in response to the surge in militancy there, even as the Islamabad government dispatched a team of tribal elders to North Waziristan in an effort to restore the truce with pro-Taliban militants (see also "Infiltration into

¹ See [<http://www.state.gov/p/sca/rls/rm/2007/88582.htm>].

² See [http://www.dni.gov/press_releases/20070717_release.pdf].

Afghanistan” section below). Legislation in the 110th Congress seeks to address this issue (see “U.S. Aid and Congressional Action” section below).

Judicial and Political Crisis. On July 20, in what was widely seen as a major political defeat for President Musharraf, Pakistan’s Supreme Court unanimously cleared the country’s Chief Justice, Iftikhar Chaudhry, of any wrongdoing, and reinstated him to office after determining that the Musharraf government had “acted illegally” in suspending him. A judicial crisis had begun with Musharraf’s summary March 9 dismissal of Chaudhry on charges of nepotism and misconduct. Analysts widely believe the action was an attempt by Musharraf to remove a potential impediment to his continued roles as president and army chief, given Chaudhry’s recent rulings that exhibited independence and went contrary to government expectations. The move triggered immediate outrage among numerous Pakistani lawyers, and several judges and a deputy attorney general quickly resigned in protest. Ensuing street protests by lawyers grew in scale and were joined by both secular and Islamist opposition activists. By providing an issue upon which anti-Musharraf sentiments could coalesce, the imbroglio soon morphed into a full-fledged political crisis and the greatest threat to Musharraf’s government since it was established in 1999. Numerous Pakistani and Western analysts now assert that Musharraf is significantly weakened and discredited, and that the viability of his continued rule is in question (see also “Democracy and Governance” section below).

The Chief Justice’s refusal to be cowed by the Musharraf government and voluntarily resign his post, coupled with subsequent speeches in which he issued strong but veiled criticisms of the Musharraf government, have made him a popular figure in Pakistan; numerous rallies have brought out tens of thousands of avid supporters in Punjab and Sindh. On May 12, Chaudhry flew to Karachi, but was blocked from leaving the city’s airport, reportedly by activists of the government-allied MQM party. Ensuing street battles between pro- and anti-government activists left at least 40 people dead, most of them PPP members. Reports had local police and security forces standing by without intervening while the MQM attacked anti-Musharraf protesters, leading many observers to charge the government with complicity in the bloody rioting. The May 12 incidents did significant further damage to President Musharraf’s standing. In a June letter to Secretary of State Condoleezza Rice, the Chair of the Senate Foreign Relations Committee and the Chair and Ranking Member of the House Foreign Affairs Committee asserted that U.S. and Pakistani national interests “are both served by a speedy restoration of full democracy to Pakistan and an end to state-sponsored intimidation ... of Pakistani citizens protesting government actions in a legal and peaceful manner.”

The Musharraf government showed little sign of compromising on the judicial issue, and his government has intimidated media outlets and warned them against “defaming” the country’s military. On June 1, the army’s corps commanders issued a statement reaffirming their full support for Musharraf’s continued rule and warning against a “malicious campaign against the institutions of the state” being undertaken by a “small minority.” Days later Musharraf berated members of his political coalition for their allegedly insufficient support and for “always [leaving him] alone in times of trial and tribulation.” A June 4 ordinance expanding government authority to restrict press freedom has not been implemented: in likely reaction to criticisms from the U.S. and other governments — as well as from domestic and

international human rights groups — implementation was halted days later. The government met with a setback when, on June 11, the Supreme Court agreed to hear Chaudhry's challenge against the charges, thus taking precedence over a panel of appointed judges that may have been more sympathetic to the government's case. Chaudhry's July 20 reinstatement has been lauded as an unusual exercise in judicial independence in Pakistan — a U.S. State Department spokesman called it a positive expression of rule of law — and it further complicates Musharraf's intentions to win reelection as president by currently seated assemblies, as well as his suspected plans to retain his status as army chief beyond 2007, when the legal provision allowing it is to expire.

The Lal (Red) Mosque Crisis. In early July, a ten-day siege at Islamabad's Lal (Red) Mosque ended when Pakistani commandos stormed the complex and, following a 20-hour battle, defeated the well-armed Islamist radicals therein. Beginning in January and escalating steadily over the course of the year, an open Islamist rebellion of sorts had been taking place in Pakistan's relatively serene capital. Radical Islamists at the Lal Mosque and their followers in the attached women's Jamia Hafsa seminary had occupied illegally constructed religious buildings, kidnaped and detained local police officers and alleged Chinese prostitutes, battled security forces, and threatened to launch a violent anti-government campaign unless Sharia (Islamic law) was instituted nationwide. Several thousand people were holed up in the mosque complex, reportedly including a small number of foreign militants. Government efforts to negotiate with the mosque's clerics made no progress and were viewed by many Pakistanis as appeasement of the Islamists. Some cynics in Pakistan suggested that the government was complicit in allowing the standoff to fester, its alleged slow and uncertain response being a purposeful effort to bolster its own standing as a bulwark against spreading Islamism.

On June 29, burka-clad Jamia Hafsa students kidnaped nine people, including six alleged Chinese prostitutes. The hostages were released unharmed less than one day later, but the incident further alarmed the Beijing government, which expressed growing concern about the safety of its citizens in Pakistan. As street battles broke out between security forces and militants on July 3, commandos laid siege to the mosque complex. A day later one of its two radical cleric leaders, Mohammed Abdul Aziz, was captured as he tried to escape wearing a woman's burka and high-heeled shoes. Up to 1,200 seminary students took up the government's offer of safe passage and a small cash payment in return for their surrender. On July 8, the colonel leading special forces troops outside the mosque was killed by militants' gunfire, and the remaining radical cleric leader vowed to pursue martyrdom rather than surrender. On July 10, with negotiations appearing to fail conclusively, commandos launched a full-scale, pre-dawn assault on the complex. The mosque's remaining top cleric, Mohammed's younger brother Abdur Rashid Ghazi, was killed in the heavy fighting, which left more than 100 people dead, including approximately 10 security troops, 60 militants, and an unknown number of civilians, among them women and children.

The Red Mosque denouement appears to have elicited a rapid and fierce backlash among Pakistani Islamists sympathetic to the radicals' cause: up to 200 people, most of them soldiers and police recruits, were killed in more than one dozen suicide bombings in western Pakistan in the two weeks following the commando

assault. Some observers express concern that the violence could spur President Musharraf to declare a state of emergency (analogous to martial law) and perhaps delay planned national elections in what could be a blow to Pakistan's democratization process. Musharraf has stated that he has no intention of taking such a course and that he firmly believes "the solution lies in the democratic process." Immediately after fighting in Islamabad had ended, Musharraf vowed to "eliminate terrorism and extremism from every nook and corner of the country." By taking decisive action against the Islamists, Musharraf may have bolstered his credibility among Pakistani moderates, but it is yet to be seen if he follows through on his latest vow to eradicate extremism. Self-exiled former Prime Minister Benazir Bhutto, who leads the moderate opposition Pakistan People's Party (PPP), called the mosque incident unfortunate, but lauded the end of an ambiguous "policy of appeasement" that encourages militants.

Mid-June Visits by U.S. Officials. Previous to the Lal Mosque denouement, and in the midst of Pakistan's months-long judicial and political crisis, three senior U.S. officials paid separate but simultaneous June visits to Islamabad. Deputy Secretary of State John Negroponte, Assistant Secretary of State for South and Central Asia Boucher, and Commander of U.S. Central Command Admiral William Fallon each held meetings with President Musharraf, as well as with other top Pakistani officials. Deputy Secretary Negroponte voiced strong U.S. support for the Musharraf government, emphasizing the long-term, multi-faceted nature of the U.S.-Pakistan "strategic partnership," while also asserting that "free, fair, and transparent" elections should go forward in Pakistan. President Musharraf in turn conveyed satisfaction with ongoing bilateral cooperation, urged faster movement toward the creation of proposed Reconstruction Opportunity Zones in western Pakistan, and underscored Islamabad's desire for a Free Trade Agreement with the United States.³ Given widespread assumptions that the visiting U.S. officials were issuing unsolicited advice to the Islamabad leadership, many Pakistanis were reported to feel resentment at perceived U.S. interference in their country's internal affairs.

In other developments:

- On July 19, **three separate suicide bomb attacks killed at least 52 people.** The worst attack, which killed at least 30, involved a car bomb attack on a vehicle carrying Chinese workers in Hub, near Karachi. The Chinese were unhurt, but 7 police escorts and 23 bystanders died.
- On July 18, **Islamist militants ambushed a Pakistani military convoy in North Waziristan, killing 17 soldiers.**
- On July 17, **a suicide bomber killed at least 14 other people** and injured at least 40 others at the site of a political rally in Islamabad. Most of the dead and injured were PPP activists.

³ See [<http://usembassy.state.gov/pakistan/h07061602.html>] and [http://www.mofa.gov.pk/Press_Releases/2007/june/PR_163_07.htm].

- On July 15, **suicide bombers killed at least 70 soldiers, police recruits, and civilians** in two separate attacks in the NWFP.
- On July 13, **H.Res. 546**, recognizing Pakistani gang rape victim Mukhtaran Mai for her courage and for her humanitarian work, was introduced in the House.
- On July 12, the House Government Reform and Oversight Subcommittee on National Security and Foreign Affairs held a **hearing on Pakistan**, at which Assistant Secretary of State Boucher reviewed U.S.-Pakistan relations.
- On July 10, **President Bush waived democracy-related aid sanctions on Pakistan for FY2007**, saying such a waiver will facilitate the transition to democratic rule in Pakistan and is important to U.S. counterterrorism efforts. Also, **H.R. 2962**, to permit Pakistani nationals to be eligible for temporary protected status under Section 244 of the Immigration and Nationality Act, was introduced in the House.
- On July 6, **Anne Patterson was sworn in as the 23rd U.S. Ambassador to Pakistan**. Also, the first meeting of the joint Pakistan-Afghanistan-Turkey working group was held in Ankara.
- On July 4, two-day **Pakistan-India talks on terrorism and narcotics trafficking** ended in New Delhi.
- On June 27, the House Foreign Affairs Subcommittees on the Middle East and South Asia, and Terrorism, Nonproliferation, and Trade held a **joint hearing on the A.Q. Khan nuclear proliferation network**.
- On June 20, at the **15th annual U.S.-Pakistan Friendship Day**, Assistant Secretary of State Boucher lauded Pakistan as a “key ally in the war on terror” and reviewed the U.S. “commitment to the Pakistani people.”
- On June 18, **Foreign Minister Kasuri arrived in Washington** for meetings with top U.S. officials.
- On June 14, **nine Pakistani intelligence officials were killed** and three others injured when suspected Baloch nationalist militants ambushed their vehicle in Quetta.
- On June 12, the **U.S. State Department’s annual Trafficking in Persons Report** placed Pakistan on the “Tier 2 Watch List” for not fully complying with the minimum standards for the elimination of human trafficking.

- On June 10, **the Islamabad government unveiled a 1.6 trillion rupee (\$26.5 billion) federal budget** plan for FY2007-FY2008 that calls for a 22% boost in public development spending and a 10% rise in defense spending.
- On June 1, **a letter to Secretary of State Rice signed by the Chair of the Senate Foreign Relations Committee and the Chair and Ranking Member of the House Foreign Affairs Committee** asserted that U.S. and Pakistani national interests “are both served by a speedy restoration of full democracy to Pakistan”
- On May 26, the **U.S.-Pakistan-Afghanistan Tripartite Commission** held its 22nd session.
- On May 15, **suicide bomber killed up to 25 other people** when he attacked a Peshawar restaurant popular with Afghan refugees.
- On May 12, **senior Taliban commander Mullah Dadullah was killed** by U.S.-led troops in Afghanistan.
- On May 9, the House Committee on Oversight and Government Reform Subcommittee on National Security and Foreign Affairs held **a hearing on education reform in and U.S. aid to Pakistan.**

See also CRS Report RL4075, *Pakistan: Significant Recent Events, March 26 - June 21, 2007*.

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. Differing expectations of the security relationship have long bedeviled bilateral ties, however. During and immediately after the Indo-Pakistani wars of 1965 and 1971, the United States suspended military assistance to both sides, resulting in a cooling of the Pakistan-U.S. relationship and a perception among many in Pakistan that the United States was not a reliable ally.

In the mid-1970s, new strains arose over Pakistan's efforts to respond to India's 1974 underground nuclear test by seeking its own nuclear weapons capability. U.S. aid was suspended by President Carter in 1979 in response to Pakistan's covert construction of a uranium enrichment facility. However, following the Soviet invasion of Afghanistan later that year, Pakistan again was viewed as a frontline ally in the effort to block Soviet expansionism. In 1981, the Reagan Administration offered Islamabad a five-year, \$3.2 billion aid package. Pakistan became a key transit country for arms supplies to the Afghan resistance, as well as home for some three million Afghan refugees, most of whom have yet to return.

Despite this renewal of U.S. aid and close security ties, many in Congress remained troubled by Pakistan's nuclear weapons program. In 1985, Section 620E(e) (the Pressler amendment) was added to the Foreign Assistance Act, requiring the President to certify to Congress that Pakistan does not possess a nuclear explosive device during the fiscal year for which aid is to be provided. With the Soviet withdrawal from Afghanistan, Pakistan's nuclear activities again came under intensive U.S. scrutiny and, in 1990, President George H.W. Bush again suspended aid to Pakistan. Under the provisions of the Pressler amendment, most bilateral economic and all military aid ended, and deliveries of major military equipment ceased. In 1992, Congress partially relaxed the scope of sanctions to allow for food assistance and continuing support for nongovernmental organizations. Among the notable results of the aid cutoff was the nondelivery of F-16 fighter aircraft purchased by Pakistan in 1989. Nine years later, the United States agreed to compensate Pakistan with a \$325 million cash payment and \$140 million in goods, including surplus wheat, but the episode engendered lingering Pakistani resentments.

During the 1990s, with U.S. attention shifted away from the region, Islamabad further consolidated its nuclear weapons capability, fanned the flames of a growing separatist insurgency in neighboring Indian-controlled Kashmir, and nurtured the Taliban movement in Afghanistan, where the radical Islamist group took control of Kabul in 1996. After more than a decade of alienation, U.S. relations with Pakistan were once again transformed in dramatic fashion, this time by the September 2001 terrorist attacks on the United States and the ensuing enlistment of Pakistan as a pivotal ally in U.S.-led counterterrorism efforts. A small trickle of foreign assistance to

PAKISTAN IN BRIEF

Population: 165 million; *growth rate:* 1.8% (2007 est.)

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

Capital: Islamabad

Head of Government: President and Chief of Army Staff General Pervez Musharraf

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

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

Religions: Muslim 96% (Sunni 81%, Shia 15%), Christian, Hindu, and other 4%

Life Expectancy at Birth: female 65 years; male 63 years (2007 est.)

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

Gross Domestic Product (at PPP): \$412 billion; *per capita:* \$2,580; *growth rate* 6.2% (2006)

Currency: Rupee (100 = \$1.66)

Inflation: 7.9% (2006)

Military Expenditures: \$4.0 billion (3.6% of GDP; 2005)

U.S. Trade: exports to U.S. \$3.67 billion; imports from U.S. \$2 billion (2006)

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

Pakistan again became a prodigious flow and, in a sign of renewed U.S. recognition of the country's importance, President George W. Bush designated Pakistan as a major non-NATO ally of the United States in June 2004. One month later, a Congressional Pakistan Caucus was formed and has since been joined by 71 Members of the U.S. House of Representatives.

Current U.S.-Pakistan Engagement

U.S. engagement with Pakistan continues to be deep and multifaceted. President Bush traveled to Pakistan in March 2006 for the first such presidential visit in six years, and numerous high-level governmental meetings have ensued. During the visit, President Bush and President Pervez Musharraf issued a Joint Statement on the U.S.-Pakistan "strategic partnership" that calls for a "strategic dialogue" and "significant expansion" of bilateral economic ties, including mutual trade and investment, as well as initiatives in the areas of energy, peace and security, social sector development, science and technology, democracy, and nonproliferation.⁴ In the wake of that meeting, diplomatic engagements have continued apace. Over the past year, visits to Islamabad have been made by Vice President Cheney, Secretary of State Rice, Secretary of Defense Gates, Speaker of the House Pelosi, and several top U.S. military commanders, among other U.S. officials. Pakistani visitors to Washington in the past year have included President Musharraf, Foreign Minister Kasuri, and the Chairman of Pakistan's Joint Chiefs of Staff Committee, General Ehsan ul-Haq. Among formal sessions were the following:

- a June 2006 meeting of **the U.S.-Pakistan Energy Dialogue** held in Washington;
- the July inaugural meeting of **the U.S.-Pakistan Joint Committee on Science and Technology**, also in Washington; and
- a November meeting of **the U.S.-Pakistan Education Dialogue** hosted by Education Secretary Margaret Spellings in Washington.

Political Setting

The history of democracy in Pakistan 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 60 years of existence, interspersed with periods of generally weak civilian governance. From 1988 to 1999, Islamabad had democratically elected governments, and the army appeared to have moved from its traditional role of "kingmaker" to one of power broker. Benazir Bhutto (leader of the Pakistan People's Party) and Nawaz Sharif (leader of the Pakistan Muslim League) each served twice as prime minister during this period. The Bhutto government was dismissed on charges of corruption and nepotism in 1996 and Nawaz Sharif won a landslide victory in ensuing elections, which were judged generally free and fair by international observers. Sharif moved quickly to bolster his 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.

⁴ See [<http://usembassy.state.gov/pakistan/h06030404.html>].

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 April 2002 referendum. National elections were held in October of that year, as ordered by the Supreme Court. A new civilian government was seated — Prime Minister M.Z. Jamali was replaced with Musharraf ally Shaukat Aziz in August 2005 — but it has remained weak. In apparent contravention of democratic norms, Musharraf continues to hold the dual offices of president *and* army chief. Many figures across the spectrum of Pakistani society welcomed Musharraf, or at least were willing to give him the benefit of the doubt, as a potential reformer who would curtail both corruption and the influence of religious extremists. Yet his domestic popularity has suffered following indications that, as with Pakistan's previous president-generals, expanding his own power and that of the military would be his central goal.

Pakistan's next parliamentary elections are slated for late 2007. President Bush has said that electoral process will be "an important test of Pakistan's commitment to democratic reform" and, during his March 2006 visit to Islamabad, said President Musharraf understands the elections "need to be open and honest." Secretary of State Rice and other U.S. diplomats have repeated the admonition. Under the Pakistani system, the president is elected by an electoral college comprised of the membership of all national and provincial legislatures. Controversy has arisen over Musharraf's apparent intention to seek re-election by the current assemblies, which are considered likely to be more favorable to his continued rule than assemblies elected in 2007 might be. In June 2007, the House Appropriations Committee (H.Rept. 110-197) expressed concern about the Pakistani government's "slow progress with regard to democracy reforms," and some House-passed legislation contains democracy-related language regarding Pakistan. (See "Democracy and Governance" section below. See also CRS Report RL32615, *Pakistan's Domestic Political Developments*.)

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 from 41,000 to as many as 66,000 lives since 1989. Pakistan admits only to lending moral and political support to the rebels, and it criticizes India for human rights abuses in "Indian-held Kashmir."

India held Pakistan responsible for late 2001 terrorist attacks in Kashmir and on the Indian Parliament complex in New Delhi. The Indian response, a massive military mobilization, was mirrored by Pakistan and within months some one million heavily-armed soldiers were facing-off at the international frontier. During an extremely tense 2002 another full-scale war seemed a real and even likely possibility, and may have been averted only through international diplomatic efforts, including multiple visits to the region by top U.S. officials. An April 2003 peace initiative brought major improvement in the bilateral relationship, allowing for an October cease-fire agreement initiated by Pakistan. The process led to a January 2004 summit meeting in Islamabad and a joint agreement to re-engage a “Composite Dialogue” to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”⁵

During 2004, numerous mid-level meetings, normalized diplomatic relations, and increased people-to-people contacts brought modest, but still meaningful progress toward normalized relations. Regular dialogue continued in 2005 and a third round of Composite Dialogue talks was held in 2006. Numerous confidence-building measures have been put in place, most notably travel and commerce across the Kashmiri LOC for the first time in decades, and bilateral trade has increased. Yet militarized territorial disputes over Kashmir, the Siachen Glacier, and the Sir Creek remain unresolved, and Pakistani officials regularly express unhappiness that more substantive progress, especially on the “core issue” of Kashmir, is not occurring.

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

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

⁵ [http://www.indianembassy.org/press_release/2004/jan/07.htm].

Pakistani request to undertake a joint investigation into that attack, the two countries did sign an agreement to reduce the risk of accidental nuclear war.

The new joint Pakistan-India anti-terrorism mechanism met for the first time in Islamabad in March and produced a joint statement in which both governments agreed to use the mechanism for exchanging information about investigations of and/or efforts to prevent terrorist acts on either side of the shared border, and to meet quarterly while immediately conveying urgent information. Hopes that the February train bombing would provide a fitting “test case” apparently were dashed, however, when India declined to share relevant investigative information with Pakistan. Moreover, Indian officials were unhappy with Islamabad’s insistence that the “freedom struggle” underway in Kashmir should not be treated as terrorism under this framework. Still, the continuing engagement even after a major terrorist attack was widely viewed as evidence that the bilateral peace process had gained a sturdy momentum. A new rounds of dialogue was then launched in mid-March, when the two foreign ministers met again in Islamabad. No new agreements were reached, but both officials lauded improved bilateral relations and held “the most sustained and intensive dialogue” ever on the Kashmir problem.⁶

The “IPI” Pipeline Project. Islamabad insists it is going ahead with a proposed joint pipeline project to deliver Iranian natural gas to Pakistan and on to India. In January 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for further progress. In February, the fourth meeting of the Pakistan-India Joint Working Group on the IPI [Iran-Pakistan-India] Pipeline was held in Islamabad, where the two countries agreed to split equally expected gas supplies. In June, Pakistani and Indian officials reportedly reached an agreement in principle on transportation charges, and officials from all three countries suggested a final deal was imminent. Prime Minister Aziz has described the pipeline as being critical to Pakistan’s economic growth and political stability. Doubts about financing the \$5-7 billion project combined with concerns about security in Pakistan’s Baluchistan progress have some analysts skeptical about fruition. Some independent observers and Members of Congress assert that completion of the pipeline would represent a major confidence-building measure in the region and could bolster regional energy security while facilitating friendlier Pakistan-India ties (see, for example, H.Res. 353 in the 109th Congress). As part of its efforts to isolate Iran economically, the Bush Administration actively seeks to dissuade the Islamabad government from participation in this project, and a State Department official has suggested that current U.S. law dictates American opposition: The Iran-Libya Sanctions Act (P.L. 107-24) required 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. (See also CRS Report RS20871, *The Iran Sanctions Act (ISA)*.)

⁶ See Pakistan Foreign Ministry Press Release No. 81/2007 at [http://www.mofa.gov.pk/-Press_Releases/2007/March/PR_81_07.htm].

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

Following Islamabad’s major September 2001 policy shift, President Musharraf consistently has vowed full Pakistani support for the government of Afghan President Hamid Karzai and he insists that Pakistan is playing a “totally neutral role” in Afghanistan. Islamabad claims to have arrested more than 500 Taliban militants in 2006, remanding 400 of them to Afghan custody, and reportedly has provided \$300 million in economic assistance to Kabul since 2001. Nevertheless, the two leaders continuously exchange public accusations and recriminations about the ongoing movement of Islamic militants in the border region, and U.S. officials have issued increasingly strong claims about the problems posed by Taliban insurgents and other militants who are widely believed to enjoy safehaven on the Pakistani side of the Durand Line. Moreover, Pakistan is wary of signs that India is pursuing a policy of “strategic encirclement,” taking note of New Delhi’s past support for Tajik and Uzbek militias which comprised the Afghan Northern Alliance, and the post-2001 opening of numerous Indian consulates in Afghanistan. Both Pakistan and Afghanistan play central roles as U.S. allies in global efforts to combat Islamic militancy. Continuing acrimony between Islamabad and Kabul is thus deleterious to U.S. interests (see also “Infiltration into Afghanistan” section below).

The China Factor. Pakistan and China have enjoyed a generally close and mutually beneficial relationship over several decades. Pakistan served as a link between Beijing and Washington in 1971, as well as a bridge to the Muslim world for China during the 1980s. China’s continuing role as a major arms supplier for Pakistan began in the 1960s and included helping to build a number of arms factories in Pakistan, as well as supplying complete weapons systems. After the 1990 imposition of U.S. sanctions on Pakistan, the Islamabad-Beijing arms relationship was further strengthened (see CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*). Indian leaders have called the Islamabad-Beijing nuclear and missile “proliferation nexus” a cause of serious concern in New Delhi, and U.S. officials remain seized of this potentially destabilizing dynamic.

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

In April 2005, the Chinese prime minister visited Islamabad, where Pakistan and China signed 22 accords meant to boost bilateral cooperation. President Musharraf's five-day visit to Beijing in February 2006 saw bilateral discussions on counterterrorism, trade, and technical assistance. Chinese President Hu's November 2006 travel to Islamabad was the first such visit by a Chinese president in ten years; another 18 new bilateral pacts were inked, including a bilateral Free Trade Agreement and plans for joint development of airborne early warning radars. Islamabad may seek future civil nuclear assistance from Beijing, including potential provision of complete power reactors, especially in light of Washington's categorical refusal of Pakistan's request for a civil nuclear cooperation similar to that being planned between the United States and India. In May 2007, Prime Minister Aziz visited Beijing, where Pakistan and China signed 27 new agreements and memoranda of understanding to "re-energize" bilateral cooperation in numerous areas, including defense, space technology, and trade. No public mention was made regarding civil nuclear cooperation. The Chinese government has assisted Pakistan in constructing a major new port at Gwadar, near the border with Iran; Islamabad and Beijing aspire to make this port, officially opened in March 2007, a major commercial outlet for Central Asian states. Some analysts are concerned that the port may be used for military purposes and could bolster China's naval presence in the Indian Ocean region. Pakistan continues to view China as an "all-weather friend" and perhaps its most important strategic ally.

Pakistan-U.S. Relations and Key Country Issues

U.S. policy interests in Pakistan encompass a wide range of issues, including counterterrorism, nuclear weapons and missile proliferation, South Asian and Afghan stability, democratization and human rights, trade and economic reform, and efforts to counter narcotics trafficking. Relations have been affected by several key developments, including proliferation- and democracy-related sanctions; a continuing Pakistan-India nuclear standoff and conflict over Kashmir; and the September 2001 terrorist attacks against the United States. In the wake of those attacks, President Musharraf — under intense U.S. diplomatic pressure — offered President Bush Pakistan's "unstinted cooperation in the fight against terrorism." Pakistan became a vital ally in the U.S.-led anti-terrorism coalition. U.S. sanctions relating to Pakistan's 1998 nuclear tests and 1999 military coup quickly were waived and, in October 2001, large tranches of U.S. aid began flowing into Pakistan. Direct assistance programs include training and equipment for Pakistani security forces, along with aid for health, education, food, democracy promotion, human rights improvement, counternarcotics, border security and law enforcement, as well as trade preference benefits. The United States also supports grant, loan, and debt rescheduling programs for Pakistan by the various major international financial institutions. In June 2004, President Bush designated Pakistan as a major non-NATO ally of the United States under Section 517 of the Foreign Assistance Act of 1961. Revelations that Pakistan has been a source of nuclear proliferation to North Korea, Iran, and Libya may complicate future Pakistan-U.S. relations.

Terrorism

After the September 2001 terrorist attacks on the United States, Pakistan pledged and has provided major support for the U.S.-led global anti-terrorism coalition. According to the U.S. Departments of State and Defense, Pakistan has afforded the United States unprecedented levels of cooperation by allowing the U.S. military to use bases within the country, helping to identify and detain extremists, tightening the border between Pakistan and Afghanistan, and blocking terrorist financing. Top U.S. officials regularly praise Pakistani anti-terrorism efforts. In a landmark January 2002 speech, President Musharraf vowed to end Pakistan's use as a base for terrorism of any kind, and he banned numerous militant groups, 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 have remanded to U.S. custody approximately 500 such fugitives to date.

Important Al Qaeda-related arrests in Pakistan have included Abu Zubaydah (March 2002), Ramzi bin al-Shibh (September 2002), Khalid Sheik Mohammed (March 2003), and Abu Faraj al-Libbi (May 2005). Other allegedly senior Al Qaeda figures were killed in gunbattles and missile attacks, including in several apparent U.S.-directed attacks on Pakistani territory from aerial drones. Yet Al Qaeda fugitives and their Taliban allies remain active in Pakistan, especially in the mountainous tribal regions along the Afghan border. Meanwhile, numerous banned indigenous groups continue to operate under new names: Lashkar-e-Taiba became Jamaat al-Dawat; Jaish-e-Mohammed was re-dubbed Khudam-ul Islam (the former was banned under U.S. law in April 2006).

President Musharraf repeatedly has vowed to end the activities of religious extremists in Pakistan and to permanently prevent banned groups from resurfacing there. His policies likely spurred two lethal but failed attempts to assassinate him in December 2003. At present, Islamabad declares a four-pronged strategy to counter terrorism and religious extremism, containing military, political, administrative, and development aspects. Nonetheless, some analysts have long called Musharraf's efforts cosmetic, ineffective, and the result of international pressure rather than a genuine recognition of the threat posed. In recent years, some Pakistani nationals and religious seminaries have been linked to Islamist terrorism plots in numerous countries, especially the United Kingdom. In a January 2007 review of global threats, then-U.S. Director of Intelligence Negroponte issued what may be the strongest relevant statements from a Bush Administration official to date, telling a Senate panel that, "Pakistan is a frontline partner in the war on terror. Nevertheless, it remains a major source of Islamic extremism and the home for some top terrorist leaders." He identified Al Qaeda as posing the single greatest terrorist threat to the United States and its interests, and warned that the organization's "core elements ...

maintain active connections and relationships that radiate outward from their leaders' secure hideout in Pakistan" to affiliates on four continents.⁷

In February 2007, Vice President Dick Cheney and the Deputy Director of the CIA, Steve Kappes, made an unannounced four-hour visit to Islamabad, where they reportedly warned President Musharraf that a Democratic-controlled Congress could cut U.S. aid to Pakistan unless that country takes more aggressive action to hunt down Al Qaeda and Taliban operatives on its soil. The unusually strong admonition came after U.S. intelligence officials concluded that a "terrorist infrastructure" had been rebuilt in western Pakistan, that Islamabad's counterterrorism efforts had been feckless to date, and that the Bush Administration was recognizing that current U.S. and Pakistani policies were not working. When asked during a February Senate hearing about the possible source of a hypothetical future Al Qaeda attack on the United States, the new Director of National Intelligence, Mike McConnell, stated a belief that such an attack "most likely would be planned and come out of the [Al Qaeda] leadership in Pakistan."⁸ The State Department's *Country Reports on Terrorism 2006*, released in April 2007, said "Pakistan executed effective counterterrorism cooperation and captured or killed many terrorists" while also reiterating U.S. concerns that the FATA is "a safe haven for Al Qaeda, the Taliban, and other militants."⁹ Pakistani officials are resentful of criticisms and doubts about their commitment to the counterterrorist fight, and they aver that U.S. pressure on Pakistan to "do more" could undermine President Musharraf and destabilize his government.¹⁰ (See also CRS Report RL32259, *Terrorism in South Asia*.)

Al Qaeda in Pakistan. Pakistani authorities reportedly have remanded to U.S. custody approximately 500 wanted Al Qaeda fugitives to date, including some senior alleged operatives. However, despite clear successes in disrupting Al Qaeda and affiliated networks in Pakistan since 2001, there are increasing signs that anti-U.S. terrorists are now benefitting from what some analysts call a Pakistani policy of appeasement in western tribal areas near the Afghan border. By seeking accommodation with pro-Taliban leaders in these areas, the Musharraf government appears to have inadvertently allowed foreign (largely Arab) militants to obtain safe haven from which they can plot and train for terrorist attacks against U.S. and other

⁷ Statement before the Senate Select Committee on Intelligence, January 11, 2007, at [<http://intelligence.senate.gov/hearings.cfm?hearingId=2467>].

⁸ 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]).

⁹ See [<http://www.state.gov/s/ct/rls/crt/2006/82734.htm>].

¹⁰ David Sanger and Mark Mazzetti, "Cheney Warns Pakistan to Act on Terrorism," *New York Times*, February 25, 2007; Shahzeb Jillani, "US May Be 'Undermining' Pakistan," BBC News, March 1, 2007.

Western targets. Moreover, many observers warn that an American preoccupation with Iraq has contributed to allowing Al Qaeda's reemergence in Pakistan.¹¹

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

Infiltration Into Afghanistan. Tensions between the Kabul and Islamabad governments — which stretch back many decades — have at times reached alarming levels in recent years, with top Afghan officials accusing Pakistan of manipulating Islamic militancy in the region to destabilize Afghanistan. Likewise, U.S. military commanders overseeing Operation Enduring Freedom have since 2003 complained that renegade Al Qaeda and Taliban fighters remain able to attack coalition troops in Afghanistan, then escape across the Pakistani frontier. They have expressed dismay at the slow pace of progress in capturing wanted fugitives in Pakistan and urge Islamabad to do more to secure its rugged western border area. U.S. government officials have voiced similar worries, even expressing concern that elements of Pakistan's intelligence agency might be assisting members of the Taliban. In June 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. In September, the Commander of the U.S. European Command, Gen. James Jones, told the same Senate panel it was "generally accepted" that the Taliban headquarters is somewhere in the vicinity of Quetta, in Pakistan's southwestern Baluchistan province.¹²

Pakistan Launches Internal Military Operations. During the autumn of 2003, in an unprecedented show of force, President Musharraf moved 25,000 Pakistani troops into the traditionally autonomous Federally Administered Tribal Areas (FATA) on the Afghan frontier. The first half of 2004 saw an escalation of Pakistani Army operations, many in coordination with U.S. and Afghan forces just across the international frontier (U.S. forces have no official authorization to cross the border into Pakistan). Combat between Pakistani troops and militants in the two Waziristan agencies and other border areas reportedly has killed more than 800

¹¹ See, for example, Bruce Riedel, "Al Qaeda Strikes Back," *Foreign Affairs*, May 2007, at [<http://www.foreignaffairs.org/20070501faessay86304/bruce-riedel/al-qaeda-strikes-back.html>]; Greg Miller, "Influx of Al Qaeda, Money Into Pakistan is Seen," *Los Angeles Times*, May 20, 2007.

¹² See also Elizabeth Rubin, "In the Land of the Taliban," *New York Times*, October 22, 2006.

Islamist extremists (many of them foreigners), along with some 600-700 Pakistani soldiers, and many hundreds of civilians. The battles, which continued sporadically throughout 2005 and again became fierce in the spring of 2006, exacerbated volatile anti-Musharraf and anti-American sentiments held by many Pakistani Pashtuns.

Kabul's October 2004 elections were held without major disturbances, apparently in part due to Musharraf's commitment to reducing infiltrations. Yet concerns sharpened in 2005 and, by the middle of that year, Afghan leaders were openly accusing Islamabad of actively supporting insurgents and providing their leadership with safe haven. Islamabad adamantly denied the charges and sought to reassure Kabul by dispatching additional troops to border areas, bringing the total to 80,000. Still, 2006 was the deadliest year to date for U.S. troops in Afghanistan and, at year's end, there were growing indications that Islamabad's efforts to control the tribal areas were meeting with little success.

President Musharraf's "carrot and stick" approach of offering amnesty to those militant tribals who "surrender," and using force against those who resist, clearly did not rid the region of indigenous Islamic militants or Al Qaeda operatives. Late 2005 and early 2006 missile attacks on suspected Al Qaeda targets — apparently launched by U.S. aerial drones flying over Pakistani territory — hinted at more aggressive U.S. tactics that could entail use of U.S. military assets in areas where the Pakistanis are either unable or unwilling to strike. Yet the attacks, in particular a January 13, 2006, strike on Damadola in the Bajaur tribal agency that apparently killed women and children along with several alleged Al Qaeda suspects, spurred widespread Pakistani resentment and a perception that the country's sovereignty was under threat.

A series of deadly encounters between government forces and militants in the FATA left scores dead in the spring of 2006, among them many civilians. Pakistani troops reportedly are hampered by limited communications and other counterinsurgency capabilities, meaning their response to provocations can be overly reliant on imprecise, mass firepower. Simultaneously, tribal leaders who cooperated with the federal government faced dire threats from the extremists — as many as 200 were the victims of targeted killings in 2005 and 2006 — and the militants have sought to deter such cooperation by periodically beheading accused "U.S. spies."

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

and larger levies), and the reduction and ultimately full withdrawal of army troops.¹³ Some reports had the U.S. government initially offering cautious support for this new political strategy.¹⁴

Cease-Fire and North Waziristan Truce. In late June 2006, militants in North Waziristan announced a unilateral 30-day cease-fire to allow for creation of a tribal council seeking resolution with government forces. The Islamabad government began releasing detained Waziri tribesmen and withdrawing troops from selected checkpoints in a show of goodwill. Hundreds of Pashtun tribesmen and clerics later held a tribal council with government officials, and the cease-fire was extended for another month. Throughout July and August, Pakistan reported arresting scores of Taliban fighters and remanding many of these to Afghanistan. Then, on September 5, the Islamabad government and pro-Taliban militants in Miramshah, North Waziristan, signed a truce to ensure “permanent peace” in the region. The key government participant was a political agent representing the NWFP governor, who agreed on behalf of the government to end army operations against local tribesmen; release all detainees; lift all public sanctions, pay compensation for property damage, return confiscated vehicles and other goods; and remove all new army checkpoints. In turn, two representatives of the North Waziristan “local mujahideen students” (trans. “Taliban”) agreed to end their attacks on government troops and officials; halt the cross-border movement of insurgents to Afghanistan; and evict all foreigners who did not agree to live in peace and honor the pact.¹⁵ There was subsequent talk of extending the scheme to other FATA agencies and perhaps even to Afghanistan.

News of the truce received lukewarm reception in Washington, where officials took a “wait-and-see” approach to the development. By the final weeks of October 2006, there was a growing concern among both U.S. government officials and independent analysts that the September arrangement in North Waziristan represented a Pakistani “surrender” and had in effect created a sanctuary for extremists, with the rate of Taliban activities in neighboring Afghanistan much increased and some reports having the militants failing to uphold their commitments. Still, Islamabad pressed ahead with a plan to extend a similar truce to the Bajaur tribal agency. Then, only hours before such a deal was to be struck on October 30, 82 people were killed in a dawn air attack on a madrassa in Chingai, Bajaur. The Pakistani military claimed to have undertaken the attack after the school’s pro-Taliban leader continued to train terrorists and shelter “unwanted foreigners,” yet many observers speculated that the attack had in fact been carried out by U.S. Predator drones, perhaps after intelligence reports placed fugitive Al Qaeda lieutenant Ayman al-Zawahri at the site. Nine days later, after a local pro-Taliban militant leader vowed to retaliate against Pakistani security forces, a suicide bomber killed 42 army recruits at a military training camp at Dargai in the North West

¹³ Author interview with Pakistan government official, Islamabad, September 2006; “President General Pervez Musharraf’s Address to the Nation,” July 20, 2006, at [<http://www.presidentofpakistan.gov.pk/SpeechAddressList.aspx>].

¹⁴ Jonathan Landay, “White House Backing New Plan to Defuse Insurrection in Pakistan,” McClatchy Newspapers, August 16, 2006.

¹⁵ A translated version of the pact is at [<http://www.pbs.org/wgbh/pages/frontline/taliban/etc/nwdeal.html>].

Frontier Province, not far from the sight of the Chingai attack. The bombing was the most deadly attack on the Pakistani military in recent memory.

The FATA in 2007. The situation in the FATA in mid-2007 has grown highly unstable, with a large trust deficit between government forces and tribal leaders, and a surge of concern among U.S. officials that President Musharraf's strategy of making truce deals with pro-Taliban militants has failed. In January, the director of the U.S. Defense Intelligence Agency, Lt. Gen. Michael Maples, told a Senate panel that tribal leaders in Waziristan had not abided by most terms of the September 2006 North Waziristan agreement.¹⁶ In March, Undersecretary of Defense for Policy Eric Edelman reported to the same panel that there was "an almost immediate and steady increase of cross-border infiltration and attacks" just after that agreement had been reached. Some reports even describe anecdotes of the Pakistani military providing fire support for Taliban units operating in Afghanistan.¹⁷

In late March, battles erupted between tribal forces and Uzbek militants in South Waziristan. Heavy arms — including mortars, large-caliber machineguns, and rockets — were used by both sides, and some 300 people, most of them Uzbeks, were reported killed. President Musharraf later acknowledged that the Pakistani army had provided support for what essentially were pro-Taliban tribal forces. The fighting was touted by Islamabad as a sign that its new strategy was paying dividends. Yet such conflict may well have been more about long-brewing local resentments toward Uzbeks, and there is further concern among skeptics that the battles served to strengthen the "Pakistani Taliban" and helped to consolidate their control in the tribal areas.¹⁸ Also in March, the Musharraf government made a third pact with tribal leaders, this time in Bajaur. Days later, NATO's top military commander, U.S. Army Gen. John Craddock, told an interviewer that the 2006 truce with pro-Taliban forces in North Waziristan "hasn't worked since it went into effect" and that he believed it should be ended.¹⁹ By July, a spate of militant attacks on Pakistani military targets — apparently in retaliation for the government's armed assault on Islamabad's radical Red Mosque — led Islamabad to further bolster the army's presence in the region and coincided with an announcement by North Waziristan tribal leaders that they were withdrawing from the September 2006 truce agreement due to alleged government violations. Top U.S. Bush Administration officials subsequently conceded that the agreement had failed to produce the desired results for both Pakistan and the United States, and they suggested the tack should be abandoned by the Musharraf government.

Despite acknowledged setbacks, the Bush Administration claims to strongly support President Musharraf's efforts to adopt a more comprehensive approach to

¹⁶ Statement before the Senate Select Committee on Intelligence, January 11, 2007, at [<http://intelligence.senate.gov/hearings.cfm?hearingId=2467>].

¹⁷ David Sanger and David Rhode, "U.S. Pays Pakistan to Fight Terror, But Patrols Ebb," *New York Times*, May 20, 2007.

¹⁸ Kim Barker, "Pakistan's Unlikely Alliances Worry West," *Chicago Tribune*, April 22, 2007; Ismail Khan, "The Game is Up for Uzbeks," *Dawn* (Karachi), April 5, 2007.

¹⁹ Jim Michaels, "General: Pakistani Border Deal Fails," *USA Today*, April 2, 2007.

include economic and social development and governance reform to the region, flowing in part from an acknowledgment that “purely military solutions are unlikely to succeed.”²⁰ Yet international donors and lending agencies appear hesitant to finance projects in the region while the security situation remains tense, and the U.S. government is reported to be wary of infusing development aid that could end up in the hands of elements unfriendly to U.S. interests.²¹ Meanwhile, it appears the “Pakistani Taliban” in North Waziristan has succeeded in establishing a local administrative infrastructure much as was done in South Waziristan following a similar truce there in April 2004.²² Reports continue to indicate that the FATA increasingly serves as a base for a new generation of potential terrorists and is the site of numerous terrorist training camps, some associated with Al Qaeda.²³ 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 Islamabad’s FATA problem be resolved.²⁴

Infiltration into Kashmir and India. Islamabad has been under continuous U.S. and international pressure to terminate the infiltration of separatist militants across the Kashmiri Line of Control (LOC). Such pressure reportedly elicited a January 2002 promise from President Musharraf to then-U.S. Deputy Secretary of State Richard Armitage that all such movements would cease. During a June 2002 visit to Islamabad, Deputy Secretary Armitage reportedly received another pledge from the Pakistani president, this time an assurance that any existing terrorist camps in Pakistani Kashmir would be closed. Musharraf has assured India that he will not permit any territory under Pakistan’s control to be used to support terrorism, and he insists that his government is doing everything possible to stop infiltration and shut down militant base camps in Pakistani-controlled territory. Critics contend, however, that Islamabad continues to actively support anti-India militants as a means both to maintain strategically the domestic backing of Islamists who view the Kashmir issue as fundamental to the Pakistani national idea, and to disrupt tactically the state government in Indian Kashmir in seeking to erode New Delhi’s legitimacy there.

²⁰ Statement of Assistant Secretary of State for South and Central Asian Affairs Richard Boucher before the House Committee on Foreign Affairs, Subcommittee on Middle East and South Asia, “Regional Overview of South Asia,” March 7, 2007, at [<http://www.internationalrelations.house.gov/110/bou030707.htm>]. Pakistani strategy as conveyed by the country’s Ambassador to the U.N. in Munir Akram, “A United Front Against the Taliban,” *New York Times*, April 4, 2007.

²¹ Jane Perlez, “Aid to Pakistan in Tribal Areas Raises Concerns,” *New York Times*, July 16, 2007.

²² See, for example, “Miramshah Taliban Open Office,” *Dawn* (Karachi), September 28, 2006; M. Ilyas Khan, “Taliban Spread Wings in Pakistan,” BBC News, March 5, 2007.

²³ Aryn Baker, “The Truth About Talibanization,” *Time*, April 2, 2007, is representative.

²⁴ See, for example, Barnett Rubin and Abubakar Siddique, “Resolving the Pakistan-Afghanistan Stalemate,” U.S. Institute of Peace Special Report, 176, October 2006; “Pakistan’s Tribal Areas: Appeasing the Militants,” International Crisis Group Asia Report No. 125, December 11, 2006; Christine Fair, Nicholas Howenstein, and Alexander Thier, “Troubles on the Pakistan-Afghanistan Border,” U.S. Institute for Peace Briefing, December 2006.

Positive indications growing from the latest Pakistan-India peace initiative include a cease-fire at the LOC that has held since November 2003 and statements from Indian officials indicating that rates of militant infiltration were down significantly. However, 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 that left nearly 200 people dead, India’s prime minister claimed in October that India had “credible evidence” of Pakistani government complicity in the plot. Islamabad rejected such allegations as “propaganda” designed “to externalize an internal [Indian] malaise.”²⁵ 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, and in Varanasi in 2006. Indian security officials also routinely blame Pakistan’s intelligence service for assisting the infiltration of Islamist militants into India from Nepal, Bangladesh, and Bhutan, as well as across the Kashmiri LOC.

Domestic Terrorism. Pakistan is known to be a base for numerous indigenous terrorist organizations, and the country continues to suffer from terrorism at home, in particular that targeting the country’s Shia minority. Until a March 2006 car bombing at the U.S. consulate in Karachi that left one American diplomat dead, recent attacks on Western targets had been rare, but 2002 saw several acts of lethal anti-Western terrorism, including the kidnapping and murder of reporter Daniel Pearl, a grenade attack on a Protestant church in Islamabad that killed a U.S. Embassy employee, and two car bomb attacks, including one on the same U.S. consulate, which killed a total of 29 people. These attacks, widely viewed as expressions of militants’ anger with the Musharraf regime for its cooperation with the United States, were linked to Al Qaeda, as well as to indigenous militant groups.

From 2003 to the present, Pakistan’s worst domestic terrorism has been directed against the country’s Shia minority and included suicide bomb attacks that killed scores of people in 2005 and 2006 (in addition, nearly 60 Sunnis were killed in an April 2006 suicide bombing in Karachi). Indications are that the indigenous Lashkar-e-Jhangvi (LJ) Sunni terrorist group is responsible for the most deadly anti-Shia violence. Two attempts to kill Musharraf in December 2003 and failed efforts to assassinate other top Pakistani officials in mid-2004 were linked to the LJ and other Al Qaeda-allied groups, and illuminated the grave and continuing danger presented by religious extremists.

²⁵ “We Have Credible Evidence: Manmohan,” *Hindu* (Madras), October 25, 2006; Anand Giridharadas, “India’s Police Say Pakistan Helped Plot July Train Bombings,” *New York Times*, October 1, 2006; Pakistan Ministry of Foreign Affairs Media Briefing, October 2, 2006.

Following a July 2006 suicide bombing in Karachi that killed a prominent Shiite cleric, Musharraf renewed his pledge to crack down on religious extremists; hundreds of Sunni clerics and activists were subsequently arrested for inciting violence against Shiites through sermons and printed materials. However, serious sectarian and other religiously-motivated violence flared anew in late 2006 and continue in 2007. Bomb attacks, many of them by suicidal extremists motivated by sectarian hatreds, killed scores of people; some reports link the upsurge in such attacks to growing sectarian conflict in Iraq. Among the spate of at least 16 significant domestic terrorist attacks suffered by Pakistan in 2007 were

- a late January bomb blast in Peshawar that killed 15 people, most of them policemen, including the city's police chief, in a likely anti-Shia attack;
- the early February murder of six opposition People's Party activists west of Islamabad;
- a mid-February suicide bombing that killed 16 people, including a judge, and critically injured 6 others in a Quetta courtroom;
- the targeted killing of a female provincial minister in Punjab by an Islamist zealot;
- a late April suicide bombing that killed at least 28 other people and narrowly missed Pakistan's interior minister at a political rally in Peshawar; and
- a mid-May suicide bombing that killed up to 25 other people at a Peshawar restaurant said to be popular with Afghan refugees;
- an early June roadside bombing the Bajaur tribal agency that killed five people, including a government official and a journalist; and
- at least six separate mid-July suicide bomb attacks that left more than 100 people dead in the North West Frontier Province, the tribal agencies, and one bombing at an opposition political rally in Islamabad that killed some 14 people, most of them PPP members.

A leading pro-Taliban militant in the South Waziristan tribal agency, Baitullah Mehsud, issued vows to avenge Pakistani military and paramilitary attacks in the region in early 2007; he subsequently has been linked to at least four anti-government suicide bombings in Pakistan.²⁶ Some analysts believe that, by redirecting Pakistan's internal security resources, an increase in such violence can ease pressure on Al Qaeda and affiliated groups and so allow them to operate more freely there. In June, Pakistan's National Security Council reportedly warned President Musharraf that Islamist militancy was rapidly spreading beyond western tribal areas and that a "policy of appeasement" had emboldened the Taliban. The Council was said to have formulated new plans to address the issue, including the deployment of pilotless reconnaissance drones, bolstering local law enforcement capabilities, and shifting more paramilitary troops to the region from other parts of Pakistan.

²⁶ "Doubts Over Peace Deal," BBC News, January 17, 2007; "Baitullah Linked to Suicide Attacks, Says FIA Official," *Dawn* (Karachi), March 21, 2007.

Other Security Issues

Pakistan-U.S. Security Cooperation. U.S.-Pakistan security cooperation accelerated quickly after 2001, and President Bush designated Pakistan as a major non-NATO U.S. ally in June 2004. The close U.S.-Pakistan security ties of the cold war era — which came to a near halt after the 1990 aid cutoff — have been restored as a result of Pakistan's role in the U.S.-led anti-terrorism campaign. In 2002, the United States began allowing commercial sales that enabled Pakistan to refurbish at least part of its fleet of American-made F-16 fighter aircraft. In March 2005, the United States announced that it would resume sales of F-16 fighters to Pakistan after a 16-year hiatus. A revived high-level U.S.-Pakistan Defense Consultative Group (DCG) — moribund since 1997 — now sits for high-level discussions on military cooperation, security assistance, and anti-terrorism; its most recent session came in May 2006. In 2003, a U.S.-Pakistan-Afghanistan Tripartite Commission was established to bring together military commanders for discussions on Afghan stability and border security; a session held in Pakistan in January 2007 included establishment of the first joint intelligence sharing center in Kabul to boost cooperation against Taliban and other extremists. Officers from NATO's International Security Assistance Force in Afghanistan have joined the body, which met for the 22nd time in May 2007.

Major government-to-government arms sales and grants since 2001 include 6 C-130 military transport aircraft; 6 AN/TPS-77 surveillance radars; air traffic control systems; nearly 6,000 military radios; 100 Harpoon anti-ship missiles (with the possibility of sales of another 90); 6 Phalanx guns (with upgrades on another 6); and 2,014 TOW anti-armor missiles. In 2004, the U.S. Navy agreed to grant 8 excess P-3C Orion maritime patrol aircraft to Pakistan; plans for their major refurbishment and service by U.S. firms could be worth \$1 billion in coming years. Other pending sales include up to 500 Sidewinder air-to-air missiles and 115 self-propelled howitzers. Major Excess Defense Article grants have included 20 refurbished AH-1F Cobra attack helicopters (with 20 more for parts) and 4 F-16A fighters (24 more such fighters will be transferred to Pakistan as they become excess to the U.S. Air Force). Further potential arms sales include costly plans to refurbish and modify three excess P-3 aircraft with the E-2C Hawkeye airborne early warning suite. The Department of Defense has characterized F-16 fighters, P-3C patrol aircraft, and anti-armor missiles as having significant anti-terrorism applications, claims that elicit skepticism from some analysts. The Pentagon reports total Foreign Military Sales agreements with Pakistan worth \$863 million in FY2002-FY2005. In-process sales of F-16s have raised the value to \$3.5 billion in FY2006 alone.

Security-related U.S. assistance programs for Pakistan are said 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. 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 reportedly are hindered by Pakistani shortcomings that include poorly trained and poorly equipped personnel who generally are underpaid by ineffectively coordinated and overburdened government agencies.²⁷ (See also CRS Report RL32259, *Terrorism in South Asia*.)

Renewed F-16 Sales and Congressional Concerns. In June 2006, the Pentagon notified Congress of a possible Foreign Military Sale to Pakistan worth up to \$5.1 billion. The deal involves 18 newly-built advanced F-16 combat aircraft (and an option for 18 more), along with related munitions and equipment, and would represent the largest-ever weapons sale to Pakistan. Associated munitions for new F-16s and for mid-life upgrades on others will include 500 AMRAAM air-to-air missiles and 700 BLU-109 bombs. Congressional concerns about the sale and displeasure at the Bush Administration's apparently improper notification procedures spurred a July 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 sent a letter to Congress indicating that no F-16 combat aircraft or related equipment would be delivered to Pakistan until Islamabad provided written security assurances that no U.S. technology will be accessible by third parties. Islamabad has, however, denied that any "extraordinary" security requirements were requested. After further negotiations on specifics, including a payment process that will require a major outlay from the Pakistani treasury, the United States and Pakistan in September signed a 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. (See also CRS Report RL33515, *Combat Aircraft Sales to South Asia: Potential Implications*.)

Nuclear Weapons and Missile Proliferation. Many policy analysts consider an apparent arms race between India and Pakistan to be among the most likely potential causes of the future use of nuclear weapons by states. In May 1998, India conducted unannounced nuclear tests, breaking a 24-year, self-imposed moratorium on such testing. Despite U.S. and world efforts to dissuade it, Pakistan quickly followed. The tests created a global storm of criticism and represented a serious setback to two decades of U.S. nuclear nonproliferation efforts in South Asia. Pakistan currently is believed to have enough fissile material, mainly enriched

²⁷ See, for example, Seth Jones, et al., "Securing Tyrants or Fostering Reform?," RAND Corporation Monograph, January 7, ch. 6, 2007, at [http://www.rand.org/pubs/monographs/2006/RAND_MG550.pdf].

uranium, for 55-90 nuclear weapons; India, with a program focused on plutonium, may be capable of building a similar number. Both countries have aircraft capable of delivering nuclear bombs (U.S.-supplied F-16 combat aircraft in Pakistan's air force reportedly have been refitted to carry nuclear bombs). Pakistan's military has inducted short- and medium-range ballistic missiles (allegedly acquired from China and North Korea), while India possesses short- and intermediate-range missiles. All are assumed to be capable of delivering nuclear warheads over significant distances. In 2000, Pakistan placed its nuclear forces under the control of a National Command Authority led by the president. According to the director of the U.S. Defense Intelligence Agency, Pakistan is building its stockpile of fission weapons and is likely to continue work on advanced warhead and delivery systems.²⁸ (See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*; and CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*.)

The A.Q. Khan Nuclear Proliferation Network. Press reports in late 2002 suggested that Pakistan assisted Pyongyang's covert nuclear weapons program by providing North Korea with uranium enrichment materials and technologies beginning in the mid-1990s and as recently as July 2002. Islamabad rejected such reports as "baseless," and Secretary of State Powell was assured that no such transfers were occurring. If such assistance is confirmed by President Bush, all non-humanitarian U.S. aid to Pakistan may be suspended, although the President has the authority to waive any sanctions that he determines would jeopardize U.S. national security. In early 2003, the Administration determined that the relevant facts "do not warrant imposition of sanctions under applicable U.S. laws." Press reports during 2003 suggested that both Iran and Libya benefitted from Pakistani nuclear assistance. Islamabad denied any nuclear cooperation with Tehran or Tripoli, although it conceded in December 2003 that certain senior scientists were under investigation for possible "independent" proliferation activities.

The investigation led to the February 2004 "public humiliation" of metallurgist Abdul Qadeer Khan, known as the founder of Pakistan's nuclear weapons program and a national hero, when he confessed to involvement in an illicit nuclear smuggling network. Khan and at least seven associates were said to have sold crucial nuclear weapons technology and uranium-enrichment materials to North Korea, Iran, and Libya. President Musharraf, citing Khan's contributions to his nation, issued a pardon that was later called conditional.²⁹ The United States has been assured that the Islamabad government had no knowledge of such activities and indicated that the decision to pardon is an internal Pakistani matter.

While Musharraf has promised President Bush that he will share all information learned about Khan's proliferation network, Pakistan refuses to allow any direct access to Khan by U.S. or international investigators. In May 2006, days after releasing from detention nuclear scientist and suspected Khan collaborator

²⁸ Statement of Lt. Gen. Michael Maples before the Senate Select Committee on Intelligence, January 11, 2007, at [<http://intelligence.senate.gov/070111/maples.pdf>].

²⁹ In May 2007, Pakistan's Ambassador to the United States reportedly said that if Khan had not been a national hero, "we would have strung him from the highest tree" ("A 'Worrisome' Time in Pakistan" [interview], *USA Today*, May 23, 2007).

Mohammed Farooq, the Islamabad government declared the investigation “is closed.” Some in Congress remained skeptical, however, and a House panel subsequently held a hearing at which three nongovernmental experts insisted that U.S. and international investigators be given direct access to Khan, in particular to learn more about assistance given to Iran’s nuclear program. No alleged Pakistani participants, including Khan himself, have faced criminal charges in the case. In May 2007, the London-based International Institute for Strategic Studies released a report on the Khan network, finding that “at least some of Khan’s associates appears to have escaped law enforcement attention and could, after a period of lying low, resume their black-market business.”³⁰ Shortly after, a House panel held another hearing on the Khan network, at which several Members and nongovernmental experts called for Pakistan to allow direct access to Khan for U.S. investigators. In July, Islamabad reportedly eased house arrest restrictions on Khan, although the Foreign Ministry denied any change in Khan’s status. (See also CRS Report RL32745, *Pakistan’s Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission*.)

Major New Plutonium Facilities? Revelations in July 2006 that Pakistan is in the midst of constructing a major heavy water nuclear reactor at the Khushab complex brought a flurry of concern from analysts who foresee a regional competition in fissile material production, perhaps including China. A subsequent report identified a third plutonium production reactor at Khushab. Upon completion, which could be several years away, two new reactors with combined 1,000-megawatt capacity might boost Pakistan’s weapons-grade plutonium production capabilities to more than 200 kilograms per year, or enough for up to 50 nuclear weapons. Moreover, a January 2007 report warned that Pakistan may soon be reprocessing weapons-grade plutonium at its Chashma facility, further adding to its potential stockpile and aiding in the development of thermonuclear weapons.³¹ While Islamabad does not comment directly on the constructions, government officials there insist that Pakistan will continue to update and consolidate its nuclear program for the purpose of minimum credible deterrence. The Bush Administration responded to the 2006 revelations by claiming it had been aware of Pakistani plans and that it discourages the use of the facilities for military purposes.

Pakistan’s New Nuclear Transparency. During October 2006, Islamabad appeared to launch a public relations effort aimed at overcoming the stigma caused by Khan’s proliferation activities. The effort included dispatching to Washington the chief of the country’s Strategic Plans Division, Lt. Gen. Khalid Kidwai, who attempted to make more transparent Pakistan’s nuclear command and control structure, and who acknowledged that Pakistan’s past proliferation record had been “poor and indefensible.”³² Many analysts now assert that meaningful efforts have been made to improve the physical security of Pakistan’s strategic arsenal.

³⁰ See [<http://www.iiss.org/publications/strategic-dossiers/nbm>].

³¹ See David Albright and Paul Brannan, June 21, 2007, at [<http://www.isis-online.org/publications/southasia/ThirdKhushabReactor.pdf>]; and January 18, 2007, at [<http://www.isis-online.org/publications/southasia/chashma.pdf>].

³² Speech at the Carnegie Endowment for International Peace, Washington, DC, October 24, 2006.

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

During the latter years of the Clinton Administration, the United States set forth nonproliferation “benchmarks” for Pakistan and India, including halting further nuclear testing and signing and ratifying the Comprehensive Test Ban Treaty (CTBT); halting fissile material production and pursuing Fissile Material Control Treaty negotiations; refraining from deploying nuclear weapons and testing ballistic missiles; and restricting any and all exportation of nuclear materials or technologies. The results of U.S. efforts were mixed, at best, and neither Pakistan nor India are signatories to the CTBT or the NPT. The Bush Administration quickly set aside the benchmark framework. Concerns about onward proliferation, fears that Pakistan could become destabilized by the U.S.-led counterterrorism efforts in Afghanistan, and confusion over the issue of political succession in Islamabad have heightened U.S. attention to weapons proliferation in the region. Section 1601 of P.L. 107-228 outlined U.S. nonproliferation objectives for South Asia. Some Members of Congress identify “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.

Pakistan-India Tensions and the Kashmir Issue. In the interests of regional stability, the United States strongly encourages an ongoing Pakistan-India peace initiative and remains concerned about the potential for long-standing disagreements to cause open hostilities between these two nuclear-armed countries. Relations between Pakistan and India remain deadlocked on the issue of Kashmiri sovereignty, and a separatist rebellion has been underway in the region since 1989. Tensions were extremely high in the wake of the Kargil conflict of 1999, when an incursion by Pakistani soldiers led to a bloody six-week-long battle. Throughout 2000 and 2001, cross-border firing and shelling caused scores of both military and civilian deaths. A July 2001 Pakistan-India summit meeting failed to produce even a joint statement, reportedly due to pressure from hardliners on both sides. Major stumbling blocks were India’s refusal to acknowledge the “centrality of Kashmir” to future talks and Pakistan’s objection to references to “cross-border terrorism.”

The 2002 Crisis. Secretary of State Powell visited South Asia in an effort to ease escalating tensions over Kashmir, but an October 2001 bombing at the Jammu and Kashmir state assembly building was followed by a December assault on the Indian Parliament in New Delhi (both incidents were blamed on Pakistan-based terrorist groups). India mobilized some 700,000 troops along the Pakistan-India frontier and threatened war unless Islamabad ended all “cross-border infiltration” of Islamic militants. This action triggered a corresponding Pakistani military

mobilization. Under significant international diplomatic pressure and the threat of India's use of force, President Musharraf in January 2002 vowed to end the presence of terrorist entities on Pakistani soil, and he outlawed five militant groups, including those most often named in attacks in India: Lashkar-e-Taiba and Jaish-e-Mohammed.

Despite the Pakistani pledge, infiltrations into Indian-held Kashmir continued, and a May 2002 terrorist attack on an Indian army base at Kaluchak killed 34, most of them women and children. This event again brought Pakistan and India to the brink of full-scale war, and caused Islamabad to recall army troops from patrol operations along the Pakistan-Afghanistan border. Intensive international diplomatic missions to South Asia reduced tensions during the summer of 2002 and appear to have prevented the outbreak of war. Numerous top U.S. officials were involved in this effort and continued to strenuously urge the two countries to renew bilateral dialogue.³³

The Most Recent Peace Process. Pakistan and India began full military draw-downs in October 2002 and, after a cooling-off period, a “hand of friendship” offer to Pakistan by the Indian prime minister in April 2003 led to the restoration of full diplomatic relations. Yet surging separatist violence that summer contributed to an exchange of sharp rhetoric between Pakistani and Indian leaders at the United Nations, casting doubt on the nascent peace effort. A new confidence-building initiative got Pakistan and India back on a positive track, and a November 2003 cease-fire was initiated after a proposal by then-Pakistani Prime Minister Zafarullah Khan Jamali. President Musharraf subsequently suggested that Pakistan might be willing to “set aside” its long-standing demand for a plebiscite in Kashmir, a proposal welcomed by the United States, but called a “disastrous shift” in policy by Pakistani opposition parties.

Although militant infiltration did not end, New Delhi acknowledged that it was significantly decreased and, combined with other confidence-building measures, relations were sufficiently improved that the Indian prime minister attended a January 2004 summit meeting of the South Asian Association for Regional Cooperation in Islamabad. There Pakistan and India issued a joint “Islamabad Declaration” calling for a renewed “Composite Dialogue” to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”³⁴ A major confidence-building development came in April 2005, when a new bus service was launched linking Muzaffarabad in Pakistani Kashmir and Srinagar in Indian Kashmir, and a summit meeting produced an agreement to address the Kashmir issue “in a forward looking manner for a final settlement.” Still, many Kashmiris reject any settlement process that excludes them.

Even as the normalization of India-Pakistan relations moves forward — and likely in reaction to their apparent marginalization in the face of this development — separatist militants continue their attacks, and many observers in both India and the

³³ 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>].

³⁴ [http://www.indianembassy.org/press_release/2004/jan/07.htm].

United States believe support for Kashmiri militants remains Pakistani state policy. Yet many indicators show positive long-term trends. Steadily reduced rates of infiltration may be attributed to the endurance of the Pakistan-India dialogue. Moreover, President Musharraf has made considerable efforts to exhibit flexibility, including December 2006 statements that Pakistan is “against independence” for Kashmir, and his offering of a four-point proposal that would lead to “self-governance ... falling between autonomy and independence.”³⁵ This was seen by many analysts as being roughly in line with New Delhi’s Kashmir position. Indeed, the Indian prime minister welcomed Musharraf’s proposals, saying they “contribute to the ongoing thought process.” Prospects for a government-to-government accommodation may thus be brighter than ever before.

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

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

The Current Conflict. Mid-2004 saw an increase in hit-and-run attacks on army outposts and in the sabotage of oil and gas pipelines. The alleged rape of a Baloch doctor by Pakistani soldiers in January 2005 sparked provincial anger and a major spike in such incidents over the course of the year. In December 2005, rockets

³⁵ Somini Sengupta, “Pakistani Says Concessions Could Produce Kashmir Pact,” *New York Times*, December 6, 2006.

were fired at a Baluchistan army camp during a visit to the site by President Musharraf. A Baloch separatist group claimed responsibility and the Pakistani military began major offensive operations to destroy the militants' camps. In the midst of increasingly heavy fighting in January 2006, Musharraf openly accused India of arming and financing militants fighting in Baluchistan. New Delhi categorically rejected the allegations. U.N. and other international aid groups soon suspended their operations in Baluchistan due to security concerns. Shortly after, Baloch militants shot and killed three Chinese engineers and their Pakistani driver, causing disruption in Islamabad-Beijing relations.

President Musharraf calls Baloch rebels "miscreants" and "terrorists"; the Islamabad government officially banned the separatist Baluchistan Liberation Army as a terrorist organization in April 2006 and at times suggests that Baloch militants are religious extremists. Yet most rebel attacks are taken against military and infrastructure targets, and — despite a government campaign to link the two movements — Islam appears to play little or no role as a motive for Baloch militancy.³⁶ Islamabad has employed helicopter gunships and fixed-wing aircraft in its effort to defeat the rebel forces.

The Death of Nawab Bugti. Fighting waned in the middle of 2006, with hundreds of rebels surrendering in return for amnesty. The main rebel tribal leader and onetime Baluchistan chief minister, 79-year-old Nawab Akbar Bugti, had gone into hiding and was believed cut off from his own forces. In late August, Bugti was located in a cave hideout and was killed by Pakistan army troops in a battle that left dozens of soldiers and rebels dead. Recognizing Bugti's popularity among wide segments of the Baloch populace and of the potential for his killing to provide martyr status, government officials denied the tribal leader had been targeted. Nevertheless, news of his death spurred major unrest across the province and beyond, with hundreds of people being arrested 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.³⁷ 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 have not come to pass. By October, Pakistan's interior minister was claiming a "normalization" and decrease in violence in Baluchistan, although a low-intensity insurgency continues and the overarching problem remains unresolved.

Narcotics. Pakistan is a major transit country for opiates that are grown and processed in Afghanistan then distributed worldwide by Pakistan-based traffickers. The State Department indicates that Pakistan's cooperation on drug control "remains strong," and the Islamabad government has made impressive strides in eradicating indigenous opium poppy cultivation. However, opium production spiked in post-Taliban Afghanistan, which is now said to supply up to 95% of the world's heroin. Elements of Pakistan's intelligence agency are suspected of past involvement in drug

³⁶ Frederic Grare, "Pakistan: The Resurgence of Baluch Nationalism," Carnegie Paper No. 65, January 2006, at [<http://www.carnegieendowment.org/files/CP65.Grare.FINAL.pdf>].

³⁷ "Bugti's Killing is the Biggest Blunder Since Bhutto's Execution," *Daily Times* (Lahore), August 28, 2006.

trafficking; in March 2003, a former U.S. Ambassador to Pakistan told a House panel that their role in the heroin trade from 1997-2003 was “substantial.” Taliban militants are reported to benefit significantly by taxing Afghan farmers and extorting traffickers.³⁸ Other reports indicate that profits from drug sales are financing the activities of Islamic extremists in Pakistan and Kashmir.

U.S. counternarcotics programs aim to reduce the flow of opiates through Pakistan, eliminate Pakistan as a source of such opiates, and reduce the demand for illegal drugs within Pakistan. Islamabad’s own counternarcotics efforts are hampered by lack of full government commitment, scarcity of funds, poor infrastructure, and likely corruption. Since 2002, the State Department’s Bureau of International Narcotics and Law Enforcement Affairs has supported Pakistan’s Border Security Project by training border forces, providing vehicles and surveillance and communications equipment, transferring helicopters and fixed-wing aircraft to the Interior Ministry’s Air Wing, and road-building in western tribal areas. Congress funded such programs with more than \$54 million for FY2006. (See also CRS Report RL32686, *Afghanistan: Narcotics and U.S. Policy*.)

Islamization, Anti-American Sentiment, and Madrassas

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

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

³⁸ “Taliban Reaping Opium Profits,” Associated Press, April 11, 2007.

the poor state of Pakistan's public education system and the persistence of xenophobia and religious extremism in that country.

Anti-American sentiment is not limited to Islamist 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).³⁹ In 2004 testimony before a Senate panel, senior U.S. expert Stephen Cohen opined: "Pakistan is probably the most anti-American country in the world right now, ranging from the radical Islamists on one side to the liberals and Westernized elites on the other side." A 2005 Pew Center opinion poll found 51% of Pakistanis expressing confidence in Al Qaeda founder Osama Bin Laden to "do the right thing in world affairs" and, in subsequent American magazine interview, President Musharraf conceded that "the man on the street [in Pakistan] does not have a good opinion of the United States." He added, by way of partial explanation, that Pakistan had been "left high and dry" after serving as a strategic U.S. ally during the 1980s Afghan war.⁴⁰

A Pew poll taken shortly before the catastrophic October 2005 earthquake found only 23% of Pakistanis expressing a favorable view of the United States, the lowest percentage for any country surveyed. That percentage doubled to 46% in an ACNielsen poll taken after large-scale U.S. disaster relief efforts in earthquake-affected areas, with the great majority of Pakistanis indicating that their perceptions had been positively influenced by witnessing such efforts. However, a January 2006 missile attack on Pakistani homes near the Afghan border killed numerous civilians and was blamed on U.S. forces, renewing animosity toward the United States among segments of the Pakistani populace. An October 2006 missile attack in the same border area ostensibly was launched by Pakistani forces, but widespread suspicions of U.S. involvement further engendered anti-Americanism and concerns about Pakistani sovereignty. 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, suggesting that public diplomacy gains following the 2005 earthquake had receded.

In April 2007, the University of Maryland-based Program on International Policy Attitudes released a survey of public opinion in four Muslim countries. The findings indicate that significant resentment toward and distrust of the United States persists among notable segments of the Pakistani public:

- 67% of Pakistanis have an unfavorable view of the U.S. government;
- 73% think weakening and dividing the Islamic world is a U.S. goal;
- more than one-third approve of attacks on U.S. troops in Iraq and Afghanistan (another third disapprove of such attacks);

³⁹ Author interviews in Islamabad, September 2006.

⁴⁰ "10 Questions for Pervez Musharraf," *Time*, October 3, 2005.

- more than one-third also think the U.S. government and/or Israel were behind the 9/11 attacks (only 2% hold Al Qaeda responsible);
- 27% report having positive feelings toward Osama Bin Laden; and
- 54% agree strongly with the goal of requiring strict application of Sharia law in every Islamic country.⁴¹

Meanwhile, an open Islamist rebellion of sorts has been taking place in Pakistan's relatively serene capital, where radical leaders of the Lal (Red) Mosque and their followers in the attached Jamia Hafsa seminary have since March occupied illegally constructed religious buildings, kidnaped and detained local police officers, battled security forces, and threatened to launch a violent anti-government campaign unless Sharia (Islamic law) is instituted nationwide.

Pakistan's Religious Schools (Madrassas).⁴² Afghanistan's Taliban movement itself began among students attending Pakistani religious schools (madrassas). Among the more than 10,000 madrassas training some 1.5 million children in Pakistan are a small percentage that have been implicated in teaching militant anti-Western, anti-American, anti-Hindu, and even anti-Shia values. Former Secretary of State Colin Powell once identified these as "programs that do nothing but prepare youngsters to be fundamentalists and to be terrorists."⁴³ Contrary to popularly held conceptions, however, research indicates that the great majority of Pakistan's violent Islamist extremists does not emerge from the country's madrassas, but rather from the dysfunctional public school system or even from private, English-medium schools. One study found that only 17% of international terrorists sampled had Islamic education backgrounds.⁴⁴

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

⁴¹ [http://www.worldpublicopinion.org/pipa/pdf/apr07/START_Apr07_rpt.pdf].

⁴² See also CRS Report RS22009, *Education Reform in Pakistan*, by K. Alan Kronstadt, and CRS Report RS21654, *Islamic Religious Schools, Madrasas: Background*, by Christopher Blanchard.

⁴³ Statement before the House Appropriations Committee, March 10, 2004.

⁴⁴ 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 Madrasa Myth," *New York Times*, June 14, 2005.

terrorists” and he has asked religious leaders to help isolate these by openly condemning them.⁴⁵

International attention to Pakistan’s religious schools intensified during the summer of 2005 after Pakistani officials acknowledged that suspects in the July London bombings visited Pakistan during the previous year and may have spent time at a madrassa near Lahore. While President Musharraf has in the past pledged to crack down on the more extremist madrassas in his country, there continues to be little concrete evidence that he has done so, and even the president himself has admitted that movement on this issue has been slow.⁴⁶ Some observers speculate that Musharraf’s reluctance to enforce reform efforts is rooted in his desire to remain on good terms with Pakistan’s Islamist political parties, which are seen to be an important part of his political base.⁴⁷ The U.S. Congress has appropriated many millions of dollars to assist Pakistan in efforts to reform its education system, including changes that would make madrassa curriculum closer in substance to that provided in non-religious schools. More than \$200 million has been allocated for such assistance since 2002. In November 2006, the U.S.-Pakistan Education dialogue was launched in Washington to bolster further engagement.

Democratization and Human Rights

Democracy and Governance. The status and development of Pakistan’s democratic institutions is a key U.S. policy concern, especially among those analysts who view representative government in Islamabad as being a prerequisite for reducing religious extremism and establishing a moderate Pakistani state. There had been hopes that the October 2002 national elections would reverse Pakistan’s historic trend toward unstable governance and military interference in democratic institutions. Such hopes were eroded by ensuing developments, including President Musharraf’s imposition of major constitutional changes and his retention of the position of army chief. International and Pakistani human rights groups continue to issue reports critical of Islamabad’s military-dominated government. In 2007, and for the eighth straight year, the often-cited Freedom House rated Pakistan as “not free” in the areas of political rights and civil liberties. While praising Pakistan’s electoral exercises as moves in the right direction, the United States expresses concern that seemingly nondemocratic developments may make the realization of true democracy in Pakistan more elusive, and U.S. officials continue to press Pakistani leaders on this issue.

Pakistan’s Military-Dominated Government. General Musharraf’s assumption of the presidency ostensibly was legitimized by a controversial April

⁴⁵ [<http://www.state.gov/g/drl/rls/irf/2006/71443.htm>]; “Some Madrassas Bad: Musharraf,” *Daily Times* (Lahore), September 8, 2004.

⁴⁶ See “Pakistan: Reforming the Education Sector,” International Crisis Group Report 84, October 7, 2004; Charles Sennott, “Radical Teachings in Pakistan Schools,” *Boston Globe*, September 29, 2006. Author interviews with Pakistani government officials and scholars have tended to confirm that movement on madrassa reform is slow, at best.

⁴⁷ John Lancaster and Kamran Khan, “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.

2002 referendum marked by evidence of fraud. In August 2002, Musharraf announced sweeping constitutional changes to bolster the president's powers, including provisions for presidential dissolution of the National Assembly. The United States expressed concerns that the changes could make it more difficult to build democratic institutions in Pakistan. The 2002 elections nominally fulfilled Musharraf's promise to restore the National Assembly that was dissolved in the wake of his extra-constitutional seizure of power. The pro-military Pakistan Muslim League-Quaid-e-Azam (PML-Q) won a plurality of seats, while a coalition of Islamist parties made a surprisingly strong showing. The civilian government was hamstrung for more than a year by fractious debate over the legitimacy of constitutional changes and by Musharraf's continued status as army chief *and* president. A surprise December 2003 agreement between Musharraf and the 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.

Other apparent reversals for Pakistani democratization came in 2004, including the sentencing of ARD leader Javed Hashmi to 23 years in prison for sedition, mutiny, and forgery, and the "forced" resignation of Prime Minister Jamali for what numerous analysts called his insufficient deference to President Musharraf. Musharraf "shuffled" prime ministers to seat his close ally, Finance Minister Shaukat Aziz. Aziz is seen to be an able financial manager and technocrat favored by the military, but he has no political base in Pakistan. Moreover, in the final month of 2004 Musharraf chose to continue his role as army chief beyond the stated deadline. One senior Pakistani scholar offers a cogent (and critical) summary of the country's political circumstances under President Musharraf's rule:

The current power structure, often described as the "Musharraf model of governance," is narrow and suffers from a crisis of legitimacy. Its major features are: a concentration of power in the presidency, with backup from its army/intelligence and bureaucratic affiliates; induction of retired and serving military officers into important civilian institutions and thus an undermining of the latter's autonomy; co-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 partnership with the Islamic parties, especially the Muttahida Majlis-i-Amal (MMA), and soft-peddling towards Islamic groups; manipulation of the weak and divided political forces and exclusion of dissident political leaders.⁴⁸

A public opinion survey by the International Republican Institute, completed before the March 2007 judicial crisis began, found President Musharraf to be the most popular political leader in Pakistan, comfortably ahead of former prime ministers Bhutto and Sharif, who placed second and third, respectively. The poll also found a majority of respondents opposed to Musharraf's continued dual role as president and army chief, and a plurality saying the military, while seen as the

⁴⁸ Hasan-Askari Rizvi, "Towards a Solution of the Present Crisis," *Daily Times* (Lahore), June 17, 2007.

country's most respected institution, should not play a role in governance.⁴⁹ The findings of such surveys may be significantly inaccurate, given widespread illiteracy and the ability of surveyors to lead respondents. In May 2007, a National Democratic Institute delegation issued a report on its visit to Pakistan, calling expected national elections there "critical to the nation's future," warning that tainted elections could strengthen the position of extremist elements or further consolidate the role of the military in governance, urging Musharraf to retire his military commission in the interest of public confidence, and calling for a significantly strengthened Pakistan Election Commission (PEC) to ensure credible polls.⁵⁰ In an indication that the Election Commission's credibility remains in doubt, Benazir Bhutto in June 2007 filed a petition with the Pakistani Supreme Court on the removal of tens of millions of Pakistanis from election rolls, and the Hong Kong-based Asian Human Rights Commission later claimed that the PEC was illegitimately denying voting rights to 38 million people, most of them women.

The leadership of the country's leading moderate, secular, and arguably most popular party — the Pakistan People's Party — seek greater U.S. support for Pakistani democratization and warn that the space in which they are allowed to operate is so narrow as to bring into question their continued viability as political forces.⁵¹ A number of analysts consider a potential accommodation between President Musharraf and former Prime Minister Bhutto to be the best option both for stabilizing Islamabad's political circumstances and for more effectively creating a moderate and prosperous Pakistan (some reports have the U.S. government quietly encouraging Musharraf to pursue this option).⁵² Such accommodation might include Musharraf retiring from the military while being assured of reelection as President and allowing Bhutto to return to Pakistan and run for national office. Even if this arrangement came to pass, it would be highly unlikely to alter the army's role as ultimate arbiter of the country's foreign and national security policies, but could create a transitional alliance that would empower Pakistan's more liberal and secular elements.

Current Judicial/Political Crisis. On March 9, President Musharraf summarily dismissed the Chief Justice of Pakistan's Supreme Court, Iftikhar Chaudhry, on unspecified charges of misconduct and nepotism. Analysts widely believe the dismissal was an attempt by Musharraf to remove a potential impediment to his continued roles as president and army chief, given Chaudhry's recent rulings that exhibited independence and went contrary to government expectations. The move triggered immediate outrage among numerous Pakistani lawyers and others who claimed Musharraf had acted unconstitutionally. Several judges and a deputy attorney general resigned in protest, ensuing street protests by lawyers grew in scale and were joined by both secular and Islamist opposition activists. By providing an

⁴⁹ See [<http://www.iri.org/mena/pakistan/2007-04-26-Pakistan.asp>].

⁵⁰ [http://www.accessdemocracy.org/library/2157_pk_pre_election_statement_051707.pdf].

⁵¹ Author interviews with PPP leader Benazir Bhutto, Washington, DC, February 2006, and PPP officials, Islamabad, January 2004 and September 2006.

⁵² Najam Sethi, "Musharraf's Problem — And Opportunity," *Wall Street Journal*, July 16, 2007, is representative.

issue upon which anti-Musharraf sentiments could coalesce, the imbroglio soon morphed from a judicial crisis to a full-fledged political crisis and the greatest threat to Musharraf's government since it was established in 1999. Numerous analyses conclude that the developments have severely weakened Musharraf politically and could threaten the viability of his continued rule.⁵³

The U.S. State Department at first declared the issue to be a purely internal matter and withheld further comment but, as a sense of crisis increased in Pakistan, a Department spokesman called Chaudhry's dismissal "a matter of deep concern" that the U.S. government was "monitoring very closely," and he called for the issue to be handled in a transparent manner in accordance with Pakistani law. However, in a statement which triggered concern among many Pakistanis and skeptical analysts alike, the spokesman also claimed President Musharraf was "acting in the best interest of Pakistan and the Pakistani people."⁵⁴ Musharraf has vowed not to interfere in the case and claims the judge's fate is out of his hands. He also has called the dismissal constitutional and, without offering evidence, claimed the uproar was a political conspiracy aimed at him and his government.

In refusing to be cowed by the Musharraf government and voluntarily resign his post, the suspended Chief Justice became a popular figure in Pakistan. On May 5, tens of thousands of supporters lined the streets as Chaudhry drove from Islamabad to Lahore to address the High Court there (a normally 4-hour drive took more than 24 hours). One week later, Chaudhry flew to Karachi but was blocked from leaving the city's airport, reportedly by activists of the government-allied MQM party. Ensuing street battles between MQM cadres and opposition activists left at least 40 people dead, most of them members of Benazir Bhutto's People's Party. Reports had local police and security forces standing by without intervening while the MQM attacked anti-Musharraf protesters, leading many observers to charge the government with complicity in the bloody rioting. The May 12 incidents did significant further damage to President Musharraf's standing. At present, Musharraf shows no signs of compromising on the judicial issue, and his government has cracked down on media outlets, warning them against "defaming" the country's military. On June 1, the army's corp commanders issued a statement reaffirming their full support for Musharraf's continued rule and decrying a "malicious campaign against the institutions of the state" being undertaken by a "small minority." Three days later, Musharraf issued an ordinance expanding government authority to restrict press freedom (this was later suspended).

U.S. Policy. The United States indicates that it expects Pakistan's scheduled 2007 general elections to be "free, fair, transparent, and credible ... with the participation of all political parties."⁵⁵ Bush Administration officials repeatedly have

⁵³ Representative is Teresita Schaffer, "Pakistan: Shrinking Control," CSIS Commentary, May 18, 2007, at [http://www.csis.org/media/csis/pubs/070518_schaffer_commentary.pdf].

⁵⁴ See [<http://www.state.gov/r/pa/prs/dpb/2007/mar/81762.htm>]; [<http://www.state.gov/r/pa/prs/dpb/2007/mar/81838.htm>].

⁵⁵ Statement by U.S. Assistant Secretary of State for South And Central Asia Richard Boucher, June 20, 2007, at [<http://www.state.gov/p/sca/rls/rm/2007/87169.htm>]. In June, (continued...)

emphasized that such a development is key to the creation of a more moderate and prosperous Pakistan. However, numerous critics of Administration policy assert that the Islamabad government has for more than five years been given a “free pass” on the issue of representative government, in part as a means of enlisting that country’s assistance in U.S.-led counterterrorism efforts. U.S. congressional committees repeatedly have 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). Pakistan’s nominally non-party August-October 2005 municipal elections saw major gains for candidates favored by the PML-Q and notable reversals for Islamists, but were also marked by widespread accusations of rigging. The Bush Administration made no public comment on reported irregularities. In February 2007, the Director of National Intelligence, Mike McConnell, repeated for a Senate panel the U.S. intelligence community’s conclusion that

[D]emocracy has not been fully restored since the Army took power in 1999. ... Musharraf continues to be criticized for remaining both the President and Chief of Army Staff, but there are no political leaders inside the country able to challenge his continued leadership. Musharraf’s secular opponents are in disarray, and the main Islamic parties continue to suffer from internal divisions and an inability to expand their support base.⁵⁶

The U.S. State Department’s *Country Report on Human Rights Practices 2006*, issued by the Bureau of Democracy, Human Rights, and Labor in March 2007, does not use the word “democracy” or any of its derivatives in discussing Pakistan, but does note that “restrictions on citizens’ right to change their government” represent a “major problem.”⁵⁷ In a June letter to Secretary of State Condoleezza Rice, several senior Members of Congress decried the “spiral of civil unrest and harshly suppressed protest in Pakistan” and asserted that U.S. and Pakistani national interests “are both served by a speedy restoration of full democracy to Pakistan and the end to state-sponsored intimidation — often violent — of Pakistani citizens protesting government actions in a legal and peaceful manner.” Leading opposition political figures in Islamabad have warned that unconditional U.S. support for Musharraf’s military-dominated government could result in an anti-American backlash among Pakistan’s moderate forces.⁵⁸ Yet others opine that overt U.S. conditionality is unlikely to be effective and may only foster anti-U.S. resentments in Pakistan.⁵⁹ One

⁵⁵ (...continued)

a State Department spokesman said the U.S. government expects President Musharraf to “follow through on his commitments” to retire his military commission (he later clarified that this was not a “condition of the United States”).

⁵⁶ See [<http://armed-services.senate.gov/statemnt/2007/February/McConnell%2002-27-07.pdf>].

⁵⁷ See [<http://www.state.gov/g/drl/rls/hrrpt/2006/78874.htm>].

⁵⁸ Letter to Secretary of State Rice from Sen. Joe Biden, Rep. Tom Lantos, and Rep. Ileana Ros-Lehtinen, June 1, 2007; Jo Johnson and Farhan Bokhari, “US Warned Over Backing for Musharraf,” *Financial Times* (London), June 12, 2007.

⁵⁹ Lisa Curtis, “Bolstering Pakistan in its Fight Against Extremism,” Heritage Foundation (continued...)

recent analysis by a former Bush State Department official concludes that “the United States should resist the urge to threaten [Musharraf] or demand a quick democratic transition,” arguing that the Pakistani military must be pushed toward political reform in ways that do not jeopardize its “core interests.”⁶⁰ (See also CRS Report RL32615, *Pakistan’s Domestic Political Developments*.)

Human Rights Problems. The State Department’s *Country Report on Human Rights Practices 2006* (issued March 2007) again determined that the Pakistan government’s record on human rights “remained poor.” Along with concerns about anti-democratic practices, the report lists extrajudicial killings, torture, and abuse by security forces; “widespread” government and police corruption; lack of judicial independence; political violence; terrorism; and “extremely poor” prison conditions among the major problems. It further notes an increase in restrictions on press freedoms and in reports of “disappearances” of political activists. Improvement was noted, however, with government efforts to crack down on human trafficking.⁶¹ (The most recent State Department report on trafficking in persons again said, “Pakistan does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so.”⁶²)

According to the Department of State, the Islamabad government is known to limit freedoms of association, religion, and movement, and to imprison political leaders. In June 2007, the House Appropriations Committee (H.Rept. 110-197) expressed concern about the Pakistani government’s apparent lack of respect for human rights. Senate reports have expressed similar concerns. The Human Rights Commission of Pakistan and international human rights groups have issued 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 minorities. Controversial statutory restrictions include harsh penalties for blasphemy and are abused to oppress non-Muslims and for personal vendettas.

Gender Discrimination. Discrimination against women is widespread and traditional constraints — cultural, legal, and spousal — keep women in a subordinate position in society. In 2005, Pakistani gang rape victim Mukhtaran Mai — and Islamabad’s (mis)handling of her case — became emblematic of gender discrimination problems in Pakistan. The Hudood Ordinance was promulgated during the rule of President Gen. Zia ul-Haq and is widely criticized for imposing stringent punishments and restrictions under the guise of Islamic law. Among its

⁵⁹ (...continued)

WebMemo 1554, July 13, 2007, at [<http://www.heritage.org/Research/NationalSecurity/wm1554.cfm>] is representative.

⁶⁰ Daniel Markey, “A False Choice in Pakistan,” *Foreign Affairs*, July 2007, at [<http://www.foreignaffairs.org/20070701faessay86407/daniel-markey/a-false-choice-in-pakistan.html>].

⁶¹ See [<http://www.state.gov/g/drl/rls/hrrpt/2006/78874.htm>]. A Pakistan Foreign Ministry spokeswoman claimed the report “lacks objectivity and contains inaccuracies.”

⁶² [<http://www.state.gov/g/tip/rls/tiprpt/2007/82806.htm>].

provisions, the ordinance criminalizes all extramarital sex and makes it extremely difficult for women to prove allegations of rape (those women who make such charges without the required evidence often are jailed as adulterers). In November 2006, the Hudood laws were amended in the Women's Protection Bill. President Musharraf supported the changes and the ruling PML party joined with the opposition PPP to overcome fierce resistance by Islamist parties. Musharraf called the bill's passage "just the beginning" and "a victory for moderates," and said his government would soon introduce further legislation to improve the status of women. The step is viewed as a landmark in efforts to create more a moderate Pakistani state. However, the February 2007 murder of a female provincial minister in Punjab by a radical Islamist, and threats being issued against girls' schools and female health workers in the NWFP indicate that well-entrenched societal discrimination continues.

Religious Freedom. The State Department's *International Religious Freedom Report 2006* again found that in practice the Islamabad government imposes limits on the freedom of religion in Pakistan. The report noted "some steps to improve the treatment of religious minorities," but indicated that "serious problems remained," including discriminatory laws and violence against religious minorities.⁶³ The State Department has rejected repeated U.S. Commission on International Religious Freedom recommendations that Pakistan be designated a "country of particular concern." The 2007 annual report from that Commission claims that, "Sectarian and religiously motivated violence persists in Pakistan ... and the government's somewhat improved response to this problem continues to be insufficient and not fully effective."⁶⁴

Press Freedom. Press freedom and the safety of journalists recently has become a major concern in Pakistan, spurred especially by the June 2006 discovery of the handcuffed body of Pakistani journalist Hayatullah Khan in a rural area of North Waziristan. Khan, who had been missing for more than six months, was abducted by unknown gunmen after he reported on an apparent U.S.-launched missile attack in Pakistan's tribal region. Khan's family is among those who suspect the involvement of Pakistani security forces; an official inquiry into the death was launched. Other journalists have been detained and possibly tortured, including a pair reportedly held incommunicado without charges for three months after they shot footage of the Jacobabad airbase that was used by U.S. forces. Pakistani journalists have taken to the streets to protest perceived abuses and they complain that the government seeks to intimidate those who would report the facts of Pakistani counterterrorism operations. In May 2007, the New York-based Committee to Protect Journalists placed Pakistan sixth in a list of the ten countries where press freedom had most deteriorated since 2002.⁶⁵ In early June, in apparent reaction to media coverage of rallies in support of Pakistan's suspended Chief Justice, the Musharraf government issued an ordinance allowing the Pakistan Electronic Media Regulatory Agency to impose strict curbs on television and radio station operations.

⁶³ [<http://www.state.gov/g/drl/rls/irf/2006/71443.htm>].

⁶⁴ [<http://www.uscirf.gov/countries/publications/currentreport/index.html>].

⁶⁵ See [<http://cpj.org/backsliders/index.html>].

Human Rights Watch later called the decree a “disgraceful assault on media freedom.”⁶⁶ Implementation of the ordinance has been halted.

“Disappeared” Persons. According to the U.S. State Department, there was an increase of politically motivated disappearances in Pakistan in 2006, with police and security forces holding prisoners incommunicado and refusing to provide information on their whereabouts, particularly in terrorism and national security cases. In November 2006, Pakistan’s Supreme Court ordered the government to disclose the whereabouts of 41 suspected security detainees who have “disappeared.” Human rights groups claim to have recorded more than 400 cases of such secret detentions since 2002. London-based Amnesty International has criticized Islamabad for human rights abuses related to its cooperation with the U.S.-led “war on terror,” including the arbitrary detention, enforced disappearance, and torture of hundreds of people. In 2005, New York-based Human Rights Watch released a list of 26 “ghost detainees” thought to be in U.S. custody, at least 16 of whom were arrested in Pakistan. The families of missing persons have increased their efforts to pressure the government on this issue.

Economic Issues

Overview. Pakistan is a poor country, but the national economy has gathered significant positive momentum in recent years, helped in large part by the government’s pro-growth policies and by post-2001 infusions of foreign aid. However, presently high rates of domestic inflation (near 8%) have many analysts concerned about the country’s macroeconomic stability, and some observers warn that the domestic capacity to sustain growth does not exist. According to the World Bank, nominal GDP per capita in 2006 was only \$771, but poverty rates have dropped from 34% to 24% over the past five years. Severe human losses and property damage from an October 2005 earthquake in northern Pakistan have had limited follow-on economic impact, given a large influx of foreign aid and the stimulus provided by reconstruction efforts. The long-term economic outlook for Pakistan is much improved since 2001, even as it remains clouded in a country still dependent on foreign lending and the importation of basic commodities. Substantial fiscal deficits and dependency on external aid have been chronic (public and external debt equal more than 80% of GDP), and counterbalance a major overhaul of the tax collection system and what have been major gains in the Karachi Stock Exchange, which nearly doubled in value as the world’s best performer in 2002 and is up more than 32% in the first half of 2007. Along with absolute development gains in recent years, Pakistan’s relative standing has also improved: The U.N. Development Program ranked Pakistan 134th out of 177 countries (between Laos and Bhutan) on its 2006 human development index, up from 144th in 2003.⁶⁷

Output from both the industrial and service sectors has grown substantially since 2002, but the agricultural sector continues to lag considerably (in part due to droughts), slowing overall growth. Agricultural labor accounts for nearly half of the

⁶⁶ See [<http://hrw.org/english/docs/2007/06/06/pakist16084.htm>].

⁶⁷ [<http://hdr.undp.org/hdr2006/pdfs/report/HDR06-complete.pdf>].

country's work force, but only about one-fifth of national income and 2% of tax revenue. Pakistan's real GDP grew by 7% in the fiscal year ending June 2007, driven by booming manufacturing and service sectors. Overall growth was up from the previous year and has averaged nearly 7% over the past five years. Expanding textile production and the government's pro-growth measures have most analysts foreseeing solid expansion ahead, with predictions at or above 6% for the next two years.

In June 2007, the Musharraf government unveiled a 1.6 trillion rupee (\$26.5 billion) federal budget plan for FY2007-FY2008 calling for a 22% boost in public development spending and a 10% jump in defense spending. Defense spending and interest on public debt together consume two-thirds of total revenues, thus squeezing out development expenditure. Pakistan stabilized its external debt at about \$33 billion by 2003, but this rose to nearly \$39 billion in 2005 and remains well above \$37 billion. Still, such debt is less than one-third of GDP today, down from more than one-half in 2000. The country's total liquid reserves reached \$13.7 billion by May 2007, an all-time high and a nearly five-fold increase since 1999. Foreign remittances have exceeded \$4 billion annually since 2003 (at around \$5.5 billion in FY2006-2007), up from slightly more than \$1 billion in 2001. High oil prices have driven inflationary pressures, resulting in a year-on-year consumer rate of 6.9% in April 2007. While inflation is expected to ease later in 2007, many analysts call it the single most important obstacle to future growth. Pakistan's resources and comparatively well-developed entrepreneurial skills may hold promise for more rapid economic growth and development in coming years. This is particularly true for the country's textile industry, which accounts for two-thirds of all exports (and up to 90% of exports to the United States). Analysts point to the pressing need to further broaden the country's tax base in order to provide increased revenue for investment in improved infrastructure, health, and education, all prerequisites for economic development.

Attempts at economic reform historically have floundered due to political instability. The Musharraf government has had notable successes in effecting macroeconomic reform. Rewards for participation in the post-September 2001 anti-terror coalition eased somewhat Pakistan's severe national debt situation, with many countries, including the United States, boosting bilateral assistance efforts and large amounts of external aid flowing into the country. According to the Asian Development Bank's *Outlook 2007*:

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

will the current account deficit. The medium-term outlook remains positive, but macroeconomic stability has to be maintained and structural issues addressed.⁶⁸

Trade and Investment. Pakistan's primary exports are cotton, textiles and apparel, rice, and leather products. The United States is by far Pakistan's leading export market, accounting for about one-quarter of the total. During 2006, total U.S. imports from Pakistan were worth nearly \$3.7 billion (up 13% over 2005). Almost 90% of this value came from purchases of textiles and apparel. U.S. exports to Pakistan during 2006 were worth about \$2 billion (up 60% over 2005). Civilian aircraft and associated equipment accounted for about 42% of this value; electricity generating machinery and textile fibers were other notable U.S. exports (2005 figures had been depressed as a result of completed delivery of aircraft in 2004).⁶⁹ Pakistan is the 54th largest export market for U.S. goods. According to the 2007 National Trade Estimate of the U.S. Trade Representative (USTR), Pakistan has made substantial progress in reducing import tariff schedules, though a number of trade barriers remain. While estimated trade losses due to copyright piracy in Pakistan were notably lower in 2005 and 2006, book piracy accounted for about half of the 2006 losses and remains a serious concern.⁷⁰ Pakistan also has been a world leader in the pirating of music CDs and has appeared on the USTR's "Special 301" Watch List for 17 consecutive years (in 2004, continuing violations caused the USTR to move Pakistan to the Priority Watch List; improved intellectual property rights protection saw it lowered back to the Watch List in 2006).⁷¹ From the USTR report:

The government of Pakistan continued to take noticeable steps during 2006 to improve copyright enforcement, especially with respect to optical disc piracy. Nevertheless, Pakistan does not provide adequate protection of all intellectual property. Book piracy, weak trademark enforcement, lack of data protection for proprietary pharmaceutical and agricultural chemical test data, and problems with Pakistan's pharmaceutical patent protection remain serious barriers to trade and investment.⁷²

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

⁶⁸ [<http://www.adb.org/Documents/Books/ADO/2007/PAK.asp>].

⁶⁹ [<http://www.census.gov/foreign-trade/statistics/country/index.html>].

⁷⁰ The International Intellectual Property Alliance, a coalition of U.S. copyright-based industries, estimated U.S. losses of \$100 million due to copyright piracy in Pakistan in 2006 ([<http://www.iipa.com/rbc/2007/2007SPEC301PAKISTAN.pdf>]).

⁷¹ [http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_NTE_Report/asset_upload_file797_9198.pdf] and [http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_Special_301_Review/asset_upload_file190_9339.pdf].

⁷² See [http://www.ustr.gov/Document_Library/Reports_Publications/2007/2007_Trade_Policy_Agenda/Section_Index.html]

According to Pakistan's Ministry of Finance, total foreign direct investment in Pakistan exceeded \$7 billion for the year ending June 2007 — an unprecedented amount doubling that of the previous year — but many investors remain wary of the country's uncertain security circumstances. About one-third of the value came from U.S.-based investors. Islamabad is eager to finalize a pending Bilateral Investment Treaty and reach a Free Trade Agreement with the United States, believing that its vital textile sector will be bolstered by duty-free access to the U.S. market. The establishment of Reconstruction Opportunity Zones that could facilitate development in Pakistan's poor tribal regions, an initiative of President Bush during his March 2006 visit to Pakistan, may require congressional action in 2007. The Heritage Foundation's *2007 Index of Economic Freedom* — which may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — again rated Pakistan's economy as being “mostly unfree” and ranked it 89th out of 157 countries. The index identified restrictive trade policies, a heavy fiscal burden, weak property ownership protections, and limited financial freedoms.⁷³ Corruption is another serious problem: in 2007, Berlin-based Transparency International placed Pakistan 142nd out of 163 countries in its annual ranking of world corruption levels.⁷⁴

U.S. Aid and Congressional Action

U.S. Assistance. A total of about \$15 billion in direct U.S. aid went to Pakistan from 1947 through 2006, including more than \$4 billion in military assistance. In June 2003, President Bush hosted President Musharraf at Camp David, Maryland, where he vowed to work with Congress on establishing a five-year, \$3 billion aid package for Pakistan. Annual installments of \$600 million each, split evenly between military and economic aid, began in FY2005.⁷⁵ When additional funds for development assistance, law enforcement, earthquake relief, and other programs are included, the non-food aid allocation for FY2006 was \$759 million (see **Table 1**). The Bush Administration's FY2007 request called for another \$739 million in aid to Pakistan, however, the House Appropriations Committee (H.Rept. 109-486) recommended reducing that amount by \$150 million, ostensibly for domestic budgetary reasons unrelated to Pakistan-U.S. relations. The Senate Appropriations Committee (S.Rept. 109-277) called for no such decreases, but did recommend shifting about \$94 million in requested economic support to development, health, education, and governance programs. Thus, while the total FY2007 allocation for Pakistan is yet to be determined, it may fall somewhere between \$585 million and \$740 million (see **Table 1, note a**).

Congress also has appropriated billions of dollars to reimburse Pakistan for its support of U.S.-led counterterrorism operations. As of mid-2007, a total of more than \$7 billion had been appropriated for FY2002-FY2007 Defense Department spending for coalition support payments to “Pakistan, Jordan, and other key cooperating nations.” Pentagon documents show that disbursements to Islamabad

⁷³ See [<http://www.heritage.org/research/features/index/country.cfm?id=Pakistan>].

⁷⁴ See [<http://www.transparency.org>].

⁷⁵ The Foreign Operations FY2005 Appropriations bill (P.L. 108-447) established a new base program of \$300 million for military assistance for Pakistan.

— at nearly \$5 billion or an average of more than \$80 million per month — account for the great majority of these funds. The amount is equal to more than one-quarter of Pakistan’s total military expenditures. The Defense Department Appropriations Act, 2007 (P.L. 109-289) allows that up to \$900 million in Pentagon funds be used for FY2007 reimbursements. The Bush Administration requested another \$1 billion in emergency supplemental coalition support funds for FY2007, however, the supplemental bill finally signed into law by the President in May 2007 (P.L. 110-28) allowed for only \$200 million in additional CSF appropriations. The Administration also has requested another \$1.7 billion in coalition support for FY2008.

Proliferation-Related Legislation. Through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan resulting from its nuclear weapons proliferation activities.⁷⁶ After the September 2001 terrorist attacks on the United States, policymakers searched for new means of providing assistance to Pakistan. President Bush’s issuance of a final determination that month removed remaining sanctions on Pakistan (and India) resulting from the 1998 nuclear tests, finding that restrictions were not in U.S. national security interests. Some Members of the 108th Congress urged reinstatement of proliferation-related sanctions in response to evidence of Pakistani assistance to third-party nuclear weapons programs. However, the Nuclear Black-Market Elimination Act (H.R. 4965) died in committee. Legislation in the 109th Congress included the Pakistan Proliferation Accountability Act of 2005 (H.R. 1553), which sought to prohibit the provision of military equipment to Pakistan unless the President can certify that Pakistan has verifiably halted all proliferation activities and is fully sharing with the United States all information relevant to the A.Q. Khan proliferation network. This bill also did not emerge from committee.

In the 110th Congress, the Implementing the 9/11 Commission Recommendations Act of 2007 (**H.R. 1**), passed by the House in January 2007, contains provisions that would 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.

Coup-Related Legislation. Pakistan’s October 1999 military coup triggered U.S. aid restrictions under Section 508 of the annual Foreign Assistance appropriations act. Post-September 2001 circumstances saw Congress take action on such restrictions. P.L. 107-57 (October 2001) waived coup-related sanctions on Pakistan through FY2002 and granted presidential authority to waive them through FY2003. A November 2003 emergency supplemental appropriations act (P.L. 108-106) extended the President’s waiver authority through FY2004. The foreign

⁷⁶ The Agricultural Export Relief Act of 1998 (P.L. 105-194) allowed U.S. wheat sales to Pakistan after July 1998. The India-Pakistan Relief Act of 1998 (in P.L. 105-277) authorized a one-year sanctions waiver exercised by President Clinton in November 1998. The Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority 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*, by Dianne Rennack.)

operations FY2006 appropriations bill (P.L. 109-102) extended it through FY2006. The House-passed Implementing the 9/11 Commission Recommendations Act of 2007 (**H.R. 1**) would provide a two-year extension through FY2008. President Bush has exercised this waiver authority annually.

Other Legislation. In the 108th Congress, conference managers making foreign operations appropriations directed the Secretary of State to report to Congress on Pakistan's education reform strategy and the U.S. strategy to provide relevant assistance (H.Rept. 108-792; see CRS Report RS22009, *Education Reform in Pakistan*). Also in the 108th Congress, the House-passed Foreign Relations Authorization Act, FY2004-2005 (H.R. 1950) would have required the President to report to Congress on Pakistani actions related to terrorism and WMD proliferation. The Senate did not take action on this bill. The House-passed version of the Intelligence Authorization Act, FY2005 contained similar reporting requirements; this section was removed in the Senate. In the 109th Congress, the Targeting Terrorists More Effectively Act of 2005 (S. 12) and the Real Security Act of 2006 (S. 3875) contained Pakistan-specific language; both died in committee.

In the 110th Congress, the National Defense Authorization Act for FY2008 (**H.R. 1585**), passed by the full House in May 2007, includes a provision to expand programs to build the capacity of Pakistan's counterterrorism security forces. A Senate version (**S. 1548**), introduced in early June, contains no such provision, but would halt coalition support reimbursements to Pakistan unless the President certifies that Islamabad "is making substantial and sustained efforts to eliminate safe havens for the Taliban, Al Qaeda, and other violent extremists in areas under its sovereign control" The Senate bill also would require the President to report to Congress a description of a long-term U.S. strategy for engaging with Islamabad on the problems of cross-border infiltration of militants into Afghanistan and safe havens enjoyed by such militants in Pakistan.

S.Res. 99, expressing the sense of the Senate that U.S. military assistance to Pakistan should be guided by demonstrable progress by the government of Pakistan in achieving certain objectives related to counterterrorism and democratic reforms, was introduced in the Senate in March 2007, but has not moved out of committee. In early June, the Afghanistan Freedom and Security Support Act of 2007 (**H.R. 2446**) was passed by the full House. The bill contains provisions that would require the President to report to Congress on implementation of policies to encourage greater Pakistan-Arab country reconstruction assistance to Afghanistan and on Pakistan-Afghanistan cooperation; authorize the President to appoint a new special envoy to promote closer Pakistan-Afghanistan cooperation; and require the President to report to Congress on actions taken by Pakistan to permit or impede transit of Indian reconstruction materials to Afghanistan across Pakistani territory.

9/11 Commission Recommendations. *The 9/11 Commission Report*, released in July 2004, identified the government of President Musharraf as the best hope for stability in Pakistan and Afghanistan, and it recommended that the United States make a long-term commitment to provide comprehensive support for Islamabad so long as Pakistan itself is committed to combating extremism and to a policy of "enlightened moderation." In the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), Congress broadly endorsed this

recommendation by calling for U.S. aid to Pakistan to be sustained at a minimum of FY2005 levels and requiring the President to report to Congress a description of long-term U.S. strategy to engage with and support Pakistan. A November 2005 follow-on report by Commissioners gave a “C” grade to U.S. efforts to support Pakistan’s anti-extremism policies and warned that the country “remains a sanctuary and training ground for terrorists.” In the 109th Congress, H.R. 5017 and S. 3456 sought to insure implementation of the recommendations of the 9/11 Commission. The bills contained Pakistan-specific language, but neither emerged from committee.

A new Democratic majority took up the issue again in 2007. The premiere House resolution of the 110th Congress (**H.R. 1**, the Implementing the 9/11 Commission Recommendations Act of 2007) was passed in January containing discussion of U.S. policy toward Pakistan, including a requirement that the President report to Congress a long-term U.S. strategy for engaging Pakistan and a statement of policy linking increases in U.S. foreign assistance to Pakistan to the Islamabad government’s demonstrated commitment to democratization. The bill also includes a provision that would end U.S. military assistance and arms sales licensing to Pakistan in FY2008 unless the President certifies that the Islamabad government is “making all possible efforts” to end Taliban activities on Pakistani soil. The Bush Administration opposes this provision on the grounds that it would be counterproductive to the goal of closer U.S.-Pakistan relations. A Senate version (**S. 4**) was passed in March, but contains no Pakistan-specific language.

Selected Pakistan-Related Legislation in the 110th Congress

H.R. 2206: The U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (became P.L. 110-28 on May 27, 2007)

- Provides up to \$200 million in further coalition support payments to “Pakistan, Jordan, and other key cooperating nations” in FY2007.
- Provides up to \$60 million in counterdrug funds for Pakistan and Afghanistan in FY2007.
- Allows that up to \$110 million in Pentagon funds may be used for Economic Support Funds (ESF) for development projects in Pakistan’s tribal areas in FY2007.
- Withholds all FY2007 supplemental ESF for Pakistan until the Secretary of State submits to Congress a report on the oversight mechanisms, performance benchmarks, and implementation processes for such funds.
- Earmarks \$5 million in FY2007 ESF for the Human Rights and Democracy Fund of the Bureau of Democracy, Human Rights, and Labor, Department of State, for political party development and election observation programs in Pakistan.

H.R. 1: The Implementing the 9/11 Commission Recommendations Act of 2007 (passed by the full House on January 9, 2007)

- Would end U.S. military assistance and arms sales licensing to Pakistan in FY2008 unless the President certifies that the Islamabad government is “making all possible efforts” to end Taliban activities on Pakistani soil.
- Would require the President report to Congress a long-term U.S. strategy for engaging Pakistan and a statement of policy linking increases in U.S. foreign assistance to Pakistan to the Islamabad government’s demonstrated commitment to democratization.
- Would 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.
- Would provide an extension of the President’s authority to waive coup-related sanctions through FY2008.

H.R. 1585: The National Defense Authorization Act for FY2008 (passed by the full House on May 17, 2007)

- Would expand programs to build the capacity of Pakistan’s counterterrorism security forces.

H.R. 2446: The Afghanistan Freedom and Security Support Act of 2007 (passed by the full House on June 6, 2007)

- Would require the President to report to Congress on implementation of policies to encourage greater Pakistan-Arab country reconstruction assistance to Afghanistan and on Pakistan-Afghanistan cooperation.
- Would authorize the President to appoint a new special envoy to promote closer Pakistan-Afghanistan cooperation.
- Would require the President to report to Congress on actions taken by Pakistan to permit or impede transit of Indian reconstruction materials to Afghanistan across Pakistani territory.

H.R. 2764: The Department of State, Foreign Operations and Related Programs Appropriations Act, 2008 (passed by the full House on June 22, 2007)

- Would earmark an additional \$75 million in aid to Pakistani education reform programs by shifting an identical amount from ESF budgetary support.
- Would provide an extension of the President’s authority to waive coup-related sanctions through FY2008.

S. 1548: The Department of Defense Authorization Act for Fiscal Year 2008 (introduced on June 5, 2007)

- Would require the President to report to Congress a description of a long-term U.S. strategy for engaging with Islamabad on the problems of cross-border infiltration of militants into Afghanistan and safe havens enjoyed by such militants in Pakistan.

- Would halt coalition support reimbursements to Pakistan unless the President certifies that Islamabad “is making substantial and sustained efforts to eliminate safe havens for the Taliban, Al Qaeda, and other violent extremists in areas under its sovereign control”

S.Res. 99 (introduced on March 7, 2007)

- Would express the sense of the Senate that U.S. military assistance to Pakistan should be guided by demonstrable progress by the government of Pakistan in achieving certain objectives related to counterterrorism and democratic reforms.

Table 1. Overt U.S. Assistance to Pakistan, FY2001-FY2008
(in millions of dollars)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total FY2002-FY2006	FY 2007^a	FY 2008 (req.)
Economic Support Funds	—	624.5	188.0 ^b	200.0 ^b	297.6	296.6	1,606.7	^a	382.9
Other Development Aid ^c	—	40.0	50.1	75.0	50.0	119.8	334.9	^a	57.8
Total Economic Aid	—	664.5	238.1	275.0	347.6	416.4	1,941.6	^a	440.7
Foreign Military Financing	—	75.0	224.5	74.6	298.8	297.0	969.9	^a	300.0
Other Security-Related Aid ^d	3.5	101.5 ^e	32.0	37.8	42.0	45.6	258.9	^a	44.0
Total Security-Related Aid	3.5	176.5	256.5	112.4	340.8	342.6	1,228.8	^a	344.0
Coalition Support Funds	—	1,169.1 ^f	1,246.6	705.3	963.8	844.9	4,929.7	^g	^g
Total Non-Food Aid Plus Coalition Support Funds	3.5	2,010.1	1,741.2	1,092.7	1,652.2	1,603.9	8,100.1	^a	785.0
Food Aid ^h	87.5	90.8	18.7	24.0	18.0	17.7	169.2	—	—
Grand Total	91.0	2,100.9	1,759.9	1,116.7	1,670.2	1,621.6	8,269.3	^a	785.0

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

Notes:

- a. FY2007 appropriations come under the Continuing Appropriations Resolution (P.L. 109-289 as amended). Estimated country allocations are expected later in 2007. In passing the Foreign Operations Appropriations Act, 2007, the House Appropriations Committee (H.Rept. 109-486) recommended reducing ESF by \$50 million and FMF by \$100 million from the previous year's levels, ostensibly for domestic budgetary reasons unrelated to Pakistan-U.S. relations. The Senate Appropriations Committee (S.Rept. 109-277) called for no decreases, but recommended shifting about \$94 million in ESF to CSF, DA, and democracy and governance programs.
- b. Congress authorized Pakistan to use the FY2003 ESF allocation to cancel \$988 million and the FY2004 allocation to cancel \$495 million in concessional debt to the U.S. government.
- c. Includes Child Survival and Health; Development Assistance; Emergency Refugee and Migration Assistance; and International Disaster and Famine Assistance.
- d. Includes International Military Education and Training; International Narcotics Control and Law Enforcement; and Nonproliferation, Anti-Terrorism, Demining and Related.
- e. Includes \$73 million for border security projects that continued in FY2003.

- f. Includes \$220 million in Peacekeeping Operations Emergency Response Funds reported by the State Department.
- g. The Bush Administration requested \$1 billion in further CSF funds for “Pakistan, Jordan, and other key cooperating nations” in FY2007; Congress appropriated only \$200 million for such purposes (P.L. 110-28). The Administration has requested \$1.7 billion in further CSF funds in FY2008.
- h. 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.