

A DECADE OF THE US AID TO PAKISTAN (1993-2003)

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CERTIFICATE

Certified that dissertation entitled "A DECADE OF THE US AID TO PAKISTAN (1993-2003)", submitted by **VRINDA PRABHAT** in partial fulfillment of the requirement for the award of the degree of **MASTER OF PHILOSOPHY** has not been previously submitted for any other degree of this or any other university and is ^{her} own work.

We recommend that this dissertation may be placed before the examiners for evaluation.

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Supervisor

**DEDICATED TO MY LATE
GRANDPARENTS,**

Dr. PS NIGAM AND Mrs. NIRMALA NIGAM.

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New Delhi,
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Vrinda Prabhat

CHAPTER-1

INTRODUCTION : THE US AID TO PAKISTAN

Foreign Aid has been a major instrument of US foreign policy since the end of the II world war. Over the years US foreign economic aid had been in the form of loans, grants, economic support fund, development assistance and food for peace programs. From 1946-1993, loans and grants were provided to European countries, African countries and some Asian countries on the basis of American interest which amounted to \$282 billions.¹ Most foreign aid (military as well as economic) was “tied” to purchases of goods and services in the United States, helping to generate economic activity at home while also boosting trade and economic prospects in recipient countries.

There are two competing views in international politics, which explain the reason as to why foreign aid is given. For the Realists, development aid (foreign aid designed to assist socioeconomic development) is a tool used by states to help maintain the status quo of the international system which favor them. Rich countries provide aid because doing so improves the donors' positions in the world economy. Rich states help poor states if they conform to the norms and rules of international behavior set by the rich, powerful states. From the perspective of political realism, then, foreign aid is an instrument of policy that fosters the donor country's foreign policy interests.

Idealists, on the other hand, recognize the political and security concerns of donor countries but do not view these concerns as the only determinants of interstate relations. For them, humanitarian concerns are more important than geostrategic considerations. Rich states provide development aid because they can afford it, according to this paradigm. Development assistance benefits both donors and recipients because it promotes international stability and provides greater opportunities for economic growth and prosperity.

¹ Sarah J. Tisch and, Michael B. Wallace, *Dilemma of Development Assistance* (Boulder,CO: Westview Press, 1994)

In practice, America's foreign aid programs are a mixture of the realist and idealist assumptions and motivations. Military assistance is an obvious manifestation of the security interest central to realist thinking, but even the economic assistance programme blends these concerns with idealistic humanitarian motives.

The Agency for International Development (AID) is responsible for administering US economic assistance programs. The aid it provides falls into three main categories: development assistance, economic support funds, and Food for Peace. Additional support is provided through subscriptions to multilateral lending agencies, such as the IMF, the World Bank and the International Development Association, the so called 'soft loan window' of the World Bank.

Economic support funds are dollars granted to countries of special political significance to the US. The resources serve several security and political interests: 'enhancing political stability, promoting economic reforms important to long term development, promoting economic stabilization through budget and balance of payments support, and assisting countries that allow the US to maintain military bases on their soil.

Development assistance provides grants and loans to support social and economic development. Aid is typically provided through specific projects and devoted to particular functions, like health, education, agriculture, and rural development. Disaster relief assistance often falls under the rubric of development assistance. While economic support funds seek to advance short term political objectives, development assistance is focused on the long term development objectives of American foreign policy, but the two are often interrelated.

Food aid is provided through the Food for peace program, perhaps more widely known as PL (public law) 480 in reference to the Agricultural Trade Development and Assistance Act of 1954, which created it. The objectives are to expand exports of US agricultural commodities, to combat hunger and malnutrition, to encourage economic development and promote the foreign policy interests of the US. The program, in which

the Department of Agriculture now plays a major role, sells agricultural commodities on credit terms and makes grants for emergency relief, for promoting economic development, or for assisting voluntary relief agencies.

Thus the US Annual assistance is reported by program categories. The major programs include Economic Assistance, Military Assistance and Other U.S. Government Loans. The three major categories can be further broken down and are shown in the following table:

| Economic Assistance | Military Assistance | Other U.S. Government Loans |
|--|--|--|
| USAID Loans and Grants | Military Assistance Program (MAP) Grants | Export-Import Bank Loans |
| Food for Peace (PL 480, Titles I II & III) and Section 416 | Foreign Military Sales (FMS) Credits | CCC Export Sales Program |
| Peace Corps | Transfers from Excess Defense Stocks | OPIC Direct Loans |
| International Narcotics Control | Int'l Military Education & Training (IMET) Program | PL 480, Title I Private Trade Agreements |
| Contributions to International Financial Institutions | Other Military Programs | |
| Other Economic Programs | | |

Economic Assistance:

U.S. Agency for International Development (USAID). Data cover loan and grant commitments for development assistance (DA) made by USAID and its predecessor agencies. Commitments include loan authorizations and grants.

Food for Peace:

Loans and grants under the P.L.480 - Agricultural Trade Development and Assistance Act of 1954 as amended:

Title I - Sales Agreements.

Sales on credit terms "repayable in U.S. dollars" are shown in total as loans, excluding any initial down payments in dollars which have been specified in some sales agreements. The data exclude any private trade agreements financed under the Act.

Title II - Food Aid and Section 416 Program, Emergency Programs.

This part of Title II authorizes funds for the transfer of agricultural commodities by the Commodity Credit Corporation (CCC) to meet famine or other urgent or extraordinary relief requirements or to promote economic development. Included is the value of USG commodity donations to the World Food Program (WFP) which the United Nations administers with food and financial support from the US and other donor nations.

Title III - Food for Development Program.

The Title III grant Food for Development Program authorizes funds for the transfer of agricultural commodities by the Commodity Credit Corporation (CCC) to eligible "least developed" countries under certain conditions and for specific development purposes.

Other Economic Assistance:

Loans included in this category are loans authorized by the Inter-American Development Bank from the Social Progress Trust Fund (SPTF), which the IDB administers for the United States and minor amounts of technical assistance grants from the Trust Fund.

Grants: These include Contributions to International Financial Institution's- – The World Bank and the regional development banks.

Multilateral lending agencies also provide a conduit for assistance to other countries. Since the 1970s the US has relegated large infrastructure projects (basic facilities and systems like roads and regional irrigation systems) to multilateral institutions. It has looked to them to provide much of the aid now given to Russia and

some newly Independent States. A major advantage of multilaterally directed aid is that the US does not have to take sole responsibility for setting the tough economic criteria, the recipient nations must meet to qualify for multilateral support.

Military Assistance:

Military Assistance Program (MAP) Grants: represents primarily grants of military equipment, supplies and services purchased with funds appropriated under the Military Assistance Program (MAP).

Foreign Military Credit Financing: The "Credit" data through FY 1968 represent credit financing under the MAP program, including loans guaranteed by the Department of Defense, but provided through the Export-Import Bank.

Export-Import Bank Loans. The Export-Import Bank facilitates U.S. exports, primarily capital equipment, with loans to foreign buyers as well as with credit insurance and guarantees against certain commercial and political risks of loans extended by others. While some of these Export-Import Bank-assisted exports may have a developmental effect in the country of the buyer (most transactions are with foreign private sector entities), terms and conditions preclude classification as Official Development Assistance.²

US Economic Aid: A brief Historical Sketch

The major peacetime effort to utilize foreign aid as an instrument of foreign policy was the Marshall Plan, formerly known as the European Recovery Program. Directed towards war-ravaged West European countries, the Marshall Plan used American capital to rebuild the economic, social and political infrastructures of European societies in the hopes of rebuilding a market for American products and enhancing Europe's ability to resist communist subversion. Later, after the outbreak of the Korean

² U.S. Overseas Loans & Grants : USAID Greenbook (Washington DC: 2002)

War, the emphasis shifted from recovery to containment and also from Europe to Asia. The Mutual Security Act became the governing legislation for foreign aid in 1953. The title alone conveyed the overriding concern of the US in the post – Marshall Plan period.

By the 1960s it was apparent that economic and social progress was the dominant concern of many of the newly emerging nations of the third world- not the Cold War that had been the primary motivating force behind aid to that point. The Foreign Assistance Act, which replaced the Mutual Security Act in 1961, created AID as the administering agency for economic assistance. Development capital and technical assistance were now given greater emphasis than defense support aid, and the Alliance for Progress was launched in an attack on incipient revolution and communism in the Western Hemisphere.

Even as political development doctrines emerged to explain why foreign aid was in the US' long term interest, Cold War considerations – including the Vietnam War – continued to dominate the actual allocation of foreign economic aid during the 1960s. By the end of the decade 70 percent of all US economic aid was directed to Asia and the Near East.

Official thinking about foreign aid took a new direction with the end of the Vietnam War, as attention now focused on alleviating the deprivation in which hundreds of millions of people live throughout the world. Development assistance shifted from social infrastructure projects to programs designed to meet basic human needs.

The major foreign aid thrust returned to a sharper focus on American security interests with the election of Ronald Reagan in 1980. Basic human needs, funded with development assistance, took a back seat to the use of economic support funds for short term political gains, notably political stability and the promotion of macroeconomic reform. Underlying the shift was the belief that the welfare orientation of the basic human needs approach 'had not directly stimulated broader base, sustainable economic growth'. Meanwhile, states like Pakistan, El Salvador and Guatemala, who found themselves on

the front line of the Reagan Doctrine, received large infusions of ESF aid. Pakistan's case was a bit troublesome, as the Symington amendment to the Foreign Assistance Act in the late 1970s prohibited further aid to that nation as long as it pursued the nuclear weapons program. The Reagan administration sidestepped the prohibition using a common practice: it 'certified' there was no evidence that Pakistan was pursuing the development of nuclear weapons. Once the covert war against Russian forces in Afghanistan ended, the Bush administration dropped the certification and aid to Pakistan ended. The Reagan administration also sought to link US foreign aid allocations to the voting behaviour of Third World nations in the UN. Similarly, strategic considerations motivated its ambitious Caribbean Basin Initiative.³

Military Assistance:

Foreign military aid, like its economic counterpart, is now a standard instrument of American foreign policy. In this case however, political realism, with its focus on power and the national interest, is the dominant underlying rationale. Beginning with the Korean War, grants of military aid to other countries became an essential element of Cold War defense and security planning was used as a tool to pursue several national security and foreign policy goals. Historically, the Military Assistance Program (MAP) served as the mechanism for transferring US defense articles, services and training to other countries. The assistance took the forms of grants, requiring no repayment on the part of recipients.

The containment policy provided a rationale for military aid to others, justified by the argument that it augmented the capabilities of US allies to resist Soviet – backed expansionism. The NATO and SEATO (Southeast Asia Treaty Organization) alliances thus received special attention, as did those with bilateral defensive arrangements with

³ Stanley A. Weiss, 'As in the Cold War, the West Can Win in the End' in *International Herald Tribune* October 19, 2001

the US, like Taiwan, Philippines and Japan.⁴ Military aid was also used for the 'rental' of base rights in places like Spain and for landing rights for ships and planes elsewhere.

Between 1966 and 1975 the aid program increasingly targeted not only 'allies' but also 'friends', as developing nations in the then Third World commanded greater attention than the more self reliant Western European nations. By the end of 1975, Cambodia, Laos, South Korea and Taiwan, all bordering directly on the communist world and bound to the United States in defensive arrangements, more than doubled their military aid receipts.

The Vietnam imbroglio made policymakers and critics alike wonder how the United States had become so deeply caught up in that seeming quagmire. Critics argued that US foreign aid programs played a role by involving the US in countries in which it initially had little interest. According to this reasoning, 'foreign aid is the 'slippery slope' that leads eventually to an over extension of commitments and to a greater likelihood of military involvement'. In a related concern, critics worried that US programs might have contributed to the maintenance of authoritarian regimes throughout the world. In the mid 1970s, for example, more than half of the recipients of US arms were dictatorships.⁴

Some analysts concluded that regardless of the intentions of American military aid programs, the consequences included an increased probability of military groups in recipient countries intervening in the politics of those nations. As the flow of military aid in the form of money, equipment, and the training increased, the likelihood that recipients would experience political instability in the form of military coups also increased. In short, then it appeared that US military assistance was a 'contributing factor in undermining civilian elements and increasing the evidence of praetorianism in the less developed area of the world.

⁴ Sarah J. Tisch and, Michael B. Wallace, *Dilemma of Development Assistance* (Boulder, CO: Westview Press, 1994)

US Aid to Pakistan: Cold war period

The long and checkered U.S.-Pakistan relationship has its roots in the Cold War and South Asia regional politics of the 1950s. The US had geopolitical interests in Pakistan in the context of containing communism and Soviet Union. Pakistan on its own part in order to contain the Indian threat to its security was able to bargain with the US on the nature of foreign aid. The foreign policy of Pakistan, from the very inception of the country over more than half a century ago, was driven by the quest for security. Pakistan's geographical location and historic legacy confronted the country with a grave threat to its security and territorial integrity. The Kashmir dispute, bequeathed by British colonial rule, and a real or imagined fear of India's hegemonic ambitions placed Pakistan in a perpetual state of confrontation with New Delhi. To make matters worse, India's relations with the then Soviet Union, a power with expansionist designs in the region, compounded Pakistan's security dilemma.

The partnership between Pakistan and the US can therefore be described as a strategic necessity during the Cold War. Hence Pakistan got from US from 1948 onwards-major military aid compared to economic assistance. The quantum of military assistance increased when Pakistan joined the US formulated alliance systems to contain communism and Soviet Union. It may be noted here that US and Pakistan do not have a bilateral alliance treaty but have concluded an executive agreement in 1954 providing mutual defense assistance. By late 1955, Pakistan had further aligned itself with the West by joining two regional defense pacts, the South East Asia Treaty Organization (SEATO) and the Baghdad Pact (later Central Treaty Organization, CENTO).

Amid concerns about Soviet expansion, the US and Pakistan signed a mutual defense agreement, whereby the military aid to Pakistan between 1953 and 1961 totaled \$508 million. The economic help for the year 1954 totaled \$105.9 million, which included \$75.6 million in commodity assistance, \$5.3 million in technical assistance, and \$25 million in defense support that could be used for economic development purposes.

Pakistan had no hesitations about taking sides in the Cold War in return for military and economic assistance.⁵

The American foreign aid to Pakistan was constrained by the state of India - Pakistan peace and conflict situations. In 1948, 1965, 1971, the Indo- Pak conflicts resulted in the US stopping foreign aid to Pakistan and India. US aid to Pakistan was also determined by the US non -proliferation objectives in South Asia. As early as 1954, the US announced a program of 'Atom Of Peace' whereby, the US assisted countries in peaceful use of nuclear energy. The other core policy objective was to ensure that the nuclear energy is not diverted for nuclear weapon programs.

The Kennedy administration imposed a sanction against Pakistan in 1963, postponing indefinitely a \$4.3 million AID loan to build a new airport at Dacca, from which Pakistan International Air Lines planned to fly to China. By 1965, the US was providing \$400 million in assistance annually to Pakistan - \$200 million in economic assistance, \$160 million in food aid, and \$40 million in military assistance. This amounted to half of the foreign assistance that Pakistan was receiving. Indeed, US assistance had become indispensable in keeping the Pakistan's economy afloat. In 1966, President Johnson approved \$140 million of commodity aid and the negotiation of a food aid program.⁶

United States-Pakistan relations preceding the 1971 war were characterized by poor communication and much confusion. The administration of President Richard M. Nixon was forced to formulate a public stance on the brutal crackdown on East Pakistanis by West Pakistani troops that began in March 25, 1971, and it maintained that the crackdown was essentially an internal affair of Pakistan in which direct intervention of outside powers was to be avoided. The Nixon administration expressed its concern about

⁵ Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001, p 156

⁶ Ibid, p 170

human rights violations to Pakistan and restricted the flow of assistance--yet it stopped short of an open condemnation.⁷

Soon after the Indo-Pak conflict of 1971, Sino-Pak nuclear cooperation was initiated and the process was accelerated after Indian nuclear tests in 1974. Since India and Pakistan had not signed the NPT, the US wanted to strengthen nuclear non-proliferation regime, especially to monitor and suffocate any Indian and Pakistani nuclear weapon programme. Indeed with such an objective the US Congress passed the Nuclear Non Proliferation Act in 1977.

Besides, Congress also adopted the Glenn Amendment to the Foreign Assistance Act of 1961. This amendment prohibited U.S. assistance to any non-nuclear weapon state (as defined by the Non-Proliferation Treaty) that conducts a nuclear explosion.⁸ The Symington and Glenn amendments did not apply retroactively to India or Pakistan. In 1979, President Carter imposed unilateral military and economic sanctions against Pakistan after discovering that Islamabad was secretly constructing a facility in Kahuta to enrich uranium, which was in violation of the Symington amendment. These sanctions did not stop grants and loans from international financial institutions. The sanctions were waived later in the year, despite evidence that Pakistan was pursuing a nuclear weapons program.

US found Pakistan's strategic importance once again when the second round of the Cold war started in 1979, as a result of the Soviet military intervention in Afghanistan. The Carter administration promptly muted its criticism of the Zia regime's human rights record, reiterated the 1959 security guarantee, and offered a new package of military aid totaling some \$400 million.

⁷ For more details, see <http://countrystudies.us/pakistan/87.htm>, accessed on 20 February 2004

⁸ Henry Kissinger, *White House Years* (Boston: Little, Brown and Company, 1979), pp. 842-918.

Initially, however, the Carter administration's offer of US\$400 million in economic and military aid to Pakistan was spurned by Zia, who termed it "peanuts." Under President Ronald Reagan, the United States agreed in 1981 to provide US\$3.2 billion to Pakistan over a period of six years, equally divided between economic and military assistance. However, although the Symington Amendment was waived, the amount was subject to the annual appropriation process. A second economic and military assistance program was announced in 1986, this time for over US\$4.0 billion, with 57 percent for economic assistance.

The Reagan administration used Afghanistan as a testing ground for the so-called Reagan Doctrine of providing aid to anti-Soviet insurgents in the Third World. Washington viewed Pakistan both as a bulwark in its own right against Soviet expansion and as an important component of American policy toward Afghanistan.⁹

Presidential waivers continued to allow the U.S. to provide economic and military assistance to Pakistan from 1982-1990, in part as a reward for Pakistan's anti-Soviet efforts in Afghanistan. Washington was providing Islamabad with \$600 million a year in military and economic assistance.

Congress adopted the Pressler Amendment in 1985 to the Foreign Assistance Act of 1961, which banned most economic and military assistance to Pakistan unless the President certified on an annual basis that Pakistan did not possess a nuclear device. Such certificates were provided by President Reagan.

Pressler Amendment sanctions were finally imposed against Pakistan in 1990, when it lost strategic significance following the Soviet withdrawal from Afghanistan and collapse of the Berlin wall ending the Cold war. The \$564 million economic and military aid program approved for the year 1991 was frozen.

⁹ For more details see <http://www.cato.org/pubs/pas/pa080cs.html> accessed on 22 February 2004

Under the MTCR, the US imposed sanctions against Pakistan and China in 1991 when it got an indication that the latter was supplying medium range mobile M- 11 missile launchers to Pakistan.

Economic aid

During the 1950s, The United States provided funds and materials for infrastructure, technical support to ease skill shortages, and food. In 1953, under the Eisenhower administration the Congress approved food aid legislation. This assistance laid the foundation for Pakistan's future agricultural and industrial growth.¹⁰

In 1959, the US agreed to provide half of the \$1 billion needed for new construction projects envisaged under the Indus waters accord. Again in 1961, under the Johnson administration, the US pledged \$150 million of economic assistance to Pakistan. The level of pledges increased dramatically in 1961 (under President Kennedy) to \$945 million.

During the 1960s, the United States supported Pakistan's efforts to boost agriculture and rapidly expand its industrial sector. The United States invested heavily in water, power, transportation, and communications. At its height, during the first half of the 1960s, U.S. assistance was more than half of all foreign aid to Pakistan, covering one-third of Pakistan's development budget and financing half its import bill.

During the 1970s, in addition to helping it increase its own production of fertilizer, U.S. assistance helped Pakistan import fertilizer and improve its water and irrigation systems. USAID worked with Pakistani agricultural scientists and engineers to

¹⁰ For more details see, History of USAID http://www.usaid.gov/pk/about_us/history_of_USAID.shtml accessed on 10 March 2004

develop water and irrigation systems on farms. Under President Nixon, a \$30 million commodity aid agreement was signed in 1972.¹¹ A long-term loan for industry raw materials worth \$60 million, spare parts and the full resumption of economic assistance was announced later in the year.¹² As the single largest donor (\$712 million, or 31 percent of all contributions) to the Indus Basin Development project, the United States played a leading role in the construction of the Mangle and Tarbela dams.

To help meet an unexpected requirement for food imports caused by unusually severe floods in the Indus River valley, the Nixon administration agreed to provide Pakistan with 100,000 tonnes of wheat worth \$24 million, to grant an \$18 million AID loan and to give a further \$40-\$50 million rehabilitation loan, in addition to providing other food commodities.¹³ In the same period, the U.S. also supported nutrition research, malaria control, population planning, and health care for rural areas.

The USAID helped introduce high yield food grain varieties (the “green revolution”) that helped make Pakistan self-sufficient in wheat and one of the world’s leading exporters of rice. USAID also played an important role in bringing about the widespread use of fertilizers.¹⁴

Under President Ford, Washington agreed to provide 400,000 tonnes of wheat, worth about \$65 million, and \$78 million of development loans. Although still substantial, US economic aid was becoming relatively less significant for the Pakistani economy. Pakistan’s oil producing friends such as Saudi Arabia and Iran promised some \$400 million in economic and financial assistance.¹⁵

¹¹ James P. Sterba, ‘US will Resume Aid to Pakistan’, *New York Times*, June 20, 1972

¹² ‘Pakistan: Bhutto’s Problems’, *New York Times*, February 13, 1972

¹³ Kux, N 5.P. 209

¹⁴ For more details see, History of USAID http://www.usaid.gov/pk/about_us/history_of_USAID.shtml accessed on 10 March 2004

¹⁵ Kux, N 5. P. 218

US Economic aid from 1982 – 1987

To help meet pressing needs in less developed parts of the country, USAID funded several region-specific “area development” projects at the government’s request.

About 70 percent of the funds were used to buy fertilizer, edible oils, and heavy machinery and equipment. Much of the assistance directly funded local costs, including constructing and improving canals and waterways. Another portion was used for training. Finally, about 11 percent of the funds went to Pakistani contractors for technical assistance.

About 55 percent of the 1982-87 programs were pure grant, and the remainder consisted of soft loans, or loans with generous repayment terms. Given the generosity of the terms of these loans and the high percentage of grants throughout that period, U.S. assistance was the most concessional of any major donor. The economic assistance program planned for 1988-1993 had even more generous terms.¹⁶

ENERGY

From 1982-1987, about one-fourth of U.S. economic assistance went to Pakistan’s energy sector.

- USAID, together with the Water and Power Development Authority (WAPDA) and the Asian Development Bank (ADB), built a new 900 megawatt power plant at Guddu in upper Sindh.
- USAID worked with WAPDA to improve the efficiency of its new power distribution wing, including a \$6 million computer system for planning and design and training for more than 30,000 WAPDA personnel.
- USAID helped establish a geodata center at the Geological Survey of Pakistan and

¹⁶ For more details see, History of USAID http://www.usaid.gov/pk/about_us/history_of_USAID.shtml, accessed on 11 March 2004

provided an additional \$3.3 million for coal-related equipment for the Pakistan Hydrocarbon Institute in Islamabad and Karachi and \$4.5 million to the Fuel Research Center at the Pakistan Council of Scientific and Industrial Research laboratories in Karachi.

- From 1982-87, USAID assisted Pakistan in improving 4000 kilometers of canals and waterways throughout the country, upgrading irrigation workshops in the provinces and introducing computer-aided design techniques. More than \$50 million in computers, vehicles, heavy machinery, and other equipment was provided.
- To improve water management on farms, 1,319 waterways were renovated, 75,000 acres of land leveled, and training centers and demonstration farms established in all four provinces.¹⁷

US Aid to Pakistan (1953-1992) In US \$ Million

| Year | Military | Economic | Total |
|------|----------|----------|-------|
| 1953 | | | 508 |
| 1954 | | | 508 |
| 1959 | | 100 | |
| 1961 | 759 | 150 | 945 |
| 1965 | 200 | 200 | 400 |
| 1975 | | 143 | |
| 1984 | 300.3 | 307.4 | 608.1 |
| 1985 | 326 | 339.2 | 665.2 |
| 1986 | 312 | 356.4 | 668.4 |
| 1987 | 313.6 | 351.5 | 665.2 |
| 1990 | 229.9 | 357.3 | 587.2 |
| 1991 | - | 101.2 | 101.2 |
| 1992 | - | 18.8 | 18.8 |

¹⁷ For more details see, History of USAID http://www.usaid.gov/pk/about_us/history_of_USAID.shtml
 US Agency for International Development, Overseas Loans and Grants, Obligations and Loans Authorizations, Series of yearly data.

Us Aid In The Post Cold War Period

The Clinton administration's foreign policy priorities began to emerge in late 1993 as it advanced enlargement as an alternative to containment. In the post Cold war period humanitarian agenda towards the poorest nations became important. The administration proposed to replace the decades old foreign assistance act with new legislation that would emphasize six goals designed to realize the administration's program of enlargement: promoting a sustainable development, democracy, peace, humanitarian assistance, growth through trade and investment and advancing diplomacy.

Foreign aid's role in post Cold war American foreign policy eventually became part of a larger issue: How much to spend on foreign affairs compared with domestic priorities and why. President Clinton was more concerned about issues such as environmental degradation, poverty, disease etc. Prevention thus became a rationale for continued US involvement in the Global South – with foreign aid a primary modality. Humanitarian assistance became a major US foreign policy objective.

Clinton administration was determined to promote democracy abroad and solidify the political power of democratic forces within recipient societies. The objective of US security assistance in the post Cold war period thus became: providing support for emerging democracies while defending existing democratic institutions and values in other countries.

Bill Clinton, put high priority on checking the proliferation of Weapons of Mass Destruction (WMD). The 1993 Pentagon report on the post cold war security challenges. 'The Bottom Up Review', suggested a counter proliferation strategy, 'to deter, prevent, or defend against the use of WMD'.¹⁸ The 1994 White House Report, 'National Security Strategy of Engagement and Enlargement' said that the US 'seeks to cap, reduce, and ultimately eliminate the nuclear and missile capabilities of India and Pakistan'.¹⁹ The original aid cutoff was based on intelligence analysis and came after several years in which Presidents Reagan and Bush stated that it was becoming increasingly difficult to

¹⁸ Les Aspin, *The Report on the Bottom Up Review* (Washington DC, 1993)

¹⁹ Bill Clinton, *National Security Strategy of Enlargement and Engagement* (Washington DC, 1994)

certify that Pakistan did not possess a nuclear weapon. U.S. aid and arms sales to Pakistan generally had been prohibited since October 1990 because the President could not make a required annual certification to Congress under Section 620E (e) of the Foreign Assistance Act, the "Pressler Amendment," that Pakistan did not possess a nuclear explosive device. However, on February 12, 1996, the President signed into law the Foreign Operations Appropriations Act for Financial Year 1996, which included provisions that significantly relaxed previous restrictions on U.S. aid to Pakistan.

The Brown Amendment:

Section 559 of P.L. 104-107, introduced by Senator Hank Brown, provides a "clarification" of restrictions on aid contained in Section 620E (e) of the FAA. The revised Section 620E narrowed the scope of the aid cutoff under military assistance and transfers and allowed cooperation for countering terrorism and international peacekeeping. The Brown Amendment allowed the release of \$368 million worth of military equipment ordered by Pakistan prior to October 1, 1990. These included three P-3C maritime reconnaissance (MR) aircraft, 28 Harpoon anti-shiping missiles and 360 AIM 9L "Sidewinder" air-to-air missiles, and a variety of other military equipment and technology. The Senate action followed similar House action in passing legislation authorizing foreign assistance for FY1996 and FY1997 (H.R. 1561).

The Pokhran tests 1998 and after:

India was subject to Glenn Amendment sanctions triggered by the 1998 nuclear tests, and non-statutory sanctions, imposed as a matter of policy by the Clinton administration, after these tests. Pakistan was subject to all of these, as well as full restrictions on military aid under the Symington and Pressler Amendments. Pakistan was also subject to sanctions triggered by its import of medium-range missiles from China. These included sanctions on the Pakistani Ministry of Defense, the Pakistani Space and Upper Atmosphere Research Commission, and their subunits. (Sanctions expired in November 2002).

The Clinton administration set up five non-proliferation benchmarks for Pakistan, including halting nuclear testing, signing the Comprehensive Test Ban Treaty, and

restricting all exportation of nuclear technology and materials. Non-statutory sanctions were also imposed as Clinton administration policy following the 1998 nuclear tests.²⁰ Pakistan was also under "Section 508" sanctions, imposed as a result of the October 1999 military coup. Dismayed by the Kargil adventure, the US government responded vigorously – far more than the Johnson administration had reacted during the 1965 Kashmir war.²¹

To sum up, during the Clinton administration the US objectives were providing support for emerging democracies and preventing conditions, which could lead to 'failed states', nuclear non-proliferation and humanitarian intervention.

The Bush Administration and the Post 9/11 Scenario:

Following September 11 terrorist attacks on the World Trade Centre in New York and on Pentagon all the constraints and impediments in US-Pak relations melted. On September 13, 2001, President Musharraf under strong diplomatic pressure offered President Bush Pakistan's 'unstinted cooperation in the fight against terrorism'. President Bush provided \$50 million in new assistance to Pakistan to help the country's ailing economy²². In an effort to shore up Musharraf's government, sanctions relating to Pakistan's nuclear tests and 1999 military coup were waived in the autumn of 2001. Direct assistance programmes as well as trade preference benefits started flowing to Pakistan. The United States also restored grant, loan and debt rescheduling programmes for Pakistan by various international financial institutions. However, should the alleged Pakistani nuclear assistance to North Korea be confirmed by President Bush, all non-humanitarian aid to Pakistan may be

²⁰ Leonard S. Spector, *Status of U.S. Sanctions Imposed on India and Pakistan*, (Washington, D.C. August 11, 2001)

²¹ Vasantha Arora, 'U.S. aid for Pakistan linked to Kashmir', www.rediff.com accessed on 17 July 2003

²² For more details see, 'Bush provides \$50 million in aid to Pakistan', www.cnn.com accessed on 18 July 2003

suspended. Nevertheless President has the authority to waive any sanctions that he determines would jeopardize US national security.

Pakistan – US Security cooperation:

The close US Pakistani security cooperation has been revived as a result of Pakistan's role in the US led anti terrorism campaign. In July 2002, Congress was notified of two Foreign Military Sales arrangements with Pakistan worth \$ 230 million. During Pakistani Musharraf's visit to Washington in June 2003, President Bush announced an economic development and defense-aid package of \$3 billion over the next five years. Pakistan, in the words of Secretary of State Colin Powell, is now a "strategically ally" of the United States.²³ The US announced on 19 August 2003 that it would give six C- 130 transport planes to Pakistan's air force to improve its capability in defense on humanitarian missions²⁴ and six aerostat surveillance radars.

However on July 17, 2003 the House of Representatives passed a new Congressional amendment, which asked President George W. Bush to certify to the U.S. Congress annually that Pakistan complies with terms for receiving financial aid, including an end to cross-border terrorism in Jammu and Kashmir. The House of Representatives adopted the amendment, moved by Democratic Representative Eni Faleomavaega, as part of the Foreign Relations Authorization Act. The amendment titled Section 708: 'Reports on Actions Taken by Pakistan' says "for each of the fiscal years 2004 and 2005 the president shall submit to the Congressional committees a report indicating Pakistan's progress in abolishing terrorist training camps operating in Pakistan and Pakistani-held Kashmir, measures taken to prohibit the infiltration of Islamic extremists across the Line of Control into India, and the cessation of transfer of weapons of mass destruction and technologies, to any third country or terrorist organization."²⁵

²³ Paul M. Weyrich, 'India and Pakistan' in *Washington times*, June 24, 2003

²⁴ For more details see, 'US to give six C- 130 planes to Pakistan's Air force', www.chinapost.com, accessed on 19 August, 2003

²⁵ For more details

see <http://thomas.loc.gov/cgi-bin/quer/v/F?c108:4:./temp/~c108hBQoNp:e339502> accessed on 24 July 2003

Democratic lawmaker Frank Pallone, co-founder of the Congressional Caucus on India insisted that, "it is equally important for Pakistan to return to a democracy in order to ensure future peace and stability in South Asia".²⁶ He thinks that the report would allow Congress "to determine whether President Musharraf is following through on promises he made to secure a \$3 billion aid package."

The Indian American Community, led by the US India Political Action Committee (USINPAC), has been urging Congress to re-examine U.S. policy on aid to Pakistan. It has recently held substantive talks with leading US Senators. It played a role in the House International Relations Committee passing an amendment to the Foreign Relations Authorizations Act that for the first time will start holding Pakistan accountable for its role in terrorism. The support of the Chairman of the House International Relations Committee, Rep. Henry Hyde, and the Ranking Member, Representative Tom Lantos, were instrumental in ensuring the passage of the amendment moved by Congressman Eni Faleomavaega.



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Economic Aid

The U.S. Agency for International Development re-established an on-the-ground presence in Pakistan in July 2003 and has put in place a 5-year, \$100 million education program to support Pakistan's education reform strategy. US is already engaged in building schools, expanding opportunities for girls to attend school, and teaching teachers to help prepare Pakistan's children to assume their role in the global marketplace. USAID is engaged in the health sector (\$17 million next year), with a particular focus on maternal and child health care to support both government and private sector efforts to provide increased access to health care.

The U.S. Department of Labor (DOL) has committed \$10 million over several years to programs in Pakistan aimed at improving core labor standards to increase economic opportunity and promote a healthy economy. Last year alone, DOL committed

²⁶ For more details see, Vasantha Arora, 'U.S. aid for Pakistan linked to Kashmir', www.redif.com accessed on 17 July, 2003



\$5 million to combat child labor and \$1.5 million for workforce education and skills training in Punjab province.

The US and Pakistan signed a US Department of Agriculture (USDA) "Food for Peace" soft-loan program providing Pakistan 56,000 tons of soybeans valued at \$10 million. Proceeds of the soybean sales will be used to improve agricultural productivity and economic development through advanced agricultural research conducted by the Pakistani Ministry of Science and Technology. In August 2002, US signed a grant to supply Pakistan with 37,800 tons of soybean oil, valued at \$16 million.

Thus relations between the US and Pakistan have had an up and down history since Pakistan was created in 1947. The US has suspended aid to the country numerous times from 1965 through 1999 over issues of regional conflict with India over Kashmir, democracy concerns, nuclear weapons and security issues. During the first round of the Cold War, Pakistan's strategic relevance to the US was not steady and thus the importance of Pakistan fluctuated from time to time. But once the second round of the Cold War started in 1978, followed soon after by the Soviet military intervention in Afghanistan, Pakistan's role in the American Cold War strategy went on expanding until the withdrawal of the Soviet troops in 1989.

A close security relationship with Pakistan has been the cornerstone of U.S. policy in South Asia in the Cold War Period. Beginning with the Eisenhower administration, Washington regarded that country, as an essential obstacle to Soviet expansionism toward the Indian Ocean. Following the Soviet invasion of Afghanistan in 1979, Pakistan acquired an even greater importance as a component of U.S. geopolitical strategy throughout that region.

During the early Cold War years, Pakistan as an "enduring ally" of the United States did not contribute anything to furtherance of American interests in the Islamic World (one of US strategic expectations) or the Middle East. As a SEATO ally of the United States, Pakistan did not contribute directly or indirectly, to assist the United States

in Vietnam.²⁷ This was in sharp contrast to other SEATO members like Thailand and Philippines.

The United States provided more than five billion dollars in economic and military aid in the mid-1950s. Pakistan's armed forces, 12th largest in the world, were equipped with an array of modern weapons, courtesy of the American treasury. A succession of governments in Islamabad have rewarded this generosity by consistently supporting U.S. foreign policy positions--a marked contrast to the stance adopted by most Third World states.

Pressure from pro-India forces did impel President Lyndon Johnson to embargo arms aid to Pakistan during the 1965 Indo-Pakistan conflict, when it became evident that Pakistan had violated restrictions on the assistance by using U.S.-supplied weapons for aggressive purposes. Similar lobbying contributed to a decision by the Carter administration to suspend economic and military assistance because of Pakistan's surreptitious military nuclear program. The pro-Pakistan orientation culminated in President Nixon's famous "tilt" toward Pakistan during that country's 1971 war with India.

The United States "enduring ally of long standing" did not contribute any military resources (men or materiel) to the US effort in Afghanistan. On the contrary, Pakistan extracted from the United States \$4 billion military aid against a non-existent military threat; it siphoned off more than 60% of US arms and ammunition for the Islamic Jihad to Pakistan armouries and it put into operation a vast network of narco-terrorism apparatus for provision of funds to its intelligence agencies like the ISI.

The end of the Cold War persuaded the US to re-evaluate and downgrade its relationship with Pakistan on the ground that the new global environment did not warrant

²⁷ For more details see, Dr Subash Kapila , 'US Strategic Over evaluation of Pakistan', Paper No. 313 www.saag.org/papers accessed on 4 May 2004

the old strategic partnership. An immediate and far reaching consequence was the emergence of differences between the two countries on the nuclear issue.

Therefore, it was no accident that the application of sanctions coincided with the end of the Cold War. The Pressler sanctions were applied when Pakistan's co-operation was no longer needed following the demise of the Soviet Union. This punitive action triggered the crisis phase in relations, thus also rendering more difficult the task of making a smooth transition to a post-Cold War relationship. The two countries saw one crisis after another in their ties - over the nuclear issue, terrorism and also narcotics. Relations sunk to an all-time low when Washington threatened in 1992/93 to designate Pakistan as a state sponsor of terrorism.

Following September 11, Pakistan saw its opportunity to get back into the good graces of the United States. It pledged complete cooperation in the war against terrorists. It pledged complete cooperation in the war against terrorists. Pakistan was helpful in the war US conducted in Afghanistan. As a result, most sanctions against Pakistan have been lifted and \$3.5 billion were poured into Pakistan in the form of U.S. aid. Pakistan, in the words of Secretary of State Colin Powell, is now a "strategic ally" of the United States. In addition to the cancelling of \$1bn of debt owed to the United States in 2003, Pakistan asked Washington to forgive another \$1.8bn it owes the United States, in return for its support for the US-led war on terror. Pakistani authorities insist that more debt relief is necessary to make investments in infra-structure and upgrade the country's public services.

Pakistan's well-wishers in the United States comprising Cold War warriors of earlier era, keep advancing the following strategic factors promoting of Pakistan: (1) Pakistan provides a link and outlet for the United States in Central Asia (2) Pakistan as a 'moderate' Islamic state could promote US interests in the Islamic World (3) Pakistan could keep Afghanistan under control (4) US does not want a Talibanised Pakistan (5)

Pakistan could help US oil companies to build their pipelines from Turkmenistan, through Afghanistan to Gwadar port on the Makran coast in Pakistan. The proponents of US aid to Pakistan argue that Pakistan as an ally could promote and make strategic contributions to US national interests.²⁸ Hence US has been pouring economic and military aid into Pakistan.

Pakistan's economy and dependence on US Aid

Following Pakistan's post-9/11 turnaround, U.S. assistance played a key role in moving Pakistan's economy from the brink of collapse to setting record high levels of foreign reserves and exports, historic low inflation, solid 5% GDP growth, and dramatically lower levels of debt. Pakistan's search for additional foreign direct investment were hampered by continuing concerns about the security situation, domestic and regional political uncertainties, and questions about judicial transparency.

The economy averaged an impressive growth rate of 6% per year during the 1980s and early 1990s, but this growth dwindled until 2002. In 2002, the United States led Paris Club efforts to reschedule Pakistan's debt on generous terms, and in April 2003 the United States reduced Pakistan's bilateral official debt by \$1 billion. Pakistan requested additional debt reduction, and it appears likely that about \$500 million more in bilateral debt will be reduced in FY 2004.

Pakistan's economic prospects began to increase significantly due to unprecedented inflows of foreign assistance in at the end of 2001, a trend which is expected to continue through 2009. Foreign exchange reserves and exports grew to record levels after a sharp decline. The International Monetary Fund (IMF) recently lauded Pakistan's commitment in meeting lender requirements for a \$1.3 billion IMF poverty Reduction and Growth

²⁸ For more details see, Dr. Subhash Kapila 'United States Strategic Over-Evaluation Of Pakistan,' <http://www.saag.org/papers4/paper313.html> accessed on 4 May 2004

Facility, and the Government of Pakistan plans to issue a sovereign bond offering in the near future, putting Pakistan back on the investment map.

Pakistan and Foreign Aid

Pakistan receives significant loan/grant assistance from international financial institutions (e.g., the IMF, the World Bank, and the Asian Development Bank) and bilateral donors, particularly after it began using its military/financial resources in the war against terror and the reconstruction of Afghanistan. In July 2003, the United States pledged \$3 billion over the next 5 years in economic and military aid to Pakistan. If approved, \$600 million would be spent annually, half on social development programs and half on security assistance. In addition, the IMF and World Bank have pledged \$1 billion in loans to Pakistan, and in 2002 alone gave then \$200 million in economic aid and \$50 million in military support.

Democrats, Republicans and Foreign Aid: According to the tradition, Democrats care about foreign aid and Republicans think aid is a waste of taxpayers' money. Lately, the debate over foreign aid in Washington seems to have flipped upside down and these days the parties seem to have switched personalities. It's the Republicans making the case that fighting global poverty serves US national interests and proposing bold ideas for providing assistance.

President George W. Bush - who as a candidate scoffed at nation building and derided foreign aid - is now among aid's strongest proponents. This comes on the heels of two of the most ambitious proposals for U.S. foreign development assistance since the Kennedy administration.

And it's not just the President who is energized on aid. Senator Richard Lugar (R-IN), Senator Chuck Hagel (R-NE), Congressman James Kolbe (R-AR), and Congressman Henry Hyde (R-IL) among others have all fought on Capitol Hill to push development

assistance up the foreign policy agenda. Republican congressman Frank Wolf recently introduced legislation calling for a commission to examine the delivery of U.S. development and humanitarian assistance around the world.

A recent study conducted by Markus Goldstein of the London School of Economics on US aid flows since 1960 found no significant difference between the two parties in foreign assistance.

Republicans are seemingly better able to justify non-military foreign aid as an instrument in support of U.S. security interests. Reagan spent lavishly on anti-communist allies and the current Bush administration similarly considers aid an essential part of its arsenal in the war on terror.

But the US's enthusiasm for aid is not just for strategic allies, such as Israel, Egypt, and now Pakistan. Reagan gave huge sums for humanitarian reasons, notably famine relief. Bush sees the battle against disease and global poverty not only in strategic terms, but also as part of his "compassionate conservative" agenda.

By contrast, Clinton -- who was by all accounts enamored with Africa -- struggled to justify a post-Cold War rationale for aid and oversaw a steep decline in assistance flows after withdrawing from Somalia.

African-Americans vote heavily Democratic, but their traditional interest groups, such as the NAACP, have seldom spoken up for foreign aid. The Congressional Black Caucus doesn't even mention foreign aid or Africa among its 24 current priorities. Most of the mainstream aid advocacy groups that might find an ear in a Democratic administration, such as Oxfam or Africare, have generally not made a coordinated lobbying effort on aid. In fact, Democratic activists for aid to Africa are a diverse bunch with a diffuse agenda. As a result, they rarely catalyze major new aid programs.

Republicans have a few well-organized aid proponents, such as corporate and evangelical groups. These advocates have effectively pressed for resources to, for example, foster trade or promote child nutrition. The outcome is a narrower range of activities, but sustained aid volumes. The conversion of the Republican right wing to certain African causes -- such as anti-slavery, anti-poverty, and especially their recent lobbying for more funds to fight HIV/AIDS -- is perhaps the biggest factor in Bush's newfound zeal for development aid.

At the same time, both parties have strong anti-aid factions. Republicans may have more unapologetic isolationists in their midst who occasionally grab the headlines -- Jesse Helms' dismissal of foreign aid as money "down a rathole" comes to mind. But the Democrats also have a nasty America-first streak that opposes aid.

Considering the past forty years, the recent battle lines over foreign aid aren't so strange after all. Republican aid proposals aren't necessarily an implausible break with the past. But history is still no excuse for the shameful lack of vision by the Democrats when it comes to the future of U.S. development assistance.²⁹

The Republicans and Pakistan:

It is also often said that the Republicans favour Pakistan and the Democrats, India. The Bush Administration, it seemed, came very close to breaking this traditional paradigm in the early months of its tenure in 2001. Moving quickly on its promise, during the last Presidential elections in 2000, to treat India as an emerging great power the Bush Administration unveiled an intense engagement with New Delhi.

Senior officials of the Bush administration began to say that the past intense relationship with the military establishment of Pakistan was a mere quirk of history. It was no guide

²⁹ Todd Moss, *'Foreign Aid's Surprise Parties'*, (Washington DC: Center for Global Development), 2003

to the future. Some of them were quite ready to hint, even in public, that Pakistan was close to being seen as a rogue state. India, too, rapidly began to develop high expectations of a partnership with the US under the Bush administration. It sensed a moment when the 'five wasted decades' of the past in Indo-US relations could now be put behind and a new chapter in Indo-US relations could be written.

But Pakistan, it now becomes clear, was never really out of the regional calculus of the US. As Secretary of State, Colin Powell pointed out in his recent testimony to the Congressional Commission on 9/11, Pakistan was seen as central to the American war against the Al Qaeda even before the attacks on New York and Washington took place. Mr Powell said, 'we wanted to destroy Al Qaeda. We understood that Pakistan was critical to the success of our long term strategy. To get at Al Qaeda, we had to end Pakistan's support for the Taliban. So we had to recast our relations with that country. But nuclear sanctions, caused by Pakistan's nuclear tests and the nature of the new regime – the way President Musharraf took office- made it difficult for us to work with Pakistan. We knew, however, that achieving sustainable new relations with Pakistan meant moving aggressively to strengthen our relations with India as well. So we began this rather more complex diplomatic approach.....'

Colin Powell told the Congress that President Bush in February 2002 wrote to Gen. Musharraf stating, 'we should work together to address Afghanistan's many problems. The most pressing of these is terrorism, and it inhibits progress on all other issues...

These citations from Mr Powell's testimony on March 23, 2004 are to help delineate the context of the US-Pak relations in early 2001. The importance of Pakistan became that much more after September 11 2001.

Despite pumping billions of dollars into Pakistan, the US has had marginal influence on Pakistan. US security interests overshadowed and undermined American aid and sanction policy in obtaining the objective of nuclear and missile non-proliferation policy. The events of 9/11 proved beneficial to Pakistan in restoring US aid to Pakistan.

Thus history repeated itself in restoring aid to Pakistan as it happened in 1979 following Soviet intervention in Afghanistan.

CHAPTER 2

THE US AID TO PAKISTAN: POST COLD WAR YEARS

The end of the Cold War persuaded the US to re-evaluate its relationship with Pakistan on the ground that the new global environment did not warrant the old strategic partnership. An immediate and far reaching consequence was the emergence of differences between the two countries on the nuclear issue. In October 1990, economic and military sanctions were imposed on Pakistan under the Pressler Amendment.

Pressler Amendment.

In 1985, in the face of growing congressional impatience with Pakistan's evident determination to continue development of its nuclear option, Congress added **subsection (e) to existing Section 620E**, placing a new limitation on the President's ability to grant waivers to application of the then Section 669.¹

Subsection (e), the **Pressler Amendment**, states "no assistance shall be furnished to Pakistan and no military equipment or technology shall be sold or transferred to Pakistan pursuant to the authorities contained in this Act or any other Act" unless the President makes an annual certification to Congress that Pakistan does not possess a nuclear explosive device and that the proposed aid will reduce significantly the risk that it will possess one. This section was the focus of action in the 104th Congress.

The addition by Congress in 1985 of subsection (e) to Section 620E in 1985 responded to clear evidence that despite U.S. admonitions, Pakistan was continuing to employ various covert means to work towards achieving a nuclear weapons capability. During the mid-1980s it became increasingly clear that U.S. support of Pakistan's conventional defense requirements was not working to limit its nuclear

¹ Richard P. Cronin, Pakistan Aid Cutoff: *U.S. Nonproliferation and Foreign Policy Considerations*, (Foreign Affairs and National Defense Division, Washington DC) December 6, 1996, CRS Issue Brief, 90149

ambitions, as had been hoped. Eventually, U.S. intelligence agencies acquired evidence that indicated strongly that Pakistan had crossed the nuclear threshold in some manner.

One consequence of the Pressler sanctions was the US decision to withhold Pakistan military equipment contracted prior to 1990, worth about \$1.2 billion, even though Pakistan had paid for this. The \$564 million economic and military aid program approved for fiscal year 1991 was frozen. At that time, Pakistan was the third highest recipient of US aid ; only Isrel and Egypt received more assistance. Although Jimmy Carter had twice suspended aid, George Bush' action hurt much more and had substantially greater impact. The loss of nearly \$300 million of arms and other military supplies a year was a substantial blow to Pakistan's defence establishment. All US military assistance and government-to-government transfers of weapons and equipment were halted in their tracks. Caught in the ban were the F -16 aircraft that Pakistan had purchased from General Dynamics Corporation. The US government refused to permit the Pakistanis to take possession of the planes, which ended up in storage at Davis- Monthan Air Force Base, near Tuscan, Arizona. Although the US Pakistanis military to military relationship was more limited and less intimate than during the alliance years of the 1950s and the 1960s, it had, nonetheless, become substantial, especially the links between the two air forces.

Pressler sanctions had a less immediate impact on economic development , since they barred only new assistance commitments. AID was able to continue to implement programs that were already under way and to disburse funds from roughly \$1 billion still in the pipeline. Nonetheless, this action had considerable negative effect. During the 1980s , along with remittances from workers abroad, a surge of foreign aid led by the Americans greatly benefited Pakistan. Although the country enjoyed competent , if conservative , economic management during the Zia years, after 1988, popularly elected governments proved less disciplined financial managers. The loss of US aid and the

policy rigor that the Americas demanded added significantly to the problems that were beginning to weaken the Pakistani economy.

The Bush administration made a half hearted attempt to delay sanctions in order to give the government that Pakistanis would elect in October 1990 a chance to deal with the nuclear problem. When the State Department floated the idea on Capitol Hill, the reaction was negative. Opposition by administration critics such as Senators John Glenn (D -OH) and Alan Cranston (D-Cal) was to be expected , but even Republicans were against the idea. As Senator William Cohen declared , 'If we lower our (nuclear) standards again , who is going to take the standard seriously?' The administration backed off.²

Earlier in mid October 1990, Yaqub Khan , Foreign Minister of Pakistan offered to freeze Pakistan's nuclear program if the US lifted the sanctions. Baker, US Secretary of State replied that this was not good enough. In order for the President to make the required Pressler amendment certification, Pakistan had to destroy its nuclear bomb cores and 'roll back capability' to the other side of the line.' The secretary of state added that, 'as a lawyer', he had been uneasy about the certification in 1989 and could not recommend it be issued again unless Pakistan accepted US conditions. Yaqub responded that a rollback was not possible , the die was cast.³ The foreign minister found Baker cold and lacking in sympathy for his country.

The reaction in Islamabad to the imposition of sanctions was the one of disbelief, shock and anger. The Americans had threatened frequently that trouble lay ahead but in the end had always found a way to avoid punishing Pakistan. Although warned explicitly in 1990 that the Pressler axe was going to fall, the Pakistanis had not expected that the US would actually carry through with the threat. The free press in Pakistan bitterly denounced the US action as unfair, anti Islamic, and discriminatory. Pakistanis were particularly incensed that Pressler amendment sanctions penalized only their country and did not

² Paul Leventhal, 'Cut Off Aid to Pakistan,' *Washington Post*, October 9, 1990

³ Richard P. Cronin, *Pakistan Aid Cutoff: U.S. Nonproliferation and Foreign Policy Considerations*, (Foreign Affairs and National Defense Division, Washington DC) December 6, 1996, CRS Issue Brief , 90149

punish India, which had actually exploded a nuclear device in 1974. They charged that the US had once more- as in 1965-proved to be a fickle friend. Observers commented acidly, 'With the Afghan War over, the US no longer need (s) Pakistan. You Americans have discarded us like a piece of used Kleenex.'⁴

Most Pakistanis asserted that the bomb capability had been achieved by 1988 and that Islamabad had therefore not violated any understanding with the US or crossed any lines in 1990. As Benazir Bhutto put it, 'We had both the nuclear capability and American aid. Why would we upset the Bargain?'⁵ In the Pakistani view, the US had moved the nuclear goalposts in 1990 by replacing 'Stay where you are' with the tougher requirement of 'Roll Back your nuclear capability' through the destruction of bomb cores.

Conceivably, the Pakistanis, as the Americans alleged, had reactivated the program to machine bomb cores in 1990. It is also possible that the capability was achieved earlier but that the US analysts did not reach a firm conclusion about this until 1990.

Whatever the actual facts, the imposition of Pressler sanctions marked a major benchmark in US-Pakistan relations. The action effectively ruptured the bilateral security partnership that had flourished during the 1980s. Although the links would almost certainly have weakened after the end of the Cold War. There would not have been such a sudden and near total break. Both economic and military aid programs would have continued, probably at reduced levels of funding. The Bush administration's National Security Advisor, Brent Scowcroft stressed that he wanted to maintain a friendly relationship with Pakistan, regretted having to impose sanctions, but felt its hand was forced.

Although Pakistan was highly sanctioned country on paper and the US agencies were mandated not to provide credit or guarantees to the corporations doing business with Pakistan or investing in that country actual record was different. Nevertheless, when the private sector was convinced of profitability in investing in the

⁴ Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001 pp 310

⁵ Ibid

energy sector in Pakistan, no one was able to stop them from that. A significant amount of US private investment went into the energy sector in Pakistan despite the fact that the US EXIM was not allowed to operate in Pakistan.

An immediate issue in 1991 was whether the Pakistanis would continue to pay for the stranded F-16s. In part to help the financially troubled, General Dynamics Corporation, with whom Pakistan had contracted to purchase the aircraft, the Pentagon, urged Islamabad not to stop payments – even though deliveries were frozen by the Pressler amendment. Defence Department officials asserted that non-payment would breach the F-16 contract and make it harder to gain congressional support for an easing or lifting of Pressler sanctions. After considering various options, including invoking a penalty clause to avoid further payments, Pakistan followed the Pentagon's advice. As a result, even though the F-16s remained mothballed on western desert sands of Arizona, the US supplier received an additional several hundred million dollars before Pakistan finally suspended disbursements in 1993.

On the US – Pakistan bilateral front, Prime Minister Nawaz Sharif still hoped that things could somehow be patched up with Washington and that US would resume military and economic aid. Nor was the Bush administration with its 'more in sorrow than anger' attitude about sanctions totally hard nosed toward Pakistan. In a policy decision that could have gone either way, Washington had decided to allow Islamabad to purchase military equipment on a commercial basis, notwithstanding the Pressler amendment. During fiscal year 1991, for example, the State Department had approved licenses for \$120 million worth of arms sales, largely for the export of spare parts for the F-16 aircraft that Pakistan had received before sanctions were imposed.

Early in 1991, US intelligence picked up indications that China might be providing Pakistan with medium range, mobile M-11 missile launchers. Such a transaction, US officials charged, would be contrary to the ground rules of the Missile Technology Control regime (MTCR), an international effort to prevent the spread of delivery systems for nuclear weapons. After China disregarded US warnings and shipped the launchers to Pakistan, Washington proceeded to impose sanctions, blacklisting the Chinese and

Pakistani entities involved in the transactions.⁶ Unlike the Pressler amendment, MTCR legislation gave the President flexibility in the type of punishment that could be imposed. After Baker obtained what he thought was agreement by the Chinese to abide by MTCR ground rules, Washington lifted the sanctions in February 1992.⁷

Beginning in 1992, Congress began to grant partial waivers to application of Pressler Amendment sanctions. Section 562 of P.L. 102-391, signed October 6, 1992, stated that "restrictions contained in this or any other Act with respect to assistance for a country shall not be construed to restrict assistance in support of nongovernmental organizations ... " provided that the President deems such aid in the national interest. The section did not refer to any country by name but was widely assumed to be directed at Pakistan. Beginning with FY1993, Congress also exempted Titles I and II of P.L.-480 food aid from the scope of any aid bans with the exception of countries supporting international terrorism or relating to internationally recognized human rights. Both authorities were most recently extended in Section 550 of the Foreign Assistance Appropriations Act of 1995 (P.L. 103-306.)

In an action that drew bitter criticism from a number of Members of Congress, including Senator Pressler, the Bush Administration allowed limited commercial sales of munitions and spare parts for Pakistan's U.S.-supplied weapons on a case-by-case basis, including parts for Pakistan's U.S.-supplied F-16 fighters and Cobra attack helicopters. The State Department contended that the language of Section 620E(e) applied only to aid-financed or government-to-government sales, and cited other examples in which Congress had felt it necessary to legislate separate provisions to forbid commercial sales to targeted countries. The policy, which was continued under the Clinton Administration, limited commercial military sales and does not allow "new technology or upgrades to systems

⁶ James Mann, *About Face: A History of America's Curious Relationship with China* (NY: Knopf, 1999)pp250

⁷ R Smith, 'US Lifts Sanctions Against Chinese Firms,' *Washington Post*, February 2, 1992

already in the Pakistani inventory" ⁸ The Pressler amendment is waivable under Brownback Amendment II.

The **Clinton administration's** foreign policy priorities began to emerge in late 1993 as it advanced enlargement as an alternative to containment. Speaking before the Overseas Development Council, A Washington based private policy planning organization, Anthony Lake, National Security Advisor noted that ' the end of the Cold War forces us to look anew on the developing world. American policymakers no longer can imagine these nations as an interchangeable clump of squares on the superpower chessboard. We need a new lens and even a new vocabulary'. As applied to this now 'highly differentiated group of nations, the strategy of enlargement, according to Lake, 'focuses us on the goals of democracy and a form of market development that is both politically and environmentally sustainable". Announcing the administration's conclusion 'that existing foreign assistance programs are incoherent and outmoded ', Lake also acknowledged that, humanitarian agenda towards the poorest nations became important in the post cold war period. The administration proposed to replace the decades old foreign assistance act with new legislation that would emphasize six goals designed to realize the administration's program of enlargement: promoting a sustainable development, democracy, peace, humanitarian assistance, growth through trade and investment and advancing diplomacy.⁹

Foreign aid's role in post Cold war American foreign policy eventually became part of a larger issue: How much to spend on foreign affairs compared with domestic priorities and why. What, in other words, were the threats that now demanded the US attention and resources? *Chaos and crisis prevention* were proposed as answers. President Clinton was more concerned about issues such as environmental degradation, poverty, disease etc. Prevention thus became a rationale for continued US involvement in the Global South –

⁸ Richard P. Cronin, *Pakistan Aid Cutoff: U.S. Nonproliferation and Foreign Policy Considerations*, (Foreign Affairs and National Defense Division, Washington DC) December 6, 1996, CRS Issue Brief, 90149

⁹ Sarah J. Tisch and, Michael B. Wallace, *Dilemma of Development Assistance* (Boulder, CO: Westview Press, 1994)

with foreign aid a primary modality. Humanitarian assistance became a major US foreign policy objective.

Secretary of State Warren Christopher, Under Secretary of State for Global Affairs Timothy Wirth, and AID administrator Brian Atwood all spoke favourably of the new thrust. Wirth, for example, cited environmental degradation, poverty, disease, and emigration driven by civil conflict as 'the primary threats to human security.' Atwood identified food security and population growth as twin threats to security and 'major contributors to conflict and to chaos that we worry about so much.' And Christopher told Congress, 'The challenge of diplomacy is to anticipate, and to prevent, crises of the future.' President Clinton himself echoed these concerns as he reflected on Robert Kaplan's (1994) provocative article describing environmental decay and incipient conflict in West Africa. Prevention thus became a rationale for continued US involvement in the Global South – with foreign aid a primary modality.

Clinton administration was determined to promote democracy abroad and solidify the political power of democratic forces within recipient societies. The objective of US security assistance in the post Cold war period thus became: providing support for emerging democracies while defending existing democratic institutions and values in other countries. However this does not mean that the foreign military sales under the Clinton administration were directed more toward emerging and established democracies. There is no relationship between the kind of political regime a country has and how much US military aid it receives.

Bill Clinton, put high priority on checking the proliferation of Weapons of mass destruction (WMD). The 1993 Pentagon report on the post cold war security challenges, 'The Bottom Up Review', suggested a counter proliferation strategy, 'to deter, prevent, or defend against the use of WMD'.¹⁰

US- Pakistan relations sunk to an all-time low when Washington threatened in 1992-93 to designate Pakistan as a state sponsor of terrorism. Then in the summer of 1993

¹⁰ Les Aspin, *The Report on the Bottom Up Review* (Washington DC,1993)

additional sanctions were imposed on Pakistan under the MTCR (Missile Technology Control Regime) for allegedly receiving missile technology from China¹¹. Washington insisted on the return of six aging frigates leased to Pakistan, which had provided the bulk of the navy's firepower. Although the US Navy intended to scrap the vessels, American officials were adamant that Pakistan give back the frigates and even insisted that it pay for their transit to Singapore, where the ships were broken up for scrap.¹² Along with sanctions against China, the US imposed parallel restrictions on high technology exports to Pakistan, but these restrictions had little economic impact. In fact, Pakistan was largely a bystander in the M11 missile controversy, which Washington addressed entirely in the context of US – China relations.¹³

US economic aid pipeline to Pakistan had also run dry. Since Pressler sanctions barred any new assistance commitments, this put the United States, long Pakistan's major source of development help, out of the aid business. The Pressler amendment did not bar humanitarian help, private US charities, such as CARE (Cooperative for American Relief Everywhere) and Catholic Relief Service, continued to distribute modest amounts of food aid. The Pressler amendment also permitted assistance to counter the narcotics problem. Thus, the US was able to maintain an anti drug program that provided about \$2 million annually to the Pakistanis.¹⁴

In Search of a Rationale: Foreign Military Sales

The global arms market underwent a number of changes in the post cold war period. US emerged as the unambiguous arms supply leader. The two most important trends related to the rationale of post Cold War US arm transfers were the overcapacity of global productive capacity and the commercialization of arms sales. The two are related and both a product of the end of the post cold War. With the US and the Soviet Union no longer competing for Third World allies, incentives to subsidize weapons transfers

¹¹ The Geopolitical Affairs <http://www.defencejournal.com/april98/pakistanus.htm>

¹² Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001 pp323

¹³ Stephen A Holmes, 'US Determines China Violated Pact on Missiles,' *New York Times*, August 25, 1993

¹⁴ Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001 pp323

largely vanished, but many would be buyers did not have the cash to buy armaments on their own. Furthermore, defence budgets were declining throughout the world- falling by almost one fourth from 1986 to 1999, from nearly 4 percent of world gross domestic product to 3 percent. Global productive overcapacity was the logical consequence, which translated in turn into fierce competition among weapons producers for remaining markets. It also got translated into threats to the defense industrial bases in supplier countries and to the jobs of those who depended on them.

The Clinton administration's arm transfer policy issued in February 1995, stated among its goals a desire 'to enhance the ability of the US defence industrial base to meet US defence requirements and maintain long term military technological superiority at lower costs.' The administration also embarked on a national industrial policy by channeling defense into the private sector for the development of dual use (military and civilian) technologies. It effectively removed many dual use technologies from the list of previously prohibited export items by easing restrictions related to their possible military applications.

Military aid

In March 1994, the Clinton administration launched an ill fated nuclear nonproliferation initiative, announcing its willingness to seek congressional approval to deliver the embargoed F – 16s if Pakistan agreed to cap its nuclear program and accept what Americans described as 'nonintrusive' verification. In spite of its rhetoric about a more vigorous non-proliferation policy, the Clinton administration was, in effect, shelving the unrealistic goal of rolling back the Pakistani capability and signaling its willingness to live with a freeze in the program- something that the Pakistanis had previously offered. The rub came in the US desire to be sure that the program was, in fact frozen. Although Washington spoke of 'nonintrusive' verification, the procedures involved physical

inspection of nuclear facilities in addition to monitoring by cameras and other technical devices.¹⁵

The nuclear proposal ran into trouble even before Deputy Secretary of State Strobe Talbott flew to South Asia in April 1994 to seek Pakistani assent and Indian understanding. After details of the initiative were leaked to the press by senator Larry Pressler (R-S.D.) before the administration had completed its soundings with Congress, Islamabad and New Delhi, Indian Americans and their congressional friends, opposed the release of the F-16s.¹⁶ On the Pakistani side, the chief of army staff, Gen. Abdul Waheed, who was visiting the US, made clear his opposition. The army chief declared that the military would not 'bargain away Pakistan's nuclear programme for F-16s or anything else'. Were the country's political leadership willing to compromise, the army would certainly make its views known, Waheed declared threateningly.¹⁷ Given the political power of the military, the statement sounded the death knell for the US initiative.

The 1994 White House Report, 'National Security Strategy of Engagement and Enlargement' said that the US 'seeks to cap, reduce, and ultimately eliminate the nuclear and missile capabilities of India and Pakistan.'¹⁸ The original aid cutoff was based on intelligence analysis and came after several years in which Presidents Reagan and Bush stated that it was becoming increasingly difficult to certify that Pakistan did not possess a nuclear weapon. U.S. aid and arms sales to Pakistan generally had been prohibited since October 1990 because the President could not make a required annual certification to Congress under Section 620E(e) of the Foreign Assistance Act, the "Pressler Amendment," that Pakistan did not possess a nuclear explosive device. However, on February 12, 1996, the President signed into law the Foreign Operations Appropriations Act for Financial Year 1996, which included provisions that significantly relaxed previous restrictions on U.S. aid to Pakistan.

¹⁵ Eric Schmitt, 'Lifting Aid Ban is Proposed to Control Pakistan's Arms,' *New York Times*, March 13 1994

¹⁶ George Perkovich, *The Indian Bomb* (Berkeley: University of California Press, 1999), 342

¹⁷ Mushahid Hussain, 'Army and the Nuclear Issue,' *Nation*. April 3, 1994

¹⁸ Bill Clinton, *National Security Strategy of Enlargement and Engagement* (Washington DC, 1994)

The Passage of the Pressler Amendment in 1985 ironically primarily aimed at facilitating US military and economic assistance to Pakistan by waiving the restrictions imposed by the Symington Amendment. The passage of the Brown Amendment in 1995 aimed at providing a one-time waiver to the Pressler Amendment that had created unintended restrictions in US-Pakistan ties in the wake of its operation since October 1990.¹⁹

Robin Raphel, Assistant Secretary in the Bureau of South Asian office, thought that Pakistan remained a potentially useful friend for the US and a force for moderation in the Muslim world. Even though the top echelons of the State department including Secretary of State Warren Christopher, showed only limited interest in South Asia beyond the non proliferation issue one senior official who shared Raphel's desire for better relations with Pakistan was Secretary of Defense William Perry. The Pentagon remained unhappy about the break in ties and sought ways to rebuild the relationship.

Even though Perry doubted that Congress would lift the Pressler amendment sanctions, he told the media, ' I intend to press on, to make the most I can of the security relations between the US and Pakistan... I want to try to make things better.'²⁰ In her own public comments during Perry's visit, Benazir Bhutto focused on the F 16 issue : 'We think this is all very unfair.'²¹ Adept at dealings with Americans, the prime minister sensed that many US officials were uncomfortable with the F -16 situation and accepted the Pakistani compliant as justified.

Raphel found another ally in Senator Hank Brown, who became chairman of the Senate Foreign Relations Committee's South Asia subcommittee after the Republican sweep in the 1994 congressional elections. A trip to the subcontinent had convinced him that the draconian sanctions against Pakistan were damaging US interests. Brown initially proposed easing sanctions by lifting the ban on economic assistance and releasing all military equipment frozen in the US, including the F-16s. But he dropped the F-16s after

¹⁹ Chintamani Mahapatra, 'Pakistan Factor in Indo- American Relations' in *Strategic Analysis*, (New Delhi, Oct. 1996)

²⁰ Dana Priest, 'US, Pakistan to Renew Talks,' *Washington Post*, January 11, 1995

²¹ 'Pakistan's Premier Asks for Planes or a Refund,' *New York Times*, January 11, 1995

he concluded that their inclusion would doom the effort to ease sanctions.²² Despite unhappiness in the arms community, the Clinton administration agreed to back the proposal. The fact that Brown was Republican made the initiative politically more palatable.

The Brown Amendment:

Section 559 of P.L. 104-107, introduced by Senator Hank Brown, provides a "clarification" of restrictions on aid contained in Section 620E(e) of the FAA. The revised Section 620E narrowed the scope of the aid cutoff under military assistance and transfers and allowed cooperation for countering terrorism, narcotics trafficking, promoting airport safety and security and international peacekeeping. It also specifically allowed military-to-military contact, including international military education and training (IMET). Any lethal equipment provided for peacekeeping would be on a lease or loan basis only, subject to return upon completion of the operation for which it was provided.

The legislation allowed the return of military equipment owned by Pakistan but sent to the United States for repair, subject to conditions, and authorize the third party sale of 28 F-16 aircraft and reimbursement of Pakistan from the proceeds. The Brown Amendment however, barred the delivery of 28 F-16 aircraft ordered and partially paid for by Pakistan, but allowed the one-time release of \$368 million worth of other military equipment ordered by Pakistan prior to October 1, 1990.

The Senate adopted the amendment on September 21, 1995, by a margin of 55-45, following an extensive debate. On April 18, 1996, the *Washington Post* reported that the President had approved the transfer of the equipment, despite evidence that some time in 1995 Pakistan had acquired 5,000 "ring magnets" from China that could be used in its covert uranium enrichment program.

²² Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001 pp 329

The Senate action followed several committee hearings and briefings in both houses, and similar House action in passing legislation authorizing foreign assistance for FY1996 and FY1997 (H.R. 1561). The changes were adopted despite the fact that Pakistan had continued to increase its capability to build nuclear weapons since the October 1990 aid cutoff.

Those supporting the relaxation argued that the aid cutoff had been counterproductive and had jeopardized ties with a long-standing ally. They also pointed to unequal treatment of Pakistan and India under nonproliferation sections of the FAA. India exploded a nuclear device in 1974, well before Pakistan acquired a similar capability. Against this view, other Members of Congress argued that the amendment had worked in a rough fashion to constrain Pakistan's program and warned against sending the "wrong signal" to other potential nuclear proliferators.

The Brown Amendment allowed the release of \$368 million worth of military equipment ordered by Pakistan prior to October 1, 1990. These included three P-3C maritime reconnaissance (MR) aircraft, 28 Harpoon anti-shiping missiles and 360 AIM 9L "Sidewinder" air-to-air missiles, and a variety of other military equipment and technology. The refund of \$120 million for items paid for but not produced before the 1990 sanctions took effect.²³ The Senate action followed similar House action in passing legislation authorizing foreign assistance for FY1996 and FY1997 (H.R. 1561). The same legislation included a new subsection 4 to Section 620(e) allowing the transfer of military equipment other than F-16 aircraft contracted for by Pakistan prior to October 1, 1995. The harpoon anti ship cruise missile was used by Pakistan 's military vis- a vis India.

Ring Magnets, M-11s and Drugs

The Brown amendment did not entirely lift sanctions against countries that received help for an unsafeguarded uranium enrichment facility such as Kahuta, but limited their

²³ R Jeffrey Smith 'China linked to Pakistani Missile Plant ; Secret Project Could renew Sanctions Issue, *Washington Post*, August 25, 1996

application to transactions that occurred after 1994. a major problem, therefore arise when US intelligence concluded that the China Nuclear Energy Industry Corporation had sold some five thousand custom made ring magnets to the Kahuta uranium enrichment facility in 1995.

Although the transitions involved only \$70 thousand, the ring magnets were made to specification and provided a vital component for the high-speed centrifuges that produced Pakistan's enriched uranium. Since the sale occurred in 1995, a year after the cut off date, the ring magnet transaction jeopardized the implementation of the Brown amendment and had the potential of further exacerbating bilateral troubles with China. Under the 1994 nuclear non-proliferation act, the sale could have resulted in the suspension of all Export – Import lending, if the US government concluded that the Beijing authorities had 'willfully' approved the ring magnet transfer.

As the Clinton administration was wrestling with ring magnets, it had to face yet another nuclear problem with the Pakistanis. Contrary to what Benazir Bhutto had indicated during her April 1995 visit to Washington, US Intelligence received indications that Islamabad had resumed production of weapons – grade uranium. To emphasize the administration's concern about the issue, Deputy National Security Advisor Samuel Berger made an unusual and rapid trip to Pakistan in January 1996. He warned the prime minister that the Clinton administration would have trouble in implementing the Brown amendment if these difficulties continued.²⁴

In the summer of 1996, China's dealings with Pakistan stirred fresh difficulties. The US intelligence community concluded with high confidence that complete Chinese M11 missiles were stored in crates near the Pakistani air force base at Sarghoda in Punjab and could be deployed in a matter of days. The Clinton administration took no action on the grounds that the intelligence was insufficiently conclusive to justify the imposition of severe sanctions.

²⁴ R Jeffery Smith, 'China Aids Pakistan Nuclear Program; Parts Shipment Reported by CIA Could Jeopardize US Trade Deals', *Washington Post*, February 1996.

During 1996, narcotics became yet another bilateral point of friction, which affected US, aid to Pakistan. Even though US anti narcotics officials had become accustomed to having Islamabad's promises exceed its achievements, the State Department had dutifully certified throughout the 1980s and early 1990s- as required by US law – that Pakistan was cooperating in the fight against the narcotics trade. But in 1996, after Washington found Benazir Bhutto's government singularly sluggish in pursuing well-known drug lords, US authorities decided to send a stiffer warning. For the first time, the State Department refused to certify Pakistan. Sanctions were avoided, however, when President Clinton issued a waiver on the grounds that punishing Pakistan was not in the national interest.²⁵ Unlike nuclear legislation, anti narcotics laws provided the president with flexibility through the inclusion of broad waiver authority.

Pakistan: US military sales, commercial exports licensed under Arms Export Control Act (millions of dollars)²⁶

| | Military sales | Commercial exports |
|-------------|----------------|--------------------|
| 1992 | — | 8.1 |
| 1993 | — | 4.7 |
| 1994 | — | 1.7 |
| 1995 | — | 3.2 |
| 1996 | 4.0 | 3.2 |
| 1997 | 200 | 4.3 |

²⁵ Presidential Determination, 96-13, March 1, 1996

²⁶ Foreign Military sales, Foreign Military Construction Sales, and Military Assistance Facts, as of 30 September 1997

U.S. military aid deliveries to Pakistan for 1990-2001²⁷

| Country | Fiscal Year | IMET | FMF | MAP | Total |
|-----------------|--------------------|------------------|----------------------|--------------------|----------------------|
| Pakistan | 1990 | \$506,000 | \$184,369,000 | \$0 | \$184,875,000 |
| | 1991 | \$0 | \$0 | \$0 | \$0 |
| | 1992 | \$0 | \$0 | \$0 | \$0 |
| | 1993 | \$0 | \$0 | \$2,550,000 | \$2,550,000 |
| | 1994 | \$0 | \$0 | \$0 | \$0 |
| | 1995 | \$0 | \$0 | \$0 | \$0 |
| | 1996 | \$0 | \$0 | \$0 | \$0 |
| | 1997 | \$0 | \$0 | \$0 | \$0 |
| | 1998 | \$0 | \$0 | \$0 | \$0 |
| | 1999 | \$174,000 | \$0 | \$0 | \$174,000 |
| | 2000 | \$0 | \$0 | \$0 | \$0 |
| | 2001 | \$0 | \$0 | \$0 | \$0 |
| | Total | \$680,000 | \$184,369,000 | \$2,550,000 | \$187,599,000 |

²⁷ Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts: September 30, 2001, published by the Defense Security Cooperation Agency (Department of Defense), and the Congressional Presentation Document for the State Department's Foreign Operations budget.

Appropriations include allocated amounts for international military training and education (IMET), foreign military financing (FMF), and other military assistance (MAP - includes Military Service Assistance Funds, emergency drawdowns, and other grant assistance).

Deliveries include actual spending on international military training and education (IMET), foreign military financing (FMF), and other military assistance (MAP - includes Military Service Assistance Funds, emergency drawdowns, and other grant assistance).

Note: IMET numbers are the same in appropriations and deliveries. FMF numbers are almost identical. MAP numbers differ quite significantly between appropriated and delivered quantities.

Economic Aid

Although the Brown amendment removed the bar to economic assistance, the Clinton administration chose not to re-establish a bilateral aid program and gave only modest grants to Pakistani non governmental organizations, amounting to \$ 2 million a year. Benazir Bhutto recalled that when she met Agency for International Development administrator Brian Atwood during her April 1995 visit to Washington, she told him that these were insufficient funds to restart a bilateral program.²⁸ In fact, had the Clinton administration wished to do so, it could have provided Pakistan's shaky economy with limited but symbolically important help. Although 'enlarging democracy, constituted – rhetorically at least – a key element of the Clinton foreign policy, the administration failed to provide significant support for Pakistan's still unsteady system of democratic governance.

²⁸ Dennis Kux, *The United States and Pakistan 1947-2000: Disenchanted Allies* (Washington: The Johns Hopkins University Press) 2001

A Continuing Relationship 1988 – 1993

From 1988-1993, the United States provided an additional \$2.28 billion for development projects. \$480 million was used to import needed agricultural items. The rest was in grants. During this period, USAID continued to build on successful programs begun in earlier phases. USAID also invested in expanding private investment in Pakistan, guarantees for housing loans to strengthen the housing market, mobilizing shelter resources and the Institutional Excellence Project.

Interim Program (1993-2002): The Pakistan NGO Initiative (PNI)

Under a humanitarian assistance regulation [P.L. 106-429, Sec. 541(a)], USAID worked with, and through, non-governmental organizations (NGOs) on: basic education and community-based learning; literacy and skills development; reproductive health (including family planning), maternal and child health care; income earning activities; strengthening of local NGOs and community organizations; and policy advocacy at the national, provincial, and local levels.

The beneficiaries of USAID assistance were the rural and urban poor, especially women and girls in Sindh Province in the south and the Northwest Frontier Province in the north. Approximately 80 local NGOs and the communities in which they work benefited from PNI funding and technical assistance.

The PNI program increased the percentage of girls attending and completing primary school in the rural areas; strengthened women's influence in household decisions; expanded couples' access to three or more modern methods of contraception; increased the number of women earning higher incomes; and increased the number of NGOs and community organizations working to strengthen social services and change policies.

Calculated Economic Impact In PAKISTAN (annual cost to target country)

Phase 1: 1991-98

Reduction in economic and military aid after application of \$316 million Pressler amendment; welfare loss calculated as 50 percent of average annual aid flows, 1988-90 (this assumes that a substantial reduction of aid flows was inevitable with collapse of USSR)

Military equipment paid for but withheld under Pressler \$115 million amendment, including F-16s; welfare loss calculated as 10 percent of value of equipment withheld.

Total \$431 million

Phase 2 : 1998

Reduction in reserves and increase in debt arrears due in \$200 million part to suspension of IMF lending for 6 months; welfare loss calculated as 10 percent of value of drop in reserves and increase in arrears

Total average annual cost, 1991-98 \$405 million

US Legislations and Aid to Pakistan

- **P.L. 104-107, H.R. 1868**

Appropriations for Foreign Operations, Export Financing, and Related Purposes, FY1996. Section 559 (Brown, Senate amendment No. 2708) adopted 55-45 September 21, 1995 (Vote No. 458), would modify Section 620E to clarify restrictions on aid to Pakistan to allow economic assistance, International Military Education and Training (IMET) programs, and various forms of cooperation previously barred by Section 620E(e) of FAA.

Passed by Senate on September 21 (91-9). House conferees agreed to Senate amendment, with amendment; Senate agreed to the same October 24 (H.Rept. 104-295). Conference report passed in House on October 31 and in the US Senate on November 1, but left unresolved dispute over unrelated provision (concerning abortion as a means of family planning.) Enacted by reference in P.L. 104-99 (H.R. 2880), Balanced Budget Down payment Act (which includes Foreign Operations Appropriations), January 26, 1996. Signed into law as a clean bill, P.L. 104-107, on February 12, 1996.

- **H.R. 1561 (Gilman)**

American Overseas Interests Act of 1995. Introduced on May 3 and referred to House International Relations Committee. Reported May 19 (H. Rept. 104-128, Part 1); passed House, amended, June 8, 1995 (222-192). Section 3306 would allow development assistance in support of nongovernmental organizations or micro - enterprises, Overseas Private Investment Corporation (OPIC) investment insurance, assistance for international narcotics control, International Military Education and Training (IMET), counter - terrorism assistance, and assistance in support of aviation safety, immigration and customs procedures, peacekeeping, and promotion of U.S. trade and investment.

Eligibility for IMET funding in FY1997 would be subject to Presidential certification that Pakistan "is fully cooperating with United States counter-narcotics assistance programs and policies."

Section 3307 expressed sense of Congress that "the United States should make a determined effort to find a third party buyer" for F-16 aircraft paid for by Pakistan but which cannot be delivered due to Pressler Amendment sanctions, and states that the return of military spare parts sent to the United States for repair, or equivalent parts, would not violate Pressler Amendment ban on arms transfers. Passed Senate December 14 (82-16), after striking House text and substituting language of Senate-passed S. 908. Senate requested conference. Vetoed April 12, 1996. House failed to override April 30, 1996 (234-188).

- **S. 961 (Helms)**

Foreign Aid Reduction Act of 1995. Introduced and reported on June 9, 1995 (S.Rept. 104-95). Pakistan-related provisions adopted in P.L. 104-99, H.R. 2880, Balanced Budget Down - payment Act.

US Aid in the Second Clinton Administration

The foreign policy during the second term of Bill Clinton's administration made a decision to try to broaden relations with Pakistan and place less emphasis on non-proliferation matters. However Islamabad judged that the Clinton administration had only marginal interest in better relations and mainly was interested in improving US-India ties. Notwithstanding the passage of the Brown Amendment, Washington had yet to repay Pakistan for the undelivered F-16 aircraft. The Pressler arms embargo remained intact. The US government had little to assist Pakistan's faltering economy, was becoming increasingly unhappy about Islamabad's support for the fundamentalist Taliban in Afghanistan and was privately critical of Pakistan's involvement with the insurgents in Kashmir. Nevertheless, in 1998, for the third year running Clinton had to issue a waiver

to avoid the impositions of sanctions for Pakistan's lack of cooperation in the anti narcotics effort.

In April 1998, Pakistan's missile imports once more caused trouble. This time, North Korea, not China was the culprit. Early in the year, the US intelligence community concluded that Pakistan had imported North Korean technology to develop a medium range missile. Islamabad denied the US assertion that the missile was a modified version of the North Korean Nodong-itself a variant of the Soviet Scud- and declared that Pakistani scientists had developed the 'Ghauri' on their own. Rejecting the Pakistani position, the US government proceeded to impose sanctions against North Korea and Khan Research Laboratories, where the missile was produced. These sanctions had only symbolic effect however since earlier sanctions already barred dealings with the US.²⁹

²⁹ 'Pakistan Tests Missile with 900 mile Range', *New York Times*, April 7, 1998

Pakistan: US assistance, 1993-1996 (millions of US dollars)³⁰

| Years | Military aid | Economic Aid | Total |
|-------|--------------|--------------|-------|
| 1993* | — | 52.7 | 52.7 |
| 1994 | — | 49.6 | 49.6 |
| 1995 | — | 17.1 | 17.1 |
| 1996 | — | 16.1 | 16.1 |
| 1997 | — | 2.5 | 2.5 |

According to official figures, the US gave Pakistan \$142m worth of arms purchasing licences in 1996 and 1997, valid for up to four years. Sales were banned in 1998 following the nuclear tests.

³⁰ 1993*

- a) Military Aid : 1) Pressler Amendment sanctions were still enforced
2) US imposed restrictions on high technology exports to Pakistan

b) Economic Aid : \$ 2 million for Anti Drug Program

1995
Aircrafts

a) Military Aid 1) Brown Amendment: barred delivery of 28 F-16

2) Allowed release of \$ 368 million worth of military equipment. Items included 3 P-3C maritime reconnaissance aircrafts, 360 AIM9L "Sidewinder" air to air missiles and variety of other equipments.

b) Economic Aid : Grant to Pakistan NGO,s = \$ 2 million

1996
a) Military Aid : President Clinton signed P.L. 104-107, which includes a "Clarification of Restrictions" on aid to Pakistan (Section 559) that allows economic aid and cooperation, military training, and the one-time release of \$368 worth of military hardware ordered by Pakistan before the October 1990 aid cutoff.

Source: US Agency for International Development, Overseas Loans and Grants, Obligations and Loans Authorizations, Series of yearly data

The Chaghai tests, 1998 and after:

India was subject to Glenn Amendment sanctions triggered by the 1998 nuclear tests, and non-statutory sanctions, imposed as a matter of policy by the Clinton administration, after these tests. Meanwhile, Clinton's attention shifted to Pakistan, in the hope of persuading Sharif not to follow India's example. The president also dispatched Deputy Secretary of State Talbott to Islamabad. The envoy dangled delivery of the F-16s and resumption of economic and military aid, argued that Pakistan would gain the moral high ground internationally by not testing. However, the diplomacy failed.

After Pakistan tested nuclear weapons, it was subject to Glenn Amendment sanctions, Section 102(b) of the Arms Export Control Act, as well as full restrictions on military aid under the Symington and Pressler Amendments. The president had the authority to waive sanctions related to non-military activities under the Brownback II Amendment. Pakistan was also subject to sanctions triggered by its import of medium-range missiles from China. These included sanctions on the Pakistani Ministry of Defense, the Pakistani Space and Upper Atmosphere Research Commission, and their subunits. (Sanctions expired in November 2002).

Even as the Clinton administration was announcing the details of sanctions, efforts to water them down were under way. One impulse was commercial self – interest. If implemented fully, the sanctions which barred agricultural export credits, would cost farmers in the US Pacific North west, already hard hit by falling grain prices, a possible sale of 350, 000 tons of wheat to Pakistan, or one third of the area's production. It was estimated that the measures cost Pakistan only \$57m but the US almost three times more.

In mid July 1998, just two months after the tests, the Senate voted 98-0 and the House of Representatives followed suit to exempt agricultural credits from the sanctions. Recognizing that the rigidity of the 1994 legislation deprived the President of any flexibility in trying to deal diplomatically with India and Pakistan. Congress voted in a

separate action to give the chief executive authority to waive all sanctions, including those imposed by the Pressler amendment. Thus the India-Pakistan Relief Act of 1998 (also referred to as Brownback I), provided the President the authority to waive, for a period of one year, Glenn, Symington, and Pressler amendment sanctions against India and Pakistan, except for sanctions on military assistance, dual-use exports, and military sales. Brownback I was signed into law in October 1998.

Fears that sanctions might sink Pakistan's shaky were not misplaced. At the time Islamabad tested, the country had a foreign debt of over \$30 billion and foreign exchange reserves of only \$600 million. As the US officials grew increasingly concerned about Pakistan's possible financial collapse, they decided to provide Islamabad with some breathing room. The US announced that it would no longer oppose IMF financial assistance.³¹ and it continued to give favorable consideration for exports of high-technology dual-use items (such as advanced machine tools or supercomputers) on a case-by-case basis for public and private entities not involved in "nuclear, missile or inappropriate military activities." In November 1998, President Clinton exercised his waiver authority under Brownback I, by lifting restrictions on the activities of U.S. banks in Pakistan. After lengthy negotiations, the Pakistanis and the IMF agreed on an economic program- more of a bandage to prevent Pakistan from going under than a comprehensive attack on the country's fiscal ills.

In December 1998, Clinton had a concrete proposal to solve the F-16s issues with the Pakistanis. After the Pakistanis formally moved to initiate legal action against the US government as a last hope to recover their money, the Justice Department concluded that Pakistan was likely to win in court. This enabled the Clinton administration to tap a special fund used to pay judgments against the US government. Since the Justice Department had assessed the chances of losing at 70 percent, the administration could tap the special fund for this percentage of the 4470 million that was owed to Pakistan for the F- 16s. To cover the remaining amount, the President accepted a Pakistani suggestion that the US government make a best effort to provide \$140 million of wheat and other

³¹ John Kifner, 'Pakistan, Facing Sanctions, Urges Citizens to cut Back,' *New York Times*, July 21, 1998

commodities on a grant basis over the coming two years. Eight years after the Pressler amendment was first invoked, the nettlesome F-16 issue was finally resolved in a manner that was satisfactory to Pakistan.

In January 1999, Pakistan officials gained a further \$1bn in loans and \$3bn in debt relief in return for a pledge to implement a major package of economic reforms

The Clinton administration set up five non-proliferation benchmarks for Pakistan, including halting nuclear testing, signing the Comprehensive Test Ban Treaty, and restricting all exportation of nuclear technology and materials. Non-statutory sanctions were also imposed as Clinton administration policy following the 1998 nuclear tests.³²

In June 1999, Congress passed Brownback II, giving the president permanent authority to waive sanctions. The amendment also allowed the President to waive Symington and Pressler amendment sanctions that had prohibited all military and economic assistance to Pakistan since 1990.³³

Dismayed by the Kargil adventure, the US government responded vigorously – far more than the Johnson administration had reacted during the 1965 Kashmir war. As a result of the October 1999 military coup in Pakistan, US imposed "Section 508" sanctions of the Foreign Assistance Act of 1961 that were legally required in the case of the overthrow of a democratically elected government.

The "Section 508" sanctions of the Foreign Assistance Act of 1961 adopted in 1988 in US prohibits most forms of U.S economic and military assistance to any country whose elected head of government is deposed by a military coup. These had little immediate impact; however, since Pakistan was already under severe sanctions because of the Pressler amendment and the 1998 nuclear tests.

³² Status of U.S. Sanctions Imposed on India and Pakistan, Leonard S. Spector, Deputy Director, CNS, Washington, D.C. August 11, 2001

³³ Legislation Fact Sheet: http://www.clw.org/atop/restrictions_timeline.html

Meanwhile, Congressman Gary L Ackerman (Democrat-NY), co-chairman of the Congressional Caucus on India and Indian Americans, who had joined other leaders in Washington in condemning the declaration of martial law in Pakistan, urged President Bill Clinton to "scrub" his proposed visit to Pakistan.

In the late 1999, the House of Representatives approved the fiscal year 2000 Defense Appropriations Conference Report. It contained provisions giving the President broad waiver authority over several sanctions against India and Pakistan, including the Pressler Amendment. Ackerman said there wasn't "any interest in the administration asking Congress for permission to sell or transfer any weapons to Islamabad.

"Senior officials have assured me that, despite the waiver authority the President will get on Pressler and Glenn amendments, there is no plan to exercise those waivers for arms sales to Pakistan -- not now and not in the foreseeable future."³⁴

In November 2000, following a determination that China had transferred M-11 missiles to Pakistan in the latter half of the 1990s, the Clinton administration imposed sanctions on the Pakistani Ministry of Defense, the Pakistani Space and Upper Atmosphere Research Commission, and their subunits. These Sanctions were imposed under the Arms Export Control Act and Export Administration Act banning exports to (and imports from) entities receiving Missile Technology Control Regime Category I missiles (*i.e.* missiles able to carry a 500-kilogram payload 300 kilometers or more). The sanctions were not waivable under the Brownback Amendment II.

³⁴A P Kamath '*Scrub Pakistan Visit, Ackerman Urges Clinton*', www.rediff.com/news/1999

| Years | Military aid | Economic Aid | Total ³⁵ |
|-------|--------------|--------------|---------------------|
| 1997 | 2.5 | | |
| 1998 | - | 140 | 140 |
| 1999 | - | - | - |

Islamabad did get some success in replacing U.S. aid with that from other donors, notably Japan. As part of a revision of its global foreign aid policies, the Japanese government declared that aid decisions will be influenced by issues such as recipients' policies on nuclear proliferation, defense spending, and human right.

To sum up, Pakistan had a new role to play in the post Cold war era: to join forces against Iraq. Ironically, despite Pakistan's cooperation in the Gulf War, the Republican administration did not spare Pakistan from sanctions. The issues of nuclear proliferation and restoration of democracy affected the US aid to Pakistan both in the Bush era and in the Clinton administration.

³⁵ 1998 a) Military Aid : 1) Full restrictions under Symington and Pressler Amendment
2) Sanctions : Pakistan imported medium range missiles from

1999 a) Sanctions limited Aid under Coup Government. Congress passed Brownback II, in June, giving President permanent authority to waive sanctions. It allowed him to waive Pressler and Symington Amendment sanctions that had prohibited military and economic assistance to Pakistan since 1990.

Source: US Agency for International Development, Overseas Loans and Grants, Obligations and Loans Authorizations, Series of yearly data

When George Bush left office in 1993, the glue of the Cold War and the common struggle against the Soviet occupation of Afghanistan no longer cemented US-Pakistan ties. In the absence of other significant national interests, bilateral differences were all too apparent. For Washington, Pakistan had not only lost strategic importance but had become a nuclear troublemaker and a source of regional instability. For Pakistan the imposition of Presler amendment nuclear sanctions and the turnaround in US policy once more were seen as evidence that the US was fickle, unreliable and not a true friend of Pakistan.

During the Clinton administration the US objectives were providing support for emerging democracies and preventing conditions, which could lead to 'failed states', nuclear non-proliferation and humanitarian intervention. Both US and Pakistan differed over major issues : how to deal with the Kashmir dispute with India, with the Taliban and other extremists and with the nuclear question.

CHAPTER 3

THE US AID TO PAKISTAN: POST 9/11 AND AFTER

The chapter two narrative provided an understanding that , through a series of legislative measures, Congress incrementally lifted sanctions on Pakistan and India resulting from their 1998 nuclear tests. President Clinton signed into law P.L. 106-79 (the department of Defense Appropriations Act, 2000) in October 1999. Title ix of the act gave the President authority to waive sanctions applied against Pakistan and India in response to the nuclear tests. Pakistan remained under sanctions triggered under Section 508 of the annual foreign assistance appropriations act as a result of the October 1999 coup. The Foreign Operations Export Financing and Related Appropriations Agencies, 2001 provided an exception under which Pakistan could be provided US foreign assistance funding for basic education programs (PL 106-429; Section 597).

The entire US-Pakistan relations drew closer soon after the September 11, 2001 terrorist attacks on the World Trade Centre, New York. In recognition of Pakistan's cooperation with the US led coalition being assembled, American policymakers searched for a new means of providing assistance to Pakistan. President Bush on September 22, 2001 removed remaining sanctions on Pakistan and India resulting from their nuclear tests, finding that denying export licenses and assistance was not in the national security interests of the U.S. PL 107-57 granted authority to waive coup- related sanctions on Pakistan through FY 2003.

In an effort to shore up Musharraf's government, sanctions relating to Pakistan's nuclear tests and 1999 military coup were waived in the autumn of 2001. In October 2001, large amount of US aid began flowing into Pakistan. Direct assistance programmes include aid for health, education, food, democracy promotion, child labor elimination, counter narcotics, border security, and law enforcement, as well as trade preference benefits. The United States also has supported grant, loan and debt rescheduling

programmes for Pakistan by various international financial institutions, including World Bank, International Monetary Fund, and the Asian development Bank.

Actual US assistance to Pakistan in FY 2002 was just over \$1 billion , up from about \$5 million in FY 2001 (excluding food aid). The Bush Administration requested a total of \$505 million in assistance to Pakistan for FY 2003, including supplemental appropriations. Congress allocated about \$495 million of this. Security related assistance in the amount of \$56.5 million was allocated in PL 108-7 , as was \$ 188 million in Economic Support Funds that Congress authorized that Pakistan to use to cancel approximately \$1 billion in confessional debt to the US government. At the end of 2002 , Pakistan's international debt was estimated at \$36.3 billion. PL 107 -57 allowed Pakistan to reschedule \$379 million of its debt to the US thereby enabling it to cancel its arrearage.

In April 2003, President Bush signed into law PL 108-11(the Emergency Wartime Supplemental Appropriations Act, 2003) , allocating \$200 million in additional security related assistance to Pakistan for FY 2003. The current Administration request for FY 2004 stands at \$ 395 million, including about \$ 120 million for security related programs. During a June 2003 visit to Washington by President Musharraf, President Bush vowed to work with Congress on a establishing a 5-year, \$ 3 billion aid package for Pakistan. ¹ Five annual installments of \$600 million each are meant to begin in FY 2005 and be evenly split between military and economic aid.

Press reports in late 2002, suggested that Pakistan assisted Pyongyang's covert nuclear programme by providing North Korea with uranium enrichment materials and technologies beginning in the mid 1990s and as recently as July 2002. Islamabad rejected these reports as 'baseless'. All non-humanitarian aid to Pakistan may be suspended if such assistance is confirmed by President Bush , although the President has the authority to waive any sanctions that he determines would jeopardize US national security. In March 2003, the Administration determined that the relevant facts 'did not warrant imposition of sanctions under applicable US laws.'

¹ CRS Issue Brief , 'US Aid and Congressional Action,' (Washington , 2003) P 13 IB94041

The US President, George W Bush, proposed a \$2.4 trillion budget that will include some \$560 millions for South Asia. Pakistan will be getting \$300 millions that will see \$200 millions for debt relief and budget support and the rest going in the direction of social sector programmes that will include expansion of health services for women and children.²

Washington has already written off more than \$1 billion in Pakistani debt, and given Islamabad more than a billion dollars in aid and grants.³

In 2004, US has approved \$395 millions in aid to Pakistan almost half of which will be used to write off debt to Washington. Pakistan would repay \$200 million to US which would save it about \$400 million-\$500 million in interest payments over the period of the loan.

Status of U.S. Sanctions Imposed on Pakistan: as on August 2001

I. **Sanctions imposed under the 1994 Glenn Amendment** on non-nuclear weapon states that detonate nuclear explosions; triggered by the Pakistani nuclear tests of May 1998. The president has the authority to waive sanctions related to non-military activities under the Brownback II Amendment.

Status: Most of the restrictions under this provision on bilateral and multilateral *economic* assistance of various types remained in effect for Pakistan, notwithstanding the waiver authority granted by the Brownback Amendments.

In contrast to the more generous treatment of India, President Clinton in his waiver of October 27, 1999, waived restrictions for Pakistan only on Department of Agriculture credits and U.S. commercial bank lending. (The waiver, which had been under consideration for some time, was influenced by the Pakistani coup of October 12.)

² Sridhar Krishnaswami, '\$300 million for Pakistan in US Budget', *Hindustan Times*, February 3 2004

³ Saurabh Shukla, 'US Grants \$38 million in poverty reduction aid to Pakistan,' *Hindustan Times*, August 2003

However, the United States did not actively oppose lending through the multilateral development banks to support an IMF economic stabilization program for Pakistan.

Sanctions on FMS and FMF, remained in place, as did restrictions on dual-use nuclear- and missile-related exports, for which U.S. export licenses were subject to a presumption of denial. Pakistani "entities" involved in nuclear and missile activities were subject to additional restrictions (*all* goods to such entities require U.S. export licenses, subject to presumption of denial).

II. Sanctions under the 1985 Pressler Amendment, banned *military assistance to Pakistan*, in the absence of an annual presidential determination that Pakistan "does not possess a nuclear explosive device." Waivable under Brownback Amendment II.

Status: These restrictions were triggered in 1990, when former President George H.W. Bush declined to make the necessary determination, and largely remain in force today. IMET and non-military aid were permitted in a 1996 modification to the Pressler Amendment. In addition, in 1996, under a one-time waiver of the provision, the Clinton administration approved the sale of \$368 million worth of military hardware to Islamabad (but roughly \$100 million in sales was never provided because of the controversy over China's transfer of "ring magnets" for Pakistan's uranium enrichment plant. See discussion of the Symington Amendment, below.). *The president had the authority to waive the provision, at his discretion, under the Brownback Amendment II.*

III. Sanctions under the 1977 Symington Amendment, banning aid under the Foreign Assistance Act and the Arms Export Control Act to states that import uranium enrichment technology, unless the recipient agrees to place such equipment under IAEA inspection or the president waives the provision by certifying that he has "received reliable assurances that the country in question will not acquire or develop nuclear weapons...." Waivable under Brownback Amendment II.

Status: These restrictions remained in force. The ban was to have been lifted through the 1994 Glenn Amendment, which excused all Pakistani importation of uranium enrichment equipment prior to June 29, 1994, but the ring magnets case (shipments between December 1994 and mid-1995) was deemed to be a new instance of the importation of such equipment by Pakistan, and the Symington Amendment sanctions were triggered

anew. *The president, however, had the authority to waive the provision, at his discretion, under the Brownback Amendment II.*

IV. Sanctions imposed under the Atomic Energy Act, prohibiting U.S. nuclear fuel and reactor transfers to non-nuclear weapon states, such as Pakistan, that have not accepted IAEA inspections on all of their nuclear facilities. Not waivable under Brownback Amendment II.

Status: These sanctions remained in force since 1978.

V. Sanctions imposed under the Arms Export Control Act and Export Administration Act banning exports to (and imports from) entities receiving Missile Technology Control Regime Category I missiles (i.e. missiles able to carry a 500-kilogram payload 300 kilometers or more). Not waivable under the Brownback Amendment II.

Status: In November 2000, following a determination that China had transferred M-11 missiles to Pakistan in the latter half of the 1990s, the Clinton administration imposed sanctions on the Pakistani Ministry of Defense, the Pakistani Space and Upper Atmosphere Research Commission, and their subunits. (Sanctions to expire in November 2002.)

VI. Sanctions imposed under Section 508 of the FY 2000 Foreign Operations, Export Financing, and Related Programs Appropriations Act, banning all aid under this appropriation to any state whose duly elected government is overthrown, until a democratically elected government has taken office. Not waivable under Brownback Amendment II.

Status: This provision were renewed annually, in subsequent Foreign Operations appropriations, and these sanctions remained in force.

VII. Non-statutory sanctions imposed as Clinton administration policy following the 1998 nuclear tests and the October 1999 coup.

Status: High-level visits and military-to-military exchanges remained restricted.

Note: *Counter-narcotics, certain non-governmental organization support activities, certain basic education programs, and certain other humanitarian activities were not affected by the various sanctions laws and were continued in Pakistan.*⁴

⁴ Leonard S. Spector, 'Status of U.S. Sanctions Imposed on India and Pakistan', (Washington, D.C., August 11, 2001)

Sanctions Waived by President Bush on September 22, 2001

Symington Amendment

Section 101 of the Arms Export Control Act

- Adopted in 1976, prohibits U.S. economic and military assistance to any country delivering or receiving nuclear enrichment equipment, material, or technology not under International Atomic Energy Agency safeguards.
- Imposed in 1979 for Pakistan's clandestine construction of a uranium enrichment plant.

Pressler Amendment

Section 620E(e) of the Foreign Assistance Act of 1961

- Adopted in 1985, bars most forms of U.S. military assistance to Islamabad unless the president certifies annually that Pakistan does not possess a nuclear explosive device.
- Imposed in 1990 when President George H. W. Bush was unable to make such a certification.

Glenn Amendment

Section 102(b) of the Arms Export Control Act

- Imposed in 1998 for Pakistan's nuclear tests in May of that year.⁵

Economic aid

Besides increase in economic aid, the US foreign direct investment into Pakistan shot up to \$148.5 million in 2002. There was a growth in foreign exchange reserves by June 2001 since Washington had provided US\$ 80 million as a part reimbursement of the amount paid by Pakistan for a fresh lot of F-16s, which were not supplied due to the invoking of the Pressler Amendment. The military regime is reported to have been surprised by the fact that instead of paying this amount in cash, the US Administration adjusted it against past wheat supplies.

⁵For more details see, http://www.armscontrol.org/act/2001_10/sanctionsoc01.asp accessed on 4 May 2004

In November 2003, US further approved \$105m economic assistance for Pakistan --- US\$95 million Commodities Export Credit Guarantee Program (GSM102) for the fiscal year 2004 and US\$10 million grant under 416(B) Program for import of Tallow.

Start of The New Program 2002 – 2006

After a seven-year pause due to US-imposed nuclear non-proliferation sanctions, USAID reopened its Mission in Pakistan in July 2002. The new program focuses on four sectors: education, health, governance and economic growth.⁶

USAID Education Program

USAID has developed a plan for a \$100 million, five-year education program. This program will support five of the seven objectives outlined in the Government of Pakistan's (GOP) Education Sector Reform Strategy. The goal of this program is to provide the knowledge, training, and infrastructure necessary to help officials and citizens develop high quality education programs for girls and boys throughout Pakistan.

In the initial phase, activities will be carried out in the two provinces of Balochistan and Sindh Provinces, and in the national capital area. Balochistan and Sindh provinces are being targeted based on consultations with other donors working in Pakistan and with senior GOP education officials. These two Provinces have traditionally received the least attention from the GOP and from donors. Some teacher training, capacity building for local governance in education, and public private partnerships activities will also be undertaken through a country wide approach. Planned activities build on past successful USAID, other donor and civil society programs, in Pakistan ,will focus on the following objectives:

- 1. Strengthen Education Sector Policy and Planning:** Assist the GOP and provinces to strengthen the national and local capacity to use experiences gained in Pakistan and other countries to improve education sector policies and plan and implement

⁶ For more details see, http://www.usaid.gov/pk/about_us/history_of_USAID.shtml accessed on 4 May 2004

better primary education programs. This effort would involve helping the GOP to improve the content and implementation of government policies and planning for primary education (with particular emphasis on expanding access to education for girls) as well as literacy for adults (especially women) and out-of-school youth.

2. Improve the Capacity of Teachers and Education Administrators: Provide training to school teachers and administrators to improve the quality of both public and private sector education. Specific targets include training 43,000 primary school teachers, especially female teachers, through existing teacher training institutes and other mechanisms. Train key administrators (e.g., principals, local education officials) to improve policy and planning implementation and successful adoption of higher education standards and curriculum. Specific targets are to train 4,500 local education officials and 5,200 school principals to assume their new responsibilities resulting from decentralization.

3 Improve Youth and Adult Literacy: USAID recognizes the complexity of the literacy issues, and all indications are that literacy alone, and in and of itself, will not work well in Pakistan. Based on conversations with Pakistani provincial and federal officials, USAID believes it can make a contribution to improvements in literacy in two areas: (1) strengthening the managerial and administrative capacity of the National Literacy Cell of the Ministry of Education and some of the selected new district literacy offices; and (2) analyzing and testing the use of technology for distance education focused on literacy training. USAID could also consider limited use of appropriate technology to link some of the federal and provincial literacy offices.

4. Expand Public-Private Partnerships to Improve Access and Delivery of Education

Services: USAID builds upon its past experiences working with NGOs in Pakistan to encourage and support public-private partnerships that: (a) enhance resources available for education and literacy programs; (b) strengthen community involvement in primary education and adult and youth literacy programs; (c) expand access to education for girls;

(d) improve education quality; and (e) facilitate development of skills needed for a developing economy and society.

Funding

Financial Plan: The financial plan for the Program is set forth in the table.⁷

| Program Area | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| USAID Contribution | \$15 million | \$25 million | \$25 million | \$25 million | \$10 million |
| GOP Contribution | 8 (Rs. in billion) | 9 (Rs. in billion) | 12 (Rs. in billion) | 14 (Rs. in billion) | 17 (Rs. in billion) |

In 2002, USAID also granted a four-year \$60 million award to the Research Triangle Institute for implementation of its Education Sector Reform Assistance (ESRA) project for Pakistan.⁸

- 1. Increase availability of quality reproductive health services in peri-urban and rural areas.** USAID will assist the Grantee in nationwide expansion of reproductive health services to peri-urban and rural areas by offering women a wider range of contraceptive choices, better information and closer service delivery centers.
- 2. Strengthen management of vertical health programs at provincial and district levels.** USAID will provide technical assistance to improve the fiscal and administrative management of the seven vertical programs at the provincial and district levels in the context of UK'S Department For International Development 's National Health Facility (NHF) program.
- 3. Improve maternal and neonatal health services:** USAID will support the GOP in its efforts to develop and improve safe delivery, post-partum care, and emergency obstetric/neonatal services. USAID will work with Ministry of Health to develop innovative strategies to reduce maternal and neonatal mortality in key districts in at least

⁷ Planning Commission, Pakistan, Perspective Plan 2002-2011

⁸ Ibid

two provinces by appropriate and effective utilization of skilled service providers including medical graduates.

4. Strengthen Communicable Disease Control programs: USAID will help the National AIDS Control program to promote awareness and healthy behaviors in vulnerable groups, through information, education and communication (IEC) programs regarding the risk factors for HIV/AIDS; and support the Government's Enhanced Polio Eradication Strategy in its final effort to eradicate the polio virus from Pakistan. USAID will also support expansion of the Directly Observed Treatment Strategy (DOTS) for treatment of tuberculosis.

V. Funding

Financial Plan: The financial plan for the Program is set forth in the attached table.⁹

| Health and Population Program | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total USAID Contribution | US\$ 15.7 million | US\$ 25 million | US\$ 25 million | US\$ 25 million | US\$ 24.6 million |
| Reproductive Health Services | US\$ 10.0 million | US\$ 10.0 million | US\$ 10.0 million | US\$ 10.0 million | US\$ 10.0 million |
| Provincial and district vertical health programs | US\$ 2.0 million | US\$ 2.0 million | US\$ 2.0 million | US\$ 2.0 million | US\$ 2.0 million |
| Maternal and neonatal health services | US\$ 2.7 million | US\$ 11.5 million | US\$ 11.5 million | US\$ 11.5 million | US\$ 13.5 million |
| Communicable Disease Control Programs | US\$ 1.0 million | US\$ 1.5 million | US\$ 1.5 million | US\$ 1.5 million | US\$ 1.5 million |
| Total GOP Contribution | Rs 1.2 billion | Rs 1.2 billion | Rs 1.2 billion | Rs 1.2 billion | Rs 1.2 billion |

In 2003, Washington concluded a \$116 million health agreement with Pakistan.

USAID Governance Program

USAID has developed a \$38 million, three-year governance program.

USAID Economic Growth Program

USAID has developed a five-year, \$53 million economic growth program. This program addresses three important areas needed to bring increased economic opportunities to Pakistan's poor, a key objective of the Government's Poverty Reduction Strategy:

⁹ Ibid

provide micro-credit and micro-enterprise business support services in under-served areas; provide poor Pakistanis with formal education opportunities to acquire the skills and training needed for productive employment in a global economy; and help create new market opportunities in the rural economy.¹⁰

IV. Funding

Financial Plan: The financial plan, subject to the availability of funds, for the Agreement is set forth in the following table (in millions).

| Economic Growth Program | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| USAID Contribution | \$5.0 | \$12.0 | \$12.0 | \$12.0 | \$12.0 |
| Increased Access to Microfinance and Services | \$4.0 | \$7.5 | \$8.0 | \$8.0 | \$8.0 |
| Expanded Access to Quality Education in Business and Agriculture for the Poor | \$0.5 | \$2.0 | \$2.0 | \$2.0 | \$2.0 |
| New Market-Based Opportunities in the Rural Economy | \$0.5 | \$2.50 | \$2.0 | \$2.0 | \$2.0 |
| GOP Contribution Millions of Rupees | Rps 320 | Rps 500 | Rps 555 | Rps 513 | Rps 646 |

In 2003, US provided an economic development grant of \$53 million to Pakistan.

US Aid to Pakistan (in US \$ MILLIONS)¹¹

| | FY 2001 | FY 2002(estimate) | FY 2003(actual) |
|---|---------|-------------------|-----------------|
| Development assistance | - | 15000 | 50000 |
| Economic support fund | - | 9500 | 200,000 |
| International Military education and training | - | 1000 | 1000 |
| Foreign Military Financing | - | - | 50000 |
| International Narcotics Control | 3500 | 2500 | 4000 |

Source: Congressional Research Service report for the Congress Code RS 20995, February 3, 2003

¹⁰ http://www.usaid.gov/pk/about_us/history_of_USAID.shtml

¹¹ Congressional Research Service report for the Congress , February 3, 2003, Code RS 20995,

Military Aid

As we know , the Bush administration had resisted Pakistani pressures for military aid, recognizing that such aid would heighten tensions between India and Pakistan and adversely affect US relations with India once again as it did throughout the Cold war.

However after September 11 2001, the administration opened a dialogue with Pakistan on its military hardware needs. Islamabad earned substantial economic and military grants from Washington for providing pivotal support to the military campaign against former Taliban regime and the hunt for Al Qaeda terror suspects. After lifting of the US sanctions a new era of bilateral defence relations began between the two countries.

Security assistance programs: In the wake of 9/11, the US initiated a \$73 million program to help Pakistan secure its border with Afghanistan against trafficking in weapons, drugs, and other contraband and infiltration by terrorists. The program includes the development of a Ministry of Interior aviation wing with five helicopters and 3 fixed wing surveillance aircraft, delivery of over 1,000 vehicles, communications equipment, and other commodities, and construction of border outposts. Related training and technical assistance also are being provided.

In terms of **military assistance**, Foreign Military Financing (FMF) grant money was used for the purchase of US military equipment, maintenance, and in some cases, training. A total of \$75 million was included in the FY02 Supplemental Appropriation to support the Pakistan Armed Forces' purchase of aerial transport, surveillance and communications equipment. During FY03, the U.S. Government provided \$49.5 million dollars in FMF grant funding plus an additional \$175 million dollar supplemental grant for a total of \$224.5 million dollars. In August 2003, Pakistan accepted an offer to purchase 6 C-130 cargo aircraft from the United States. That purchase was funded by \$75 million dollars in U.S. FMF grant money.

Importantly, a program providing U.S. military training courses for Pakistani military personnel was resumed in November 2001 following a 10-year hiatus. Courses are usually U.S. military training programs attended by Pakistani students but may also

include US training teams coming to Pakistan to provide instruction. Pakistan received \$1 million in training grants in FY02 and a further \$1 million FY03.¹²

The Pentagon assurances that military aid and US bases in Pakistan relate only to the "war on terrorism" rekindle Indian memories of earlier pledges by President Eisenhower in 1954 that the program of "limited" weapons aid to Pakistan then unfolding was solely for use against communist aggression. By 1965, the United States had provided \$3.8 billion in military hardware to Pakistan. This led the then-military dictator, Gen. Ayub Khan, to launch the cross-border raids into Kashmir that triggered a broader war, in which Pakistan, predictably, relied primarily on its US planes and tanks.¹³

The US announced on 19 August 2003 that it would give six C- 130 transport planes to Pakistan's air force to improve its capability in defense and humanitarian missions.¹⁴ The C- 130 Hercules aircraft from the Lockheed Martin Company would be provided at a cost of US \$775 million under Washington's Foreign Military Finance program. The defence agreement also includes a complete upgrade of cockpit avionics for the current Pakistan Air Force C-130 fleet and 6 Aerostat Surveillance radars to bolster Pakistan counter terrorism capabilities.¹⁵

In October 2003, US agreed to supply F -16 airplanes to Pakistan and also a 341 million dollars aid for purchase of defense, military equipment.

North Korea and China angle in US–Pakistan relation: There were allegations that Pakistan had concealed from the IMF negotiating team its plans for the purchase of 60 F-7MGs for the Pakistan Air Force from China during the current financial year, for which part payment would have to be made by Pakistan before June 2001 and part would be deferred payment by utilizing a supplier's credit offered by China. More important, the Bush administration wanted to ensure that Pakistan has, ceased cooperation with North

¹² Nancy Powell, 'US Assistance to Pakistan', (NY 2002)

¹³ Selig S. Harrison, 'India comes first in US Pakistan ties' <http://www.csmonitor.com/2002/0909/p11s01-coop.html>, October 2002

¹⁴ 'US to give six C- 130 planes to Pakistan's Air force', www.chinapost.com, 19 August, 2003

¹⁵ Ibid

Korea in its nuclear weapons program. This aspect of North Korea-Pakistani cooperation has not been resolved with the US.

Various reports have revealed that North Korea has not hesitated to supply its advanced Scud missile technology to Pakistan, especially at a time when the Chinese leadership had been undergoing a process of transition. Consequently, it is not very clear to Islamabad how forthcoming the rulers in Beijing will be in sharing their missile know-how with them. Therein lies the Pakistani dilemma: it does not really want to foreclose the option of cooperating with North Korea, but it is not likely to have much of a choice either.¹⁶

Pakistan: US assistance, 2001 - 2003(millions of US dollars)¹⁷

| Years | Military aid | Economic Aid | Total |
|--------------|---------------------|---------------------|--------------|
| 2001 | 673 | 50 | |
| 2002 | 150 | | 150 |
| 2003 | 300 | 169 | 409 |

¹⁶ Ehsan Ahrari, 'New angle on the US, Pakistan, India triangle',
http://www.atimes.com/atimes/South_Asia/EF27Df02.html, June 2003

¹⁷ 2001 US lifts sanctions; large amount of aid begins to flow. Congress grants the President special waivers to Coup related sanctions on Pakistan
 2003 a) Military Aid : Sale of six C130 Military transport aircraft.
 b) Legislation to both extend and to end the waiver of coup related sanctions
 US Agency for International Development, Overseas Loans and Grants, Obligations and Loans Authorizations, Series of yearly data.

U.S. military aid appropriations for Pakistan for 1990-2003¹⁸

| Country | Fiscal Year | IMET | FMF | MAP | Total |
|----------|-------------|-----------|---------------|---------------|---------------|
| Pakistan | 1990 | \$506,000 | \$184,369,000 | \$0 | \$184,875,000 |
| | 1991 | \$0 | \$0 | \$0 | \$0 |
| | 1992 | \$0 | \$0 | \$5,000,000 | \$5,000,000 |
| | 1993 | \$0 | \$0 | \$0 | \$0 |
| | 1994 | \$0 | \$0 | \$0 | \$0 |
| | 1995 | \$0 | \$0 | \$0 | \$0 |
| | 1996 | \$0 | \$0 | \$0 | \$0 |
| | 1997 | \$0 | \$0 | \$0 | \$0 |
| | 1998 | \$0 | \$0 | \$0 | \$0 |
| | 1999 | \$174,000 | \$0 | \$0 | \$174,000 |
| | 2000 | \$0 | \$0 | \$0 | \$0 |
| | 2001 | \$0 | \$0 | \$0 | \$0 |
| | 2002 | \$0 | \$0 | \$0 | \$0 |
| | 2003 | \$0 | \$50,000,000 | \$0 | \$50,000,000 |
| | Total | | \$680,000 | \$234,369,000 | \$5,000,000 |

Appropriations include allocated amounts for international military training and education (IMET), foreign military financing (FMF), and other military assistance (MAP - includes Military Service Assistance Funds, emergency drawdowns, and other grant assistance).

Deliveries include actual spending on international military training and education (IMET), foreign military financing (FMF), and other military assistance (MAP - includes Military Service Assistance Funds, emergency drawdowns, and other grant assistance).

¹⁸ Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts: September 30, 2001, published by the Defense Security Cooperation Agency (Department of Defense), and the Congressional Presentation Document for the State Department's Foreign Operations budget.

Note: IMET numbers are the same in appropriations and deliveries. FMF numbers are almost identical. MAP numbers differ quite significantly between appropriated and delivered quantities.

Following September 11, Pakistan saw its opportunity to get back into the good graces of the United States. It pledged complete cooperation in the war against terrorists. And indeed Pakistan was helpful in the war we conducted in Afghanistan. As a result, most sanctions against Pakistan have been lifted and \$3.5 billion has been poured into Pakistan in the form of U.S. or multilateral aid. Pakistan, in the words of Secretary of State Colin Powell, is now a "strategic ally" of the United States.¹⁹

However on July 17 , 2003 a new Congressional amendment was passed by the House of Representatives which asks President George W. Bush to certify to the U.S. Congress annually that Pakistan complies with terms for receiving financial aid, including an end to cross-border terrorism in Jammu and Kashmir.

The Indian American Community, led by the political action committee USINPAC, has been urging Congress to re-examine U.S. policy on aid to Pakistan in light of Pakistan's involvement in international terrorism.

USINPAC had the House International Relations Committee take up, and unanimously pass, an amendment to the Foreign Relations Authorizations Act that for the first time will start holding Pakistan accountable for its role in terrorism. The U.S. House of Representatives adopted the amendment, moved by Democratic Representative Eni Faleomavaega, (D-American Samoa), by an overwhelming majority. The amendment was passed by 382 votes to 42 as part of the Foreign Relations Authorisation Act.

The amendment titled Section 708: 'Reports on Actions Taken by Pakistan' says "for each of the fiscal years 2004 and 2005 the president shall prepare and transmit to the

¹⁹ Paul M. Weyrich, 'India and Pakistan' Washington times, June 24, 2003

appropriate Congressional committees a report that contains a description of the extent to which the government of Pakistan

- 1) has closed all known terrorist training camps operating in Pakistan and Pakistani-held Kashmir
- 2) has established serious and identifiable measures to prohibit the infiltration of Islamic extremists across the Line of Control (LoC) into India, and
- 3) has ceased the transfer of weapons of mass destruction, including any associated technologies, to any third country or terrorist organisation." ²⁰

Earlier in a speech on the floor of the House, Faleomavaega said that despite Pakistan's help in the U.S.-led war against terrorism, "I cannot turn a blind eye to the fact that Pakistan has not prohibited the infiltration of Islamic extremists across the Line of Control into Indian Kashmir.

"I cannot turn a blind eye to the fact that (President) Pervez Musharraf promised Deputy Secretary of State Richard Armitage that infiltration would cease and it has not."

Democratic lawmaker Frank Pallone, co-founder of the Congressional Caucus on India and Indian Americans, too voiced strong support for the provision. The New Jersey congressman said he believed such the presidential report would allow Congress "to determine whether or not President Musharraf is following through on promises he made last month to President Bush in order to secure a \$3 billion aid package from the United States."

The report would be helpful, but it should also reveal any efforts by the Pakistan government to move closer or further away from democracy. Pallone has been critical of Musharraf's lack of progress over the last year in moving towards democracy in Pakistan. "Although Pakistan's behaviour proves to be exactly the opposite of what the U.S. stands for, we are grateful for their support in combating global terrorism," Pallone said. "To that end, the U.S. has provided ample economic, and much to my dismay, military funding to Pakistan with no strings attached." He supported the aid bill because of the

²⁰<http://thomas.loc.gov/cgi-bin/query/F?c108:4:./temp/~c108hBQoNp:e339502:24JULY, 2003>

inclusion of the "important language" but insisted that, "it is equally important for Pakistan to return to a democracy in order to ensure future peace and stability in South Asia".²¹

View of the Senate Foreign Relations Committee on India and Pakistan: Steps towards Rapprochement: the hearing by the Committee chaired by Sen. Richard Lugar (R-IN), was held in July 2003 to examine the ongoing process of rapprochement between South Asian rivals India and Pakistan. Senators notably –Minority leader Sen Joseph Biden (D-DE), Sen Paul Sarbanes (D-Md) and Sen. Lincoln Chafee (R-Ri) felt that any aid to Pakistan should be conditioned on the promise that a major portion of it would go to fund social causes. The US Congress should also be fully cognizant of Pakistan's actions in this area.²² These were new developments increasing peaceful environment in South Asia.

Recent Developments: Abdul Qadeer Khan episode: On February 4 2004 , Dr Abdul Qader Khan , who is revered as the father of the Pakistan' nuclear bomb confessed that he had been solely responsible for operating an international black market in nuclear – weapons materials. Pakistan's President claimed to be shocked by Khan's misdeeds , pardoned him, citing his service to Pakistan. When A.Q. Khan was given a 'pardon' by General Musharraf for all his proliferation activities, for the US, it was merely a "matter between Mr. Khan and his government". In fact, President Musharraf was applauded for tracking down proliferators in Pakistan. To top it all, Pakistan was accorded the status of Major Non-Nato Ally (MNNA).

Why is the United States downplaying the proliferation issue and favoring Pakistan in all ways possible? What are the strategic interests of the US at this juncture?

Pakistan As A Major Non-NATO Ally (MNNA) of US

In a major bonanza to Pakistan, US granted it a MNNA status in March 2004. MNNA

Definitions: U.S. legislation creates two categories of MNNA status. The first **category is under Title 10 U.S Code Section 2350a (Nunn Amendment of 1987).** The Second is

2003) ²¹Vasantha Arora., 'U.S. Aid for Pakistan linked to Kashmir,' Indo-Asian News Service (17th July,

²² Vasantha Arora, 'Senate foreign Relations Committee Hearing on India and Pakistan' December 2003

under Section 517 of the Foreign Assistance Act of 1961, as amended (FAA) (title 22, USC Section 2321k). First category Title 10 U.S. Code Section 2350a authorizes the Secretary of Defense, with the concurrence of the Secretary of State, to designate MNNAs for purposes of participating with the Department of Defense (DOD) in cooperative research and development programs. Israel, Egypt, Japan, Australia, and the Republic of Korea were given MNNA designation under Title 10 in 1987, followed by Jordan (1996), Argentina (1998), New Zealand and Bahrain (2002), and the Philippines and Thailand (2003).

Designation under this provision:

- Permits firms of the country to bid on certain USG contracts for maintenance, repair or overhaul of DOD equipment outside the Continental US. (10 USC 2349)
- Makes a country eligible for certain joint counterterrorism research & development projects. (22 USC 2349a-10(b); PL 104-132 sec. 328(b))
- Allows DOD to enter into cooperative R&D projects with the country to improve conventional defense capabilities on an equitable cost-sharing basis. (10 USC sec 2350a)

Second category: Section 517 of the Foreign Assistance Act of 1961, as amended, authorizes the President to designate a country as a MNNA after 30-days notification to Congress, for purposes of the FAA and the Arms Export Control Act (AECA). The statute, enacted in 1996, initially designated Australia, Egypt, Israel, Japan, the Republic of Korea, and New Zealand as MNNAs. Subsequently, Jordan (1996), Argentina (1998), Bahrain (2002), and the Philippines and Thailand (2003) have also been designated as MNNAs under this provision.

Designation under this provision:

- Makes a nation eligible, to the maximum extent feasible, for priority delivery of excess defense articles if it is on the South or Southeastern flank of NATO. (FAA §516)
- Makes a nation eligible to buy depleted uranium ammunition. (FAA §620G)
- Makes the country eligible to have U.S.-owned War Reserve Stockpiles on its territory outside of U.S. military installations. (FAA §514)].

- Allows the country to enter into agreements with the USG for the cooperative furnishing of training on a bilateral or multilateral basis under reciprocal financial arrangements that may exclude reimbursement for indirect costs and certain other charges. (AECA §21(g))
- Allows the country to use U.S. provided Foreign Military Financing for commercial leasing of certain defense articles. (Section 589 of the FY01 Foreign Operations Appropriation Act, Public Law 106-429)
- Makes a country eligible for loans of materials, supplies and equipment for cooperative R&D projects and testing and evaluation. (AECA §65)
- Makes a country eligible for expedited processing of export licenses of commercial satellites, their technologies, components, and systems. (Section 1309 of the James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal Years 2000 and 2001, Public Law 106-113)²³

²³ For more details see, B.Raman, 'Pakistan as a major Non-NATO ally (MNNA) of US', <http://www.saag.org/papers10/paper958.html>, Paper no. 958, accessed on 4 March 2004

Chapter 4

CONCLUSION

Since 1945, Washington has disbursed generous amounts of U.S. foreign aid in attempts to achieve a variety of foreign policy goals ranging from political influence to economic development. Foreign aid has become one of the constants of American foreign policy. Since World War II the United States has provided more than \$1 trillion (in current dollars) in bilateral economic assistance to other nations, supplemented by generous contributions to such multilateral organizations as the World Bank, regional "development banks," the International Monetary Fund (IMF), and the United Nations. Washington has also provided developing nations with large-scale military support, trade subsidies, and the like.

Objectives of US Aid

- * **Peace:** continued transfers to countries in the Mideast, principally Egypt and Israel, the signatories of the Camp David accords; support for disarmament, non-proliferation, crime, and narcotics programs; and payments for UN peacekeeping.
- * **Prosperity:** business subsidies, particularly through the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency; and some so-called Food for Peace (or P.L. 480) shipments.
- * **Diplomacy:** State Department funding, payments to the United Nations, and U.S. AID operations
- * **Sustainable development:** the usual economic and social programs undertaken by U.S. AID--food programs, AIDS prevention, employment generation, population control, environmental protection, support for democratic processes, and the Peace Corps.
- * **Democracy:** assistance to the former Soviet Union and Central and Eastern Europe; electoral and political training and institution-building programs; and funding for international broadcasting services.
- * **Humanitarian assistance:** disaster relief, refugee assistance, and food shipments.

The Genesis of U.S. Foreign Aid

It was not until the end of World War II that foreign aid became a significant tool of U.S. intervention, replacing the rapidly shrinking military as the primary means of exerting American influence abroad. Today the United States spends some \$18 billion annually on foreign "assistance," particularly grants and loans to other nations through both bilateral and multilateral institutions.

As we saw in chapter 1, the United States administers three major security assistance programs: **foreign military sales credits**, which help finance weapons purchases; **military assistance program grants**, which underwrite local defense efforts; and **international military education and training**, which schools foreign military officers. **U.S. AID** manages disaster relief program, subsidized crop shipments, primarily through the Food for Peace program, and a host of general economic development projects, such as irrigation systems and hospitals. U.S.-funded multilateral agencies, including the IMF, the World Bank, and such regional agencies as the European Bank for Reconstruction and Development also underwrite borrower projects ranging from agricultural development to urban services and provide aid to support "structural" economic reforms.

The Carlucci Commission, formed in 1983 to review U.S. aid programs, concluded that foreign assistance "makes an indispensable contribution to achieving foreign policy objectives."

Foreign assistance thus became an integral part of this nation's attempt to enforce a pax Americana in the aftermath of World War II. While military force was considered to be the ultimate guarantor of U.S. interests, financial assistance was believed to be a less expensive and intrusive means of reshaping the world in America's image. As Atwood explains, "It is all the same fundamental goal of foreign policy that we have had since we became a nation, and certainly since we became a superpower. We are looking for peace and stability and democratic principle. You don't achieve that without investing in

sustainable development." Indeed, he calls foreign aid "a good investment for the American people."¹

Cold War: The United States, as is well known, repeatedly sought Pakistan's assistance during the Cold War to prosecute the strategy of anti-Soviet containment in South Asia. Pakistani decision-makers repeatedly positioned themselves as valued allies in this quest. Yet Pakistan was interested in the American aid solely because it wanted to build up its military capabilities against India.

Sadly, the paucity of South Asia expertise in the State and Defence Departments, the overweening interest in containing the Soviet Union and the limitations of Indian diplomacy all conspired to Pakistan's benefit. From the arms-transfer relationship forged under the Eisenhower administration in the U.S. in 1954 to the supply of sophisticated weaponry and financial assistance during the Zia-ul-Haq regime in Pakistan, Islamabad was a major beneficiary of Washington's military largesse.²

U.S.-Pakistan nexus did yield some strategic benefits to Washington, especially in the short run. In the early 1950s, the U.S. could carry out reconnaissance missions across Soviet Central Asia from its air bases in Pakistan. Later, during the Zia years, the close military ties between the two states permitted the U.S. to pursue its not-so-covert war against the Soviets in Afghanistan. Consequently, from the US perspective the U.S.-Pakistan relationship had significant strategic value to Washington.

Post Cold War: At the end of the Cold War, Pakistan's significance to the U.S. ended. The U.S. had few inherent interests in the region and virtually none in Pakistan barring the trite piety that it wanted good relations with a "moderate, Muslim state." Not surprisingly, Pakistan became the object of a raft of U.S. economic and military

¹ Dough Bandow, 'A New Aid Policy for a new world' <http://www.cato.org/pubs/pas/pa-226.html>, May 1995

² Sumit Ganguly, 'Pakistan as a U.S. ally', *The Hindu*, April 9 2004

sanctions. Most of these remained in place during the 1990s despite fitful attempts to remove them.

The invoking of the Pressler Amendment against Pakistan in 1990 consequent upon its acquiring a military nuclear capability led to a total ban on all military supply and co-operation relationship with Pakistan. A ban was imposed on the training of Pakistani military officers in the US, exchanges of visits by military officers were severely curtailed, equipment in the pipeline (F-16 aircraft, three naval aircraft (P-3) etc) were frozen and a ban was imposed even on the supply of spare parts for equipment sold to Pakistan before 1990. Pakistan ceased to be eligible to concessional military supplies. There was also an unannounced ban on all exchanges of visits by the scientists working in the nuclear and missile establishments and advisories were issued to all US educational institutions and research laboratories to exercise care and caution against Pakistani scientists seeking admissions or invitations in respect of subjects relating to nuclear and missile development.

It was in 1994 that the United States first picked up the Pakistani trail in North Korea. The Clinton administration confronted Pakistan with intelligence on a likely deal for exchanging North Korean missiles and Pakistani nuclear technology, but Islamabad denied that any of those working for its various nuclear establishments was involved in proliferating to Pyongyang. Since the evidence was more circumstantial than conclusive the US backed off. However Pakistan and North Korea connection was proved by Pakistan providing uranium enriching assistance.

In 1995, there were rumors that UN weapons inspectors in Iraq had found a letter by an unidentified Pakistani scientist offering to help Iraq develop its weapons capability. Pakistan immediately contacted the International Atomic Energy Agency (IAEA), even though it is not a signatory to the Nuclear Non-Proliferation Treaty (NPT), to look into

the matter. However, further investigations by the IAEA did not prove the allegations and the matter ended there.³

After the visit of Benazir Bhutto, the then Pakistani Prime Minister to Washington DC in 1995 a limited exemption was granted by the Clinton administration under the Brown Amendment. The naval aircraft were delivered, but not the F-16s and limited quantities of spare parts were delivered for the Army and the navy, but not for the Air Force.⁴

The **1998 Pakistani nuclear tests** brought more sanctions on Pakistan, triggering sweeping **U.S. economic** sanctions as required by the Arms Export Control Act (AECA) and the Export-Import Bank Act.

Apart from the sanctions imposed following the nuclear tests, the United States prohibited foreign aid to **Pakistan** when that country fell into arrears in servicing its debt to the United States in late 1998, a prohibition re enforced when **Pakistan's** military forces overthrew the democratic government in late 1999.

Indeed, until the George W. Bush administration decision to lift the test-related sanctions in 2001 Pakistan had the unique distinction of being the state facing the most number of U.S.-imposed sanctions. The Bush administration lifted them because it had a markedly different approach to non-proliferation: namely, economic sanctions were of limited value in shaping a regime's strategic choices. More to the point, it was keen on courting India for a variety of reasons and thereby had to lift the Clinton sanctions. Pakistan, in effect, also became a beneficiary of this policy shift toward India.

Foreign aid to Pakistan (**\$1-1.5 billion annually**) averaged approximately 1.5-2 percent of its GNP and 6-8 percent of the government budget in recent years. After the nuclear tests, Pakistan lost about half their IFI aid and almost all Japanese aid.

The IFI aid sanctions were triggered by US sanctions legislation. Under U.S. Congressional legislation of the 1994 Glenn Amendment, the Clinton administration was

³ Ejaz Haider, *Nuclear policy breakdown in Pakistan*, February 10, 2004

⁴ B Raman, Pakistan as a major Non NATO Ally of US, www.saag/papers/10/paper958.html

required to halt bilateral aid and oppose multilateral aid from IFIs to NPT-defined non-nuclear states that conducted nuclear tests. All G-8 states joined in supporting IFI sanctions.

Eventually, sanctions caused some decline in investor confidence, but were only partially responsible for the poor economic performance in Pakistan. The economy was also hurt by sluggish industrial growth, domestic political instability, the Asian financial crisis, and unfavorable international economic conditions. Pakistan's economic growth slowed from 4.3 percent in 1997-98 to 3.1 percent in 1998-99, its FDI fell from \$436 million to \$296 million, and portfolio investment inflows decreased from \$204 million to \$5 million.

Sanctions were maintained to signal the international community's disapproval of India's and Pakistan's nuclear tests, but were selectively lifted over the course of their first year to induce concessions from both states, as well as to prevent an economic collapse in Pakistan.

In October 1998, the U.S. Congress passed the **Brownback Amendment**, giving the President limited authority to waive some sanctions for a year. In early November, the Clinton administration announced that it would utilize the Brownback legislation provisions. It would restore EXIM bank and OPIC credit guarantees and international military education and training programs (IMET) for Pakistan, and would also support an IMF rescue package for Pakistan. India and Pakistan also received some IFI aid in early 1999.

In later months, on March 16, 1999, acknowledging improvements in India-Pakistan relations under the Lahore declarations, a follow-up to the Brownback Bill was introduced in the Senate and passed in early June; in May, a similar bill was introduced in the House. In October 1999, a joint House-Senate committee approved legislation giving the President waiver authority to lift most Glenn and Pressler amendment sanctions. However, by late 1999, this waiver authority was not utilized and most foreign aid sanctions still remained in place, as neither India nor Pakistan had taken any substantial restraint steps. Pakistan only conceded ground on the CTBT (by indicating a willingness

to sign, but not actually signing, this treaty) and on strengthening its export control; no significant concessions on the fissile material and missile issues was made.⁵

The democracy-related sanctions on Pakistan remained in place. The **events of September 11, 2001**, brought about a dramatic shift in the U.S. - Pakistan relationship. Once again, strategic geography proved to be Pakistan's enduring asset in dealing with the U.S. After having nurtured and sustained the loathsome Taliban regime, Pakistan notionally agreed to participate in its destruction. However, just as it behaved during the Zia years, its cooperation was far from full-blown. Long after the U.S. started its military campaign in Afghanistan, the Taliban spokesmen operated with impunity from Islamabad. Elements of the Pakistan Army also maintained their ties to their erstwhile acolytes.

Two steps were taken to relieve the prohibition on U.S. foreign aid. First, on September 24, 2001, the U.S signed an agreement in Pakistan to reschedule \$379 million of its debt to the United States, enough to cancel the arrearage.

Then Congress passed a bill to exempt Pakistan from the sections of law that prohibit making foreign assistance available to any country governed by a military that overthrew a democratically elected regime. The President signed S. 1465 into law on October 27, 2001; its authority to waive the sanctions related to both democracy and debt arrearage remained available through FY2003, provided the President determined that making foreign assistance available “facilitates the transition to democratic rule in Pakistan” and “is important to United States efforts to respond to, deter, or prevent acts of international terrorism.”

Prior to the passage of S. 1465, President Bush invoked the authority granted him in sec. 614 of the Foreign Assistance Act of 1961 (22 U.S.C. 2364) to provide \$50 million in Economic Support Funds to Pakistan on September 28, 2001, without regard to restrictions in that Act or the Foreign Operations Act that are applicable to Pakistan. The

⁵ Dinshaw Mistry, ‘Diplomacy, Sanctions, and the U.S. Nonproliferation Dialogue with India and Pakistan – Summary’, *Asian Survey*, October 1999.

President made another \$50 million available under the same authority on October 16 2001. These two disbursements were part of the Administration's proposed \$600 million package of assistance to Pakistan. The President also released \$25 million in Emergency Migration and Refugee Funds to Pakistan around the same time.

Funding derived from the 2001 Emergency Supplemental Appropriations Act included the balance of the President's package to Pakistan (\$500 million), and another \$73 million for border security between Pakistan and Afghanistan.

Cooperation in war against terror: Post 9/11, 2001, Pakistan received almost \$100 million per month, on account of logistics support, it provided to the US troops in the war against terrorism.⁶

According to a half yearly review report of the Asian Development Bank (ADB) , the logistics support payments increased by 83.3 per cent during July-December 2003 to total \$581 million or about \$97 million a month.

Pakistan and the United States signed an acquisition and cross servicing agreement (ACSA) in early 2002 to facilitate reciprocal provision of logistics support and services between the two armed forces, to be used primarily during combined exercising, training, deployments, operations or other cooperative efforts. Items permitted under the ACSA include food, water, transportation, POL, communications and medical services and also covers use of facilities, training services, repairs and maintenance etc.

In addition to normal billing of fuel, water and communication charges, the government also charges for the facilities, like airbases, storages etc., it offered to US forces in the region.

Last year, a report of the US Central Command detailed this logistical support in the operation enduring freedom (OEF), saying Pakistan provided five air bases/airfields, and in emergency landing rights for planes anywhere in Pakistan.

⁶ Rachel Stohl, *US Post – Sept 11 Arms Trade Policy*, Washington: Center for Defense Information March 2004

On the average 0.4 million liters of fuel per day was provided to the US forces as well as all other services on the bases used by them. "A total of 57,800 sorties have been generated from Pakistan's air space/soil," the report said.

In order to facilitate launching of air operations into Afghanistan, Pakistan provided 2/3 of its air space as air corridor to the US/coalition forces. The Pakistan Navy also provided landing facility to the US/coalition ships at Pasni. At sea, Pakistan Navy operations/training were curtailed in order to accommodate and facilitate the operations of US/coalition naval forces. The Naval Operations at Pasni were the largest operations in size, duration and depth that the US Marine Corps had conducted since the Korean War.

Pakistan also apprehended more than 550 most wanted men in the US-led war against terrorism, including the most wanted al-Qaeda figures, Khalid Sheikh Muhammad, Abu-Zubaida and Ramzi bin Al-Shaiba. Pakistan has also launched a massive operation in the Federally Administered Tribal Areas (FATA).

The Centcom report also estimated a loss of over \$10 billion since October 2001 to Pakistan due to its support to the OEF. The United States offered Pakistan compensation in the shape of direct grants and debt write-offs, and support in the shape of debt rescheduling agreement and new concessional multilateral loans.⁷

Previous efforts to curry favour with Gen. Musharraf have yielded only very limited dividends. Accordingly, some dramatic gesture had to be made to elicit his cooperation. In this quest, US offered a "major, non-NATO ally" status to Pakistan.⁸

⁷ Nadeem Malik 'US paying \$100m monthly for logistics support' <http://www.jang.com.pk/thenews/mar2004-daily/22-03-2004/main/main7.htm>

⁸ Ibid

Nuclear Proliferation and US Aid to Pakistan

How far the non-proliferation objectives influenced the US aid policy to Pakistan since the post Cold war?

Despite the billions of dollars US poured into Pakistan, the US has not been able to exercise much influence over Pakistan. The US has been unable to promote democracy in Pakistan through military and economic assistance. Pakistan developed nuclear capabilities over US protests, and tested these capabilities despite US opposition and aid suspension. Even though the United States punished Pakistan for its nuclear program and for a military coup, 9/11 again changed the scenario. History repeated itself as far as the American aid to Pakistan; especially the military aid was concerned.

The American Plan

With elections round the corner and campaigning in full swing President Bush wants to pool-in as many success stories as possible. Having failed to unearth weapons of mass destruction in Iraq and capture Osama Bin Laden, Bush is finding hard to justify his foreign policy. Capturing Osama is expected to increase his dipping ratings. Bush's primary objective now is to capture Osama; and Musharraf's role is essential in that. The A.Q. Khan proliferation episode came handy at the right moment when US wanted greater leverage to handle Pakistan. US Defense Secretary Paul Wolfowitz's allegation that Pakistan is "failing to co-operate with the United States despite Washington's restraint over Islamabad's nuclear proliferation scandal" is to apply pressure on General Musharraf. Wolfowitz made it clear that Washington would increase its demand in downplaying the nuclear scandal.

Pakistan has been accorded the status of major non Nato Ally (MNNA) which will enable Pakistan to be a beneficiary of military equipment and technology besides other arrangements. This has been done to further express and strengthen the "special

relationship' between the two allies and as a reward to the military backed government of Pakistan for its co-operation in South Waziristan.

Economic and political stability **Pakistan's Game Plan**

In Pakistan, Musharraf was looked upon as a puppet of US taking orders from the 'Masters' and rolling back the nuclear programme after the proposed "full co-operation" with the US to trace down the nuclear trade in Pakistan . Musharraf immediately after the February 5 2004 pardon to A.Q. Khan announced missile tests to make a point that the nuclear policy and programme of Pakistan was quiet independent of any US pressure.

Pakistan tested Shaheen II, a long range missile capable of carrying nuclear warheads and with a range of 2000 to 2500 Kms. This reflected the determination of the Pakistan Government in carrying forward its nuclear programme.

Besides this, the new found status of a major non-NATO ally will be fully exploited by Musharraf to further strengthen the army and his position in the country. Thus, Musharraf is making use of the US. First, the MNNA status means more American support to General Musharraf and less support for the demand of moderate parties and their leaders, especially for Nawaz Sharif and Benazir Bhutto, who are under exile. Without any active support for the exiled leaders from the US, their return to Pakistan would remain a distant dream. Musharraf would be able 'control' democracy through the PML-Q, which is more than willing to support his policies, both inside and outside the Parliament,

Second, Musharraf has been using the threat of fundamentalist parties and jihadis to get more concessions from the US. The Americans believe that Musharraf would be able to deliver them rather than the democratic forces. Third, Musharraf has been able to increase his influence and acceptance among the people of Pakistan. The waivers

and removal of sanctions means that Pakistan is acceptable to the international community, which is a welcome turn from being a pariah country.

Fourth, by continuing his support to war on terror Musharraf is able to bring in a wave of economic reform to the country by attracting large funds and aids from all over the world especially the US. This has enabled Pakistan to touch a growth rate of 5.1 percent in the fiscal year 2002-03, first time in last eight years. The accusation on democratic governments of 'money laundering' and 'misgovernance' stands justified in this period of economic growth. Internationally, Musharraf is attaining a stature of a leader whom is against terrorism, helping in the reconstruction work and one who is sincere in his peace efforts..

At the international level Musharraf has been able to satisfy IAEA with the limited sharing of information which otherwise would have adopted a stricter control regime.

Thus, both US and Pakistan have used other for short term benefits. Bush is using Musharraf to get re-elected to White house and Musharraf is using Bush to strengthen his position within Pakistan and crush the opposing forces (fundamentalist forces and the moderate democratic parties) in his country.

To sum up, we can say that for 30 years, the U.S. government has tried to restrain Pakistan from acquiring nuclear weapons using such tools as diplomacy, aid, and interdiction. When those failed, sanctions were developed specifically against Pakistan to slow its nuclear program .US policy implementation, however, has been inconsistent, particularly when other US national security interests at times have taken precedence. Less than six months after cutting off aid in 1979 to Pakistan for its uranium-enrichment activities, the Soviets invaded Afghanistan and negotiations to resume aid to Islamabad began. In 1990, after the Soviets pulled out, President George

H.W. Bush determined he could not certify that Pakistan did not possess a nuclear device, and so aid was cut off again, this time for several years. In 1998, aid was cut off following Pakistan's nuclear tests, but this lasted less than a year. After the attacks of September 11, 2001, Congress passed legislation allowing Pakistan to circumvent the remaining restrictions on aid (related then to its foreign debt arrears and 1999 military coup).

Over time, the U.S. threshold of proliferation tolerance has risen from Pakistan's acquisition of technology to its possession of a nuclear device and then to nuclear testing (in 1998). This could explain why the United States has not strenuously pursued the question of potential Pakistani government cooperation in Khan's activities. The State Department concluded in a letter to key members of Congress on March 12, 2003, that "the administration carefully reviewed the facts relating to the possible transfer of nuclear technology from Pakistan to North Korea, and decided that they do not warrant the imposition of sanctions under applicable U.S. laws." Given administration statements alleging such nuclear transfers, the United States appears to have accepted Islamabad's explanation that it had no role.

Clearly, another key factor here is the priority of counter terrorism over counter proliferation policy in the Bush administration. In 2002, White House spokesman Ari Fleischer was asked **whether countries that provided assistance to North Korea on the enrichment program would risk being cut off from U.S. assistance and he responded that "September 11th changed the world."** Two months later, the United States decided to impose sanctions on North Korea for sending Scud missiles to Yemen, yet waived sanctions against Yemen for receiving them. The reason: According to State Department spokesman Richard Boucher, "because of the commitments that they [Yemen] had made and in consideration of their support for the war on terrorism."

Secretary of State Powell's announcement on March 18th that Pakistan would be designated a "major non-NATO ally," a step that facilitates military cooperation and

assistance, reinforces the impression that for the Bush administration, counter terrorism trumps counter proliferation cooperation.

The main U.S. response so far has been to focus on closing down Khan's covert nuclear network. On February 11, 2004, Bush unveiled new efforts aimed partly to accomplish this. Briefly, Bush proposes to expand interdiction efforts (**under the Proliferation Security Initiative**) to "shut down labs, to seize their materials, to freeze their assets;" criminalize proliferation through a new U.S.-sponsored UN Security Council resolution; expand cooperative threat reduction measures to states such as Libya; ban enrichment and reprocessing capabilities beyond those states that already have them; make the Additional Protocol (to the nuclear Nonproliferation Treaty [NPT]) a prerequisite for nuclear-related imports; and create a special committee at the IAEA to investigate compliance.

But these measures, even taken together, are unlikely to prevent another Khan affair. As we know that, the Bush administration has proposed a \$3 billion aid package to Pakistan over the next five years. At a minimum, the United States should condition this aid on requiring Pakistan to give the United States full access to Khan, as well as to improve transparency, export controls, and personnel reliability in its nuclear program.

Even during the Clinton period, although sanctions were imposed on Pakistan to achieve non proliferation objectives and to promote democracy, but as we have seen they were removed to achieve other domestic interests. We have also seen that the present Bush administration has given priority to counter terrorism and not non proliferation. One can say that both US and Pakistan have used each other to fulfill their own objectives and US aid although has helped Pakistan's economy; it has not influenced Pakistan's nuclear program or promoted democracy.

The Wharton report, (the Clinton administration's review of U.S. foreign aid programs), explains it all, that the main objective of US has been to develop a "Well-defined, effectively managed, and flexible foreign assistance programs which can further U.S. domestic, economic, political, and security interests.

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