Pakistan-U.S. Relations: A Summary

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Summary

This report summarizes important recent developments in Pakistan and in Pakistan-U.S. relations. These include high-profile political assassinations earlier in 2011, the Raymond Davis affair involving a CIA operative accused of murder in the city of Lahore, and the May killing of Osama bin Laden in the military cantonment city of Abbottabad, among others. Obama Administration engagement with Pakistan has been seriously disrupted by recent events. A brief analysis of the current state of Pakistan-U.S. relations illuminates the main areas of contention and uncertainty. Vital U.S. interests related to links between Pakistan and indigenous American terrorism, Islamist militancy in Pakistan and Islamabad’s policies toward the Afghan insurgency, Pakistan’s relations with historic rival India, nuclear weapons proliferation and security, and the troubled status of Pakistan’s domestic setting are reviewed. Ongoing human rights concerns are briefly summarized, and the report closes with discussion of U.S. foreign assistance to Pakistan.

In the post-9/11 period, assisting in the creation of a more stable, democratic, and prosperous Pakistan actively combating religious militancy has been among the most important U.S. foreign policy efforts. Global and South Asian regional terrorism, and a nearly decade-long effort to stabilize neighboring Afghanistan are viewed as top-tier concerns. Pakistan’s apparently accelerated nuclear weapons program and the long-standing dispute with India over Kashmir continue to threaten regional stability. Pakistan is identified as a base for numerous U.S.-designated terrorist groups and, by some accounts, most of the world’s jihadist terrorist plots have some connection to Pakistan-based elements.

While Obama Administration officials and most senior congressional leaders continue to recognize Pakistan as a crucial partner in U.S.-led counterterrorism and counterinsurgency efforts, long-held doubts about Islamabad’s commitment to core U.S. interests have deepened considerably in recent months. Most independent analysts view the Pakistani military and intelligence services as too willing to distinguish among Islamist extremist groups, maintaining links to some as a means of forwarding Pakistani’s perceived security interests. This results in ongoing apparent tolerance of Afghan insurgent and anti-India militants operating from Pakistani territory. The May 2011 revelation that Al Qaeda founder Osama bin Laden had enjoyed apparently years-long and relatively comfortable refuge inside Pakistan has led to intensive U.S. government scrutiny of the now deeply troubled bilateral relationship, and has sparked much congressional questioning of the wisdom of existing U.S. foreign assistance programs to a government and nation that may not have the intention and/or capacity to be an effective U.S. partner. Pakistan is among the leading recipients of U.S. aid both in FY2010 and in the post-9/11 period, having been appropriated more than $20 billion in assistance and military reimbursements since 2001. With anti-American sentiments and xenophobic conspiracy theories remaining rife among ordinary Pakistanis, persistent economic travails and a precarious political setting combine to present serious challenges to U.S. decision makers.

This report will be updated periodically. For broader discussion, see CRS Report R41307, Pakistan: Key Current Issues and Developments, by K. Alan Kronstadt.
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Overview

A stable, democratic, prosperous Pakistan actively combating religious militancy is considered vital to U.S. interests. U.S. concerns regarding Pakistan include regional and global terrorism; efforts to stabilize neighboring Afghanistan; nuclear weapons proliferation; the Kashmir problem and Pakistan-India tensions; democratization and human rights protection; and economic development. Pakistan is praised by U.S. leaders for its post-2001 cooperation with U.S.-led counterterrorism and counterinsurgency efforts, although long-held doubts exist about Islamabad’s commitment to some core U.S. interests. A mixed record on battling Islamist extremism includes ongoing apparent tolerance of Taliban elements operating from its territory. May 2011 revelations that Al Qaeda founder Osama bin Laden had found apparently years-long refuge inside Pakistan has led to intensive U.S. government scrutiny of the now deeply troubled bilateral relationship. Anti-American sentiments and xenophobic conspiracy theories remain rife among ordinary Pakistanis. Pakistan’s troubled economic conditions and precarious political setting combine with perilous security circumstances and a history of difficult relations with neighbors to present serious challenges to U.S. decision makers.

Islamist extremism and militancy in Pakistan is a central U.S. foreign policy concern. Its arguably growing influence hinders progress toward key U.S. goals, including the defeat of Al Qaeda and other anti-U.S. terrorist groups, Afghan stabilization, and resolution of the historic Pakistan-India rivalry that threatens the entire region’s stability and that has a nuclear dimension. Long-standing worries that American citizens have been recruited and employed in Islamist terrorism by Pakistan-based elements have become more acute. In a February 2011 speech, Secretary of State Hillary Clinton lauded “dramatically expanded” counterterrorism and intelligence cooperation with Pakistan, while also conceding that “there are significant differences to overcome” and that “distrust lingers on both sides” of the bilateral relationship.¹ Such distrust worsened in the intervening months,² and has peaked since the May 1, 2011, death of Osama bin Laden in a covert U.S. military operation in the Pakistani city of Abbottabad, leading many in Congress to more forcefully question the effectiveness of current U.S. policy. Some have openly called for the curtailment or significant reduction of U.S. foreign assistance to Pakistan.³

Despite numerous and serious problems in the relationship, the Obama Administration continues to pursue close relations with Islamabad. As part of the Administration’s strategy for stabilizing Afghanistan, its Pakistan policy has included a tripling of nonmilitary aid to improve the lives of the Pakistani people, as well as the conditioning of U.S. military aid to Islamabad on that government’s progress in combating militancy and in further fostering democratic institutions. Congress appropriated just under $3 billion in direct aid for Pakistan in FY2010, placing it among

² For example, at an April House hearing on South Asia, Subcommittee Chairman Rep. Steve Chabot questioned Administration witnesses about why a decade of major U.S. assistance efforts had produced no obvious good results in Pakistan, commenting, “We spent all this money and they still hate us.” (“House Foreign Affairs Subcommittee on Middle East and South Asia Holds Hearing on Foreign Policy Priorities in South Asia,” CQ Transcriptions, April 5, 2011).
³ “Congress Turns Against Pakistan,” Politico, May 3, 2011. On May 3, 2011, H.R. 1699, the Pakistan Foreign Aid Accountability Act, was introduced in the House. The Act would prohibit future foreign assistance to Pakistan unless the Secretary of State certifies that the Pakistani government was not complicit in hiding OBL.
the world’s leading recipients of U.S. foreign assistance. Recent events may lead to significant adjustments in levels of future U.S. assistance.

Major Developments in 2011

High-Profile Political Assassinations

On January 4, Salman Taseer, the governor of Punjab province, was assassinated when a member of his own security team shot him 26 times in broad daylight while other bodyguards looked on. A senior figure in the national coalition-leading Pakistan People’s Party (PPP), Taseer was among the country’s most liberal politicians, and he had incurred the wrath of Islamists and other conservatives with vocal criticisms of the country’s controversial blasphemy laws. His killer, Malik Mumtaz Qadri, has since been lauded as a hero by significant sections of Pakistani society, and numerous observers were disturbed by signs that even leaders of the country’s majority Barelvi Muslim sect, usually considered to be of the more moderate sort, were vocal supporters of the assassin. Taseer’s assassination, strongly condemned by Secretary Clinton, was viewed as a major blow to liberal forces in Pakistan. At least one unnamed Obama Administration official reportedly saw it as “a reminder of how we’re still losing ground in Pakistan.”

On March 2, gunmen ambushed the car of Minorities Minister Shabaz Bhatti, the only Christian in the federal cabinet, and shot him to death. Bhatti had long campaigned for tolerance toward Pakistan’s religious minorities and had, like Gov. Taseer, openly called for reform of the blasphemy laws. His killers left pamphlets at the scene warning against such changes. Secretary Clinton expressed being “shocked and outraged” by Bhatti’s killing, calling it “an attack on the values of tolerance and respect for people of all faiths and backgrounds championed by Mohammed Ali Jinnah, Pakistan’s founding father.”

The Raymond Davis Affair

On January 27, Raymond Davis, an American working at the U.S. Consulate in Lahore, shot and killed two men who approached his vehicle in urban traffic. Davis contends he acted in self-defense when the men tried to rob him at gunpoint. However, Pakistani authorities accused Davis of murder and, in early February, a court barred the government from releasing him despite an adamant insistence from top U.S. officials that diplomatic immunity shielded him from

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prosecution. President Barack Obama himself described Davis as “our diplomat.” Some reports suggested that the two Pakistani men killed were intelligence operatives tasked with tracking Davis; other reports indicated that the men were common armed robbers who had committed other crimes earlier that day. The U.S. Consulate at first described Davis as “technical and administrative staff,” but it provided no details of his duties. Only more than three weeks after the incident did the U.S. government admit that Davis, a former Special Forces soldier, was in fact a CIA contractor and member of a covert team that was tracking militant groups inside Pakistan.

The controversy around Davis’s legal status confounded Pakistani leaders, who privately recognized the requirements of international conventions while also having to face increasingly virulent public anger. Prime Minister Gillani said the incident placed his government “between the devil and the deep blue sea.” Foreign Minister Mehmood Qureshi himself publically declared that Secretary Clinton had sought to “force” him to grant immunity for Davis; Qureshi came under criticism from other PPP officials and days later was dropped from a list of Pakistan’s reformed federal cabinet. He continued to contend that Davis did not merit blanket immunity. Accusations of buck-passing led to open rhetorical clashes between federal coalition-leading PPP members and opposition Pakistan Muslim League – Nawaz (PML-N) figures whose party dominates the Punjab provincial government in Lahore.

The controversy also led some in Congress to openly suggest that U.S. assistance to Pakistan might be reduced or curtailed if the case was not resolved in a satisfactory manner. The U.S. government postponed trilateral talks with Pakistan and Afghanistan scheduled for late February in what was described by White House officials as a response to the Davis dispute. In mid-February, Senate Foreign Relations Committee Chairman Senator Kerry traveled to Islamabad in an effort to reduce escalating tensions, taking the opportunity to express the “deepest sorrow” felt by top U.S. leaders at the loss of life. Also around this time, the Pakistani Prime Minister raised the idea that *diyat*, or “blood money,” could provide all parties with a face-saving resolution. This Koranic concept allows murder cases to be settled if the victims’ families forgive the accused and agree to financial compensation.

On February 23, senior U.S. and Pakistani military officers held a daylong meeting at a secluded luxury resort on the Omani coast. Although scheduled months before, the session’s central aim was believed to be resolution of the Davis affair, and the CIA soon after opened direct negotiations with Pakistan’s main intelligence agency, Inter-Services Intelligence (ISI), in an effort to secure Davis’s release. Yet the case dragged on without resolution into mid-March, with the Islamabad government failing to instruct the Lahore court on Davis’s status, and that court moving ahead with plans for a murder trial in lieu of such clarification. Then, on March 16, after more weeks of secret negotiations, political pressure by Pakistani officials on the courts, and,
finally, a pledge of $2.3 million in “blood money” for the victims’ families, Davis was freed and immediately flown out of the country. Top U.S. officials denied there had been any *quid pro quo* arrangement related to Davis’s release or that the United States had provided the financial compensation. The U.S. Ambassador to Pakistan announced that the U.S. Justice Department would investigate the January 27 shootings. Still, the outcome left many Pakistanis feeling that their judicial system had been seriously manipulated, in large part by the U.S. government.

### The Death of Osama bin Laden

On May 1, Al Qaeda founder Osama bin Laden (OBL) was located and killed in the mid-sized Pakistani city of Abbottabad, a military cantonment in the northwest Khyber Pakhtunkhwa province, in a compound one-half mile from the country’s premier military academy, just 35 miles north of the capital of Islamabad (see Figure 1). The location and circumstances of OBL’s death have exacerbated Washington’s long-held doubts about Pakistan’s commitment to ostensibly shared goals of defeating religious extremism, and may jeopardize future U.S. assistance to Pakistan. The news of OBL’s whereabouts led to almost immediate questioning of Pakistan’s role and potential complicity in his refuge; a senior Administration official expressed being “very concerned” that OBL was inside Pakistan and indicated that the U.S. government would carefully question Islamabad in this regard. President Obama’s chief counterterrorism advisor, John Brennan, told reporters it was “inconceivable that Osama bin Laden did not have a support system” in Pakistan.

For a wide array of observers, the outcome of the years-long hunt for OBL leaves only two realistic conclusions: either Pakistani officials were at some level complicit in hiding the fugitive, or the country’s military and intelligence services were exceedingly incompetent in their search for top AQ leaders. In either case, after many years of claims by senior Pakistani officials—both civilian and military—that most-wanted extremist figures were finding no refuge in their country, Pakistan’s credibility has suffered a serious blow.

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14 For broader discussion, see CRS Report R41809, *Osama bin Laden’s Death: Implications and Considerations*, coordinated by John Rollins.

15 The location of OBL’s refuge was described by a senior Obama Administration official as “relatively affluent, with lots of retired military.” The structure itself was said to be roughly eight times larger than surrounding homes: “Intelligence analysts concluded that this compound was custom built to hide someone of significance.” The owners of the property reportedly were ethnic Pashtun Pakistanis (“Press Briefing by Senior Administration Officials on the Killing of Osama bin Laden,” May 2, 2011; “Bin Laden Hosts at Compound Were Two Pakistanis,” *New York Times*, May 3, 2011).


18 A listing of some of the oftentimes categorical, high-profile Pakistani denials about OBL specifically are in “Osama bin Who?,” *Foreign Policy* (online), May 2, 2011.
Pakistan’s military and intelligence services have come under unusual domestic criticism for being unable to detect and intercept a foreign military raid deep inside Pakistani territory, and for ostensible incompetence in detecting the presence there of the world’s most-wanted terrorist. Army Chief Gen. Ashfaq Pervez Kayani warned that Pakistan would not tolerate any future incursions. The security agencies may be seeking to deflect criticism by emphasizing a narrative in which the country’s sovereignty has been grossly violated and so focusing the people’s ire on external actors.\(^{19}\) There are signs that this tack has been at least partially effective: Parliament subsequently issued a strong condemnation of the U.S. raid and again called for a halt to U.S.-

\(^{19}\) While Army Chief Kayani admitted to intelligence “shortcomings,” a May 5 release, the first response following the May 1 incident, stated that any similar “violations of the sovereignty of Pakistan will warrant a review on the level of military/intelligence cooperation with the United States,” and also warned Indian leaders against undertaking any similar operations (see http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2011/5/5).
launched drone strikes in western Pakistan. It also threatened to close land lines of communication through Pakistan that are vital to supplying NATO troops in Afghanistan. Meanwhile, public demonstrations have taken a bellicose and anti-American cast.20

The developments have fueled bilateral distrust and acrimony unseen in the post-2001 period. Capitol Hill has been the site of much pointed questioning of the wisdom of continued engagement with a national government that may at some levels have knowledge of OBL’s whereabouts, with figures from both major parties expressing disbelief at Pakistan’s allegations of ignorance and calling for greater oversight and accountability for future U.S. assistance to Pakistan.21 Still, senior Members have tended to take a more measured view, with the House Speaker himself voicing the opinion that present circumstances call for “more engagement [with Pakistan], not less.”22 Such sentiments track well with the view of many independent observers that—despite ample reasons for discouragement and distrust—the United States has no good options other than continuing to engage Pakistan in what one analyst calls “the geostrategic equivalent of a bad marriage.”23

President Obama and other top U.S. officials have maintained a generally positive posture toward Pakistan in the weeks following the Abbottabad raid, while also noting that serious questions have arisen over the circumstances of OBL’s refuge. The U.S. government reportedly has no conclusive evidence indicating that official Pakistan had knowledge of bin Laden’s whereabouts, but officials in both countries are said to be waiting anxiously for details from a large cache of intelligence found in OBL’s compound, some of which might implicate Pakistani agents. Privately, senior Administration officials reportedly are divided over the future of the bilateral relationship, with some at an apparent loss for patience and advocating strong reprisals for perceived Pakistani intransigence. Thus, significant policy changes may be in the offing. Evidence for this was found in the statements of Senate Foreign Relations Committee Chairman Senator John Kerry—the senior-most U.S. official to visit Pakistan after OBL’s death—who told an interviewer, “In the Congress, this is a make-or-break moment” for aid to Pakistan, and said he would tell Pakistani leaders there needed to be “a real demonstration of commitment” to fighting terrorist groups in coming months.24

Turmoil in Bilateral Intelligence Cooperation

The Inter-Services Intelligence Directorate (ISI) is Pakistan’s main intelligence agency. Close U.S. links with the ISI date back at least to the 1980s, when American and Pakistani intelligence officers oversaw cooperative efforts to train and supply Afghan “freedom fighters” who were battling the Soviet Army. Yet mutual mistrust has been ever-present and, in 2008, long-standing doubts about the activities and aims of the ISI compounded. U.S. officials repeatedly have fingered the ISI for actively supporting Afghan insurgents with money, supplies, and planning guidance. There appears to be an ongoing conviction among U.S. officials that sanctuaries in

Pakistan have allowed Afghan militants to sustain their insurgency and that elements of the ISI continue to support them. The ISI is also regularly linked to anti-India terrorist groups, including the Lashkar-e-Taiba, responsible for the November 2008 attack on Mumbai in which some 165 people were killed, six Americans among them. Pakistani officials regularly provide assurances that no elements of the ISI are cooperating with militants or extremists.

Even before the Raymond Davis episode began, reports in early 2011 indicated that CIA-ISI relations were at a nadir, with American officials frustrated at the lack of expanded Pakistani military operations and at signs that elements within the ISI continue to provide backing to certain militant groups. The Davis affair sharpened Pakistani attention to—and acrimony toward—the presence of U.S. security officials and contractors in Pakistan. Revelation of Davis’s status as a CIA contractor led the ISI to demand an accounting of all such operatives working in Pakistan, but intelligence cooperation may have been frozen immediately upon the late January shooting.25

In mid-April, the ISI Chief, Lt. Gen. Ahmed Shuja Pasha was in Virginia to meet with his CIA counterpart, Director Leon Panetta. Officially, the talks were said to have been “productive,” with the CIA-ISI relationship remaining “on solid footing.”26 However, many reports described Pasha as having made significant demands for greater control over covert U.S. action in his country, as well as calls for a steep reduction in the number of CIA operatives and Special Forces soldiers working in Pakistan, and a halt to drone strikes there. The demand to remove more than 300 American personnel was said to have come from Army Chief Kayani himself.27 While U.S. officials insisted there was no plan to end or restrict the CIA-run drone program, and denied that the CIA had been asked to withdraw any employees from Pakistan, the agency reportedly did agree to be more open with Pakistani authorities about such employees and their activities, as well as more cooperative when planning drone strikes.28

Despite official American denials, numerous observers saw the ISI benefitting from the Davis affair by gaining leverage with which to curtail and/or have more control over covert U.S. activities in Pakistan. By some accounts, the ISI even manipulated the course of the controversy to maximize such leverage, concluding that the United States needs Pakistan more than Pakistan needs the United States, and so taking the opportunity to essentially dictate terms to U.S. officials in a manner unseen since the 1980s.29 More sanguine analysts foresaw continued cooperation, but with the United States likely prevented from mounting operations in Pakistan without ISI consent and with much greater Pakistani scrutiny of U.S. officials entering the country, potentially constraining U.S. efforts.30

The circumstances of OBL’s death have brought renewed and intensive focus on purported ISI links with Islamist extremism. The Obama Administration reportedly has pressed Pakistan to

reveal the identities of top ISI operatives as part of the investigation into how OBL was able to find refuge inside Pakistan for some five years. Pressure was increased to allow American investigators access to bin Laden’s three widows in Pakistani custody. Such access was subsequently granted.31

A week after OBL’s death, a Pakistani newspaper seen as close to the country’s military and intelligence services published the purported name of the CIA’s Islamabad station chief. This was the second time in six months that the top covert American operative in Pakistan had been publically named, and U.S. officials reportedly believe such disclosures are being made deliberately by the ISI to demonstrate its leverage and to express anger at U.S. policies.32

Increased Furor Over U.S.-Launched UAV Strikes

Missile strikes in Pakistan launched by armed American Predator and Reaper unmanned aerial vehicles (UAVs) have been a controversial, but sometimes effective tactic against Islamist militants in remote regions of western Pakistan. By one assessment, 118 such drone strikes occurred in 2010 alone, more than during the preceding six years combined. The accelerated drone campaign in western Pakistan appears to have taken a significant toll on Al Qaeda and other Islamist extremist militants, but is also criticized as an extrajudicial measure that kills civilians and may also contribute to militant recruitment. The Pakistani government has regularly issued protests over the strikes—and the perception that they violate Pakistani sovereignty fuels considerable anti-American sentiment among the Pakistani public—but most observers believe official Pakistan has, until present, tacitly allowed the strikes and at times provided intelligence for them.33

Only one day after Raymond Davis’s release, an apparent U.S.-launched drone strike in North Waziristan killed 44 people. While U.S. officials suggested that militants were targeted, Pakistani officials said an open-air jirga of peaceful tribal leaders had been hit by four missiles in what the Foreign Ministry called “a flagrant violation of all humanitarian rules and norms.” Even more unusual was a vehement statement from Army Chief Kayani himself, which said that “peaceful citizens” had been “carelessly and callously targeted with complete disregard for human life” in an “act of violence” that “takes us away from our objective of elimination of terrorism.”34 Tribal leaders vowed to take revenge against the United States. In what appeared to be a high-visibility, nonverbal U.S. response to the Pakistani complaints, U.S.-launched drone strikes killed six alleged Afghan militants in South Waziristan only two days later. In a further expression of anger, Islamabad announced that it would not participate in tripartite talks with the United States and Afghanistan scheduled for late March in Brussels. The leader of a small opposition party, Imran Khan, subsequently organized an anti-drone strike “sit in” that shut down a major highway near Peshawar used to ferry supplies to NATO troops in Afghanistan. Following the death of OBL and renewed Pakistan rancor over drone strikes, the U.S. government appeared to ramp up pressure

33 Significant public protests in response to reported civilian deaths from drone strikes—typically organized by Islamist parties—are common. In January, more than 10,000 people took to the streets of Peshawar to express their anger.
with this tactic—at least three strikes were launched in the ten days following OBL’s death—perhaps in an effort to take advantage of confusion within militant ranks.35

An Increasing Pakistani Turn to China?

Pakistan and China have enjoyed a generally close and mutually beneficial relationship over several decades. Chinese companies and workers are now pervasive in the Pakistani economy. Beijing intends to build two new civilian nuclear reactors in Pakistan in what would be an apparent violation of international guidelines. During Chinese Premier Wen Jiabao’s December 2010 visit to Islamabad, the governments signed 12 Memoranda of Understanding covering a broad range of cooperative efforts and designated 2011 as the “Year of China-Pakistan Friendship.” Pakistani and Chinese businesses also signed contracts worth some $15 billion covering cooperation in oil and gas, mining, space technology, heavy machinery, manufacturing, and other areas. This added to the nearly $20 billion worth of government-to-government agreements reached.36 In March, Pakistan reportedly decided to acquire six submarines and two missile boats from China in joint production deals. As U.S.-India ties deepen and U.S.-Pakistan ties appear to deteriorate, many observers see Islamabad becoming more reliant than ever on its friendship with Beijing. U.S.-Pakistan acrimony in the wake of OBL’s death may increase Pakistan’s reliance on China as a key international ally.37

There are concerns among some in Congress and independent analysts that wreckage from a previously unseen “stealth” helicopter used by U.S. Special Forces in the OBL raid could be examined by Chinese officials, potentially providing them with valuable intelligence on secret U.S. military technology.38

Recent Obama Administration Engagement

Afghanistan-Pakistan Policy Review II

The Administration’s annual Afghanistan-Pakistan policy review was not released in unclassified form, except for a five-page summary. This December 2010 document conveyed an unchanged overarching goal (disrupting, dismantling, and defeating Al Qaeda in the region) and claimed notable gains, especially what it called unprecedented pressure on Al Qaeda in Pakistan, resulting in its weakening. Recognizing that sustained denial of extremist safe havens is necessary for ultimate success, the review said the Administration remains “relentlessly focused on Pakistan-based Al Qaeda.” It calls for “greater cooperation with Pakistan along the border with Afghanistan” and acknowledges that effective development strategies are required to complement military means. The review was described by the now-Acting Special Representative for Afghanistan and Pakistan (SRAP) as being a “clear-eyed and realistic” assessment of a “tough

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foreign policy challenge.” While recognizing ongoing problems, it noted “significant progress” on combating Al Qaeda in Pakistan and “significant activity” by the Pakistani military to shut down sanctuaries used by Islamist militants in the border region. Senior Pentagon officials lauded what they called substantial improvement in the U.S.-Pakistan relationship during 2010, and a daily and measurable improvement in coordination of counterterrorism efforts.39

The Passing of Special Representative for Afghanistan and Pakistan Holbrooke

Ambassador Richard Holbrooke’s sudden December 2010 death was considered by many to be costly for U.S. diplomacy and could prove to be a lasting setback for efforts to stabilize and realize other U.S. policy goals in the region. As “SRAP” since early 2009, Holbrooke was seen to be a champion of increased economic assistance to Pakistan and a bulwark against those in the U.S. government who focus on militarized approaches to the region. In this respect, there have been concerns among some observers that the influence of U.S. military leaders on U.S. policy in the region could further increase. In February, Secretary Clinton named retired diplomat Marc Grossman as Holbrooke’s permanent successor. Grossman, who served as Undersecretary of State for Political Affairs in George W. Bush’s first administration, is considered to be a highly competent, but much lower-key interlocutor.

March 2011 Administration Assessment and Certification

The Administration’s most recent formal assessment of Afghanistan and Pakistan policy stated that, “Progress in our relationship with Pakistan over the last year has been substantial, but uneven,” and it determined that most indicators and metrics against key U.S. objectives had remained “static” or “unchanged” during the reporting period ending December 31, 2010. It claimed “significant progress” in combating Al Qaeda in the region. On counterinsurgency efforts, it noted improved cooperation both within the Pakistani armed forces and between those forces and NATO, but found that the last quarter of 2010 “saw no progress on effectively executing the COIN cycle in KPk [Khyber Pakhtunkhwa province] and the FATA [Federally Administered Tribal Areas]” (see Figure 2). It found that the Pakistan military was in early 2011 undertaking major clearing operations in the Bajaur agency for the third time in two years, indicating “the inability of the Pakistan military and government to render cleared areas resistant to insurgent return.” The assessment was particularly candid on Pakistan’s repeated failures to make progress in the COIN cycle: “[W]hat remains vexing is the lack of any indication of ‘hold’ and ‘build’ planning or staging efforts to compliment ongoing clearing operations. As such, there remains no clear path toward defeating the insurgency in Pakistan” [emphasis added].40 President Zardari explicitly rejects such criticisms as unfair, and he blames conflict in Afghanistan for destabilizing Pakistan and for undermining efforts to bolster both its democratic institutions and its economy.41


41 “Long War on Our Border Against Taliban is Destabilizing Pakistan, Says President,” Guardian (London), April 11, (continued...)
Figure 2. District Map of Pakistan’s Khyber Pakhtunkhwa (formally North West Frontier) Province and Federally Administered Tribal Areas

Source: Map Resources. Adapted by CRS.

(...continued)

2011.
In apparent conflict with such problematic U.S. government reporting on Pakistan’s progress was a March 18 certification by Secretary Clinton required under Section 203 of the Enhanced Partnership With Pakistan Act of 2009 (P.L. 111-73). This certification, necessary for the annual release of security-related aid to Pakistan, included the Secretary’s confirmation that Islamabad was demonstrating “a sustained commitment to and is making significant efforts toward combating terrorist groups,” had “made progress” on ceasing support to extremist and terrorist groups, as well as on preventing Al Qaeda and other terrorist groups from operating on Pakistani territory, and in “dismantling terrorist bases” in the country. In the wake of revelations that Al Qaeda’s founder was living in plain sight in a Pakistani city, and top U.S. military officials persistently complaining that Pakistan has failed to take action against the Haqqani network in the FATA, this kind of certification is met with deep skepticism and appears to many observers to be driven primarily by political considerations rather than ground realities.

Analysis of Current U.S.-Pakistan Relations

The outlook for significant progress in Pakistan’s political, economic, and security circumstances during the remainder of 2011 is widely considered to be poor. Because of this, progress toward attainment of U.S. goals in its engagement with Pakistan is likely to remain difficult, especially in the wake of the Davis affair, the OBL raid, and increasing acrimony over drone strikes and the U.S. security and intelligence presence in Pakistan. Pakistani officials regularly complain that Washington is insufficiently concerned with Islamabad’s regional security perspective and arrogant in its routine breaches of Pakistani sovereignty, and they offer criticism that Washington is not moving to provide greater market access for Pakistani exports.

Meanwhile, with the Islamabad government coming under the immense dual pressures of natural disaster and widespread armed insurgency in late 2010, and concurrent negative developments in U.S.-Pakistan relations, U.S. officials became all the more concerned about political instability in Pakistan. Following revelations that Al Qaeda’s founder had lived in relative comfort in a Pakistani city, a plethora of observers in Washington are labeling Pakistan as an unstable and unreliable ally that may not have the determination, much less the capacity, to deliver what the United States is seeking. By many accounts, Pakistan’s apparently schizophrenic foreign policy behavior is a direct outcome of the Pakistan military’s strategic interests. This leads many analysts to encourage full-throated U.S. support for Pakistan’s civilian authorities as the only viable means of reducing conflict both inside Pakistan and between Pakistan and its neighbors.

U.S. Ambassador Cameron Munter is among those who has insisted that Pakistan requires a strong civilian government and that common U.S.-Pakistan successes can be achieved only “with a strong partner in Pakistan’s democratically elected government.”

Some analysts, alarmed by signs that mutual disconnect is rapidly increasing, call for urgent reparative action from both Islamabad and Washington. Major tasks facing Pakistan include reforming its political system and reordering its economic priorities in order to foster greater domestic and foreign investment. The United States, for its part, can move more quickly to reduce tariffs on Pakistani textile exports, relax what some see as overly stringent visa restrictions, speed the flow to Pakistan of military equipment needed for counterinsurgency operations, and, in the longer term, channel its foreign assistance into high-visibility, high-impact infrastructure projects.

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especially those related to energy and water resources. Many American analysts, however, have continued to make explicit calls for a tougher U.S. line toward Pakistan, even before the series of negative developments in bilateral relations in 2011.

President Obama’s decision to travel to India in November 2010 without any stops in Pakistan created anxiety among Pakistani officials who see signs of a “pro-India” tilt in Washington destabilizing for the region. By refraining from direct engagement in the Kashmir dispute, moving forward U.S.-India civil nuclear cooperation, and seeming to sympathize with New Delhi’s perspective on the root sources of regional terrorism, the Administration’s India-friendly policies may continue to make difficult any effective winning of hearts and minds in Pakistan.

Within this greater geopolitical context, relations have become even more antagonistic in 2011, with the controversial Raymond Davis imbroglio followed by the death of Osama bin Laden. Although put on the defensive and subject to unusual domestic criticism since OBL’s death, Pakistan’s military remains the locus of power in the country, particularly with regard to the setting of foreign and national security policies. As such, indications that Army Chief Kayani remains unmoved by U.S. demands for more energetic counterterrorism action, and intransigent statements issued by Pakistan’s security services, bode poorly for future bilateral cooperation.

Pakistan, Terrorism, and U.S. Nationals

Long-standing worries that American citizens were being recruited and employed in Islamist terrorism by Pakistan-based elements became more acute in 2010. In May of that year, a naturalized U.S. citizen of Pakistani origin attempted to detonate a large, but crudely constructed car bomb in New York City’s Times Square. The Pakistani Taliban claimed responsibility for the attempted bombing, and the culprit himself confessed to having received bomb-making training in western Pakistan. In October, he received a mandatory life sentence in prison. Other incidents linking Islamist militants in western Pakistan, Pakistani-Americans, and terrorist plots against American targets are abundant.

44 This could come by “demanding” more counterterrorism operations, and perhaps offering Islamabad a stark choice between positive incentives and negative consequences. Some call for the creation of more explicit counterterrorism benchmarks, as well as for the United States to continue seeking alternative supply lines into Afghanistan so as to remove Pakistan’s ability to “hold the [Western] coalition ransom” by disrupting the supply line that runs from Karachi to Afghanistan (Zalmay Khalilzad, “Get Tough on Pakistan” (op-ed), New York Times, October 19, 2010; Ashley Tellis, “Change the Rules of the Game in Pakistan,” Foreign Policy, November 2010).
46 See also CRS Report R41416, American Jihadist Terrorism: Combating a Complex Threat, by Jerome P. Bjelopera and Mark A. Randol.
47 In late 2009, Pakistani authorities arrested five young Americans reported missing from their homes in Virginia. The Muslim men are believed to have had extensive coded email contacts with Pakistan-based terrorist groups. A Pakistani court charged them with financing and plotting terrorist attacks and, in June 2010, the so-called Virginia Five were sentenced to ten years of labor in prison for conspiring against the Pakistani state and helping to finance a militant organization. Also, the case of would-be terrorist bomber Najibullah Zazi—an Afghan national and legal U.S. resident arrested in 2009 after months of FBI surveillance—seemed to demonstrate that terrorist training camps continue to operate in the FATA, where Zazi is said to have learned bomb-making skills at an Al Qaeda-run compound. In July, the Justice Department unsealed new terrorism-related charges against Zazi and four other men, including a Pakistani-American, who allegedly had plans to bomb the New York subways. Other Americans have received terrorist training in Pakistan, including Bryant Neal Vinas, who confessed to plotting a bomb attack against the Long Island Railroad in
Pakistani-born Americans were also involved in the 2008 terrorist attack on Mumbai, India. In 2009, federal prosecutors charged David Coleman Headley, a Chicagoman convert to Islam, with traveling to Mumbai five times from 2006 to 2008 as scout for the attack by the Pakistan-based Lashkar-e-Taiba (LeT) terrorist group; he subsequently pleaded guilty to the charges. Headley’s case is perhaps the first in which a former Pakistani military officer has been directly linked to terrorism suspects in the United States. Headley and another Pakistan-born Chicagoman, Tahawwur Rana, are believed to have reported to Abdur Rehman, a retired Pakistani major suspected of being an LeT contact. Headley also interacted with Ilayas Kashmiri, a possible former Pakistani special forces commando with close ties to Al Qaeda. The Indian government energetically petitioned Washington for direct access to Headley as part of its own investigative efforts. Such access was granted with an extensive interrogation in June 2010; afterward Indian officials said the information gleaned established an official Pakistani role in the Mumbai attack.

On May 16, a Chicago court began hearing testimony in Tahawwur Rana’s trial (Rana is charged with material support of terrorism related to the Mumbai attack). Three senior members of the Pakistan-based Lashkar-e-Taiba terrorist group are also indicted in the case—LeT chief Hafez Saeed among them—along with a purported ISI officer identified as “Major Iqbal.” Headley is set to be the prosecution’s star witness and is expected to detail links between the ISI and terrorism, and so potentially add to already fraught U.S.-Pakistan relations and suspicions about official Pakistani involvement in supporting Islamist militancy.48

Indigenous Islamist Militancy and Pakistani Military Operations

Islamist extremism and militancy has been a menace to Pakistani society throughout the post-2001 period, becoming especially prevalent since 2007, but the rate of attacks and number of victims may have peaked in 2009.49 The U.S. National Counterterrorism Center reports a major decline in terrorist incidents in 2010 as compared to the previous year. Despite the decline, the figures again placed the country third in the world on both measures, after Afghanistan and Iraq. Suicide bombing is a relatively new scourge in Pakistan. Only two such bombings were recorded there in 2002; that number grew to 84 in 2009, before dropping to 51 in 2010 (the lowest level since 2007). Still, Pakistan was in 2010 the site of far more deaths caused by suicide bombing (1,115) than any other country, accounting for more than two-fifths of all suicide bombing deaths worldwide that year.50 In recent years, militants have made sometimes spectacular attacks targeting the country’s own military and intelligence institutions.51

(...continued)

New York. More recently, in April, a Pakistani-American Virginia man was sentenced to 23 years in prison for plotting a series of bomb attacks on the Washington Metro system. In May, three Pakistani-American Floridians were among six people indicted on federal charges off providing material support to and encouraging violence by the Pakistani Taliban.

48 “Pakistani Officer is Linked to ’08 Attacks,” Washington Post, May 8, 2011.

49 In addition to widespread religiously motivated violence, Pakistan currently suffers from a serious and worsening separatist insurgency in its southwestern Baluchistan province, as well as rampant politically motivated violence in the megacity of Karachi.

50 See the National Counterterrorism Center database at http://www.nctc.gov/wits/witsnextgen.html.

51 Such attacks are ongoing: in February, a teenaged suicide bomber killed at least 27 soldiers at a military training (continued...)
Pakistan’s densely populated Punjab province is home to numerous Islamist militant groups with global and regional jihadist aspirations (see text box below). Perhaps most notable among these is the Lashkar-e-Taiba (LeT), a U.S.-designated terrorist group with long-standing ties to the ISI. There appear to be growing differences over the threat posed by LeT, with the United States increasingly viewing the group as a serious threat to its own security. The Davis affair may have exposed newly independent U.S. intelligence operations against the LeT in Pakistan.52 During an April visit to Pakistan, Joint Chiefs Chairman Admiral Mullen told an interviewer, “It’s fairly well known that the ISI has a long-standing relationship with the Haqqani network,” and he called Pakistan’s failure to take action against that network “the most difficult part of the relationship.”53 Such comments are known to rile Pakistani officials.

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<th>Islamist Militant Groups in Pakistan</th>
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<td>Islamist militant groups operating in and from Pakistani territory are of five broad types:</td>
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- **Globally oriented** militants, especially Al Qaeda and its primarily Uzbek affiliates, operating out of the FATA and in the megalcity of Karachi;

- **Afghanistan-oriented** militants, including the “Quetta shura” of Afghan Taliban leader Mullah Umar, believed to operate from the Baluchistan provincial capital of Quetta, as well as Karachi; the organization run by Jalaluddin Haqqani and his son Sirajuddin, in the North Waziristan tribal agency; and the Hizb-I Islami party led by Gulbuddin Hekmatyar (HiG), operating further north from the Bajaur tribal agency and Dir district;

- **India- and Kashmir-oriented** militants, especially the Lashkar-e-Taiba (LeT), Jaish-e-Mohammed (JeM), and Harakat ul-Mujahadeen (HuM), based in both the Punjab province and in Pakistan-held Kashmir;

- **Sectarian** militants, in particular the anti-Shia Sipah-e-Sahaba Pakistan (SSP) and its offshoot, Lashkar-e-Jhangvi (LeJ), the latter closely associated with Al Qaeda, operating mainly in Punjab; and

- **Domestically oriented**, largely Pashtun militants that in 2007 unified under the leadership of now-deceased Baitullah Mehsud as the Tehrik-i-Taliban Pakistan (TTP), then based in the South Waziristan tribal agency, with representatives from each of Pakistan’s seven FATA agencies, later to incorporate the Tehreek-e-Nafaz-e-Shariat-e-Mohammadi (TNSM) led by Maulana Sufi Mohammed in the northwestern Malakand and Swat districts of the Khyber Pakhtunkhwa (KP) province.

The Pakistan army has deployed up to 150,000 regular and paramilitary troops to western Pakistan in response to the surge in militancy there. In February 2011, Secretary of Defense...
Robert Gates told a Senate panel that Pakistani security forces were “chipping away” at militant sanctuaries in the FATA, but that overall “it’s a mixed picture.” Major battles with militants have concentrated on several fronts: the Swat valley, and the Bajaur, South Waziristan, and Mohmand tribal agencies. Yet all seven agencies and adjacent regions have been affected by conflict. By many accounts the North Waziristan tribal agency—home to the Al Qaeda- and Taliban-allied Haqqani network and the TTP forces of Hafiz Gul Bahadar, among others—is currently the most important haven for both Afghan- and Pakistan-oriented militants. Pakistani officials have continued to demur on urgent U.S. requests that their military move into what many consider the “final” militant haven of North Waziristan, saying they need to consolidate the areas newly under their control. In other areas where Pakistani military offensives have taken place, the “clearing” phase of operations has been largely successful, but the “holding” phase has proven more difficult, and “building” is considered impossible to initiate so long as the civilian administration’s capacity is severely limited. Moreover, Pakistan’s military forces are new to counterinsurgency and demonstrate only limited capacity to undertake effective nonconventional warfare. Pakistani leaders complain that the United States has been slow in providing the kind of hardware needed for this effort.

Pakistan and the Afghan Insurgency

The ongoing insurgency in Afghanistan and its connection to developments in Pakistan remain matters of serious concern to U.S. policy makers. NATO remains reliant upon logistical routes through Pakistan to supply its forces in Afghanistan, and these land lines of communication regularly come under attack by militants. It is widely held that success in Afghanistan cannot come without the close engagement and cooperation of Pakistan, and that the key to stabilizing Afghanistan is to improve the long-standing animosity between Islamabad and Kabul. Despite some warming of Pakistan-Afghanistan ties in 2010, Afghan officials have openly accused Pakistani officials of aiding and abetting terrorism inside Afghanistan. Pakistan’s mixed record on battling Islamist extremism includes an ongoing apparent tolerance of Afghan Taliban elements operating from its territory, the Quetta Shura Taliban (QST) of Mullah Omar and the Haqqani Network leading among these. An April 2011 Pentagon report indicated that operation and tactical coordination between NATO, Afghan, and Pakistani security forces had improved over the past two years, but that “significant challenges remain in building mutual trust and


55 When pressed by Senate Armed Services Committee members to explain why Pakistan was not going after the Haqqani Network and Quetta Shura, Centcom Commander General Mattis offered three key reasons: 1) “their difficult relationship with India” that compels them to maintain a hedge; 2) the difficult terrain of the FATA; and 3) the impact of mid-2010 flooding, which diverted Pakistani military resources away from counterinsurgency efforts (“Senate Armed Services Committee Holds Hearing on the Fiscal 2012 Defense Authorization Request for the Special Operations Command and the U.S. Central Command,” CQ Transcriptions, March 1, 2011).

56 According to the U.S. Director for National Intelligence, militants in the FATA “have proven adept at evading impending Pakistani military operations and re-infiltrating previously cleared areas” (statement of James Clapper, “House Select Intelligence Committee Holds Hearing on Worldwide Threats, CQ Transcriptions, February 10, 2011).


58 National Intelligence Estimates on Pakistan and Afghanistan issued in December 2010 reportedly took a bleak view of the situation and suggested that U.S. success in Afghanistan was not possible so long as insurgents continued to find safe haven in western Pakistan (“Afghan, Pakistan Intelligence Reports Bleak,” Associated Press, December 11, 2010).
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cooperation between Afghanistan and Pakistan” and that “insurgents will likely retain operational momentum” in Pakistani areas where they find “sanctuary.”

Islamabad is discomfited by signs that the U.S. presence in Afghanistan is not long-term and that the international community may “abandon” the region in ways damaging to Pakistani interests, as was the case during the 1990s. Many analysts saw President Obama’s explicit call for U.S. troop withdrawals to begin in July 2011 as a signal to stakeholder governments and Taliban elements, alike, that the United States was most concerned with an exit strategy and may not make a long-term commitment to stabilizing the region. The Obama Administration at least partially addressed these concerns by offering an “expanded strategic partnership” with Pakistan to include additional military, economic, and intelligence cooperation, along with assurances that the United States would remain engaged in Afghanistan and was planning no early withdrawal from that country.

Many independent analysts see no sustainable political settlement being reached in Afghanistan without the participation of Pakistan, and the Islamabad government considers itself to be indispensable to successful peace talks. Pakistani leaders are in large part motivated by a desire to deny India significant influence in a post-conflict Afghanistan. In early 2010, the Afghan Taliban’s top military commander and key aide to Mullah Omar, Mullah Abdul Ghani Baradar, was captured in a joint ISI-CIA operation in Karachi. By some accounts, Pakistani elements “orchestrated” the Baradar arrest to facilitate talks with “willing” Taliban commanders and pave the way for reconciliation negotiations. Cynics contend that the ISI’s motives may simply have been to thwart any anticipated negotiations. In June 2010, Pakistan launched an effort to broker a reconciliation between the Kabul government and the Haqqanis. This initiative sparked concerns that Islamabad will seek to exploit the political situation—both in the region and in Washington—to create a political settlement giving Pakistan maximal influence in a post-conflict Kabul. In October, NATO facilitated the secret travel of at least three QST figures and a representative of the Haqqani Network from Pakistan to Kabul for meetings with senior Afghan government officials. It is unclear whether Pakistani officials were included in this process; some reports indicated they were not, but others described ISI officials participating directly.

Pakistani leaders insist that Afghan stability is a vital Pakistani interest. Islamabad strongly endorses current efforts to make peace with the Afghan Taliban and insists that the parameters for such a process should be set by the Kabul government. In mid-April, Prime Minister Gillani, Army Chief Kayani, and ISI Director Pasha all traveled to Kabul as part of an effort to upgrade a the Afghanistan-Pakistan Joint Commission established in January and so accelerate the peace process. American observers were disturbed by reports that Gillani had used the meetings as an opportunity to wean Kabul away from its strategic partnership with the United States and instead move closer to Islamabad and seek greater support from China. According to reports, Gillani criticized America’s “imperial designs” and contended that ending the Afghan war required Kabul and Islamabad to take “ownership” of the peace process.

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Pakistan-India Relations

Three full-scale wars—in 1947-1948, 1965, and 1971—and a constant state of military preparedness on both sides of their mutual border have marked more than six decades of bitter rivalry between Pakistan and India. The acrimonious partition of British India into two successor states in 1947 and the unresolved issue of Kashmiri sovereignty have been major sources of tension. Both countries have built large defense establishments at significant cost to economic and social development. A bilateral “Composite Dialogue” reengaged in 2004 realized some modest, but still meaningful successes, including a formal cease-fire along the entire shared frontier, and some unprecedented trade and people-to-people contacts across the Kashmiri Line of Control (LOC). The dialogue is meant to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”61 Yet 2008 saw significant deterioration in Pakistan-India relations, especially following the large-scale November terrorist attack on Mumbai, India, that killed some 165 civilians and left the peace process largely moribund. More broadly, militarized territorial disputes over Kashmir, the Siachen Glacier, and the Sir Creek remain unresolved, and Pakistani officials regularly express unhappiness that more substantive progress, especially on the “core issue” of Kashmir, is not occurring. In 2010, conflict over water resources has emerged as another exacerbating factor in the bilateral relationship.

Pakistani leaders, like many independent observers, believe that regional peace is inextricably linked to a solution of the Kashmir dispute. Under the Obama Administration, the U.S. government has continued its long-standing policy of keeping distance from that dispute and refraining from any mediation role therein. Pakistan and India also appear to be fighting a “shadow war” inside Afghanistan with spies and proxies. Islamabad accuses New Delhi of using Indian consulates in Afghanistan as bases for malevolent interference in Pakistan's western regions, although there is scant available evidence to support such claims. Following the November 2008 Mumbai attack, the New Delhi government focused on holding Islamabad accountable for the existence of anti-India terrorists groups in Pakistan, some of them suspected of receiving direct support from official Pakistani elements, and India essentially refused to reengage the full spectrum of Composite Dialogue issues. Yet, with a February 2011 meeting of foreign secretaries, India agreed to resume peace talks without overt mention of the centrality of the terrorism issue. Days later, the two governments announced that high-level peace talks would be resumed after a hiatus of more than two years.

Following the brief “cricket diplomacy” of late March—Prime Minister Gillani had accepted his Indian counterpart’s invitation to watch a match in India—bilateral talks between home secretaries produced an agreement to establish a “terror hotline” between the respective ministries, along with a Pakistani agreement “in principle” to allow a team of Indian investigators to travel to Pakistan to assist with issues related to the 2008 Mumbai attack. Under the resumed dialogue process, the two countries’ commerce secretaries met in April for talks on greater economic and commercial cooperation.

The circumstances of OBL’s death could affect the course of relations between Pakistan and India. Indian Prime Minister Manmohan Singh called the killing “a significant step forward” and expressed hope that it would represent a decisive blow to AQ and other terrorist groups. At the same time, however, there may be some apprehension in New Delhi that the development could

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hasten a U.S. withdrawal from Afghanistan in ways that could be harmful to India’s foreign policy interests. New Delhi also sees the discovery of OBL in Pakistan as an opportunity to more energetically press its demands that Islamabad extradite the alleged perpetrators of the 2008 Mumbai terrorist attack, Lashkar-e-Taiba figures believed to be in Pakistan, as well as other most-wanted anti-India terrorists such as Dawood Ibrahim. Still, most analysts do not foresee the development as derailing New Delhi’s recent decision to reengage a robust peace dialogue with Pakistan, even if such dialogue is made more the circumstances of OBL’s death.

Nuclear Weapons Proliferation and Security

The security of Pakistan’s nuclear arsenal, materials, and technologies continues to be a top-tier U.S. concern, especially as Islamist militants have expanded their geographic influence there. Pakistan has in the recent past been a source of serious illicit proliferation to aspiring weapons states. While most analysts and U.S. officials believe Pakistan’s nuclear security is much improved in recent years, there is ongoing concern that Pakistan’s nuclear know-how or technologies remain prone to leakage. Moreover, recent reports indicate that Pakistan is rapidly growing its nuclear weapons arsenal, perhaps in response to recent U.S. moves to engage civil nuclear cooperation with rival India, which the Obama Administration wants to see join major international nonproliferation regimes. This comes at a time that China is planning to build two new nuclear reactors in Pakistan in apparent violation of Nuclear Suppliers Group guidelines. The proposed deal poses a dilemma for the Obama Administration, which has requested that Beijing justify the plan and seeks its approval through international fora.

Deteriorated Economic Circumstances

Soaring inflation and unemployment, along with serious food and energy shortages, elicit considerable economic anxiety in Pakistan and weigh heavily on the civilian government. All of these existing problems were hugely exacerbated by devastating flooding in mid-2010. Corruption is another persistent and serious obstacle for Pakistan’s economic development, harming both domestic and foreign investment rates, as well as creating skeptical international aid donors. Foreign investment has plummeted from $5.4 billion in FY2008 to under $2.2 billion in FY2010. Most analysts identify increasing militancy as the main cause for the decline, although global recession and political instability in Islamabad are also major factors. In the assessment of international financial institutions, Pakistan’s economic priorities are addressing inflation,

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62 See also CRS Report RL34248, Pakistan’s Nuclear Weapons: Proliferation and Security Issues, by Paul K. Kerr and Mary Beth Nikitin.
63 In February 2011, Director of National Intelligence James Clapper told a House panel that, “Our assessment is that the nuclear weapons in Pakistan are secure. And that’s probably all we should say about that in public” (“House Select Intelligence Committee Holds Hearing on Worldwide Threats,” CQ Transcriptions, February 10, 2011).
64 Pakistan is believed to be deploying upwards of 100 nuclear warheads and has significantly accelerated its production of uranium and plutonium. Pakistan’s Foreign Ministry called such reports “unnecessarily alarmist.” Analysts also suspect that Pakistan has begun construction of a fourth plutonium-producing reactor at its Khushab complex (“Pakistan Doubles Its Nuclear Arsenal,” Washington Post, January 31, 2011; “Pakistan’s Nuclear Surge,” Newsweek, May 15, 2011).
65 For 2010, Berlin-based Transparency International placed Pakistan 143rd out of 178 countries in its annual ranking of world corruption levels, giving it a lower ranking than such countries as Nigeria and Bangladesh, among others (see http://www.transparency.org).
containing the budget deficit, reviving growth, and meeting the challenge posed by higher global 
oil prices.

A 2008 balance-of-payments crisis led Islamabad to seek multi-billion dollar loans from the IMF. 
The current IMF-supported program is a 34-month, $11.3 billion Stand-By Arrangement first 
approved in November 2008, augmented in August 2009, and extended by nine months in 
December 2010. Of the original $11.3 billion IMF SBA, $3.6 billion is yet to be disbursed; 
Islamabad hopes to get $1.7 billion of this in June if the IMF Executive Board is satisfied with 
progress on reforms. A prospective second IMF program is unlikely to come without more 
stringent conditions, including restructuring of numerous public sector enterprises. Moreover, in 
May 2011, security concerns spurred the IMF to put off negotiations with Pakistani officials, 
further delaying disbursement of remaining support funds.66

Repayment of IMF loans will place significant constraints on Islamabad’s federal budget, which 
is burdened by perpetually low revenue generation. For most observers, this is caused by what 
especially is mass tax evasion by the country’s economic elite, and is exacerbated by a federal 
budget overemphasizing military spending.67 Secretary Clinton is among the top U.S. officials 
critical of Pakistan’s 9% tax-to-GDP ratio, one of the lowest in the world.68 The government has 
been pursuing a Reformed General Sales Tax initiative in recent months, but to date has found it 
difficult to win sufficient parliamentary support for what are considered modest changes. 
Meanwhile, struggles in Pakistan’s power sector puts a significant damper on commerce and 
everyday activities, causing factory shutdowns and rioting by those angry with price hikes and 
shortages. Shortfalls in electricity supply have led to unannounced outages of up to 20 hours per 
day in parts of the country. The government’s early 2011 effort to lower fuel subsidies spurred 
virulent reaction and was behind political turmoil when an important PPP coalition partner 
withdrew its support.

A key aspiration for Pakistani leaders is to acquire better access to Western markets. With the 
security situation deterring foreign investors, exports, especially from the key textile sector, may 
be key to any future Pakistani recovery. Islamabad has continued to press Washington and 
European capitals for reduced tariffs on textile exports, especially following massive flood 
damage to Pakistan’s cotton crop. By some accounts, the textile sector directly employs 3.5 
million Pakistanis and accounts for 40% of urban factory jobs. Pakistani officials and business 
leaders estimate that abolishing American tariffs, which currently average 17% on cotton apparel, 
would boost their country’s exports by $5 billion annually.69 Along with Pakistani leaders, the 
Obama Administration has continued to support congressional passage of a bill to establish

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66 By some accounts, IMF officials are privately angry with Pakistani officials for making allegedly false claims about 
tax reforms (see, for example, “IMF Considers Pakistan Economic Teams Deceitful, Liars,” Daily Times (Lahore), 
April 26, 2011).

67 According to the most recent IMF assessment, while Pakistan’s economy had initially made progress toward 
stabilization under the program, it has recently seen reversals due to an increased budget deficit (climbing to 6.3% of 
GDP in FY2009/2010) and rising inflation (at 13% in March 2011) (see the April 7, 2011, IMF Program Note at 

68 Secretary Clinton has called the issue “a real pet peeve” of hers, telling a House panel, “[I]t is very hard to accept 
helping a country that won’t help itself by taxing its richest citizens” (“House Appropriations Subcommittee on State, 
Foreign Operations, and Related Programs Holds Hearing on the Proposed Fiscal 2012 Appropriations for the State 
Department,” CQ Transcriptions, March 10, 2011).

Reconstruction Opportunity Zones (ROZs) in western Pakistan that could facilitate development in Pakistan’s poor tribal regions, perhaps to include textile manufacture.

Domestic Political Instability

Democracy has fared poorly in Pakistan, with the country enduring direct military rule for more than half of its existence. More than three years after Pakistan’s relatively credible March 2008 national elections seated a civilian government led by the PPP of assassinated former Prime Minister Benazir Bhutto, the country’s military establishment is still seen to be the institution that sets Pakistan’s foreign policy and national security policies. Meanwhile, the PPP-led coalition has struggled to stay in power and has been unable to rein in the military and intelligence agencies or enact other major reforms. Moreover, a judiciary empowered by the 2008 “Lawyer’s Movement” that saw Chief Justice Iftikhar Chaudhry reinstated has continued to do battle with the executive branch and seeks to pursue corruption charges against an array of politicians, including President Zardari himself.

In late 2010, serious threats to the PPP’s majority status and to the very existence of its government arose. In December, the Jamaat Ulema Islami, a small, but influential Islamist party, withdrew its support for the PPP-led coalition, narrowing its National Assembly majority to only nine seats. The decision was taken after the Prime Minister dismissed a JUI federal minister on accusations of corruption. Then, in January, the Karachi-based Muttahida Quami Movement (MQM) announced its withdrawal from the coalition in reaction to rising fuel prices, inflation, and perceived government mismanagement. The loss of the MQM’s 25 seats removed the coalition’s parliamentary majority, which could have led to government collapse. Yet most observers concluded that the move was an effort to extract maximum concessions in the form of greater administrative control for the MQM in its Karachi base. Days later, Prime Minister Gillani backtracked on recently enacted fuel subsidy reductions, mollifying opposition parties and clearing the way for the MQM’s quick return to the coalition (three MQM federal cabinet ministers were appointed in May), but also eliciting criticism from the U.S. government and the IMF as a reversal of progress made toward strengthening Pakistan’s economic base.

In an apparent effort to capitalize on the PPP’s crisis, Nawaz Sharif, leader of the opposition-leading (and Punjab province-ruling) Pakistan Muslim League-Nawaz (PML-N), issued a 10-point “national agenda” for broad socioeconomic development. In addition to calling for an end to the fuel price hikes, the agenda includes requests that the government urgently address electricity shortages and eliminate ministers accused of corruption, among other measures. Prime Minister Gillani signaled that his government would extend cooperation in its implementation. Some commentators saw Gillani’s acceptance of the opposition agenda as an implicit admission that his government had failed. In February, Gillani dismissed his more than 60 cabinet ministers in a cost-cutting initiative. A new cabinet of only 21 ministers was appointed days later, with all major posts held by the same figures but for foreign minister, which remains open to date after the former minister angered PPP leaders by publically declaring that then-jailed CIA operative Raymond Davis did not have diplomatic immunity. The Davis affair was seen to further weaken Pakistan’s civilian leadership and major political parties, all of whom came out appearing weak and ineffective. In contrast, the army and intelligence services saw their images as protectors of the national honor burnished by the outcome.

In early May, the PPP’s standing was strengthened through a new alliance with the Pakistan Muslim League-Q (PML-Q) faction, former parliamentary supporters of Pervez Musharraf. The
PML-Q’s considerable support in the Punjab province and its agreement to contest the next general elections as PPP allies bolsters the ruling party’s status and could represent a threat to that of Nawaz Sharif’s PML-N.70

The circumstances of OBL’s death were hugely embarrassing for the Pakistani military and led to rare domestic criticism of that institution, traditionally the country’s most respected. This in turn created an opening in which Pakistan’s civilian leaders might wrest some modicum of control over the country’s foreign and national security policies. Yet, to date, there has been little sign that the civilians would take advantage of this opening; rather, they have appeared to rally behind the security services and made no calls for the resignations of either the Army or ISI Chiefs. Meanwhile, the leader of the main opposition PML-N party, Nawaz Sharif, has called for an independent judicial inquiry into the circumstances of OBL’s death, contrasting with the ruling party’s accession to a military-led investigation. The proposal alone places the PPP and military both in an uncomfortable situation. Moreover, the general national embarrassment has led to some high-visibility figures calling for the resignation of Pakistan’s President and Prime Minister, thus emerging as another political tool with which to pressure the civilian government. These developments may bode poorly for the development of Pakistan’s democratic institutions.71

**Human Rights Issues**

Pakistan is the setting for serious perceived human rights abuses, some of them perpetrated and/or sanctioned by the state. According to the U.S. Department of State, although Pakistan’s civilian government has taken some positive steps, the overall human rights situation there remains poor and includes abuses against women and minorities.72 Most recently, U.S. government attention to human rights abuses in Pakistan has centered on press freedoms, indefinite government detention of detainees related to anti-terrorism efforts and alleged extrajudicial executions perpetrated by the Pakistani military in conflict areas, and on religious freedoms threatened by Pakistan’s “blasphemy laws.” The U.S. Ambassador to Pakistan, Cameron Munter, has also expressed concern about the rights of Pakistani women following the April 2011 action by the Pakistani Supreme Court acquitting five of the six men accused of gang-raping Muktaharan Mai in a 2002 case that gained international attention.73

Press freedoms in Pakistan are seen to be seriously constrained, despite the existence of booming news media. Watchdog groups rank Pakistan as one of the world’s most dangerous countries for journalists. Regarding “disappearances” and extrajudicial killings by Pakistani security forces, acute U.S. concerns were elicited in late 2010 by evidence of serious abuses. International human rights groups have pressed the Pakistani government to launch investigations into reports of

70 “PPP-PML-Q Alliance: The Deal is Sealed,” Express Tribune (Karachi), May 10, 2011.
72 The 2011 annual report of Human Rights Watch highlighted the Pakistani security forces’ “routine” violation of basic rights in the course of counterterrorism operations, including detention without charge, convictions without fair trial, forced evictions, house demolitions, and extrajudicial executions. “Enforced disappearances” of Baloch separatists is an ongoing concern, and “violence and mistreatment of women and girls, including rape, domestic violence, and forced marriages, remain serious problems” (see the January 2011 report at http://www.hrw.org/en/world-report-2011.
73 See the U.S. Embassy’s April 28, 2011, release at http://islamabad.usembassy.gov/pr-280411001.html. See also “Pakistan Rape Case Acquittal Seen as Setback to Women’s Rights,” Christian Science Monitor, April 21, 2011.
summary executions and torture perpetrated by soldiers and police during counterterrorism operations. The Obama Administration announced that it would abide by “Leahy amendment” provisions by withholding train and equip funding for several Pakistani army units believed to be complicit in human rights abuses, and it remains concerned about potentially mass disappearances of detainees into the hands of Pakistani security forces.74

Laws prohibiting blasphemy in Pakistan are meant to protect Islamic holy persons, beliefs, customs, and objects from insult or defilement. They are widely popular with the public. Yet they are criticized by human rights groups as discriminatory and arbitrary in their use, which often arises in the context of personal vendettas, and can involve little or no persuasive evidence. The laws again came under scrutiny in late 2010 when a Pakistani Christian woman was sentenced to death for what seemed to many a minor offense. International human rights groups issued newly urgent calls for the law’s repeal, and President Zardari himself vowed to personally review the case. Yet the PPP-led government backed away from reform proposals after Islamist hardline groups, including some with links to terrorist organizations, were able to rally a host of protestors, including as many as 50,000 people on the streets of Karachi. As noted above, two of the most vocal government proponents of reforming the laws were assassinated earlier in 2011. The only other high-profile national politician pursuing reform efforts, National Assembly member Sherry Rehman, was forced to withdraw her legislative proposal after her PPP leaders announced that no reforms would be undertaken.

**U.S. Assistance**

In 2001, Congress renewed large U.S. assistance packages to Pakistan. By the end of FY2010, Congress had appropriated more than $10.6 billion in overt assistance, including about $6.3 billion in development and humanitarian aid, and more than $4.4 billion for security-related programs (see Table 1). In 2009, both chambers of Congress passed their own Pakistan-specific bills authorizing increased nonmilitary aid to Pakistan (to $1.5 billion per year for five years) and placing certain conditions on future security-related aid to that country. The Enhanced Partnership with Pakistan Act (EPPA) of 2009, also known as the “Kerry-Lugar-Berman” (KLB) bill for its main sponsors, became P.L. 111-73. Earlier that year, Congress also established a new Pakistan Counterinsurgency Capability Fund (PCCF) that is meant to enhance the ability of Pakistani security forces to effectively combat militancy. Moreover, since FY2002 Congress has appropriated billions of dollars to reimburse Pakistan (and other nations) for its operational and logistical support of U.S.-led counterterrorism operations. At nearly $9 billion, these “coalition support funds” have accounted for nearly half of all overt U.S. financial transfers to Pakistan since 2001. In recent years, more careful oversight of such disbursements reportedly has led to a major increase in the rate of rejected claims.75

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74 Sec. 620J of the Foreign Assistance Act of 1961 (P.L. 87-195, as amended), also known as the Leahy Amendment, states that “No assistance shall be furnished under this Act or the Arms Export Control Act to any unit of the security forces of a foreign country if the Secretary of State has credible evidence that such unit has committed gross violations of human rights.”

75 By one account, Pakistan has “routinely” submitted “unsubstantiated” or “exaggerated” claims, and denial rates have climbed from less than 2% in 2005 to 44% in 2009 (“U.S. Balks at Pakistani Bills,” Wall Street Journal, May 17, 2011).
The Obama Administration’s congressionally mandated Pakistan Assistance Strategy Report, issued in December 2009, laid out the principal objectives of nonmilitary U.S. assistance to Pakistan (to help “in building a stable, secure, and prosperous Pakistan”), a general description of the programs and projects designed to achieve these goals, and a plan for monitoring and evaluating the effort. For FY2010-FY2014, it proposed to devote $3.5 billion—nearly half of the $7.5 billion of the aid authorized by the EPPA—to “high-impact, high-visibility” infrastructure programs, especially in the energy and agriculture sectors. The extensive damage caused by Pakistan’s mid-2010 floods required reconsideration of these plans, with significant funds being redirected toward disaster relief and reconstruction. A GAO report determined that, as of the end of 2010, only about $180 million of the some $1.5 billion appropriated for civilian assistance to Pakistan in FY2010 had been disbursed, meaning that the full impact of such aid could not be determined.76 Worries about corruption and the capacity of Pakistan’s government and contractors to effectively oversee aid projects are a major concern for U.S. decision makers.

Security-related U.S. assistance to Pakistan includes provision of extensive “train and equip” programs. Major U.S. arms transfers to Pakistan since 2001 have included items useful for counterterrorism operations, along with a number of “big ticket” platforms more suited to conventional warfare. Under multiple authorities, Pakistan has received helicopters, infantry arms, and a wide array of other equipment. Pakistani officials continue to complain that U.S.-supplied defense equipment, especially that most needed for counterinsurgency operations such as attack and utility helicopters, has been too slow in coming. Security assistance to Pakistan’s civilian sector is aimed at strengthening the country’s law enforcement capabilities through basic police training, provision of advanced identification systems, and establishment of a new Counterterrorism Special Investigation Group.

A February 2011 report issued by the Inspectors General of USAID, State, and the Pentagon discussed in some detail USAID’s improved oversight and monitoring of its programs, especially through conducting pre-award assessments of local implementing partners (currently accounting for about half of disbursements), and with the establishment of oversight entities to ensure that aid funds are protected against waste and theft. However, it also found that, during the period October-December 2010, two audited U.S. aid development programs in the FATA “had made little progress” in achieving their goals. While sections of the report on “risk and mitigation strategies” and “oversight status” listed numerous initiatives meant to ensure better aid management, the auditors identified a considerable lack of progress overall: “We believe that USAID has an imperative to accumulate, analyze, and report information on the results achieved under its programs. One year after the launch of the civilian assistance strategy in Pakistan, USAID has not been able to demonstrate measurable progress” [emphasis added].77

As noted above, the circumstances of OBL’s death have had major impact on both Administration and congressional perceptions of the utility of current U.S. aid programs. Publicly, the Obama Administration has shown no signs that it intends to adjust such programs, calling the bilateral relationship “too important to walk away from.”78 Yet a substantive reevaluation of aid levels—

78 White House spokesman quoted in “Spotlight Placed on US Aid to Pakistan,” Financial Times (London), May 10, 2011.
and of the bilateral relationship more generally—is clearly possible and perhaps likely, and congressional figures are issuing some of the strongest criticisms of Pakistan as a U.S. ally seen in decades. In what some observers view as a counterproductive approach, some in Congress are reported likely to curtail development rather than security aid, the argument being that short-term U.S. interests in combating terrorism and Afghan insurgents trump longer-term interests in seeing Pakistan transformed into a more prosperous and democratic state.79

Table 1. Direct Overt U.S. Aid and Military Reimbursements to Pakistan, FY2002-FY2012
(rounded to the nearest millions of dollars)

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

Notes: Abbreviations:

1206: Section 1206 of the National Defense Authorization Act (NDAA) for FY2006 (P.L. 109-163, global train and equip)

CN: Counternarcotics Funds (Pentagon budget)

79 “Pakistan Military Aid Safer Than the Economic Aid,” The Cable (ForeignPolicy.com), May 11, 2011.
CSF: Coalition Support Funds (Pentagon budget)
CSH: Child Survival and Health (Global Health and Child Survival, or GHCS, from FY2010)
DA: Development Assistance
ESF: Economic Support Funds
FC: Section 1206 of the NDAA for FY2008 (P.L. 110-181, Pakistan Frontier Corp train and equip)
FMF: Foreign Military Financing
HRDF: Human Rights and Democracy Funds
IDA: International Disaster Assistance (Pakistani earthquake, flood, and internally displaced persons relief)
IMET: International Military Education and Training
INCLE: International Narcotics Control and Law Enforcement (includes border security)
MRA: Migration and Refugee Assistance (also includes Emergency Migration and Refugee Assistance or ERMA)
NADR: Nonproliferation, Anti-Terrorism, Demining, and Related (the majority allocated for Pakistan is for anti-terrorism assistance)
PCF/PCCF: Pakistan Counterinsurgency Fund/Counterinsurgency Capability Fund (transferred to State Department oversight after FY2010)

a. To date, the State Department has not released country-specific estimates for the FY2011 Continuing Resolution. Figures in the “economic-related” section reflect USAID flood assistance to date.

b. This funding is “requirements-based”; there are no pre-allocation data.

c. CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations; it is technically not foreign assistance.

d. Includes $220 million for FY2002 Peacekeeping Operations reported by the State Department.

e. Congress appropriated $1.6 billion for FY2011 and the Administration requested $1.75 billion for FY2012, in additional CSF for all U.S. coalition partners. Pakistan has in the past received more than three-quarters of such funds. FY2011-FY2012 may thus include billions of dollars in additional CSF payments to Pakistan.

f. These funds were appropriated in and became available on the final day of FY2009.

g. Congress authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of about $1.5 billion in concessional debt to the U.S. government.

h. Includes $110 million in Pentagon funds transferred to the State Department for projects in Pakistan’s tribal areas (P.L. 110-28).

i. P.L.480 Title I (loans), P.L.480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs and total allocations are unavailable until the fiscal year’s end.

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