

Ten years of U.S. aid to Pakistan and the post-OBL scenario

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Since the inception of Pakistan, its effort to counter Indian hegemony in the region as well as to balance its military and economic disparity with its western neighbour, led it to join hands with the United States. The U.S. at that time was also looking for partners in the region to curtail the communist expansion and turned to Pakistan following India's choice of non-alignment.

U.S. aid levels to Pakistan peaked in 1962 when Pakistan aligned itself with the West by joining two regional defence pacts, the South East Asia Treaty Organization [SEATO] and the Central Treaty Organization [CENTO]. However, this partnership faced extreme lows in the following years.¹ Although the relationship between the two invigorated in the 1970's, that was short-lived and faced another dive when Pakistan started to develop its nuclear programme in response to the Indian nuclear tests of 1974.²

The then Carter administration introduced sanctions under which the U.S. terminated all military and economic aid to Pakistan. The situation again took a turn in the early 1980's following the Soviet occupation of Afghanistan. During this period of Afghan Jihad, America provided unaccounted military aid to Pakistan. The Carter administration initially offered Pakistan a \$400 million aid package³ which was rejected by then Pakistan President Zia-ul-Haq terming it 'peanuts'. The Reagan administration provided Pakistan with \$3.2 billion aid package for five years.⁴

Pakistan was once again viewed as an ally and an important partner in order to fight the Soviet occupation of Afghanistan. The Soviets withdrew from Afghanistan in the late 1980's and the U.S., henceforth, no longer considered Pakistan as a partner or an ally. In its haste and short-sightedness, America left Pakistan alone to deal with the spill-over effects of the Afghan war and allowed Afghanistan to fall in the hands of Taliban/extremists. Soon after withdrawal of Soviet forces from Afghanistan, the U.S. imposed sanctions on Pakistan under the Pressler Amendment, followed by the Glenn Amendment, the Symington Amendment and, finally, the Democracy Sanctions.

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When 9/11 happened, Pakistan-U.S. relations were at its lowest where America had imposed a full range of sanctions. The U.S. immediately set out to build an international coalition. Within the first 24 hours, UN Security Council Resolution was passed authorizing the use of force, and NATO invoked Article 5 for the first time in its history.⁵ Although America was self-sufficient in its resources and means, it still needed Pakistan's support to enter Afghanistan and sustain itself. Since Afghanistan is a landlocked country, the U.S. required logistical support, the use of air bases and air space along with other important maintenance and help for which it turned towards Pakistan.

The initial diplomacy was carried out by the then U.S. Ambassador Wendy Chamberlin through the American embassy in Islamabad. Although Pakistan was never directly threatened by the U.S., it was made clear that if Islamabad would not cooperate, it would be included in the State department's list of 'seven terrorist-sponsoring nations' which suggested the possibility of U.S. aggression.

Initially, the services and cooperation provided by Pakistan were categorized under a tentative framework of the Acquisition and Cross-Servicing Agreement [ACSA].⁶ Under this agreement, Pakistan was bound to act as a 'logistics enabler' providing America with logistical support, fuel transportation, food for its troops, medical services, communication gear, etc.

Later, this tentative agreement was officially brought into practice under the umbrella of Operation Enduring Freedom [OEF]. On September 24, a combined Task Force from the Department of Defence and Department of State negotiated with the government of Pakistan on a broad set of agreements. Some of the specific assistance provided by Pakistan to America was five active air bases along with four million liters of fuel per day, the use of air space facility to U.S. planes in order to launch air operations in Afghanistan, and the use of naval facility to U.S. coalition ships at Pasni. All of the facilities initially were without any reimbursement mechanism.

Pakistan in the past ten years has been the front-line State in the 'War on Terror' and is a major non-NATO ally and has been among the main recipient countries of U.S. aid and assistance. Its primary strategic objective remained the same, i.e., ensuring greater Pakistani participation in the war against terrorism, especially an attempt to find and destroy terror sanctuaries in South and North Waziristan. Such assistance is manifested in a calibrated flow of military aid and equipment to Pakistan.

Since 1948, the United States has pledged more than \$30 billion in direct aid, about half of it for military assistance. Two-thirds of this total was appropriated in the post-9/11 era from fiscal year 2002 to 2010.⁷ Although the assistance has considerably fluctuated over the years, after 9/11, the aid to Pakistan has continuously raised due to its strategic importance as a front-line State.

In the first three years after September 11, the United States extended grants to Pakistan equalling \$1 billion and \$1 billion in debt. In June 2003, the U.S. announced a \$3 billion assistance package for Pakistan to start in October 2004 for the next five years, with roughly equal amounts going to economic aid and security assistance.⁸ It included a \$ 600 million emergency cash transfer in September 2001 to Pakistan. Furthermore, the United States since 2005 has increased its efforts to convince Pakistan to focus more on its internal threat and deteriorating security situation.

America also began reimbursing coalition partners for their logistical and combat support of the U.S. military operations in the War on Terror.⁹ In December 2001, the Congress passed the “Defence Emergency Response Fund” which could be used by the Secretary of Defence to reimburse coalition partners like Pakistan for their logistical and military support of U.S. military operations. This funding came to be known as Coalition Support Funds [CSF].¹⁰ The amount of U.S. military assistance to Pakistan since 9/11, the majority of which has been from Coalition Support Funds, was intended as reimbursement for Pakistani assistance in the War on Terror.¹¹ To provide defence with maximum flexibility, the Congress passed a Defense Appropriations Act for Fiscal Year 2002, which granted the Secretary of Defence the authority to make CSF payments not withstanding any other provision of law, in such amounts as the Secretary may determine in his discretion.¹²

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From 2002, America has initiated a series of support programmes in Pakistan under which it has covered many areas that were actively involved with U.S. war on terror. These have included support programmes like CSF reimbursement, foreign military financing programme, security development plan, peace-keeping operations, military and Frontier Corps education and training, and counter-narcotics funds.

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In Pakistan's case, the reimbursements made were to be determined by the documentations and receipts provided that sum up the money spent on the logistical and military support provided in the combat. The process of reimbursement is rather a complex web of different offices working together. Under the December 2003 guidance and oversight process, Pakistan would first submit its claim for reimbursement to the Office of Defense Representative, Pakistan [ODRP] at the U.S. embassy in Islamabad. According to Comptroller guidance, ODRP would assist the Pakistani military in formulating the reimbursement claim before sending it to CENTCOM.¹³ CENTCOM would then conduct its own independent review of the claims made and compare it with the U.S. military expenses.¹⁴ The final report/recommendation would be forwarded to the Secretary of Defense for further approval.

However, the Congress continued to provide funding for Pakistan through Defence without requiring specific accountability controls until 2008.¹⁵ CSF has reimbursed a broad range of Pakistani military operations, including navy support for maritime patrols and interdiction operations; air force support for combat air patrols, reconnaissance and close air support missions; airlift support, and air traffic control; army military operations in the FATA; and increased management requirements at the Pakistan Joint Staff Headquarters.¹⁶

U.S. CSF Reimbursements to Pakistan, October 2001 through June 2007

U.S. CSF Reimbursements	U.S. Dollars [in millions]
October-December. 2001	\$300
January-December. 2002	\$847
January-December.2003	\$753
January-December.2004	\$1,221
January-December.2005	\$915
January-December.2006	\$1,070
January-June.2007	\$453

Source: GAO analysis of Defence Oversight documentation.¹⁷

About two-thirds of U.S. aid from financial year 2002 to 2010, some \$13.3 billion, has supported security assistance in Pakistan. Of that, about \$9.4 billion has been funded through Defence Department appropriations. Economic assistance for Pakistan from 2002 to 2010 has totalled more than \$6.5 billion.¹⁸

President Obama first announced his strategy for Afghanistan and Pakistan in March 2009. That broadly underlined counterinsurgency efforts and also affirmed significant economic development assistance for Pakistan which had

largely been ignored earlier. The greatest challenge ever since has been to plan a sustainable short- and long-term stability strategy by providing physical and socioeconomic security to as much of the population as possible by using available resources efficiently.

With the Obama administration coming to office, military relations between the two countries became stronger. Both parties agreed that separate but conducive military operations would be carried out in the war on terror, which included intelligence sharing and also had the additional dimension that collective secret operations would be carried out if necessary.

Throughout the 1990's, the United States essentially ended military cooperation and arms sales to Pakistan. It was only after the terrorist attacks against the United States on September 11, 2001, that the Bush Administration chose to re-engage with Pakistan in the area of defence cooperation, and was willing once again to consider and approve major weapons sales to Pakistan.¹⁹

Nonetheless, in an effort to more effectively channel U.S. security assistance so as to specifically strengthen Pakistan's counterinsurgency capabilities, the Pentagon proposed, and Congress later endorsed, the creation of a dedicated fund, the Pakistan Counterinsurgency Fund [PCF], which was later designated as the Pakistan Counterinsurgency Capability Fund [PCCF].²⁰ The PCCF is intended to be limited in time and purpose to address Pakistan's current urgent needs as it struggles against militant extremists within its borders. Funds are mainly targeted towards capacity building of Pakistan's security forces directly engaged in combat operations, i.e., training and equipping Pakistan's security forces with a focus on the Pakistan Army, the Special Service Group, Pakistan Army Aviation, training and equipping of the paramilitary forces engaged in active combat along Pakistan-Afghanistan border as well as in FATA.

Pakistan has been using Foreign Military financing²¹ [FMF] grants since 2001. Government Accountability Office, U.S., states in its report and testimony as of July 2011 that the Congress has appropriated \$2.11 billion for FMF grants to Pakistan since fiscal year 2001, out of which Pakistan has used about \$1.86 billion to acquire various defence articles, services or training. Pakistan has also been granted U.S. defence supplies under the Excess Defence Articles [EDA].

The figure below provides a yearly breakdown of list of items Pakistan purchased under the FMF grants:

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Description and quantity	Year(s)	Value (dollars in millions)
P-3C avionics maritime patrol aircraft upgrades and related support (7 aircraft)	2003,2005,2006,2008	507.6
F-16 mid-life updates (35 jets)	2006	476.4
TOW IIA anti-tank missile launchers and missiles (121 launchers, 6,212 missiles)	2005,2007,2010	213.1
Harris radios (2,335 radios)	2004,2005,2007,2010	213.1
TPS-78 radar systems (6 systems)	2004	96.9
Technical support team at Shabbaz Air Force Base	2010	82.1
C-130E transport aircraft refurbishments (6 aircraft)	2003	75.9
USS McInerney frigate refurbishment	2010	58.8
Cobra helicopter refurbishments and support (12 helicopters)	2003,2004	53.5
Self-propelled M-109A5 howitzers (115 howitzers)	2006	52.5
Aircraft training	2002	7.6
Frigate training	2010	6.0
20 mm ammunition (600,000 cartridges)	2009,2010	5.2
Helicopter spare parts	2004	2.6
Electronic warfare equipment (signal jammers, expendable chaff, flares, etc.)	2002	1.9
PVS-7 night vision devices (300 devices)	2004	1.5
Aircraft spare parts	2003	1.3
Total committed		\$ 1,858.4

Source: GAO analysis of Department of Defence data.²²

Nearly all of Pakistan's major multilateral partners have committed to increasing their funding to Pakistan over the next few years. The World Bank tripled its committed support for Pakistan in FY2009, reaching an all-time high of \$1.7 billion. The Asian Development Bank, which disbursed a record \$1.9 billion in 2008, plans to loan an average of \$1.5 billion annually. The UK's Department for International Development has pledged to double assistance to Pakistan to approximately \$250 million per year. Thus, the increases in U.S. aid is part of a larger phenomenon of increased international support for Pakistan's development.²³

Over the last decade, Pakistan has played a vital role in the fight against terrorism, suffered tremendous casualties, and witnessed worsening security conditions as well as a deteriorating economy. Compared to any other nation involved in this war, Pakistan's physical and material sacrifices have been immense.

Reneging on the multi-year pledge of billions of dollars cuts at the very core of the desire to build a relationship with the Pakistani people.²⁴ However, a thorny set of obstacles stands in the way of the United States and other donors as they try to scale up development spending in Pakistan. The sheer scale of the country's population and development challenges requires effective mobilization of local resources and local institutions.²⁵

Enhanced Partnership with Pakistan Act (EPPA)

Since 2001, the majority of U.S. assistance to Pakistan – more than \$ 20 billion – has gone to Pakistan's military. Recognizing this imbalance, the 2009 legislation introduced by Senators Kerry and Lugar sought to “promote an enhanced strategic partnership with Pakistan and its people” by authorizing \$7.5 billion over five years in non-military aid for democratic governance, economic freedom, investments in people, particularly women and children, and development of the regions affected by conflict and displacement.²⁶ On September 24, 2009, the U.S. Congress passed the bill that was signed into law by President Obama on October 15 the same year. The Kerry-Lugar Bill (KLB) as it was named under the Enhanced Partnership Act

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2009, attracted severe opposition and criticism in Pakistan despite the fact that it aimed at improving the civilian sector and socioeconomic conditions.

The Bill was compared to the controversial and unpopular Pressler Amendment of 1985 because of the conditions that were attached with the aid package. It gave the impression of attacking Pakistan’s sovereign status and humiliating its army’s efforts in the war on terror. The U.S. defended the KLB by portraying it as an effort to cultivate long-term commitment with Pakistan on a civilian platform.

**Enhanced Partnership with Pakistan Funds
(in millions of current U.S. \$)**

	FY2010	FY2011	FY2012 estimate	FY2013 request
ESF	\$1,292.0	\$918.9	\$864.7	\$928.3
GHCS-USAID	\$29.7	\$28.4	–	–
INCLE	\$170.0	\$114.3	\$116.0	\$124.0
NADR	\$23.9	\$24.8	\$20.8	\$19.3
Total	\$1,515.6	\$1,086.4	\$1,001.5	\$1,071.3

Notes: ESF-Economic Support Funds; GHCS-Global Health and Child Survival; INCLE-International Narcotics Control and Law Enforcement; NADR-Nonproliferation, Antiterrorism, Demining and Related Programs.²⁷

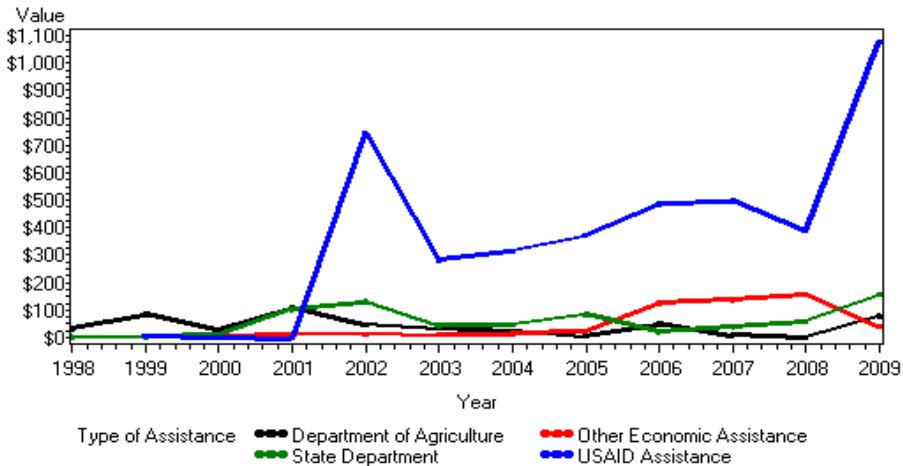
The main agenda of the KLB is to reach directly the people and invest funds to their social development. It seeks to shift focus from military assistance to public expenditure, assuring improvement across multiple sectors including education, health, providing livelihood and building new public institutions. Hence, it is a distinct step since aid in the last decade has largely been dominated by defence expenses. The United States asserts that the approach under KLB is innovative in four notable ways:²⁸

1. It focuses on alignment with Pakistani priorities;
2. With a focus on visible infrastructure projects;
3. Focus on priority sectors and regions vulnerable to violent extremism; and
4. Whole of government effort that taps expertise from a variety of U.S. agencies.

Regardless of its meaning and purpose, for many policy pundits in Pakistan and political analysts the bill attracts anti-American sentiments and chalks out continuing trust deficit even though it aims at long-term commitment with Pakistan.

The U.S. government opened the USAID mission in Islamabad in 2002. From FY 2002 to the first quarter of FY 2010, USAID has provided more than \$3.54 billion (including emergency economic assistance) to address needs in education, health, economic growth, good governance and earthquake reconstruction assistance.²⁹

U.S. Bilateral Economic Assistance to Pakistan, 1998-2009
(in millions, constant 2009 \$US)



NOTE: Does not include \$2,554 million in military assistance for the period 1998 to 2009.

Source: U.S. Overseas Loans and Grants.³⁰

Despite millions of dollars' worth of aid and assistance to Pakistan, the U.S. is still seen as an unreliable ally. Decades of alienation, sanctions and unpredictability have left a bad taste in the mouth in Pakistan. Only one-tenth of all the aid given in the past few years has been spent on education, healthcare and other socio-economic projects. The rest is directly invested in the military operations through coalition support funds. While the default role for a donor country is to spend aid money, money alone cannot bring success. In sector after sector, the interventions most important for development in Pakistan suffer from insufficient financing, but from poor policy and poor implementation.³¹

Pakistan's economy is under constant pressure since it joined War on Terror. The fighting has cost Pakistan thrice more than the aid provided by the U.S. It has cost lives of thousands of Pakistanis including more than 3,000 security personnel, loss of infrastructure and internal displacement. Economy in Pakistan has been the main sufferer. Since 2006, the economy of Pakistan has nosedived with rising rates of unemployment and inflation. The economy was subjected to

enormous direct and indirect costs which continued to rise from 4 2,669 billion in 2001-02 to \$13.6 billion by 2009-10 and projected to rise to \$ 17.8 billion in 2010-2011.³²

Post-OBL scenario:

Although Pakistan remains of great value to U.S., it has become increasingly clear since the killing of Osama Bin Laden that U.S. government aid to Pakistan is plagued by a complexity that belies claims of a strategic partnership.³³ Soon after the event of May 2, 2011; two amendments were proposed in United States House of Representatives to cut \$2 billion U.S. aid to Pakistan. The first amendment proposed cutting \$1 billion in U.S. aid which it provides to Pakistan under the funds U.S. governments gives to the countries that are partners in its War on Terror. The second amendment also proposed a cut off of \$1 billion in funds which U.S. provides to Pakistan for its counter-insurgency efforts.

In the wake of the reported killing of Osama Bin Laden, Pakistan-U.S. relations have taken a new shift. The already tense relations became a question of debate in Islamabad and in Washington. In the backdrop of the event, a great deal of debate on the Capitol Hill has focused on the efficacy of U.S. aid to Pakistan.³⁴

U.S. in its Fiscal Year 2012 Budget has provided Pakistan with \$ 1.9 billion in assistance to promote a secure, stable, democratic and prosperous Pakistan with focus on energy, economic growth, agriculture, the delivery of health and education services, and strengthening the government of Pakistan's capacity to govern effectively and accountably as well as \$ 45 million in operations to support infrastructure for maintaining U.S. government civilian and diplomatic presence and to support educational and cultural exchange programmes to build bridges.³⁵ At the military front, the U.S. budget for Fiscal Year 2012 includes \$1.1 billion for the Pakistan Counterinsurgency Capability Fund to provide critical equipment and training for Pakistani security forces, increasing the ability of the Pakistani government to combat insurgents inside Pakistan and eliminating the insurgent's capacity to conduct cross-border operations.³⁶

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Obama's second term as president: challenges for Pakistan

Pakistan and U.S. relationship has always been a marriage of convenience. However, relations after the 1971 debacle posed great challenges yet the relationship remained normal despite all odds. The United States has always supported democratic governments in Pakistan. However circumstances have compelled the United States to support dictatorships, like for example during the Soviet invasion of Afghanistan, which left no choice for the U.S. but to support General Zia ul Haq and similarly, the 9/11 attacks, which forced the US to support a military regime in Pakistan.

Relations between Pakistan and U.S. over Obama's first term were marked with deterioration. The relationship experienced countless unpleasant events like Raymond Davis incident, the Abbottabad raid and Salala incident. The second term of President Obama comes with no surprises for Pakistan. Not just because of the obvious bearing, but also because Obama's first term as president is considered to be an experiment in which different policies were applied and tested. Obama in his second term might act bolder or have more space to decide policy options for himself. Despite an obvious victory Obama still faces a divided congress between Democrats and Republicans' who control the Senate and the House of Representatives.

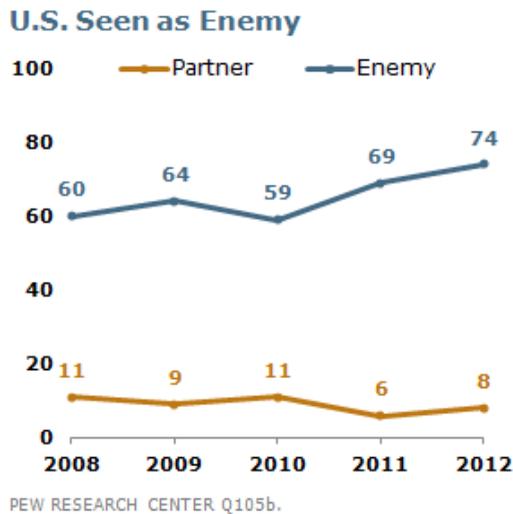
Success in Afghanistan and relations between Pakistan and U.S. has been tied together since the beginning of the 'War on Terror'. The narrative in Pakistan is that the 'second verse will be same as the first' with a few minor policy arrangement and changes. With the deadline of US exit from Afghanistan, Obama's second term agenda for Pakistan seems to be more complex. For Pakistan the major question remain the same – what will Obama's second term as president bring for Pakistan and what policy narratives will be now in store for us?

- **Drone Strikes:** Obama in his third and final debate vowed to continue drones strike inside Pakistan as being part of US geo-strategic policy in the region and one of the most effective ways to damage Taliban network across the Pakistan-Afghanistan border. However, while the legality of covert drone strikes have been questioned and challenged many times, they are one of Obama administration's key national security policies. The drone campaign is very controversial and deeply unpopular in Pakistan
- **North Waziristan Campaign/Haqqani Network:** Military operation in North Waziristan can very well cover most of the U.S. agenda for Pakistan in the second term of Obama as President. The withdrawal of

US forces from Afghanistan will create more security problems for Pakistan. Hence, Pakistan is reluctant to launch an offensive against the Haqqani network. The Malala incident, however, has raised pressure on Pakistan from the civil society within and international community abroad to launch at least a small scale offensive in the area. The reluctance comes from the fact that launching a full scale or even a small scale operation in that area will create more security problems for Pakistan, and may allow militants to disperse in other parts of the country.

- Nuclear Security: U.S. has always been very critical about the safety of Pakistan’s nuclear arsenal. Nuclear safety has been a point of friction in many bilateral discussions. U.S. fears that if terrorism is not controlled in the country, Pakistan nuclear weapons may fall into wrong hands. Pakistan, after 2005, has taken many steps for the security of its nuclear weapons in order to increase international confidence. It has implemented new security procedure plans as well as personnel security programs.

Many policy pundits believe that Pakistan and US relationship in Obama’s second term will be prone to frequent mismanagement – quoting examples like that of NATO strikes inside Pakistani border and Raymond Davis affair. The two sides need to get back to the drawing board and think out of the box. Washington interest in this part of the world has to accommodate the national interest of Pakistan and Afghanistan.



Source: Pew Research Center’s Global Attitudes Project.³⁷

Pakistan and U.S. relations have been closely tied together since the beginning of WoT. Nonetheless, Obama in his first term, while announcing his initial WoT strategy very immaturely tied Afghanistan and Pakistan together in one frame, not realizing that both are two different entities with different ground realities. Where the Bush administration focused on eliminating Al Qaeda operatives; Obama's administration concentrated more on targeting Taliban, its foot soldiers and safe havens inside Pakistan.

Nonetheless, key obstacle between Pakistan and U.S. is not entirely Afghanistan but, both the countries coming together on bilateral terms. U.S. experts have often seen Pakistan through Afghanistan lens, which has complicated matters. In Pakistan, the corridors of power believe that the U.S. is entirely insensitive to Pakistani concerns in Afghanistan.

The perception is that U.S. is not sincere in reconciliation talks with the Taliban and is only seeking to break the movement from within. Similarly, the perception in Washington is that Pakistan is the number one spoiler in Afghanistan and that the Haqqani network actually is the veritable arm of the ISI. Washington also believes that it is Fata, not Afghanistan, that poses the real threat to the U.S. and that Pakistan wants to continue treating Afghanistan as its - and only its — backyard and nothing more.

In the past, many Pakistani-Americans had supported the Republican Party largely because it was felt that Republicans favours Pakistan more as compared to Democrats. This pattern worked over the years until President Bush took office and War on Terror began. Many civil liberties were restricted of Pakistani-Americans which resulted in an overwhelming support to President Obama in 2008 elections. Although President Obama in his first term did show off his militaristic rhetoric towards Pakistan, the concerns of Pakistani-Americans was as to how President Obama will perform in the domestic front, while addressing issues related to jobs and economic deprivation.

Conclusion

Though Pakistan and U.S. share decades of friendship, the relationship has remained unstable. In order to understand the current state of relations that Pakistan and U.S. share, it is important to understand the relations both the countries have shared in the past. Recent major developments, like arrest of the CIA contractor Raymond Davis and the reported killing of Al Qaeda founder

Osama bin Laden in Pakistan – have put strains on bilateral relations, making uncertain the future direction of U.S. aid to Pakistan.³⁸

Cumulative impact and widespread perception in Pakistan and among Pakistanis living abroad still remains that the relationship with U.S. continues to be a transactional one. In U.S., lack of instant compliance by Pakistan is almost universally regarded as a confirmation that Pakistan is an unreliable ally.

The pressure point at the moment is that both the countries have some realization that Pakistan and U.S. cannot afford to be on the opposite sides when it comes to Afghanistan. This keeps them from rupturing ties. Had the governance issue as well as internal issues in Pakistan been stable, Pakistan and U.S. relationship would have been better, risks reduced and a lot that needs to be done now to fix this relationship would not have been necessary.

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