

Pakistan-US Relations: Impediments and the Way Forward

Muhammad Faisal

Introduction

In recent months policy differences between Pakistan and the United States (US) have complicated their already complex and tenuous bilateral relationship. Disagreements are being expressed in public, by both sides, over issues which form the broad contours of the relationship. Given the history of bilateral relationship over the past seven decades, it appears another break-down in ties is approaching. Officially the relations between the two states since October, 2001, have been labelled as a 'strategic', analysts in Islamabad and Washington, D.C., however, describe it as 'transactional'. At present, US-Pakistan relationship is being viewed as a by-product of the US led war in Afghanistan. A war that has not gone well for Bush and Obama administrations over the last 15 years. Regional security environment in Pakistan's neighborhood is also undergoing a change with active participation of the US. In this backdrop, stakeholders on both sides are faced with multiple issues, setting national priorities, and catering for divergent national interests.

US Economic and Security Assistance

Since October 2001, the US has provided wide-ranging economic and security assistance, in the form of budgetary support and transfer of military hardware to Pakistan. It has provided more than \$18 billion in economic and security assistance to Pakistan during 2002-2015. Nearly \$10.5 billion were provided for economic and development related initiatives, while security assistance amounted to approximately, \$7.6 billion during the same period. In addition, US also reimbursed Pakistan close to \$13 billion in Coalition Support Fund (CSF) for logistical and operational costs incurred by Pakistan in support of US military engagement in Afghanistan.¹ Thus, Pakistan has been one of the leading recipients of foreign aid from the US since 2002. However, with withdrawal of US troops from Afghanistan, US engagement with Pakistan has also receded. This is also reflected in the Obama administration's request to appropriate nearly \$794 million as foreign and security assistance for Pakistan during 2016, which is 10% lower than the previous year.²

Islamabad, meanwhile, maintains that Pakistan is fighting against terrorism on its territory caused by spillover from US war in Afghanistan. Pakistan's finance ministry has assessed that Pakistan has suffered more than \$118 billion in direct losses due to ongoing war against terrorism.³ Moreover, Operation Zarb-e-Azb is costing Pakistan nearly \$1.9 billion each year, while it also has to rehabilitate 400,000 internally displaced persons (IDPs), who had to leave their homes in the wake of military operations against terrorists. This expenditure is met from its own resources.⁴

Coalition Support Fund

Since October, 2001, Pakistan has provided operational and logistical support to the US led allied forces for operations against Taliban in Afghanistan. The US government established a mechanism known as 'Coalition Support Fund' (CSF) to reimburse Pakistan for use of its airbases and seaports in support of US led counter-terrorism operations. From early 2002 to June 2015, receipts from CSF amounted to nearly \$13 billion.⁵ These funds have supported Pakistan army operations in restive tribal areas in its north-west, and enabled Pakistan to deploy more than 100,000 troops in the tribal region along the Pakistan-Afghanistan border. As the bilateral relationship ebbed, the US also withheld CSF payments to express its displeasure for Pakistan's inability or unwillingness to carry out counter-terrorism operations against Haqqani network which reportedly had bases in Northern Waziristan.

US led NATO forces completed their combat mission in Afghanistan in December, 2014. At present only a limited residual force remains there for training of ANF and counter-terrorism operations. Consequently, US military has stopped using Pakistani airfields and other logistical facilities. Obama administration extended the CSF facility for the year 2015, with the reimbursements allowed up to \$1 billion. It was made conditional upon Pakistan taking visible action against Haqqani network which will be certified by US Secretary of Defence. In August, 2015, the US threatened to withhold \$300 million for not taking military action against Haqqani network which the US blames for attacks on allied forces in Afghanistan.⁶

Pakistan in this period pushed for converting CSF into a 'Stability Support Fund', with altered set of conditions. Pakistan contends that it needs continuous security assistance to complete counter-terrorism operations in its tribal region along the Afghan border and rehabilitate people from tribal regions displaced as a result of operations against the terrorist groups.⁷ Conversely, the US, has indicated that CSF

facility will be discontinued from 2016, because, US is focusing on Daesh, in Middle East, as the immediate challenge that needs all resources at its disposal.⁸

Deadlock over the future of CSF arrangement has continued for past several months. In October, 2015, Pakistan's Finance Minister Ishaq Dar remarked that "no new arrangement has been agreed upon yet", indicating that the talks were inconclusive.⁹ Dar maintained that at present Pakistan has deployed 190,000 troops in its north-west region, which is a huge financial burden for Pakistan.¹⁰ However in December, 2015, Obama administration agreed to extend CSF arrangement for the year 2016 with the ceiling of \$1billion.¹¹ Pakistani officials also claim that reimbursements of funds amounting to nearly \$2billion are, also, still pending with the US.¹² Moreover, Pakistan has also expressed concern over delay in releasing a tranche of \$350million due to non-certification that Pakistan is conducting operations against Haqqani network.¹³

The bilateral discussions on a new arrangement to support Pakistan after departure of international forces from Afghanistan continued for months. In the last week of May, 2016, Senator John McCain introduced a new legislation to establish a Pakistan-specific funding facility of up to \$800million. The new law stipulates that, if Pakistan doesn't fulfill the condition of acting against Haqqani network, Congress can block funds up to \$300 million for the year 2016-17.¹⁴ In June US Senate approved setting up a new fund, called 'Pakistan Security Enhancement Authorisation' of up to \$800 million, to reimburse Pakistan for its ongoing counter-terrorism and stability operations.¹⁵

Pakistan has already included prospective receipts up to \$1.6billion from the US during the next 12 months, in its new budget. Thus, it is imperative that Pakistan and US work together to amend the current defining parameters of the CSF facility, and agree on a ceiling, and conditions attached to it.

Economic Aid

Since 2001 the US has considered Pakistan among the strategically vital countries, whose stability is crucial to regional peace and security. With US-led war in Afghanistan, the US footprint in the region grew manifold. To combat religious militancy and extremism within Pakistan, US provided extensive economic assistance to stabilize Pakistan's economy and create more opportunities for Pakistanis. With its own limited resources, Pakistan is forced to prioritize security over human development. To boost Pakistan's limited financial resources strengthening its war-effort requires extensive economic support. In February,

2016, it was estimated that the US had provided more than \$11 billion in economic aid related programs from 2002 to 2015.¹⁶ Aid programs have focused on providing relief and rehabilitation in the aftermath of 2005 earthquake in Azad Jammu & Kashmir and Kyber-Pakhtunkhwa and also to those affected by flash floods in 2010.

In 2009, US Congress passed "Enhanced Partnership with Pakistan Act". It mandated economic assistance of \$1.5 billion per annum for 5-years from 2010 to 2014. USAID was designated as the US agency to disburse funding on programs focusing on health, education, socio-economic development, and women empowerment. However, this economic assistance has failed to achieve its central goal that is countering violent extremism and defeating Islamist militancy. With receding US presence in Afghanistan and engagements with Pakistan taking a backseat, civilian assistance to Pakistan has also decreased.

Pakistan continues to rely on economic assistance from the US as a crucial source for bolstering its foreign exchange reserves and balance its current account deficit. Economic assistance from the US, however, has come down by nearly half in past four years. In 2012, Obama administration sought a little over \$1 billion for economic assistance to Pakistan but in 2013, it requested a reduced amount of \$834 million. In 2014, financial aid stood at \$608 million, and \$561 million in 2015. Nearly \$498 million have been requested for the year 2016.¹⁷ Going forward in 2016, as broad contours of Pak-US relations evolve, the financial assistance from Washington would also become limited.

Gridlock over F-16s

F-16s have, over the decades, symbolized strength of Pakistan-US bilateral relationship. Being a multirole, fourth generation fighter-jet equipped with advanced avionics and technologies, it has been viewed by Pakistan Air Force (PAF) as its strategic platform. Meanwhile, it has also played a crucial role in Pakistan's counter-terrorism operations in tribal areas. After the revival of bilateral ties, in 2001, Pakistan sought to boost its air fleet. Since 2005 Pakistan has inducted 26 F-16s and received Mid-Life upgrade for its old F-16s procured in mid-to-late 1980s. In recent years, US and Pakistan had used multiple financing mechanisms to ensure funds for F-16s for Pakistan. Islamabad used its own national funds and, also, took advantage of Foreign Military Financing (FMF) program of US Department of Defence for making payments for these aircraft in the past.

Islamabad and Washington had been in talks during the past year for sale of eight F-16s to PAF. Pakistan sought these jets to improve counter-terrorism capabilities of its air fleet. It would enhance precision-strike, all-weather, and night time strike capabilities of PAF. Islamabad and Washington had agreed to subside these jets through FMF program. Eight F-16s and related military equipment were estimated to cost \$700 million. The US had agreed to provide \$430 million, while Pakistan was to pay the rest i.e. nearly \$270 million. All seemed set, until, it reached the US Congress.

Chairman of the Senate Foreign Relations Committee, Senator Bob Crocker questioned the rationale of the proposed sale to Pakistan. According to him Pakistan continues to provide support to Taliban and Haqqani network.¹⁸ As per Congressional Rules, Senate Foreign Relations Committee is empowered to review and approve all arms sales to foreign nations. In this capacity Senator Crocker and fellow members put on hold US funding for subsidizing the sale of eight F-16 fighter jets. However, an attempt to block the deal, on the floor of US Senate, was defeated.¹⁹

Meanwhile, India had also raised objections to the deal. It summoned the US Ambassador in New Delhi and expressed strong 'displeasure'.²⁰ India contended that these F-16s will be used against it by Pakistan, instead of being used in counter-terrorism operations. India also raised concerns about change in balance of air power in the region. Pakistan, however, dismissed Indian objections and termed India the "largest importer of defence equipment" in the region.²¹

Pakistan believes that Indian lobby in Washington was behind the attempt to sabotage the deal. Sartaj Aziz, Prime Minister's Advisor on Foreign Affairs, has blamed Indian lobby for doing its utmost to scuttle the deal. He also held Indian lobby responsible for a resolution to cancel the deal moved by Senator Rand Paul.²²

Pakistan firmly rejected the new conditions being associated with the sale of fighter jets. It even signaled exploring other options to meet its requirements.²³ Pakistan contends that since the fighter jets will be employed in counter-terrorism operations, the sale should, therefore, be subsidized. It, however, appears the F-16 sale has already lapsed. Pakistan was required to issue a 'Letter of Acceptance' for confirming that it would buy the aircraft through its national funds. However, Pakistan didn't issue the said letter, and the offer expired.²⁴

The deadlock over the F-16s sale reflected a downward slide in bilateral relations. Even though, Pakistan maintains that US-Pakistan relationship is much larger than

the F-16 issue.²⁵ However, a degree of mistrust has seeped into the ties, which is also impacting other areas of engagement between the two states.

Peace Process in Afghanistan

The state of bilateral relationship between Islamabad and Washington, in the last one decade, has been directly linked with situation in Afghanistan. Pakistan and the US have also cooperated during on-going war on terrorism. The US considers it a vital national security interest that terrorism groups based in Afghanistan and Pakistan are unable to conduct terrorist strikes on a global scale. Both sides have disagreed publicly over certain aspects and developments during the course of this ongoing war. Relationship hit the lowest level after US raid that killed Osama Bin Laden inside Pakistan. However, worst spat took place after a NATO strike which killed more than two dozen Pakistani soldiers along the Pak-Afghan border in Pakistan in November, 2011. Pakistan had then responded by blocking US supply lines to Afghanistan for months.

US holds Haqqani network, led by Sirajuddin Haqqani, operating from North Waziristan area of Pakistan, responsible for attacks on US led allied forces inside Afghanistan. It also blames Pakistan of tacit support to Afghan Taliban. During recent months, Haqqanis and Afghan Taliban have carried out spectacular attacks in Kabul. These attacks have undermined Afghan security forces and National Unity Government. Pakistan, however, contends that Haqqani network is operating from inside Afghanistan, thus Afghan and allied forces should interdict them inside Afghanistan. There is some evidence supporting this contention. In April, 2016, *Long War Journal* estimated that Taliban controlled nearly one-fifth of Afghanistan, and have influence on nearly 50 percent of Afghan territory.²⁶ It, therefore, appears logical that they are operating from areas under Taliban control in Afghanistan, instead of taking a longer route and directly operating from Pakistan's territory.

Quadrilateral Talks

Stabilizing Afghanistan emerged as the shared goal of regional states and the major powers including the US. For this purpose, Afghanistan, China, Pakistan and the US established a Quadrilateral Coordination Group (QCG) to facilitate talks between Taliban and the Afghan government. Few rounds of QCG preparatory talks were held in Islamabad and Kabul. However, before direct talks between Afghan government and Taliban could take place, Taliban escalated military operations inside Afghanistan. This undermined the QCG mechanism. Bringing down violence within Afghanistan has been one of the major goals of the QCG talks, but it failed to

achieve this objective. The deadlock persisted in the last meeting of QCG held on May 18, 2016, in Islamabad. It called on all stakeholders to exert their influence in initiating direct talks between Afghan government and the Taliban.

However, few days later, the US targeted Mullah Akhtar Mansour, leader of the Taliban in a drone strike in Pakistan province of Balochistan. Pakistan believes he was amenable to peace talks. President Obama, however, stated that Mansoor was an obstacle in this peace process, thus, he had to be eliminated. Taliban quickly moved to elect a new leader, while denouncing talks with the Afghan government and the US. Pakistan protested US action, as a violation of its sovereignty. Sartaj Aziz, Advisor to Prime Minister on Foreign Affairs, also contended that Mullah Mansour was not against peace talks with Afghan government.²⁷ However, restart of QCG process is not on the horizon anymore. Afghan government and Taliban are engaged in violent battles and US forces in Afghanistan have re-commenced their active combat missions.

On Strategic Stability Issues

Differences also emerged on issues related to strategic stability and non-proliferation. Divergent interests and concerns have stymied forward movement in bilateral nuclear relations. Since the conclusion of Indo-US nuclear deal disagreements have increased. Pakistan views India-US strategic partnership as a destabilizing development for South Asian region. It also believes waiver granted to India by the Nuclear Suppliers' Group (NSG) undermined strategic stability between the arch-rivals. However, the US government disagrees. It posits, that India and Pakistan would have developed weapon systems in accordance with their national security imperatives, regardless of an NSG exemption to India.

In recent years, the US has also expressed concerns on Pakistan's development of tactical nuclear weapons (Hatf-IX) and a long-range ballistic missile (Shaheen-III). Pakistan contends that a 60km range Hatf-IX has been developed in response to proactive conventional military plans of India. Washington argues that short-range and low-yield weapon system are more likely to be used, which would be destabilizing for South Asia.

Pakistan also claims that Shaheen-III, with a range of 2750km, is aimed at prospective Indian nuclear bases on the islands of Nicobar and Andaman, in the Indian Ocean Region. However, the US government contends that Shaheen-III can target its allies in the Middle East (without naming those allies) and Pakistan should take into consideration the political impact on states within its strike-range.

In October, 2015, it became public that both governments were in advanced stage in talks for limiting the ranges of Pakistani missiles, in exchange for US support to Pakistan's mainstreaming in the international nuclear order.²⁸ However, negotiations stalled, with Pakistan refusing to accept any cap on its missile program. Yet, Pakistan has called for US and Western support to its inclusion into the NSG. Pakistan believe that granting membership to India, while denying the same to it, would undermine strategic balance in South Asia and make it impossible for Pakistan to ever become a member of this elite club.

Policy Directions

Both US and Pakistan governments can take following steps to restore trust in the stumbling relationship:

- Pakistan would require consistent support for at least three years to secure and stabilize tribal regions. Perhaps the US, NATO partners and China can establish a Pakistan-specific fund for supporting Pakistan's military operations in the north-west against Taliban.
- With broad-ranging international support, Pakistan can take action against Haqqani network, or at minimum interdict its operations from if initiated from Pakistani territory. This will also build necessary trust with the US Congress.
- A new mechanism for resolving the F-16 issue is required. Pakistan can also acquire the jets from a third-country such as Jordan or Turkey provided US government relaxes the End-User restrictions. Subsequent to this sale, these jets can be up-graded, at the US facilities, with advanced avionics and communications systems to meet the requirements of Pakistan Air Force.
- For stabilizing Afghanistan, both sides need to give reconciliation process another chance. Despite unilateral US drone strike, talks have to continue. To reduce the trust deficit QCG needs to be re-convened. A new roadmap for peace talks could be charted. Pakistan has to exercise its influence and nudge leadership of Taliban and Haqqani network towards engaging in peace talks, and bringing down the violence.
- On the nuclear issue both sides need to review their respective positions. Pakistan seeks mainstreaming, for which it would have to undertake certain non-proliferation related commitments. Through engagement, both nations can chart a way for Pakistan's inclusion into the global nuclear order, while, also addressing concerns of the international community.

- On weapons-related issues, commencing arms limitation talks between India and Pakistan should be the goal. US has the influence to push South Asian rivals for such talks. These talks would also pave the way for addressing sources of regional tensions.

Conclusion

Going forward, factors discussed above can impact bilateral relationship between Washington and Islamabad. From the standpoint of both nations, bilateral relationship is of immense value. For US, Pakistan is a crucial regional stakeholder which affects US interests in India, Afghanistan and the region. Moreover, domestic stability, countering violent extremism and ensuring economic growth within Pakistan, remain vital goals of US foreign policy. Additionally, with expanding Chinese influence in the region, importance of Pakistan for the US has enhanced considerably.

Conversely, for Pakistan, Washington is a global superpower which has an enduring interest in the region. US ties with India are another factor which impact Pakistan. But, Islamabad needs to maintain communication with Washington and the US needs to show sensitivity to Pakistan's security concerns. US has provided crucial economic assistance and military hardware to Pakistan in the past. The US would remain engaged with Pakistan as it had played stabilising role in the crises in the South Asian region in the past.

*Muhammad Faisal is a
CISS Research Fellow*

Endnotes

¹ "Direct Overt U.S. Aid Appropriations for and Military Reimbursements to Pakistan," Congressional Research Service, February 24, 2016, accessed May 14, 2016, <https://www.fas.org/sgp/crs/row/pakaid.pdf>.

² Ibid.

³ "Impact of War in Afghanistan and Ensuing Terrorism on Pakistan's Economy," Ministry of Finance, June 2, 2016, accessed June 4, 2016, http://www.finance.gov.pk/survey/chapters_16/Annexure_IV_War_on_terror.pdf.

⁴ "Zarb-E-Azb to Cost Rs190 Billion, Dar Tells Senate," The Express Tribune, November 14, 2015, accessed June 4, 2016, <http://tribune.com.pk/story/991196/senate-session-zarb-e-azb-to-cost-rs190-billion-dar-tells-senate/>

⁵ "No Decision on Coalition Support Fund to Pakistan: US," Daily News & Analysis, August 26, 2015, accessed June 4, 2016, <http://www.dnaindia.com/world/report-no-decision-on-coalition-support-fund-to-pakistan-us-2118571>.

⁶ Saeed Shah, Adam Entous, and Gordon Lubold, "U.S. Threatens to Withhold Pakistan Aid," The Wall Street Journal, August 21, 2015, accessed May 18, 2016, <http://www.wsj.com/articles/u-s-threatens-to-withhold-pakistan-aid-1440163925>.

⁷ "CSF May Not Be Possible Beyond 2015: US," DAWN, August 12, 2015, accessed May 18, 2016, <http://www.dawn.com/news/1199935>.

⁸ "Further Extension in Coalition Support Fund May Not Be Possible: USA," The Nation, August 12, 2015, accessed May 18, 2016, <http://nation.com.pk/national/12-Aug-2015/further-extension-in-coalition-support-fund-may-not-be-possible-usa>.

⁹ Shahbaz Rana, "US to Release \$375 Million Under Old Arrangement," The Express Tribune, October 1, 2015, accessed May 18, 2016, <http://tribune.com.pk/story/965453/coalition-support-fund-us-to-release-375-million-under-old-arrangement/>.

¹⁰ Ibid.

¹¹ "Obama Signs Coalition Support Fund Extending Assistance to Pakistan," The Express Tribune, December 21, 2014, accessed May 18, 2016, <http://tribune.com.pk/story/810179/obama-signs-coalition-support-fund-extending-assistance-to-pakistan/>

¹² "Coalition Support Fund: US Owes Pakistan \$2 Billion," Business Recorder, January 20, 2016, accessed May 18, 2016, <http://www.brecorder.com/general-news/172:pakistan/7921:coalition-support-fund-us-owes-pakistan-2-billion/>

¹³ "Concern over Delay in Disbursement of US Coalition Support Fund," DAWN, February 4, 2016, accessed May 19, 2016, <http://www.dawn.com/news/1237348>.

¹⁴ "Senate Ok's \$800 Million for Pakistan," Townhall.com, May 25, 2016, accessed May 28, 2016, <http://townhall.com/tipsheet/joepappalardo/2016/05/25/us-senate-approves-800-million-fund-to-compensate-pakistan-for-war-n2168785>.

¹⁵ "US Senate Passes \$800m Pakistan Fund," DAWN, June 16, 2016, accessed June 18, 2016, <http://www.dawn.com/news/1265197>.

¹⁶ "Direct Overt U.S. Aid Appropriations for and Military Reimbursements to Pakistan," Congressional Research Service, February 24, 2016, accessed May 14, 2016, <https://www.fas.org/sgp/crs/row/pakaid.pdf>.

¹⁷ Ibid.

¹⁸ "US Lawmaker Assails Proposed Sale of F-16s to Pakistan," DAWN, February 24, 2016, accessed May 20, 2016, <http://www.dawn.com/news/1241572>.

¹⁹ Joe Gould, "Pakistan F-16 Sale Survives US Senate Dogfight," Defense News, March 10, 2016, accessed May 20, 2016, <http://www.defensenews.com/story/defense/2016/03/10/pakistan-f-16-sale-survives-us-senate-dogfight/81602882/>.

²⁰ "US' Sale of F-16s to Pakistan: India Expresses Disappointment," The Hindu, February 13, 2016, accessed May 20, 2016, <http://www.thehindu.com/news/national/us-sale-of-f16s-to-pakistan-india-expresses-disappointment-says-such-arms-transfers-will-help-combat-terrorism/article8231832.ece>

²¹ "Pakistan Surprised' over Indian Reaction to US F-16 Sale," DAWN, February 14, 2016, accessed May 20, 2016, <http://www.dawn.com/news/1239466>.

²² "Indian efforts to block F-16 sale deal defeated, claims Sartaj", Pakistan Today, May 12, 2016, accessed May 20, <http://www.pakistantoday.com.pk/2016/05/12/national/indian-efforts-to-block-f-16-sale-deal-defeated-claims-sartaj/>

²³ Baqir Sajjad Syed, "Pakistan May Study Other Fighter Aircraft Options, US Told," DAWN, May 4, 2016, accessed May 20, 2016, <https://www.dawn.com/news/1256125>

²⁴ Baqir Sajjad Syed "F-16 Deal Expires Amid Pakistan-US Row over Finances," DAWN, May 28, 2016, accessed May 30, 2016, <http://www.dawn.com/news/1261205>

²⁵ "Record of the Press Briefing by Spokesperson," Ministry of Foreign Affairs, May 19, 2016, accessed May 24, 2016, <http://www.mofa.gov.pk/pr-details.php?mm=MzcMw>.

²⁶ Sarah Almukhtar and Karen Yourish, "More Than 14 Years After U.S. Invasion, the Taliban Control Large Parts of Afghanistan," The New York Times, September 14, 2015, accessed May 22, 2016, http://www.nytimes.com/interactive/2015/09/29/world/asia/afghanistan-taliban-maps.html?_r=1.

²⁷ Kamran Yousaf, "Pakistan Finally Confirms Mullah Akhtar Mansour's Death in US Drone Strike," The express Tribune, May 26, 2016, accessed May 29, 2016, <http://tribune.com.pk/story/1110836/pakistan-finally-confirms-mullah-akhtar-mansours-death/>

²⁸ David E. Sanger, "U.S. Exploring Deal to Limit Pakistan's Nuclear Arsenal," The New York Times, October 16, 2015, accessed May 30, 2016, http://www.nytimes.com/2015/10/16/world/asia/us-exploring-deal-to-limit-pakistans-nuclear-arsenal.html?_r=0.