



U.S. DEPARTMENT of STATE

Bureau of South and Central Asian Affairs
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Background Note: Pakistan



PROFILE

OFFICIAL NAME:

[Islamic Republic of Pakistan](#)

Geography

Area: 803,943 sq. km. (310,527 sq. mi.); almost twice the size of California.

Cities: *Capital*--The city of Islamabad (pop. 800,000) and adjacent Rawalpindi (1,406,214) comprise the national capital area with a combined population of 3.7 million. *Other cities*--Karachi (11,624,219) (2005 est.), Lahore (6,310,888) (2005 est.), Faisalabad (1,977,246) and Hyderabad (1,151,274).

People

Nationality: *Noun and adjective*--Pakistan(i).

Population (2007 est.): 164,741,924.

Annual growth rate (2006 est.): 2.09%.

Ethnic groups: Punjabi, Sindhi, Pushtun, Baloch, Muhajir (i.e., Urdu-speaking immigrants from India and their descendants), Saraiki, and Hazara.

Religions: Muslim 97%; small minorities of Christians, Hindus, and others.

Languages: Urdu (national and official), English, Punjabi, Sindhi, Pushtu, Baloch, Hindko, Brahui, Saraiki (Punjabi variant).

Education: *Literacy* (2004 est.)--48.7%; male 61.7%; female 35.2%.

Health: *Infant mortality rate* (2006 est.)--68.84/1,000.

Life expectancy (2006 est.)--men 62.73 yrs., women 64.83 yrs.

Work force (2004 est.): *Agriculture*--42%; *services*--38%; *industry*--20%.

Government

Type: Parliamentary democracy.

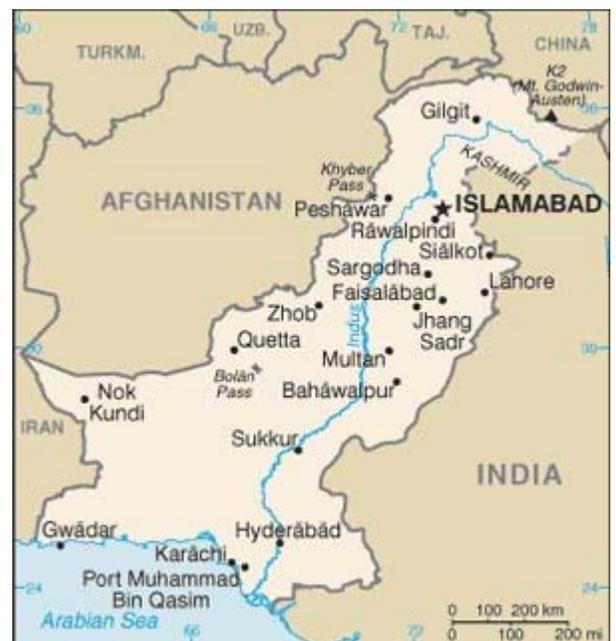
Independence: August 14, 1947.

Branches: *Executive*--president (chief of state), prime minister (head of government). *Legislative*--Bicameral Parliament or Majlis-e-Shoora (100-seat Senate, 342-seat National Assembly). *Judicial*--Supreme Court, provincial high courts, Federal Islamic (or Shari'a) Court.

Political parties: Pakistan Muslim League (PML), Pakistan People's Party (PPP), Muttahid Majlis-e-Amal (umbrella group) (MMA), Muttahida Qaumi Movement (MQM), and Pakistan Muslim League-Nawaz (PML-N).



Folk dancers perform at the Wagah border post near Lahore, Pakistan, January 24, 2006. [© AP Images]



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Suffrage: Universal at 18.

Political subdivisions: 4 provinces (Punjab, Sindh, Balochistan, and Northwest Frontier); also the Federally Administered Tribal Areas (composed of 7 tribal agencies--Bajaur, Mohmand, Khyber, Kurram, Orakzai, North Waziristan, and South Waziristan) and the Pakistani-administered portion of the disputed Jammu and Kashmir region (Azad Kashmir and the Northern Areas).

Economy

GDP (2005 est., current U.S. \$): \$110.7 billion.

Real GDP growth rate (2005): 7.8%.

Per capita GDP (2005 est., current U.S. \$): \$690.

Natural resources: Arable land, natural gas, limited oil, substantial hydropower potential, coal, iron ore, copper, salt, limestone.

Agriculture: *Products*--wheat, cotton, rice, sugarcane, eggs, fruits, vegetables, milk, beef, mutton.

Industry: *Types*--textiles & apparel, food processing, pharmaceuticals, construction materials, shrimp, fertilizer, and paper products.

Trade (2005 est.): *Exports*--\$14.85 billion: textiles (garments, bed linen, cotton cloth, and yarn), rice, leather goods, sports goods, carpets, rugs, chemicals & manufactures. *Major partners*--U.S. 22.6%, United Arab Emirates 8.9%, U.K. 5.8%, China 5.4%, Germany 4.7%. *Imports*--\$21.26 billion: petroleum, petroleum products, machinery, plastics, paper and paper board, transportation equipment, edible oils, pulses, iron and steel, tea. *Major partners*--China 14.0%, Saudi Arabia 10.5%, United Arab Emirates 9.0%, Japan 6.2%, U.S. 5.1%, Kuwait 5.1%, Germany 4.9%.

PEOPLE

The majority of Pakistan's population lives in the Indus River valley and in an arc formed by the cities of Faisalabad, Lahore, Rawalpindi/Islamabad, and Peshawar. Although Urdu is an official language of Pakistan, it is spoken as a first language by only 8% of the population; 48% speak Punjabi, 12% Sindhi, 10% Saraiki, 8% Pushtu, 3% Baloch, and 3% other. Urdu, Punjabi, Pushtu, and Baloch are Indo-European languages. English is the other official language, and is widely used in government, commerce, the officer ranks of the military, and in many institutions of higher learning.

HISTORICAL OVERVIEW

Pakistan, along with parts of western India, contains the archeological remains of an urban civilization dating back 4,500 years. Alexander the Great included the Indus Valley in his empire in 326 B.C., and his successors founded the Indo-Greek kingdom of Bactria based in what is today Afghanistan and extending to Peshawar. Following the rise of the Central Asian Kushan Empire in later centuries, the Buddhist culture of Afghanistan and Pakistan, centered on the city of Taxila just west of Islamabad, experienced a cultural renaissance known as the Gandhara period.

Pakistan's Islamic history began with the arrival of Muslim traders in the 8th century in Sindh. The collapse of the Mughal Empire in the 18th century provided an opportunity for the English East India Company to extend its control over much of the subcontinent. The Sikh adventurer, Ranjit Singh, carved out a dominion that extended from Kabul to Srinagar and Lahore, encompassing much of the northern area of modern Pakistan. British rule replaced the Sikhs in the first half of the 19th century. In a decision that had far-reaching consequences, the British permitted the Hindu Maharaja of Kashmir, a Sikh appointee, to continue in power.

Pakistan emerged from an extended period of agitation by Muslims in the subcontinent to express their national identity free from British colonial domination as well as domination by what they perceived as a Hindu-controlled Indian National Congress. Muslim anti-colonial leaders formed the All-India Muslim League in 1906. Initially, the League adopted the same objective as the Congress--self-government for India within the British Empire--but Congress and the League were unable to agree on a formula that would ensure the protection of Muslim religious, economic, and political rights.

Pakistan and Partition

The idea of a separate Muslim state in British India first emerged in the 1930s. On March 23, 1940, Muhammad Ali Jinnah, leader of the Muslim League, formally endorsed the "Lahore Resolution," calling for the creation of an independent state in regions where Muslims constituted a majority. At the end of World War II, the United Kingdom moved with increasing urgency to grant India independence. The Congress Party and the Muslim League, however, could not agree on the terms for a Constitution or establishing an interim government. In June 1947, the British Government declared that it would bestow full dominion status upon two successor states--India and Pakistan, formed from areas in the subcontinent in which Muslims were the majority population. Under this arrangement, the various princely states could freely join either India or Pakistan. Accordingly, on August 14, 1947 Pakistan, comprising West Pakistan with the provinces of Punjab, Sindh, Balochistan, and the Northwest Frontier Province (NWFP), and East Pakistan with the province of Bengal,

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became independent. East Pakistan later became the independent nation of Bangladesh in 1971.

The Maharaja of Kashmir was reluctant to make a decision on accession to either Pakistan or India. However, armed incursions into the state by tribesmen from the NWFP led him to seek military assistance from India. The Maharaja signed accession papers in October 1947 and allowed Indian troops into the state. The Government of Pakistan, however, refused to recognize the accession and campaigned to reverse the decision. The status of Kashmir remains in dispute to this day.

Independence

With the death in 1948 of its first head of state, Muhammad Ali Jinnah, and the assassination in 1951 of its first prime minister, Liaqat Ali Khan, political instability and economic difficulty became prominent features of post-independence Pakistan. On October 7, 1958, President Iskander Mirza, with the support of the army, suspended the 1956 Constitution, imposed martial law, and canceled the elections scheduled for January 1959. Twenty days later the military sent Mirza into exile to Britain, and Gen. Mohammad Ayub Khan assumed control of a military dictatorship. After Pakistan's loss in the 1965 war against India, Ayub Khan's power declined. Subsequent political and economic grievances inspired agitation movements that compelled his resignation in March 1969. He handed over responsibility for governing to the commander in chief of the army, General Agha Mohammed Yahya Khan, who became President and Chief Martial Law Administrator.

General elections held in December 1970 polarized relations between the eastern and western sections of Pakistan. The Awami League, which advocated autonomy for the more populous East Pakistan, swept the East Pakistan seats to gain a majority in Pakistan as a whole. The Pakistan Peoples Party (PPP), founded and led by Ayub Khan's former Foreign Minister Zulfikar Ali Bhutto, won a majority of the seats in West Pakistan, but the country was completely split with neither major party having any support in the other area. Negotiations to form a coalition government broke down. On March 26, 1971, following a bloody crackdown by the Pakistan Army, Bengali nationalists declared an independent People's Republic of Bangladesh. As fighting grew between the army and the Bengalis, an estimated 10 million Bengalis sought refuge in India. On April 17, 1971, Bengali nationalists formed a provisional government in an area bordering India, and in November 1971, India sent its military into East Pakistan to intervene on the side of the Bangladeshis. On December 16, Pakistani forces surrendered in Dhaka, and East Pakistan became the new nation of Bangladesh. Yahya Khan then resigned the presidency and handed over leadership of the western part of Pakistan to Bhutto, who became President and the first civilian Chief Martial Law Administrator.

Bhutto moved decisively to restore national confidence and pursued an active foreign policy, taking a leading role in Islamic and Third World forums. Although Pakistan did not formally join the Non-Aligned Movement until 1979, the position of the Bhutto government coincided largely with that of the non-aligned nations. Domestically, Bhutto pursued a populist agenda and nationalized major industries and the banking system. In 1973, he promulgated a new Constitution accepted by most political elements and relinquished the presidency to become prime minister. Although Bhutto continued his populist and socialist rhetoric, he increasingly relied on Pakistan's urban industrialists and rural landlords. Over time the economy stagnated, largely as a result of the dislocation and uncertainty produced by Bhutto's frequently changing economic policies. When Bhutto proclaimed his own victory in the March 1977 national elections, the opposition Pakistan National Alliance (PNA) denounced the results as fraudulent and demanded new elections. Bhutto resisted and later arrested the PNA leadership.

Muhammad Zia ul-Haq

With increasing anti-government unrest, the army grew restive. On July 5, 1977, the military removed Bhutto from power and arrested him, declared martial law, and suspended portions of the 1973 Constitution. Chief of Army Staff Gen. Muhammad Zia ul-Haq became Chief Martial Law Administrator and promised to hold new elections within 3 months.

Zia released Bhutto and asserted that he could contest new elections scheduled for October 1977. However, after it became clear that Bhutto's popularity had survived his government, Zia postponed the elections and began criminal investigations of the senior PPP leadership. Subsequently, Bhutto was convicted and sentenced to death for an alleged conspiracy to murder a political opponent. Despite international appeals on his behalf, Bhutto was hanged on April 6, 1979.

Zia assumed the presidency and called for elections in November. However, fearful of a PPP victory, Zia banned political activity in October 1979, and postponed national elections. This same year Zia also passed into law the Hudood Ordinance, which provides for harsh Quranic punishments for violations of Shari'a (Islamic law).

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In 1980, most center and left parties, led by the PPP, formed the Movement for the Restoration of Democracy (MRD). The MRD demanded Zia's resignation, an end to martial law, new elections, and restoration of the Constitution, as it existed before Zia's takeover. In early December 1984, President Zia proclaimed a national referendum for December 19 on his "Islamization" program. After non-party based polls were held for the National and Provincial Assemblies in 1985, President Zia appointed Muhammad Khan Junejo as the Prime Minister. He implicitly linked approval of "Islamization" with a mandate for his continued presidency. Zia's opponents, led by the MRD, boycotted the elections. When the government claimed a 63% turnout, with more than 90% approving the referendum, many observers questioned the figures.

Sharif and Bhutto Civilian Governments

On August 17, 1988, a plane carrying President Zia, American Ambassador Arnold Raphel, U.S. Brig. General Herbert Wassom, and 28 Pakistani military officers crashed on a return flight from a military equipment trial near Bahawalpur, killing all on board. In accordance with the Constitution, Chairman of the Senate Ghulam Ishaq Khan became Acting President and announced that elections scheduled for November 1988 would take place. Elections were held on a party basis. On one side was an eight-party alliance and on the other, the PPP. The PPP won 94 seats out of 207 and the Islamic Democratic Alliance (IJI) won 54. Muhammad Khan Junejo lost from his home constituency. The president was bound to invite the PPP to form the government, but he delayed doing so for two weeks in order to give the IJI time to muster the support of other groups. Ultimately, the president asked PPP Co-chairperson Benazir Bhutto to form a government.

The PPP, under Benazir Bhutto's leadership, succeeded in forming a coalition government with several smaller parties, including the Muttahida Qaumi Movement (MQM).

Differing interpretations of constitutional authority, debates over the powers of the central government relative to those of the provinces, and the antagonistic relationship between the Bhutto administration and opposition governments in Punjab and Balochistan seriously impeded social and economic reform programs. Ethnic conflict, primarily in Sindh province, exacerbated these problems. A fragmentation in the governing coalition and the military's reluctance to support an apparently ineffectual and corrupt government were accompanied by a significant deterioration in law and order.

In August 1990, President Khan, citing his powers under the eighth amendment to the Constitution, dismissed the Bhutto government and dissolved the national and provincial assemblies. New elections, held in October 1990, confirmed the political ascendancy of the IJI. In addition to a two-thirds majority in the National Assembly, the alliance won control of all four provincial parliaments and enjoyed the support of the military and of President Khan. Muhammad Nawaz Sharif, as leader of the PML, the most prominent party in the IJI, was elected prime minister by the National Assembly.

Sharif emerged as the most secure and powerful Pakistani prime minister since the mid-1970s. Under his rule, the IJI achieved several important political victories. The implementation of Sharif's economic reform program; involving privatization, deregulation, and encouragement of private sector economic growth, greatly improved Pakistan's economic performance and business climate. The passage into law in May 1991 of a Shari'a bill, providing for widespread Islamization, legitimized the IJI government among much of Pakistani society.

However, Nawaz Sharif was not able to reconcile the different objectives of IJI's constituent parties. The largest religious party, Jamaat-i-Islami (JI), abandoned the alliance because of its antagonism to what it regarded as PML hegemony. The government was weakened further by the military's suppression of the MQM, which had entered into coalition with the IJI to contain PPP influence, and allegations of corruption directed at Nawaz Sharif. In April 1993, President Khan, citing "maladministration, corruption, and nepotism" and espousal of political violence, dismissed the Sharif government, but the following month the Pakistan Supreme Court reinstated the National Assembly and the Nawaz Sharif government. Continued tensions between Sharif and Khan resulted in governmental gridlock and the Chief of Army Staff brokered an arrangement under which both the President and the Prime Minister resigned their offices in July 1993.

An interim government, headed by Moeen Qureshi, a former World Bank Vice President, took office with a mandate to hold national and provincial assembly elections in October. Despite its brief term, the Qureshi government adopted political, economic, and social reforms that generated considerable domestic support and foreign admiration.

In the October 1993 elections, the PPP won a plurality of seats in the National Assembly, and Benazir Bhutto was asked to form a government. However, because it did not acquire a majority in the National Assembly, the PPP's control of the government depended upon the continued support of numerous independent parties, particularly the PML/J (Pakistan Muslim League-Junejo). The unfavorable circumstances surrounding PPP rule-

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-the imperative of preserving a coalition government, the formidable opposition of Nawaz Sharif's PML/N (Pakistani Muslim League-Nawaz) movement, and the insecure provincial administrations--presented significant difficulties for the government of Prime Minister Bhutto. However, the election of Prime Minister Bhutto's close associate, Farooq Leghari, as President in November 1993 gave her a stronger power base.

In November 1996, President Leghari dismissed the Bhutto government, charging it with corruption, mismanagement of the economy, and implication in extrajudicial killings in Karachi. Elections in February 1997, resulted in an overwhelming victory for the PML/N, and President Leghari called upon Nawaz Sharif to form a government. In March 1997, with the unanimous support of the National Assembly, Sharif amended the Constitution, stripping the President of the power to dismiss the government and making his power to appoint military service chiefs and provincial governors contingent on the "advice" of the Prime Minister. Another amendment prohibited elected members from "floor crossing" or voting against party positions. The Sharif government also engaged in a protracted dispute with the judiciary, culminating in the storming of the Supreme Court by ruling party loyalists and the engineered dismissal of the Chief Justice and the resignation of President Leghari in December 1997.

The new President elected by Parliament, Rafiq Tarar, was a close associate of the Prime Minister. A one-sided, anti-corruption campaign was used to target opposition politicians and critics of the regime. Similarly, the government moved to restrict press criticism and ordered the arrest and beating of prominent journalists. As domestic criticism of Sharif's administration intensified, Sharif attempted to replace Chief of Army Staff General Pervez Musharraf on October 12, 1999, with a family loyalist, Director General of the Interservice Intelligence Directorate, Lt. Gen. Ziauddin. Although General Musharraf was out of the country at the time, the army moved quickly to depose Sharif.

Pervez Musharraf

Following the October 12 ouster of the government of Prime Minister Sharif, the military-led government stated its intention to restructure the political and electoral systems. On October 14, 1999, General Musharraf declared a state of emergency and issued the Provisional Constitutional Order (PCO), which suspended the federal and provincial Parliaments, held the Constitution in abeyance, and designated Musharraf as Chief Executive. Musharraf appointed an eight-member National Security Council to function as Pakistan's supreme governing body, with mixed military/civilian appointees; a civilian Cabinet; and a National Reconstruction Bureau to formulate structural reforms. On May 12, 2000, Pakistan's Supreme Court unanimously validated the October 1999 coup and granted Musharraf executive and legislative authority for 3 years from the coup date. On June 20, 2001, Musharraf named himself as president and was sworn in.

After the World Trade Center and the Pentagon were attacked on September 11, 2001, Musharraf pledged complete cooperation with the United States in the war on terror, which included locating and shutting down terrorist training camps within Pakistan's borders, cracking down on extremist groups and withdrawing support for the Taliban regime in Afghanistan. In a referendum held on April 30, 2002, Musharraf's presidency was extended by five more years. The handover from military to civilian rule came with parliamentary elections in November 2002, and the appointment of a civilian prime minister, Mir Zafarullah Khan Jamali. Having previously promised to give up his army post and become a civilian president, General Musharraf announced in late 2004 that he would retain his military role. In August 2004, Shaukat Aziz was sworn in as prime minister, having won a parliamentary vote of confidence, 191 of 342 votes, in which the opposition abstained.

On October 8, 2005 a magnitude 7.6 earthquake struck Pakistan, India, and Afghanistan. The epicenter of the earthquake was near Muzaffarabad, the capital of Pakistani-administered Kashmir, and approximately 60 miles north-northeast of Islamabad. An estimated 75,000 people were killed and 2.5 million people were left homeless. The disaster of such a huge magnitude galvanized an international rescue and reconstruction effort in support of the affected region. The earthquake cost Pakistan \$1.1 billion on resettling those affected.

GOVERNMENT AND POLITICAL ORGANIZATION

Pervez Musharraf has been chief of state since June 20, 2001. A prolonged confrontation over authority between Parliament and the President ended in December 2002 with a compromise which permitted passage of the Legal Framework Order (LFO) of 2002, under the terms of which President Musharraf made his pledge to resign his military position as Commander-in-Chief in late 2004. However, in 2004 General Musharraf announced that he would retain his military role.

The Pakistan Constitution of 1973, amended substantially in 1985 under Zia ul-Haq, was suspended by the military government in October 1999. It was restored on December 31, 2002. Selected provisions of the Constitution pertaining to changes that President Musharraf made while the Constitution was suspended remain contested by political opponents.

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The president is chosen for a five-year term by an electoral college consisting of the Senate, National Assembly, and the provincial assemblies. The prime minister is selected by the National Assembly for a four-year term. The bicameral parliament--or Majlis-e-Shoora--consists of the Senate (100 seats; members are indirectly elected by provincial assemblies to serve four-year terms) and the National Assembly (342 seats; 60 seats reserved for women, 10 seats reserved for minorities; members elected by popular vote serve four-year terms). Each of the four provinces--Punjab, Sindh, Northwest Frontier, and Balochistan--has a Chief Minister and provincial assembly. The Northern Areas, Azad Kashmir and the Federally Administered Tribal Areas (FATA) are administered by the federal government but enjoy considerable autonomy. The cabinet, National Security Council, and governors serve at the president's discretion.

The judicial system comprises a Supreme Court, provincial high courts, and Federal Islamic (or Shari'a) Court. The Supreme Court is Pakistan's highest court. The president appoints the chief justice and they together determine the other judicial appointments. Each province has a high court, the justices of which are appointed by the president after conferring with the chief justice of the Supreme Court and the provincial chief justice. The judiciary is proscribed from issuing any order contrary to the decisions of the President. Federal Sharia Court hears cases that primarily involve Sharia, or Islamic law. Legislation enacted in 1991 gave legal status to Sharia. Although Sharia was declared the law of the land, it did not replace the existing legal code.

The Pakistan Muslim League (PML), Pakistan People's Party (PPP), and Pakistan Muslim League - Nawaz (PML-N) are national political parties, while the Muttahid Majlis-e-Amal (MMA)--an umbrella group of six religious parties, including the Jamaat-il-Islami--gained significant influence during the 2002 election. After those elections, the Pakistani political system remained highly fragmented, with no group winning a substantial majority of seats in the national assembly, and religious groups banding together in the MMA to earn a significant portion of seats for the first time.

According to the constitution, Pakistan is a federation of four provinces: Baluchistan, the North-West Frontier Province (NWFP), Punjab, and Sindh. Governors appointed by the president head the provinces. There is also the Federally Administered Tribal Areas (FATA), and the Islamabad Capital Territory, which consists of the capital city of Islamabad. These areas and territory are under the jurisdiction of the federal government. The Northern Areas are administered as a de facto "Union Territory" and are treated as an integral part of Pakistan. The Pakistani-administered portion of the disputed Jammu and Kashmir region includes Azad Kashmir, a separate and autonomous government that maintains strong ties to Pakistan.

Principal Government Officials

President--Pervez Musharraf
Prime Minister (head of government)--Shaukat Aziz
Minister of Foreign Affairs--Khurshid Kasuri
Ambassador to the U.S.--Mehmood Ali Durrani
Ambassador to the UN--Munir Akram

Pakistan maintains an [embassy](#) in the United States at 3517 International Court NW, Washington, DC 20008 (tel. 202-243-6500). It has consulates in Los Angeles, New York, Chicago and Houston.

NATIONAL SECURITY

Pakistan has the world's eighth-largest armed forces, which is generally well trained and disciplined. However, budget constraints and nation-building duties have reduced Pakistan's training tempo, which if not reversed, could affect the operational readiness of the armed forces. Likewise, Pakistan has had an increasingly difficult time maintaining its aging fleet of U.S., Chinese, U.K., and French equipment. While industrial capabilities have expanded significantly, limited budget resources and sanctions have significantly constrained the government's efforts to modernize its armed forces.

Until 1990, the United States provided military aid to Pakistan to modernize its conventional defensive capability. The United States allocated about 40% of its assistance package to non-reimbursable credits for military purchases, the third-largest program behind Israel and Egypt. The remainder of the aid program was devoted to economic assistance. Sanctions put in place in 1990 denied Pakistan further military assistance due to the discovery of its program to develop nuclear weapons. Sanctions were tightened following Pakistan's nuclear tests in response to India's May 1998 tests and the military coup of 1999. Pakistan has remained a non-signatory of the Nuclear non-Proliferation Treaty.

The events of September 11, 2001, and Pakistan's agreement to support the United States led to a waiver of the sanctions, and military assistance resumed to provide spare parts and equipment to enhance Pakistan's capacity to police its western border with Afghanistan and address its legitimate security concerns. In 2003,

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President Bush announced that the United States would provide Pakistan with \$3 billion in economic and military aid over 5 years. This assistance package commenced during FY 2005.

ECONOMY

With a per capita GDP of about \$690 (current U.S. \$), the World Bank considers Pakistan a low-income country. No more than 48.7% of adults are literate, and life expectancy is about 63 years. The population, currently about 165 million, is growing at 2.09% annually.

In 2000, the government made significant macroeconomic reforms: Privatizing Pakistan's state-subsidized utilities, reforming the banking sector, instituting a world-class anti-money laundering law, cracking down on piracy of intellectual property, and moving to quickly resolving investor disputes. After September 11, 2001, and Pakistan's proclaimed commitment to fighting terror, many international sanctions, particularly those imposed by the United States, were lifted. Pakistan's economic prospects began to increase significantly due to unprecedented inflows of foreign assistance at the end of 2001. This trend is expected to continue through 2009. Foreign exchange reserves and exports grew to record levels after a sharp decline. The International Monetary Fund lauded Pakistan for its commitment in meeting lender requirements for a \$1.3 billion IMF Poverty Reduction and Growth Facility loan, which it completed in 2004, forgoing the final permitted tranche. The Government of Pakistan has been successful in issuing sovereign bonds, and has issued \$600 million in Islamic bonds, putting Pakistan back on the investment map. Pakistan's search for additional foreign direct investment has been hampered by concerns about the security situation, domestic and regional political uncertainties, and questions about judicial transparency.

U.S. assistance has played a key role in moving Pakistan's economy from the brink of collapse to setting record high levels of foreign reserves and exports, dramatically lowering levels of solid debt. Also, despite the earthquake in 2005, GDP growth remained strong at 6.6% in fiscal year 2005/2006. In 2002, the United States led Paris Club efforts to reschedule Pakistan's debt on generous terms, and in April 2003 the United States reduced Pakistan's bilateral official debt by \$1 billion. In 2004, approximately \$500 million more in bilateral debt was granted. Consumer price inflation eased slightly to an average of 8% in 2005/2006 from 9.3% in 2004/2005.

Low levels of spending in the social services and high population growth have contributed to persistent poverty and unequal income distribution. The trends of resources being devoted to socioeconomic development and infrastructure projects have been improving since 2002, although expenditures remain below global averages. Pakistan's extreme poverty and underdevelopment are key concerns, especially in rural areas. The government has reined in the fiscal mismanagement that produced massive foreign debt, and officials have committed to using international assistance--including a major part of the \$3 billion five-year U.S. assistance package--to address Pakistan's long-term needs in the health and education sectors.

Reform

The government started pursuing market-based economic reform policies in the early 1980s. These reforms began to take hold in 1988, when the government launched an ambitious IMF-assisted structural adjustment program in response to chronic and unsustainable fiscal and external account deficits. The government began to remove barriers to foreign trade and investment, reform the financial system, ease foreign exchange controls, and privatize dozens of state-owned enterprises.

Although the economy became more structurally sound, it remained vulnerable to external and internal shocks, such as in 1992-93, when devastating floods and political uncertainty combined to depress economic growth sharply. The Asian financial crisis seriously affected Pakistan's major markets for its textile exports. For example, average real GDP growth from 1992 to 1998 dipped to 4.1% annually. Economic reform also was set back by Pakistan's nuclear tests in May 1998, and the subsequent economic sanctions imposed by the G-7. International default was narrowly averted by the partial waiver of sanctions and the subsequent reinstatement of Pakistan's IMF enhanced structural adjustment facility/extended fund facility in early 1999, followed by Paris Club and London Club re-scheduling. After taking power in late 1999, President Musharraf instituted policies to stabilize Pakistan's macroeconomic situation. Pakistan continues to struggle with these reforms, having mixed success, especially in reducing its budget and current account deficits.

Agriculture and Natural Resources

Pakistan's principal natural resources are arable land, water, hydroelectric potential, and natural gas reserves. About 28% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. Agriculture accounts for about 21% of GDP and employs about 42% of the labor force. The most important crops are cotton, wheat, rice, sugarcane, fruits, and vegetables, which together account for more than 75% of the value of total crop output. Despite intensive farming practices, Pakistan remains a net food importer. Pakistan exports rice, fish, fruits, and vegetables and imports vegetable oil, wheat, cotton (net

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importer), pulses, and consumer foods.

The economic importance of agriculture has declined since independence, when its share of GDP was around 53%. Following the poor harvest of 1993, the government introduced agriculture assistance policies, including increased support prices for many agricultural commodities and expanded availability of agricultural credit. From 1993 to 1997, real growth in the agricultural sector averaged 5.7% but declined to less than 3% in 2005. Agricultural reforms, including increased wheat and oilseed production, play a central role in the government's economic reform package. Heavy rains in 2005 provided the benefit of larger than average cotton, wheat, and rice crops, but also caused damage due to flooding and avalanches.

Pakistan has extensive energy resources, including fairly sizable natural gas reserves, some proven oil reserves, coal, and large hydropower potential. However, exploitation of energy resources has been slow due to a shortage of capital and domestic and international political constraints. For instance, domestic gas and petroleum production totals only about half the country's energy needs, and dependence on imported oil contributes to Pakistan's persistent trade deficits and shortage of foreign exchange. The government announced that privatization in the oil and gas sector is a priority.

Industry

Pakistan's manufacturing sector accounts for about 25% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 70% of total exports. Other major industries include food processing, beverages, construction materials, clothing, and paper products. As technology improves in the industrial sector, it continues to grow. In 2005/2006, the manufacturing sector grew by 8.6%. Despite government efforts to privatize large-scale parastatal units, the public sector continues to account for a significant proportion of industry. In the face of an increasing trade deficit, the government seeks to diversify the country's industrial base and bolster export industries. Net foreign investment in Pakistani industries is only 0.5% of GDP.

Foreign Trade and Aid

Weak world demand for its exports and domestic political uncertainty have contributed to Pakistan's high trade deficit. In 2004, growth rebounded to approximately 6% with substantial improvement in public and external debt indicators and remained robust with 7.8% growth in 2005. Foreign reserves are at an all-time high of \$11.5 billion. Pakistan's exports, which grew by 14.4% in 2005/2006, continue to be dominated by cotton textiles and apparel, despite government diversification efforts. Major imports include petroleum and petroleum products, edible oil, wheat, chemicals, fertilizer, capital goods, industrial raw materials, and consumer products, rising to 38.8% to \$25.6 billion. External imbalance has left Pakistan with a growing foreign debt burden. The fiscal imbalance is reflected in a high level of total net public debt, which reached an estimated 92.6% of GDP in 2000-01, more than half involving external liabilities, but decreased to 72.7% in 2003. The fiscal deficit widened from 5.6% of GDP in 1994-95 to 7.7% in 1997-98 before declining to 4.5% in 2006. Despite a rise in tax collection, defense and development expenditure along with transfers to the provinces all rose in the 2006 budget, widening the deficit. Support for loss-making, state-owned enterprises and a weak domestic tax base are critical elements in the recurring fiscal deficits. The Pakistan Telecommunications Company Ltd. (PTCL) represented the largest of Pakistan's privatization programs for 2005. Despite its economic and political difficulties, Pakistan has taken steps to liberalize its trade and investment regimes, either unilaterally or in the context of commitments made with the World Trade Organization (WTO), IMF, and the World Bank. In 2004-2005, efforts in several crucial areas seemingly intensified, resulting in Pakistan becoming a more open and secure market for its trading partners.

Pakistan has received significant loan/grant assistance from international financial institutions (e.g., the IMF, the World Bank, and the Asian Development Bank) and bilateral donors, particularly after it began using its military/financial resources in the war on terror. The United States pledged \$3 billion for FY 2005 to FY 2009 in economic and military aid to Pakistan. In addition, the IMF and World Bank have pledged \$1 billion in loans to Pakistan. In 2004 to 2007 alone, the World Bank has pledged over \$500 million in investment projects.

FOREIGN RELATIONS

After September 11, 2001, Pakistan's prominence in the international community increased significantly, as it pledged its alliance with the U.S. in the war on terror and made a commitment to eliminate terrorist camps on its territory. Historically, Pakistan has had difficult and volatile relations with India, long-standing close relations with China, extensive security and economic interests in the Persian Gulf, and wide-ranging bilateral relations with the United States and other Western countries. It expresses a strong desire for a stable Afghanistan.

India

Since partition, relations between Pakistan and India have been characterized by rivalry and suspicion. Although many issues divide the two countries, the most sensitive one since independence has been the status

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of Kashmir.

At the time of partition, the princely state of Kashmir, though ruled by a Hindu Maharajah, had an overwhelmingly Muslim population. When the Maharajah hesitated in acceding to either Pakistan or India in 1947, some of his Muslim subjects, later aided by tribesmen from Pakistan, revolted in favor of joining Pakistan. In exchange for military assistance in containing the revolt, the Kashmiri ruler offered his allegiance to India. Indian troops occupied the eastern portion of Kashmir, including its capital, Srinagar, while the western part came under Pakistani control.

India submitted this dispute to the United Nations on January 1, 1948. One year later, the UN arranged a cease-fire along a line dividing Kashmir but leaving the northern end of the line not demarcated and the Vale of Kashmir (with the majority of the population) under Indian control. India and Pakistan agreed to a resolution that called for a UN-supervised plebiscite to determine the state's future. This plebiscite has not occurred because the main precondition, the withdrawal of both nations' forces from Kashmir, has failed to take place.

Full-scale hostilities erupted in September 1965, when India alleged that insurgents trained and supplied by Pakistan were operating in India-controlled Kashmir. Hostilities ceased 3 weeks later, following mediation efforts by the UN and interested countries. In January 1966, the leaders of India and Pakistan met in Tashkent, U.S.S.R., and agreed to attempt a peaceful settlement of Kashmir and their other differences.

Following the 1971 Indo-Pakistan conflict, President Zulfikar Ali Bhutto and Indian Prime Minister Indira Gandhi met in the hill station of Shimla, India, in July 1972. They agreed to a line of control in Kashmir resulting from the December 17, 1971, cease-fire, and endorsed the principle of settlement of bilateral disputes through peaceful means. In 1974, Pakistan and India agreed to resume postal and telecommunications linkages and to enact measures to facilitate travel. Trade and diplomatic relations were restored in 1976 after a hiatus of 5 years.

India's nuclear test in 1974 generated great uncertainty in Pakistan and is generally acknowledged to have been the impetus for Pakistan's nuclear weapons development program. In 1983, the Pakistani and Indian Governments accused each other of aiding separatists in their respective countries--Sikhs in India's Punjab state and Sindhis in Pakistan's Sindh province. In April 1984, tensions erupted after troops were deployed to the Siachen Glacier, a high-altitude, desolate area close to the China border not demarcated by the cease-fire agreement (Karachi Agreement) signed by Pakistan and India in 1949.

Tensions diminished after Rajiv Gandhi became Prime Minister in November 1984 and after a group of Sikh hijackers was brought to trial by Pakistan in March 1985. In December 1985, President Zia and Prime Minister Gandhi pledged not to attack each other's nuclear facilities. A formal "no attack" agreement was signed in January 1991. In early 1986, the Indian and Pakistani Governments began high-level talks to resolve the Siachen Glacier border dispute and to improve trade.

Bilateral tensions increased in early 1990, when Kashmiri militants began a campaign of violence against Indian Government authority in Jammu and Kashmir. Subsequent high-level bilateral meetings relieved the tensions between India and Pakistan, but relations worsened again after the destruction of the Ayodhya mosque by Hindu extremists in December 1992 and terrorist bombings in Bombay in March 1993. Talks between the Foreign Secretaries of both countries in January 1994 ended in deadlock.

More recently, the Indo-Pakistani relationship has veered sharply between rapprochement and conflict. After taking office in February 1997, Prime Minister Nawaz Sharif moved to resume official dialog with India. A number of meetings at the foreign secretary and prime ministerial level took place, with positive atmospherics but little concrete progress. The relationship improved markedly when Indian Prime Minister Vajpayee traveled to Lahore for a summit with Sharif in February 1999. There was considerable hope that the meeting could lead to a breakthrough.

In spring 1999, infiltrators from Pakistan occupied positions on the Indian side of the Line of Control in the remote, mountainous area of Kashmir near Kargil, threatening the ability of India to supply its forces on Siachen Glacier. By early summer, serious fighting flared in the Kargil sector. The infiltrators withdrew following a meeting between Prime Minister Sharif and President Clinton in July. Relations between India and Pakistan were particularly strained during the 1999 coup in Islamabad. Then, just weeks after the September 11, 2001 attack on the United States, an attack on India's Parliament on December 13 further strained this relationship.

The prospects for better relations between India and Pakistan improved in early January 2004 when a summit

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meeting of the South Asian Association for Regional Cooperation (SAARC) permitted India's Prime Minister Vajpayee to meet with President Musharraf. Both leaders agreed to establish a Composite Dialogue to resolve their disputes. The Composite Dialogue focuses on eight issues: confidence building measures, Kashmir, Wullar barrage, promotion of friendly exchanges, Siachen glacier, Sir creek, terrorism and drug trafficking, and economic and commercial cooperation. The first round of the Composite Dialogue was held in New Delhi on June 27-28, 2004.

Relations further improved when President Musharraf met Indian Prime Minister Manmohan Singh in New York in October 2004. Additional steps aimed at improving relations were announced when Indian Foreign Minister Natwar Singh visited Islamabad in February 2005 and in April 2005 when President Musharraf traveled to India to view a cricket match and hold discussions. In a further display of improved relations, bus service commenced from Pakistan-controlled Kashmir to Srinagar in April 2005. After a destructive earthquake hit the Kashmir region in October 2005, the two countries cooperated with each other to deal with the humanitarian crisis.

Musharraf and Singh last met in September 2006 at the Non-Aligned Summit in Havana. At this meeting, the two leaders condemned all acts of terrorism and agreed to continue the search for options acceptable to both sides for a peaceful, negotiated settlement of all issues, including the issue of Jammu and Kashmir. The foreign secretaries of both nations opened the fourth round of the Composite Dialogue in Islamabad on March 13-14, 2007.

Afghanistan

Following the 1979 Soviet invasion of Afghanistan, the Pakistani Government played a vital role in supporting the Afghan resistance movement and assisting Afghan refugees. After the Soviet withdrawal in February 1989, Pakistan, with cooperation from the world community, continued to provide extensive support for displaced Afghans. Continued turmoil in Afghanistan prevented the refugees from returning to their country. In 1999, more than 1.2 million registered Afghan refugees remained in Pakistan. Pakistan was one of three countries to recognize the Taliban regime of Afghanistan. International pressure after September 11, 2001, prompted Pakistan to reassess its relations with the Taliban regime and support the U.S. and international coalition in Operation Enduring Freedom to remove the Taliban from power. Pakistan has publicly expressed its support to Afghanistan's President Karzai and has pledged \$100 million toward Afghanistan's reconstruction. Both nations are also working to strengthen cooperation along their rugged border, including making preparations to hold joint jirgas in their restive border areas.

People's Republic of China

In 1950, Pakistan was among the first countries to recognize the People's Republic of China (PRC). Following the Sino-Indian hostilities of 1962, Pakistan's relations with China became stronger; since then, the countries have regularly exchanged high-level visits resulting in various agreements. China has provided economic, military, and technical assistance to Pakistan. Favorable relations with China have been a pillar of Pakistan's foreign policy. The PRC strongly supported Pakistan's opposition to Soviet involvement in Afghanistan and is perceived by Pakistan as a regional counterweight to India and Russia.

Iran and the Persian Gulf

Historically, Pakistan has had close geopolitical and cultural-religious linkages with Iran. However, strains in the relationship appeared following the Iranian revolution. Pakistan and Iran supported different factions in the Afghan conflict. Also, some Pakistanis suspect Iranian government support for the sectarian violence that has plagued Pakistan. However, relations between the countries have improved since their policies toward Afghanistan have converged with the fall of the Taliban. Both countries contend that they are on the road to strong and lasting friendly relations.

Pakistan historically has provided military personnel to strengthen Gulf-state defenses and to reinforce its own security interests in the area.

U.S.-PAKISTAN RELATIONS

The United States and Pakistan established diplomatic relations in 1947. The U.S. agreement to provide economic and military assistance to Pakistan and the latter's partnership in the Baghdad Pact/CENTO and SEATO strengthened relations between the nations. However, the U.S. suspension of military assistance during the 1965 Indo-Pakistan war generated a widespread feeling in Pakistan that the United States was not a reliable ally. Even though the United States suspended military assistance to both countries involved in the conflict, the suspension of aid affected Pakistan much more severely. Gradually, relations improved, and arms sales were renewed in 1975. Then, in April 1979, the United States cut off economic assistance to Pakistan, except food assistance, as required under the Symington Amendment to the Foreign Assistance Act of 1961, due to concerns about Pakistan's nuclear program.

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The Soviet invasion of Afghanistan in December 1979 highlighted the common interest of Pakistan and the United States in peace and stability in South Asia. In 1981, the United States and Pakistan agreed on a \$3.2 billion military and economic assistance program aimed at helping Pakistan deal with the heightened threat to security in the region and its economic development needs.

Recognizing national security concerns and accepting Pakistan's assurances that it did not intend to construct a nuclear weapon, Congress waived restrictions (Symington Amendment) on military assistance to Pakistan. In March 1986, the two countries agreed on a second multi-year (FY 1988-93) \$4 billion economic development and security assistance program. On October 1, 1990, however, the United States suspended all military assistance and new economic aid to Pakistan under the Pressler Amendment, which required that the President certify annually that Pakistan "does not possess a nuclear explosive device."

Several incidents of violence against American officials and U.S. mission employees in Pakistan have marred the relationship. In November 1979, false rumors that the United States had participated in the seizure of the Grand Mosque in Mecca provoked a mob attack on the U.S. Embassy in Islamabad in which the chancery was set on fire resulting in the loss of life of American and Pakistani staff. In 1989, an attack on the American Center in Islamabad resulted in six Pakistanis being killed in crossfire with the police. In March 1995, two American employees of the consulate in Karachi were killed and one wounded in an attack on the home-to-office shuttle. In November 1997, four U.S. businessmen were brutally murdered while being driven to work in Karachi. In March 2002 a suicide attacker detonated explosives in a church in Islamabad, killing two Americans associated with the Embassy and three others. There were also unsuccessful attacks by terrorists on the Consulate General in Karachi in May 2002. Another bomb was detonated near American and other businesses in Karachi in November 2005, killing three people and wounding 15 others. On March 2, 2006, a suicide bomber detonated a car packed with explosives as a vehicle carrying an American Foreign Service officer passed by on its way to Consulate Karachi. The diplomat, the Consulate's locally-employed driver and three other people were killed in the blast; 52 others were wounded.

The decision by India to conduct nuclear tests in May 1998 and Pakistan's matching response set back U.S. relations in the region, which had seen renewed U.S. Government interest during the second Clinton Administration. A presidential visit scheduled for the first quarter of 1998 was postponed and, under the Glenn Amendment, sanctions restricted the provision of credits, military sales, economic assistance, and loans to the government. The October 1999 overthrow of the democratically elected Sharif government triggered an additional layer of sanctions under Section 508 of the Foreign Appropriations Act, which include restrictions on foreign military financing and economic assistance. U.S. Government assistance to Pakistan was subsequently limited mainly to refugee and counter-narcotics assistance.

The U.S.-Pakistan relationship changed significantly once Pakistan agreed to support the U.S. campaign to eliminate the Taliban in Afghanistan and to join the United States in the Global War on Terror. Since September 2001, Pakistan has provided extensive assistance in the war on terror by capturing more than 600 al-Qaida members and their allies. The United States has stepped up its economic assistance to Pakistan, providing debt relief and support for a major effort for education reform. During President Musharraf's visit to the United States in 2003, President Bush announced that the United States would provide Pakistan with \$3 billion in economic and military aid over 5 years. This assistance package commenced during FY 2005.

Following the region's tragic October 8, 2005 earthquake, the United States responded immediately and generously to Pakistan's call for assistance. The response was consistent with U.S. humanitarian values and our deep commitment to Pakistan. At the subsequent reconstruction conference in Islamabad on November 19, 2005, the U.S. announced a \$510 million commitment to Pakistan for earthquake relief and reconstruction, including humanitarian assistance, military support for relief operations, and anticipated U.S. private contributions.

President Bush and President Musharraf have affirmed the long-term, strategic partnership between their two countries. In 2004, the United States recognized closer bilateral ties with Pakistan by designating Pakistan as a Major Non-NATO Ally. President Bush visited Pakistan in March 2006, where he and President Musharraf reaffirmed their shared commitment to a broad and lasting strategic partnership, agreeing to continue their cooperation on a number of issues including: the war on terror, security in the region, strengthening democratic institutions, trade and investment, education, and earthquake relief and reconstruction.

The United States and Pakistan concluded the sale to Pakistan of F-16 aircraft in late 2006, further reflecting their deepening strategic partnership. President Musharraf visited Washington in September 2006, where he held a bilateral meeting with President Bush and also participated in a trilateral meeting with President Bush and President Karzai of Afghanistan. The U.S.-Pakistan strategic partnership is based on the shared interests of the United States and Pakistan in building stable and sustainable democracy and in promoting peace and

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security, stability, prosperity, and democracy in South Asia and across the globe.

Principal U.S. Embassy Officials

Ambassador--vacant
Deputy Chief of Mission--Peter Bodde
Counselor for Political Affairs--Cecile Shea, Acting
Counselor for Economic Affairs--Mary Townswick
Counselor for Public Affairs--James Williams
Consul General--Kay Anske
Defense Attaché--Col. Mark Boettcher
Consul General, Karachi--Mary H. Witt
Principal Officer, Lahore--Bryan Hunt
Principal Officer, Peshawar--Lynne Tracy

The [U.S. Embassy](#) is located at the Diplomatic Enclave, Ramna 5, Islamabad [tel. (92)-(51)-208-2000].

TRAVEL AND BUSINESS INFORMATION

The U.S. Department of State's Consular Information Program advises Americans traveling and residing abroad through Consular Information Sheets, Public Announcements, and Travel Warnings. **Consular Information Sheets** exist for all countries and include information on entry and exit requirements, currency regulations, health conditions, safety and security, crime, political disturbances, and the addresses of the U.S. embassies and consulates abroad. **Public Announcements** are issued to disseminate information quickly about terrorist threats and other relatively short-term conditions overseas that pose significant risks to the security of American travelers. **Travel Warnings** are issued when the State Department recommends that Americans avoid travel to a certain country because the situation is dangerous or unstable.

For the latest security information, Americans living and traveling abroad should regularly monitor the Department's Bureau of Consular Affairs Internet web site at <http://www.travel.state.gov>, where the current [Worldwide Caution](#), [Public Announcements](#), and [Travel Warnings](#) can be found. [Consular Affairs Publications](#), which contain information on obtaining passports and planning a safe trip abroad, are also available at <http://www.travel.state.gov>. For additional information on international travel, see <http://www.usa.gov/Citizen/Topics/Travel/International.shtml>.

The Department of State encourages all U.S. citizens traveling or residing abroad to register via the [State Department's travel registration](#) website or at the nearest U.S. embassy or consulate abroad. Registration will make your presence and whereabouts known in case it is necessary to contact you in an emergency and will enable you to receive up-to-date information on security conditions.

Emergency information concerning Americans traveling abroad may be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada or the regular toll line 1-202-501-4444 for callers outside the U.S. and Canada.

The National Passport Information Center (NPIC) is the U.S. Department of State's single, centralized public contact center for U.S. passport information. Telephone: 1-877-4USA-PPT (1-877-487-2778). Customer service representatives and operators for TDD/TTY are available Monday-Friday, 7:00 a.m. to 12:00 midnight, Eastern Time, excluding federal holidays.

Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 877-FYI-TRIP (877-394-8747) and a web site at <http://www.cdc.gov/travel/index.htm> give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. A booklet entitled "Health Information for International Travel" (HHS publication number CDC-95-8280) is available from the U.S. Government Printing Office, Washington, DC 20402, tel. (202) 512-1800.

Further Electronic Information

Department of State Web Site. Available on the Internet at <http://www.state.gov>, the Department of State web site provides timely, global access to official U.S. foreign policy information, including [Background Notes](#) and [daily press briefings](#) along with the directory of [key officers](#) of Foreign Service posts and more. The Overseas Security Advisory Council (OSAC) provides security information and regional news that impact U.S. companies working abroad through its website <http://www.osac.gov>

[Export.gov](#) provides a portal to all export-related assistance and market information offered by the federal

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government and provides trade leads, free export counseling, help with the export process, and more.

[STAT-USA/Internet](#), a service of the U.S. Department of Commerce, provides authoritative economic, business, and international trade information from the Federal government. The site includes current and historical trade-related releases, international market research, trade opportunities, and country analysis and provides access to the [National Trade Data Bank](#).