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REGIONAL SECUIRTY IN SOUTH ASIA

HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

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REGIONAL SECURITY IN SOUTH ASIA

Wednesday, October 20, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C.

The Subcommittee met, pursuant to call, at 2:20 p.m., in room 2172, Rayburn House Office Building, Hon. Doug Bereuter (Chairman of the Subcommittee) presiding.

Mr. BEREUTER. The Subcommittee will come to order. The House has completed its media vote.

The Subcommittee on Asia and the Pacific meets today in open session to receive testimony on regional security concerns in India and Pakistan. South Asia, of course, defies easy generalizations. It is a region with enormous potential, yet much of that potential remains unrealized. India, which is the world's largest democracy, has just experienced a remarkably successful election, but elected officials remain extremely reluctant to take the reforms necessary to restructure and modernize the country. At least that is the perception.

In Pakistan, the governments of Prime Ministers Nawaz Sharif and Benazir Bhutto have been plagued by mismanagement and corruption. However, concerns about the ineptitude of civilian government in Pakistan have been overtaken by events.

The military coup in Pakistan has, of course, fundamentally changed the security equation in South Asia. We now face pressing questions regarding the stability of Pakistan's nuclear arsenal. We ask whether a military regime will be more belligerent or adventurous than a civilian government, whether civilian rule will soon return, and whether the coup provides an entre for Islamic fundamentalists to increase their influence.

The recent events in Pakistan also have an impact upon U.S. sanctions policy. Legislative authority was granted to permit the President to waive for one year the mandatory sanctions imposed on India and Pakistan following their nuclear tests. That one year waiver is due to expire in two days. I, for one, am very suspicious or skeptical that unilateral sanctions or the threat of sanctions will alter Indian/Pakistani behavior.

Despite my reservations, I am interested to hear the views of our witnesses on the role that the U.S. might play in promoting peace and stability across the entirety of the region during this difficult period. Certainly peace and stability are at risk in South Asia. Both India and Pakistan appear committed to developing a mean-

ingful nuclear capability, together with the means to deliver that weaponry.

In addition to last year's nuclear tests, both nations are moving forward on intermediate-range ballistic missiles that would be able to carry a nuclear payload. The Indian National Security Council has released a strategic white paper that calls for a nuclear triad of 500 air-launched, sea-launched, and ground-launched nuclear missiles. Such a force would be greater than the nuclear arsenals of Britain, France, and China. If India would actually pursue such a nuclear force, it surely would trigger an arms race with both Pakistan and China and certainly would leave the entire subcontinent at far greater risk of nuclear war.

The threat is not exclusively on the nuclear level. This summer's fighting between the Indian Army and the Pakistani-supported infiltrators in Kashmir highlighted the potential for events to deteriorate rapidly at the level of conventional warfare. The Indian Army suffered severe losses and was under great pressure in some corners in Delhi to strike an insurgent basis deep in Pakistan. If that had occurred, further escalation might have be unavoidable. Fortunately, cooler heads prevailed, and the situation has, at least temporarily, quieted. Nonetheless, tempers remain high, and when the Indian Air Force recently shot down a Pakistani military aircraft that was flying near the border, the situation threatened once again to spin out of control. It is, needless to say, a situation fraught with danger.

Amidst such setbacks, nevertheless, there is reason to hope. The Lahore peace process, which Prime Minister Sharif and Vajpayee began last year, continues to hold promise as a means to resolve differences. We should not minimize the differences, but there clearly is broad support in India and Pakistan for resolving the disputes that have divided these countries since independence. If the Lahore process has taught us anything, it is that the people are tired of war and are tired of politicians who are forever seeking to gain some minor tactical advantage vis-a-vis their neighbors.

If Pakistan and India could ever resurrect the Lahore peace process and surmount their deep divisions, the way would appear open to resolve many of the other regional problems.

The Subcommittee is privileged today to have witnesses with wide-ranging and exceptional expertise on South Asia. Testifying for the Administration is Assistant Secretary of State for South Asian Affairs, the Honorable Karl F. Inderfurth. Mr. Secretary, we welcome you back to the Subcommittee where, on a number of occasions in the past several years, you cogently have provided us with the Administration's perspective and policies on key South Asian issues.

Secretary Inderfurth assumed his current position in August 1997 after serving as the U.S. Representative for Special Political Affairs to the United Nations where his portfolio included U.N. Peacekeeping, disarmament, and security affairs. Mr. Secretary, your testimony today comes at an interesting time, so closely following the Indian elections. We certainly are interested in your views regarding the importance of extending the waiver authority on existing U.S. sanctions and how the Administration will exercise any renewed waiver authority. We are also interested in your views

regarding whether the Lahore peace process can now be jump-started and what it means to U.S. interests if the peace process flounders. In addition, we would like you to address the U.S.-Pakistani military-to-military relationship, particularly in the wake of the coup.

We are also pleased to have Dr. Arona Butcher, Chief of the Country and Regional Analysis Division at the U.S. International Trade Commission (ITC). Dr. Butcher is also Adjunct Professor at Howard University. She comes before the Subcommittee for the first time. The ITC has just concluded a study of the impact of the Glenn Amendment sanctions and the possible repercussions of re-imposing the sanctions.

Dr. Butcher, I am interested to learn the ITC's assessment of how effective the sanctions were and whether the inconvenience caused by the sanctions justified their imposition. In particular, have U.S. agriculture and commercial exporters had difficulty in regaining market share after the sanctions were waived?

We are also honored to have a highly qualified second panel to share their views. The Honorable Teresita Schaffer completed a long and distinguished in the Foreign Service, including service as Deputy Assistant Secretary of State for South Asian Affairs, at the time the most senior post available. She has served as a Foreign Service Officer in India, Pakistan, and Bangladesh and was U.S. Ambassador to Sri Lanka. Ambassador Schaffer is currently the Director of South Asia's program at the Center for Strategic and International Studies (CSIS).

Mr. Selig Harrison is Senior Scholar at the Woodrow Wilson Institute and Fellow at the Century Foundation. He was for many years the Washington Post Bureau Chief for South Asia and is presently an adjunct professor at the Elliot School of International Affairs at George Washington University. He is the author of five books on India and Pakistan and security, and his writings frequently appear in the *Washington Post*, the *New York Times*, and scholarly journals.

Gentlemen and ladies, as is consistent with the practice of the Subcommittee, your entire written statements will be made a part of the record. I request that you limit your introductory remarks, if you can, to no more than 10 minutes so we can allow adequate time for members' questions.

Let me turn, however, first to the distinguished gentleman from California, the Senior Democrat of this Subcommittee for his introductory comments, and then we will start the testimony. Mr. Lantos.

Mr. LANTOS. Thank you very much, Mr. Chairman. I will just take a minute. First, I want to commend you for holding this hearing. I want to welcome Secretary Inderfurth and Dr. Butcher to our hearing, and I would very much hope that the Secretary will deal very candidly with the rather dramatic developments in his region.

I happened to tune in on General Musharraf's televised speech, and I was watching that speech with one of my grandchildren. The general spoke slowly and eloquently and with great deliberation, and he said, "We shall not have a military government," and I interrupted him and said, until it is absolutely necessary, and those were exactly his words, "until it is absolutely necessary".

It reminded me of General Zia's tenure, which I believe was equally temporary at the outset. He advised us that he will restore civilian government as soon as possible, the military will stay in only as long as it is absolutely necessary, and it was 11 years, as I recall, that the Zia government stayed in office.

So one of the things that I am very anxious to have you expand on, Mr. Secretary, is what in our judgment is the time line that the Pakistani troops will be back in the barracks, because however bad civilian governments may be in developing countries—and we could certainly be here ad nauseam and ad infinitum criticizing the various civilian governments Pakistan has had in recent years—it is still obvious, at least to me, that on balance a military coup and disposition of a duly elected civilian government is not a desirable phenomenon in South Asia or any other place.

I would be grateful if you could give us your insight, both with respect to the personal circumstances that may have led to this, to what extent General Musharraf's background as a Pakistani who lived in India in earlier periods and his rather blunt statements in recent days indicate that this, in fact, is only a temporary phenomenon, that a civilian regime will be restored and that the troops will return to their barracks.

I also would be grateful if you could give us your appraisal of the Indian elections. If my memory serves me right, it has been over a quarter century that an incumbent Prime Minister's party was returned to office, even though this is a very complex coalition of, I believe, 17 parties; because on the surface it appears, and I don't wish to interfere in Indian domestic politics, it is a sign of stability and continuity which at the generic level we must welcome. It is not desirable in Eastern Europe or East Asia to have governments turned out of office at every election, which is the phenomenon we had in a number of newly independent societies such as the Baltics where, with every election cycle, we had the incumbents turned out of office.

I realize that Indonesia is outside of your purview but you are knowledgeable about Indonesia, and if you are able and willing to say a word about the new President and what we can expect in terms of his attitude toward developing stronger and better relations with the United States and what his attitude is likely to be with respect to the very tragic developments in East Timor.

Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you, Congressman Lantos.

Congressman Rohrabacher has asked to make a brief opening statement. I extend that opportunity to him and to other Members who desire that. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much. Mr. Chairman, for the last three years I have repeatedly warned this Subcommittee and the State Department that the Clinton Administration's policy on the Taliban, which has been decidedly pro-Taliban, would create great instability in Central Asia and would undermine democracy in Pakistan. Today, Mr. Chairman, the chickens are coming home to roost.

The recent instability in Uzbekistan and Tajikistan and the conflict in Chechnya to some degree can be traced to drug money and fanatical Islam coming out of Afghanistan. And talking about drug

money, the Taliban's opium production in Afghanistan doubled last year, and now democracy has fallen in Pakistan. This is not a result of personalities. It is a result of policy, bad policy, bad policy on the part of this Administration.

Eight years ago, after the fall of the Soviet Union, there was a tremendous opportunity for South and Central Asia. The lack of courage and the incomprehensible policies of the Clinton Administration have created a crisis in Central Asia where there was none. This Administration's policies have been more than a failure. It has been a disaster for millions of people whose lives have been affected, including a recent influx of 300,000 destitute refugees from the Taliban into the Panger Valley hoping for some sort of refuge from their fury given to them by Masudin and some of the last resisters to the Taliban, whom we have never helped.

Mr. Chairman, this Subcommittee as well as the Full Committee needs to go on record condemning this Administration, including Mr. Inderfurth, for clear attempts to thwart congressional oversight into its policies. It took more than a year from the time when the request was made for documents concerning this Administration's Afghan policy to be delivered to this Subcommittee. The first batch of documents was made available more than six months after Secretary Madeline Albright assured the Full Committee on the record at a Committee hearing that the documents would be forthcoming.

In no way have we seen all the documents, although some documents have been presented, and I want to thank some other Members of the Committee who supported my request all along, including Chairman Gilman of the Committee. Mr. Ackerman, for example, let it be known that it was important when requests like this were made that they be followed through. Yet, it took over a year to get even some of the documents, and the first documents that were delivered, Mr. Chairman, had newspaper clippings, insulting this Committee.

Even in the selected documents that have been disclosed thus far, I might add and to let my fellow members know, there is evidence of past support by this Administration of the Taliban, a policy that was altered only after pressure by the Full Committee and by women's groups over the defiance of the Taliban over Mr. Osama Bin Laden, a terrorist in Afghanistan.

Still, there is no recognizable effort by this Administration to contribute to the defeat or removal of the Taliban. Furthermore, there has been little effort by this Administration to assist the refugees in the Panger Valley and other areas of Afghanistan that are just facing a horrible fate due to the Taliban's continued campaign.

The chaos and suffering in South and Central Asia, and now Pakistan, has been escalated, this suffering and the chaos, by the policies of this Administration. And as far as I am concerned, it is a shameful record, and the cover-up of the information for us to determine what that policy was is even more shameful.

I am looking forward to receiving, Mr. Inderfurth, the rest of the State Department documents that you have kept from us. And again, Mr. Chairman, let me note in the scant documents that have been delivered to me, we have already found evidence of a dual-track policy.

Mr. LANTOS. Would the gentleman yield?

Mr. ROHRABACHER. I don't think I have the time anymore.

Mr. LANTOS. I think in all fairness we will need to respond to this broadside——

Mr. BEREUTER. Are there other Democrats who wish to speak? Perhaps he will yield you time, Mr. Lantos. The gentleman from American Samoa is recognized for an opening statement, and he yields apparently to Mr. Lantos.

Mr. FALEOMAVAEGA. Mr. Chairman, I yield time.

Mr. LANTOS. I thank my friend and colleague for yielding. Apparently it has become customary to open every hearing of the House International Relations Committee with an intemperate attack on the Clinton Administration, and I deeply regret that this particular hearing is no exception. I would be grateful if my colleague from California would supply this Committee in open or closed session his evidence of the support of the Clinton Administration for the Taliban, because I consider his statement to be absurd and delusional, and I am using my adjectives carefully. I consider my colleague's statements absurd and delusional.

The Clinton Administration has been steadfast in its opposition to the Taliban. As a matter of fact, the Clinton Administration has led the international attempt to weaken and minimize the Taliban, and since my colleague made reference to the unspeakable attitude of the Taliban vis-a-vis women, let me remind all of us that this Administration has been in the forefront for women's rights, both in the United States and internationally.

So while this interjection has provided us with a moment of levity and amusement, I have to state categorically that I do not consider the gentleman's statements to be a serious statement but a statement which, unless backed up by evidence, evidence to which Members of the Full Committee are fully entitled, if Mr. Rohrabacher has such evidence, evidence that in fact the Clinton Administration is a secret supporter of the Taliban and their policies vis-a-vis women. I look forward to receiving that evidence from Mr. Rohrabacher.

I want to thank you for yielding me that time.

Mr. BEREUTER. Does the gentleman yield back?

Mr. LANTOS. I yield back my time to my colleague from American Samoa.

Mr. BEREUTER. The Chair would like to proceed as soon as possible with our witnesses. I would say the gentleman from California, Mr. Rohrabacher, is within his rights to present these concerns, and the gentleman from California, Mr. Lantos, has been critical of that but not of the gentleman's intent or integrity, and so this is in accordance with the Subcommittee and Committee rules at this point. Does another Member who wish to be recognized? The gentleman from American Samoa.

Mr. FALEOMAVAEGA. Mr. Chairman, I reserved my time, but in the essence of time, I am going to pass on my opening statement and I would gladly yield——

Mr. BEREUTER. I think the gentleman's time has expired, but I would hear from the gentleman on this side, and then I will come to Mr. Ackerman. Is that all right? I think that is the way we should proceed. You may proceed, the gentleman from Louisiana, and then I will come to Mr. Ackerman.

Mr. COOKSEY. I, too, share some concerns about some of the events that have occurred recently and in the not-so-distant future. I also have shared some of my colleague, Mr. Rohrabacher's concerns also about maybe the way it has been handled. But we came here to hear the witnesses, and I have another Committee that I am on. This morning we had some important witnesses, and we dispensed with all of these opening statements that it seems always sound the same from both sides. We went right to the heart of the business, and we got a lot done. It was a lot more efficient. It was a better utilization of my time and everyone else's time.

I am a surgeon, and, as a surgeon, we go in, we make a diagnosis, and then we either operate or do not operate. Well, I am ready to operate and get rid of a lot of the rhetoric and proceed.

I think that the Committee Chairman should consider doing what one of my other Committee's Chairman has done in dispensing with all these opening statements hear from the witnesses, and have closing statements. Then maybe everyone would stay to the end of the hearing.

Mr. BEREUTER. I thank the gentleman. I would very much like to proceed. It is a different arena that you are operating in now, I would say to the gentleman. [Laugther]

The gentleman from New York, Mr. Ackerman.

Mr. ACKERMAN. I thank the Chairman and I greatly respect the good doctor for his goodwill being inserted into the process. Thank you, Mr. Chairman.

Let me join you in welcoming the witnesses before the Subcommittee today. In particular, I want to commend Secretary Inderfurth and his team at the South Asia Bureau for the way they have led our policy initiatives in a very tough region.

The contrasting events in India and Pakistan over a single 24 hour period speak eloquently about the new challenges and opportunities that we face in South Asia. In India we have seen hundreds of millions of voters enthusiastically exercise their votes in a free and fair election. Although there has been some concern about election fatigue, it appears that a sort of political stability has returned to India with a strong majority given to Prime Minister Vajpayee's coalition.

On the other hand, we saw an awful turn of events in neighboring Pakistan where a democratic government, however flawed, was overthrown by the military. Notwithstanding General Pervez Musharraf's moderate words, we should not be lulled into thinking that this will be a moderate government. After all, he has suspended the Constitution and the elected national and provincial assemblies, dismissed the government and declared a state of emergency. He is also the author of Pakistan's ill-fated invasion of India last summer.

I am concerned, and I believe the Administration is as well, over what we did not hear from General Musharraf. We did not hear a clear timetable for new elections for the reestablishment of democratic government. I believe that we must remain engaged with Pakistan, but that we should do so on the side of the Pakistani people. We must identify and support democratic elements within Pakistan so that the people of Pakistan can again enjoy their democratic rights.

The people of Pakistan are not celebrating the demise of democracy. They are at best celebrating the demise of an allegedly corrupt government.

The waiver authority contained in the Defense Appropriations Act should not be used to reestablish an arms pipeline with Pakistan, and I am pleased that the Administration is not considering that. When democracy is restored however, the waiver authority should be used to strengthen democratic institutions and promote economic growth.

That same authority should also be used to move U.S.-India bilateral relations to a higher plane which would allow India and the United States to forge a strategic partnership in South Asia. In the past, we have neglected our relationship with India, and the legacy of that neglect has been mistrust.

I believe it is time to re-examine our basic premise regarding U.S. policy in South Asia. We should look beyond the simplistic prism of Pakistan-India rivalry and see that Indian democracy is our natural ally within the region. The best way to demonstrate our commitment to the people of India is by ensuring that the President travels to India, which I encourage him to do as soon as possible.

I thank you, Mr. Chairman, and look forward to hearing the witnesses.

Mr. BEREUTER. Thank you, Mr. Ackerman.

The gentleman from Ohio, Mr. Gillmor.

Mr. GILLMOR. Thank you, Mr. Chairman. I seek recognition for two reasons: First, to associate myself with the spirit of the comments by Dr. Cooksey; and second, to yield to my colleague from California, Mr. Rohrabacher, on the condition that he doesn't use all the time.

Mr. ROHRABACHER. Fine. Thank you very much. I will just say a few words concerning Mr. Lantos' attempted rebuttal of my opening statement.

Let me just say that for a year I requested documents. This is not a laughing matter. It is not a laughing matter when the Secretary of State comes before a hearing, a public hearing, makes a promise for documents, and then not only drags her feet but stonewalls that promise and stonewalls the request. This is not a matter of levity, Mr. Lantos. This is a very serious issue.

Sixty percent of the world's opium is now produced in Afghanistan. These billions of dollars are spilling over, as I warned they would for so long, into Pakistan and into Central Asia. The fact that the Administration repeatedly has been unwilling to provide the documentation for exactly what you asked us to do, to determine what the policy is. And I will say that there is indication that I have already read in the very small number of documents that Mr. Inderfurth managed to give to us of a past support for the Taliban, and I see no reason why the other documents—this is a legitimate request.

Again, I applaud Mr. Ackerman. At least Mr. Ackerman didn't call it delusional and laughable that we were trying to get to the heart of this policy matter by requesting documentation from the Administration. That is our job here. This is not a matter of levity in terms of laughing it off. This is matter of seriousness, and I have

taken this job very seriously. That statement that I issued in the beginning, right from the start of this, was something that has been three years' worth of work on my part. I have been to the region time and again. I have talked to the leaders there. There is every indication that this Administration has done nothing to thwart the Taliban, and then we have foot-dragging on requests for evidence. What else are we to conclude except there is something they are trying to hide?

I am trying to do my job, and I am serious about it, and those who accept this sort of brush-off that I am being delusional or that someone who is asking for this information is delusional I think is undermining the credibility of this Committee, and I yield back the balance of my time.

Mr. BEREUTER. Would the gentleman from Ohio yield?

Mr. GILLMOR. Yes.

Mr. BEREUTER. I thank the gentleman for yielding. I hope the gentleman from California understands that I believe that we have oversight responsibilities, and I have supported his request for information from the Administration. I would like now to move forward.

Mr. BROWN. Mr. Chairman, I have a very brief opening statement.

Mr. BEREUTER. Mr. Brown, gentleman from Ohio.

Mr. BROWN. I am not going to express, as Dr. Cooksey and Mr. Gillmor did, my opposition to opening statements, as I am making one.

Mr. Chairman, thank you for just a real short moment. I want to enter into the record, ask unanimous consent to enter into the record A.M. Rosenthal's October 15th op-ed piece from the *New York Times* called "The Himalayan Era," and its subtitle is the "Tilt Toward Pakistan."

Mr. BEREUTER. Without objection.

[The editorial referred to appears in the appendix.]

Mr. BROWN. Thank you, Mr. Chairman. The events of last week I think underscore the errors of our ways in South Asia under presidents of both parties, going back for more than a generation. We have seen 40 years of a pro-American military government or at least influenced by the military in Pakistan. We have seen 40 years of U.S. military support in Pakistan. Next door, we see a country for the last 50 years that has practiced democracy, the 50 years that recently has been warmed.

We have built a closer and closer relationship with India over the last few years, but I just think the coup in Pakistan, the pro-Pakistani tilt of our government through most of the post-World War II years underscore to me the importance of our building our relationship with India much better than we have in the past. It is country of a billion people. Pakistan is a country of one-seventh the size of that; not that Pakistan is not important to us, but I think that we as a nation have leaned the wrong way, have gone in the wrong direction.

I think the events of the last couple of weeks underscore that better than any of us could say, and I would just like to again thank Secretary Inderfurth for his work in strengthening ties with

India and encourage him and the State Department to do better. Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you, Mr. Brown.

Mr. Secretary, we look forward to your statement. Thank you for appearing today and for being willing to respond to our questions after your opening statement. We will hear from Dr. Butcher next, but your entire statement will be made part of the record. You may proceed as you wish.

STATEMENTS OF THE HONORABLE KARL F. INDERFURTH, ASSISTANT SECRETARY FOR SOUTH ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. INDERFURTH. Mr. Chairman, Congressman Lantos, and Members of the Committee, there is the biblical injunction of the last shall be the first. If you look at my testimony, I had Afghanistan at the last of my testimony. I think that given what we have heard, I would like to make just a very brief remark on what Congressman Rohrabacher has had to say.

First, I take issue with virtually every point made by Congressman Rohrabacher except for his evident concern for the Afghan people, which I think he knows we both share. Now, in terms of the oversight responsibility——

Mr. BEREUTER. Mr. Secretary, would you pull that mike a little closer, please?

Mr. INDERFURTH. Certainly. In terms of your reference to the oversight responsibilities of the Committee, I would like to say something about that, because I am sure it would be of concern to every Member of the Committee whether or not you are receiving the information that you have requested.

We are complying with the request made by Chairman Gilman which was made formally on May 21st. Now, this was following procedures established between the Committee and the State Department for making requests of this nature. We immediately contacted our embassies, we notified relevant bureaus in the Department and began what is indeed a time-consuming and labor-intensive process of collecting these documents and preparing them for transmittal to the Department.

On July 20th, the first set of documents was sent to Congressman Rohrabacher. This set included, as he pointed out, a number of pages of unclassified material, true, but also included 17 classified documents, which were made available by staff of the State Department in his office.

Now, the second set of documents was delivered September 2nd, and this set contained more than 40 classified documents.

A third tranche is being prepared and will be delivered to the Congressman shortly, and at least one more tranche will follow that.

Now, we trust that this effort which we are making, very much in compliance with our responsibilities, we hope that this effort we are making will fulfill Congressman Rohrabacher's request and that it will prove worthwhile. But I do want to say that, having reviewed these documents myself, that they offer absolutely no support for his contention that the U.S. Government has now or in the past had a covert policy of support for the Taliban; and I think as

you will hear in my statement in a moment, the sanctions that we have recently placed on the Taliban for its continued support for Osama Bin Laden, as well as for the U.N. Resolution which was passed last Friday by the entire U.N. Security Council, which places sanctions on the Taliban, would suggest there is not a policy of support but indeed opposition to the Taliban for its support for international terrorism.

Mr. Chairman, a brief glimmer of hope, if I could just start before I get to my prepared statement, because you mentioned the Lahore process. Unfortunately I am much more informed about Lahore than I am about Indonesia. I apologize about that, but we too, the last time I testified here, we hoped that the Lahore process of Prime Minister Vajpayee and Prime Minister Sharif would set a new stage for relations on the subcontinent. That took place in February. Unfortunately, since then, we have seen a Kashmir crisis in Kargil, and last week we saw the military overthrow of the government in Pakistan. So there have been significant setbacks for the Lahore process.

But I do want to note the one glimmer of light and that is, that the Lahore-Delhi bus service, which was inaugurated by the two Prime Ministers in February, continues to run uninterrupted. Even though we had these major disruptions to what we had hoped was a new stage in their effort at reconciliation, at least the bus service itself continues to operate. We hope that maybe at some point the Lahore process itself could get back on track.

Mr. Chairman, I do appreciate this opportunity to appear before the Subcommittee today for a number of very obvious reasons already alluded to and referred to by Members of the Committee. I believe that this is an auspicious time to meet with you. We have a number of immediate challenges facing United States policy in South Asia, and this afternoon I will address three in particular and try to do those as quickly as possible. My full statement I appreciate being placed in the record.

The three issues would be the political crisis in Pakistan where the Army has taken the reigns of power, the recent elections in India and the formation of a new government, and the situation in Afghanistan and our steps to combat international terrorists who take shelter there.

At the top of our agenda today is the political crisis which erupted a week ago in Pakistan. As I said, Mr. Chairman, my full statement will summarize more of my remarks, including developments since October 12th. I would, however, like to focus on our policy at present toward Pakistan.

We listened closely to General Musharraf's nationwide address last Sunday night. We heard his pledge for a return to a true democracy in Pakistan and that the Armed Forces have no intention of remaining in power any longer than necessary, but we are disappointed with what we did not hear. Specifically, we did not hear an announcement of a clear timetable for the early restoration of constitutional, civilian and democratic government. As Congressman Lantos pointed out, you will remember that an earlier Army Chief, General Zia, anticipated a brief period of military control when he took power. He ended up ruling for 11 years.

The press in Pakistan and here has focused in recent days on the rationale for the general's actions. Much of the coverage has seemed to support General Musharraf's statement that Pakistan had hit rock bottom.

For our part, we are not justifying or condoning the general's actions. As a matter of principle, one that we believe applies throughout the world, the remedy for flawed democracy is not a military coup or suspension of a democratically elected legislature or the detention of the elected government. In our view, Pakistan's long-term stability lies in developing civilian political institutions which are self-correcting through political processes, not through the expedient of military intervention.

President Clinton, Secretary Albright and other U.S. officials have expressed our deep regret at this setback to democracy and our hope that Pakistan's authorities will acknowledge and fulfill their duty to restore Pakistan to civilian, democratic, constitutional government as soon as possible.

Mr. Chairman, until we see a restoration of democracy in Pakistan, we have made it clear we would not be in a position to carry on business as usual with Pakistani authorities. As you know, Section 508 of the Foreign Operations Appropriations Act contains a prohibition against a broad range of assistance for a country whose democratically elected head of government is deposed by military coup or decree. We have applied those sanctions with regard to Pakistan. As a practical matter, most forms of assistance are already prohibited for Pakistan under the Glenn Amendment and other statutory requirements.

Now, as General Musharraf told his Nation, actions speak louder than words. The United States will watch closely as the General acts to fulfill his pledge to return his country to democracy and to address the other serious problems he identified, including the economy and corruption. We call on General Musharraf to respect civil liberties, freedom of the press, judicial independence, and human rights while this process proceeds. Our own actions toward Pakistan in the days ahead will be guided in large part by the steps the new authorities take.

Mr. Chairman, one final word on Pakistan, if I may. Despite our deep disappointments with this latest setback to democracy in Pakistan, we have no choice but to stay engaged. We cannot walk away. Pakistan is important. It is important because stability, or the lack thereof, in Pakistan will have an impact on Pakistan's neighbors, the region and beyond. Pakistan is important because it can serve and we hope one day will serve as an example of a progressive Islamic democracy. Pakistan is important because it is a link, both economic and political, between the Indian Ocean and Central Asia, because it has significant human and economic resources and because it has historically been a friend of the United States. It is important, therefore, for the United States and other longtime friends of Pakistan to express their concern, exert their influence and take those steps necessary and appropriate so that Pakistan can see a prompt return to civilian rule and restoration of the democratic process as called for by President Clinton.

Mr. Chairman, Members of the Committee, turning to India, we are also facing a challenge, but in this case a more positive one.

India has just completed the largest exercise of democratic voting the world has ever witnessed. More than 360 million voters cast ballots. The final results of India's month-long election gave the 17-party coalition of Prime Minister Vajpayee 303 seats in the lower House of Parliament, 31 more than needed to form a simple majority. Atal Bihari Vajpayee was sworn in for the third time as India's Prime Minister on October 13. It was also, as Foreign Minister Jaswant Singh pointed out, and Congressman Lantos, the first time in 27 years in India that an incumbent Prime Minister has been returned to office. President Clinton called Prime Minister Vajpayee to offer his congratulations.

Mr. Chairman, there are substantial elements of continuity between the previous and the new governments; in particular, in the key positions of Prime Minister, Foreign Minister, Home Minister, Finance Minister and Defense Minister. Prime Minister Vajpayee's ability to maintain continuity of leadership in the key ministries and his successful effort to accommodate his coalition partners should mean that his government will be quick off the mark in implementing policy priorities, including economic reform, rural development and national security.

This new government also appears to have a larger and therefore potentially stronger coalition, a fact that we hope will enable India's leaders to adopt a longer-term perspective rather than one overshadowed by the prospect of a brief tenure.

Mr. Chairman, the new government's initial messages to the world are positive. Both Foreign Minister Singh and Principal Secretary to the Prime Minister and National Security Advisor Brajesh Mishra, who will be in Washington tomorrow, have reiterated their intention to seek a national consensus for signing the Comprehensive Test Ban Treaty. This Administration remains committed to the CTBT and believes it is an important measure to restrain the prospect of a nuclear arms race in South Asia.

Now, as everyone here knows, we have faced our own challenges recently with ratification and understand the importance of forging a solid domestic consensus which we will continue to try to do. The United States will also continue to urge both India and Pakistan to sign and ratify the CTBT because we believe it is in their national security interest to do so.

There are a number of other steps in the nonproliferation area that we are encouraging India and Pakistan to take to address our concerns and those of the international community. These steps, which we believe are consistent with Indian and Pakistani security interests, include constructive engagement on fissile material, restraint in missile developments, including nondeployment and strengthened export controls. Deputy Secretary Talbot will resume his dialogue with Foreign Minister Jaswant Singh on these issues.

Mr. Chairman, we also see signs of promise on the economic front. There are reports that the new government will put in place a new economic package by mid-November. The package would cover a wide range, a wide spectrum, including reforms of the financial, industrial and infrastructure sectors. In Finance Minister Sinha's own words: "we want to undertake the second generation of economic reform."

Prime Minister Vajpayee has also acknowledged the need for India's greater integration into the world economy, and several bills that would help open India to greater investment are awaiting the new Parliament's approval. These include proposals to open up the insurance sector to private domestic and foreign companies and a telecommunications plan that would accelerate investment in private telephone networks. With the new government in place, we are hopeful that India will return to a firm course toward liberalization.

Economic opportunities in the energy sector will be one of many subjects that Energy Secretary Bill Richardson will discuss with his Indian counterparts next week when he becomes the first U.S. Cabinet officer to visit India since the formation of the new government.

Mr. Chairman, with the new government in place in Delhi, we will focus intensely on the future of the Indo-American relationship. President Clinton is acutely aware that as the first American President elected since the end of the cold war, he has an unprecedented opportunity to put our relations with India on a substantially different footing. No longer do New Delhi and Washington find themselves at cross purposes because of cold war constraints. In the words of Prime Minister Vajpayee, "we are natural allies".

To define that new relationship and to invest it with the broadest and deepest possible meaning, we have to address the complex set of issues that surfaced with the Indian nuclear tests in May last year, addressing them from our perspective and from India's perspective. Our ability to move forward and the extent of our future cooperation will be influenced by the progress we make, particularly in the nonproliferation area.

In this connection, Mr. Chairman, the Administration appreciates Congress' recent action granting the President permanent comprehensive waiver authority for the Glenn, Symington and Pressler sanctions. I want to emphasize that we sought enhanced waiver authority because this would give us more flexibility as we pursue our agenda in South Asia. The unfolding situation in Pakistan is a reminder of how quickly things can change in South Asia and therefore of the importance of ensuring that we have a range of tools at our disposal. Once the legislation is enacted, we will use the authority effectively and prudently and, I want to emphasize, in consultation with Congress.

Mr. Chairman, let me turn now for a brief moment to Afghanistan and an update on our concerns about Osama Bin Laden. As you know over the past year we have repeatedly contacted the Taliban and encouraged them to expel Bin Laden without delay and avoid further confrontation on this issue with the U.S. and others in the international community. Unfortunately, the Taliban has not been responsive.

In July, President Clinton issued an Executive Order blocking the Taliban's property and banning commercial transactions with the Taliban. In August, Ariana Airlines was placed under sanctions. To date we have frozen more than $34 million in Taliban assets.

Most recently and through U.S. diplomatic efforts, the rest of the world has now joined us in expressing its resolve to end terrorist

operations in Afghanistan. A U.S.-initiated resolution passed unanimously by the U.N. Security Council last week demands that the Taliban stop sheltering Bin Laden and assure that he be expelled and brought to justice. If the Taliban fail to do so by November 15, their assets will be frozen worldwide, and Taliban-owned, -leased, or -operated aircraft will be denied permission to take off or land anywhere in the world.

This resolution is the result of intense U.S. effort, and represents a significant step forward in our campaign to end Bin Laden's terrorist activities.

Mr. Chairman, let me just add, we are prepared to work with the Taliban to rid Afghanistan of terrorist networks. As President Clinton said following passage of the U.N. sanctions resolution last week, the international community has sent a clear message. The choice between cooperation and isolation lies with the Taliban.

Mr. Chairman, may I conclude by noting that our ability to pursue our agenda in Washington and indeed throughout the world depends in large part on adequate funding for our foreign affairs budget, a point that Secretary Albright makes repeatedly.

As you know, earlier this week, President Clinton vetoed the foreign operations appropriations bill because it was funded at approximately $2.2 billion below his request. The Administration believes these cuts are dangerously shortsighted. The bill's low funding level, in the President's words, "puts at risk America's 50 year-old tradition of leadership for a safer, more prosperous and democratic world."

Obviously, the across-the-board cuts in foreign affairs spending will harm what we are trying to do in South Asia. Indeed, if the proposed cuts are enacted, the Administration will be forced to reduce our efforts to counter terrorism, prevent and reduce conflict, and support regional democracy, stem the spread of deadly diseases like HIV-AIDS, address trafficking in women and children, and fight drugs, all of which are clearly in the interests of the American people and key to our agenda in Washington.

Mr. Chairman, we face a number of immediate and long-term challenges, as well as opportunities in Washington, where our national interests are engaged. We need your support and the necessary resources to do our job.

Thank you very much.

[The prepared statement of Mr. Inderfurth appears in the appendix.]

Mr. BEREUTER. Thank you, Secretary Inderfurth. Next we will hear from Dr. Arona M. Butcher, the Chief of Country and Regional Analysis Division, Office of Economics, United States International Trade Commission.

You may proceed as you wish, Dr. Butcher.

STATEMENT OF DR. ARONA BUTCHER, CHIEF OF COUNTRY AND REGIONAL ANALYSIS DIVISION, OFFICE OF ECONOMICS, UNITED STATES INTERNATIONAL TRADE COMMISSION

Dr. BUTCHER. Mr. Chairman and Members of the Subcommittee, I want to thank you for the opportunity to present the findings of a study conducted by the International Trade Commission on the

U.S. economic sanctions imposed on India and Pakistan after these countries detonated nuclear explosive devices in May 1998.

As you know, on March 16, 1999, the Committee on Ways and Means asked the Commission to examine the economic sanctions imposed on India on May 13, 1998, and Pakistan on May 30, 1998, pursuant to section 102 of the Arms Export Control Act, also known as the Glenn Amendment.

The Committee asked the Commission to analyze the effects of the sanctions on the U.S. Economy and to assess the likely economic impact on the United States, India, and Pakistan if the sanctions are reimposed, summarize the instances when the sanctions have affected humanitarian activities and the activities of multinational institutions in India and Pakistan.

The major finding of the Commission's report is that the quantifiable impact of the Glenn Amendment's economic sanctions and the likely impact of the reimposition of these sanctions on the United States, India, and Pakistan are relatively small. However, according to U.S. Industry, the main impact of these sanctions is increasing the perception that U.S. Companies could be unreliable suppliers.

The Glenn Amendment sanctions on India and Pakistan that were triggered in May 1998 and analyzed in the Commission study are as follows:

Deny export credits and guarantees by any U.S. Government department or agency, such as the USDA, the U.S. Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. These sanctions were waived until October 21, 1999.

Second, prohibit U.S. banks from making any loan to the government of the detonating country, except for purposes of purchasing food or other agricultural commodities. This was also waived until October 21, 1999.

Third, oppose the extension of any loan for financial or technical assistance by international financial institutions such as the Asian Development Bank, the International Monetary Fund (IMF), and the World Bank, except for humanitarian purposes. This was waived for Pakistan until October 21, 1999, but is in force for India.

Fourth, terminate U.S. foreign aid programs, except for humanitarian assistance and food or other agricultural commodities. This is in force.

The short duration of the sanctions precluded an empirical analysis on the effects of sanctions on the United States prior to the waiver. For example, restrictions on the provision of USDA export credits and guarantees were lifted on July 15, 1998, and many of the remaining components of the Glenn Amendment sanctions were waived by the President on December 1, 1998.

Therefore, in order to assess the impact of the Glenn Amendment sanctions on the U.S. economy, the Commission obtained information from U.S. industry and reviewed relevant literature, reviewing information from conducting a telephone survey of over 200 U.S. companies and associations, by holding a public hearing, and from written submissions, and from other government agencies involved in monitoring and enforcing actions.

In the case of India and Pakistan, macroeconomic data and trade data were examined for the 1995–1999 period. In order to assess the likely impact on the United States, India, and Pakistan of the reimposition of sanctions, a global economic model was employed with 1995 as a base year, the most recent year for which data on trade flows for India and Pakistan and their major trading partners were available.

According to U.S. industry sources, the industries most affected by the Glenn Amendment sanctions were those related to the sale of certain agricultural products, industrial machinery, transportation, construction, and mining equipment, electronics products, and infrastructure development services. Another result of the sanctions was and continues to be the increasing perception of U.S. companies as unreliable suppliers.

In addition, according to U.S. industry, the sanctions continue to have a negative impact on U.S. business in India as U.S. companies are reluctant to pursue business opportunities because of uncertainty over sanctions.

The likely impact of the reimposition of the Glenn Amendment sanctions on the United States, according to the model results, would be an estimated cost, measured in terms of loss of purchasing power, of about $161 million, or less than one-tenth of 1 percent of U.S. GDP in 1995. The decline in overall U.S. employment would be less than two-tenths of 2 percent and would be primarily in the U.S. grain sector. U.S. wages and the return to capital would decline by less than one-tenth of 1 percent.

However, the reimposition of the sanctions prohibiting USDA export credits and guarantees would likely result in an estimated net benefit for the United States, similar to the benefit from removing an export subsidy, of about $27 million; that is, denying export credits to the Indian and Pakistan importers results in savings for the U.S. economy.

The reimposition of these sanctions, however, is likely to adversely affect U.S. wheat exports to Pakistan, primarily because Pakistan is a significant user of USDA export credits. U.S. wheat producers in the Pacific Northwest, Idaho, Oregon, and Washington would be affected most if Pakistan were to shift to alternate suppliers such as Australia and Canada.

According to U.S. Industry, the reimposition of restrictions on company or customer access to project financing or loan guarantees from Eximbank and OPIC most likely will hinder efforts of U.S. companies seeking to do business in India and Pakistan. This in turn might harm U.S. international competitiveness and diminish the perception of U.S. companies as reliable suppliers. Financial services firms in particular reported that their operations would be affected. These sanctions would make it more difficult for U.S. companies to participate in major infrastructure projects.

In the case of India, the Glenn Amendment sanctions appear to have had a minimal overall impact on its economy. This is most likely due to the fact that India's economy is not dependent upon foreign bilateral and multilateral assistance, and thus appeared not to have been adversely affected by the postponement of several World Bank loans.

According to the Government of India, the overall cost of the Glenn Amendment sanctions to the Indian economy was about $1.5 billion in 1998, about .4 percent of India's gross domestic product. India experienced an initial downturn in its financial sector after the U.S. sanctions were imposed. But its economy recovered by late 1998 to post a 5.6 percent growth rate for that year.

The likely impact of reimposition of sanctions would be estimated to a total cost of $320 million, equivalent to less than one-tenth of 1 percent of India's current GDP. The estimated effects on wages and the return to capital in India and Pakistan also would be small, declining by less than one-tenth of 1 percent. The reimposition of sanctions prohibiting USDA export credits and guarantees was estimated to have no cost for India, since India imports relatively little grain from the United States. Grain is the primary commodity affected by USDA export credits and guarantees that is exported to India.

The major alternative suppliers benefiting from reduced U.S. exports to India and Pakistan under the Glenn Amendment sanctions would be the other major trading partners of the sanctioned countries. These include Japan, Europe, the rest of Asia, Australia, New Zealand, and the South Pacific trading partners.

In the case of Pakistan, the Glenn Amendment sanctions most likely have had a small impact on its economy. The United States was a relatively small provider of aid, trade, and investment for Pakistan before the sanctions were activated. Moreover, most U.S. economic assistance to Pakistan was terminated in 1990 by other sanctions. Pakistan did experience an economic downturn immediately after the Glenn Amendment sanctions were triggered, but there may be other factors, for example, the IMF reform package, that may have influenced this downturn. Despite these economic difficulties, Pakistan's economy grew by 5.4 percent in 1998.

The likely impact of the reimposition of sanctions on Pakistan would be estimated to cost about $57 million, less than 1 percent of Pakistan's current GDP. The net welfare loss to Pakistan from the imposition of the sanctions could be as large as $6 million.

The cost to Pakistan of reimposition of sanctions prohibiting USDA export credits and guarantees was estimated to be approximately $20 million, used primarily to purchase wheat from the United States. However, Pakistan would most likely shift to alternative suppliers in Australia and Canada if the Glenn Amendment sanctions prohibiting USDA export credits are reimposed. In the case of humanitarian activities, the effects of the Glenn Amendment sanctions on India and Pakistan also appear to be minimal, as the sanctions did not apply to the provision of humanitarian aid or to the provision of medicines and medical equipment. India does not appear to have been adversely affected by the postponement of several non-humanitarian World Bank loans. Pakistan could, however, be adversely affected if the United States and the other major countries oppose future IMF loans for Pakistan.

Finally, some of the factors influencing the analysis in this report are that India and Pakistan are relatively small trading partners of the United States.

Mr. BEREUTER. Dr. Butcher, excuse me. We have those factors right in front of us here in your statement. I wonder if you could

summarize and tell us what you think the economic effects are in your own words, in summary.

Dr. BUTCHER. The economic effects are, basically, relatively small, as I have indicated, because of some of the factors here, since they are small trading partners of the U.S.A. Also, the short duration of the sanctions did not influence the activity in India and Pakistan. Also, the other factors, for example, in Pakistan, where Japan is a major donor of aid, and also the IMF reform package was already implemented in Pakistan. Also, the east Asian financial crisis affected activities in these countries.

Mr. BEREUTER. Thank you very much.

[The prepared statement of Dr. Butcher appears in the appendix.]

Mr. BEREUTER. We will now proceed under the five minute rule under regular order.

I would begin the questioning by mentioning, Secretary Inderfurth, that there has been some discussion among commentators about what has happened in Pakistan, of the fact that in the 51 years of its independence, Pakistan has now had military rule for 25 or 26 years. As I understand it, there has not been a substantial outcry or demonstrations in the streets against the coup that has taken place.

Perhaps that is because of the popularity or lack thereof of the recent government, and perhaps it is because of the desperate or declining economic conditions that were serious—I will not use the word "desperate"—that existed.

But what are we to make of the fact that Pakistan has chosen a military course, or at least has found itself with military leadership for half of its existence and of how we see at the moment no clear outcry against a coup which has taken the elected government from power?

Mr. INDERFURTH. Mr. Chairman, I think your observations about the reaction to the military takeover are accurate. It is very clear—and we have been seeing this for many weeks as it unfolded, a great deal of concern in Pakistan itself about the direction the country was heading. The economic situation was clearly at the top of that agenda or near the top—and was widespread corruption, a feeling that the relations between the civilian government and other segments of society, the Sharif government, were reaching a certain crisis proportion.

A backdrop to this is the history of civilian-military relations in that country. In half the 52 year history of Pakistan there has been a military government. Prime Minister Sharif, his relations with the military were filled with a great deal of tension. A year ago he had dismissed the chief of the army staff, General Karamat, and had replaced him with General Musharraf. There was tension there which was exacerbated by the Kargil crisis in Kashmir. We believe that Prime Minister Sharif made the right decision after his meeting with President Clinton to see the Line of Control restored in Kashmir and to see that crisis ended, but the way in which that crisis took place and the ill feelings that resulted from that certainly made relations between Prime Minister Sharif and the military more difficult.

That came to a head just two weeks ago when Prime Minister Sharif attempted to dismiss, or—I'm sorry, two weeks ago they expected to have this repaired, and then last week he tried to dismiss General Musharraf and the army reacted.

Mr. BEREUTER. If I could interject, there is a part here of your possible response—there are press reports indicating that the Prime Minister in effect warned of the difficulty he would place himself and his government in if in fact he made the decisions we were supporting, in the case of Kargil; and second, that General Musharraf was in fact the leader of the incursion that took place.

Would you care to factor that into your response?

Mr. INDERFURTH. I will, because that has gotten some attention. There is no question that the Kargil crisis did factor into the unraveling of the situation in Pakistan.

It is our very strong view that the mistake with Kargil was made when a decision was taken by the Pakistani Government, we believe, and approved by Prime Minister Sharif, but also led by General Musharraf as head of the army, to try to back forces going across the Line of Control and seizing certain territory in Indian-held Kashmir. That precipitated what was indeed the most dangerous conflict between the two countries since 1971.

The decision by Prime Minister Sharif to see these forces returned, that decision combined with very effective military action brought that crisis to an end. It could have gotten worse. It could have escalated—either by calculation or miscalculation. Bringing that crisis to an end when you are dealing with two nuclear capable states was very important.

The consequences of Kargil for what was an ongoing crisis within Pakistan, included the government's increasing crackdown on legitimate forms of dissent, the freedom of the press. All of this led to what I think we have seen in the last several days.

Mr. BEREUTER. Thank you. My time has expired.

I would call on the gentleman from New York, Mr. Ackerman, in accordance with Committee procedures. The gentleman is recognized for five minutes.

Mr. ACKERMAN. Thank you, Mr. Chairman.

Mr. Secretary, am I correct in my understanding that the Administration does not intend to use the Pressler and Glenn Amendment waivers to restart an arms supply relationship with Pakistan?

Mr. INDERFURTH. That is correct; we have no plans or intentions.

Mr. ACKERMAN. Thank you very much.

In your summary of your statement just a moment ago, you said that the Administration believed that the Sharif government approved of the Kargil incursion. Does that mean to imply that they approved of it afterwards, or they knew about it before? Were they complicitous in the formulation of that policy, or just went along for the ride afterwards?

Mr. INDERFURTH. The ride got very bumpy. I think they were in on the take-off, if you want to use that metaphor. We believe there was civilian approval for this. This was not, to our knowledge, to our information—and again, we are not inside the Pakistani government; we cannot say with absolute certainty, but the informa-

tion that we have leads us to the conclusion that it was a military-proposed operation and a civilian-approved operation.

Mr. ACKERMAN. I think the interest here is whether or not, during the famous bus trip by the Prime Minister to Lahore, if indeed Mr. Sharif was duplicitous during that meeting and knew about the fact that Kargil was or was about to take place?

Mr. INDERFURTH. We don't have an answer to that. We believe that operation had been on the shelf for some time. Whether or not it had been pulled off the shelf and presented in February, when Prime Minister Sharif and Prime Minister Vajpayee were meeting, we don't know the answer to that. We would hope that was not the case.

Mr. ACKERMAN. Thank you.

Your statement notes that you will use the authority in the defense appropriation bill "effectively and prudently and in consultation with the Congress." certainly that is exactly what we would expect.

Do you have a sense at this point of what would be a prudent and effective use of the waiver authority?

Mr. INDERFURTH. Well, let me say that assuming the DOD bill is signed, we would plan to renew the waivers that are currently in effect for India immediately. We would then assess what further steps should be taken with that authority in light of our renewed engagements with the new Indian government.

No decisions have been taken here. We have a number of issues which we are working on where we want to see progress, and we would hope that authority would contribute to that. I should mention, by the way, that we are currently reviewing the so-called "entities list."

Mr. ACKERMAN. That was going to be my next question. Basically, have you begun the process which calls for the paring down of the list, and how far along are you? Can we expect a shorter list, or no list?

Mr. INDERFURTH. Well, we are in that process of looking carefully at the entities list. I think that we have been engaged in that now for a few weeks. The DOD appropriations bill language does ask for—I think it is a 60 day period to report to Congress, so we will certainly have that within that timeframe and perhaps sooner.

Mr. ACKERMAN. Thank you.

In the light of the fact that General Musharraf was the architect of the Kargil invasion, what are the chances to restart a meaningful dialogue between both India and Pakistan? Should the Indian government trust him, and if so, why?

Mr. INDERFURTH. As I mentioned in my brief opening remark, the Lahore process does not look well these days, even though the bus service continues.

I think, as we are, the Indian government will wait to see what actions General Musharraf takes in the days ahead. We have said, and I said in my statement, that we are going to move forward based on actions, not on words. I think the Indian government will take the same approach.

I think there is concern in New Delhi about the military takeover. They have had experience with military governments in the past. They have approached this so far in a low-key, cautious way.

The new government has not been formed. We have no timetable for a return to democracy.

There is, I think, a great deal to be learned about how General Musharraf intends to proceed before we or the Indian government or I think the international community can make decisions on any of these issues, including a resumption of the Lahore process.

We would hope, however, that process could be resumed, because it has appeared to be the only promising avenue for some reconciliation between the two countries in a very long time.

Mr. ACKERMAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman, for the generous allocation of the time.

Mr. BEREUTER. Thank you, Mr. Ackerman. I wish we had more.

The gentleman from California is recognized under the five minute rule. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you for reminding me, Mr. Chairman. Just a couple of housekeeping matters.

Mr. Inderfurth, does the State Department have its cables and electronic communications computerized?

Mr. INDERFURTH. You may be talking to the wrong person, Congressman. I am not a computer whiz. We can certainly provide you the information on that, on our data system. I am sure it is computerized and I am sure that the search would include that, as well as files and e-mails and cables and everything that you have asked for.

Mr. ROHRABACHER. To your knowledge, does the State Department computer system have the capability to search out subject matter areas?

Mr. INDERFURTH. I don't know how it searches.

Mr. ROHRABACHER. We will leave it at that. Thank you very much. You don't know.

You are personally aware that Chairman Gilman verbally requested at a closed hearing from Secretary Albright in November of last year for the documents that we were talking about?

Mr. INDERFURTH. Congressman, the formal request was made on May 21. I am sorry we cannot——

Mr. ROHRABACHER. Mr. Inderfurth, if you can, answer my question, please. Were you aware of Chairman Gilman's——

Mr. ACKERMAN. I am sorry, Mr. Chairman, there is no reason any of us have to shout at the witnesses.

Mr. ROHRABACHER. When someone is trying to eat up my time, I have five minutes, which the Chairman talked to me about.

Could you please answer the question, were you aware of Chairman Gilman's verbal request for the documents that I had requested earlier in November?

Mr. INDERFURTH. In an open or closed session? Did you say closed session?

Mr. ROHRABACHER. It was a closed session.

Mr. INDERFURTH. I am not aware of it.

Mr. ROHRABACHER. You were not aware of it? How many times did I tell you of Mr. Gilman's request?

Mr. INDERFURTH. I think you said in open session.

Mr. ROHRABACHER. How many times did I remind you of Mr. Gilman's verbal request at that hearing?

Mr. INDERFURTH. Well——

Mr. ROHRABACHER. I can tell you, it was over five times.

Mr. INDERFURTH. We need it in writing, I am sorry.

Mr. ROHRABACHER. It was over five times.

How many times did this Member have to remind you of the verbal commitment of Secretary Albright in that November hearing to provide the documents forthwith?

Mr. INDERFURTH. That commitment was made and it is being pursued now in light of the formal written request. The commitment was a good one.

Mr. ROHRABACHER. Thank you, Mr. Inderfurth.

Mr. Inderfurth, let me just note that in your own statement today you state, "Mr. Chairman, we are prepared to work with the Taliban to rid Afghanistan of terrorist networks," and it goes on, talking about how the Clinton Administration has made that choice of cooperation or isolation, and that choice lies with the Taliban.

Let me note, Mr. Inderfurth, that to me that is reconfirming everything that I have been saying. Plus, Mr. Inderfurth, let me note that this is very similar to saying to Al Capone, "Whether or not you are going to help us rid Chicago of bootleggers is up to you." the Taliban are up to here with terrorism, they are up to here in the opium trade, and for you to make these kinds of statements about cooperating with the Taliban underscores exactly the point that I have been trying to make, does it not?

Mr. INDERFURTH. It does not.

Mr. ROHRABACHER. All right.

Mr. INDERFURTH. The work with the Taliban—in this instance, we have an indictment of Osama Bin Laden. If they would like to turn him over, we will work with them. We will go to their border and take Bin Laden and bring him back to New York and put him on trial. That is what we are referring to. If they need some way to get him out of the country, we are prepared to work with them for that. That is exactly and only what we were referring to.

Mr. ROHRABACHER. Mr. Inderfurth, did your assistant talk to you about a document S–175? It is a State Department cable dated 8/07/98.

Mr. INDERFURTH. No, I don't have the whole list of documents.

Mr. ROHRABACHER. Did your assistant who came to me and went over those documents relate that document to you?

Mr. INDERFURTH. If you are referring to Mr. Morrison, he did report on his discussions with you; but not specific documents and dates, if you want to provide that to me, if it is unclassified, I would be glad to talk about it in this session.

Mr. ROHRABACHER. Is it your position, and you are stating, can I say, under oath today——

Mr. BEREUTER. No.

Mr. ROHRABACHER. I guess we cannot say that, can we? But you are reaffirming that there is nothing in State Department cables that you have read or know about that indicates any past support or present support for the Taliban?

Mr. INDERFURTH. I have seen nothing to that effect.

Mr. ROHRABACHER. That is a great answer. That is an answer. You know, you were a newsman, Mr. Inderfurth. You know what kind of answer that is. That is an answer that is so full of weasel

words it means nothing. Nothing that you have seen? I used to be a newsman, too. I recognize when people sometimes do not want to see things, they don't see it. Is it possible that there are documents in the State Department that you have not seen that indicate this?

Mr. INDERFURTH. We have provided you the full documentation that we have available. As I said, of those documents that I have seen, nothing supports your allegations. Again, I would be pleased, as I have said from the outset, to discuss these with you in open or closed session, in your office, my office, any fashion you would like to do it.

Again, this has been a charge that you have made for some time. In the review that has been done in compliance with Chairman Gilman's formal request, I have seen nothing to support what you have—the charges that you have made. But again, if you have something that perhaps I overlooked in reviewing these, please let me know.

Mr. ROHRABACHER. Thank you very much.

Mr. Chairman, I would just close by saying that I renew my statement that the documents that I have seen do indicate past support for the Taliban. I cannot go into detail; they are secret documents.

Number two, just from Mr. Inderfurth's testimony today and the other investigations that I have carried on, I certainly renew this charge. There is nothing that can be done on the other side of this aisle to try to laugh off this charge. This is a very serious charge. It goes to the heart of our oversight powers.

I appreciate Mr. Ackerman's support for our requests for these documents.

Mr. ACKERMAN. Mr. Chairman, I ask unanimous consent that the gentleman be given one extra minute.

Mr. BEREUTER. Is there objection?

Hearing none.

Mr. ACKERMAN. Will the gentleman yield to me?

Mr. ROHRABACHER. I certainly will.

Mr. ACKERMAN. Mr. Secretary, have you either seen, heard, or known of any document in existence, or even heard any rumors of such documents being in existence, other than from the allegations made by my distinguished colleague from California?

Mr. INDERFURTH. No, I have not.

Mr. ACKERMAN. Did I get around to all the obfuscations?

Mr. ROHRABACHER. Yes. I would thank the gentleman very much for his taking this issue very seriously, and although we come at things from different sides of the aisle, we know this is a very serious responsibility. We have these document requests. I am looking forward to the rest of the documents. I will be very happy to talk to you in private or public about that.

Mr. ACKERMAN. Thank you, Mr. Chairman. I would appreciate the continued cooperation of your Department with the gentleman from California in continuing to provide documents, with the full understanding that sometimes you can't prove a negative, and maybe such documentation does not exist, and if so, perhaps at least with that background, the gentleman at one point will be sat-

isfied that he has seen everything that there is that might be seen. Thank you.

Mr. BEREUTER. Thank you, Mr. Ackerman. I would move on to the next person; but just saying that, I would just say that if the gentleman from California would like the assistance of Chairman Gilman and myself, Mr. Lantos, Mr. Gejdenson, in trying to make sure that we have this discussion. I think it would be salutary because it is getting in the way of good relationships between the Executive Branch and this Committee and this Subcommittee. We need to solve the problem if we can.

I now turn to the gentleman from Florida, Mr. Hastings, under the five minute rule.

Mr. HASTINGS. Thank you, Mr. Chairman. In deference to Mr. Ackerman, he asked that I yield to him briefly.

Mr. ACKERMAN. Thank you. I make that request just to ask unanimous consent that the remarks and questions by the gentleman from Ohio, Mr. Brown, be made a part of the record.

Mr. BEREUTER. Without objection, that will be the order.

[The Question referred to appears in the appendix.]

Mr. BEREUTER. The gentleman reclaims his time and may proceed.

Mr. HASTINGS. Thank you, Mr. Chairman.

Mr. Chairman, my colleague, the gentleman from California, has persisted in his line of inquiry, which he is perfectly entitled to. I would urge, however, in all fairness, that his remarks not be taken at all to suggest that the Administration in any way is condoning actions of the Taliban.

As a matter of fact, Secretary Inderfurth's testimony reflects very accurately a number of circumstances. In July, President Clinton issued an Executive Order blocking the Taliban's property. The Administration has castigated the Taliban on numerous occasions regarding its human rights policies and especially its treatment of women.

The expelling of Bin Laden is something that, through diplomatic efforts, the United States has been able to achieve the kinds of results that the rest of the world have now joined us in expressing their resolve to end terrorism. So it is a bit unfair, although not at all without the purview of the member's prerogatives, but it is a bit unfair to characterize the efforts or testimony of Secretary Inderfurth as not being productive.

I find, among other things, it to be most productive, particularly in light of the prolific statements that he makes, suggesting among other things the strength of this Administration's views with reference to the eradication of terrorism in Afghanistan.

That said, Mr. Chairman, I had not meant to use my time for that purpose, but I could not allow that kind of thing to go poisoning into the record without understanding with clarity this Administration's position as stated by Secretary Inderfurth in the very fine comments that he has offered us here today.

In addition, I would like to ask you, Secretary Inderfurth, two things; and then Dr. Butcher, not to leave you over there without a question.

My question to you, Dr. Butcher, would be if the sanctions affected the economies of India and Pakistan, and did their econo-

mies suffer a drop in productivity because of the sanctions? I gather the question would be to what extent have they found alternative sources, and how successful has the United States industry been in recapturing their previous market share?

If I could, I would go to Secretary Inderfurth first and ask him whether or not the military regime that is in force now in Pakistan might be more supportive of, in your view, or sympathetic toward Islamic fundamentalism.

Second, Secretary Inderfurth, from the year that I arrived in Congress I have advocated that President Clinton should visit India. I know such a visit has been planned and scheduled and rescheduled, and then put off the schedule because of the nuclear testing of India and Pakistan. I would urge that you urge that the President understand that I think, for one, as one member, that he ought to go to India now more than ever, notwithstanding what has happened in the coup in Pakistan, notwithstanding the nuclear testing.

I will leave it at that and ask you a question. Do you know, of your own knowledge, whether President Clinton intends to visit India in the near future? Those are my questions, Mr. Chairman.

Mr. INDERFURTH. Mr. Chairman, the last question first: The President still intends to visit South Asia next year. That is the case. Now, the exact nature of that visit is still under consideration at the White House, but his intention to visit South Asia in the Year 2000, hopefully early in the Year 2000, is still there.

On the question of Islamic fundamentalism, I made reference in my testimony to General Musharraf's speech to the Nation, and through CNN, to the international community on October 17. He said in that speech, and I think it is apropos of your question, he said in his speech that "Islam teaches tolerance, not hatred; universal brotherhood, and not enmity; peace, and not violence."

He also said, "I would like to reassure our minorities that they will enjoy full rights and protections."

Now, it is our view that these are not the words of an extremist. But again, as I said, in earlier remarks, we will be very much watching General Musharraf in terms of his actions, as well as his words. So we hope that direction that he outlined is one that he will pursue in Pakistan.

Mr. HASTINGS. Mr. Chairman, I ask unanimous consent for 30 seconds for Dr. Butcher to respond.

Mr. BEREUTER. She will have that under regular order. Thank you.

Dr. Butcher.

Dr. BUTCHER. Regarding regaining market share, that will depend on the funding from the Export-Import Bank and OPIC. For example, Boeing lost contracts with India and Pakistan on aircraft, but once the waiver was in effect, they regained market share—they were able to get the funding to sell aircraft and parts to India.

Similarly, with export credits from USDA, wheat exports rely on that as well. If those are reimposed, the alternative suppliers for Pakistan are Canada and Australia, offering competitive terms. So again in case of Pakistan's wheat imports, 78 percent of its imports come from the U.S. in 1997–1998, the rest comes from Australia. If they are unable to get export credits, they would most likely go

to Australia or Canada. It is basically a function of funding available to our U.S. exporters to sell to Pakistan and India.

Mr. HASTINGS. Thank you both.

Mr. BEREUTER. Congressman Hastings, I appreciate you pursuing that matter.

Dr. Cooksey, you are recognized.

Mr. COOKSEY. Thank you, Mr. Chairman. We do appreciate the witnesses being here today and giving their testimony. It is good to hear it.

I want to ask a question, and I would hope that you can—and I know the answer, but I feel that it needs to be stated in the record.

The appropriations bill for the Department of Defense is in the process of being considered by Clinton, and you are familiar with the Glenn Amendment that you referred to, Dr. Butcher. There is new waiver authority in that Department of Defense bill that would waive these sanctions against Pakistan and India.

Now, am I not correct in that if Clinton chooses to veto this Department of Defense conference or the bill, that then the waiver expires tomorrow, according to the Glenn Amendment as outlined in your testimony—and tomorrow is October 21, 1999—so then the sanctions will be reimposed on India and Pakistan; and would this Democrat President move us back to an isolationist position with some of these sanctions? Is he aware of that? Is he willing to move back to sanctions?

Mr. INDERFURTH. Congressman, I——

Mr. COOKSEY. Is the State Department aware of that?

Mr. INDERFURTH. Of course we are, and I actually have a response for you on this. But I don't think that the issues at stake with respect to the DOD appropriations bill are riding on this issue of the waiver authority for India and Pakistan. I think there are larger issues involved there.

Mr. COOKSEY. In terms of vetoing?

Mr. INDERFURTH. In terms of vetoing. I think that he and the Administration is well aware that embedded within the DOD appropriations bill is the waiver authority for India and Pakistan, which we greatly appreciate because it is comprehensive and permanent, and we have worked very hard with Members of Congress, and we greatly support or appreciate the support that we have had there.

But I don't think that a veto of a DOD appropriations bill would relate to moving us back to an isolationist point of view or anything, quite frankly, related to his view on India and Pakistan. It would simply be a part of the legislative process.

Now——

Mr. COOKSEY. But there would be a reimposition of the sanctions?

Mr. INDERFURTH. There would be; but let me go through that just very briefly. It is timely because today is October 20 and tomorrow this may or may not take place. We are well aware that we have until the 21st.

Clearly, we would like to see this authority approved and signed into law. We are looking, however, if that does not take place by tomorrow, for ways to find a bridge between tomorrow's expiration

and the issuance of a new waiver under the authorities contained in the DOD bill.

Our lawyers are working to see if it is feasible to interpret the one year Brownback authority that is currently law as allowing the President to extend the waiver for an interim period. Now—and this is in consultation, obviously, with Congress——

Mr. COOKSEY. Please be brief. I am running out of time.

Mr. INDERFURTH. I am sorry. If we are unable to create such a bridge, the waiver will lapse and the restrictions would be reimposed, but that would be done for reasons associated with the legislative process, not a policy decision or determination.

Moreover, we judge that there would be minimum impact if this does occur, if this interim period lasts only for a short period of time, which we would expect. Sorry. It is not a surgical answer but it is the best I can do.

Mr. ACKERMAN. It is not surgical, but he hopes it is a suture.

Mr. COOKSEY. And it would be a patch, a steri-strip, maybe.

This is my closing comment. I personally am really offended by people like Bin Laden. I used to spend a lot of time in Kenya, Dr. Butcher, and I assume you are from Kenya, since your undergraduate degree is there. I was working up north of Nairobi in the Meru area, about 30 miles there, off and on for 6 years.

A lot of the people that were injured and blinded in the bombing because they had two bombs. There was one bomb that caused everybody to go look to see what the noise was, and there was a second bomb which blew out the windows. There were a lot of people that had glass in their eyes. I know some of the surgeons that took care of them there.

Guys like Bin Laden are bad guys. Guys like Bin Laden and the Taliban are terrorists and they are responsible for killing Americans and killing Pakistanis and Afghans and everybody else. Those people need to be taken out.

Unfortunately, they hide behind a religion, and I don't think that religion is what they claim it is. I think there are some real fine Muslims that do adhere to the teachings of Mohammed. But the one thing that those people do understand is that they understand focus, they understand firmness, and they understand force.

When those people continue to produce opium and they continue to shelter terrorists and they continue to cause bedlam around the world, I think we have one alternative: I think we need to play hardball with them. They understand force and firmness. They understand putting a bomb on top of their head. But it needs to be done in a very effective manner. It needs to be done so that people in Kenya and people around the world can go to their embassy, go to their work, go to their homes and survive.

I am concerned that the top person in the Executive Branch tends not to be focused, tends not to be firm. He was passive when I was in the military 30 years ago, but that is another issue. It just sends the wrong message to these people. They think they can get by with murder, and they have done it.

Unless you can get everybody on board and present this message, this image, this message that there are some tough Americans that would be tough on bad guys, I think we would continue to suffer

because of this lack of firmness and focus and leadership at the top of the Executive Branch.

There are some good people in the State Department, there are some very professional people that I think are indeed very firm and very professional.

Mr. BEREUTER. Thank you, Mr. Cooksey.

We turn now to the Vice Chairman, Mr. Royce, for his questions under the five minute rule.

Mr. ROYCE. Thank you, Mr. Chairman.

We have talked at length about this issue of Afghanistan. I just want to raise the point again that if there had been no Taliban, there would not be a Bin Laden, in my view. There would not have been these opportunities. There would not be this safe harbor.

I guess the frustration that some of my colleagues are expressing here today is the feeling that perhaps there has been a laissez-faire attitude, you might say, in terms of how we approach the problem of Afghanistan. Maybe it is because it seemed insoluble. But the point is that I think for my colleague from California, he feels a little like a Cassandra who has warned again and again of what is coming, and now sees exactly what he warned about coming before us here. Yet there still is not the focus nor the understanding.

For those who have gone to Afghanistan and seen the orphans, seen the devastation, and seen the commitment for violence that is coming out of that cauldron, as my colleague the gentleman from California has done, there is this feeling that no one really understands just what is in store for that region and for the world.

So perhaps at times we get a little frustrated. I have had many meetings with the Administration where I tried to encourage broadcasts, a Radio Free Afghanistan concept, where people could get the information, so that the inevitable would not happen, so the Taliban would not overtake Afghanistan. Well, we did not do that.

There have been international summits where leaders around the world have tried to get together the various combatants in a way in which maybe they could contain the Taliban, but we have let nature take its course, you might say, in the view of many. So here we are today with exactly what some of us feared facing us.

I guess I would just say that there is still the opportunity for concepts like Radio Free Afghanistan. There is still the opportunity to try to figure out a scenario in which we reverse what has happened there. But if we just kick the can down the road and wait for it to be someone else's problem, we may find it one of the great challenges of our time, ultimately.

I wanted to ask you a question about General Musharraf and about the commitments he is making.

One would be, will he make a commitment to not now condone or indirectly support cross-border terrorism across the Line of Control of the type that was previously authorized in the Kargil mission? It is clear that given our past experience with his judgment, that I think we now need to hear that he will follow the previous government's policy to at least try to discourage international terrorism.

I would just like to understand if he has given some assurances along that line.

Mr. INDERFURTH. Congressman, on your point about Afghanistan, I am in total agreement with the fact that our inattention or inability to address Afghanistan since the end of the Soviet occupation and the warfare that has continued since then is having increasingly serious consequences for the international community and for us.

Whether it be in the harboring of terrorists, whether it be in the fact that Afghanistan is now the leading producer in the world of illicit opium, whether it be in human rights abuses and the treatment of women and girls, the spillover effects of Afghanistan are ones that we have been calling attention to, but we have been able to do very little about for a very long time.

What Congressman Rohrabacher has been saying on that subject, pay attention to Afghanistan, we are totally in agreement. We just think he is barking up the wrong tree, thinking that we had a policy of covert support for the Taliban. What we did have initially was a lack of understanding about what this Taliban movement was. It came virtually, literally out of nowhere, and given the fighting, the chaos in Afghanistan, the question arose: Might this be, you know, an answer for stability?

As soon as it was apparent that the Taliban was not that answer, our statements and policy responded accordingly, and it has ratcheted up to the point to where we are now putting sanctions and taking the steps I mentioned here.

Again, we need to do something about this, and if we don't, we will pay an even heavier price in the days ahead.

On the question of General Musharraf, in his speech and indeed in a meeting that he had with Ambassador Milam who returned to Islamabad immediately after the takeover and met with him at President Clinton's direction, certain assurances were provided, including in his speech on a return to democracy and the rest, but no timetable; dialogue with India but not specifics. He did announce a unilateral military de-escalation, of pulling Pakistani forces back from their international border, not the Line of Control but their international border.

We will be pursuing in the days ahead firmer commitments from General Musharraf on that issue, including cross-border terrorism. The Indians have said they cannot resume the Lahore process until cross-border terrorism ceases. We believe steps like that should and must be taken, and we will press very hard for that.

Mr. ROYCE. In closing, I would just suggest that King Zahir Shah has put forward a plan that is pretty well received by rank and file Afghans to move toward a general assembly, and a way in which to do that—and I just in closing would like to again encourage you to do all you can do to attempt to raise that plan, because I think with the rank and file and even with many of the Mujahedeen, it has promise, if we could just get the international community behind it and try to move the concept.

Mr. INDERFURTH. We are aware of the former king's plan, and we stay in touch with him and his people in Rome.

Mr. ROYCE. Thank you again.

Mr. BEREUTER. Thank you, Mr. Royce.

Mr. Secretary, I thought your exchange you had here with Mr. Royce earlier on the Taliban and the Administration was very im-

portant. I am going to try to make sure that the Full Committee has that available to them. I want to thank both of the witnesses for your patience.

Dr. Butcher, we haven't asked many questions for you, but the information you provided has been helpful to us, and I very much appreciate it as we all do.

Mr. Secretary, I confess to some frustration, not with you but with the fact that we scratched the surface only of a few geographic sectors, and there are times when hearings are good methods of conducting oversight. They ought to be supplemented, it seems to me, with informal briefings. If you would participate with that in a Members' briefing, we will start that process periodically from next year.

Mr. INDERFURTH. I would be more than pleased to do that.

Mr. BEREUTER. Thank you.

Mr. BEREUTER. I would like now to call the second panel. We have two distinguished witnesses, and we will hear from them in order. First, Ambassador Teresita Schaffer, Director of South Asia Center for Strategic and International Studies, CSIS; and Mr. Selig S. Harrison, Senior Scholar, Woodrow Wilson Institute Fellow, the Century Foundation.

I have provided more detailed biographical material on these two people at the beginning of the hearing. I want to thank both of them for their patience and for being with us today. As with the first panel, your entire statements will be made a part of the record, and you may proceed as you wish. Ambassador Schaffer, please proceed. Thank you very much.

STATEMENTS OF THE HONORABLE TERESITA SCHAFFER, DIRECTOR FOR SOUTH ASIA, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS)

Ms. SCHAFFER. Thank you, Mr. Chairman. I am delighted to have this opportunity to testify before your Subcommittee. In years past when I was in the State Department and testified before your predecessor, I always wondered what happened when the government witnesses finished, breathed their sighs of relief and sped out the door, and I finally have a chance to find out.

Mr. BEREUTER. Well, generally it is not quite so late in the day. I apologize for that fact.

Ms. SCHAFFER. I would like to make some brief observations on the dramatic developments in Pakistan over the past week and then to share my recommendations about U.S. policy priorities for the region.

First, Pakistan and a disappointing end to a disappointing government. Pakistan has lived under a stressed and seriously flawed democracy for the past 11 years. Each of the four changes of government since 1988 involve serious charges of corruption and abuse of power. Assistant Secretary Inderfurth touched on the country systemic problems: corroded national institutions, pervasive corruption, sectarian strife and urban violence, and a crisis in the government's finances. He might also have mentioned that long-term social problems like high population growth and widespread illiteracy have gone untended, victims of bad priorities and of the government's cash crunch.

The one that worries me most is the disaffection in Pakistan's smaller provinces at what they consider to be domination by the larger Punjab. As much as a year ago, many Pakistanis were ruefully concluding that the democratic government couldn't deliver the goods, or at least this democratic government couldn't deliver the goods. This explains why the Pakistanis in the main greeted last week's coup with relief rather than outrage, and that in many ways is the saddest commentary on last week's events.

Pakistan's prior experience with army regimes suggests that beyond a brief honeymoon period, they have a bad effect on both the army and the country. We are right to call for a restoration of democratic government in Pakistan. In the final analysis, that is the only way that a government can acquire the legitimacy the country craves.

Furthermore, all the problems that we have been talking about need to have their solutions enshrined in representative institutions. In particular, the dangerously frayed relations among the provinces cannot be put right without a genuine political process, real elections and an accountable Parliament in which people of all four provinces find their voice.

But if democracy is an absolutely vital goal, I would argue it is not the only one. Ultimately, Pakistan needs not just an elected government—we have had four examples of how they didn't succeed—they need one that can deliver the goods.

How should the United States respond to this situation? I believe that our basic principle should be to judge the regime in Pakistan by its actions. The burden of proof is now on General Musharraf to show that he is actually fulfilling the agenda he has sketched out.

We should watch in particular two areas. First, re-establishing decent and accountable governance, as he promised in his speech last Sunday; and this is something which an appointed government in fact can do or can make a big beginning toward doing.

The second thing we should watch is management of relations with India. The Army high command, as Mr. Inderfurth told you, did initiate the dangerous Kargil adventure, and therefore, they bear a large measure of responsibilities for the current downward spiral in relations. They are also in a unique position to reverse it if they choose to do so.

The announcement of the thin-out of forces along the international border is a useful olive branch. Stopping infiltration across the Line of Control in Kashmir would be a good next step, and in this respect, Mr. Inderfurth talked about getting a commitment to that effect. I am not particularly interested in the commitment. I am interested in seeing what happens. Commitments are cheap. It is the action that is important.

If the current leadership meets these high standards and if it then moves swiftly back to the barracks, America's democratic values and its strategic interest could both come out ahead. History does not leave one very optimistic, but we should watch what actually happens. For the duration of this military government, current law rules out most aid and military sales and a high-profile political embrace would seem to be quite out of place. That is a fitting response to the overthrow of an elected government. But I agree

with Mr. Inderfurth that we need to remain in close touch, including a serious military-to-military policy dialogue.

If the new government is able to meet IMF conditions, as their predecessors did not, I also see no reason for us to prevent international institutions from funding financial stabilization and related programs.

I would also like to leave you five brief thoughts about American policy in the rest of the region. First, the U.S. should encourage India and Pakistan to find a real settlement to their differences, but recognize that the work of settling has to be done by those countries. I oppose naming a special envoy on Kashmir. The Administration is right to conclude that a third-party role can only be effective if both countries accept it.

While it is up to India and Pakistan to work out the terms of the settlement, both need to come to terms with some unpleasant realities. For Pakistan, this means recognizing that they are not going to get Kashmir and that they may need to build a political consensus around a solution that doesn't significantly change today's map. For India, the difficult reality is that they really have to allow self-rule for the valley of Kashmir, a much larger measure of autonomy and hands-off for what passes for a political process there which has been badly distorted for the last 50 years. Otherwise they face the nasty cycle of insurgency and repression.

My second point is that the U.S. should reexamine its nonproliferation priorities. I fully support the goal of CTBT signature by India and Pakistan, and indeed, I hope that the Senate will in time reconsider its action rejecting U.S. ratification of the CTBT.

But to me, there are two issues that are more important to the nuclear safety of the world. The first is avoiding nuclear conflict, and the second is preventing export of nuclear materials or know-how from India and Pakistan.

To me, the Kargil episode demonstrated two things: one, that India and Pakistan really don't want a nuclear confrontation; and two, that it would be easy to slip into one by accident. This makes a compelling case for increasing the margin of safety through risk reduction measures between those two.

As for exports, both India and Pakistan have declared that they will not export the products from their programs, and as far as anyone knows, they have not done so. Strengthening this resolve, formalizing it and sharing information on its implementation are critical to ensuring that unintended leakage doesn't occur. These are the things that are important if you are worried about the nuclear "wannabes."

Third point, I think we should delink India and Pakistan policy wherever possible. Clearly, the military regime in Pakistan will inhibit major U.S. policy initiatives there. There is no need to subject relations with India to the same inhibitions. Waiving sanctions on India makes sense even if Pakistan is now going to be under new sanctions.

Developments in Pakistan should not lead the President to cancel his plans to visit South Asia. A visit to India and Bangladesh could still serve the U.S.'s interests.

Fourth point, in much of the region the greatest potential lies in economics. This is especially true in India where the economic re-

forms launched in 1991 are beginning to bear fruit. The existing level of economic reform has been accepted across the political spectrum, and I think we can expect more action now that there is a government in place with a somewhat longer time perspective. One can also point to similar trends in Bangladesh and in Sri Lanka.

We should nurture the economic relationships both by encouraging trade and investment and by continuing our aid programs. The one in Sri Lanka in particular has taken a beating during the last few years of cuts in the aid budget.

My final suggestion is don't lash the rest of the region to India and Pakistan. Both the Administration and Congress rightly devote most of their South Asia energy to India and Pakistan. However, I would urge both this Committee and the Administration to reserve a little air time for the rest of the region. Their political and economic health is not determined by India's and Pakistan's troubles. They offer smaller but still attractive markets for American business. It doesn't take a huge effort and it doesn't take a huge amount of time to tender relations with these countries, and this can contribute to healthier regional relationships which in turn can even provide a better context for India and Pakistan to manage their problems.

In closing, I would like to reinforce the plea I know you have received from Mr. Inderfurth and others for more generous funding of the nation's diplomatic business. Taken all together, the U.S. Government's international affairs budget is less than 1 percent of the total budget, but look at what you get for that 1 percent. I look on it as a vaccination against the international scourges of chaos and war. When diplomacy is working properly, you don't see it in action and everyone wonders what the fuss is about; but when it breaks down or when America's diplomats do not have the tools to do the job properly, the world and the U.S. taxpayer pay the price.

In South Asia, we are coasting on the accumulated political capital of half a century of patient work, but funding has been drastically cut for the tools that helped build relationships in the past: economic aid, public diplomacy, international visitor grants, military education and training, and, indeed, diplomatic establishments. The size of the diplomatic establishments has shrunk, and they don't have the state-of-the-art communications they need to mitigate that loss. I think that a properly staffed and equipped diplomatic presence in the region is an inexpensive way to ensure that we are providing the attention it needs.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Teresita Schaffer appears in the appendix.]

Mr. BEREUTER. Ambassador Schaffer, thank you for your excellent statement. I think it is straight forward. It actually, I think, helps to not be part of the Administration to make such a statement. They certainly do not have state-of-the-art communications, you are absolutely right about that. They know it, too. It is a matter of finding the funds.

Mr. BEREUTER. Mr. Harrison, we look forward to hearing your testimony. You may proceed as you wish.

STATEMENT OF SELIG S. HARRISON, SENIOR SCHOLAR, WOODROW WILSON INSTITUTE AND FELLOW, THE CENTURY FOUNDATION

Mr. HARRISON. Thank you very much, Mr. Chairman. I will be brief. It is late.

I think that it is clear that the advent of General Musharraf's government in Pakistan has exacerbated the tensions between Pakistan and India. Therefore, the point that I would like to stress today is that all grants and sales of military spare parts, components and weapons systems to Pakistan should remain suspended indefinitely.

Now, Secretary Inderfurth reassured us, he said there are no plans or intentions to resume such grants and sales, but I can foresee the bargaining that is going to go on and discussions that will go on between the United States and the new government in Pakistan. There is a great danger of slippage on this issue because General Musharraf, who is trying to project an image of moderation in an effort to grease the way for both economic and military aid, is going to talk about deals—with moves toward what Secretary Inderfurth called "civilian, constitutional, and democratic" government to be made in exchange for modifications of restrictions on particularly the sale of military spare parts. And I think we should be very alert to the need to avoid that.

General Musharraf and his deputy, Lieutenant General Mohammed Aziz were personally responsible for initiating the Kargil invasion last May that led to a serious military conflict between India and Pakistan. Now, it is welcome that he has unilaterally withdrawn some Pakistani forces from the India-Pakistan international boundary, but as has been noted before today, that does not extend to Kashmir, which is what would really count.

Indeed, General Musharraf has made clear that Pakistan will continue to sponsor and support insurgent activity in the Indian-administered areas of Kashmir. This policy poses a continued threat to peace and stability in South Asia, and the United States should in no way condone or support it.

I think the United States should seek to promote a settlement of the Kashmir issue. I agree with Secretary Schaffer that the way not to do it is to become directly involved in attempting to mediate, but what the United States can do to promote a settlement of the issue is to declare its support for the Line of Control as the permanent international boundary.

In the absence of such a clear American position, Pakistan will feel emboldened to continue its present policy of seeking to bleed India in Kashmir through support of insurgent activity. A settlement based on the Line of Control, at present the *de facto* boundary, of course, as the de jure boundary, should be accompanied by American efforts first to induce both Indian and Pakistan to increase substantially the degree of autonomy accorded to the areas of Kashmir under their control, and second, to move toward the reduction of military deployments in both Indian and Pakistani areas of Kashmir when cross-border insurgent activity by Pakistan has ceased.

Now, turning to the issue of economic aid policy toward both India and Pakistan. Whether and when to resume U.S.-supported

multilateral economic assistance to Pakistan should be decided on the basis of economic criteria alone, and in that I agree with what Secretary Schaffer has just said. The IMF has withheld disbursement of the latest pending installment of its bailout package because the previous government failed to meet key economic performance criteria, especially with respect to tax collections. If the new government is able to meet IMF performance criteria and move credibly toward economic stability, aid disbursements should be resumed. The people of Pakistan should not be the victims of political events beyond their control, and this principle should also be applied to India where we have imposed sanctions. At the present time, World Bank loans for power and roads which directly affect the lives of people in the rural areas are prohibited by our policy.

I do hope that President Clinton will go to India and Bangladesh early next year as is being discussed. I doubt very much that the political conditions in Pakistan will permit him to go there. If he does go to South Asia I hope at that time he is able to announce an end to the sanctions that have been imposed over the nuclear issue.

Now, for some general comments. We should be clear about what American interests are in South Asia. Our most important interest is to have friendly relations with India, which is eight times bigger than Pakistan and is emerging as a major military and economic power. India will have a big navy that will affect our access to the Indian Ocean and to the South China Sea. India is going to be a nuclear power. The balance of power in Asia will be based on both a nuclear India and a nuclear China. Technologically, India could make an ICBM in not too many years. So, it is clearly in the American interest to be on friendly terms, just as it is with China. We lost sight of that, as one of the Members pointed out, during the cold war, and we gave Pakistan $4 billion in military hardware and tilted toward Pakistan on Kashmir.

Now we have a chance to get our policy right, and that requires lifting economic sanctions on both India and Pakistan while keeping the lid tight on military transfers.

I regret that Brownback 2 lumped economic and military aid together, because there is a basic difference in how we should be handling these two types of relationships.

In conclusion, the contrast really is very striking between a stable democratic India that has just completed another impressive election and is doing well economically, and an unstable Pakistan with a military dictatorship once again. We should be clear that it is at this point a dictatorship, especially when we look at the fact that the courts are not allowed to operate in any way. There is a totally arbitrary government at the present time, and so we shouldn't—I was very distressed that Ambassador Milam started talking about how moderate General Musharraf is. This is a situation that is very, very capable of leading to all kinds of arbitrary repression of human rights within a very short period of time.

American interests and American values both dictate that we improve our relations with India while continuing to cooperate with Pakistan in economic development if it is able to get its act together.

I think I will conclude at that point.

[The prepared statement of Mr. Harrison appears in the appendix.]

Mr. BEREUTER. Thank you very much, both of you. I would like to now proceed under the five minute rule, and Mr. Hastings and I will have a chance hopefully to followup on a couple of questions.

Both of you have indicated, I believe, that if economic criteria are met, then multilateral aid should continue through the IFI, including the IMF, World Bank, and Asian Development Bank.

Ambassador, why is it important, and also Mr. Harrison, to distinguish that a new Brownback provision combined lifting military sanctions with economic sanctions? I think it implies that you are supporting economic sanctions being lifted as well. Is that correct?

Mr. HARRISON. Not as well. Economic sanctions but not military sanctions.

Mr. BEREUTER. I mean as well as Ambassador Schaffer.

Mr. HARRISON. Yes.

Mr. BEREUTER. Why?

Ms. SCHAFFER. Why should economic aid continue from the multilateral institutions?

Mr. BEREUTER. Yes.

Ms. SCHAFFER. Pakistan is close to economic meltdown, at least in those parts of the economies that touch the government. The crops get better or worse with the weather, but the rest of the economy is in very serious trouble. Industrial production is down. Investment is in the tank. The balance of the payments is in desperate shape if the debt rescheduling runs out, which it will without an IMF program, and where government revenues have fallen very seriously short of goals because agriculture is untaxed, and most of the wealthy managed to evade taxes.

The IMF program is intended to address this problem. It is in no one's interests that the problem gets worse, but it is also very important that the IMF's conditions be met, and that is what Nawaz Sharif's government was never able to do. They had trouble with each negotiation. They hadn't concluded the negotiations for the most recent tranche, and the reason they hadn't concluded it was the IMF didn't believe they were going to do it.

Mr. BEREUTER. I follow business affairs there involving some business in my own state involved in a major way in Pakistan. One of the difficulties that continues is the corruption in the government and the impact that had on Americans' attitude about investment, about construction, and about joint development projects has become very negative. Is there anything you can say and suggest to do about that?

Ms. SCHAFFER. Yeah, I would like to say two things about that. First of all, General Musharraf has, not surprisingly, targeted corruption on his short list of things to do. This has been very difficult in other countries because anticorruption drives so very easily turn into witch hunts. I think it is desperately important that they do try to weed out corruption, but in order to do that, I am afraid they are going to catch some of their own people. Human nature alone would dictate that there is at least one general who has strayed from the straight and narrow, and if they do that, they will have credibility. Otherwise they won't.

My second point has to do with the question of military sales. I would argue that military sales should not take place. I differ with my colleague in that I don't think this needs to be enshrined in law. I think it can be done by policy, and that makes it easier to modify the policy when conditions dictate, which they aren't going to under a military government.

Mr. BEREUTER. Well, if the President would sign the DOD bill, he would have that flexibility.

Ms. SCHAFFER. I am not in government anymore, so I don't have to deal with that.

Mr. BEREUTER. Mr. Harrison, you pointed out that Pakistan is one-eighth the size, some would say one-seventh the size of India, but, of course, it is a very large country in population already, despite the comparison with its neighbor. It will be in the seven or eight largest countries in the world in population in 2010, I am sure, if not already.

Pakistan has—as I mentioned when the Secretary was here taking questions—had now military rule for almost half of their existence, and we have American commentators questioning whether democracy is really going to work there and is really going to be supported by the people. What are your reactions to the record in Pakistan and what we should expect in the way of an end to military rule?

Mr. HARRISON. Neither the civilian nor the military governments in Pakistan have been very successful. Pakistan started out without a mobilization of its people on a democratic basis in the period before it was created. India had a freedom movement in which all sections of the population were involved, so it had a base for democracy. Pakistan has been run by the upper crust in the country ever since it was independent, and so therefore I don't think prospects for democracy are as hopeful in Pakistan as they are in India. But I do think that military rule is no answer. We have seen that in all the military dictatorships Pakistan has had. They have proved to encourage big-time corruption, big-time drug running, to an even greater extent I would argue, than the civilian authority. Absolute power does corrupt absolutely.

I think that we shouldn't expect Pakistani democracy to move in rapid sequence toward anything we would like, but I think arbitrary rule of the kind that is now being exercised in Islamabad is going to lead to all kinds of polarization of forces in Pakistan that will make it less stable than ever. This we could go into in great length.

On your previous question I would like to say that in distinguishing between military and economic sanctions, I had in mind the fact that I would like to see the United States able to have bilateral aid to both India and Pakistan that would help deal with their economic and social problems, and I want to see multilateral aid to India resumed. I think that the sanctions we imposed after the nuclear tests really made no sense because it was clear they weren't going to be effective, and so that was simply a misassessment of the situation and what the consequences would be.

The consequences were naturally to force both governments to show that they weren't going to bow to this kind of foreign pres-

sure. They haven't been effective. They are not going to be effective. All they are doing is preventing the World Bank from making power loans, road construction loans and other loans that are very important to the economic development and the stability of India. And there are comparable cases in Pakistan of economic aid that if the economic standards and criteria are met could be profitably extended.

The time for punishment for the nuclear test is over, and it has been proven to be ineffective. It isn't even just. The United States has 10,000 nuclear weapons. The United States isn't doing anything at the global nuclear arms control level to bring China into a whole global process of nuclear arms reduction that would make it less necessary for India to have nuclear weapons. So it doesn't make sense at any level, and I hope that we are reaching an understanding of that and that the Congress will cooperate with the Administration in moving on to a new phase in which we put that behind us, get back to positive economic relations with both India and Pakistan.

Pakistan is a big country. That is why I favor an approach toward economic assistance which is separate from our desire to punish the generals who have just taken over.

Mr. BEREUTER. Mr. Harrison, thank you very much. I need to move on to my colleague, but I want to say I agree with the gentleman on the imposition of sanctions after the nuclear tests, and I do think—and that is a very common view that you and I share on Capitol Hill—the Administration made a mistake in not recognizing the fact that while those sanctions may have worked to delay nuclear development. Ultimately, however, once both sides had tested, the sanctions were no longer productive.

I yield to the gentleman from Florida at this time.

Mr. HASTINGS. I thank the Chairman, and I certainly thank both the witnesses for extraordinarily, refreshingly clear testimony, and I echo the Chairman's sentiments. I think he will agree that I was one of those that thinks that the Administration made a mistake with reference to the sanctions. What he said I reiterate, but we are now, though, in need of your expertise more than ever. We are.

It seems to me that when coups take place, that the emphasis is on the person that leads the coup, and all of the media attention—and Mr. Harrison, you were in the media—focusing on this individual and his or her actions; and there have been more hises than hers out there in the world.

Who else in Pakistan, for example, not clandestinely or with any lack of visibility, who else can we talk to? It seems that Benazir Bhutto would be the only person that might have some kind of a national following. Are there others?

Ms. SCHAFFER. Is that your question, sir?

Mr. HASTINGS. Yes.

Ms. SCHAFFER. I think Benazir Bhutto, it is going to be a long time before she has a chance to revive her political career. She is out of the country and under indictment for serious and reasonably credible corruption charges.

Mr. HASTINGS. That I understand. But you do agree that she has a national following?

Ms. SCHAFFER. Her party has a national following which she embodies. The Muslim League, Nawaz Sharif's party, is a serious party, although they have got their factions and their internal disputes. Other actors on the political scene tend not to have a national following. There are quite a number of other parties. Indeed, there was a parade of Pakistani opposition politicians who came through Washington in the last couple of months, none of whose parties have done very well at the polls.

One force to watch is the Islamic party called Jamaat-i-Islami. They have not done very well in elections, but they have been talked about in more recent months as among the moderate elements of the Islamic right. And what was particularly interesting was that they started talking more about clean government than about Islamic government.

But I think the reason people focus on the personality of the coup leaders, is that the coups tend to install single-person governments, a dictatorship. I think he would aspire to a term more like "enlightened despotism," but you still basically have the same punch line.

I do know from people I have spoken to that they are approaching people I look on as serious players for some of the civilian leadership jobs. We will see whom they are able to recruit. We know at this point very little about who will be the personalities who run this government below the level of General Musharraf. He has only been in charge for eight days. So we know very little about how light or heavy-handed his rule is going to be, and I think most of those are still questions at this point.

Mr. HASTINGS. I see. Mr. Harrison.

Mr. HARRISON. I would just say that I think what we should be focusing on is supporting a return to political processes. I am not going to nominate the next leaders of Pakistan. I think that has to happen internally through divisions that may occur within both the PPP and the Muslim League. There are also smaller parties on the moderate left that in the past the United States wouldn't think of touching, which we should consider part of that political process. And I think that the regional political elements in Pakistan who don't have a national platform do represent something at the local level, represent some of the democratic impulses in Pakistan that have to be given play.

You know, it is a cliche to say that there is no shortcut to democracy. I think we simply have to press for not just what the Assistant Secretary referred to as a decent and accountable government, but a government that really allows democratic processes to occur and involves a free press and involves a free judiciary—of course, none of which is the case at the moment in Pakistan.

This talk about a "true" democracy makes me very nervous because I have been talking to Pakistani leaders since the early 1950's, including all the military leaders who have taken over political power, and the military has always wanted what is now being put in place: a government with a National Security Council that would be over and above the civilian ministers, who would not have a democratic base from which they emerge, but rather would be creatures of the military government.

General Zia outlined his plan for a National Security Council to me in 1985 or 1986. General Karamat was dismissed by Nawaz

Sharif because he advocated that same thing. This is an old struggle in Pakistan. It is a struggle between civilian and military authority and the United States should, in the final analysis be on the side of civilian authority. Nawaz Sharif's failure to give effective economic leadership is very tragic because he was very brave in standing up to the military and in trying to preserve civilian authority. People have said that he wasn't a democrat, he did this and he did that and so forth. The fact is he didn't allow the military to press its campaign for a National Security Council. He did stand for peace with India, and he took risks politically to do that.

So it is very tragic that he was a failure on other fronts and that he exposed himself to this action; and of course we don't yet know what happened with that airplane, which is a fascinating episode and also casts doubt on whether there is any way for him to return to power.

But anyway, the answer to your question is we can't pick the democrats of Pakistan, but we can insist, we can use whatever influence we have to work for the return of a democratic process in Pakistan.

Mr. HASTINGS. Mr. Chairman, are we going to have a second round?

Mr. BEREUTER. I have more questions. Why don't you proceed with another five minutes.

Mr. HASTINGS. I will try to do it in less. I am interested—thank you, Mr. Chairman—that, Ambassador Schaffer, your statement reflects that there should be no "high-profile embrace". Now, Mr. Harrison said that you hope that President Clinton goes to Bangladesh and India.

My question, I have advocated, I think there were missed opportunities in India and Pakistan by virtue of this Administration early on not having visited there with high-profile summitry and everything else in the region, and I suggested that. I have documented it repeatedly. That is irrelevant at this point.

If the President were to go to only India and Bangladesh, would that not exacerbate problems in the general area, and would it not lead some, no doubt, to advise him that he shouldn't go at all for fear of exacerbating problems? The tradition has seemingly been that you go to India, you go to Pakistan, you go to Pakistan you go to India, like you go to Israel, you go to Jordan. You understand what I am saying? And so where are we on that?

I advocate, contrary to you, Ambassador, that he should still go, and doubtless along the lines of what Mr. Harrison is saying, at least to Bangladesh and India.

Ms. SCHAFFER. I would argue that a trip to Bangladesh and India is very much appropriate. Given the rarity of U.S. Presidential visits in the region, I really can't recommend a visit to Pakistan under current circumstances. The last time a U.S. President visited South Asia, it was Jimmy Carter, and he only went to India. Certainly this idea that if you go to one you have to go to the other is of relatively recent vintage, and that is something I think we ought to be getting away from.

Now, there have been legions of high-level, mostly military visitors, under the democratic government to Pakistan, who went to Pakistan and didn't necessarily go to India. And I think this is a

good time to cultivate different strokes for different folks, but I think we have to be a little sophisticated about it.

The Pakistanis will understand, particularly coming so soon after the military coup, that this is not the kind of thing they can expect from the United States, but they can expect a serious dialogue. They can expect us to listen seriously, and they can expect us to tell them what is on our minds.

Mr. HARRISON. You have raised a very important point, and I want to make very clear what I think about this. It seems to me that the essence of our problem in South Asia has been we always felt we had to treat India and Pakistan as if they were two equal countries. They are not. And I think that is the root of the problem. Pakistan was given to believe that we wanted to balance things in the subcontinent by giving a lot of military aid so that it could stand up to India and act as if it is an equal. That has been the root of the whole problem. Right now, they think that we are going to help them to get Kashmir—or at least to get India out of Kashmir. And we have got to bring all of that to an end.

If we had a constitutional government in Pakistan, of course the President should go there also; but under present circumstances, I think there is absolutely no reason why we should equate India and Pakistan. And India is what really counts for the United States in that part of the world. Pakistan is important mainly to make sure that we don't have a lot of trouble that undermines the stability of the region as a whole, not because of its intrinsic importance, except that there are 130 million people there whose economic and social welfare is important. And that is why I favor economic aid being made available on economic criteria.

Mr. HASTINGS. Thank you, Mr. Chairman.

Mr. BEREUTER. I am happy to yield to you the time. I have a few questions. If you can respond briefly, I would appreciate it, but I know they are complicated.

Both of you have commented, I believe, about stopping military sales to Pakistan, and I have no argument with that concept. Would you, however, favor continued military-to-military contact, including IMET? I would ask both of you.

Ms. SCHAFFER. I would.

Mr. BEREUTER. Mr. Harrison?

Mr. HARRISON. I don't have any problem with IMET, no.

Mr. BEREUTER. All right.

Mr. HARRISON. I would like to see that in lots of countries where we don't approve of the system, so we could extend this to a rather broad——

Mr. BEREUTER. We have run into situations, of course, where we have lost contact with a whole generation of military officers in a country, and I am not sure it has been very positive in its impact.

Mr. Harrison, you said one thing that is quite interesting and controversial; and that is, that you would favor America declaring its support for the Line of Control in Kashmir as the permanent international boundary. And you say that eliminates the ambiguity which could embolden Pakistan to continue its present policy of seeking to affect that situation in Kashmir. Now, your position would seem to be supported by the Indians, but tell me a bit more about why that would be favorable.

Mr. HARRISON. I think that would have to be accompanied by India and Pakistan undertaking to give greater autonomy to the Kashmiris in their parts of Kashmir. The reason I favor this is that I think this is a cancer, and it is an opportunity—it is a place where Pakistan can keep bleeding India and making trouble indefinitely, as it has now for many, many years.

Inside Kashmir, my assessment of the forces inside Kashmir is that the forces prepared to accommodate to an India that gives them autonomy are as strong, if not stronger, than the forces favoring independence for Kashmir. Independence for Kashmir would be very disruptive of the stability of the subcontinent because of the fact that you have so many Muslims in India, and this would call into question the loyalty of those Muslims. You would have Hindu-Muslim conflict in India. That would feed into a Pakistan conflict. Our interest in that part of the world is stable development and economic progress. All of this would be disrupted if the Kashmir issue was allowed to fester.

Ambassador Schaffer wrote a good op-ed piece with her husband in the *Washington Post* a while back that talked about why the Line of Control is probably the only realistic way to settle this issue. So that I think that the basic point is that Pakistan thinks that if they keep the fire burning, they can drag us into supporting their position because we supported it for so many years, that they think they can get us back to tilt again to their side on Kashmir. And I think that is what we have got to disabuse them of, and the only way to disabuse them of that expectation, that hope, to get them to face the facts of life, to get them to agree to a settlement, is to make the Line of Control the basis for the settlement. It is the only realistic way to end this problem.

Mr. BEREUTER. Thank you.

Ms. SCHAFFER. Could I make one comment on that?

Mr. BEREUTER. Certainly.

Ms. SCHAFFER. The only way in which I differ with my colleague is that I think it would be useless and probably counterproductive for the U.S. Government to publicly assert its support for the Line of Control as the basis for a settlement. The challenge of the Indians and the Pakistanis, if they are ever to deal seriously with Kashmir, is going to be building the political consensus behind the unpleasant things they have to do. That means that I think the task for the U.S. Government in the near term is, quietly and behind the scenes, making it very clear to Pakistan that they will not support their effort to get Kashmir away from India and that they don't see any possibility of a settlement that significantly changes the map.

But you have got to allow them a little bit of private space to build a political consensus, and if you put all of your positions in public, I think you destroy that chance.

Mr. BEREUTER. Thank you. I have two more final questions for both of you. One, do you have any sense that there is an Islaminization of the Pakistani military, a move toward fundamental Islamic orientation? Second, what impact does the coup with this military government for Pakistan have in the way of an effect on Sino-Pakistani relations, if any?

Mr. HARRISON. I have very definite views on this question, and I think that there has been a struggle within the Pakistan military higher levels, going back to the Afghan war, between many officers who have an affinity, let us say, for Islamic fundamentalist thinking and connections, informal connections with some of the Islamic fundamentalist groups, and others who are what you might call strictly professional soldiers with none of that in their minds. Of course, we knew General Hameed Gul during the Afghan war was a very good example of an ISI director who was very outspoken in his views on this subject.

So that goes back quite a way, and it has continued, and the Islamic fundamentalist forces have been growing in Pakistan. They have made a prime target of trying to win friends in high places in the military and at the middle-level of the military, and they have definitely gained ground.

General Musharraf is, of course, a soldier's soldier and a professional military man, and all of his colleagues are; but some of them are also people who have been a part of the ISI group and the group friendly to it in the high levels who share a lot of the Islamic fundamentalist thinking. That doesn't mean they are not also professional military men. Of course they are.

So I think what is new about this new situation is that you do have at the high levels a stronger influence, Islamic fundamentalist influence in the Pakistan military, than ever before. It is not as if they want to take Pakistan down the road of Islamization advocated by some of these fundamentalist parties. Basically they have a hard-line approach toward India, a confrontational approach toward India, an agenda which is to bleed India, and an animus, a get-even for Bangladesh attitudes, and they see these fundamentalist parties for which they have an affinity as allies, because these parties can provide them the for manpower to send people up to Kargil or wherever and to carry out operations, without the need for people with Pakistani Army uniforms.

So there is a natural partnership, and therefore that is why I consider this a very dangerous period and why India is so suspicious of this new leadership and why General Musharraf and General Aziz happen to be the ones who cooked up this Kargil adventure. And so your question, in short, is very well taken, and I think that we should be very cautious in appraising the moderate professions of General Musharraf. We should look to see what he does on the Kashmir cease-fire line, which is more important than moving back forces that had been moved forward anyway.

He moved forward forces at the time of Kargil on the international border. They added to their deployment. All he has done now is pull them back. So he has gone back to the status quoante and this is fine. This is a welcome gesture, and it is a cheap gesture.

So I think your question gets to the main point before us today, and why we have to be very cautious. I don't think it necessarily means they want to Talibanize Pakistan, but they do want to—when they have a chance, they will try to rekindle trouble with India.

Ms. SCHAFFER. I would suggest that besides watching what happens in Kashmir, you want to watch what happens in Afghanistan.

The other interesting byplay, of course, is that the general who Nawaz Sharif wanted to name to replace Musharraf when he fired Musharraf was the head of the Interservices Intelligence, which is of course the principal sponsor of the Taliban. He was also a personal friend, and he has also had a reputation for being very close to the Islamic right. So there may be some wheels within wheels at work.

You also asked about the impact on relations with China. The short answer is not much.

Mr. BEREUTER. All right. That is good news.

Gentleman from Florida have any last thoughts or questions?

Mr. HASTINGS. No, Mr. Chairman, thank you.

Mr. BEREUTER. Thank you. Thank you very much for sticking with us. Your testimony was very important to us. I benefited from it. I know that all of our colleagues would have if they had been here. Thank you for spending the time. We appreciate it. The Subcommittee is adjourned.

[Whereupon, at 4:55 p.m., the Subcommittee was adjourned.]

A P P E N D I X

October 20, 1999

Testimony by Assistant Secretary Karl F. Inderfurth
House International Relations Committee
Asia and Pacific Subcommittee
Wednesday October 20, 1999

"Immediate Challenges to U.S. Policy in South Asia"

Introduction

Mr. Chairman, I appreciate this opportunity to appear before the Asia and Pacific Subcommittee today. For a number of rather obvious reasons, I believe it is an auspicious time to meet with you and Members of the Committee.

We have a number of immediate challenges facing United States policy in South Asia, and this afternoon I would like to address three in particular: the political crisis in Pakistan, where the Army has taken the reins of power; the recent elections in India and the formation of a new government; and the situation in Afghanistan and our steps to combat international terrorists who take shelter there.

Political Crisis in Pakistan

At the top of our agenda today is the political crisis which erupted a week ago in Pakistan. I will begin by summarizing developments since October 12 and then address our policy at present toward Pakistan.

On Tuesday, October 12, the Government of Prime Minister Nawaz Sharif announced the retirement of Chief of Army Staff Pervez Musharraf, who was out of the country at the time. In response, and with General Musharraf returning to Karachi, the military seized power. Military personnel placed the Prime Minister and other civilian and military leaders under house arrest and occupied key facilities, including the state-controlled broadcast media in Islamabad and other cities. Late that night, Pakistani media broadcast a short statement by General Musharraf outlining why the Army had "moved in." The next day, General Musharraf assumed power under the title of "Chief Executive," declared a state of emergency, suspended the constitution and the elected national and provincial assemblies, dismissed the government, and declared other measures restricting judicial powers.

In response to these events, the White House issued a statement by President Clinton which read: "The events in Pakistan this week represent another setback to Pakistani democracy. Pakistan's interests would be served by a prompt return to civilian rule and restoration of the democratic process. I urge that Pakistan move quickly in that direction. I am sending my ambassador back to Islamabad to underscore my view directly to the military authorities, and to hear their intentions. I will also be consulting closely with all concerned nations about maintaining peace and stability in South Asia."

U.S. Ambassador William Milam returned to Islamabad on Friday, and met with General Musharraf to deliver our strong message calling for a rapid return to

constitutional democracy under a civilian government. He also called upon General Musharraf to insure the safety and well-being of Prime Minister Sharif, his brother the Chief Minister of Punjab Shahbaz Sharif, and the others who were detained.

On Sunday, October 17, General Musharraf addressed the nation to describe the steps he plans to take in the days ahead. He announced that he will chair a National Security Council, with military and civilian members, which will give policy direction to a cabinet of civilian ministers. President Rafiq Tarar will remain in office. General Musharraf emphasized that martial law has not been declared and that the announced government structure calls for a prominent role for civilians. However, the military is clearly in charge.

General Musharraf also addressed Pakistan's international priorities, including relations with India, the conflict over Kashmir, Pakistan's sensitivity to international nonproliferation norms, and Afghanistan. The United States believes it is critically important for Pakistan and India to find a way to resume their dialogue; we hope both will undertake confidence building measures, such as the unilateral troop pullback along the international border announced by General Musharraf, that could lead to a lessening of tensions. We note General Musharraf's statements with regard to global non-proliferation objectives and nuclear and missile restraint and hope to see concrete action in these areas. He also stated his belief that the Afghan conflict can be settled only through establishment of a representative government in Kabul, a view we share.

Mr. Chairman, we listened closely to what General Musharraf had to say in his Sunday night address. We heard his pledge for a return to a "true" democracy in Pakistan and that the armed forces have no intention of remaining in power any longer than necessary. But we are disappointed with what we did not hear: an announcement of a clear timetable for the early restoration of constitutional, civilian, and democratic government. You will remember that an earlier Army Chief, General Zia, anticipated a brief period of military control when he took power and ended up ruling for 11 years. The press in Pakistan and here has focused, in recent days, on the rationale for the General's actions. Much of the coverage has seemed to support General Musharraf's statement that Pakistan had "hit rock bottom." For our part, we are not justifying or condoning the General's actions. As a matter of principle – one that we believe applies throughout the world -- the remedy for flawed democracy is not a military coup, suspension of a democratically elected legislature, and the detention of the elected government. In our view, Pakistan's long term stability lies in developing civilian political institutions which are self-correcting through political processes, not through the expedient of military intervention. President Clinton, Secretary Albright, and other U.S. officials have expressed our deep regret at this setback to democracy, and our hope that Pakistan's authorities will acknowledge and fulfill their duty to restore Pakistan to civilian, democratic, constitutional government as soon as possible.

Mr. Chairman, until we see a restoration of democracy in Pakistan, we have made it clear we would not be in a position to carry on business as usual with Pakistani authorities. As you know, Section 508 of the Foreign Operations Appropriations Act

contains a prohibition against a broad range of assistance for a country whose democratically elected head of government is deposed by military coup or decree. We have applied those sanctions with regard to Pakistan. As a practical matter, most forms of assistance are already prohibited for Pakistan under the Glenn Amendment and other statutory restrictions.

As General Musharraf told his nation, actions speak louder than words. The United States will watch closely as the General acts to fulfill his pledge to return his country to democracy and to address the other serious problems he identified, including the economy and corruption. We call on General Musharraf to respect civil liberties, freedom of the press, judicial independence, and human rights while this process proceeds. Our own actions toward Pakistan in the days ahead will be guided in large part by the steps the new authorities take.

One final word, Mr. Chairman. Despite our deep disappointment with this latest setback to democracy in Pakistan, we have no choice but to stay engaged. We cannot walk away because Pakistan is important. It is important because stability or the lack thereof in Pakistan will have an impact on Pakistan's neighbors, the region, and beyond. Pakistan is important because it can serve as an example of a progressive Islamic democracy, because it is a link – both economic and political – between the Indian Ocean and Central Asia, because it has significant human and economic resources, and because it has historically been a friend of the United States. It is important therefore for the United States and other long-time friends of Pakistan to express their concern, exert their influence, and take those steps necessary and appropriate so that Pakistan can see a "prompt return to civilian rule and restoration of the democratic process" as called for by President Clinton.

National Elections in India

Turning to India, Mr. Chairman, we are also facing a challenge, but in this case a more positive one. India has just completed the largest exercise of democratic voting the world has ever witnessed. More than 360 million voters cast ballots, and more than a few had to defy those who would use violence to disrupt the political process. The final results of India's month long election gave the 17-party coalition of Prime Minister Vajpayee 303 seats in the lower house of parliament, 31 more than needed to form a simple majority. Atal Bihari Vajpayee was sworn in for the third time as India's Prime Minister on October 13. It was also, as Foreign Minister Jaswant Singh pointed out, the first time in 27 years in India that an incumbent prime minister has been returned to office. President Clinton phoned Prime Minister Vajpayee to offer his congratulations.

There are substantial elements of continuity between the previous and the new governments -- in particular, in the key positions of Prime Minister, Foreign Minister, Home Minister, Finance Minister, and Defense Minister. Prime Minister Vajpayee's ability to maintain continuity of leadership in the key ministries and his largely successful effort to accommodate his coalition partners should mean that his government will be quick off the mark in implementing policy priorities, including economic reform, rural development, and national security. This new government also appears to have a larger

and therefore potentially stronger coalition – a fact that we hope will enable India's leaders to adopt a longer-term perspective rather than one overshadowed by the prospect of a brief tenure.

Mr. Chairman, the new government's initial messages to the world are positive. Both Foreign Minister Singh and the Principal Secretary to the Prime Minister Brajesh Mishra have reiterated their intention to seek a national consensus for signing the Comprehensive Test Ban Treaty. This Administration remains committed to the CTBT and believes it is an important measure to restrain the prospect of a nuclear arms race in South Asia. We have faced our own challenges with ratification, and understand the importance of forging a solid domestic consensus. The United States will continue to urge both India and Pakistan to sign and ratify the CTBT because we believe it is in their national security interests to do so.

There are a number of other steps in the nonproliferation area that we are encouraging India and Pakistan to take to address our concerns and those of the international community. These steps, which we believe are consistent with Indian and Pakistani security interests, include: constructive engagement on FMCT; agreement to participate in a multilateral moratorium on fissile material production for weapons, pending conclusion of an FMCT; restraint in missile developments, including non-deployment; and strengthened export controls.

Mr. Chairman, we see signs of promise on the economic front. India made a policy decision in the early 1990s to open its economy, encourage more foreign investment and liberalize its trading rules. It has experienced some fits and starts on the liberalization front, and since the government fell last spring, political uncertainty has put economic reform in a holding pattern. Recently, we have seen reports that the new government will put in place an economic package by mid-November. The package would cover a wide spectrum, including reforms in the financial, industrial and infrastructure sectors. In Finance Minister Sinha's own words: "We want to undertake the second generation of economic reform."

Prime Minister Vajpayee has acknowledged the need for India's greater integration into the world economy, saying: "The priority is to build a national consensus on the acceptance of global capital, market norms, and whatever goes with it... You have to go out and compete for investment." Several bills that would help open India to greater investment are awaiting the new parliament's approval. These include proposals to open up the insurance sector to private domestic and foreign companies and a telecommunications plan that would accelerate investment in private telephone networks. With the new government in place, we are hopeful that India will return to a firm course towards liberalization. Economic opportunities in the energy sector will be one of the many subjects that Energy Secretary Bill Richardson will discuss with his Indian counterparts next week when he becomes the first U.S. Cabinet official to visit India since the formation of the new government.

Mr. Chairman, as you know, the security and nonproliferation dialogue conducted by Deputy Secretary Talbott and Foreign Minister Singh was interrupted when the previous Indian government lost its majority in parliament. We hope to resume that dialogue shortly. Since that time, Kargil and, more recently, the removal of the government headed by Prime Minister Sharif have called into question the promising departure symbolized by the bus trip to Lahore, and underscored the importance of dealing urgently with the many challenges to regional and indeed global security, whether these be terrorism, proliferation, bilateral disputes or the illicit narcotics trade. These subjects will, of course, be high on the agenda in our dialogue with India.

We will also focus intensely on the future of the Indo-American relationship. President Clinton is acutely aware that, as the first American president elected since the end of the Cold War, he has an unprecedented opportunity to put our relations with India on a substantively different footing. No longer do New Delhi and Washington find themselves at cross-purposes because of Cold War constraints. In the words of Prime Minister Vajpayee, we are "natural allies." To define that new relationship and to invest it with the broadest and deepest possible meaning, we have to address the complex set of issues that surfaced with the Indian nuclear weapons tests in May 1998, from our perspective and from India's. Our ability to move forward and the extent of our future cooperation will be influenced by the progress we make, particularly in the non-proliferation area.

In that connection, the Administration appreciates Congress' recent action granting the President comprehensive waiver authority for the Glenn, Symington, and Pressler sanctions. I want to emphasize that we sought enhanced waiver because this authority would give us more flexibility as we pursue our agenda in South Asia, particularly with regard to non-proliferation. The unfolding situation in Pakistan is a reminder of how quickly things can change in South Asia, and therefore of the importance of ensuring that we have a range of tools at our disposal. Once the legislation is enacted, we will use the authority effectively and prudently and in consultation with the Congress.

International Terrorism and Afghanistan

Mr. Chairman, let me now turn to Afghanistan, and the Taliban, who persist in defying international opinion by sheltering Usama Bin Laden and other terrorists. We attach the highest priority to ending the activities of Usama Bin Laden's terrorist organization and bringing him to justice. The Taliban's sheltering of Bin Laden, who continues to threaten U.S. lives and property, presents a clear danger to the security of the U.S. and its citizens.

Over the past year we have repeatedly contacted the Taliban and encouraged them to expel Bin Laden without delay and avoid further confrontation on this issue with the United States and others in the international community.

In July, President Clinton issued an Executive Order blocking the Taliban's property and banning commercial transactions with the Taliban. In August, Ariana Airlines was placed under sanctions. To date, we have frozen more than $34 million in Taliban assests. Ariana's operations have been disrupted, thanks to cooperation from India and several other countries.

Through U.S. diplomatic efforts, the rest of the world has now joined us in expressing its resolve to end terrorist operations in Afghanistan. A U.S. – initiated resolution passed unanimously by the UN Security Council last week demands that the Taliban stop sheltering Bin Laden and ensure that he is expelled and brought to justice. If the Taliban fail to do so by November 15, their assets will be frozen worldwide, and Taliban-owned, leased, or operated aircraft will be denied permission to take off or land anywhere in the world. This resolution is the result of intense U.S. effort and represents a significant step forward in our campaign to end Bin Laden's terrorist activities.

Mr. Chairman, we are prepared to work with the Taliban to rid Afghanistan of terrorist networks. As President Clinton said following passage of the U.N. sanctions resolution last week: "The international community has sent a clear message. The choice between cooperation and isolation lies with the Taliban."

At the same time, we have a number of other issues with regard to the Taliban, including its appalling human rights policies, especially its treatment of women and girls. As Secretary Albright said recently, we are not going to abandon the women of Afghanistan. We are also greatly concerned by recent surveys showing that Afghanistan, and specifically the area under Taliban control, is the number one producer of opium in the world. The most productive way to address all of these issues will be a cessation of the civil war and the formation of a broad-based representative government.

We continue to seek a negotiated settlement between the Taliban and the opposition forces. But our immediate focus is terrorism. We are will press ahead in our efforts to bring the terrorist activities of Bin Laden to an end and will consider additional measures to bring him to justice if necessary.

Resources

Mr. Chairman, before I conclude, I would like to note that our ability to pursue our agenda in South Asia – and indeed throughout the world – depends in large part on adequate funding for our foreign affairs budget, a point that Secretary Albright makes repeatedly. As you know, earlier this week President Clinton vetoed the Foreign Operations Appropriations bill because it was funded at approximately $2.2 billion below his request. These cuts are dangerously short-sighted. The bill's low funding level, in the President's words "puts at risk America's 50-year tradition of leadership for a safer, more prosperous and democratic world."

Obviously, the across-the-board cuts in foreign affairs spending harm what we are trying to do in South Asia. The political crisis in Pakistan serves as a good reminder of

the important role our diplomats play in ensuring the safety of Americans in times of crisis, in delivering our message abroad, in providing timely reporting to our policy makers, and in promoting and protecting U.S. interests. We need to ensure that our diplomats have sufficient resources to do their jobs.

If the proposed cuts are enacted, the Administration will be forced to reduce our efforts to: counter terrorism, prevent and reduce conflict, stem the spread of deadly diseases like HIV/AIDS, and fight drugs – all of which are clearly in the interests of the American people and key to our agenda in South Asia. In fact, our programs to support regional democracy, to eradicate illegal poppy cultivation, and to address trafficking in women and children – will be sorely under-funded.

Mr. Chairman, we face a number of challenges and opportunities n South Asia where our national interests are engaged. We need your support – and the necessary resources – to do our job. Thank you.

Testimony
Before

Subcommittee on Asia and the Pacific

Committee on International Relations
U. S. House of Representatives

by

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October 20, 1999

Testimony of Arona M. Butcher
October 20, 1999

I want to thank you for the opportunity to present the findings of a study conducted by the International Trade Commission on the U.S. economic sanctions imposed on India and Pakistan after these countries detonated nuclear explosive devices in May 1998. As you know, on March 16, 1999, the Committee on Ways and Means asked the Commission to examine the economic sanctions imposed on India on May 13, 1998, and Pakistan on May 30, 1998, pursuant to section 102 of the Arms Export Control Act (also known as the "Glenn Amendment").

The Committee asked the Commission to: (1) identify the U.S. industries, including agricultural commodities, that were affected by the economic sanctions[1]; (2) analyze the effects of the sanctions on the U.S. economy; (3) assess the likely economic impact on the United States if the sanctions are reimposed; (4) analyze the likely impact of the sanctions on the Indian and Pakistani economies; and (5) summarize the instances when the sanctions have affected humanitarian activities and the activities of multinational institutions in India and Pakistan.

The major finding of the Commission's report is that the impact of Glenn Amendments economic sanctions and the likely impact of the reimposition of these sanctions on the United States, India, and Pakistan are relatively small. However, U.S. industry has expressed concern that the main impact of these sanctions is increasing the perception that U.S. companies could be unreliable suppliers.

[1] The defense-related sanctions imposed by the Glenn Amendment on India and Pakistan are in force and are not analyzed in the Commission study.

The Glenn Amendment sanctions on India and Pakistan that were triggered in May 1998 and analyzed in the Commission's study are as follows:

	Sanction	Status
1.	Deny export credits and guarantees by any U.S. Government department or agency, such as the U.S. Department of Agriculture (USDA), the U.S. Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency.	Waived until Oct. 21, 1999. (USDA-related provisions originally waived until Sept. 30, 1999; waiver extended until Oct. 21, 1999.)
2.	Prohibit U.S. banks from making any loan to the government of the detonating country, except for the purposes of purchasing food or other agricultural commodities.	Waived until Oct. 21, 1999.
3.	Oppose the extension of any loan for financial or technical assistance by international financial institutions such as the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank, except for humanitarian purposes.	Waived for Pakistan until Oct. 21, 1999. In force for India.
4.	Terminate U.S. foreign aid programs except for humanitarian assistance and food or other agricultural commodities.	In force.

Analytical Approach

The short duration of the sanctions precluded an empirical analysis of the effects of sanctions on the United States prior to the waiver. The sanctions were fully in force for just a short period of time, that is, restrictions on the provision of USDA export credits and guarantees were lifted on July 15, 1998, and many of the remaining components of the Glenn Amendment sanctions were waived by the President on December 1, 1998. Therefore, in order to assess the impact of the Glenn Amendment sanctions on the

U.S. economy, the Commission obtained information from U.S. industry and reviewed relevant literature, and contacted other U.S. government agencies involved in monitoring and enforcing actions. Information from U.S. industry was obtained by conducing a telephone survey of over 200 U.S. companies and associations; by holding a public hearing and from written submissions. In the case of India and Pakistan, the impact of sanctions was assessed by examining, to the extent data were available, macroeconomic data and trade flows data for these countries for the 1997-1999 period.

In order to assess the likely impact on the United States, India, and Pakistan of the reimposition of sanctions, a global economic model was employed with 1995 as base year, the most recent year for which data on trade flows for India and Pakistan and their major trading partners were available.

Effects on the United States of the Glenn Amendment Sanctions

According to U.S. industry sources, the industries most affected by the Glenn Amendment sanctions were those involved in the sale of certain agricultural products; industrial machinery; transportation, construction, and mining equipment; electronics products; and infrastructure development services. Another result of the Glenn Amendment sanctions was and continues to be the increasing perception of U.S. companies as unreliable suppliers. In addition, according to U.S. industry, the sanctions continue to have a negative impact on U.S. business in India as U.S. companies are reluctant to pursue business opportunities because of uncertainty over sanctions.

The likely impact of the reimposition of the Glenn Amendment sanctions on the United States, according to the model results, would be an estimated cost, measured in terms of loss of purchasing power, of about $161 million, or less than one tenth of a percent of the U.S. GDP in 1995. The decline in overall U.S. employment would be less than two tenths of a percent and would be primarily in the U.S. grain sector. U.S. wages and the return to capital would decline by less than one tenth of a percent.

However, the reimposition of the sanctions prohibiting USDA export credits and guarantees would likely result in an estimated net benefit for the United States (similar to the benefit from removing an export subsidy) of about $27 million dollars. That is, denying export credits to the Indian and Pakistani importers results in savings for the U.S. economy. The reimposition of these sanctions, however, is likely to adversely affect U.S. wheat exports to Pakistan, primarily because Pakistan is a significant user of USDA export credits. U.S. wheat producers in the Pacific Northwest (Idaho, Oregon, and Washington) would be affected most if Pakistan were to shift to alternate suppliers such as Australia and Canada.

According to U.S. industry, the reimposition of restrictions on company or customer access to project financing or loan guarantees from Eximbank and OPIC most likely will hinder efforts of U.S. companies seeking to do business in India and Pakistan. Financial services firms, in particular, reported that their operations likely would be affected. The U.S. private sector reported that the reimposition of the Glenn Amendment sanctions prohibiting Eximbank and OPIC financing might harm U.S. international competitiveness and diminish the perception of U.S. companies as reliable suppliers. These sanctions would make it more difficult for U.S. companies to participate in major infrastructure projects.

Effects of the Glenn Amendment Sanctions on India

In the case of India, the Glenn Amendment sanctions appear to have had a minimal overall impact on India's economy. This is most likely due to the fact that India's economy is not dependent upon foreign bilateral and multilateral assistance, and thus appeared not have been adversely affected by the postponement of several World Bank loans. According to the Government of India, the overall cost of the Glenn Amendment sanctions to the Indian economy was about $1.5 billion in 1998, about 0.4 percent of India's gross domestic product. India experienced an initial downturn in its financial sector

after the U.S. sanctions were imposed. However, the Indian economy recovered by late 1998 to post a 5.6 percent economic growth rate for that year.

The likely impact of the reimposition of sanctions would be an estimated total cost of $320 million dollars, equivalent to less than one tenth of a percent of India's current GDP of about $382 billion. The estimated effects on wages and the return to capital in India (as well as Pakistan) also would be small, declining by less than one tenth of a percent. The reimposition of the sanctions prohibiting USDA export credits and guarantees was estimated to have no cost for India, since India imports relatively little grain from the United States. Grain is the primary commodity affected by USDA export credits and guarantees that is exported to India

The major alternative suppliers benefitting from reduced U.S. exports to India and Pakistan under the Glenn Amendment sanctions would be the other major trading partners of the sanctioned countries. These include Japan, Europe, the rest of Asia, and Australia, New Zealand, and the South Pacific trading partners.

Effects of the Glenn Amendment Sanctions on Pakistan

In the case of Pakistan, the Glenn Amendment sanctions most likely have had a small impact on its economy. The United States was relatively a small provider of aid, trade, and investment for Pakistan before the sanctions were activated. Moreover, most U.S. economic assistance to Pakistan was terminated in 1990 by other sanctions. Pakistan did experience an economic downturn immediately after the Glenn Amendments sanctions were triggered, but there may be other factors (e.g., IMF reform package) that may have influenced this downturn. Despite these economic difficulties, Pakistan's economy grew by 5.4 percent in 1998.

The likely impact of the reimposition of sanctions on Pakistan would be an estimated total cost of $57 million, less than 1 percent of Pakistan's current GDP of $61.6 billion. The net welfare loss to Pakistan from the imposition of the sanctions could be as large as $6 million in the special industrial machinery and equipment sector, or less than $500,000 for most of the other sectors examined.

The cost to Pakistan of reimposition of the sanctions prohibiting USDA export credits and guarantees was estimated to be approximately $20 million of the $57 million cited above, used primarily to purchase wheat from the United States. However, Pakistan would most likely shift to alternative suppliers in Australia and Canada if the Glenn Amendment sanctions prohibiting USDA export credits are reimposed.

Effects on Humanitarian Activities and Activities of Multinational Institutions in India and Pakistan

In the case of humanitarian activities, the effects of the Glenn Amendment sanctions on India and Pakistan also appeared to be minimal. The U.S. sanctions did not apply to the provision of humanitarian aid; the provision of medicines and medical equipment also was exempted from the sanctions. India does not appear to have been adversely affected by the postponement of several non-humanitarian World Bank loans. Pakistan could however, be adversely affected if the United States and other major countries oppose future IMF loans for Pakistan.

Analytical Factors

The following factors are of particular importance to the analysis in this report:

- India and Pakistan are relatively small trading partners of the United States. In 1997, the last full year before the Glenn Amendment sanctions on India and Pakistan were triggered, U.S. merchandise exports to India were valued at nearly $3.5 billion, or 0.5 percent of total U.S. exports; while U.S. merchandise exports to Pakistan were valued at $1.2 billion, or 0.2 percent of total U.S. exports. In 1997, India ranked as the 32nd largest U.S. export market, while Pakistan ranked as the 52nd largest market for U.S. exports.

- The time lag between when the Glenn Amendment sanctions were triggered (in May 1998) and when the implementing regulations for the sanctions were issued (as late as November 1998) created uncertainty in the U.S. private sector regarding the scope of the Glenn Amendment sanctions. The impact of such uncertainty is difficult to quantify. Also, from the perspective of analyzing economic data and modeling the economic effects of the sanctions, the time lag meant that there was no single, fixed beginning date for the sanctions.

- The inability to isolate the economic effects of the Glenn Amendment sanctions on the economies of India and Pakistan from other economic events implies that the impact reflects "upper bound" estimates. These other events include: (1) economic sanctions imposed by Japan and other countries also in response to the nuclear explosions; (2) for Pakistan, the IMF reform package was already underway; and (3) adverse effects on trade from the Asian financial crisis that began in mid-1997.

Again, I thank you for the opportunity to present the Commission's findings on the impact of U.S. economic sanctions on the United States, India, and Pakistan and would be pleased to answer any questions you may have.

US Relations with South Asia

Testimony before Asia-Pacific Subcommittee
House International Relations Committee

October 20, 1999

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Good afternoon, Mr. Chairman. I'm delighted to have this opportunity to testify before your Subcommittee. In years past, when I was in the State Department and testified before your predecessor, I always wondered what happened when the government witnesses finished, breathed their sighs of relief and sped out the door. I guess this is my chance to find out.

I will not attempt to duplicate Assistant Secretary Inderfurth's overall description of events in the region. Instead, I would like to make some observations on the dramatic developments in Pakistan in the last week, and then to share my recommendations about U.S. policy priorities for the region.

Pakistan: A Disappointing End to a Disappointing Government

Pakistan has lived under a stressed and seriously flawed democracy for the past eleven years. None of the four changes of government since 1988 has taken place through the normal electoral cycle. Each has involved serious charges of corruption and abuse of power.

The disillusionment with Nawaz Sharif's second government started about six months into its tenure, when his supporters stormed the Supreme Court and he forced out in rapid succession the Chief Justice, the president, and the Chief of Army Staff, installing people he thought more pliant in their place. With his two-thirds majority in the National Assembly, this gave Nawaz Sharif control of all the constitutional levers of power.

Unfortunately, he used his power to gain more power, not to address Pakistan's devastating systemic problems: corroded national institutions, pervasive corruption, sectarian strife and urban violence fueled by Islamic activists returning from Afghanistan, a crisis in the government's finances. Long term social problems like high population growth and widespread illiteracy have gone untended, casualties of the government's cash crunch and of mistaken priorities. Perhaps most worrisome of all is the disaffection in Pakistan's smaller provinces at what they consider domination by the larger Punjab province. As much as a year ago, many Pakistanis were ruefully concluding that democratic government couldn't deliver the goods. This long catalogue of serious ills explains why Pakistanis greeted the coup with relief rather than

outrage. That is perhaps the saddest commentary on last week's events.

The military coup is yet another blow to Pakistan's struggle to develop effective democratic institutions. Pakistan's prior experience with army regimes suggests that beyond a brief honeymoon period, they have a bad effect on both army and country. We are right to call for democratic government in Pakistan. In the final analysis, that is the only way that a government can acquire the legitimacy the country craves. Furthermore, all the problems I cited a few minutes ago need to have their solutions enshrined in representative institutions. The dangerously frayed relations among Pakistan's provinces, in particular, cannot be put right without a genuine political process, real elections, and an accountable parliament in which the people of all four provinces find their voice.

But I would argue that if democracy is an absolutely vital goal, it is not the only one. Ultimately, Pakistan needs not just an elected government, but one that can deliver the goods. Among the country's problems are several which can begin to be addressed by better management, more transparent administration of justice, sound financial policymaking, and renewed attention to long term development needs. These are tasks that the new government can and must begin. A civilian transitional government will be far better placed than the military to take on these tasks, and a serious deadline for the next elections would help avoid being tempted to hang on.

U.S. Policy:

How should the United States respond to this situation? Our basic principle should be to judge the regime in Pakistan by its actions. The burden of proof is on General Musharraf to show that he is actually fulfilling the agenda he sketched out. We should watch in particular two areas:

- reestablishing decent governance, as he promised in his speech last Sunday; and

- management of relations with India. The army high command, having initiated the dangerous Kargil adventure, bears a large measure of responsibility for the current downward spiral in relations with India. By the same token, they are in a unique position to reverse it if they wish. General Musharraf's announcement that he will thin out forces along the international border is a useful olive branch. Stopping infiltration across the Line of Control in Kashmir would be a good next step.

If the current leadership meets these high standards, and if it then moves swiftly back to the barracks, America's democratic values and its strategic interests could both come out ahead. History does not leave one very optimistic – but we should watch what actually happens.
For the duration of this military government, current law rules out most U.S. aid and military sales, and a high profile political embrace will be out of place. That is a fitting response to the overthrow of an elected government. But we should remain in close touch with Pakistan, including a serious military-to-military policy dialogue. We have other issues to pursue – regional security, stopping terrorism, control of narcotics. Similarly, if the new government is

able to meet the IMF conditions (as their predecessors were not), I see no reason for us to prevent international institutions from funding financial stabilization and other related programs.

Policy toward the rest of the region:

I would like to leave you with five thoughts about American policy in the rest of the region.

First, the U.S. should encourage India and Pakistan to find a real settlement to their differences – but recognize that the work of settling has to be done by those countries. I oppose naming a special envoy on Kashmir. The Administration is right, I believe, to conclude that a U.S. third party role can be effective only if both countries accept it.

While it is up to India and Pakistan to work out the terms of a settlement, both countries need to come to terms with some difficult realities. For Pakistan, this means recognizing that they will not be able to wrest Kashmir from India and may need to build a political consensus around a solution that doesn't significantly change today's territorial allocation. This was probably true before nuclear weapons came to the region. It is even more true now; ironically, in this respect nuclear weapons may have limited Pakistan's options. For India, the difficult reality is that genuine self-rule for the Valley of Kashmir, including a large measure of autonomy, is indispensable if they wish to get out of the nasty cycle of insurgency and repression.

Second, the U.S. needs to reexamine its nonproliferation priorities in light of the experience of the last 18 months. All the issues the U.S. has been pursuing are important. However, the most crucial ones are avoiding nuclear conflict and preventing export of nuclear materials or knowhow from India or Pakistan. The fighting last summer in Kargil demonstrated that India and Pakistan do not want a nuclear confrontation. It also showed, however, how easily tensions can grow when conventional forces are engaged. To me, this makes a compelling case for increasing the margin of safety through risk reduction measures. Failure in this area would not only risk the peace of the region. It would also send a dangerous message to "nuclear wannabes". As for exports, both India and Pakistan have declared that they will not export the products from their programs. Strengthening this resolve, formalizing it, and sharing information on its implementation are critical to ensuring that unintended leakage doesn't occur.

I strongly support signature and ratification of the CTBT, and hope that despite the Senate's action last week the U.S. will ratify the treaty in time. But in all candor, I believe that the CTBT matters less to the safety of the world than these two other issues. Moreover, having failed to ratify, we would probably enhance our credibility by giving top billing to other aspects of nonproliferation. In all these areas, once again, our primary concern is with performance. Commitments are important, but not as important as behavior.

Third, delink India and Pakistan policy where possible. The military regime in Pakistan clearly will inhibit major U.S. policy initiatives toward Pakistan. There is no need to subject relations with India to the same inhibitions. Waiving sanctions on India makes sense even if

Pakistan is now under new sanctions. Developments in Pakistan should not lead the President to cancel his plans to visit South Asia; a visit to India and Bangladesh could still serve U.S. interests.

Fourth, in much of the region, the greatest potential lies in economics. This is especially true in India, where economic reforms launched in 1991 are beginning to bear fruit. The existing level of economic reform has been accepted across the political spectrum. Growth rates for the past decade are markedly higher than in previous decades, and with a new government with a more stable majority the prospects of sound economic policies are much improved.
In Bangladesh, a country already well known for its effective efforts to improve the lives of the poor through bootstrap programs and microcredit, the discovery of commercial quantities of natural gas offers the prospect of having a resource in addition to people to develop the country. In Sri Lanka, despite the ravages of the ethnic conflict, economic growth rates have been encouraging for most of the decade. Encouraging economic trends in all these countries represent a base on which to build more robust relations with the United States, as well as a brighter future.

Now that economic and commercial sanctions waiver authority is in place, the job of exploiting this economic promise is back where it belongs – with the private sector, and with the governments in the region. It is important to note, however, that the cuts in the U.S. aid budget over the past fifteen years fell disproportionately on countries like those in South Asia, and especially on Sri Lanka. When I was ambassador there in the mid-1990s, development assistance figures were in the $12-15 million range, with food aid providing an additional $40-70 million per year. This year's Congressional Presentation calls for $3 million in development assistance and no food aid. Countries whose poverty doesn't make the front pages and whose economic management is reasonably decent are at the end of the line when scarce aid resources are being doled out. I support the idea of a gradual and planned "graduation", with the host country taking over financial responsibility for important development activities as the donors phase out. But an over 90% cut in overall aid funds in four years seems a high price to pay for success.

Finally, don't lash the rest of the region to India and Pakistan. Given the problems between those countries and the potential dangers if policy is mishandled, both the Administration and Congress rightly devote most of their South Asia energy to India and Pakistan. However, I would urge you as well as the Administration to reserve a little "air time" for the other countries of the region. Their political and economic health is not determined by India's and Pakistan's troubles. Economically, they offer smaller but still attractive markets for American business. And all have problems whose resolution would contribute to regional peace – and whose continuation poses dangers. Each of them has a more important and more troubled relationship with India than with Pakistan, reflecting India's larger size and central location. A bit of effort on our part to tend our relations with these countries can contribute to healthier regional relationships – which in turn can provide a better context for India and Pakistan to manage their problems.

In closing, I would like to reinforce the plea I know you have received from others for more generous funding of the nation's diplomatic business. Taken all together, the U.S. government's international affairs budget is less than one percent of the total budget. But look at what you get for that one percent. Think of it as a vaccination against the international scourges of chaos and war. When diplomacy is working properly, you don't see it in action, and everyone wonders what the fuss is about. But when it breaks down, or when America's diplomats do not have the tools to do the job properly, the world and the U.S. taxpayer pay the price.
South Asia is a good example. Our diplomatic missions and aid programs there are well established, and we are benefiting from the accumulated political capital of half a century of patient work. But funding has been drastically cut for the tools that helped build relationships in the past – economic aid, public diplomacy, international visitor grants, military education and training. Diplomatic establishments are shrinking – and still lack the state-of-the-art communications that might mitigate that loss. The stakes in South Asia include both traditional diplomatic concerns, like regional peace, and newer ones, like the health of the global environment. A properly staffed and equipped diplomatic presence in the region is a cheap way to ensure that we're giving it the attention it needs.

THE CENTURY FOUNDATION

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WASHINGTON, D.C. OFFICE

Summary of Testimony by Selig S. Harrison, Fellow, Century Foundation, before the House International Relations Subcommittee on Asia and the Pacific, October 20, 1999.

1. Whether and when to resume U.S.-supported multilateral economic assistance to Pakistan should be decided on the basis of economic criteria alone. The International Monetary Fund has withheld disbursement of a pending $280 million installment of its $1.56 billion bailout package for Pakistan because the previous government failed to meet key economic performance criteria, especially with respect to tax collections. If the new government is able to meet IMF performance criteria and move credibly toward economic stability, aid disbursements should be resumed. The people of Pakistan should not be the victims of political events beyond their control. In order to achieve economic stability, the present bloated levels of defense spending in Pakistan would have to be reduced.

2. All grants and sales of military spare parts, components and weapons systems to Pakistan should remain suspended indefinitely. General Parvez Musharraf and his deputy, Lt. Gen. Mohammed Aziz, were personally responsible for initiating the Kargil invasion last May that led to a serious military conflict between India and Pakistan. While a welcome gesture, the unilateral withdrawal of some Pakistani forces from the Indo-Pakistan international boundary does not extend to Kashmir. General Musharraf has made clear that Pakistan will continue to sponsor and support insurgent activity in the Indian-administered areas of Kashmir. This policy poses a continued threat to peace and stability in South Asia and the United States should in no way condone or support it.

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3. The United States should seek to promote a settlement of the Kashmir issue by declaring its support for the Line of Control as the permanent international boundary. In the absence of such a clear American position, Pakistan will feel emboldened to continue its present policy of seeking to bleed India in Kashmir through support of insurgent activity. A settlement based on the Line of Control, at present the *de facto* boundary, as the *de jure* boundary, should be accompanied by American efforts to a) induce both India and Pakistan to increase substantially the degree of autonomy accorded to the areas of Kashmir under their control and b) to move toward the reduction of military deployments in both Indian and Pakistani areas of Kashmir when cross-border insurgent activity by Pakistan has ceased.

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On My Mind

A. M. ROSENTHAL

The Himalayan Error

Ever since their independence, the U.S. has made decisions about India and Pakistan fully aware that it was dealing with countries that would have increasing political and military significance, for international good or evil.

Now that both have nuclear arms capability and Pakistan has been taken over again by the hard-wing military, the American Government and people stare at them as if they were creatures that had suddenly popped out of nowhere — and as if their crises had no connection at all to those 50 years of American involvement in the India-Pakistan subcontinent.

The destiny of the two countries — war or peace, democracy or despotism — lies with their billion-plus people, their needs and passions.

But American decision-making about them has been of Himalayan importance — because from the beginning it was almost entirely based on a great error. America chose Pakistan as more important to its interests than India.

Both countries have a powerful sliver of their population who are plain villains — politicians who deliberately splinter their society instead of knitting it, men of immense wealth who zealously evade taxes and the public good, religious bottom-feeders who spread violence between Hindu and Muslim in India and Muslim and Muslim in Pakistan.

But living for about four years as a New York Times correspondent based in India and traveling often in Pakistan, I knew that the American error was widening and catastrophic.

Although there were important mavericks, American officialdom clearly tilted toward Pakistan, knighted it a military ally and looked with contempt or condescension on India. Pakistan — a country whose leadership provided a virtually unbroken record of economic, social and military failure and increasing influence of Islamicists.

Many U.S. officials preferred to deal with the Pakistanis over the Indians not despite Pakistan's tendency to militarism but because of it. Man, the military fellows can get things *done* for you.

Washington saw the country as some kind of barrier-post against China, which it never was, and against Soviet invasion of Afghanistan. The Pakistanis did their part there. But when the Taliban fanatics seized Afghanistan, Pakistan's military helped them pass arms for terrorists to the Mideast.

Pakistan's weakness as an American ally, though Washington never seemed to mind, was its leaders' refusal to create continuity of democratic governments long enough to convince Pakistanis that the military would not take over again tomorrow.

Across the border, India, for all its slowness of economic growth and its caste system, showed what the U.S. is supposed to want — consistent faithfulness to elected democracy. Where Pakistan failed to maintain political democracy in a one-religion nation, India has kept it in a Hindu-majority country that has four other large religions and a garden of small ones.

> The tilt toward Pakistan.

Danger sign: The newly re-elected Hindu-led coalition will have to clamp down harder against any religious persecution of Muslims and Christians. India's real friends will never lessen pressure against that. And the new government is not likely to stay in office long if it does not fulfill its anti-persecution promises to several parties in the coalition.

No, the U.S. did not itself create a militaristic Pakistan. But by showing for years that it did not care much, it encouraged Pakistani officers prowling for power, lessened the public's confidence in democratic government when Pakistan happened to have one, and slighted the Indians' constancy to democratic elections.

In 1961, in the U.S. Embassy in Seoul, I heard the ranking U.S. diplomat urge Washington not to recognize the military gang that had just taken over South Korea after ousting the country's first elected government in its history.

But the Kennedy Administration did recognize the military government. That throttled South Koreans with military regimes for almost another two decades.

The Clinton Administration is doing what America should: demand the departure of the generals. Maybe America still has enough influence to be of use to democracy someplace or other in Asia. It's the least it can do for its colossal error on the subcontinent — do for Indians, but mostly for Pakistanis. □

Questions for the Record Submitted by Representative
Sherrod Brown to Assistant Secretary Karl F. Inderfurth
House International Relations Committee
December 15, 1999

1. Question:

One of the primary incidents that led to the creation of the newest military junta to rule Pakistan was Prime Minister Sharif's order to General Musharraf to withdraw the Pakistani army from Kargil.

We know that Sharif's decision was heavily influenced by the personal urging of President Clinton, who thankfully had the foresight to recognize that as the fighting between India and Pakistan bogged down, that as more and more Indian soldiers began coming home in body bags, then the Indian government would have faced enormous domestic pressure to lash out at Pakistan.

So President Clinton wisely intervened and urged Sharif to pull his forces out of India and the Pakistani Prime Minister did just that - but of course this didn't sit well with General Musharraf, who numerous reports often refer to as a "hardened and battle-tested commando of three wars with India."

Still that's no reason to topple a government.

We need to quit distorting the facts, and the fact is that Nawaz Sharif was elected by the people of Pakistan to lead their government. If General Musharraf was unhappy with his Prime Minister, he should have resigned his commission and entered the political arena. That's how democracy works.

To top it all off, the conferees to the FY 2000 Defense spending bill slipped in language that gives the President the authority to waive current prohibitions against providing military supplies and arms to Pakistan.

Now I understand the Administration doesn't have any immediate plans to renew military ties with Pakistan, but I have no doubt that the resumption of arms sales to Pakistan

would be an ideal carrot to convince Musharraf to hold new elections.

So my question is this -- under what specific circumstances would the Administration notify Congress it intends to exercise the waiver authority and resume the flow of arms to Pakistan? And once that spigot is turned back on, do you believe the exercise of the waiver authority be interpreted as tacit support for General Pervez Musharraf's coup?

Answer:

As I indicated in my response to Congressman Ackerman's question at the hearing, we have no plans or intentions to restart our arms supply relationship with Pakistan. Direct assistance to the Government of Pakistan under the Foreign Assistance Act is prohibited until an elected government is in power.