

POLITICS OF AMERICAN AID: THE CASE OF PAKISTAN

Dr. Mansoor Akbar Kundi¹ & Safia Bano²

Abstract: *The politics of foreign aid is one of the leading phenomenons of the post world war II politics. The post world war II international system tilted towards the trends of foreign aid soon after Marshall Plan was launched. A large number of the Third World Countries depended on the foreign aid, largely from US and its western allies. The Soviet Union aided a large number of countries under its influence during the cold war. Pakistan since its inception has been dependent on the US foreign aid. It is dependent on US for military, security and financial aid, a factor accountable for its being a periphery at the hands of US.*

Keywords: *Pakistan, US, Foreign Aid, Core-Periphery, Dependency*

I. Introduction

The politics of foreign aid or Overseas/Official Development Assistance is an important feature of the post Second World War politics. In John D. Montgomery's analysis the international politics since the Second World War lies at the heart of foreign aid and indeed, was/is the very reason for its existence (John. D. Montgomery, 1962:21). Foreign aid being an instrument of foreign policy in International Relations can simply be defined as the transfer of money, goods, services and technical advice from a donor country to a donee. Donor countries give aid because it is in their own interests to do so, even for humanitarian or symbolic purposes. Donees receive aid due to their necessity, needs, environment and dependence. There are a number of motives behind the provisions of aid. It can be economic, political, strategic, cultural and even humanitarian/moral. In absolute majority cases the provision of foreign aid is from developed or rich countries to the least/less developed (LDCs) or poor countries. The donor can be other than a nation-state such as a multi-national corporation or agency providing aid to a country, a country to corporation or corporation to a corporation. The loan countries get from IMF/IBRD, Paris and London

¹ Dean, Faculty of State Science, University of Balochistan, Quetta, Pakistan.
Email: dera1955@yahoo.com

² Lecturer in the Institute of Management Sciences, University of Balochistan, Quetta, Pakistan. Email: sb_ims@yahoo.com

Clubs are International-government Organizations (IGO) or non-state actors which role has exceeded in the international system. Foreign aid/assistance is a multidimensional and broad phenomenon and can be referred to any money or resources that are transferred to one country to another under different conditions and obligations, excluding Foreign Direct Investment (DFI). In broader analysis two conditions are essential to meet the criterion of foreign aid: being non-commercial from the donor point of view, and concessional (if not free) so that repayment is not hard under strict interests. Foreign aid includes grants, concessional soft loans that are intended to transfer resources from the developed to developing and poor countries. Foreign aid can also be divided into Public and Private Development Assistance. The Public Assistance includes bilateral or individual aid from one country to another, and multilateral aid such as from IMF, World Bank, ADB etc. The Private Development Assistance includes aid from non-governmental organizations such as Red Cross, Oxfam, London Club, Toyota Motors etc. The major purpose of foreign aid should be to promote economic development and human welfare. In the politics of foreign aid/assistance since the Second World War America has played a significant role.

The paper is an attempt to highlight the politics of American aid in reference to Pakistan since independence. A focus will be made under the theoretical and historical framework of the leading literature of foreign aid/American foreign assistance to explain provision of American foreign assistance to Pakistan.

II. Background to American Aid Policy

America initiated the provision of foreign assistance soon after the World War II in the form of the Marshall Plan in 1948. The concept of foreign aid attempted to promote long run growth of war torn European and LDCs by giving large projects, budgetary and Balance of Payments help and funding of a variety of research and planning efforts. Thus foreign assistance became a part and parcel of the major powers' foreign policy objective, particularly the US (John White, 1974: 1-3). Today the US spends approximately \$14 billion per year on foreign aid. Since the end of World War II, the United States has spent more than \$400 billion on aid to different countries (Alesina, Alberto and David Dollar, June 1998), published by National Bureau of Economic Research, Cambridge: Massach. In 2001 it alone gave \$ 11 billion as ODA (Overseas Development Assistance) The American policy of foreign aid bore success in the cold war era where the

provision of aid under the category of *Enemy of my Friend is my Friend* was essential to promote security, political, and economic motives. It was a tool of persuasion in favor of the promotion of national interests for other major powers as eternal and initial, but was particular for the US, then a bloc politics and now a unilateral (John White 1974:1-3). For the US the pursuit of own interests motivated the direction of aid against all principles. The political and economic performance of a recipient mattered least in front of those interests. It supported and provided huge aids to countries without any political and economic development. Regimes facing the worst crises of legitimacy and representation were supported against all democratic movements once they fit as the peripheries in the promotion of US interests. In 1980s, the US supported Zaire, Sudan, Somalia, and Liberia with huge amounts as a token of their support against Communist. And after the bloc politics when the communist stunt was no more the countries longed for US support no matter whatever economic crisis they remained under.

In the relationship of donor and donee there are many proven facts indicating which countries more prone to dependence for aid. The countries without a representative governments and heavy foreign debt are more prone to dependence. The foreign policy behaviour of those countries is less independent. A proven indicator is that a country with military regime and heavy foreign debt is less independent in its pursuit of foreign policy objectives than the one with representative government and less foreign debt. For example, the US promised Turkey a huge \$ 6 billion foreign aid provided it had allowed Allied troops to use its territory to attack Iraq. It was Turkish Parliament, a decisive party majority and emerging popular leadership which denied the aid despite all economic difficulties the country faces. Many US foreign policy experts such as David Dollar, Tamara Wittes and John Sewell are of the opinion that America supports a military regime against a representative government in many developing countries lest its foreign policy becomes independent (Dawn, Karachi, July 8, 2003). For example, regarding the American Embassy in Karachi in the wake of the dismissal of Nizamuddin, having been planned and accomplished by Ghulam Mohammad, Mirza and Ayub Khan where Ayub Khan himself told Raleigh Gibson that he had worked hard to have something along this line done. The

There are different kinds of American aid (excluding military not under discussion) the criteria and condition about which in large are not made public. The major and helping hand of foreign assistance is grant(S) in aid which the US gave under the Marshall Plan. Whatever the motives may

be behind this kind of aid it is absolutely free and non-refundable. The grant in aid is a major and helping kind of aid. The American aid to underdeveloped countries, particularly the Muslim countries is not in grants. Pakistan received its first aid package from the US in 1950s was the development of railways system.

The second kind of aid is humanitarian aid to divert immediate disaster. The US Food for Peace Program (FPP) is the leading example. The food as aid was initiated by the US in 1954 under the Mutual Security Act of 1954. The motive behind it was to reduce the surplus food stocks. The food aid can be free or paid. In case of payment it is on concessional rates. Under the US Public Law 480 LDCs could pay for the food assistance in inconvertible currencies. The program was established in 1954 by US. Since then US has supplied a total of \$ 32 billion food aid to the Third World. In 2003 Bush Administration announced \$ 15 billion by Bush Administration over the next five years to combat Aids is a humanitarian aid.

Humanitarian aid is non-refundable. The American aid has primarily involved more political consideration than humanitarian with a fact that there are hundreds of examples when countries' governments and policies not in the good books of American administrations were denied aid. It supported and provided huge aids to countries without any political and economic development. David Wall in his book *The Charity of Nations: The Political Economy of Foreign Aid* supports the above mentioned fact.

The third major kind of US aid is tied aid. The tied aid puts conditions upon the recipient country that how the money should be used. The leading condition is that the donee will spent the aid on the exports from the donor's country. For example, if country US as donor is providing Pakistan an amount of \$1 billion for the development of sugar industry as tied aid then Pakistan remains under the condition that it buys the industrial and mechanical equipment from the US no matter it can import similar technology from Germany or France at much at cheaper rates. The tied aid designed to help the donee rather helps the donor country's firms.

Loan is a major kind of foreign aid/assistance. Not necessarily every loan is a part of American foreign assistance but in large they are. Loans are broadly divided into two categories: soft Loans and hard loans. The soft loans are also called concessional loans and issued at soft rates. The interest rate is low with longer repayment duration. The \$ 495.3 million loan the US wrote off recently was a soft term loan approved under the assistance program. The hard loans are with high interest rates with shorter repayment

duration. Between 1999-2003 the US allotted Israel \$ 9 billion loans with soft concessions. The major American aid to Pakistan has come in form of loans with varying rates and conditions. The loan dealing with conditions and primes are not generally made public. The recent US \$ 3 billion aid to Pakistan like the previous aid packages is the part of overall American aid policies actually initiated by the US under the Marshall Plan in 1948 which became an official policy in 1961 with a wide range of aid packages to developing and underdeveloped countries with political, economic, military and humanitarian issues. Pakistan is one of the major aid recipients of American foreign aid largely given to rulers without popular supports and legitimacy----one of the factors accountable for huge foreign debt and dependency.

III. Foreign Assistance to Pakistan

Robert Gilpin says that a dominant power defines the rules of the international system and makes its repercussions for small powers in redefining its foreign policy (Robert Gilpin, 1981:22). The relationship between the US and Pakistan are no exception to the general rule. Right from the early days of the relationship between the two the US has defined its rules of the system for Pakistan in favour of its own interests with foreign assistance serving as a bait which in Zubeida Mustafa's analysis linked an "American noose round our neck," which "only reinforces the begging-bowl image which has stuck to us since Pakistan emerged as an independent state in 1947." (Dawn, Karachi, July 9, 2004). Pakistan was one of them where a military regime was promoted against all democratic possibilities as it assured the serving of the US interests. The major indicator is the use of Pakistan after the Soviet invasion of Afghanistan. It massively supported Pakistan but withdrew its support soon after the Geneva Accord and withdrawal of the Soviet troops from Afghanistan --- at the time when American political and financial support was actually required for the establishment a broad-based government.

Pakistan is one of the leading aid recipients from US. It ranks third after Israel and Egypt. Israel being an exception in the American foreign aid perspectives stands one of the three factors which led to the declaration of the Osama Bin Laden's Jihad against the US (Mansoor Akbar Kundi, The Nation, Lahore, Pakistan July 2, 2003).

Pakistan from the beginning depended on the US assistance. Even though foreign affairs did not play a significant role in the struggle for Pakistan, the outlines of the new country's policies quickly emerged which

largely devolved on the security concerns of Pakistan from India. Similarly, the weak infrastructure of the country made the new state depend for foreign assistance for economic development. Finance Minister Ghulam Mohammad sounded out Charge de affairs Charles Lewis regarding possible aid (Dennis Kux, 2003:19). Pakistan joined the two alliances SEATO and CENTO, tacked together by the U.S. in a fit of what was called Pactomania (Weekly Cutting edge No 33, April 2006). Pakistan entered into security agreement with US on March 5, 1959 and provided base to American in Peshawar in 1959 for intelligence and surveillance purpose the consequences of which resulted in the U-2 incident which brought Pakistan in direct confrontation with the USSR. A diplomatic row erupted between the two countries. The U-2 aircraft incident indeed created security hazards for Pakistan. The plane was shot down by the Russians and its pilot, Francis Gary Powers, arrested on its soil.

Pakistan joined CENTO and SEATO in large unnecessarily in hope of receiving American support which ultimately made an imbalance in Pakistan's alliance with the western countries as well their own standing (S.M.Burke, 1973, 240). As Mushtaq Ahmad describes the joining of the two alliances brought Pakistan from qualified neutrality to unqualified alliance. In his words, "The repercussions of our membership of SEATO and CENTO were felt on our relations with all the countries with which we maintained diplomatic ties, especially the ones favorable disposed towards us. Whatever might have been the other motives in pursuing such a policy, these were outweighed by economic assistance and military aid" (Musthaq Ahmed, 1978:15) For Pakistan they really proved to be not more than Paper tiger or paper alliance. It's joining of the two alliances reflected on its foreign policy over the entire field of its foreign relations (Musthaq Ahmed, 1978:15). Our relationship with a large number of nation-states turned cold after we joined the two alliances. It did not serve our basic purpose of defense against Indian aggression. Pakistan need from the pacts assurance of mutual defense in case of an aggression, feared from India, which was denied to it under the two pacts.

In Mushtaq Ahmad's analysis, "The collective security arrangements to which we were a party were not collective enough to protect protection against the threat to our security from any source, particularly India" (Musthaq Ahmed, 1978:15) Pakistan's hopes, as perceived in wider analysis, were thwarted after US declined to afford her any help or rescue in the 1965 War against India under the provisions of SEATO, in pursuance of the Mutual Defense Assistance Agreement, was

demonstrative of its legal and moral betrayal” (Musthaq Ahmed, 1978:15). Pakistan had signed with a bilateral security agreement which called upon the US to take such appropriate action, including the use of armed forces. This was a total act of subordination on Pakistan's part because the commitment was restricted to instances of communist aggression. It made no reference to the US coming to Pakistan's help in the event of a conflict with its most likely adversary, i.e. India.

Pakistan stretched the hands of friendship with the US from the beginning when its Prime Minister, Liaquat Ali Khan declined the Soviet offer to visit Moscow and instead went to Washington DC. Pakistan was the first country in South Asia to sign an agreement with the US which entered into force December 15, 1950. The US was the first country Pakistan asked for financial aid soon after the independence. Pakistan requested the US for \$ 2 billion for military and financial aid. The letter by Quaid-e-Azam Mohammad Ali Jinnah contained in the memorandum of Oct. 1947 was conveyed to Laik Ali, Special Emissary of Jinnah. A need was shown of \$170,000,000 for army, air force \$75,000,000 and Navy \$60,000,000, \$700 million for industrial development, \$ 700 million for agricultural development, \$ 510 million sought for defence etc (W, N. Brown, 1972:32). Pakistan's quest for economic assistance, as Mohammad Ayoob discusses in his research article was a leading factor in the determination of its relationship with the US (Mohammad Ayoob, 1995:498).

The relationship between the US and Pakistan is marked by the fact that US has shown support in large to military regimes and controlled democracies in Pakistan rather than a true representative system as their interests can better be served under the system (Mansoor Akbar Kundi, 2005: 170-171). Pakistan which unfortunately for the longer period has been run under military regimes and controlled democracies owe to the statement of John F. Dulles, the US Secretary of State under D. D. Eisenhower (1953-59) and architect of SEATO and CENTO that *there are several de facto regimes in the world that we do not recognize. We act, in this respect, as our national interests dictate.* Consequently the American Administrations have shown more support to coup makers, dictators and pseudo democrats than popular representative governments in Pakistan. The US-Pakistan bilateral relationship since 1958 is witness to the fact that more foreign aid reached Pakistan when it was under military or military-turned civilian ruler than public representatives. While the representative government i. e. between 1970-77 and 1988-99 met more defiance and sanctions/threats from the State Department and Administrations.

The Vice President Lyndon B. Johnson visited Pakistan in May 1961. His visit was followed by Ayub Khan's visit to US. Johnson paid another visit to Pakistan as the President in 1968. He reached Pakistan during his visit to South East Asia including US military base in Camranh in South Vietnam. He met Ayub Khan and congratulated him for the economic development he made during his rule. He being the architect of Pakistan's policy of close alignment with the United States signed a number of bilateral economic and military agreements with the United States, including a 10 year agreement providing US military, communications and intelligence facilities in Peshawar, NWFP, Pakistan.

In the retrospect in 1953 Richard Nixon visited Pakistan as the US Vice President. On 14 May 1956 Stephen P. Dorsey, Deputy Regional Director for NEA, ICA came to Pakistan. In his words "Turning to Pakistan, we find a country which has taken a clear stand at our side in unconditional opposition to Communist aggression (K. Arif, ed., 1984: 156).

Resident Ayub Khan soon after stepping into power as the Chief of the Army Staff and de facto President of the country spoke in the longer run terms of friendship between the two. In his article *Pakistan Perspective* President Ayub Khan published in the in Foreign Affairs in July 1960 he wrote. "The next 15 to 20 years are going to be most crucial for Pakistan. Either we make the grade in this period or we do not. If we fail to make the grade, we are bound to be submerged under the tidal wave of communism which is constantly lashing its fury all around us. Since we do not seek this fate we must move forward and do so quickly. It is here that our eyes turn towards our friends and allies" (K. Arif, ed. 1984: 156). Pakistan became closer to the US during the second phase of their foreign policy when it depended on American support for political and economic aid.

America has utilized the use of aid to Pakistan at times as bullying and threats or as annoyance. In the politics of aid used as a carrot and stick policy in the wake of Pakistan-China agreement in 1960 over agreements of two sides for airlines of the two over each other's territories, the US postponed \$ 4,300,000 loan to Pakistan for the improvement of Decca International Airport. A report in American press regarded the agreement/move as "an unfortunate breach of the free world solidarity" and reverses the efforts to strengthen the security and stability of the sub-continent which the Chinese communists wished to prevent (Keesing Contemporary Archives, 5 to 12 October, 1963, p. 19671). The Washington Post published an article saying *we look upon this as an unfortunate breach of free world solidarity and take a dim view of it*" (The

Washington Post, March 1963). Similarly, the ratification of Final Agreement on Delimitation and Demarcation of Sinkiang on Kashmir border was not liked by US administration. The US administration showed its concern on the developing Pak-Chinese relationship. The aid to Pakistan was withdrawn and sanctions imposed during the Bhutto period when a representative system was in Pakistan.

The attitude of US towards Pakistan changed soon after the Soviet invasion of Afghanistan once Pakistan agreed to support the resistance to the PDPA regime after the Saur Revolution of April 1979. The aid to Pakistan had actually been suspended at the same period because of the secret construction of an uranium enrichment plant by the Pakistani government. Arms trade to Pakistan would likely have remained suspended if not for the invasion of Afghanistan by the Soviet Union in December of 1979 (Krishnadev Calamur, October 26, 2004.). After Pakistan had become a pawn on the chess board of super-power rivalry. The offer of \$ 400 million US aid under President Carter which was rejected by the Zia-ul-Haq regime as peanuts (Don Oberdorfer, January 15, 1980), soon appeared in huge economic, humanitarian and military assistance. The offer of \$ 400 was the huge aid package under Carter Administration which was actually designed by the US for Pakistan to support Afghan war. Having been rejected by Zia ul Haq as peanuts was diplomatically phrased by Aga Shahi in an interview with Washington Post not being “commensurate with the size of threat” (William Branigan, January 23, 1980) Under President Reagan which continued until Geneva Accord. From 1980 to 1989 more than \$6bn was poured into the country in the 1980s, along with 1,000 Stinger missiles (Mehrunisa Ali, 1999:37)

IV. After 9/11

The 9/11 reversed the Pakistan’s policy towards Afghanistan. As Thierry, Meyssan writes thousands persons killed in the incident was soon followed by a war waged in Afghanistan to avenge the victims, no matter how mysterious were the causes of the incidents with all contradictions and oddities against all those targeted (Thierry, Meyssan, 2002:10).

.Pakistan once again assumed the position of a frontline state; Afghanistan became the target of a new US hot war in Asia. The major challenge for Pakistan after September 11 was the predicament of war against terrorism. In the medium term after the military operation, the US agenda became more complicated bringing new challenges. Pakistan should spin on its head, discard the Taliban, discard Islamic Jihad, discard Islamic

fundamentalists, and become an accomplice in American military intervention in Afghanistan or else face the consequences.

President Bush had made it clear that those who failed to join hands with them against terrorism were then against them. After 9/11 it had become incumbent upon President Musharraf to agree to "Full Cooperation" in the global war on terror as it was essential to the success of the US coalition building against terrorism. The cooperation at the cost of internal security and chaos is still continuing.

The Congress on Oct. 16, 2001 passed legislation that waives restrictions on U.S. arms exports and military assistance to Pakistan and India. Most U.S. economic sanctions were lifted or eased within a few months of their imposition, however, and Congress gave the President the authority to remove all remaining restrictions in 1999. The two countries were sanctioned following nuclear tests in 1998, and additional sanctions were levied against Pakistan when its head of Government was deposed by a military coup in October 1999. Pakistan was suffering more due to sanctions.

Both India and Pakistan had conducted tests of nuclear explosive devices, drawing world condemnation. The United States and a number of India's and Pakistan's major trading partners imposed economic sanctions in response. Pakistan was under the severe crunch of foreign exchange shortage after donors stopped its aid. In the wake of triggering U.S. economic sanctions as required by the Arms Export Control Act and the Export-Import Bank Act. Prior to the tests, for international treaty purposes, the two countries were classified as non-nuclear-weapon states; the tests put each country in jeopardy of world condemnation and sanctions. Since 1999, Pakistan had been under a sanctions regime that was mandated by another provision of U.S. law pertaining to U.S. foreign assistance. The Pressler amendment, added in 1985 to the Foreign Assistance Act of 1961, requires the President to determine that Pakistan does not possess a nuclear explosive device and that any proposed U.S. assistance would reduce the risk of obtaining such a device.

President Bush in his speech "I hereby determine and certify to the Congress that the application to India and Pakistan of the sanctions and prohibitions contained in subparagraphs (B), (C), and (G) of section 102(b)(2) of the Arms Export Control Act would not be in the national security interests of the United States. Furthermore, pursuant to section 9001(a) of the Department of Defense Appropriations Act, 2000 (Public Law 106-79), I hereby waive, with respect to India and Pakistan, to the

extent not already waived, the application of any sanction contained in section 101 or 102 of the Arms Export Control Act, section 2(b)(4) of the Export Import Bank Act of 1945, and section 620E(e) of the Foreign Assistance Act of 1961, as amended” (Dawn, Pakistan, November 12, 2001) The Senate passed S. 1465 on October 4, 2001, which would remove the impediments on foreign assistance for Pakistan for the next two fiscal years, if that aid is granted as part of the war against international terrorism. On September 23, 2001, the President issued Executive Order 13224 to block property and transactions with 27 organizations or individuals who commit, threaten to commit, or support terrorism. On June 24 Pakistan’s president, Gen. Pervez Musharraf’s visit to US anticipated US \$3.4 billion in U.S. aid since 9/11, which sounds like a lot but is, in fact, very small in comparison to Pakistan’s needs and the size of its population, and given that almost half of this aid is not for economic development but is security related.

V. Conclusion

The politics of aid has been an important feature of the post- World War Two international relations as well as an instrument of foreign policy of major powers, particularly the US, to serve its influence and raise its image in world politics. The uneven division of the world politics dividing the nation-states into core, semi periphery and periphery is ultimately accountable for the effective use of foreign aid at the hands of core states against periphery.

The relationship between Pakistan and US has been based on core-periphery relationship where the use of foreign aid for the former has effectively been used by the latter to serve its interests in the region. Pakistan is one of the leading recipients of the US foreign the flow of which has been higher during a period when military regime is in power or a uniformed man holds the ultimate power in a representative system. Pakistan started depending on US aid from the beginning due to many reasons, the primarily being its weak economic structure and insecurity concerns. The US in case of Pakistan has used aid as a carrot and stick policy. Pakistan was shown a favorable and soft corner once American interests were to serve by involving Pakistan role as an important periphery ally. In the wake of the serving of American interests Pakistan was shown least favorable treatment as happened after Geneva Accord. Pakistan has received more aid under regimes or regime/turned democracy where a uniformed President remains in power than a true representative government.

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