

US-Pakistan Foreign Aid Regime: Changing Trends from the Cold War to the War on Terror

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Research Article

Submitted:
18 July 2024

Accepted:
03 November 2024

Keywords: Cold War,
Foreign Aid Policy,
Pakistan, US, War on
Terror

Abstract

The research employs US-Pakistan foreign aid relations as a case study and examines how the foreign aid policy of the US evolved in response to two substantial political developments: the end of the Cold War in 1990 and the eruption of the War on Terror in 2001. The research finds that during the bipolar competition of the Cold War, Pakistan's strategic importance for the US's containment policy of the Soviet Union was a crucial factor affecting the foreign aid flows. The end of the Cold War coincided with a reduction in the US foreign aid flows to Pakistan and disbursed aid conditioned to the normative criteria, as the political saliency of Pakistan to the US's national interests waned. In the aftermath of the War on Terror, on the other hand, Pakistan's rekindling of strategic importance led to a resurgence of US aid with less moral strings attached, albeit not reaching the Cold War levels. The findings endorse studies arguing from a state-centric approach, claiming that foreign aid allocations can be a foreign policy tool aimed at retrieving strategic political concessions from the recipient state, but the study also contends that systemic factors also function as a prominent intervening force.



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Introduction

How did the United States' (US) foreign aid policy evolve in response to the changing global landscape, particularly after the Cold War in 1990 and the War on Terrorism that began in 2001? These two pivotal moments in world history significantly influenced the US approach to international affairs and introduced novel constraints on US foreign policymaking. On the one hand, the end of the Cold War terminated the bipolar power rivalry between the US and the Soviet Union and prompted the US to adjust its foreign policy principles to align with emerging priorities. On the other hand, the War on Terror, which erupted almost a decade after the Cold War ended, represents another crucial turning point in US foreign policy that compelled the US to redeploy vast political and economic resources and reconsider foreign policy priorities to achieve its strategic and tactical aims in its oversea military campaign.

To address these questions, the study employs a case study design and scrutinizes the foreign aid relations between the US and Pakistan across three significant periods: the Cold War era, the period from the end of the Cold War to the onset of the War on Terror, and from the commencement of War on Terror to 2008. The foreign aid relations between the US and Pakistan serve as a pertinent case study, as Pakistan assumed strategic importance for the United States during both the Cold War as well as during the US's War on Terror. By conducting a detailed examination of the US's foreign aid regime in Pakistan before and after these two critical time periods, this study aims to reveal the factors that influenced the flow of aid and elucidate the intervening forces that might account for fluctuations in aid disbursements.

This study posits three pertinent arguments. First, during the Cold War, when the world order was marked by a bipolar competition of power, the US disbursed more foreign aid to countries that held strategic significance for its national security interests. In essence, pragmatic considerations took precedence over normative and moral conceptions when deciding the conditionalities of foreign aid allocations during this period. Secondly, the end of the Cold War signifies a significant decrease in foreign aid disbursements, given the diminishing political salience of recipient countries to the vital strategic interests of the US. Additionally, as national security concerns became less stringent after the Cold War, normative motives attached to foreign aid disbursements gained greater prominence in shaping the conditionalities of foreign aid. Lastly, the study posits that the amount of foreign aid provided by the US increased in response to the rising strategic significance of certain recipient countries during the War on Terrorism, which

commenced in 2001. Nevertheless, this heightened strategic dimension of foreign aid concomitant with the US's overseas military campaigns did not imply a return to the Cold War era dynamics shaping the US's foreign aid policy and garnering less attention attached to the politicization of the foreign aid in comparison to the era characterized by bipolar competition.

The findings of the study suggest that the primary determinant of US-Pakistan foreign aid relations during the Cold War was Pakistan's occupation of strategic importance in the US's implementation of its containment policy aligning with its national security notion. The amount of foreign aid disbursements exhibited significant surges when Pakistan initiated to play a vital role in the US's containment strategy towards the Soviet Union. During this era, the allocation of US foreign aid neither hinged on the recipient country's fulfilment of certain normative conditions before the transfer of the aid nor required satisfying a normative agenda in the redistribution phase of the aid after its transfer. However, As the Cold War ended, the amount of aid to Pakistan decreased with its diminished strategic importance, and particular normative requirements, such as exhibiting progress in implementing democratic reforms and expediting nuclear disarmament, were introduced as conditionalities attached to the aid allocations. Put differently, while Pakistan's strategic importance waned for US security interests, aid allocations for Pakistan became more contingent on meeting certain conditions. Finally, in the period of the War on Terrorism, the US foreign aid disbursement to Pakistan surged along with Pakistan's increasing strategic importance in the US's evolving global security landscape. Nevertheless, the upward trend in foreign aid allocations in this period was not as pronounced as the Cold War period, which was propelled by bipolar competition.

1. Theoretical Framework

The allocation of foreign aid stands as a critical mechanism for transferring economic resources between countries, a subject that has attracted substantial academic attention due to its both political and economic implications. A vast body of literature explores the factors driving foreign aid disbursements, focusing on the intricate nature of economic and political forces in shaping the donor nations' motivations. One particular academic perspective predominantly focuses on the political aspects attributed to foreign aid, asserting that donor states expect to procure certain political concessions from recipient countries in exchange for the disbursement of foreign assistance (Ali, 2009; De Mesquita and Smith, 2007; McKinlay and Little, 1978; Morgenthau, 1962; Rowe, 1974). Whether these political concessions sought by donor states align



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with normative objectives or crude national interests has been discussed from distinct theoretical perspectives. On the one hand, some academic studies have emphasized that donor states allocate foreign aid with the intention of promoting certain normative goals, such as protecting human rights, fostering democratization, improving political rights, and urging economic reforms (Carapico, 2002; Dollar and Levin, 2006; Neumayer, 2003). On the other hand, the arguments emphasizing normative motivations have faced challenges from academic studies highlighting the strategic dimension of foreign aid.

To begin with, scholars have underscored the need to distinguish between bilateral foreign aid allocations and multilateral foreign aid originating from international organizations, such as the World Bank and the United Nations (UN). Studies from the *realpolitik* perspective emphasize the strategic aspect of foreign aid, propounding that donor states providing bilateral foreign aid are more likely to condition foreign aid disbursements to procure specific political concessions pertinent to their political and economic interests from the recipient country (Berthélemy and Tichit, 2004; Griffin and Enos, 1970; Lai, 2003; Lancaster, 2008; Maizels and Nissanke, 1984; McGillivray, 1989; McKinlay and Little, 1977; Moss et al., 2005). Some studies also emphasize the intervening role of the international structure on foreign aid disbursement, positing the distribution of power in the international system as a determining factor for both the amount and extent of strategic objectives ascribed to the foreign aid allocations (Fleck and Kilby, 2010; Marinov and Goemans, 2014).

This study argues that foreign aid allocations by donor countries encompass a blend of strategic and normative elements, influenced by either *realpolitik* or moral considerations in the donor countries' motivations, respectively. However, the study also proposes that the dominance of strategic or normative motives in foreign aid allocations depends on the political significance of the recipient country to the donor countries' political objectives and the distribution of power in the international system in which donor countries' national interests emerge (Marinov and Goemans, 2014; Tan, 2016). Put differently, both the perceived political salience of recipient nations by donor countries and the systemic pressures arising from the international structure play a role in determining the amount and weight of the strategic component in foreign aid disbursements. In cases where the strategic components of foreign aid outweigh the normative component, donor states may leverage foreign aid to secure various concessions from recipient states, with the aim of advancing their foreign policy objectives (De Mesquita and Smith, 2007).

These objectives may encompass actions such as convincing the recipient country to join a military or economic alliance, gaining access to military bases on the recipient country's territory, or influencing the recipient country's domestic and foreign policy decisions in alignment with the donor country's political interests (De Mesquita and Smith, 2007; Morgenthau, 1962; Sislin, 1994).

The political concessions proffered by recipient states are intended to secure the uninterrupted flow of foreign aid (De Mesquita and Smith, 2007). In the bargaining process between recipient and donor states, one of the determining factors shaping the donor's motivation for foreign aid allocations is the strategic importance of the recipient state (De Mesquita and Smith, 2007; Tan, 2016). Countries that hold strategic importance for the foreign policy goals of the donor country are more likely to receive foreign aid (Tan, 2016). Additionally, the willingness of the recipient state to grant the political concessions sought by the donor states is also a crucial factor. In this regard, countries facing economic challenges are more likely to comply with donor states in extending the required political concessions (Ali, 2019). In sum, the major implications arising from these arguments are twofold: Firstly, if the strategic significance of the recipient country diminishes, the donor country is less inclined to provide foreign aid embodying strategic components. Secondly, if the recipient country is less amenable to fulfilling the donor's demanded concessions, it is anticipated that the amount of bilateral foreign aid will decrease.

In addition to the weight of the strategic component attached to the foreign aid allocations, the employed theoretical framework has a second pillar: the distribution of power in the international system. Accordingly, the study posits that the foreign aid motivations of donor countries can be influenced by the power configuration of the international system. Specifically, foreign aid negotiations within the bipolar international system of the Cold War era differ from those in the post-Cold War international system (Marinov and Goemans, 2014). This argument highlights a critical political context for both superpower donor countries and recipient nations. The bipolar structure of the Cold War period presented significant opportunities for foreign aid recipients. These recipient countries could more easily secure the foreign aid they sought from donor states by leveraging one superpower against another. In other words, strategically important foreign aid recipients, especially those of significance to the US, played the US off against the Soviet Union, endeavoring to both maintain and maximize the foreign aid they received from the US (Marinov and Goemans, 2014). Authoritarian regimes during the Cold War



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era employed this strategy, and despite numerous human rights violations, the US continued to provide foreign assistance because the security considerations stemming from the Cold War outweighed normative goals attached to aid disbursements (Fleck and Kilby, 2010). Throughout the Cold War, the US continued to furnish foreign aid to prevent recipient countries from aligning with the Soviet Union bloc. The political concessions required by the US during this period were in harmony with the containment strategy against the Soviet Union, aimed at keeping recipient countries within the anti-communist alliance (Ali, 2019). In the context of a bipolar world, Western nations struggled to tether the provision of foreign aid to normative benchmarks such as democratization and improvement of the conditions engendering poverty, since security concerns took precedence over scrutinizing the recipient countries' utilization of the aid based on normative expectations (Marinov and Goemans, 2014).

Nonetheless, as the Cold War came to an end, recipient states found themselves without the leverage they once had over Western donor states. Western nations began to demand political concessions aligned with normative policies, such as democratic reforms and improved human rights, from recipient states, who had limited alternatives outside the Western donor community (Neumayer, 2003). As elucidated by Marinov and Goemans (2014, 805):

“After the Cold War, however, major players in international affairs - including the United States and the EU - have committed to championing democracy, even to the extent of penalizing attempts to overthrow elected leaders. In fact, US presidents have been bound by an act of Congress since 1997 to suspend foreign aid in the event of a coup d'état in a recipient country.”

In summary, during the Cold War, when the bipolar international order held sway, donor states were inclined to provide more foreign aid to countries of paramount strategic significance for their national security interests. During this period, considerations rooted in *realpolitik* held greater weight than normative expectations. However, with the Cold War's conclusion, there was a potential decline in foreign aid allocation as the importance of countries that had been strategically vital to donor nations during the Cold War waned. Furthermore, the relaxation of national security imperatives that characterized the Cold War era may have led to an amplification of normative expectations driving foreign aid motivations. Consequently, in the post-Cold War era, foreign aid has become more costly for recipient states because foreign aid allocations to countries that lost their strategic importance in the post-Cold War period gradually became more

likely to be contingent upon fulfilling specific normative expectations, such as embracing democratic reforms. The authoritarian regimes that are unwilling to implement the required reforms as an attached conditionality to foreign aid allocations experienced reductions in aid disbursements (De Mesquita and Smith, 2007).

2. Case Study: US-Pakistan Bilateral Aid Relations

This article seeks to explore the transformation of US foreign aid policy in response to two pivotal junctures in US foreign policy history: the end of the Cold War in 1990 and the commencement of the War on Terror in 2001. To achieve this, the study employs a case study design approach and focuses on the foreign aid relationship between the US and Pakistan across these three prominent timeframes. Pakistan emerges as a central case to address the research questions, as it played a crucial role in protecting US regional interests during the Cold War. Consequently, it is intriguing to assess the impact of the Cold War's termination on the US-Pakistan foreign aid dynamics. Additionally, Pakistan's strategic significance, driven by its geopolitical location, experienced a resurgence with the US's invasion of Afghanistan during the War on Terror. This political context situates Pakistan as a prominent case that may provide valuable insights into how shifts in the strategic importance attributed by the US to recipient nations influence the foreign aid landscape.

The first research question in this study investigates the transformation of the US foreign aid strategy, a crucial tool in its foreign policy arsenal, following the end of the Cold War. Specifically, it seeks to unfurl how and why the priorities for disbursing foreign aid evolved during this critical period. Additionally, the second research question explores how the US foreign aid strategy and priorities altered as a result of the post-Cold War recalibrations in US foreign policy and the subsequent emergence of the War on Terror, which unfolded nearly a decade after the Cold War's termination.

Within the theoretical framework of this study, the arguments concerning the US-Pakistan foreign aid relationship can be summarized as follows: During the Cold War, the foreign aid provided by the US to Pakistan was significantly influenced by Pakistan's strategic importance to the US's foreign policy objectives. In other words, as long as Pakistan remained strategically crucial for US policies aimed at countering the Soviet Union during the Cold War, foreign aid continued to flow. During this period, the US's motivation for allocating foreign aid to Pakistan was driven by realist considerations, prioritizing strategic interests over normative expectations.



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Nevertheless, as the Cold War terminated, the nature of foreign aid allocated to Pakistan evolved in response to its shifting strategic significance for the US. Moreover, in the post-Cold War era, foreign aid allocation increasingly came to be conditioned by normative criteria, such as demands for democratization and economic reform. Finally, with the heightened strategic importance of Pakistan during the War on Terrorism that commenced in 2001, it is expected that the volume of foreign aid received by Pakistan would increase. Nevertheless, it's important to note that even with the increased strategic dimension of foreign aid in the context of the War on Terrorism, it does not signal a return to the Cold War era characterized by bipolar competition.

2.1. US-Pakistan Aid Regime During the Cold War Era

The initiation of bilateral relations between the US and Pakistan were primarily driven by security concerns perceived by both nations. Pakistan, following its separation from India and the declaration of independence in 1947, viewed India as a significant threat to its political survival (Farooq, 2016). There existed an inherent imbalance of power between India and Pakistan, with India holding a dominant position in the political and military realms. To bridge this power gap, Pakistan sought economic assistance to bolster its position relative to its more potent regional rival.

Pakistan's sense of insecurity and economic challenges propelled its leaders to actively seek an alliance that could offer both security guarantees and foreign aid (Sunawar and Coutto, 2015). Pakistan recognized the strategic advantages of its geopolitical location, with close proximity to Central Asia, South Asia, the Middle East, and the Soviet Union. This positioning rendered Pakistan a pivotal player in securing critical energy routes and lent it political significance due to its proximity to the Muslim world. Leveraging these geopolitical advantages, Pakistan calculated that an alliance capable of providing both security and economic resources would be attractive to major global powers (Ali, 2019).

Nonetheless, the establishment of a security alliance between the US and Pakistan had to navigate various historical milestones. In the aftermath of World War II, the US prioritized the establishment of a political and economic order in Europe. Geographically, the Near Asia region was not initially considered a focal point in the global power struggle for the US. Moreover, the US perceived India as a more vital partner in countering both China and the Soviet Union. Consequently, aligning with Pakistan was deemed a move that could alienate India from the US (Alavi, 1998). During the Pakistan-India War of 1948, the US declined Pakistan's request for aid

and refused to sell arms to the country. However, a shift in US.-Pakistan relations took place in the early 1950s. The nationalization of Iranian oil by then-Prime Minister Muhammad Musaddeq in 1951 significantly affected Western powers' oil-based interests (Alavi, 1998). Additionally, events like the outbreak of the Korean War in 1950, the communist victory in the Chinese Civil War, and the formulation of the containment policy against the Soviet Union elevated Pakistan's importance in safeguarding US regional interests (Khan, 2010). Importantly, the US failed to bring India into an alliance against the Soviet Union, as India maintained its relations with the Soviet Union and adopted an independent stance in the Cold War (Farooq, 2016). These developments created a political context that paved the way for improved Pakistan-US relations (Ali, 2019). The US recognized Pakistan as a potentially valuable ally, and due to its strategic proximity to the Soviet Union, it became feasible to establish military bases to contain Soviet influence (Farooq, 2016). In the 1950s, Pakistan actively joined two pivotal military alliances orchestrated by the US. The first was the Southeast Asia Treaty Organization (SEATO), established in 1954 as part of the US containment policy, encompassing Southeast Asian nations. Secondly, the Baghdad Pact was forged in 1955, forming an alliance between Pakistan, Türkiye, Iran, and Iraq. In addition to these developments, in 1954, the Mutual Defense Assistance Agreement solidified the alliance between Pakistan and the US (Ali, 2019). As a clandestine component of this alliance, the US was granted access to a secret military base on Pakistani soil, which it utilized for intelligence operations directed at the Soviet Union (Farooq, 2016).

Consequently, Pakistan-US relations, moulded by political considerations in the early 1950s, served the pragmatic objectives of both nations (Zaidi, 2011). For the US, securing the region was a critical aspect of its containment policy against the Soviet Union, along with the imperative to obstruct the Soviet Union's access to Middle Eastern oil—an essential strategy for US security interests (Farooq, 2016). On the other hand, Pakistan aligned itself with a superpower that could help address its security concerns stemming from India and provide financial resources for the development of its economically challenged nation.

As indicated in Figure 1, since the early 1950s, the US has delivered substantial economic and military aid to Pakistan. In return, the US sought political concessions from Pakistan in line with the imperatives of its containment policy. Nevertheless, it was evident that there were restrictions associated with the US military aid and armament strategy. The military assets supplied by the US to Pakistan were intended for use only in ways that aligned with US interests,

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and the transfer of arms and military aid did not encourage armed conflict with India.

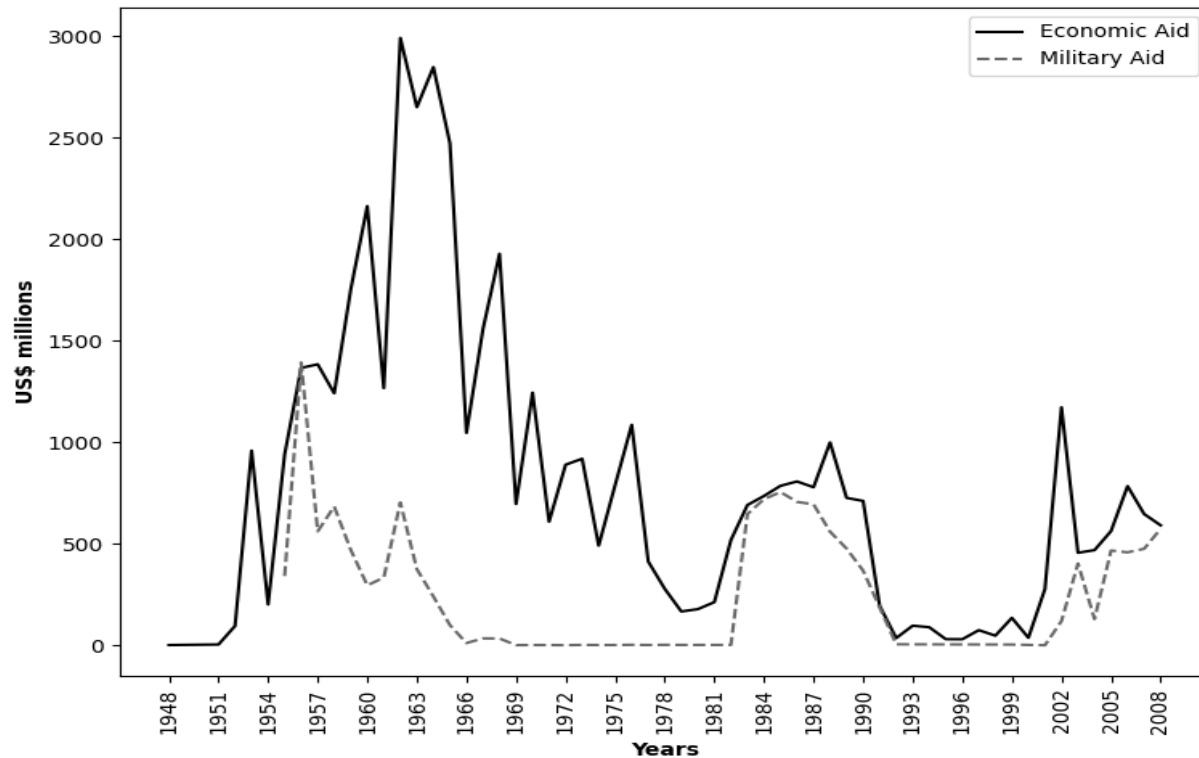


Figure 1. US Foreign Aid Disbursement to Pakistan, 1948-2008 (USAID, 2023).

Established in the early 1950s, the alliance between the US and Pakistan encountered significant strains during the 1960s and 1970s due to various tensions between the two nations. Of these tensions, the most notable were the 1962 Sino-Indian War, the 1965 Pakistan-India War, and the 1971 Pakistan-India War. The 1962 Sino-Indian War saw the US supplying arms and military aid to India, an action that deeply disappointed and infuriated Pakistan. The US decision to provide long-term military aid to India following the conflict was interpreted by Pakistan as a direct threat to its national security. In response to this US policy, Pakistan initiated a rapprochement with China, designating China as an “alternative source of military equipment” (Farooq, 2016: 21).

The 1965 Pakistan-India War brought about a critical moment in the US-Pakistan alliance as the US’ stance left Pakistan questioning the reliability of the alliance. Despite Pakistan’s expectations, the US declined to provide military assistance to Pakistan during the conflict. Furthermore, the US imposed an arms embargo on both Pakistan and India after the war (Khan, 2010). This embargo compounded Pakistan’s security predicament in two significant ways. Firstly,

it eroded the belief that the US was a dependable ally. Secondly, Pakistan found itself militarily disadvantaged against India, as India could still procure arms from the Soviet Union despite the US embargo (Ali, 2009; Ali 2019; Epstein and Kronstadt, 2011). Faced with the arms embargo, Pakistani leader Ayub Khan sought military and economic assistance by visiting the Soviet Union in 1965 (Farooq, 2016: 22). A similar scenario recurred during the 1971 Pakistan-India War, but with a crucial difference: the US chose not to intervene directly in the conflict. Instead, it exerted pressure on India to refrain from launching an attack on Western Pakistani territory. The US even deployed a warship to the Gulf of Bengal to dissuade India from targeting Western Pakistan in a quest for a more substantial victory (Ali, 2019: 34).

While Pakistan made efforts to involve the US in an uninviting conflict with India, the US approach towards Pakistan during the 1960s remained geared towards preserving a strategic alliance. Despite Pakistan's overtures for foreign aid from China and the Soviet Union causing concern in US circles, geopolitical considerations ultimately ensured the survival of the US-Pakistan alliance. As elucidated by Farooq (2016: 14):

“Considering Pakistan's dire need for military assistance, American foreign policy experts feared its possible strategic engagement with China or the Soviet Union in case of Western disinterest. It is therefore fair to argue that even as Pakistan manipulated the US to protect its regional security objectives, American officials disregarded Pakistan's regional motives precisely because of its relevance to containment.”

While the 1960s witnessed tensions that strained the US-Pakistan relationship and eroded the strategic alliance between the two nations, the alliance itself didn't plunge into a major crisis because Pakistan's strategic significance for the US remained intact. As depicted in Figure 1, the US managed to sustain economic aid at a certain level, even though military aid diminished, until around 1970. However, the genuine crisis within the Pakistan-US alliance emerged during the Cold War's “détente period”, coinciding with Pakistan's diminishing strategic relevance. The US-Soviet thaw, initiated by the SALT agreements during the détente period, reduced Pakistan's importance for US interests. Relations between Pakistan and the US hit their lowest ebb during this Cold War phase. In 1973, Pakistan withdrew from SEATO (Farooq, 2016). This weakening alliance led to a substantial reduction in US economic and military aid to Pakistan. As illustrated in Figure 1, between 1970 and 1982, military aid was completely terminated, and economic aid entered a declining trajectory.



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Throughout the 1970s, two pivotal issues shaped Pakistan-US relations. The first revolved around Pakistan's covert initiation of a nuclear weapons program, spurred by India's first nuclear weapons test in 1974. The second was the establishment of a military regime by General Zia in 1977 following a coup (Ali, 2019). The US exerted political pressure on Pakistan to halt its nuclear weapons program and impeded the supply of nuclear materials. Failing to persuade Pakistan, the US made a decisive move in 1979 to cease all military and economic aid to the country. The Pakistani government, unable to leverage its geopolitical positioning as a political concession to the US during the détente period, was confronted with hitherto unarticulated demands from the US, including nuclear disarmament and democratization, in exchange for the continuation of foreign aid.

Nonetheless, the year 1979 witnessed two pivotal events that refocused the dynamics of the relationship between Pakistan and the US. Firstly, the overthrow of the Shah regime in Iran through a revolution, leading to the establishment of the Islamic Republic, resulted in the US losing a critical ally in the region. Secondly, the Soviet Union's invasion of Afghanistan reshaped the regional landscape. These two developments effectively terminated the detente period, which had been characterized by political rapprochement and a thaw in relations between the US and the Soviet Union. Particularly, the Soviet occupation of Afghanistan in 1979 escalated Cold War tensions. The waning strategic significance of Pakistan for the US during the detente period began to resurge with the events of 1979. As articulated by Thornton (1982: 969):

“Overnight, literally, the situation changed dramatically with the Soviet invasion of Afghanistan in December 1979. President Carter and others saw this as a qualitative change in Soviet behaviour, calling for a global response. Pakistan, now a front-line state, became an essential line of defence and an indispensable element of any strategy that sought to punish the Soviets for their action. Afghanistan was an Islamic cause, and Pakistan demonstrated great diplomatic skill in organizing protests in the Islamic Conference and the United Nations. The outflow of refugees from Afghanistan brought the full force of US and UN relief mechanisms to bear on Pakistan's behalf. With increased concern at Soviet proximity to the Persian Gulf, Pakistan was even thought of as one of the guarantors of free access to the energy resources of the Gulf.”

Given Pakistan's enduring strategic importance to the US, the decision to halt economic and military aid was ultimately rescinded, and the flow of foreign aid was reinstated. As Figure 1 illustrates, the increasing significance of Pakistan was mirrored in the heightened levels of US economic and military foreign aid to the country. By 1985, Pakistan had risen to become the fourth-largest recipient of US foreign aid (Ali, 2019). In exchange for this foreign aid, Pakistan collaborated with the US on a joint strategy concerning Afghanistan (Hussain, 2005). In accordance with this strategy, both the CIA and Pakistan's intelligence agency ISI conducted covert operations within Afghanistan, working to undermine the Soviet Union's presence in the region (Farooq, 2016).

The strategic cooperation between the US and Pakistan, which was initiated in 1979, managed to overshadow the tensions stemming from Pakistan's nuclear armament during the detente period. In 1985, the US Senate passed the Pressler Amendment, a law that mandated the US President to annually certify Pakistan as a non-nuclear weapons state in order to allocate US military aid to Pakistan (Ali, 2019; Anwar and Michaelowa, 2006). However, the US presidencies of both Reagan and his successor, George H. W. Bush, opted to overlook Pakistan's nuclear weapons program until 1989, when the Soviet Union's Afghan invasion concluded. Surprisingly, despite the legal requirement, the flow of military aid continued unimpeded (Epstein and Kronstadt, 2011). Pakistan seized this renewal of the US-Pakistan alliance as an opportunity, intensifying its efforts to advance its nuclear weapons program during this period (Farooq, 2016: 27).

2.2. US-Pakistan Relations in the Post-Cold War Period

With the conclusion of the Soviet Union's invasion of Afghanistan, the strategic partnership between the US and Pakistan came to an end, and US expectations related to nuclear armament and democratization, which had been prominent during the detente period of the Cold War, resurfaced (Farooq, 2016). The conclusion of the Cold War also marked the decline of Pakistan's strategic significance. Within this shifting political landscape, the Pressler Amendment, previously disregarded by US presidencies until 1989, began to be enforced, resulting in a sudden drop in US military foreign aid. Pakistan's nuclear weapons tests in 1998 and the overthrow of the civilian regime in a military coup in 1999 heightened US concerns regarding nuclear disarmament and democratization, further straining US-Pakistan relations (Ali, 2019). Additionally, Pakistan's diminishing strategic importance to the US prompted the US to establish closer diplomatic ties



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with India. During the Clinton era, India gained recognition as a more significant country, owing to its potential as a formidable economic market (Fair, 2016). Clinton's policy of rapprochement with India exacerbated the rift between Pakistan and the US.

As the US moved away from its containment policy, it adopted a new approach to its global foreign policy. Nuclear disarmament became a key foreign policy objective during the Bush and Clinton administrations. Diplomatic efforts were made, particularly to persuade Kazakhstan, Ukraine, and Belarus to relinquish their nuclear weapons following the dissolution of the Soviet Union (Farooq, 2016). During this period, Pakistan was a target of US foreign policy aimed at preventing the proliferation of nuclear weapons (Schaffer, 2002). Prior to 1989, despite being aware of Pakistan's pursuit of nuclear weapons, the US had overlooked these activities due to Pakistan's significance in the Afghan conflict. However, after 1989, the US sought to impede Pakistan's nuclear weapons program, and its earlier generous foreign aid was suspended until Pakistan complied with US demands for nuclear disarmament (Farooq, 2016). Nevertheless, the Clinton administration's efforts to enforce nuclear disarmament policies against Pakistan proved ineffective, and in 1998, Pakistan conducted its first nuclear weapons test in response to India's actions (Farooq, 2016).

2.3. US-Pakistan Relation During War on Terror

The US-Pakistan relationship encountered a significant turning point following the terrorist attacks by al-Qaeda on the World Trade Center towers in New York on September 11, 2001. Pakistan emerged as a crucial ally and a new front in the US war on terror (Ali, 2019). During the war on terrorism period, Pakistan regained the strategic significance it had lost after the end of the Cold War (Ali, 2019). Initially, Pakistan distanced itself from the Taliban and purged government officials and intelligence personnel with sympathies toward the Taliban (Ali, 2019). Furthermore, Pakistan allowed the US to use its military bases for air operations in Afghanistan and deployed a significant number of troops along the Pakistan-Afghanistan border to jointly combat terrorism, conducting military operations against al-Qaeda and Taliban targets (Collins, 2008). In return for Pakistan's cooperation, President Bush revoked the Pressler Amendment and Democracy Sanctions from the 1990s, which had obstructed the flow of foreign aid to Pakistan. Since 2001, economically challenged Pakistan has received a substantial amount of foreign aid from the US (Hussain, 2005). As indicated in Figure 1, US foreign aid to Pakistan experienced a notable increase compared to the post-Cold War period. While the foreign aid

regime between the US and Pakistan did not reach the levels seen during the Cold War, Pakistan's renewed strategic importance to the US played a significant role in driving the increase in foreign aid.

Pakistan-US relations have faced strains following two significant events that occurred after 2001. The first incident was sparked when an American agent, known as Raymond Davis, killed two Pakistani citizens and was subsequently detained by Pakistani authorities. The US demanded Davis's release, citing diplomatic immunity. Pakistan ultimately released Raymond Davis by complying with the US demands (Ali, 2019). The second event was the killing of Osama bin Laden by US soldiers within Pakistan, which led to reactions in both the US and Pakistan. Some American Senators accused Pakistan of harbouring Osama bin Laden, while Pakistan accused the US of conducting military operations without the knowledge of the Pakistani state, thereby violating Pakistan's sovereignty. However, these tensions were eventually resolved through diplomatic means. It's worth noting that the foreign aid relationship between the US and Pakistan did not come to an abrupt end. Despite the post-2001 period being marked by fluctuations in US-Pakistan relations, the US made notable efforts to address emerging tensions. Finally, the 2015 National Security Strategy, as published by the US administration, stressed the importance of enhancing cooperation with Pakistan and working collaboratively to ensure regional security (Ali, 2019). This underscores the notion that the flow of foreign aid would continue as long as a balance of mutual benefit between the US and Pakistan is maintained.

Conclusion

This research delves into the evolution of the US foreign aid policy from 1948 to 2016, with a specific focus on two pivotal foreign policy shifts: the end of the Cold War in 1990 and the War on Terrorism that commenced in 2001. The examination of the Pakistan case offers valuable insights into the changing priorities and patterns of US foreign aid distribution, given Pakistan's historical significance in advancing US national interests during both the Cold War and the War on Terrorism. The study explores three interconnected arguments concerning US foreign aid distribution trends across the examined timeframes. First, within the bipolar international framework of the Cold War, the US is inclined to provide foreign aid to nations crucial to its national security interests (Marinov and Goemans, 2014). Second, when a recipient country's significance diminishes for US interests, as observed for certain countries post-Cold War, US foreign aid allocations tend to decrease, with the aid being contingent on normative expectations



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like democratization and human rights improvements (Tan, 2016). Third, in the War on Terrorism period, if the recipient country's importance to US interests intensifies, foreign aid allocation from the US increases. However, the foreign aid regime with the recipient country does not revert to the Cold War-era patterns. This is due to the fact that the political concessions demanded by the US from recipient countries are not as strategically critical as during the Cold War, which was characterized by bipolar competition. Additionally, the recipient country is no longer able to wield "Soviet aid" as leverage in the aid negotiation process with the US (Fleck and Kilby, 2010).

Based on the study's findings, the primary driving force behind US-Pakistan foreign aid relations during the Cold War were Pakistan's strategic significance within the context of containment policy. Notably, the Cold War-era foreign aid arrangement between the US and Pakistan remained largely impervious to normative considerations, such as democratization and human rights improvements, as long as Pakistan held sway in terms of US interests. In this period, the US made calculations primarily based on its strategic objectives.

So long as Pakistan played a vital role in the US containment strategy against the Soviet Union, foreign aid continued to flow, with pragmatic considerations taking precedence. During the 1960s, Pakistan sought leverage by accepting foreign aid from the Soviet Union and China, which raised concerns in the US. However, the foreign aid dynamics remained largely unaffected due to Pakistan's enduring strategic importance. However, during the detente period, as Pakistan's strategic relevance waned, foreign aid dwindled substantially. This trend was eventually reversed in 1979 when the detente era concluded, and the Cold War tensions resurged.

With the conclusion of the Cold War and the subsequent shift away from containment strategy, Pakistan's strategic significance in the eyes of the US has diminished. As Pakistan's strategic relevance waned, foreign aid from the US saw a significant reduction. Notably, during this period, US foreign aid started to be tied to normative criteria such as democratization and nuclear disarmament, matters that weren't a major focus during the Cold War. In essence, the foreign aid allocated toward countries experiencing a reduction in their strategic importance might increasingly hinge on normative expectations. During the war on terrorism, Pakistan rekindled its strategic importance for the US, primarily due to its geographical location. This renewed strategic relevance prompted a resurgence in foreign aid akin to Cold War levels. However, it's worth noting that this upswing is not as pronounced as the foreign aid patterns during the Cold War era.

This discrepancy may stem from Pakistan's contemporary relevance not being as pivotal as it was during the Cold War and Pakistan's inability to employ another superpower as leverage during foreign aid negotiations.

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