

General Studies-2; Topic: Effect of policies and politics of developed and developing countries on India's interests, Indian diaspora.

US aid cut to Pakistan

1) Introduction

- The United States has suspended more than \$1.15 billion security assistance to Pakistan
- It has accused Islamabad of harbouring terror groups like the Afghan Taliban and the Haqqani Network within its border.
- US said, Pakistan is showing unwillingness to take “decisive actions” against these terror groups.
- Trump said, US has provided around \$33 billion aid to Pakistan over the last 15 years and they have given us nothing but lies & deceit.

2) Highlights

- The withheld amount stays in an escrow account, but Pakistan can technically claim the money within two years.
- This aid cut threat is not new.
- In 2015 it cut \$300 million from the Coalition Support Fund.

3) Why US took this decision?

- Afghan Taliban and the Haqqani Network finding bases in Pakistan are destabilising Afghanistan and also targeting U.S. personnel.
- Pakistan is not taking the steps that they need to take in order to fight terrorism
- This is seen as an incentive to Pakistan to take more action against terrorist groups.
- Pakistan plays a double game – gets paid by the US to provide access to Afghanistan, but refuses to shut down its terror havens inside Pakistan.
- In 2011-12 there were number of US-Pakistan crisis like detection of Osama Bin Laden, Salala incident, closure of the ground communication linkages to Afghanistan due to blockages by Pakistan Army.
- The deep state in Pakistan is responsible for the problems, whether it is faced by US, Afghanistan or India.
- Pakistani Military uses islamist extremism.

4) Consequences

- It could trigger a breakdown in ties between US and Pakistan, which could threaten cooperation on intelligence, nuclear safety and the war in Afghanistan.
- It could close road routes and airspace the United States relies on to support its campaign in landlocked Afghanistan.
- This could also have implications for the US-China proxy war in Asia.

5) Pakistan's Reaction

- According to US sources, Pakistan is displaying a “non-serious attitude”.
- Pakistan’s prime minister said that US financial assistance was insignificant and that Pakistan was on the forefront of the war on terror.
- Pakistan will reach out to “iron brother” China to alleviate the economic hardship.

- Millions of dollars of aid by US is nothing in comparison to the billions of dollars of investments by China.
- Pakistan's central bank recently announced that it will be replacing the US dollar with the Yuan for bilateral trade and investment with China.
- China provides 60 to 70% of Pakistan's military equipment today.
- However, Pakistan may not go against US at this juncture.

6) China's Reaction

- China and Pakistan are all-weather partners.
- China Acknowledged Pakistan's contribution to counter-terrorism efforts and appeared to defend Islamabad
- It said that international community should acknowledge Pakistan's measures.
- Pakistan is engaging in international cooperation, so as to contribute to regional peace and stability.
- China's move to defend Islamabad is an important move as Beijing is investing heavily in China Pakistan Economic Corridor (CPEC)
- China's state-run media has blamed India for U.S. President Donald Trump's recent decision.
- Beijing thinks that Islamabad should change focus more on China and Russia.

7) India's Reaction

- India will be pleased that the world's most powerful country, the US, is coming down so hard on its hostile neighbour in its west.
- The statement by Donald Trump brings India and cross border terrorism affecting it to the forefront.

8) Why Pakistan needs US

- Pakistan is financed through the World Bank, the International Monetary Fund and the Asian Development Bank.
- Pakistan needs the support of the United States because the US is a major shareholder of these organisations.
- Pakistan's foreign exchange reserves are sharply down, forcing the country to borrow if it wants to continue to grow.

9) Why US needs Pakistan

- Access of NATO forces to Afghanistan.
- The US wants Pakistan to use its influence on terror organisations to come to the talks table with the Afghan government so that elections can be held peaceably later this year.
- The US needs to use its leverage to strengthen Pakistan's civilian leadership instead of its army's rulers.