

## **POLITICS**

### **New report urges duty-free access for Pakistan**

Wed, Jun 01 10:03 AM EDT

By Susan Cornwell

WASHINGTON (Reuters) - The United States should offer duty-free access to its markets for Pakistani exports, a new report says, declaring that trade might succeed where aid has not in developing a vibrant economy and stable partner.

The report by a study group convened by the Center for Global Development, an independent think-tank, was sharply critical of Washington's attempts to stabilize Pakistan with billions in economic aid, saying they were not delivering the desired results.

"The United States is way off course in Pakistan," said Nancy Birdsall, the center's president and lead author of the report.

U.S. officials and lawmakers are reviewing ties with Pakistan after the discovery of Osama bin Laden in a town about 50 km (30 miles) from the capital raised fresh doubts about Pakistan's reliability as an ally against militancy.

But the report said U.S. assistance to Pakistan should be mended instead of ended, with duty-free trade benefits added for at least five years to create a boost for Pakistan with "very little harm to workers in the United States."

The proposal is a politically dicey one, however. Less sweeping proposals for increasing Pakistan's access to U.S. markets have foundered in Congress in the recent past.

A bill sought by President Barack Obama to offer trade advantages in border areas of Pakistan and Afghanistan stalled in the last session of Congress amid concerns about labor provisions and the impact on the U.S. textile industry. Textile and apparel industries account for much of Pakistan's economy.

"The American textile lobby is a very powerful special interest," said Sallie James, a trade analyst at the Cato Institute. "There is good reason to believe that the textile lobby would launch a strong lobbying campaign to keep this (duty-free access for Pakistani goods) from going through."

Robert Mosbacher Jr., former president of the Overseas Private Investment Corporation and a member of the group that produced the report, said Obama's leadership is needed.

"There's no question in my mind that they (the administration) know how important this is to Pakistan. Pakistanis have been asking us to help them with this for years," Mosbacher told Reuters.

## **PROBLEMS WITH THE U.S. AID PROGRAM**

In 2009 Congress passed and Obama signed a law authorizing a tripling of nonmilitary assistance to Pakistan, to a total of \$7.5 billion over five years. The president said economic aid to the hard-pressed country was important because extremism could not be fought "with bullets or bombs alone".

The aid program was named after its sponsors, Senators John Kerry and Richard Lugar, and Representative Howard Berman.

But administration of the program has been neither coherent nor transparent, the report found. It was hard to find out how money had been spent, and no one person seemed in charge.

"No one is sure what the United States is trying to accomplish ... Because of a debilitating lack of transparency in the aid program, no one is even sure what the United States is doing," it said.

An official at the U.S. Agency for International Development said Washington had given Pakistan \$1.7 billion in civilian aid since the Kerry-Lugar-Berman was passed.

This included a program that helped save the winter wheat crop, "averting a food crisis for millions of Pakistanis after the devastating floods of 2010," the official told Reuters, responding to the report's criticisms.

The official said USAID had avoided a "rush to spend" in Pakistan, to assure that programs meet Pakistani priorities and are monitored.

Analyst Edward Gresser of the GlobalWorks Foundation said Congress should consider fully opening U.S. markets to Pakistan's exports, because current U.S. trade policy is at odds with its aid policy.

"It strikes me as very odd that Congress has been willing to provide \$1.5 billion in annual money to Pakistan as aid, with the purpose of helping to create a vibrant society ... and at the same time is penalizing those parts of the Pakistani economy that are successful," Gresser said.

With \$350 million a year in U.S. tariffs levied on imports from Pakistan, "Pakistan is taking it on the chin," he said.

(Additional reporting by Doug Palmer; Editing by Warren Strobel and Cynthia Osterman)