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Daniel Morrow & Michael Carriere

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THE ECONOMIC IMPACTS OF THE 1998 SANCTIONS ON INDIA AND PAKISTAN

by Daniel Morrow and Michael Carriere

*Daniel Morrow was a Senior Associate at the Carnegie Endowment for International Peace during 1997-1999. He has been on the staff of the World Bank in various positions since 1979. Michael Carriere was a Junior Fellow at the Carnegie Endowment for the International Peace during 1998-1999, and is currently a Century Fellow at the University of Chicago. A version of this article will appear in Joseph Cirincione, ed., **Repairing the Regime** (Routledge Press, forthcoming). The views expressed in this article are those of the authors and do not represent the official policies of any institutions with which they are associated.*

On May 11 and 13, 1998, India conducted a series of nuclear tests in the barren deserts of the Pokhran region. In response to these tests, neighboring Pakistan conducted its own round of nuclear explosions on May 28, 1998, in the Chagai Hills of Baluchistan. As required by law (under the Glenn Amendment), the United States immediately placed both nations under economic sanctions. According to Undersecretary of State Strobe Talbott, who has become the chief US interlocutor with the South Asian neighbors since their respective tests:

> [The sanctions imposed on India and Pakistan] were necessary for several reasons. First, it's the law. Second, sanctions create a disincentive for other states to exercise the nuclear option if they are contemplating it. And third, sanctions are part of our effort to keep faith with the much larger number of nations that have renounced nuclear weapons despite their capacity to develop them.[1]

Just six months after the sanctions were announced, however, the United States had lifted virtually all of them. The process of weakening the sanctions in place against India and Pakistan had actually begun in July 1998, when the Senate voted to exempt food exports from sanctions.[2] On October 21, 1998, Congress passed the Brownback Amendment, which gave President Clinton the authority to waive certain economic sanctions in place against India and Pakistan and to resume trade financing and other assistance programs for up to 12 months.

President Clinton wasted little time in using this waiver authority. On November 6, 1998, the president's declaration, officially titled the "India-Pakistan Relief Act," waived the prohibitions in place against the activities of the United States Export-Import Bank, the Overseas Private Investment Corporation, and the Trade Development Agency in both India and Pakistan. Perhaps most importantly, the presidential waiver also authorized US officials to support loans to Pakistan from the International Monetary Fund (IMF) and the World Bank.[3] On June 9, 1999, the

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