

Pakistani-conomy: Did the Eisenhower Doctrine Truly Help?

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In the decades following the end of World War II, what began as a half-century of "hot" wars became one of "Cold War." As the United States and the Soviet Union vied for power and influence, the conflict quickly became ideological: America and her allies frantically sought to stop the spread of communism originating out of the Soviet Union. Although the two superpowers never directly fought one another, the attempts to contain communism led to proxy wars and conflicts around the globe, including Asia, Latin America, and the Middle East. One key conflict was the Suez Crisis. When Egyptian President Gamel Abdel Nasser attempted to nationalize the Suez Canal and construct the Aswan Dam, the British and French forces occupying the area objected, despite the Americans' conditional support.¹ This short-lived conflict, lasting from October 1956 through March 1957, ended in defeat for the British and the French, forcing them to eventually withdraw.

American policy makers and leaders had long known that the Middle East and South Asia stood as strategic centerpoints. If the Soviets gained control over this territory, then they could easily expand their power and reach across southern Europe, Southeast Asia, and Africa. Fearing the inevitability of the situation, U.S. President Dwight D. Eisenhower knew that the American government and military needed to protect the region, contain communist expansion, and preserve American interests. These wishes soon appeared before the U.S. Congress, in what is known as the Eisenhower Doctrine.

The doctrine enacted four major powers for the President:

• to authorize the United States to cooperate with and assist any nation or group of nations in the general area of the Middle East in the development of economic strength dedicated to the maintenance of national independence...

- to undertake in the same region programs of military assistance and cooperation with any nation or group of nations which desires such aid...
- to include the employment of the Armed Forces of the United States... against overt armed aggression from any nation controlled by international communism...
- to employ, for economic and defensive military purposes, sums available under the Mutual Security Act of 1954, as amended, without regard to existing limitations.²

This marked an important moment in the development of U.S. Cold War doctrine as it committed the U.S. to pursue policies and initiatives (economic, diplomatic, and military) designed to create a line of defense against communist expansion across western and southern Asia.

One of the critical points in the South Asian line was Pakistan. Independent since 1948, Pakistan built (despite her on going religious and military conflicts with India) a close alliance with the United States and enjoyed an extended period of economic success that lasted throughout the 1960s. The fundamental question is, To what degree did the Eisenhower Doctrine impact Pakistan's success during this period? While at first glance one might conclude that the doctrine drove Pakistani success, the evidence shows this was not the case. Instead, prior constant American aid, adoption of western idealism through multiple political pacts, and financial reforms by Ayub Khan led to this brief period of prosperity.

From 1947 until the signing of the Mutual Defense Agreement in 1954, Pakistan attempted to grow a selfsustaining economy based mostly on textiles and agriculture. Through the 1950s, agriculture saw booming increases upwards of 20% per annum.³ In addition, GDP (Growth Domestic Product), the most common way to determine

¹ Sherman Adams, *Firsthand Report: The Story of the Eisenhower Administration* (New York: Harper and Brothers, 1961), 247.

² Dwight D. Eisenhower, "Situation in the Middle East – Address of the President of the United States." 103, *Congressional Record* – Senate. pg 224-227. 1957.

³ Parvez Hasan, et al. "Learning from the Past: A Fifty-year Perspective on Pakistan's Development [with Comments]." *The Pakistan Development Review* 36, no. 4, (December 1997). 373.

economic success, scored higher in Pakistan than in most other developing countries, being 3.1% in the 1950s and increasing to 6.7% in the 1960s. These increases appear to show success in self-development for Pakistan.

However, many of the weaknesses rose from their weak or non-existent foreign trade and export policies. In 1947, Pakistan originally traded agricultural products with Britain and India. However, this quickly shifted when they broke off trade with India. In response to the jarring exit of a main trade partner, Pakistani officials placed more focus on imported domestic manufacturing without balancing the value of exported agricultural goods⁴. This focus resulted negatively, and without the necessary balance of international and domestic economy, trade policies became very restrictive. As a result, domestic agriculture, the main source of income, weakened.

Because of this stagnation, Pakistan fell into its first economic crisis. In order to remain viable, Pakistan became heavily reliant on foreign aid, primarily from the United States. The year 1954 served as the original turning point for Pakistan. The Mutual Security Act of 1954 sought to provide American aid in order to keep peace and security among foreign nations through economic and military assistance. In 1954 alone, American aid to Pakistan amounted to \$12 million (2.2 billion rupees).⁵

The Eisenhower administration recognized the need to rebuild the agricultural foundation of Pakistan and ease tensions between it and India. In addition to direct aid, the U.S. implemented a program of cultural and technological exchanges between the countries and the United States. One example of this type of exchange was the International Farm Youth Program. Rooted in the 4-H Association, the first exchange occurred in 1948 between the U.S. and 7 European countries. This program was one of several "people to people" diplomatic initiatives that became fundamental components of United States foreign policy during the Cold War. In October, 1954 President Eisenhower focused significant energy on U.S. South Asian affairs, which included a number of meetings, receptions, and luncheons with diplomats from Turkey, Iran, India, and Pakistan. This effort culminated on 30 October 1954, when the President, at the request of the Departments of Agriculture and State, met with the exchange participants, ambassadors, and other officials from Pakistan and India.⁶

Though important, both countries realized that this simply was not going to be enough. With India continuing to threaten Pakistan's economy and refusing to work with the American policy of containment, the two countries entered into an even deeper alliance, the Mutual Defense Assistance Agreement, built on the effects of the Mutual Security Act. This agreement paved the way for the sustaining of the Pakistan state. As the name suggests, the Agreement worked in a format that benefitted both countries in preserving the independence of Pakistan with their assistance in maintaining peace in Southern Asia. Articles I and VII of the Agreement read:

The Government of the United States will make available to the Government of Pakistan such equipment, services, materials, or other assistance as the Government of the United States may authorize in accordance with such terms and conditions as may be agreed... The Government of Pakistan will... take appropriate steps to insure the effective utilization of the economic and military assistance provided by the United States.⁷

With this act, Pakistan now found the security that it needed against major enemies such as India, while also finding economic assistance to fortify her independence.

American foreign aid poured into Pakistan, and she benefitted in very strong ways. The total amount of funding in 1955 totaled more than \$65 million—almost five times the aid from 1954.⁸ This amount steadily grew over the next ten years, peaking at \$315 million in 1964. This amount was a full ten percent of U.S. foreign aid that year, showing the key importance of Pakistan's location for containing communism. By that time, Pakistani agriculture, while not at the high point where it once was, regrew to producing 4.9% per annum.⁹ While still not completely self-sufficient, the amount of aid that these acts provided economically and militarily assisted Pakistan in its quest for full independence.

However, America was not the only country that assisted Pakistan. Over the course of the period in question, Pakistan enjoyed additional support from three international groups: the Baghdad Pact, SEATO, and the Aid-to-Pakistan Coalition.

With the success of NATO in Europe, the Americans sought to continue this trend in South Asia. This led to the

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⁴ Stephen R. Lewis, Jr., "Effects of Trade Policies on Domestic Relative Prices: Pakistan, 1951-1964." *The American Economic Review* 58, no. 1 (March 1968). 5.

⁵ Mohammed Ayoob, "U.S. Economic Assistance to Pakistan: 1954-1965: A Case Study in the Politics of Foreign Aid." *India Quarterly* 23, no. 2 (April-June 1967). 141.

⁶ "The President's Appointments, October 1954. Dwight D Eisenhower Presidential Library, Museum, and Boyhood Home.

https://www.eisenhowerlibrary.gov/sites/default/files/research/onlin e-documents/presidential-appointment-books/1954/october-1954.pdf Last revised 19 July 2019.

⁷ Muhammad Zafrulla Khan and John K. Emmerson, "United States-Pakistan Mutual Defense Assistance Agreement (May 19,

States-Pakistan Mutual Defense Assistance Agreement (May 19,

^{1954).&}quot; Middle East Journal 8, no. 3 (1954): 338-40.

⁸ Ayoob, "U.S. Economic Assistance," 141.

⁹ Hasan, "Learning from the Past," 374.

birth of SEATO (Southeast Asia Treaty Organization). Beginning in September 1954, SEATO aimed to form a collective of eight countries, including Pakistan, to create and defend peace in the region and boost the economic standing of all nations involved.¹⁰ Primarily, the U.S. benefited from this treaty through the use of military aid. To the Americans, being able to employ troops in Pakistan increased the effectiveness of western containment doctrine. Pakistan mainly wished for military aid to defend against India, who maintained neutrality in its superpower relations, and to resolve the ongoing situation in Kashmir.

This issue caused Pakistan to act warily in its engagement with SEATO. First, citizens of Pakistan as early as 1955 believed that American aid was "too slow and… unromantic."¹¹ Though the aid passed \$300 million across the Asian members of SEATO, America gave a portion of this funding to India. Firoz Khan Noon, the Prime Minister of Pakistan, stated, "People. . .are bewildered when they find that some of the so-called neutralists are recipients of largescale aid not only from the Communist countries, but also from Western countries whose policies they are constantly attacking."¹² This uncertainty and restrictions on use of aid caused the Pakistani populace to question just how helpful American aid truly was.

Thus, Pakistan began to accept aid and join pacts with other nations besides the U.S. The Baghdad Pact consisted of 5 countries: Iran, Iraq, Pakistan, Turkey, and the United Kingdom. As was the case with many foreign policy initiatives in this time, the main goal of the pact was to form a stronghold within the region to prevent the spread of communism. The five joined together basing upon the Turkey-Iraqi pact of the same year. The pact served as a miniature version of what the Americans hoped would develop into a Middle East Defense Organization (MEDO). MEDO, they hoped, would "create a regional bulwark against any Soviet penetration."¹³

Though the economic benefits were not as present with this pact, the pact serves as an example of the pro-Western policies that Pakistan developed. At their roots, the founders of Pakistan aimed to be the center of the Islamic world and to champion pan-Islamic views.¹⁴ The ongoing conflict with India threatened Pakistan's Arabic Muslim outreach and connection with Indian Muslims. By developing a conjoined Islamic state, Pakistan hoped to use Islamic influence on foreign relations to develop nationalism. However, by 1955, with the development of the Baghdad Pact, Pakistan's views of foreign relations shifted to a heavily Westernized mindset. When Egyptian President Nasser nationalized the Suez Canal, Pakistani media praised the event through its Islamic lens.¹⁵ The moral dilemma for Pakistan, then, arose from the opposition to the event from their ally, the British. In an attempt to gain the Americans as an official ally within the Baghdad Pact, Pakistan shifted its intentions towards the shared interest of keeping Nasser and communism in check. This moral dilemma forced Pakistan to adapt to the changing world, and with the refusal to join SCUA (Suez Canal Users' Association), Pakistan pledged their allegiance to the Baghdad Pact and Western visions of security in the Middle East.

Unfortunately, the Baghdad Pact was short-lived. After the British engaged Nasser with a bombing run, the Suez Crisis began. With the fighting now in full effect, Nasser's closing of the canal routes directly affected Pakistan's economy. As much as 56% of the county's exports and 49% of its imports traveled through the canal.¹⁶ The closure resulted in an over-30% price increase on Westernimported items in Pakistani markets. This first crisis affecting the pact proved to be its last. The British suffered heavy losses in the skirmishes, and without enough troops, Nasser forced them to retreat. Without their European ally, the political interests and strength of the remaining Islamic countries failed to support each other, and the pact soon dissolved.

While the Baghdad Pact supported Pakistan from a political-defense standpoint, there was another group that directly supported Pakistan's economy. In 1961, multiple countries, including the United States, Canada, France, Germany, Japan, Italy, Belgium, and the Netherlands, united to form the Aid-to-Pakistan Consortium. This consortium increased the amount of aid to Pakistan exponentially. In Pakistan's Second Five-Year Plan, spanning from 1961 to 1965, almost \$2 billion, excluding military aid funds, flowed into the country.¹⁷

However, during this time, American aid slowed from its previous amounts. While the U.S. gave over \$3 billion from 1954 to 1961, financial support declined by nearly a third over the next five years. This occurred for two main reasons. First, due to the extended support from other countries, the United States no longer saw a need to maintain those levels of aid, and second, Pakistan's growing friendship

¹⁰ Mussarat Jabeen and Muhammad Saleem Mazhar, "Security Game: SEATO and CENTO as Instrument of Economic and Military Assistance to Encircle Pakistan," *Pakistan Economic and Social Review* 49, no. 1 (2011): 109-32.

¹¹ Ayoob, "U.S. Economic Assistance." 132-133.

¹² Ibid. 134.

¹³ Ara Sanjian, "The Formulation of the Baghdad Pact" *Middle Eastern Studies* 33, no. 2 (April 1997): 226.

¹⁴ Solail H. Hasmi. "Zero plus Zero plus Zero: Pakistan, the Baghdad Pact, and the Suez Crisis." *The International History Review* Vol. 33, No. 3 (September 2011): 529.

¹⁵ Ibid. 529.

¹⁶ Ibid. 539.

¹⁷ Ayoob, "U.S. Economic Assistance." 143.

with Red China worried the Americans.¹⁸ Jealous of the support that India received, Pakistan refused to surrender their political freedom to mingle with other nations, regardless of political affiliation.

Obviously, much of America's economic aid to Pakistan was used as political leverage against communism. As Pakistan's relationship with China grew, the Americans grew livid and postponed the 1965 meeting of the consortium. Pakistan, supposedly shaken from the withdrawal of support, stood their ground. President Ayub Khan reported, "Pakistan is seeking friends, not masters."¹⁹ Pakistan's entire motive for its actions to this point was establishing themselves as an independent center of the Islamic world. Though they had relied on foreign (predominately American) aid for over a decade, they would not sacrifice their independence for aid. America thus delayed the meeting indefinitely, and in 1966, the consortium's aid fizzled.

Though foreign aid played a major role in the economic development of Pakistan, the Pakistani government pursued many domestic improvements as well. These reforms came mainly with the presidential rule of Ayub Khan in 1958. Though the first constitution of the Islamic Republic of Pakistan (the replacement of the Dominion of Pakistan) came into effect in 1956, Khan did not rule until 1958 after a bloodless coup d'état granted him power.²⁰ Ayub's almost 11-year reign proved to be one of the most prosperous periods for Pakistan's economy, due to his reforming policies concerning taxation, agriculture, and industry.

Ayub Kahn held Pakistan's industrial side of the economy as an item of highest importance. Though the beginnings of Pakistani industrialization in the nineteenth century began as a chaotic adventure, a few key foreign investors remained in the nation.²¹ Ayub used these investors to establish industrial projects in the first and second five-year plans. This board controlled 10% of the nation's GDP in the first five-year plan and proved essential throughout the economic system reforming process. In fact, Ayub's success can be attributed to his apparent silence towards the public and his private trust of his ministers of finance, commerce, and industry.

The construction of new industrial outlets primarily took place toward the end of Ayub Khan's presidency during the third five-year plan. In relation to the agricultural industry, seventeen new jute and cotton plants opened up opportunities to increase production quantity and quality. Both of these crops were essential to making textiles, the key

²⁰ W. M. Dobell, "Ayub Khan as President of Pakistan." *Pacific Affairs* 42, no. 3 (Autumn 1969): 294.

²¹ Ibid. 297.

Pakistani exported good. From 1968 to 1969, the production of jute increased by 15 to 18%, and the overall production of textiles rose almost 15%.²²

Industry also assisted Pakistan's agriculture sector through effects of the Green Revolution. This revolution introduced and increased the use of fertilizers, tractors, and high-yield varieties of seed. Using the 1965 agricultural census as a baseline, one sees that each farm on average produced 363.3 gross rupees per acre on a farm. By the end of the third five-year plan in 1970, each acre reaped 714 gross rupees per acre, 96% higher productivity than in 1965.²³ Larger farms saw a smaller overall percentage increase (61% increase from 1965-1970), but due to the larger acreage, saw the same improvements.

One reason for the disparity in farm sizes were Ayub's land redistribution policies. In response to the Green Revolution, over 147 million acres of farmlands were redistributed between richer, large farms and lower-class small and medium farms. Some may be inclined to argue that this fed into a larger issue of larger farms underappreciating or destroying smaller farms. However, between 1960 and 1972, the average large farm shrank from approximately 112 acres to approximately 100 acres. Likewise, small farms grew on average from 4.14 acres to 5.82 acres.²⁴ Moreover, some 23% of this land went to "onetime tenant farmers" to further their lives and the overall economic situation.²⁵

The final key part of Pakistani agricultural success came in the form of increased investment in public and private water resources. One of Ayub's most ambitious and successful projects was the construction of the Tarbela dam. This new dam, along with its sister, the Mangla dam completed the year before, created new waterways and reservoirs for Pakistani farmers. It concluded the Indus River program, which allowed both Pakistan and India to use that area of water to help their respective countries.²⁶ This helped increase the generation and flow of electricity, fresh water, and supplies to West Pakistan. Through these new water sources, Pakistan improved her agricultural status and eased tensions between Pakistan and India after the Indo-Pakistani War in 1965. All of these improvements to the industrial and agricultural sectors increased economic standing throughout Ayub Khan's presidency.

These initiatives differed in a significant way from those of the previous decade, however. It was not American aid driving this growth. Chinese and Soviet funding backed much of the nation's industrial/infrastructure expansion. This

¹⁸ George J. Lerski, "The Pakistan-American Alliance: A Reevaluation of the Past Decade." *Asian Survey* 8, no. 5. (May 1968). 410.

¹⁹ Ayoob, "U.S. Economic Assistance," 139.

²² Wayne Wilcox, "Pakistan: A Decade of Ayub." *Asian Survey* 9, no. 2 (February 1969): 90.

²³ M. Ghaffar Chaudhry, "Green Revolution and Redistribution of Rural Incomes: Pakistan's Experience," *The Pakistan Development Review* 21, no. 3 (Autumn 1982): 179.

²⁴ Chaudhry, "Green Revolution," 181.

²⁵ "Ayub's Acid Test," *TIME Magazine* 77, no. 16 (April 1961): 36.
²⁶ Wilcox, "Decade of Ayub," 90.

alternate foreign aid offered Pakistan the opportunity to diversify its economy. This support resulted in the construction of a machine and metals complex, a steel mill, and a Russian-powered atomic power station.²⁷

By the time Ayub Khan abdicated in 1967, Pakistan's economy lived in a much-improved state. Although future presidents failed to maintain what Ayub had started, this decade of improvement reaped major benefits for Pakistan. Overall, Pakistan's national income increased by 4%, and her grain output increased by 19%.²⁸ Though slightly lower than at the midpoint of the presidency, Pakistan's savings rates rose more than they had in the country's history. Investments made up 14.6% of the nation's GDP, foreign savings 4.5%, and national savings accounts 10.1%.²⁹

All of this information demonstrates that American foreign aid certainly played a part in Pakistan's ultimate achievement of full independence, both political and economic. Even just a few years after the beginning of the Dominion of Pakistan, internal and external crises created a reliance upon foreign aid. The millions of dollars that the Americans sent to Pakistan certainly helped improve the economy, but ultimately, it was not the endgame. American aid primarily served a defensive military purpose in order to place troops and build bases in South Asia to fight against communism. Pakistan, the geographic center of this area, served as a political high ground for the Western ideals. This American involvement affected Pakistan and convinced them to adopt more Westernized policies. As the years passed, Pakistan became more frustrated with the Americans, due to the restrictions against using the aid to settle their disputes with India, who received more American aid than even Pakistan.

The Eisenhower Doctrine typified these feelings towards aid to Pakistan. However, by the time of its full implementation, in a world in which proxy wars and crises required the U.S. to provide aid to a number of nations simultaneously, its long-term impact on Pakistan was limited. This becomes more apparent when Ayub Khan assumed rule of Pakistan and began his domestic reforms. Though the doctrine had good intentions, it simply came too little and too late in history to have any major effects on Pakistan's economy. Reviewing its four main clauses, the executive power that it granted Eisenhower in the region failed to match the needs of Pakistan beyond some minor financial aid. Pakistan never entered into any direct military conflicts with Soviet Russia; thus, using the military "against overt armed aggression from any nation controlled by international communism" never occurred.³⁰ The most applicable part of the doctrine's guidelines was the assistance to maintain the independence of neutral and allied nations. However, even that fell short to Pakistan's initial nationalized Islam. When

Pakistan began to receive and accept aid from other nations in the early 1960s—from the coalition and even from the Soviets—American aid wavered. Overall, the goals of the Americans through the Eisenhower Doctrine failed to meet the long-term needs of Pakistan's economy. It focused too heavily on *military* aid, which Pakistan could not make use of in the ways that they needed to. Instead, American aid before the doctrine proved more useful to the survival of Pakistan, and, in the time of the doctrine, other forms of foreign and domestic economic improvements remedied (or at least halted) what the World Bank called one of the greatest economic successes in the world at that time.

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²⁷ Ibid. 90.

²⁸ "Ayub's Acid Test."

²⁹ Hasan, "Learning from the Past," 360.

³⁰ Eisenhower, "Situation in the Middle East," 224-227.

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