



## **Rational Institutional Design, Perverse Incentives, and the US-Pakistan Partnership in post-9/11**

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**Abstract:** *Since 9/11, Pakistan has faced intense criticism from the international community at large for 'not doing enough' to assist the US counter-terrorism mission in Afghanistan. Much of the present debate looks at Pakistan from an outsider's perspective and finds Islamabad's reluctance to support the US wholeheartedly as irrational. Using the rational institutional design framework, this paper presents a strategic perspective arguing that once Pakistan's own threat perception and self-defined regional objectives are held constant, it becomes entirely rational for it to avoid complementing the US objectives wholeheartedly. The US policy towards Pakistan since 9/11 has employed a five pronged approach: (i) coerce Pakistan; (ii) buy-out Pakistan; (iii) do it ourselves; (iv) emphasize the seriousness of the threat faced by Pakistan itself; and (v) ensure that Pakistan's tensions with India remain in check. The cumulative effect of this policy has been to create perverse incentives which rationally nudge Pakistan to avoid aligning its objectives and strategies with the US. To extract better performance from Pakistan, the US needs to change Islamabad's cost-benefit equation by altering the incentive payoffs rather than hoping that the moral undertones of the discourse would somehow lead it to oblige fully. This requires a regional approach on US' part whereby Pakistan's insecurities vis-à-vis India and Afghanistan are addressed.*

**Keywords:** US, Pakistan, Afghanistan, War on Terror, terrorism, Taliban, rational institutional design, incentive structure..

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## **Introduction**

Pakistan is widely believed to be the hub of Islamist terrorism today. Western capitals are convinced that global security in the near-to-medium term will hinge on Pakistan's ability to tackle militant extremists within its borders. Apart from the global dimension, Pakistan's own survival is at stake. Just this year, militants began to establish control over areas within 100 kilometers of the capital city of Islamabad and have openly expressed their desire to capture Pakistan's seat of power.

Since 9/11, Pakistan has faced intense criticism from the international community at large for 'not doing enough' to assist US efforts in Afghanistan. The substantial increase in local and foreign militant presence in Pakistan and the use of Pakistan's Federally Administered Tribal Areas (FATA) as a launching pad for operations against US-led forces in Afghanistan is increasingly being seen as the biggest stumbling block in the success of the anti-terror campaign. The nature of this discourse is highly normative. Much of the present debate looks at Pakistan from an outsider's perspective and finds Islamabad's reluctance to support the US wholeheartedly as irrational and proof of its insincerity towards bringing peace to the South Asian region.

This paper takes a counterintuitive approach. While it concurs with the view that Pakistan may not be going all out in supporting the US agenda, it moves away from the normative calculus so often employed to analyze this case. Instead, we utilize the rational institutional design framework to explain why, taking Pakistan's own threat perception and self-defined regional objectives as a given, it is entirely rational for Pakistan to avoid complementing the US objectives completely. The paper makes no value judgments about the moral tenacity of either the US or Pakistani stance. Nor does it argue that Pakistan's threat perception is well-founded. Instead, it simply suggests that once Islamabad's perception of the situation and the objectives it derives from it are held constant, the incentive structure set up by the policy-setter, the US in this case, turns out to be perverse and ends up nudging Pakistan to oblige the US sub-optimally. Therefore, to extract better performance from Pakistan, the US needs to change Pakistan's cost-benefit equation by altering the incentive payoffs rather than hoping that the moral undertones of its discourse would somehow lead it to oblige wholeheartedly. This requires a regional approach on US' part whereby Pakistan's insecurities vis-à-vis India and Afghanistan are addressed.

The next section lays out the rational institutional design framework and establishes US and Pakistani objectives in the War on Terror. Section III evaluates US policies and highlights the kind of incentives these create for Pakistan. Pakistan's reaction is rationalized in light of the cost-benefit analysis as seen by Islamabad itself. Finally, the anomalies in US' current approach to Pakistan are discussed to point to avenues for reversing the perverse incentives in place.

## **Laying the Context: Rational Institutional Design and the US and Pakistani Objectives**

Our argument is theoretically grounded in the rational institutional design framework which we use to underscore the importance of proper incentives in a strategic interaction similar to the one US and Pakistan are involved in.<sup>1</sup> At its core, the rational institutional design argument is highly

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<sup>1</sup> For an excellent overview of rational institutional design, see Phillip Pettit, "Institutional Design and

intuitive. The party establishing the incentives (the policy-setter) is to create a payoff structure such that it incentivizes the other side (policy-taker) to adopt policies the policy-setter wishes to see it pursue. In essence, the task entails devising incentives that alter the cost-benefit equation for the policy-taker in a manner that automatically results in the desired change in its behavior. For this to happen, the benefits from the transformed behavior have to be both higher than the costs and more attractive than the alternative options available.

Where the two sides involved in the strategic interaction see themselves as partners rather than competitors, the ideal scenario entails alignment of their strategies in pursuit of common goals. The cumulative effect of their actions then becomes mutually reinforcing. That said however, the policy-setter's strategies do not exist in a vacuum. Rather, they are intrinsically tied to the reaction from the policy-taker and thus are affected by it; in essence, both actors have a modifying effect on each other's moves.<sup>2</sup> Therefore, realistically the policy-setter should structure the incentives keeping in mind the self-defined outlook and objectives of the policy-taker given that the latter's reactions will emanate from this understanding of the context.

For the case at hand, the US has been trying to convince Pakistan to side with it in the quest to rout out anti-American terrorists from Afghanistan. In order to understand the incentive structure the US has attempted to create and the challenges it has faced in this regard, one needs to lay out the objectives with which both sides entered the fray post-9/11.

### ***The US Objectives***

For the Bush administration, the objectives of the intervention in Afghanistan were extremely broad. However, in terms of Pakistan's involvement, the US wanted Islamabad's full cooperation in routing out hardcore Al Qaeda and Taliban presence that could threaten a repeat of the 9/11 attacks. Pakistan's concurrence was critical since it was the most obvious supply route for Coalition forces in Afghanistan. Moreover, Pakistan's traditional links with the Taliban and Pakistani intelligence agency's – the Inter-Services Intelligence (ISI) – deep penetration of the Taliban's Afghanistan made it an asset in terms of intelligence and information about the makeup of the enemy. Later on, Pakistan's importance was taken to a new level as FATA became the principal sanctuary for Al Qaeda and Taliban fighters who fled the US attack in Afghanistan.<sup>3</sup> Even more compelling, FATA is now believed to have become the new global hub for the Al Qaeda leadership.<sup>4</sup> Notwithstanding the fact that the Obama administration seems inclined to tone down its objectives and may be drifting towards negotiations with the 'moderate' Taliban as the end-game, this can only take place once the US is in a position of strength, a scenario which is

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Rational Choice" in Robert Goodin, *Theory of Institutional Design*, Cambridge University Press, 1998, pp. 54-89.

<sup>2</sup> In this sense, the interaction can be envisioned as a strategic 'game'. For the basics of the types of games and interactions in game theory, see Edwin Mansfield, *Microeconomics: Theory and Applications*, W. W. Norton, 1997, pp. 410-441.

<sup>3</sup> Ahmed Rashid, *Descent into Chaos: The United States and the Failure of Nation Building in Pakistan, Afghanistan, and Central Asia*, Allen Lane, 2008, p. 268.

<sup>4</sup> *Ibid.*, pp. 268-269.

unlikely to materialize until both US and Pakistan coordinate their activities in Afghanistan and FATA respectively. Finally, as Pakistan itself has come under attack, the US mandate has added a fresh dimension. Washington realizes that state collapse in this nuclear-armed country could have a catastrophic impact on global security. It thus sees an interest in ensuring that militants targeting the heartland of Pakistan are eliminated as well; it finds utility in propping Pakistan up through extensive monetary assistance lest the anti-Pakistan Taliban take advantage of the state's weakening writ and ability to satisfy its citizenry.

### ***The Pakistani Objectives***

Pakistan was a reluctant entrant into the US War on Terror. Having supported the Taliban throughout their rule in Afghanistan and having used militant factions as a foreign policy tool initially against the Soviet invasion of Afghanistan – incidentally this was pursued with active US involvement – and subsequently in support of the insurgency in Indian Kashmir, Pakistan found itself in a catch-22. In light of the fact that the UN Security Council had unequivocally condemned terrorism and passed Taliban-specific resolutions, continuing overt support of the Taliban would have brought Pakistan to the verge of international isolation. It therefore had little choice but to formally join hands with the US.<sup>5</sup> However, Pakistan also realized that the transformation in its traditionally pro-Islamist outlook would have a serious backlash and therefore it had an interest in minimizing the threats to the state from its clients-turned-enemies.

More importantly however, Pakistan was adamant on maintaining the regional balance of power in South Asia. Pakistan's number one concern has always been the threat from India and its military establishment, having dictated the country's national security vision sees, the ability to stand up to India as its *raison d'être*.<sup>6</sup> At no cost was the military willing to let the US intervention change regional dynamics in a way that left Pakistan vulnerable to its eastern neighbor. At the tactical level, this translated into an interest to ensure that the military's eastern formations remained intact lest it be caught unprepared in the event of an unexpected Indo-Pak crisis. Further, the Pakistani military establishment considered a friendly, client-based relationship with Afghanistan vital in order to retain its 'strategic depth' vision which it had employed throughout the 1990s to offset its lack of geographical depth vis-à-vis India.<sup>7</sup>

Pakistan wished to support the US only within this self-defined framework. However, once the decision to reverse the pro-Taliban policy was taken, the Pakistani government under Parvez Musharraf sought additional benefits in terms of political support for his rule and economic aid, both military and non-military, for the country. In fact, Islamabad even hoped to use the US to force India to be forthcoming in resolving all contentious issues, including Kashmir, with Pakistan.

The divergent outlooks of the two partners in this so-called 'alliance' should be obvious. The US was much more focused on eliminating the Taliban and Al Qaeda threat and wished for total

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<sup>5</sup> Ahmer Bilal Soofi, "The Reality of Pakistan's Turnarounds," *The Friday Times*, Vol. XVII, No. 8, April 15-21, 2005.

<sup>6</sup> Ayesha Siddiq Agha, "Pakistan's Security Perceptions" in Imtiaz Alam, ed., *Security and Nuclear Stabilization in South Asia*, Free Media Foundation, 2006, pp. 201-216.

<sup>7</sup> Rashid, *Descent into Chaos*, p. 25.

Pakistani commitment in this regard. Pakistan, on the other hand, was understandably more concerned about its own well-being and saw the ideal within the regional objectives it had defined for itself. The divergence implied that the US had its work cut out in terms of instituting an incentive structure that would prompt Pakistan to align its goals and enter into a strategic alliance with Washington.

Substantively, Washington's task translated into increasing the payoffs for Pakistan to rid itself of the India-centric outlook, instead focusing its energies on routing out the anti-US militant elements. Moreover, it had to incentivize Pakistan's move away from the strategic depth doctrine that necessitated Afghanistan's existence as a client state for Islamabad. These together amounted to less than a complete transformation in the threat perception of the Pakistani military, the beholder of Pakistan's national security vision. The 'carrots' that could theoretically assist the US in incentivizing Pakistan included the promise of extensive state-building support, adoption of a policy that would prod India to resolve outstanding Indo-Pak issues, and a guarantee of assuaging Pakistan's concerns in terms of a hostile post-Taliban Afghanistan.

### **Mismatch Between Policies and Objectives: Incentives Gone Wrong**

Having outlined the objectives of both sides and the incentive structure the US sought to put in place to achieve its aims, this section discusses the actual US policies towards Pakistan since 9/11. Next, it analyzes the Pakistani response in light of the incentives these policies had created in the hope of transforming Islamabad's behavior.

#### ***The US Policy towards Pakistan***

The post-9/11 U.S. policy towards Pakistan has entailed a six-pronged approach: (i) coerce Pakistan; (ii) buy-out Pakistan; (iii) do it ourselves; (iv) emphasize the seriousness of the threat faced by Pakistan itself; and (v) ensure that Pakistan's tensions with India remain in check.

Coercion was the very first tool the US applied to goad Pakistan into a partnership to target Al Qaeda and Taliban presence in Afghanistan. The then Deputy Secretary of State Richard Armitage's infamous threat (which is continuously denied) of bombing Pakistan 'back to the stone age' immediately after the 9/11 attacks was the first overt use of the coercive element of the strategy.<sup>8</sup> However, over time, coercion became less and less tenable since it was clear that the political and strategic costs of putting US boots on the ground in Pakistan were prohibitive. Not only was this impractical given that US forces were already stretched thin in Iraq and Afghanistan but such a move would also have galvanized the already-strong anti-US sentiment in Pakistan and further radicalized the citizenry. Moreover, tactically, US commanders and officials were clear early on that the nature of the terrain and lack of support from the local population would leave their gains extremely limited. Indeed, Washington's official enclave has persistently reiterated that a full blown US operation in Pakistan was never on the cards.

The buy-out option was arguably the leading factor in US' policy towards Pakistan under President Bush. America's approach vis-à-vis Pakistan remained highly client-based throughout

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<sup>8</sup> Pervez Musharraf, *In the Line of Fire: A Memoir*, Free Press, 2006, p. 201.

this period. Washington sought to 'buy-out' the Pakistani authorities, offering handsome monetary transfers in return for fighting what was essentially understood by both sides to be America's war. Much of the US assistance, substantial in absolute terms, was narrowly focused on reimbursing and rewarding Pakistan for the fight against terrorism.<sup>9</sup> In the initial days, the understanding between the two partners was confined to apprehending Al Qaeda and Taliban miscreants who had crossed over into Pakistan's tribal areas to flee the US attack.<sup>10</sup> While the arrangement expanded in scope as the true extent of the threat was comprehended, the mindset in the Bush White House essentially remained one of a patron who had to pay off a mercenary for a specific task.

The buy-out approach had two negative spin-offs. First, the Bush administration used the Pakistani ruler cum Army Chief, Pervez Musharraf as their point man, in the process undermining the mainstream democratic forces in the country.<sup>11</sup> In the final outcome, the US lost goodwill with the Pakistani masses as it was largely seen as having contributed to the sustainability of a dictatorship. Second, the overwhelming focus on 'coalition support funds' as reimbursement for Pakistani efforts in the War on Terror meant that US aid was doing little to alleviate the economic plight of the Pakistani masses.

To its credit, the Obama administration has singled out the buy-out approach as a major shortcoming in their predecessor's policy towards Pakistan. The incoming team realizes that in the face of an emboldened anti-Pakistan campaign by the Taliban, a broad-based socio-economic aid package has become necessary to prevent Pakistan's state collapse. The Obama White House has already taken tangible steps to alter the aid composition. The non-military aid is to be tripled to \$1.5 billion a year under the PEACE act of 2009.<sup>12</sup>

The rather shortsighted buy-out approach is not the only aspect of the US policy which reflected the absence of a holistic outlook. Equally disturbing was the US inclination to believe that it could combine the buy-out with a do it ourselves mentality to eliminate militant presence. In the early days of the campaign, the US was reluctant to trust Pakistan's partnership. This was flowing, understandably, from its concerns about lingering Pakistani military and ISI involvement with the Taliban and the persistent failure of efforts by the international community to convince Pakistan to sever ties with the Taliban pre-9/11. The lack of trust in the Pakistani establishment was manifested at the very outset when the US chose not to consult Islamabad on its specific plans to launch an attack on the Taliban's Afghanistan.<sup>13</sup> Similarly, the US refused to allow the Pakistani

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<sup>9</sup> Craig Cohen, "A Perilous Course U.S. Strategy and Assistance to Pakistan: A Report of the Post-Conflict Reconstruction Project Center for Strategic and International Studies," *Center for Strategic and International Studies*, August 2007.

<sup>10</sup> Interview with Dr. Maleeha Lodhi, former Pakistani Ambassador to the US, May 25, 2009.

<sup>11</sup> Jane Parlez, "After Years on a Tightrope, Musharraf Disappoints the U.S. and His Own Nation," *New York Times*, August 18, 2008, <http://www.nytimes.com/2008/08/19/world/asia/19legacy.html?fta=y>.

<sup>12</sup> Elise Labott, "Legislation Would Triple US Non-military Aid to Pakistan," *CNN Online*, May 5, 2009, <http://www.cnn.com/2009/POLITICS/05/04/pakistan.aid/>.

<sup>13</sup> While reports indicate that Pakistan was informed of the timing of the attack and received safe passage to pull its personnel out of Afghanistan. However, Pakistani sources contend that the US did not consult Pakistan on the plans and even the specific timing. Interview with Maleeha Lodhi, former Pakistani Ambassador to the US, May 25, 2009.

authorities to provide security for supply trucks destined for coalition troops through Pakistan, instead preferring to use private security presence and striking deals with local tribes for safe passages.<sup>14</sup>

Over time however the US-Pak differences have become much more fundamental. This has resulted in further emphasis on the do it ourselves option. Perhaps the most obvious examples in the recent past are the virtual breakdown of the US-Pakistan intelligence sharing mechanism and the use of drones to strike targets within Pakistani territory. The intelligence sharing protocol collapsed amidst US suspicions of a continuing Pakistani ‘double game’ whereby the ISI while collaborating with the US was also believed to be tipping off the potential targets.<sup>15</sup> As for the drone strikes, while the author’s discussions with members of Pakistan’s strategic enclave confirm that there was a tacit understanding between the US and Pakistani governments – under Musharraf the Pakistani intelligence is believed to have collaborated actively on the strikes –, post-2007, the US has increasingly sought to avoid full disclosure to the ISI, instead stepping up the drone strikes as a counter to what it sees as Pakistan’s lack of interest in taking out anti-US elements.<sup>16</sup> Despite being the subject of immense controversy and forcing militants to disperse into Pakistan’s main cities, the US continues to argue that the Predator missions are productive and that they shall remain in place.<sup>17</sup>

There is one other dimension of the do it ourselves approach that has a tangible negative fallout on Pakistan. This relates to the reluctance on the part of the US to formulate its Afghan counter-terrorism strategy in consultation with Pakistan. The most obvious case of a fundamental divergence in interest is President Obama’s troop surge which seeks to increase the strength of the American forces in Afghanistan. As publicly acknowledged by US officials, the move is certain to push Afghan Taliban into Pakistan, creating more challenges and external pressure on Islamabad.<sup>18</sup> Yet, Washington argues that it has no option but to trade-off Pakistani stability for success in Afghanistan at this point. On balance then, the two sides continue to show propensity to fight their own distinct wars in a common theater.

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<sup>14</sup> The author has spoken to a number of military sources in private discussions where this fact has been confirmed. It was also substantiated in an interview with Ejaz Hadier, Op-ed editor of the Daily Times and one of Pakistan’s senior most defense journalists, May 3, 2009.

<sup>15</sup> Mark Mazzetti and Eric Schmitt, “Afghan Strikes by Taliban Get Pakistan Help, U.S. Aides Say” *The New York Times*, March 25, 2008, <http://www.nytimes.com/2009/03/26/world/asia/26tribal.html?hp>.

<sup>16</sup> Julian E. Barnes and Greg Miller, “Pakistan Gets a Say in Drone Attacks on Militants,” *LA Times*, May 13, 2009, <http://www.latimes.com/news/nationworld/world/la-fg-predator13-2009may13.0,1748949.story>.

<sup>17</sup> Karen DeYoung and Joby Warrick, “Drone Attacks Inside Pakistan Will Continue, CIA Chief Says,” *Washington Post*, February 26, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/02/25/AR2009022503584.html>

<sup>18</sup> Matthew Weaver, “US troop surge in Afghanistan ‘could push Taliban into Pakistan,” *Guardian*, May 22, 2009, <http://www.guardian.co.uk/world/2009/may/22/us-troop-afghanistan-taliban-pakistan>; Iftikhar A Khan, “Gilani Expresses Concern Over Increase of US Forces,” *Dawn*, May 30, 2009, <http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/06-gilani-expresses-concern-over-increase-of-us-forces-rs-03>.

The US disappointment with Pakistan's performance and its propensity to treat Pakistan as a client state notwithstanding, it also adopted the paradoxical position of prodding Pakistan to get serious and fight the common enemy alongside the US. Repeated US assertions have been aimed at convincing Islamabad to comprehend the gravity of the threat the militant enclave poses to Pakistan itself. This view has become much more credible since the anti-Pakistan elements have coalesced under the Tehreek-i-Taliban Pakistan (TTP) umbrella and have specifically targeted state interests within Pakistan.

Notwithstanding the above, much to the bewilderment of the international community, till the TTP had threatened to take over Islamabad, the Pakistani government and population at large remained in a state of denial about the gravity of the situation. Not only did Pakistan's military establishment show reluctance to undertake a concerted effort against the Taliban, but even the Pakistani masses exhibited extreme ambivalence about the militant threat to their country.<sup>19</sup> The majority sentiment dismissed the threat as exaggerated, pointing instead to US presence in Afghanistan as the underlying problem; the antipathy towards the US amounted to a sympathetic view of virtually anyone who opposed its presence in the region. This sentiment understandably frustrated the US policy makers further and prompted them to seek unilateral measures, in effect reinforcing their inclination to employ the 'do it ourselves' approach.

Finally, the US was mindful of the need to keep Pakistan military's other potential distractions in check so that it could focus on the War on Terror. The US remained diplomatically involved in Indo-Pak relations. However, the policy had a one-point agenda: nudging the two sides to keep their border calm. In line with this goal, the US played an extremely constructive role in pulling the South Asian rivals back from the brink in the 2001-02 nuclear crisis. It also supported the continuation of the Indo-Pak peace process which has been ongoing since 2004. Beyond this however, Washington refrained from proactively pushing the two sides to settle contentious issues permanently, this being a long standing Pakistani demand. The Obama administration which came in pledging support for a 'regional' solution to South Asia has back tracked, and much to Pakistan's dismay, has left India completely out of its 'Af-Pak' formulation.<sup>20</sup> The US has also remained indifferent to India's involvement in Afghanistan's reconstruction efforts, a fact that has raised eyebrows in Islamabad. Furthermore, on the Afghanistan front, the US instituted a government, which despite having Pushtun representation has left the key power wielding positions in the hands of the Panjshiri Tajiks belonging to the Northern Alliance.<sup>21</sup>

### ***Pakistan's Reaction on the US Policy***

From the US perspective, its policy should have ideally prompted Pakistan to behave as a true ally, thereby complementing US efforts to defeat the adversary in Afghanistan and FATA. It should

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<sup>19</sup> Moeed Yusuf, "And We Hit a New Low," *The Friday Times*, Vol.XXI, No.8, April 10-16, 2009.

<sup>20</sup> Asif Ezdi, "It is Af-Pak-Ind, Mr Obama," *The News*, February 26, 2009, [http://www.thenews.com.pk/editorial\\_detail.asp?id=164576](http://www.thenews.com.pk/editorial_detail.asp?id=164576).

<sup>21</sup> Thomas H. Johnson, "The Loya Jirga, Ethnic Rivalries and Future Afghan Stability," *Strategic Insight, Center for Contemporary Conflict, Naval Post Graduate School*, August 6, 2002, <http://www.ccc.nps.navy.mil/rsepResources/si/aug02/southAsia.asp>.

also have led Pakistan to tame the largely Pakistan-focused TTP. Much to the contrary, the Pak-US relationship has been increasingly strained and their interests have continued to diverge substantially.

US coercion bore dividends to begin with as it forced Musharraf to transform Pakistan's pro-Taliban policy and agree – at least on paper – to virtually all US demands in terms of supporting its Afghan operation. However, in no time, the Pakistani military establishment became as confident as their US counterparts that a large-scale, direct US intervention was implausible. Notwithstanding the trust deficit and the progressive deterioration in the military-to-military collaboration over the years, the Pakistani military was convinced that the US could not afford to lose the tactical and intelligence support, however limited, that Pakistan was providing. Moreover, it must have seen its tacit understanding to allow intermittent US predator strikes and access to a number of apprehended suspects as an additional buffer against any serious consideration of direct US intervention in Pakistan. Not to mention, Islamabad remained fully cognizant that the extreme anti-Americanism among the Pakistani masses was a strong deterrent for the US to intervene militarily.

Pakistan's position on being bought out was interesting. On the one hand, Gen. Musharraf saw President Bush's propensity to use him as the point man as politically expedient. The narrowly focused aid for the terrorism effort allowed him both to present to the military, the transfers as benefits of being involved in the otherwise unpopular war as well as to avoid having to take ownership of the effort as 'Pakistan's war' in front of the Pakistani population. However, in terms of US' overall objectives, this formulation was highly counterproductive. For one, it meant that the Pakistani military never considered itself to be part of an overarching alliance with the US; the outlook remained strictly tactical. In addition, the Pakistani masses saw the War as being trust upon them by the US and thus blamed the entire backlash within Pakistan on Washington.<sup>22</sup>

More worrisome from the US perspective, the Pakistani government never saw the US monetary support as being a quid pro quo for the Pakistani forces to fight on US terms. There was no consideration among the khakis that Pakistan could oblige Washington beyond a point where its own national interests – as defined by the military – would be undermined. In fact, the Pakistani establishment was equally adept at realizing the client-based nature of the relationship and internalized the aid as little more than direct reimbursement for the costs of fighting the War. In a text book example of perverse incentives, the transactional nature of the arrangement had in fact created an incentive for Pakistan to prolong the effort as much as possible; the longer Pakistan remained involved in tactical operations, the higher the reimbursements would be.

As for the lack of economic aid, Musharraf shifted the entire blame on the US, continuously arguing that Washington was not paying enough attention to the plight of the average Pakistani. Notwithstanding the fact that his own political interests had much to do with Pakistan's acceptance

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<sup>22</sup> The perceived US injustices to Pakistan in the War on Terror have spiked the anti-US sentiment among the Pakistani people. Recent polls put Pakistan's as the third most anti-American nation behind Turkey and Palestine. Umit Enginsoy, "Turkey 'Most Anti-U.S. Country' in World, Poll Syas," *Turkish Daily News*, June 29, 2007, <http://www.turkishdailynews.com.tr/article.php?enewsid=76984>. Also see, "'Anti-U.S. feeling high in Pakistan'," *Daily Times*, February 20, 2005, [http://www.dailytimes.com.pk/default.asp?page=story\\_20-2-2005\\_pg7\\_7](http://www.dailytimes.com.pk/default.asp?page=story_20-2-2005_pg7_7).

of this narrowly defined aid relationship, the implication was that the Pakistani masses again found reason to point fingers at the US.<sup>23</sup> Interestingly, while the present government in Islamabad has cashed in on this rhetoric to convince President Obama of the need for a holistic aid package, there is no fundamental change in the mindset in terms of the use of reimbursements as part of military aid.

As already mentioned, the Musharraf administration seems to have been on board with much of the do it ourselves approach of the US. After all, it agreed to allow the US to manage the security of its supply convoys destined for Afghanistan and to collaborate on the drone attacks. Pakistan's approach on this issue reveals something very fundamental about the mindset in Islamabad. It reinforces the fact that Pakistan never saw the anti-militant effort as one where it needed to take the front seat. Instead, it was much more comfortable allowing the US to take charge of the more controversial aspects of the campaign even at the expense of a breach of its territorial sovereignty. At best then, Islamabad's outlook reflects a propensity to play second fiddle to the US in the hope that this would reduce the blame and the direct losses to it.

Contrary to the above, Pakistan's stance on US' Afghan policy is the polar opposite; there, Islamabad would prefer a consultative role for itself, especially on plans that have a direct bearing on Pakistan's security situation. Again, the troop surge is the most obvious example where the Pakistani authorities have raised concerns. Rather interestingly, the surge is also the clearest manifestation of the divergence in goals of the two sides; what America sees as essential to tackle the Taliban in Afghanistan, it itself acknowledges will be counterproductive for Pakistan. Here, for Pakistan, the US is clearly part of the problem rather than the solution.

The politicking that went on in Islamabad around the issue of US' do it ourselves approach was entirely counterproductive for American interests. The Pakistani masses grew increasingly resentful of what they saw as US heavy handedness and disrespect for their country's sovereignty. The ongoing controversies about the drone strikes are a continuation of this thread.

Next, in terms of the seriousness of the threat, Pakistan's position has moved from ambivalence to taking a nuanced view of the adversary. The US' aim has been to convince Pakistan that the Taliban-Al Qaeda combine operating in Afghanistan is organically linked to militant factions within Pakistan, therefore making it imperative upon Pakistan to target them for its own sake. Pakistan on the other hand has sought to disaggregate the threat and treat it with different policy options. There has been complete agreement that Al Qaeda's elimination is in the interest of both sides. Indeed, it is no coincidence that most of the high profile operatives that were arrested by Pakistani authorities and handed over to the US belonged to Al Qaeda. By the same token, bulk of the drone targets were reportedly Al Qaeda elements.

On the Taliban, the two sides diverge. The US has always seen the 'Afghan Taliban' and groups directly linked to their activities against Coalition forces in Afghanistan as the principal threat. While the US now includes the Pakistani Taliban in its list of targets, this is a recent development that has been spurred by tangible evidence of their involvement across the border.<sup>24</sup>

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<sup>23</sup> Mark Magnier, "Pakistanis Doubt the Effectiveness of More U.S. Aid," *LA Times*, March 29, 2009, <http://www.latimes.com/news/nationworld/world/la-fg-pakistan-economy29-2009mar29,0,174875.story>.

<sup>24</sup> Joshua Rhett Miller, "Taliban Leader's Washington Threat Is Credible, Analysts Say," *Fox News*, March

Pakistan, on the other hand, sees the anti-Pakistan TTP and its affiliates as the main adversary. The incentive to target the Afghan Taliban and associated militant factions pledging not to target Pakistani security forces is much less. Despite the ideological links these outfits share with the TTP, the Pakistani military establishment seems confident that it can continue negotiating with this cohort to keep its anti-Pakistan activities in check.<sup>25</sup> At the same time, it seems to be able to hold out a credible enough threat of retribution should the Afghan Taliban openly utilize Pakistani territory to run their entire anti-US operations. The incentive is to turn a blind eye to a certain residual level of activity while simultaneously cooperating with the US on intelligence and allowing the US a relatively free hand to target these elements aurally.<sup>26</sup>

The extent to which the US incentive structure has become lopsided however cannot be comprehended fully without introducing the India factor into the equation. From Pakistan's perspective, the US role in stabilizing the Indo-Pak relationship has been largely counterproductive. Exaggerated as it may be, in the Pakistan military's view, the US involvement in Afghanistan and its reluctance to push India to address Pakistani insecurities has further aggravated the regional imbalance. It is now considered common wisdom in Pakistan that the US, deeply committed as it is to a long-term strategic partnership with India, will remain averse to pulling back from massive defense and nuclear energy cooperation with it but will at the same time avoid according identical treatment to Pakistan. The military also remains resentful of the US' refusal to fulfill what it believes are genuine defense needs – F-16s being the most prominent sticking point – and of Washington's constant concerns about its military aid being diverted to build Pakistani capacity vis-à-vis India.<sup>27</sup>

In terms of policy, the divergence in opinion is just as strong. Pakistan saw Washington's unwillingness to prod India to agree on a solution to Kashmir after the Pakistani President Musharraf had shown significant flexibility as another sign of US bias. Much the same is the sentiment in India's alleged involvement in supporting separatist elements in Pakistan's Balochistan province, a long-standing Pakistani claim that has been acknowledged by the Baloch separatists and recently reinforced by independent experts.<sup>28</sup>

Furthermore, Pakistan sees a direct connection between the US intervention in Afghanistan and the increase in Indian leverage with the Afghan government. The US indifference on this count

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31, 2009, <http://www.foxnews.com/story/0,2933,511873,00.html>.

<sup>25</sup> Carlotta Gall, "Pakistan and Afghan Taliban Close Ranks," *New York Times*, March 26, 2009, <http://www.nytimes.com/2009/03/27/world/asia/27taliban.html>.

<sup>26</sup> David Ignatius, "A Quiet Deal With Pakistan" *The Washington Post*, November 4, 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/03/AR2008110302638.html>.

<sup>27</sup> David Rohe, Carlotta Gall, Eric Schmitt, and David E. Sanger, "U.S. Officials See Waste in Billions Sent to Pakistan," *New York Times*, December 24, 2007, <http://www.nytimes.com/2007/12/24/world/asia/24military.html>.

<sup>28</sup> Most recently, Brahmdayg Bugti, a key separatist tribal figure has acknowledged Indian support on Pakistani television. US policy analyst Christine Fair has also recently pointed to Indian involvement in Balochistan based on her private conversations with Indian officials. Christine Fair, "What's the Problem with Pakistan?," *Foreign Affairs*, March 31, 2009, <http://www.foreignaffairs.com/discussions/roundtables/whats-the-problem-with-pakistan>.

challenges the very premise of Pakistan military's obsession with a placid Kabul; even before strategic depth was experimented with in the 1990s, a friendly Afghanistan was considered essential for the military to be able to focus on the eastern border. Finally, although US leverage with Iran is minimal, the alleged Indian use of Iranian territory to funnel support to the Baloch insurgency is also an issue Islamabad would have ideally liked Washington to take up with New Delhi. What Pakistan perceives instead is an increasingly pro-India tilt in US' South Asia policy.

### **Reversing the Perverse Incentives**

It is safe to say that the US has failed to alter the Pakistani policy payoffs such that Islamabad would begin to see all out support for the US as beneficial to its cause. Much to the contrary, the Pakistani establishment's threat perception and its long term regional objectives remain entrenched. Worse yet, it associates a deteriorating regional balance vis-à-vis India, a less amenable Afghanistan, and increased backlash due to counter-terrorism efforts in Afghanistan as a direct outcome of US' South Asia policy. To add, the US has been unable to use its state-building support to gain the requisite concessions from Pakistan or to alter its negative perception in the eyes of the Pakistani citizens.

The incentive structure laid out by the US to goad Pakistan into aligning its strategies with American goals needs an urgent overhaul. Indeed, such is the level of perverseness of the framework that a rational actor model would predict maximum Pakistani gains if it were to choose a policy option somewhere between impressing upon the Afghan Taliban to negotiate with the Obama administration while the US is still in a position of relative weakness to actively supporting the Taliban in increasing the misery of Coalition troops in Afghanistan in the hope that it would lead to their forced withdrawal.

In terms of correction, our analysis leaves only one avenue open for US policy intervention: assuaging Pakistan's regional concerns. Other than that, the value of coercion has decreased significantly, the do it ourselves outlook reflects the wrong mindset and is at best a tactical concern in the grand scheme, convincing Pakistan of the gravity of the threat from the Afghan front is intrinsically linked with its regional threat perception, and while the Obama administration has made a positive turn on the buy-out aspect by prioritizing Pakistan's socio-economic needs, by itself this element of policy cannot transform Pakistani incentives such that it would contemplate shifting its focus and troops from the eastern border to tackle the Afghan Taliban and their associates wholeheartedly.

In essence then, the US is left with the extremely challenging task of maneuvering South Asian regional politics in order to alleviate Pakistan's security concerns. Here, the Pakistani demand for the US to prod India to agree on a final settlement for Kashmir is unrealistic. The US simply does not have the leverage to extract such a concession from India when the latter sees any mutually acceptable solution as less preferable to the status quo. However, there are a number of other measures the US could convince India on, ones that may not normalize relations but would be substantial enough to force a serious rethink on Pakistan's part. To begin with, symbolically the US needs to defer to Pakistan's demand of applying a 'regional' lens to South Asia. The Obama Administration's backtracking on including India in Special Envoy Holbrooke's portfolio was unfortunate in this regard. Similarly, the US should persistently and publicly support an

uninterrupted continuation of the dialogue and an early resolution to the Kashmir dispute, making it clear to New Delhi that it would not support the status quo indefinitely. Next, militarily, there is substantial room for India to scale down its formations on its western border. Indeed, a reduction in Indian troop presence is a prerequisite for the US to impress upon Pakistan to do the same.<sup>29</sup> By the same token, the deployment of short range Indian Prithvi missiles add little to India's tactical advantage and could be removed to send a strong conciliatory signal to Pakistan. Even going further, the US could spark a debate on a 'no war pact' which, if reached, would be immensely beneficial in terms of shifting Pakistan's focus westward.<sup>30</sup> Finally, while these measures may reduce the need for military upgradation in the medium term, for the immediate future, the US should fulfill its long-standing promises of supplying military hardware requested by Pakistan. This would convince Islamabad that the US tilt towards India does not imply a total neglect of Pakistan's needs.

As for Pakistan's fear of encirclement by growing Indian presence in Afghanistan, the US, without challenging India's right to be involved in reconstruction efforts, could push it to utilize Pakistani facilities through Karachi as the principal access route to Afghanistan. Even better would be a simultaneous effort to get Pakistan to accelerate the implementation of the recent Pak-Afghan Memorandum of Understanding on allowing India over-land transit to Afghanistan. One operational, India ought to utilize this route to its maximum potential. Currently, India's investment in a much more convoluted and costly route through Iran into Afghanistan makes little sense beyond seeking means to reduce Pakistan's influence in the region.<sup>31</sup> Even more critical, the Pakistani concern about Indian meddling in Balochistan must be addressed. Public rhetoric aside, the US intelligence would be in complete know-how of the extent of Indian involvement; based on this information, it should reach out to New Delhi on the subject. The US must grasp any opportunities it finds to use its leverage and convince India to rethink its strategy. The US may have missed a perfect moment to do so in the aftermath of the Mumbai terrorist attacks; it could have brought the Balochistan issue up with India just as it was pressuring Pakistan to come clean on its involvement in the attacks.

The above said, just as Pakistan is unlikely to budge on its threat perception till the India question is addressed, it is equally unrealistic to expect India to commit to any concessions unless Pakistan is bound by stringent commitments. In return for heeding to Pakistani demands, the US should hold out serious ramifications for Pakistan should its involvement in supporting terrorist attacks on Indian interests in the future be proven. The proposed 'no war pact' should consider tangible support to terrorism as a violation liable to be sanctioned through a pre-defined, mutually agreed mechanism. Moreover, Pakistan should also be forced to ensure complete transparency in terrorist probes that involve non-state actions against Indian interests from its soil.

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<sup>29</sup> Ejaz Haider, "Debunking Arguments Against Eastern Deployment," *Daily Times*, May 27, 2009, [http://dailytimes.com.pk/default.asp?page=2009\05\27\story\\_27-5-2009\\_pg3\\_2](http://dailytimes.com.pk/default.asp?page=2009\05\27\story_27-5-2009_pg3_2).

<sup>30</sup> Pakistan has in the past indicated its willingness to sign a 'no war pact' with India. "India Rejects 'No-war' Pact Plea," *The Hindu*, January 25, 2002, <http://www.hindu.com/2002/01/25/stories/2002012503140100.htm>.

<sup>31</sup> India is partnering with Iran to upgrade its Chahbahar port and has recently completed a strategic 135-mile long road connecting Afghanistan's Nimroz province with Chahbahar.

Another element of the US effort to assuage Pakistan's regional concerns should focus on creating buffers against a hostile Afghanistan once the US withdraws its presence. The US needs to play a delicate balancing act whereby it guarantees that enough non-Northern Alliance Pushtun elements would be included in any political formulation for Pakistan to be convinced that Indian encirclement with Kabul's blessings is implausible. Yet, the US should make clear that a return to the pre-9/11 Taliban's Afghanistan is out of the question. A strong enough Pushtun representation in a government which nonetheless has a broad representation across ethnicities seems to be the most realistic middle ground, one that Pakistan will likely be willing to accept.

The suggested transformation in America's South Asia policy provides the best hope for reversing the perverse incentive structure that currently makes it irrational for Pakistan to fall in line with the US objectives. With India having made visible concessions and Afghanistan's outright animosity towards its eastern neighbor ruled out, Pakistan's cost-benefit equation would have been overhauled. The utility of ties with hardcore militants would decrease at the same time that the potential gains from helping the US negotiate with 'moderate' non-Northern Alliance Pushtun elements from a position of strength increases. The rational actor model would then point to a high probability of Pakistan supporting the anti-terror campaign wholeheartedly.

### **A Final Word**

The fundamental premise of the argument forwarded in this paper is not attractive to the mainstream discourse on the subject. Instead of applying the normative weight of the US position, we have presented a strategic perspective – this is missing for the most part in existing literature – arguing that a state's threat perception is in the eye of the beholder. Therefore, where outright coercion is not an option, attractive incentives have to be created for the party in question to mould its behavior as desired. In terms of the US-Pakistan partnership on the War on Terror this implies a need for the US to assuage Pakistan's regional insecurities before it can expect Islamabad to support its objectives. This is not to make any claim that Pakistan's threat perception or its present response to US policies is rational or commensurate with its long term objectives as a country. That is meaningless as long as Pakistan believes it is. Taking this into account, the prescribed policy course is the only realistic way to bring Pakistani behavior in line with US goals.

The policy implications of the foregoing analysis are not likely to be welcomed by all quarters. Foremost, an Indian perspective may not see such concessions from New Delhi as warranted simply to benefit a third party. By the same token, a US strategist may find any move by Washington to pressure India simply to extract concessions from Pakistan as absurd given the much higher stakes associated with a cordial Indo-US relationship over the long run. Moreover, much of Washington's policy enclave would detest a strategy that they may consider to be too soft on a Pakistan playing a 'double game'. Each of these contentions is justified. However, these point more to the severity of the challenge the US faces in bringing about a positive transformation in its relationship with Pakistan rather than a weakness of the arguments made here. Make no mistake, while the US is right in believing that 'victory' in Afghanistan is not possible without Pakistan's support, achieving that will require challenging the conventional wisdom at home and making a key ally – India – uncomfortable abroad.

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