Rethinking US-Pakistan Relations in the Age of Great Power Competition

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INTRODUCTION

As the United States and Pakistan approach 75 years of bilateral engagement, the relationship between the two countries is at a critical crossroads. While viewing the US-Pakistan relationship exclusively through the security lens seems to be untenable, the road ahead, in the broader context of the Afghanistan withdrawal and great power competition, remains murky. Nevertheless, there exists a willingness on both sides to avoid the lows of the 1990s even if the highs of the 1980s or 2000s are not possible. It is, therefore, important to understand the interplay of the current state of diverging and converging interests of both countries that may inform the contours of a “right-sized” relationship.

This policy brief is a culmination of input received from sectoral and policy experts from both countries on the key areas of concern. It attempts to outline a rethinking of US-Pakistan relations against the background of changing priorities in the region and globally for both the United States and Pakistan.

WHY IS A RETHINK NECESSARY?

The foundations for cooperation between the United States and Pakistan were drawn out during a unipolar world, with the United States as the major global power. However, as the world moves away from this unipolarity, the new era is marked by global strategic competition between the United States and China,1 accompanied by Russia.2 Pakistan is generally perceived as a part of the China camp, while the United States has posited India as its main partner in the Indo-Pacific and South Asia to counter China. Moreover, there is frustration within the United States regarding Pakistan’s hedging strategy in Afghanistan, while on the other hand, there is fear within Pakistani strategic

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circles of a potential lack of US support to fight multiple economic and security challenges in the wake of the Afghanistan withdrawal. These perceptions pose significant challenges to the future of the US-Pakistan relationship, necessitating a rethink.

US-China great power competition is different from the Cold War era in that there is a high degree of economic interdependence as well as significant global challenges that affect both countries. This, in turn, provides potential for competition and cooperation, with the global community wary of conflict or a repeat of the Cold War. Similarly, even within Pakistan, there is a growing realization that the country must avoid pressure to side with either power; rather, it should act as a bridging state, as it did in the 1960s, between the United States and China, thereby maximizing cooperation with both and minimizing any adverse outcomes. Moreover, stability and security in South Asia is still paramount to US strategic objectives in the region. These convergences offer a possibility to realign US-Pakistan relations within the competition and cooperation framework.

Security and counterterrorism would remain an integral component of any relationship between the United States and Pakistan in the immediate future, with concerns over the reemergence and strengthening of terrorist groups in Afghanistan and Pakistan’s tribal areas. However, any long-term relationship would need to be predicated on greater economic cooperation and stronger people-to-people and cultural ties as well as a more human-centric approach to security (see figure 1).

There are indications that cooperation in these areas can potentially develop into a bedrock of US-Pakistan relations going forward, with government officials on both sides expressing interest in broadening the scope of engagement. Nevertheless, it is important to provide more clarity on what specific interventions would look like within these broader contours and to assess whether scaling up relations within these areas is even possible.

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A HUMAN SECURITY APPROACH TO REGIONAL STABILITY

Pakistan and the United States have a long-standing relationship of cooperation on security and counterterrorism issues. There is sufficient indication that this traditional cooperation will continue in one form or another, as both countries remain wary of the resurgence of terrorist organizations in Afghanistan after the Taliban takeover and the risks these groups pose to national as well as regional security. However, with US priorities shifting to the Indo-Pacific to counter Chinese influence in the region, a solely militaristic approach would not only lack sufficient resource mobilization but would also be unable to yield significant long-term gains. Therefore, a more human-centric approach to border management and security needs to be adopted by all parties, aimed at strengthening the border communities on both sides of the Afghan-Pakistan border and building their ability

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to counter violent extremist ideologies. Moreover, the emerging threat of climate change also poses a unique threat to security and stability in the region, including climate-induced disasters, migration, and food security concerns among others, which can lead to greater space for terrorist organizations to recruit and carry out militant activities.

**COUNTERTERRORISM EFFORTS AND PEACE IN AFGHANISTAN**

Given the security concerns in Afghanistan, Pakistan can use its influence over Kabul to curtail terrorist groups operating from Afghanistan. Positioning itself as one of the conduits for US-Taliban negotiations against terrorist groups, Pakistan can rebuild a close security relation with the United States, overcoming the mistrust and acrimony developed over recent years. Moreover, this is also an area of convergence and cooperation within the great power competition framework; China has also adopted an unequivocal approach to countering the threat of terrorism in the region, especially in the wake of attacks on Chinese assets and workers in Pakistan as well as Uyghurs fighting in Afghanistan.

**Recommendations:**

- Pakistan and the United States should revive the Pakistan-US Working Group on Law Enforcement and Counter-Terrorism to ensure knowledge and intelligence sharing on critical security threats and issues.
- Multilateral initiatives and organizations, including the UN and EU, should be engaged to continue dialogue and cooperation on peace in Afghanistan and the region, with continuation of initiatives such as the Doha Agreement.
- Countering violent extremism also remains a key area where US-Pakistan collaboration can be strengthened through a set of concrete and practical steps. These can include countering hate speech on social media platforms, scaling up existing awareness campaigns, and providing socioeconomic opportunities to the country’s youth.
BORDER MANAGEMENT AND SECURITY

Cooperation between the two countries on improving border management has traditionally been viewed through the military lens, with border fencing and enhancing the capacity of border security forces the key priorities. There has, however, been a lack of clearly defined mandates in this regard, with more than 30 agencies in Pakistan exercising overlapping mandates to manage different aspects of border security. It is also important to acknowledge that a comprehensive border management system cannot be realized without looking at border management from a human security and development lens for the bordering communities. Consistent disruption due to security concerns, militancy, operations, and so on has impacted local systems of economic opportunities and livelihoods. This, in turn, poses multiple risks for both Pakistan and the United States, such as movement of terrorists, money laundering, terrorism financing, illegal smuggling, and drug trafficking.

Recommendations:

• Cooperation between the United States and Pakistan should be focused on enhancing livelihoods and economic opportunities for the bordering communities by increasing the ease of cross-border mobility and facilitating local trade between bordering communities on both sides through common border markets.

• The United States should conduct a thorough need analysis of the border management and security requirements for Pakistan and assist in developing an integrated border management framework while simultaneously building the capacity of law enforcement agencies.

• There should be a concerted effort by the United States and Pakistan to jointly improve socioeconomic development in the Merged Areas and Balochistan, connecting them with national transportation networks to facilitate trade and also provide alternative livelihoods for the downstream markets.
CLIMATE CHANGE

During the last 20 years, Pakistan has remained among the countries most affected by climate change, even though its contribution to global emissions has remained minimal. Recent floods alone are estimated to have caused losses worth more than an estimated US$30 billion, with more than 1,400 dead and 33 million people affected. While climate change poses a threat to peace and stability within all of Pakistan, it especially leaves the conflict areas more vulnerable to exploitation by extremist groups and greater resentment against the state and global powers. Moreover, in the broader context, Pakistan can serve as a test case for global resolve to help communities worst affected by climate change and support alternative economic and livelihood opportunities. Climate change, therefore, marks one of the most important areas of convergence between the United States and Pakistan; under the recently launched Partnership for Global Infrastructure and Investment (PGII), building climate-resilient infrastructure to tackle climate change is one of the four priority areas, with the United States and G7 pledging US$600 billion under PGII by 2027.

Recommendations:

- The United States and Pakistan must make the US-Pakistan Climate and Environment Working Group more proactive, so it acts as the medium to coordinate on tangible interventions in this realm.
- The United States should invest in building climate resilience and awareness within local communities in Pakistan, especially in conflict-prone areas, with climate-resistant reconstruction, infrastructure development, food security, and displacement management as the key areas of investment.

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• The United States and Pakistan can cooperate on building the capacity of the disaster management authorities, government departments, and civil society to predict, mitigate, adapt to, and recover from shocks, natural disasters, and climate change–induced conflicts.

**ECONOMIC COOPERATION**

The US-Pakistan relationship has largely been seen through a security lens, with little consideration toward creating sustainable economic ties, which have remained subservient to the military/strategic relationship. While the United States remains the largest importer of Pakistan’s products (US$4.14 billion in 2020)\(^9\) and the second largest source of foreign direct investment (FDI) (US$249.6 million in 2021–22),\(^10\) the volume of these economic exchanges remains minuscule in the broader context.

Chinese economic diplomacy under the Belt and Road Initiative has forced the West to rethink its basis for economic relationships, especially with developing countries. PGII is a product of this realization, with the United States alone pledging to mobilize US$200 billion for investment in global infrastructure focused on clean energy, health systems, gender equality, and information and communication technology. As PGII or a similar initiative takes shape, Pakistan would be well advised to take an early-mover advantage to identify key areas of convergence with the PGII and mobilize both government-to-government as well as business-to-business exchanges for the same. Moreover, Pakistan would like to see this as complementing the existing initiatives and investments by other countries, such as China, rather than competing for the same space.

**TRADE AND INVESTMENT**

Pakistan is the 55th largest supplier of goods imports to the United States and the 57th largest export market; the United States has free trade agreements with more than 20 countries, but none with

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Pakistan. Similarly, Pakistan is not in the top 10 destinations for US FDI even in Asia and the Pacific, let alone the world, and is behind the Philippines, Taiwan, and Thailand, among others.11 FDI in 2020–21 was one-fifth of the total FDI from China in Pakistan; the latter was largely driven by China-Pakistan Economic Corridor–related funding. This situation raises the question whether there can be a mutually advantageous economic relationship between the United States and Pakistan, independent of the strategic and military relationship.

Pakistan’s weak regulatory regime, including ease of doing business and intellectual property rights combined with low participation of women, who comprise approximately 50 percent of the population, and consumption-based FDI rather than export-oriented investment, are all integral challenges that have hampered a scale-up of trade and investment between the two countries. Nevertheless, Pakistan, with its comparative advantage of a large under-30 population and potential partnership for diversifying exports, remains an attractive potential partner.

**Recommendations:**

- The United States should support Pakistan’s shift toward geo-economics and explore complementarities, which are in sync with the mutually defined interests for greater interregional connectivity and trade as it will give the United States access to the markets of this region.
- The United States and Pakistan should work together to help improve Pakistan’s receptiveness and adoption of new technologies, especially in the agriculture sector, such as the adoption of GMOs, through a more robust regulatory and intellectual property rights regime.
- The United States and Pakistan should build partnerships in knowledge creation through by establishing links between US business schools and their Pakistani counterparts in order to build local capacity and international expertise.

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INFORMATION TECHNOLOGY

Pakistan’s information technology (IT) sector remains one of the most obvious areas of new convergence between the United States and Pakistan in particular, and the West in general. Currently, Pakistan’s IT sector exports approximately $1.1 billion annually to the United States, but there remains huge potential for both countries to employ the youth bulge in Pakistan to develop the requisite human capital and skills to forge a mutually beneficial relationship. Moreover, US companies can also reap dividends by building and improving IT infrastructure, thereby tapping into a potential market of 220 million users as well as strengthening the US position in the region within the technology race; this would also help Pakistan avoid overdependence for technology infrastructure on any particular country. The PGII, with its private sector–led investment strategy, has laid out digital connectivity as one of the key priority areas and is, therefore, also one of the potential convergences between the two countries.  

Recommendations: 

• The United States visa regime for Pakistani businesses in general, and IT in particular, proves to be prohibitive in expanding market access and more peer-to-peer exchanges within the tech sector. Both Pakistan and the United States can use their missions to build greater networks, increase diaspora engagement, generate positive PR, and, subsequently, advocate for a more efficient visa regime.  

• The United States can fund programs that build capacity for freelancing and creating a favorable start-up ecosystem, which can encourage others, especially Saudi Arabia and the rest of the Middle East and North Africa, to undertake similar investments and co-sell with Pakistan to the American and European markets.

• Pakistan’s weak regulatory regime, as mentioned earlier, is a major hurdle for direct investment in the tech sector. Similar to the Pakistan Single Window, Pakistan can seek US assistance to improve regulatory framework and implementation capacity, and streamline processes to make them more investor friendly in areas of IT and entrepreneurship.

ENERGY

Pakistan’s energy sector remains largely reliant on fossil fuels; 64 percent of installed capacity relies on nonrenewable sources for electricity generation. Pakistan has huge potential for renewable and green energy as the demand for energy is ever-increasing and imperative for sustained economic growth. Similarly, 80 percent of Pakistan’s energy consumption is in the transportation sector, with a huge demand for public transportation in cities. These demands have, to a large extent, been fulfilled through China’s support, but there remains potential for the United States to fill the gap, especially in clean and renewable energy. Energy security remains one of the key priority areas under the PGII as well, suggesting that Pakistan can benefit from US expertise and a renewed interest in developing clean energy, with a focus on new and emerging technologies as well as better demand management systems.

Recommendations:

• US companies can invest in development of a green public transport system in Pakistan’s urban centers, while at the same time helping the Pakistani government introduce and encourage both grid-based and off-grid solutions for large-scale adoption of affordable clean-energy solutions.

• Pakistan can benefit from US companies’ expertise in smart grid technology, which can allow for greater efficiency and better demand management.

The United States and Pakistan can work together to help develop local capacity for research and development of renewable energy solutions such as green hydrogen, hydro, wind, and solar power, with a view to explore the potential to export to other countries.

**STRENGTHENING CULTURAL TIES**

Despite 75 years of alliance between the United States and Pakistan, the relationship is marred by major societal distrust; the tone adopted toward each other by both policymakers and the general population remains accusatory. According to a survey by the Pew Research Center in 2012, only 10 percent of United States respondents felt the United States could trust Pakistan, while only 11 percent of Pakistanis had a favorable opinion of the United States.  

The missing link, it seems, in the US-Pakistan relationship is people-to-people exchanges. While the United States has the largest Fulbright program in the world in Pakistan, it has not led to major nonelite interactions. US pop culture enjoys significant popularity within Pakistan, which can be a starting point for building such exchanges; the Western values of democracy, human rights, and liberty still hold great sway and appeal as compared to the alternative autocratic models. The US Bureau of Economic Analysis shows that its arts and cultural economic activities accounted for 4.2 percent of GDP, or US$876.7 billion in 2020—more than agriculture, transportation, and warehousing. These figures are largely export-based, which means that Pakistan, as a country of 220 million people, is a major potential market for the United States. On the other hand, Pakistan’s creative economy is experiencing growing recognition both inside and outside the country. For instance, in 2022 alone, young Pakistanis have made records on the global stage in the areas of music and film, with Arooj Aftab’s Grammy award, Coke Studio’s latest season, Saim Sadiq’s *Joyland* at the Cannes Film Festival, Shazia Sikander’s Fukuoka prize, Riz Ahmed’s win at the Oscars, and MCU’s *Ms. Marvel*.

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In short, against the backdrop of heightened issues of Islamophobia and white supremacy in the United States and violent extremism and anti-Americanism in Pakistan, art and culture can allow the two countries to converge and build societies that focus on people, peacebuilding, and pluralism.

**Recommendations:**

- Pakistan needs to invest in greater people-to-people exchanges through facilitation of visa regimes, university tours, exchange programs, tech conferences, and cultural heritage tourism for relevant US populations.
- The United States should scale up existing education programs and increase efforts to encourage STEM education with Pakistan, thereby bridging the gap between academia and industry in the two countries.
- The United States should facilitate people-to-people exchanges with Pakistan across all sectors, with the aim of increased nonelite interactions and better cultural understanding between the two countries.

**CONCLUSION**

The United States and Pakistan have significant divergences with regard to their strategic interests, especially with regard to China and India. Nevertheless, there are sufficient convergences, including countering the threat of terrorism, diversifying exports/imports, building diverse and peaceful societies both at home and abroad, as well as contributing to a more resilient and sustainable world. Moreover, the potential of great power cooperation enables countries like Pakistan to navigate camp politics and act as a bridge where cooperation is mutually desirable. For this to work, however, both the United States and Pakistan need to shift away from the security lens through which the US-Pakistan relationship has been exclusively viewed during the last 75 years. Only a relationship built on sustainable economic ties, enhancement of human security, and strong cultural understanding of one another could be the logical way forward, even if the scale is smaller as compared to US-Pakistan transactions in the past.
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