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Asymmetric Alliances and Side Payments: Alliance Politics Between Unequal Powers

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ASYMMETRIC ALLIANCES AND SIDE PAYMENTS: ALLIANCE POLITICS BETWEEN UNEQUAL POWERS

by

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A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York

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This manuscript has been read and accepted for the Graduate Faculty in Political Science in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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ABSTRACT

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by

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Advisor: Peter Liberman

Strong states use foreign aid as side payments to form and maintain military alliances with small and poor states, to a degree not adequately appreciated in the international relations literature. The amount of aid necessary to form and sustain alliances with strong ones is affected by small states’ domestic politics—such as regime type (coalition size) and stability—and the divergence of their strategic interests with the strong power. The alliance and foreign aid literatures, however, have generally downplayed the importance of foreign aid in the formation of asymmetric alliances, have not explained when and why foreign aid matters for asymmetric alliances, have not adequately explained how domestic politics and strategic interests affect the aid levels needed to form and maintain asymmetric alliances. The dissertation fills these gaps in the literature. It probes why asymmetric alliances are formed and the role side payments play in the formation and maintenance of asymmetric alliances. A view that starts from the perspective of a leader’s interests in their domestic setting can give us a way to understand when the costs of an asymmetric alliance are offset by the gains and how side payments can serve as a mechanism to make the formation and maintenance of the alliance possible.
The dissertation offers a trade-off theory of asymmetric alliances which contends that leaders in weaker states are motivated to form alliances with great powers to enhance their potentials for domestic political survival. External alliances may provide small state leaders access to external resources that will help them to rely less on expensive extraction from the society and to alleviate risky guns-and-butter trade-off in domestic distribution of resources. As prospective allies sometimes have interest divergence in forming an alliance, weaker parties may experience a deficit in utility from the alliance. The theory predicts that having interest divergence between prospective allies increases the likelihood that a great power uses side payments to cement an alliance with a small state. Side payments provide a compensation mechanism: a great power can offer a potential ally an increase in security through an increased level of side payments, such as economic aid, military equipment, arms or other logistical support. In return for side payments the small state offers concessions (such as changes in its internal policies or granting military bases) to the great power ally. The amount of side payments a small state leader needs as a compensation for his policy concessions depend on political institutions and constraints the leader faces to his political survival. Political institutions affect the bargaining options for leaders. The theory contends that the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders (typically seen in autocratic polities) than it is for large coalition leaders (usually seen in liberal democracies).

During the maintenance phase of the alliance, the parties engage in a process of bargaining to continue the flow of benefits from the alignment as well as to minimize one’s costs and risks associated with the alliance commitments. Accordingly, the trade-off theory predicts that interest divergence between recipient and donor, as well as the availability of alternative donors, affect the flow of aid and the likelihood of alliance termination or realignment. Increasing divergence of
interests leads either to alliance termination or to donors increasing the side payments made to a small state for its policy concessions. If there are substitute great powers who are willing to offer more side payments than the small state is getting (or expected to get) from the existing alliance and the expected costs for small states are equal to (or less than) the existing level, then the net value of realignment with another great power will increase. Thus, the theory predicts that a small state leader chooses to realign with another great power when the leader expects a higher payoffs of net value from the new alliance. Important domestic political changes in small states, such as changes in the existing political regime or leadership may affect the state’s alliance policies. The theory contends that, all else equal, a regime change in small states will be likely to cause one of the following outcomes: a) the new regime may terminate the existing alliance or b) the alliance remains intact in exchange for an increased level of side payments. If the alliance remains important to the great power, it will survive albeit for a higher price; otherwise, the alliance will be terminated.

Lastly, the theory predicts that leadership changes, both in democratic and non-democratic small states, will have minimal impacts on the continuation of asymmetric alliances in the short run. Because most democratic leaders are constrained by domestic political institutions and rely on the support from different segments of society, it is difficult for them to make drastic changes in policy. Thus, an asymmetric alliance is likely to survive, at least in the short run, after a leadership change in a democratic small state. In the absence of any alternative great powers (as a prospective ally), a small coalition leader has incentives to continue the existing alliance, at least in the short run, which can provide him access to much needed external resources, such as military and economic aid. These resources enhance the new leader’s ability to produce private goods and to keep his coalition members loyal.
The dissertation makes important contributions in the international relations scholarship. First, it presents a systematic study of alliance relations between asymmetric powers that focuses on leaders’ domestic political survival in weaker developing countries as a primary motivation for alliance formation with stronger states. Second, contrary to the existing theories of alliances in the literature, the dissertation shows that various forms of foreign aid, which I term side payments in the context of alliance bargaining, play an important role in the formation and maintenance of asymmetric alliances. Third, the dissertation offers a dynamic and process oriented approach that emphasizes that alliance agreements and accompanying security arrangements between strong and weak states are a result of bargaining processes. The trade-off theory is a process-oriented theory that probes not only why asymmetric alliances are formed but also how they are maintained. The theory underscores domestic political processes shaping small state leaders’ perception of threat and dynamic bargaining between allies and traces changes in alliance relations over time in response to changing strategic interests of allies. The dynamic nature of the theory provides a useful theoretical framework for the future research on not just alliances but on interstate negotiations for other security arrangements.
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1. INTRODUCTION

Alliances are a central feature of international politics and an indispensable part of a state’s foreign policy. The role of alliances in statecraft has long been recognized by statesmen, scholars, and philosophers. Kautilya, an Indian statesman-philosopher, stipulated in *Arthasastra*—an ancient Indian treaties on statecraft, economic policy, and military strategy—six patterns of interstate relations, one of which is alliances. In Kautilya’s “Circle Doctrines of States” alliances have a key role in the defense of a kingdom.\(^1\) *Arthasastra* maintains that “contemplating and carrying out foreign affairs meant acting skillfully and strategically,” that requires “cultivating advantageous alliances, addressing internal problems, weakening enemy states, finding glory in conquest, and enriching the kingdom.”\(^2\) International relations scholars have noted the importance of alliances in world politics. For example, George Liska pointed out succinctly: “it is impossible to speak of international relations without referring to alliances; the two often merge in all but name.”\(^3\)

The importance of alliances in world politics justifies a well-developed research agenda in the international relations literature. However, prominent theories of alliances posit a narrow

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\(^1\) The “Circle Doctrine” is built on the idea that “my enemy’s enemy is my ally”: a king is encircled by enemy kingdoms (a ring of hostile states in the first circle). However, a second circle, concentric with circle of enemies, will be the king’s circle of allies. Because the kingdoms in the second circle share borders with the king’s enemies (the first circle), the king finds natural allies in kingdoms in the second circle. Mark Mc Clash and Patrick Olivelle, *The Arthasastra: Selections from the Classic Indian Work on Statecraft* (Hackett Publishing, 2012). Pp. 119-20

\(^2\) Ibid. P. 120

purpose for alliances. For instance, a well-established hypothesis in the alliance literature is that states form alliances only to deter external threats. With few exceptions, the alliance literature focuses mostly on the alignment patterns among great powers. This observation applies not only to the realist tradition, but also to liberal and domestic politics oriented approaches. In general, the alliance literature has neglected disparate motivations of states for seeking external alliances and has paid relatively little attention to the patterns of alliances and alignment in less-developed and developing countries (which I referred to as small states in this study)—known collectively as the Third World. Strong states may use foreign aid as side payments to form and maintain military alliances with poor or weaker states, to a degree not adequately appreciated in the international relations literature. The amount of aid necessary to form and sustain alliances with strong ones is affected by weaker states’ domestic politics—such as regime type (coalition size) and political stability—and the divergence of their strategic interests with the strong power. The alliance and foreign aid literatures, however, have generally downplayed the importance of foreign aid in the formation of asymmetric alliances, have not explained when and why foreign aid matters for asymmetric alliances, have not adequately explained how domestic politics and strategic interests affect the aid levels needed to form and maintain asymmetric alliances.

The dissertation fills these gaps in the literature by offering a trade-off theory of asymmetric alliances. It probes why asymmetric alliances are formed and the role side payments play in the formation and maintenance of asymmetric alliances. A view that starts from the

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4 The literature is extensive, which I address in this chapter and in the theory chapter. For our purpose at this point, see the following important research in this tradition. Kenneth N Waltz, *Theory of International Politics* (McGraw-Hill New York, 1979); Stephen M Walt, *The Origins of Alliance* (Cornell University Press, 1987).

5 I use the term “Third World” not to imply a strict stratification among states (such as the First World, Second World, and so on). I use this well-known term to refer to a set of countries that are generally understood as less-developed and developing in their stage of economic development and many of whom experienced European colonialism. In sum, the term “Third World” is used here to refer to countries with weaker economic and military capabilities.
perspective of a leader’s interests in their domestic setting can give us a way to understand when
the costs of an asymmetric alliance are offset by the gains and how side payments can serve as a
mechanism to make the formation and maintenance of the alliance possible.

The trade-off theory contends that leaders in weaker states are motivated to form alliances
with great powers to enhance their potentials for domestic political survival. External alliances
may provide small state leaders access to external resources that will help them to rely less on
expensive extraction from the society and to alleviate risky guns-and-butter trade-off in domestic
distribution of resources. As prospective allies sometimes have interest divergence in forming an
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The dissertation makes important contributions in the international relations scholarship. First, it presents a systematic study of alliance relations between asymmetric powers that focuses on leaders’ domestic political survival in weaker developing countries as a primary motivation for alliance formation with stronger states. Second, contrary to the existing theories of alliances in the literature, the dissertation shows that various forms of foreign aid, which I term side payments in the context of alliance bargaining, play an important role in the formation and maintenance of asymmetric alliances. Third, the dissertation offers a dynamic and process oriented approach that
emphasizes that alliance agreements and accompanying security arrangements between strong and weak states are a result of bargaining processes. The trade-off theory is a process-oriented theory that probes not only why asymmetric alliances are formed but also how they are maintained. The theory underscores domestic political processes shaping small state leaders’ perception of threat and dynamic bargaining between allies and traces changes in alliance relations over time in response to changing strategic interests of allies. The dynamic nature of the theory provides a useful theoretical framework for the future research on not just alliances but on interstate negotiations for other security arrangements.

The chapter is organized in the following order. The first section briefly discusses some shortcomings of some major alliance theories and the relevance of these theories in our understanding of asymmetric alliances. The second section clarifies and defines some terms used throughout the study. The subsequent sections then explains key assumptions, briefly summarizes main arguments of the trade-off theory, and explains research designs respectively.

A. Why We Need a Theory of Asymmetric Alliances

Most well-known theories of alliances are not well-suited to explain the patterns of alliances and alignments in the Third World. These theories are ill-equipped to explain what motivates small state leaders to form and maintain alliances with external powers. This is not surprising since these theories are tailored made to fit Western states, particularly European states. For instance, a fundamental assumption in neorealist theories of alliances is the idea that states are a coherent unitary actors. The unitary state, however, is a difficult condition to match in the context of developing countries. In Third World states domestic political order is far from unitary: some
of these states are fragmented, they face contested sovereignty, and challenged authority structure. The sources of threats to small state leaders are often internal than external.

Neorealist theories posit that security-seeking states in an anarchic world form alliances solely to improve their military strength against hostile states. These theories are also known as the capability aggregation model of alliance formation because they suggest alliances allow states to augment their capabilities in order to deter shared threats. In general, the realist tradition does not pay much attention to the role of small and weaker states in international politics. In the balance of power theory small states are rarely given any importance except for a recognition that they do exists. Thus, Kenneth Waltz concludes that “so long as the major states are the major actors, the structure of international politics is defined in terms of them.” According to this formulation, when small states face external threats, they tend to bandwagon since they are too weak to balance against threats. This “one size fits all” proposition is narrow in scope and inadequate as an explanation of small states’ alignment patterns. We need a better and a more nuanced approach to small state alliances that are capable of capturing political dynamics in Third World States.

The systemic approach to international politics, exemplified by the neorealist paradigm, suggests that a state's behavior is a response to the systemic constraints and incentives as well as its possession of aggregate power relative to others (i.e., the distribution of capabilities). Systemic pressures will override domestic interests, internal political struggles, and the internal characteristics of states in foreign-policy decision making. The anarchic nature of international

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6 Waltz, pp. 93-94
system makes states concerned about their survival, security, and independence. Small states, given their relative weak capabilities, are vulnerable units in the international system. Thus, their behavior is seen as a function of the international distribution of power. According to this line of argument, small states are more attentive to the constraints of the international system than they are to domestic political process. Unlike great powers, small states lack a “margin of time and error” when responding to external exigencies. Since the costs of being exploited are much higher for small states than they are for great powers, the former will be affected by anarchy to a greater extent. Consequently, statesmen in small states will need to be attentive to external constraints.\(^8\)

The effects of the international system on small states, however, is ambiguous in Kenneth Waltz’s view on the determinants of small state foreign policy. On the one hand, he argues that the security and foreign policy of small states will be dependent on structural constraints (such as the degree of great power competition), and they need to be more attentive to these external constraints due to their “narrower margin for error.” On the other hand, Waltz claims that small states are more likely to take international constraints for granted, since nothing it does can significantly affect the international system.\(^9\) Overall, small and weaker states have limited or no role in the international system shaped by great power politics.

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\(^9\) Waltz, Theory of International Politics. Some scholars argue that international system rather than domestic politics plays an important role in small states’ foreign policy choices. Small states are more “exposed to the vagaries of international security and economic competition.” Randall Schweller argues that domestic level explanations will be less useful when it comes to small states. Rather than being susceptible to domestic level influences, Schweller concludes that “extreme systemic constraints” can account for weak state foreign policy and military behavior. In their study of state behavior in the post-cold war era, Goldgeier and McFaul predict that while domestic politics will have an increasing influence on great power foreign policy, the behavior of small states on the periphery of the international system will continue to reflect systemic constraints: “structural realism is inadequate to explain the behavior of states in the core but is relevant for understanding regional security systems in the periphery.” See Michael I Handel, Weak
An overemphasis on systemic imperative makes alliances largely great power affairs. According to neorealist theories, small states’ alliance strategies are limited due to their relatively weaker (in terms of power capabilities) position in the international system. The balance of power theory, which posits that imbalances of power cause states to form alliances against the most powerful state or coalition of states to prevent the rise of a hegemon, suggests that small states on the periphery has minor or no role in the maintenance or alternation of the balance of power in the system. The balance of threat theory (a modified version of the balance of power theory that argues that states form balancing alliances against a common threat, not just power) weak states are more likely to bandwagon with an aggressive great power than balance against it. Bandwagoning is likely to be a preferred alliance strategy of small states due to their vulnerable position in international politics. In general, states form balancing alliances against a powerful state (rather than bandwagon with it) for two reasons: a) states do not want to put their survival at risk since it is the powerful state that threatens them, and b) joining the more powerful side tends to reduce their influence within the alliance since the weaker side has a greater need for assistance which leaves it vulnerable to the whims of the powerful ally. One might infer then that small

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11 Walt.

12 Eric Labs argues that whether weak states are more likely to balance or bandwagon against a great power threat is a function of systemic factors, such as geographic proximity and the availability of alternative alliance options. See Eric J Labs, "Do Weak States Bandwagon?," *Security Studies* 1, no. 3 (1992).

13 Walt.pp. 18-19; on the second point, Waltz notes that “Secondary state, if they are free to choose, flock to the weaker side; for it is the stronger side that threatens them. On the weaker side, they are both more appreciated and safer...” see Waltz, *Theory of International Politics*. pp. 126-27
states, which are assumed to be driven by survival and independence just like any other states, are less likely to form alliances with great powers because of the twin risks mentioned above. Yet the claim that small states are likely to capitulate to great powers (bandwagoning) is contrary to the central theme in neorealist approach: states prioritize their survival and independence above anything else.

Scholars in the neorealist persuasion use polarity—different configurations of power in the system (i.e. multipolarity, bipolarity, etc.)—to underscore the effect of the international system on the patterns of alliances and alignments among states. In a multipolar world, where great powers form alliances to aggregate capabilities of the allies in order to deter a common threat or an aspiring hegemon, small and weaker states will be regarded more as liabilities than as useful allies. This is because great powers need to form balancing alliances that can muster capabilities in parity with the power of a threatening power or an aspiring hegemon and its allies. In such a system it is more advantageous for great powers to influence the behavior of other great powers than to court the support of small powers since small states add little to the strength of an alliance and can do little to affect the outcome.\(^\text{14}\) In the struggle primarily among great powers, A. J. P. Taylor noted, “Every alliance with a small state meant an additional liability, not a gain. . .”\(^\text{15}\) The meager capability of small states is not worth any concessions on the part of great powers. Systemic incentives for great powers to form asymmetric alliances in a bipolar world are ambiguous. One the one hand, the general insecurity of international anarchy leads states to worry not simply about how well they

\[^{14}\text{Robert L Rothstein, Alliances and Small Powers (Columbia University Press New York, 1968). P. 190. Rothstein notes that the distinction between great powers and small powers arose in response to military necessities. According to the author, during the classical period of multipolarity, states’ formal status as a major powers was dependent on their ability to guarantee 60,000 troops in the field against a new French aggression. The inability of small powers to make such a commitment left them with an inferior status. See ibid. P. 196}\]

fare themselves (absolute gains) but about how well they fare compared to other states (relative gains). The zero-sum logic should increase superpowers’ preoccupation with competition for allies and influence in the periphery. On the other hand, the superpowers in a bipolar world are so powerful that allies, especially small states, add little to their security. Thus, Waltz points out that the balance of power in bipolarity depends on the superpower’s internal efforts to generate power capabilities; small peripheral states are largely irrelevant. Lastly, in a unipolar system, generally referred to as the control of disproportionate share of the relevant resources of the system by a single state that has greater freedom of action than great powers do under either multipolarity or bipolarity, the systemic incentives for the formation of asymmetric alliances are minimal or do not exist. Because the unipole has a greater leeway to opt for its preferences, it has less need for allies and small and weaker powers have more reason to doubt the credibility of the commitments it makes.


17 Thus, Waltz notes the minimal systemic effects when the United States “lost” China after the revolution in 1949 or American alignment with China in the early 1970s. Waltz, Theory of International Politics. P. 169. Waltz noted in another publication: “Two states that enjoys wide margin of power over other states need worry little about changes that occur among the latter. . . Because no realignment of national power in Vietnam could in itself affect the balance of power between the United States and the Soviet Union—or even noticeably alter the imbalance of power between the United States and China—the United States need not have intervened at all.” See "International Structure, National Force, and the Balance of Power," in International Politics and Foreign Policy, ed. James Rosenau (New York: Free Press, 1969).

18 Theory of International Politics; "The Stability of a Bipolar World."

19 Because of its overwhelming advantages in relative military and economic power over other states, a hegemon is the only great power in the system, which is therefore, by definition, unipolar. See Mearsheimer, The Tragedy of Great Power Politics. P. 40.

Thus, a theoretical explanation of why asymmetric alliances might be formed is not apparent according to the underlying logic of the neorealist paradigm. The system-focused neorealist model is ill-equipped to explain the patterns of alliances and alignment in small weaker states. As shown in the previous analysis, one would be hard-pressed to place the role of small states in the neorealist theories of alliances. While neorealist theories generate parsimonious predictions, the theories are irrelevant in the context of Third World politics. As Mohammed Ayub summarizes costs of parsimony: “parsimony is perceived to be a positive aspect of theorizing because it simplifies complex realities and makes their comprehension an intellectually manageable exercise. But in doing so, theorists are often tempted to oversimplify and may well end up constructing a reality that is not in accord with all the important dimensions of the ‘real’ reality out there.”

Although the alliance theories have downplayed the role of foreign aid in alliance formation and maintenance, there is a well-established literature on the use of foreign aid as a foreign policy tool. Alliance theories in the neorealist tradition ignore the role of foreign in alliance formation. For example, Stephen Walt claims that because a common threat is the predominant source of alliance formation, foreign aid has little or no impact on alliance formation. A domestic politics oriented approach to alliances, which emphasizes alliance formation as a tool for ruling elites/leaders political survival, also fails to provide an adequate...

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explanation of why and under what circumstances foreign aid might be offered as side payments to cement an alliance. Steven David posit that the most powerful determinant of Third World alignment behavior is the rational calculation of the leaders as to which outside power is most likely to “do what is necessary” to keep them in power. David, however, does not specify what outside powers do to keep the Third World leaders in power. Like Walt, David also downplays the role of foreign aid in leaders’ alignment decisions. In general, major theories of alliances take the use of side payments for granted or considered unimportant in alliance formation. Although the exchange of side payments between allies is no secret, there have been few theoretical or empirical analyses made to explain the role of side payments in the formation and maintenance of alliances. This study fills these gaps in the alliance literature by offering a trade-off theory of asymmetric alliances which emphasizes that of asymmetric alliances are a result of strategic trade-off between allies and highlights the role of side payments in the formation and maintenance of alliances.

B. Definitions

Alignments, Alliances, and Asymmetric Alliances: Alliances and alignments are sometimes used interchangeably. Alignment identifies a broader patterns of behavior. It can be defined as “expectations of states about whether they will be supported or opposed by other states in future interactions.” Alliances are a subset of alignments. Some scholars make a clear distinction between alliances as formal agreements and alignments as tacit security relationships.


25 See David, "Explaining Third World Alignment."

between states. Glenn Snyder refers alliances as “formal associations of states for the use (or nonuse) of military force, in specified circumstances, against states outside their own membership.” Thus, in this formulation, alliances are formal agreements that specified, explicitly, contingencies in which members are expected to cooperate. For others, however, a heavy emphasis on formal treaties limits our understanding of alliance behavior. Walt notes that precise distinctions between formal and informal alliances would distort more than they would reveal. Walt uses a broader definition: “an alliance is a formal or informal agreement for security cooperation between two or more sovereign states.” In this study, in both case studies and in quantitative analysis, I define an alliance as formal security pact between or among states. Furthermore, I use the term alignment to imply the expectations of states about the support, which derive from having alliance agreements, of their allies.

Alliances differ in terms of their purposes. Scholars commonly categorized alliances as defensive, offensive, neutrality agreement, and nonaggression pact. Instead of focusing on purposes, I use variations in power capabilities between allies to differentiate types of alliances. Thus, alliances can be divided into two broad types: symmetric and asymmetric alliances. Symmetric alliances are those that are formed between or among states with similar level of power capabilities. For example, the France-Russian alliance (1894-1914) can be categorized as a symmetric alliance. Asymmetric alliances, on the other hand, are defined as alliances between states with dissimilar power capabilities—usually between great powers and weaker states. The alliance between Belgium and France (1919-1936) can be cited as an example of asymmetric

28 Walt, The Origins of Alliance. P. 12
alliance. More contemporary examples involved the Cold War alliances between the superpowers (i.e. the United States and the Soviet Union) and Third World countries. According to James Morrow, parties receive different benefits from an asymmetric alliance—the small state makes autonomy (the degree to which a nation pursues desired changes in the status quo) concessions to the great power in return for the gain in security (a nation’s ability to maintain the current resolution of the issues that it wishes to preserve). A general feature of these alliances is that parties have asymmetric capabilities, which sometimes may generate interest divergence between allies. In this study I focus primarily on asymmetric alliances between great powers and weaker developing countries in the Third World.

Small State: There is no consensus on the definition of the term “small states.” It is a contested term in the international relations literature. In the nineteenth century European politics the term “minor powers” was referred to those political entities that had neither the power nor the prestige enjoyed by recognized great powers. A sharp increase in the number of newly independent states in the 1950s and 1960s—most of which were weak and underdeveloped former colonies of European powers—had stimulated an interests in research, which reached its peak in the 1970s, focused on the phenomenon of “small states.” In general, small states are defined in terms of what they are not (that is, in terms of their shortcomings). In terms of economic potentials, it has been argued that small states lack economic vitalities due to their small domestic market, a low

diversification of its economy, scarcity of natural resources, higher costs of production and lower economies of scale, etc. Small economies are assumed to be more dependent on external trade than bigger states, to tend to have trade deficits, to depend often on a single commodity of export. In the similar vein, in security realms, it has been argued that the relative weakness of small states constrained their ability to influence outcomes in international politics.31

Scholars use different criteria to define small states. For example, David Vital uses population size as a defining criterion. Vital defines small states as those having (a) a population of less than 10 to 15 million in the case of economically advanced countries, and (b) less than 20 to 30 million in the case of underdeveloped countries. His incorporation of the degree of economic development, however, casts doubt about the importance of population size as a standard criterion.32 Edward Azar defines a small state as a state whose total GNP (Gross National Product) accounts for less than one per cent of the world's GNP.33 Robert Rothstein and Robert Keohane conceptualize small states in terms of their lack of ability to influence the international system. According Rothstein, a small state “recognizes that it cannot obtain security primarily by use of its own capabilities, and that it must rely fundamentally on the aid of other states, institutions, processes, or developments to do so.”34 For Keohane, a small state is “a state whose leaders consider that it can never, acting alone or in a small group, make a significant impact on the

34 Rothstein.
Given the relative weakness of small states, external alliances of these states have been analyzed as a means to compensate for their weakness and to guarantee their security. In this study I use Miriam Elman’s definition of small states. Elman defines “small” in terms of capability rather than size. According to this standard, “smallness” can be understood in terms of capabilities as well as how those capabilities are applied against whom, when, and for what sets of goals. Resource capabilities necessarily constrain the scope and domain of foreign policy. Thus a small state can be defined by the state’s limited economic and military capacity to: (1) influence the security interests of, or directly threaten, a great power; and (2) defend itself against an attack by a great power. I use “small states” and “weaker states” interchangeably. By using the above mentioned criteria, most developing countries in the Third World can be categorized as small states (even though some of them have larger population and territories than many developed states).

Side Payments: Side payments are positive incentives offered by one side to the other in exchange for the recipient’s concessions on issues/policies deemed important to the donor. Foreign economic aid, military aid, and loans are clear examples of such side payments. Aside from these

35 Keohane, “Lilliputians’ Dilemmas: Small States in International Politics.”
39 There is a rich literature in comparative politics on “strong and weak states” which analyzes the state-society relations. In this study I define small states in terms of capabilities, not in terms of a state’s relations with the society. For an example of research in this tradition, see Joel Samuel Migdal, Atul Kohli, and Vivienne Shue, State Power and Social Forces: Domination and Transformation in the Third World (Cambridge University Press, 1994).
obvious examples, side payments can take various shapes or forms. For instance, during a negotiation process one party can use territorial concessions as side payments to cement an agreement. The use of positive incentives in interstate bargaining is no secret. States use foreign economic policies to influence other states’ behavior and to achieve foreign policy objectives. This is a common practice of “statecraft.”

There is a well-developed area of research on the use of side payments (of which issue linkage is a part) in the bargaining literature. According to bargaining theories, policymakers use side payments as either direct monetary payments (such as bribes) or material concessions on other issues (such as issue linkages) to encourage concessions on a given issue. Side payments and issue linkages, if used to provide a positive inducement, help states to diminish conflict and to reach an otherwise unattainable level of cooperation during negotiations. Issue linkages, as a part of side payment mechanism, help states to solve distribution problems, arise when actors have different preferences over alternative possible agreements, in bargaining situations. As Morrow observed: “a linkage deal requires two issues that the sides believe are of different importance. Each side receives concessions on the issue it believes is of greater relative importance. . . [if] done properly, both sides prefer the linkage deal to going to war over the initial issue.”

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41 Baldwin.
A state may offer various types of incentives to encourage otherwise unwilling governments to cooperate with it. Side payments may come in the form of direct payments such as cash payments (or grants), loans, or military aid, etc. Positive incentives can also be in the form of indirect payments, such as unilateral trade concessions, investments, etc. In an alliance negotiation the nature and volume of side payments, however, will depend on the strategic value of the alliance to the more powerful side.\textsuperscript{45} I contend that side payments serve as a compensation mechanism that closes the deficit in net gains sometimes felt by a member (usually, the weaker side) of the alliance. Side payments sometimes increase the scope of the alliance to include economic and/or military dimensions. For a great power considering an alliance with a small state, the strategic value of the alliance may justify the cost of side payments; for the small state gains involve both economic and strategic dimensions at the expense of concessions on issues deemed important to the great power.\textsuperscript{46} This study probes the conditions under which side payments are used as a bargaining tool in asymmetric alliances.

**Autonomy and Security:** The term security can be defined as the ability to defend and preserve core values and interests against external or internal threats. Having the ability to preserve territorial integrity and political independence are two such core interests of every state. Another way to define the term, as James Morrow does, is to state that “a nation's security is its ability to maintain the current resolution of the issues that it wishes to preserve. A nation's security varies with the issues it defines as security concerns, its capabilities to defend those concerns, the support it expects to garner from other nations to defend its security interests, and the magnitude of threat

\textsuperscript{46} Ibid.
that other nations pose to those interests.\(^{47}\) The former definition subsumes Morrow’s notion of security since a state’s core values and interests that it wishes to preserve may come under attacks from external sources during an interstate war as well as from internal sources during a civil war. A state’s national security policies often lay out the means by which the state would defend and preserve these values.

Autonomy generally refers to the freedom of action. A state’s autonomy, in both external and internal realms, implies its ability to pursue policies without being challenged by external and internal forces. There is an important linkage concerning the practice of autonomy between a state’s internal and external realms. A state will be less likely to practice autonomy in external affairs if it lacks the freedom of action in internal affairs (due to interferences from external and internal forces). For example, we do not expect Iraq and Syria, which have been experiencing violent instability and civil war in recent times, to pursue effective autonomy in external affairs when the governments in both states are having difficulties in exerting authority in domestic affairs. Also, how well a state is able to maintain its autonomy varies according to its capabilities. A great power may have more autonomy than a weaker developing country. It is relatively easier for a great power to challenge the status quo to pursue desired changes in external realms.

**Divergent Interests:** States device their foreign policies to achieve certain policy objectives. They often need to interact with other countries to coordinate strategies and sometimes need support from others to achieve these objectives. When parties share similar interests or objectives in an undertaking, we can say that they have converging interests. However, when they

\(^{47}\) Morrow, “Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances.”
have different interests, the parties have diverging interests. Thus, divergent interests can be defined as differences or divergence in interests between/among parties in a policy area.

The figure below depicts a bargaining scenario that illustrates divergent interests between two parties. Suppose that a great power and a small state are negotiating over two issues X and Y; each party assigns varying degree of importance to these issues ranging from 0 (least) to 10 (highest). As the figure shows, the great power assigns a higher importance to issue X but cares very little about issue Y. The small state has the opposite preference: it assigns more importance to Y than to X. These different preferences of the parties on the two issues produce a very small area of converging interests (shaded area), but a very large area of diverging interests. It is this area of divergence that opens the opportunity for bargaining. In these circumstances issue linkages and side payments can provide parties incentives to engage in bargaining and to make an agreement despite having a high degree of divergent interests. Side payments compensate parties for the compromise on their preferred issue and make the agreement mutually beneficial. A general inference can be made that having a higher the degree of divergent interests between the parties, open the potential for (and intensity of) a negotiated agreement. It is important to note that each state assigns different value to issues and thus the relative importance of interest divergence will vary from case to case.
C. Assumptions

The trade-off theory is built on some basic assumptions. First, I assume that leaders are rational actors. Rational behavior implies choosing the best means to achieve a predetermined set of ends. Rational behavior does not require means or ends to be righteous or moral. For our purpose, it is “an evaluation of the consistency of choices and not of the thought process, of implementation of fixed goals and not of the morality of those goals.”\footnote{\textit{Game Theory for Political Scientists} (Princeton University Press Princeton, NJ, 1994). P. 17} The assumption leads us to expect the following: “given a social situation in which exist two alternative courses of action leading to
different outcomes and assuming that participants can order these outcomes on a subjective scale of preference, each participant will choose the alternative leading to the more preferred outcome.”

Thus, to put it simply, rational leaders are goal oriented actors; they have preferences over the set of outcomes and they try to attain the more desired outcome.

Second, a core assumption of the theory is that leaders are driven to enhance their political survival. Leaders promote policies, adopt strategies, wage war, make peace, and sometimes use the state and its resources to enhance their survival potentials. What policies or strategies leaders adopt and how well they can maintain their power depends on domestic political institutions. For example, democratic leaders are expected to play by democratic institutions and to win elections; non-democratic leaders employ all possible means to keep political opponents at bay and to stay in power as long as possible. Thus, rational leaders employ all possible means, conditioned by domestic political institutions, to ensure their political survival.

Third, alliances are a policy tool. Alliance policies are not necessarily an especial craft of “high politics”, but rather a commonly used instrument of foreign policy. Just as leaders use fiscal policies to collect revenue and to configure and reconfigure the allocation of economic resources among various interest groups, they use alliances as a foreign policy tool to achieve their political ends. Alliances and alignments are diplomatic tools at leaders’ disposal that can be used to attain desired domestic and foreign policy objectives. What objectives leaders want to achieve and how they do so are empirical questions that this study seeks to answer.

Fourth, states are not unitary actors. Some prominent international relations theories, such as the neorealist paradigm, make a unitary state assumption, which suggests that the state is a

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49 Quoted in Riker., p. 18
coherent political entity (an enigmatic black box) and leaders adopt and implement foreign policies on behalf of the state to achieve a set of national interests. This is an unrealistic assumption. Contrary to the unitary actor assumption, this study assumes that the state consists of a constellation of forces divided along various ethnic, religious, cultural or class lines with distinct interests. At any given time, domestic and foreign policies of the state reflect the interests of groups or forces in power. Thus, by assuming that the state is not a unitary actor, I accept its implication that a state’s national interests are not static; instead, national interests have dynamic and ever-changing characteristics reflecting the values and interests of the forces or groups at the helm of the state.

**D. The Arguments**

The Trade-Off theory of asymmetric alliances articulates a model about the formation and maintenance of alliances between great powers and small states. It contends that leaders in small states are motivated to form alliances with great powers to enhance their potentials for political survival in a challenging domestic political environment. Side payments play a major role in both the formation and maintenance phases of asymmetric alliances. The major components of the theory are summarized below.

Threats to leaders’ political power and their calculation for political survival increases the likelihood that they form asymmetric alliances. Domestic political factors play a crucial role in leaders’ alignment choices. When faced with threats to their political survival, sometimes proliferated by domestic political instability, leaders must decide whether to deal with the threat by internal means which involves extraction of scarce societal resources or by external means by forging an alliance with a state capable enough to supply resources that satisfy the leader’s needs.
Since domestic extraction (i.e. levying taxes) is often costly for leaders, forming alliances is an attractive option. External alliances may provide small state leaders access to external resources that will help them to rely less on expensive extraction from the society and to alleviate risky guns-and-butter trade-off in domestic distribution of resources. As prospective allies sometimes have divergent interests in forming an alliance, weaker parties may experience a deficit in utility from the alliance. Side payments then serve as a compensation mechanism that fills the deficit and makes the alliance mutually beneficial. Side payments, a source of external resources, help small state leaders to ameliorate a critical potential dilemma in domestic resource allocation and maintain the loyalty of leaders’ core domestic political coalitions.

Having divergent interests between prospective allies increases the likelihood that great powers use side payments to form the alliance. The likelihood of using side payments by a great power to cement an alliance is a function of having divergent interests between the parties. Great powers and small states can have incentives to form alliances for different reasons, not necessarily driven by a mutual interest in deterring a common enemy. Divergent motivations for forming an alliance between great powers and small states are sometimes caused by the disparity in their power capabilities. Whereas a great power may use the alliance as a tool for power projection, a small state leader may seek an alliance with a great power to obtain external help to counter domestic and regional threats to his political survival. An alliance agreement may stipulate that the small state offers concessions (such as changes in its internal policies or granting military bases) to the great power ally. In return, the great power can offer a potential ally an increase in security through an increased amount of side payments, such as economic aid, military equipment, arms or other logistical support. The great power’s ability to influence its ally’s internal and external policies enhances its freedom of action in foreign affairs and enables it to pursue desired
changes in the status quo in regional or international politics. Given that the great power is likely to be considerably wealthier than the small power, the marginal cost of sacrificing some resources (side payments) to the small power is relatively a small cost for the great power and a large gain for the small (and often poorer) state who values the marginal gain in external resources more highly. Hence, it should not be hard to find an appropriate compensation scheme since the utility gain from the side payments is large for the small power relative to the big power and so at a small utility cost to the great power a large utility deficit can be bought off for the small power when it grants a difficult policy concession.

The amount of side payments a small state leader needs as a compensation for his policy concessions depend on political institutions and constraints the leader faces to his political survival. Political institutions affect the bargaining options for the leader. The theory predicts that the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders (that is, leaders who depend on a small group of key supporters, typically seen in autocratic polities) than it is for large coalition leaders (typically seen in liberal democracies where leaders rely on the support of a large number of electorate). This is not because small coalition leaders demand smaller amounts, but because the type of political constraints they face and the type of goods they have to produce to stay in power. Since a small coalition leader relies on a small number of core supporters, it is easier for him to satisfy these supporters for their utility loss due to policy concessions to the great power than it is for their large coalition counterparts. Making autonomy concessions in exchange for side payments provides small coalition leaders with access to external resources that enables them to remain in office through rent seeking and rewarding their supporters with private goods. Large coalition leaders require a large amount of side payments to compensate a large number of electorate who may experience utility loss as a
result of policy concessions to the great power. They need to compensate their coalition members with public goods (such as increasing investment in infrastructure, providing additional resources for social welfare programs, education, healthcare, etc.) that are often more expensive than rewarding few supporters with private goods.

Once an asymmetric alliance is formed, the allies have to be concerned with the maintenance and management of the alliance. During the maintenance phase of the alliance, the parties engage in a process of bargaining to continue the flow of benefits from the alignment as well as to minimize one’s costs and risks associated with the alliance commitments. As in the formation phase, side payments play an important role during the maintenance phase of the alliance. From a small state’s perspective, the attractiveness of an asymmetric alliance depends on the continuous flow of side payments.

The trade-off theory contends that during the maintaining phase of the alliance as the degree of interest divergence varies, so does the magnitude of side payments a small state receives for its policy concessions. The small state is likely to receive a small amount of side payments when the allies have a low level of divergent interests. Large amounts of side payments are not needed since parties already share a high level of mutual interests. The great power can buy policy concessions from the small state for a cheaper price. Having a high degree of divergent interests may lead to two possible outcomes. First, negotiations between the allies for ongoing cooperation may fail and very little or no side payments are expected. As a result of a high level of divergent interests, the great power may find the small state’s demands too expensive to obtain desired policy concessions. Second, if the great power considers the small state’s cooperation crucial (in the absence of other plausible alternatives) to its foreign policy objectives, it may be willing to pay a higher price (side payments) for the ally’s continuing cooperation. In this case, successful
negotiations make it possible for the small power to gain large amounts of side payments. In between the two extremes, the theory claims that the weaker party is likely to receive large amounts of side payments when the degree of interest divergence is in the medium range.

The value of an existing alliance to a small state leader may depend on the continued receipt of side payments as well as the availability of substitute great powers. Any drastic change (expected or realized) in the flow of side payments, combined with available great power alternatives (to replace the existing one) encourages the leader to consider alternative alliances. An asymmetric alliance is likely to be more durable when there are no drastic changes in the flow of side payments and the small state does not have plausible great power alternatives to replace the existing ally. If there are substitute great powers who are willing to offer more (or the same volume) side payments than the small state is getting (or expected to get) from the existing alliance and the expected costs for the small state are equal to (or less than) the existing level, then the net value of realignment with another great power will increase. The small state leader, then, has an incentive to realign with another great power. Thus, the trade-off theory predicts that a small state leader chooses to realign with another great power when the leader expects a higher payoffs of net value from the new alliance.

Important domestic political changes in the small state, such as changes in the existing political regime or leadership may affect the state’s alliance policies. The theory predicts that, all else equal, a regime change in the small state will cause one of the following outcomes: a) the new regime may terminate the existing alliance or b) the alliance remains intact in exchange for an increased amounts of side payments. In the wake of a regime change, the new regime may terminate the existing alliance if the new ruling coalition prefers non-alignment or realignment with another great power. It is also possible that the new regime maintains the existing alliance but
demands a higher price (i.e. a higher amounts of side payments) for the state’s concessions on autonomy. In the latter case, the continuation of an asymmetric alliance will depend on the extent to which the great power values the alliance. If the alliance remains important to the great power, it will survive albeit for a higher price; otherwise, the alliance will be terminated.

Leadership changes, both in democratic and non-democratic small states, are likely to have minimal impacts on the continuation of asymmetric alliances in the short run. Because most democratic leaders cannot govern effectively without cooperating with other officials and groups (for instance, legislatures, governing coalition partners, leaders of subnational political units) representing different sections of society, any drastic changes in policy tend to be difficult. Thus, an asymmetric alliance is likely to survive, at least in the short run, after a leadership change in a democratic small state. For a small coalition leader, surviving the initial period in office is particularly difficult because of the uncertainties about the loyalty of the coalition members and the leader’s ability to reward them with private goods. Side payments are an attractive source of revenue. In the absence of any alternative great powers, a small coalition leader has incentives to continue the existing alliance, at least in the short run, which can provide him access to much needed external resources, such as military and economic aid. These resources enhance the new leader’s ability to produce private goods and to keep his coalition members loyal.

E. Research Design

I employ both quantitative and qualitative methods to test the theory. This hybrid approach allows me to analyze complex social and political dynamics, often rooted in historical developments, in developing countries that shape leaders’ strategies and preferences for external alliances as well as to provide quantitative analyses necessary to explain broader patterns alliances and alignment.
in international relations. I use regression analysis to test the hypotheses about the formation of asymmetric alliances. Some hypotheses, mostly about the maintenance phase of the alliances, however, are difficult, if not impossible, to test using quantitative method. This difficulty is due largely to a lack of available data. In some cases, the key variables are simply difficult to quantify. Fortunately, qualitative approach—case study methods—provides a useful alternative.

I use case study approach to test most of the proposed hypotheses. All maintenance (cooperation and discord in asymmetric alliances) related hypotheses will be tested primarily by using case study method. While large-n quantitative approach is useful in explaining broader patterns of alliances, case study approach offers some important advantages. Because I hypothesize that divergent interests between allies necessitates side payments and leader’s calculus for political survival makes alignments more likely, it is necessary to thoroughly examine the domestic and international political environment, the degree of shared interests between allies, resource constraints leaders face, and the necessity to maintain the loyalty of key supporters for political survival. Moreover, an important explanatory variable in this study is the degree of divergent interests between allies that determines the magnitude of side payments small states receive from great powers. It is difficult to compare, in large-n analyses, the relative importance parties assign to issues and interest divergence. Case study approach is a better way to make detailed analyses of factors that shape the degree of interest divergence between prospective or existing allies. I use Alexander George’s structured and focused comparison method in which researchers ask general questions of each case under study to guide the standardized data collection in order to make systematic comparisons and accumulation of the findings of the cases possible.\textsuperscript{50}

\textsuperscript{50} Alexander L George and Andrew Bennett, \textit{Case Studies and Theory Development in the Social Sciences} (Mit Press, 2005).
I selected three cases to test the theory. These cases are the following: 1) the US-Pakistani alliance; 2) the U.S.-Philippines alliance and 3) alliances and realignment in the Horn of Africa that include Ethiopia and Somalia’s alliances with the United States and the Soviet Union. These cases provide useful insight as to under what conditions leaders in small states are willing to form and maintain alliances with great powers and the role of side payments in their alignment decisions. The alliances under study here were formed in the 1950s when Pakistan, Philippines, Ethiopia, and Somalia were poor and underdeveloped countries emerged on the international stage that was already engulfed by the Cold War tension between the superpowers. Aside from their similarity as being underdeveloped small states, these cases are different in many respects including different histories, regional and domestic political settings, economic conditions, etc. Importantly, the cases vary in terms of two key independent variables: a) the degree of threats to leaders’ political survival and b) the degree of divergent interests individual countries had with great powers in forming and maintaining the alliances. Since the formation of the alliances in the 1950s, the selected countries have experienced important internal and external political change over the years that have shaped leaders’ perception of threat and the degree of interest divergence with great power allies. These variations offer an opportunity to make longitudinal analyses within cases and test the hypotheses concerning the maintenance of asymmetric alliances—that is, within case variations will allow us to explain how domestic political changes affect a state’s external alliances.

For the purpose of data collection the following standardized questions will be asked of each case: what was the nature of external and internal threats facing the small state leader? What was the relative importance of external and internal threats to the leader’s political survival? Did international political environment constrain the leader’s alignment decisions? What was the nature of the security-autonomy trade off involved in the alliance bargaining? What was the nature
of concessions (territorial, policy, etc.) asked of the small state leader? Did the leader face political instability? What was the nature of political regimes in the small state? What was the state of the economy preceding the alignment decisions? Once an alliance was formed, what was the nature of changes in interest divergence between the allies overtime? How did these changes, if any, in interest divergence affect bargaining between the parties? Lastly, how did domestic political changes (regime change and leadership change) in small states affect the alliance relations? I use the data accumulated from these standardized questions to test hypotheses in individual case study and to make a comparative analysis across the cases in the concluding chapter. For within case analysis I use longitudinal congruence procedure (within case comparisons) which will allow me to observe and compare values on the independent and dependent variables across a range of circumstances within a case. This procedure will then help us to assess whether the values of independent and dependent variables covary in accordance with the predictions of the proposed hypotheses. To substantiate the causal mechanisms at work, I use process tracing to explore the chain of events by which initial case conditions lead to case outcomes; the cause-effect link is unwrapped and divided into smaller steps.  

Table 1.1 below summarizes the hypotheses and the methodologies used to test these hypotheses.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Methodology</th>
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<tbody>
<tr>
<td>1) Having divergent interests between a great power and a small state increases the likelihood that the great power uses side payments to cement an alliance.</td>
<td>Quantitative</td>
</tr>
<tr>
<td>2) All else equal, the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders than it is for large coalition leaders.</td>
<td>Quantitative</td>
</tr>
<tr>
<td>3) All else equal, politically unstable small states are more likely to form asymmetric alliances than are politically stable small states.</td>
<td>Quantitative</td>
</tr>
<tr>
<td>4) Threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances.</td>
<td>Quantitative</td>
</tr>
</tbody>
</table>
| 5) All else equal, the amount of side payments used to maintain the alliance depends on the level of divergent interests between the allies:  
   a) When the level of divergent interests is very low, small amounts of side payments are necessary to maintain the alliance;  
   b) When the level of divergent interests is very high, very large amounts of side payments (for a successful negotiation) or no side payments (for an unsuccessful negotiation) are expected; and  
   c) When the level of divergent interests is in the medium range, parties can bargain policy concessions in exchange for large amounts of side payments. | Case study: - The U.S.-Pakistan Alliance - The U.S.-Philippines Alliance |
| 6) A small state will be likely to realign if the expected net gain from realignment outweighs the expected gain from the existing alliance. | Case study: - The Horn of Africa |
| 7) All else equal, regime changes in small states increase the likelihood that a) the alliance will be terminated, or b) the amount of side payments received will increase. | Case study: - The U.S.-Pakistan Alliance - The U.S.-Philippines Alliance - The Horn of Africa |
| 8) In the short run, leadership changes in small states will be less likely to effect the continuation of asymmetric alliances. | Case study: - The U.S.-Pakistan Alliance - The U.S.-Philippines Alliance |
**F. Chapter Outline**

The next chapter offers a theory of asymmetric alliances, what I term a Trade-Off theory of asymmetric alliances. It critiques major theoretical approaches to alliance formation and maintenance and explains several hypotheses that form the building block of the theory. The next three chapters then provide empirical findings. Chapter three reports findings from large-n quantitative analyses. Chapter four and five provide case studies on the U.S.-Pakistan alliance and the U.S.-Philippines alliance respectively. These cases offer a good ground for testing most of the proposed hypotheses about the formation and maintenance of asymmetric alliances. The penultimate chapter test the hypotheses concerning the termination of alliances and the cases of realignment by using the patterns of alignment and realignment in the Horn of Africa. The chapter specifically focuses on Ethiopia and Somalia. In the concluding chapter I summarize empirical findings specific to each hypothesis and offer a comparative analysis across cases. In addition, the concluding chapter discusses potential strengths and weaknesses of the theory and the theoretical and policy implications of the findings.
2.

A TRADE-OFF THEORY OF ASYMMETRIC ALLIANCES

In *The Prince*, Niccolo Machiavelli advised that “a prince must beware never to associate with someone more powerful than himself” and should “avoid as much they can being at the discretion of others.”¹ For small state leaders, the risks of alignment with great powers in Machiavelli’s advice is consistent with what neorealist scholars call the risks of alignment for weak states². Given these risks, why do small states nevertheless form alliances with great powers? Once formed, how are these alliances maintained? Why do small states sometimes realign at the expense of great power allies? As asymmetric alliances have been a common feature of international relations, an explanation is needed to answer these questions. The purpose of this chapter is to provide an explanation, based on a leader’s domestic survival perspectives, of why and how asymmetric alliances are formed and how they work.

I contend that threats to leaders’ political power and calculation of their own political survival increase the likelihood that they form asymmetric alliances. Side payments serve as a positive incentive that a great power use to compensate a weaker power for its policy concessions. As a source of external resources, side payments help leaders to ameliorate a critical potential

² See Walt, *The Origins of Alliance*. 
2. A Trade-Off Theory of Asymmetric Alliances

dilemma in domestic resource allocation and maintain the loyalty of leaders’ core domestic political coalitions. Once an asymmetric alliance is formed, side payments continue to play an important role in the maintenance of the alliance. Intra-alliance cooperation is more likely when both parties receive and are expected to receive their share of the benefits from the alliance. For a small state, a primary benefit from an alliance with a great power is gaining a steady stream of side payments from its powerful ally. I further argue that small state leaders may realign with a competing great power when the expected net gain from realignment outweighs the gain from the existing alliance. This chapter begins with a brief literature review on the formation and maintenance of alliances with special attention to the alignment strategies of small states. It then offers a theory of asymmetric alliances and explains how such alliances are formed, how intra-alliance cooperation is achieved, and why small states choose to realign. The chapter ends with a conclusion that sheds light on the implications of the theory for the alliance literature.

The Alliance Literature: the Formation, Maintenance, and the Role of Side Payments

Research on alliance formation has generally neglected the role of side payments. Much of the literature on alliances has focused on alliance formation at the systemic level.\(^3\) Prominent theories of alliance formation follow the logic of capability aggregation, rooted in the balance of power theory, as a primary determinant of states’ alignment strategies. Stephen Walt (1987) claims

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that the balance of threat theory offers a better explanation of the origins of alliances and the alignment strategies of both great powers and small states. Walt argues that states make balancing alliances against those states that they perceive as threatening.\textsuperscript{4} Simply put, states form alliances against external threats. Without stipulating how domestic politics and how unit level variables affect leaders’ perception of threat (which Walt’s theory does not provide), perceived external threats is an imprecise predictor of states’ alignment choices since the concept is malleable and can be manipulated to fit any foreign policy choices.\textsuperscript{5} Leaders’ perception of threat can be shaped by domestic politics and foreign threats can be perceived as threats to the survival of the government and its leaders rather than to the state.\textsuperscript{6} Various domestic political factors, thus, have important effects on leaders’ alignment decisions.\textsuperscript{7} The balance of threat theory’s heavy reliance


\textsuperscript{5} As Walt (1988) noted: “Alliance choices are based on subjective assessments: it is the actors' perceptions of threat that count, not the analyst’s ‘objective’ evaluation . . . different states will view potential allies and adversaries in different ways.” Leaders often manipulate threat perception to serve their own interests. See Fareed Zakaria, From Wealth to Power: The Unusual Origins of America's World Role (Princeton University Press, 1999). An interesting issue is that when the balance of threat theory is applied to small states’ alignment choices, the theory cannot be falsified. In explaining the alliance patterns of small states, Walt suggests that weak states are more likely to bandwagon with an aggressive and powerful great power than balance against it. Thus, if a small state bandwagons, balance of threat theory will explain the state’s alignment choice. If a small state balances, the theory explains this strategy too since it should be the state’s first choice. Or if a small state’s alliance cannot be categorized as either balancing or bandwagoning, Walt can categorized such alliances as “regional balancing.” According to Walt, “what might at first glance appear to be bandwagoning, may actually be a specific form of balancing, where the threat to be countered is a neighboring power or some other local problem.” See Walt, "Alliances in a Unipolar World."; Taming American Power: The Global Response to American Primacy (New York: Norton, 2005). Thus, it appears that the theory explains all alliance strategies and contingencies of small states. See Elman.

\textsuperscript{6} For example, Afghanistan under the Taliban rule perceived Pakistan as an ally but India and Iran as threatening since these two states supported anti-Taliban forces. These perceptions, however, reversed once anti-Taliban forces came to power in 2001.

on a sharp dichotomy between “balancing” (challenging the threat) and “bandwagoning” (capitulating to the threat) and its focus on external threats as the primary cause of external alignment tend to marginalize states’ myriad motives for alliance formation. The paradigm of balancing and bandwagoning misses more important dynamics in small states: domestic political instability, the urgency of state building\(^8\), and how the leaders’ external alignment choices may be driven by the desire to augment their political survival in perilous domestic political environments.

A domestic politics oriented approach to alliance formation has produced a number of strands in the literature. Some recent studies emphasize the effects of domestic political coalitions\(^9\), foreign economic ties\(^10\) and regime type\(^11\) on alignment policies. One variant of domestic politics explanation of alliance formation has emphasized external alliances as a tool for ruling elites/leaders political survival.\(^12\) Steven David’s (1991) theory of “omnibalancing” explains alignments in Third World states as a result of the leaders’ need to counter various internal and

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\(^12\) See Deborah; David, "Explaining Third World Alignment."; "Why the Third World Still Matters."; *Choosing Sides: Alignment and Realignment in the Third World;* Levy and Barnett; Barnett and Levy.
external threats to their political survival. David argues that the most powerful determinant of Third World alignment behavior is the rational calculation of the leaders as to which outside power is most likely to do what is necessary to keep them in power. David, however, did not specify what outside powers do to keep Third World leaders in power (“do what is necessary” is vague and fails to specify the role of great powers in protecting small state leaders from various threats). As for side payments, David downplays its role in the alignment decisions of Third World leaders.13

There is a well-established literature on the use of foreign aid as a foreign policy tool. The use of foreign economic policies to achieve foreign policy objectives is a common practice of “statecraft.”14 Foreign aid is often seen as a tool or means of increasing the security of the donor country.15 A number of studies support the view that bilateral aid donors are driven by their own interests rather than altruism.16 Most bilateral donors place little importance on recipient merit, such as a certain level of poverty.17 Some studies provide evidence that foreign aid is used as an inducement to alter a country’s votes in the United Nations.18 Thus, there are numerous studies to

13 See David, “Explaining Third World Alignment.”
14 Baldwin; Liska, The New Statecraft: Foreign Aid in American Foreign Policy; Taffet.
support the view that states use foreign aid as a tool of inducement to change the recipients’ behavior.

In the alliance literature, however, the role of foreign aid as side payments is considered unimportant and hence largely unexplored. For example, Walt (1987) claims that because common threat is the predominant source of alliance formation, foreign aid has no or little impact on alliance formation. He notes that “when evaluating the importance of economic and military assistance on alliances, we should consider the degree to which such assistance has powerful independent effects on the recipient’s conduct and the considerations that will increase the influence that aid brings . . .” Walt concludes that aid is a form of alliance cooperation rather than a source of it. But there are at least three reasons to question this conclusion. First, great powers and small states may not share the same enemies or the same threats; they are less likely to perceive a threat with the same magnitude and severity. Second, if resource strapped small states can extract economic and military resources from great powers, they have incentives to exploit great power rivalries by playing one great power against the other. Walt’s conclusion disregards the possibility of bargaining between asymmetric powers that may result in the transaction of aid in exchange for policy concessions in alliance relations. Third, empirical evidence, particularly the asymmetric alliances formed during the Cold War, provides plenty of examples where aid was a

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19 Christina Davis looks at the role of side payments in the alliance between Great Britain and Japan in the early twentieth century. However, her argument is less pertinent to asymmetric alliances. Davis argues that high strategic value for an alliance and leadership autonomy create incentives for great powers to offer side payments. However, growing economic competition between allies and legislative involvement in the decision making process generate demands from domestic actors to use the alliance for bargaining leverage on economic policy. Unless small states are able to monopolize the supply of certain goods, they may not have enough market power to compete with developed great powers and thus, Davis’s point about intra-alliance economic competition is less of an issue in asymmetric alliances. Small states are rarely in a position to compete against great power in the international market. Moreover, Davis’s formulation does not articulate the role and importance of side payments in alliances between great powers and small states. See Davis.

20 Walt, The Origins of Alliance, pp. 40-41

21 Ibid., p. 42
2. A Trade-Off Theory of Asymmetric Alliances

crucial motivation behind small states’ alignment decisions with one great power or the other. These observations, then, raise two empirical questions: in the absence of common interests, what motivates small states to seek alliances with great powers? In the absence of side payments, would small states in the Third World have formed alliances with the superpowers during the Cold War?

The few studies that focus on small state alignments have paid little attention to the conditions under which side payments may be offered and their role in the formation of alliances. One exception to this is Barnett and Levy’s (1991) study of Egypt’s external alignment which argues that Third World leaders may form alliances with powerful states to secure external resources. They posit that leaders in Third World countries face the trade-off between external alliance formation and internal resource mobilization. While internal resource mobilization may be difficult within a threatened state, alliance formation can bring a rapid infusion of funds and other resources, including military expertise and equipment. Given resource constraints, political leaders often try to secure material resources through external alliance formation rather than through costly internal extraction. Although this study is in agreement with Barnett and Levy’s argument that leaders’ domestic political needs motivate them to seek external alignments as a means to get access to external resources, it adds that a great power’s willingness to provide side payments to a small state is an outcome of a strategic trade-off where each party is expected to receive different benefits from an alliance.

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One branch of the literature focuses on the trade-offs inherent in alliances. In this literature, Morrow’s (1991) seminal work on asymmetric alliances provides a useful theoretical framework for the current research. According to Morrow, the attraction of an alliance depends on the autonomy and security that each party can provide and the value each party attaches to those goals. In an asymmetric alliance, the weaker side offers concessions, such as military bases or changes in foreign policies that can increase a stronger ally’s freedom of action (autonomy) in exchange for its gains in security from the great power. In this autonomy-security trade-off approach, since parties derive their benefits from different interests, they strike a more stable bargain of interests than those in symmetric alliances. Although shifts in either ally’s utility function, shaped by changes in ally’s relative capabilities, can alter the duration of the alliance, changes in the small state’s capabilities will not greatly affect the nature of the trade-off in an asymmetric alliance. Because the small state provides autonomy to the great power in exchange for security, its contribution to the alliance is unaffected by changes in its capabilities. Thus, Morrow concludes that asymmetric alliances are less likely to break because of changes in minor powers’ capabilities and tend to last longer than symmetric alliances. Asymmetric alliances are


25 As one ally grows in power, its ability to provide for its own security increases. As a result, the state will demand additional autonomy from its ally. These changes in relative power capabilities make breaking the alliance more attractive. Decline in a nation’s capabilities will lead to a demand for renegotiation of the alliance terms as well: the partner with constant capability will demand additional autonomy in return for an increased in security for the declining ally. See Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances."

26 Midlarsky’s findings suggest that alliances with great differences in capabilities last longer than those with small differences. See Manus I Midlarsky, The Onset of World War (Unwin Hyman Boston, 1988). Pp. 158-68
more likely than symmetric alliances to continue to provide net benefits to their members. This view is contrary to the capability aggregation model which suggests that alliances would be terminated when external security threats decline or when allies no longer provide the necessary capabilities to one another.²⁷

In addition to the capability aggregation model and the autonomy-security trade-off approach, some research look at domestic changes as a predictor of alliance duration and maintenance. Some scholars argue that regime change alters a state’s utilities for alliances and consequently lead to changes in alliance policies.²⁸ Regime types and domestic political institutions have been pointed out as an important factor that affect whether leadership changes lead to changes in alliance policies and other international commitments made by previous leaders. Gartzke and Gleditsch (2004) have argued that due to frequent turnover in "winning coalitions," democracies tend to be unreliable allies.²⁹ On the other hand, some scholars have noted that leadership changes in democracies are less likely to lead to changes in the state’s international commitments and alliance policies than in other types of regimes.³⁰ Because democratic leaders face institutional constraints, policy consistency amid domestic political changes is expected in democratic polities.³¹ Due to the costs associated with changing course, abrupt policy change is

³¹ See Brett Ashley Leeds, Michaela Mattes, and Jeremy S Vogel, "Interests, Institutions, and the Reliability of International Commitments," American Journal of Political Science 53, no. 2 (2009); Gaubatz; Leeds; Lipson;
less likely and democracies are perceived as credible actors by other states.\textsuperscript{32} Thus, alliances involving democratic states tend to have a long duration.

Morrow’s theoretical formulation and Barnett-Levy’s empirical findings provide a foundation for the current research. However, Morrow does not delve into the details of the mechanisms needed to strike a deal that trades autonomy for security or security for autonomy. His formulation does not stipulate beyond an abstract theoretical formulation as to how the autonomy-security trade would come to fruition. Barnett and Levy’s argument has not been applied beyond one case and thus we do not know how generalizable it is across cases. Although the current research agrees with David’s argument that domestic political survival motivates small state leaders to form alliances with great powers, his “Omnibalancing” theory does not stipulate the means by which great powers help leaders in small states to stay in power. The current research intends to fill these gaps. The next section lays out and explains the components of the trade-off theory.

\textbf{A Trade-off Theory of Asymmetric Alliances}

\textbf{I. Formation}

I offer an explanation of asymmetric alliances based on a leader’s domestic political survival perspective. I will frame the argument using \textit{Selectorate theory},\textsuperscript{33} which posit that leaders’

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survival in office depends on two domestic political institutions: the selectorate (the set of people with a potential say in who is to be leader; it is the pool of individuals from which a leader draws supporters to form a winning coalition) and the winning coalition. The size of both the winning coalition and the selectorate can vary widely across political systems.\textsuperscript{34} In order to stay in power, incumbent leaders must maintain the support of their winning coalition by allocating the state’s available resources between private goods and public goods.\textsuperscript{35} Political institutions—the selectorate and the winning coalition — determine the types of goods leaders need to provide: when coalition size is small, leaders can most efficiently maintain the loyalty of their supporters by providing them with private goods. However, as coalition size increases, rewarding supporters with private goods become too expensive and so leaders allocate resources increasingly toward public goods.\textsuperscript{36} I use these insights from the selectorate theory and argue that in the face of various forms of threats to their political survival, small state leaders form asymmetric alliances with great powers. Side payments serve as a powerful incentive for small state leaders to form such alliances.

\textbf{A) DIVERGENT INTERESTS AND ALLIANCE STRATEGIES}

States may form an alliance despite having different interests in the alignment. A great power and a small state may seek to achieve different objectives from an asymmetric alliance. As we will see in the following pages, divergent interests in the alignment between unequal powers are often a

\textsuperscript{34} In monarchies or military juntas, selectorates and winning coalitions are much smaller than in democracies—usually consist of aristocrats or military elites and key bureaucrats. Autocratic states generally have relatively small winning coalitions, although selectorate size can vary greatly. In democratic states, the selectorate is usually large –usually all adult citizens-- and the size of the winning coalition is a relatively large proportion of this selectorate.

\textsuperscript{35} The essential difference between these two forms of policy provisions is that while public goods benefit all members of society, private goods are allocated to and enrich only the members of the winning coalitions. The relative mix of public and private goods provided by government is strongly driven by coalition size.

\textsuperscript{36} Bueno de Mesquita and Smith.
result of the disparity in their power capabilities. Having divergent interests between prospective allies have major implications for alliance negotiations since the degree of interest divergence determines the amount of side payments needed to cement the alliance.

i) **Small States: Domestic Political Imperatives**

   **INTERNAL INSECURITY AND LEADER SURVIVAL:** Prominent theories of alliance formation posit that security against external threats is a primary determinant of small states’ alignment choices. This argument presupposes a standard notion of security that may not be useful in the context of Third World states. The concept of security has been used in external or outward-directed terms and assumes that a) threats to a state's security primarily arise from outside its borders; and b) that these threats are primarily military in nature and usually need a military response if the security of the target state is to be preserved. The concept, in short, has been defined to mean immunity (to varying degrees) of a state to threats emanating from outside its boundaries. However, the meaning of security in small states in the Third World is different from the concept’s traditional meaning in the advanced industrialized Great Powers.

   Third World states, like any other states, face both internal and external threats. However, a consequence of the historical development of the state structures in the Third World is such that even when a threat is external in origin, it often becomes enmeshed with internal security problems.

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38 Mohammed Ayoob argues that the differences in the processes of state formation in the West and in the Third World explain the different meanings of security and security orientations. Whereas evolutionary process of state formation have made the state in the West “legitimate, strong, and cohesive”, colonial legacies and artificial boundaries have created state structures in the Third World that tend to “lack legitimacy and are weak as states” in their capacity to act effectively. Internal dissents pose a strong threat to the structures of Third World state. As the divisions within these societies intensity, internal threats to state structures (which are identified with the ruling groups) escalate. See Ayoob, *The Third World Security Predicament: State Making, Regional Conflict, and the International System*; ”The Third World in the System of States: Acute Schizophrenia or Growing Pains?”; ”The Security Problematic of the Third World.”; ”Security in the Third World: The Worm About to Turn?”; ”Regional Security in the Third World,” (1986); ”The New-Old Disorder in the Third World,” *Global Governance* 1, no. 1 (1995); Martin Wight, *Systems of States* (Leicester University Press, 1977).
This intertwined nature of internal and external security threats is often a function of arbitrarily drawn state boundaries by colonial powers that have divided ethno-linguistic or ethno-religious groups across several states. It is not surprising, then, that many interstate conflicts in the Third World become enmeshed with secessionist challenges to individual states. Thus, in Third world countries, as Ayoob argues, the relationship between internal and external factors is “symbiotic in character in the sense that one set of factors cannot thrive without the presence of the other and vice versa.”\textsuperscript{39} The intertwined nature of internal and external sources of threat in Third World states, particularly threats to the regime and ruling elites, is often heavily weighted in favor of internal sources. External threats often augment the preexisting problems of insecurity within state boundaries.\textsuperscript{40} In some cases, survival-driven leaders in small states may manipulate perceived threats to their power as threats to national security that require drastic action. By turning a political (and often a social and economic) problem into a military one, leaders may confront domestic dissidents with military means in the name of national security.

In Third World countries, and indeed elsewhere as well, the perception of insecurity may emanate largely from within their boundaries rather than from outside—it is often from domestic forces that might try to change the distribution of power in the state.\textsuperscript{41} The neorealist emphasis on external security may be important for the territorial integrity of the state, but this does not necessarily mean that states, even weaker states, face external threats to their very existence as often as they face such threats internally. Rather, the stability and survival of governments, 

\textsuperscript{39} Ayoob, \textit{The Third World Security Predicament: State Making, Regional Conflict, and the International System}. Ch. 3
\textsuperscript{40} “Security in the Third World: The Worm About to Turn?,”
especially (though not exclusively) in Third World states has become increasingly problematic.\footnote{Robert H Jackson and Carl G Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood," \textit{World Politics} 35, no. 1 (1982).} For many Third World states the sharp boundary between domestic “order” and international “anarchy”, as emphasized by the neorealist tradition, may exist in reverse order. It is the hierarchical structure of the world that shapes the external behavior of Third World states, and a condition of unsettled rules that afflicts them in domestic settings.\footnote{Neuman, 3; Carlos Escude, "An Introduction to Peripheral Realism and Its Implications for the Interstate System: Argentina and the Condor II Missile Project," in \textit{International Relations Theory and the Third World}, ed. Stephanie G. Neuman (New York: St. Martin Press, 1998).} In a world of internal security threats the question of who controls state power is crucial.\footnote{For instance, the Sandanistas were a threat to Nicaraguan security during the Somoza regime, but not after it came to power; similarly, the United States threatened Nicaraguan security during Sandanista rule, but not since.} The notion of security, in other words, is always relative to particular interests and groups that control the decision-making apparatuses of the state.\footnote{Azar and Moon (1988) emphasize what they call the "software" side of the security problematic in the Third World as opposed to the traditional Western analyses of security, which tend to concentrate on the "hardware" side of the problem. The software components of security involve, primarily, legitimacy, integration, and policy capacity. In the absence of these intangibles, they argue, the state elites in the Third World are bound to take frequent recourse to the "hardware" instruments of security, namely, military force, to meet domestic political challenges and to ensure the survival of the regime in power. (See Azar and Moon.) Caroline Thomas also attempts to broaden the scope of the discussion of Third World security: "...security in the context of the Third World states does not simply refer to the military dimension, as is often assumed in Western discussions of the concept, but to the whole range of dimensions of a state's existence which are already taken care of in the more-developed states, especially those of the West.... [F]or example, the search for the internal security of the state through nation-building..." see Caroline Thomas, \textit{In Search of Security: The Third World in International Relations} (Wheatsheaf Books, 1987).} Contrary to a standard definition of security (the protection and preservation of core values), in many Third World states the term implies the preservation of the regime and its core values, which may be at variance with the core values cherished by large segments of the population.\footnote{Ayoob, "Security in the Third World: The Worm About to Turn?"} It is often regime security and leaders’ political survival rather than the security of the state that is at the core of what constitutes security in many Third World countries. It is in this context that one cannot rely exclusively on the external environment as a primary source of threats in Third World states.
Moreover, economic crises and severe resource constraints can also be a threat to a leader’s political survival. The degree to which poor economic conditions threaten leaders may depend on political institutions. In small coalition systems, dire economic conditions mean the leaders are unable to provide private goods to their supporters; whereas in large coalition systems, such conditions tend to create wide public discontent with their economic welfare and provide incentives to change the incumbent leaders in the next election. One scholar argues that budgetary constraints are a powerful determinant of small states’ alignment strategies which may bring some much needed external resources to a leader’s coffers. In sum, leaders’ political survival in perilous domestic political environments is an important part of how regimes in Third World states perceive security and how they calculate their survival strategies. Alexander Wendt and Michael Barnett note that for the ruling elites--lacking domestic legitimacy to gain support against internal security threats--in the Third World, the external environment, rather than being a source of threat, may become a source of opportunities for them. Forming alliances with great powers is one such opportunity that may help small states leaders to deflect threats to their political power.

ALLIANCES AS A FOREIGN POLICY TOOL: Leaders need military and defense capabilities, including an internal security apparatus, that are strong enough to face a multitude of security challenges. Having a strong military and security apparatus depends on a leader’s ability

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48 Brand (1994) makes a powerful point: “Empty coffers mean no weaponry for the army to confront external enemies, no salaries for the security services to keep in check domestic opposition . . . whoever the enemy may be, budgetary security is the first line of defense, for it alone can pay for all others.” See Laurie A Brand, "Economics and Shifting Alliances: Jordan's Relations with Syria and Iraq, 1975-81," International Journal of Middle East Studies 26, no. 3 (1994).

to mobilize and extract resources from the society. Leaders can mobilize resources by controlling economic activities and by reallocating resources through centralized planning, the nationalization of key industries, and other means. To finance security and defense related expenditures leaders need to extract resources from society by taxing and expropriating social resources.\textsuperscript{50} Extraction, however, entails costs. It may create discontent from affected social groups; it diminishes the present and future wealth of the society. Extraction in the form of taxes is dangerous when taxes are visible, costly, and may be perceived to be illegitimate.\textsuperscript{51} Because resources are limited, leaders face a trade-off: spending resources on national security (military expenditures by extracting resources from the society) and domestic consumptions. Given a budget constraint, as surely always exists, the more a leader spends on national security, the less he has to devote to domestic consumption. The leader, then, needs to find an efficient and effective balance between “guns and butter.”\textsuperscript{52}

How a leader maintains the balance in resource distribution and amend the distributional dilemma depends on the domestic political institutions. In this regard, the selectorate theory explanation is relevant. According to the theory, when the winning coalition is large, the leader

\textsuperscript{50} States differ in their abilities to extract resources from the society. See Alan C Lamborn, "Power and the Politics of Extraction," \textit{International Studies Quarterly} (1983). Authoritarian or totalitarian regimes are often able to construct a command economy in which extraction occurs through the state’s direct control of the means of production. Within democratic countries, states differ in their extractive capabilities. Centralized and industrialized states are better able to extract social resources than decentralized states. See also Stephen Krasner, "Domestic Constraints on International Economic Leverage," in \textit{Economic Issues and National Security}, ed. K. Knorr and F.N. Trager (Lawrence: Regents Press of Kansas, 1977). Abramio FK Organski and Jacek Kugler, \textit{The War Ledger} (University of Chicago Press, 1981).

\textsuperscript{51} Lamborn notes that resistance to extraction may be reduced by creating domestic programs. However, the growth of such programs will increase the number of potential competitors (beneficiaries) who may oppose the allocation of resources to foreign and defense policies. See Lamborn. Moreover, Mastanduno, Lake and Ikenberry noted a tradeoff between mobilization and extraction: “As extraction increase, the state is likely to redouble its efforts at mobilization, but the effectiveness of the latter may decline because 1) the sum of investible wealth is now lower and 2) incentives for future wealth creation are undermined by discouraging investment and introducing inefficiencies into the economy.” Thus, leaders must maintain a balance between mobilization and extraction that satisfies their needs. See Michael Mastanduno, David A Lake, and G John Ikenberry, "Toward a Realist Theory of State Action," ibid. (1989).

\textsuperscript{52} Robert Powell, \textit{In the Shadow of Power: States and Strategies in International Politics} (Princeton University Press, 1999).
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needs to provide public goods efficiently in order to satisfy his winning coalition and be reelected. Since public goods, which benefit everyone in the population, require more efficient public policy, large coalition leaders need to react to domestic demands.\textsuperscript{53} Such leaders have to provide effective amounts of both security and domestic consumption to the large winning coalition.\textsuperscript{54} In contrast, the smaller the winning coalition and the larger the selectorate, the easier it is for leaders to survive by providing private goods to their key supporters.\textsuperscript{55} In such polities (typical of most autocracies) leaders maintain their hold on power by keeping the members of small winning coalition loyal. Private goods benefit only a few key supporters as opposed to public goods which benefit the society in general. The model shows that large coalition leaders distribute resources primarily in the form of public goods, while small coalition leaders pursue policies that enable them to provide private benefits to the key supporters.\textsuperscript{56} For a resource strapped small state leader, resource extraction from the society for security and defense related spending at the expense of domestic consumption might be a difficult trade-off to make since such spending on security could otherwise be spent on public or private goods. In addition, various methods of resource extraction (such as taxation) may be especially risky for a small coalition leader because they will hurt the economic interests of the dominant and wealthy classes, who are often an important part of the leader’s winning coalition. An alternative source of resources, such as an alliance with a great power might be an enticing choice for a small state leader since it could help the leader to ameliorate the

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\textsuperscript{53} Bueno de Mesquita and Smith.


\textsuperscript{56} Bueno de Mesquita et al., "An Institutional Explanation of the Democratic Peace."; Bueno de Mesquita and Smith.
dilemma in resource distribution and could allow the leader to ease the tax burden on his (often wealthy) supporters.\(^{57}\)

Thus, for small state leaders, domestic political factors and their calculus for political survival can play a crucial role in alignment choices. When faced with a threat to their political survival, leaders must decide whether to deal with the threat by internal means which involves extraction of scarce societal resources or by external means by forging an alliance with a state capable enough to supply resources that satisfy their needs. Given that domestic extraction is costly for leaders, as discussed above, forming alliances is an attractive option that will help leaders to rely less on expensive extraction from the society and to alleviate risky guns-and-butter trade-off in domestic distribution of resources.

**ii) Great Powers: Sphere of Influence and Freedom of Action in the Third World**

In general, a great power’s grand strategy, defined as the means by which a state plans to use force or the threat of force to achieve political ends\(^{58}\), conveys the importance of security and how it will fare militarily against other great powers.\(^{59}\) Scholars disagree about the extent of great powers’ strategic interests in the peripheral regions. Some argue that great powers have strategic interests throughout most of the Third World; a great power should actively promote sympathetic regimes in the Third World and oppose those that align with its adversaries.\(^{60}\) Neorealist scholars,
however, contend that Third World countries have little strategic importance for great powers because these countries do not materially affect the balance of power. According to this view, the key determinants of national power reside within the industrialized regions of the developed world. Neorealists argue that extensive Third World involvement leads great powers such as the United States to divert scarce military resources from more important areas. Therefore, neorealist scholars advise great powers against entanglement in the Third World.

This neorealist view disregards the complexities and intertwined nature of various elements of a great power’s security interests. The proponents make a simplistic distinction among various regions of the world. For example, two prominent neorealist scholars suggest that the United States has a strategic interest in certain areas, such as the homeland, Western Europe, Northeast Asia, and the Persian Gulf. Their determinations of U.S. strategic interests, according to Michael Desch, are made exclusively in terms of intrinsic value, so they conclude that the rest of the world, and especially the Third World, has very little strategic importance to the United States. Desch argues that great powers must allocate their military resources to protect those areas with direct extrinsic or intrinsic value.


64 Michael C Desch, "The Keys That Lock up the World: Identifying American Interests in the Periphery," ibid. 14 (1989). Desch identifies four types of strategic interests. First, a great power's primary mission is the defense of the homeland. Second, protection of its interests in certain areas outside the homeland that have high intrinsic value and can directly contribute to the military strength of the great power. [see Nicholas John Spykman, America's Strategy in
Desch’s formulation raises an important question: where does one demarcate between interests with intrinsic and extrinsic value? In other word, where should one draw the line? If a great power has interest with intrinsic value in state A and extrinsic value in state B, one can argue that states close to B, such as C, D, E (and so on) are also important for the protection of B. According to this line of reasoning, then, a great power may have strategic interests in a large number of states. The Great Game in the nineteenth century between Great Britain and Russia over the control of central Asia demonstrates the difficulty of making a clear distinction between intrinsic and extrinsic interests in the periphery. This difficulty was also apparent in the early stage of the Cold War. As the Soviet Union rolled out its “economic offensive” in the Third World in the early 1950s, the United States responded accordingly. Historian Robert McMahon notes that: “Soviet diplomatic victories anywhere . . . even in territories lacking significant intrinsic value, could spark dangerous bandwagon and domino effects that could bring down the whole delicately stacked deck of cards. The United States, consequently, had no choice but to compete with the Soviet Union everywhere that the Soviets chose to invest their time and resources.”

Thus, for a great power seeking to protect and secure its strategic interests abroad by protecting its intrinsic and extrinsic interests, it may be shortsighted to focus only on some states or regions and forgo others.

Great powers form asymmetric alliances with small states to pursue their strategic interests. Great powers, by virtue of their economic and military capabilities, have interests with

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*World Politics: The United States and the Balance of Power* (Transaction Books, 2007). Third, there are areas outside the homeland that have little intrinsic value, but are strategically vital because these areas have extrinsic value and contribute to the defense of the homeland or of other intrinsically valuable areas. [For works on the importance of areas with extrinsic values, see Barry M Blechman and Robert G Weinland, "Why Coaling Stations Are Necessary in the Nuclear Age," *International Security* (1977); Robert E Harkavy, *Great Power Competition for Overseas Bases: The Geopolitics of Access Diplomacy* (Pergamon Press New York, 1982).] Fourth, areas without either significant intrinsic or extrinsic value.

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global scope and have more extensive foreign policy objectives than do weak and small states. Competing great powers establish their spheres of influence in the periphery to preserve their geopolitical interests. To this end, having access to military and naval bases or other defense infrastructures in the periphery can become a strategic asset for great powers. The geographic locations of some small states may make them attractive partners to great powers and make the formation of asymmetric alliances more likely. In some cases a great power may become dependent on a small state because of its geo-strategic position which makes it indispensable for carrying out military operations or protecting strategic interests in the surrounding region. A small state that is adjacent to a conflict in which the great power has a stake in the outcome, for instance, can become an attractive ally, at least in the short run, for the great power. The current alliance between Pakistan and the United States can be cited here as an example. Despite many ups and downs in the relationship, Pakistan’s geographic proximity to Afghanistan makes Pakistan an important ally for U.S. military operations in Afghanistan. Since great powers possess more capabilities and interests, they may need a high degree of autonomy or freedom of action to protect these interests abroad. Forming alliances in the periphery allows them to acquire such freedom of action.

**A Summary:** Prospective allies do not necessarily share identical interests. But it is generally understood that alliances are more likely to form when the members have substantive interests in common. The more fully interests are shared, the greater the net value of an alliance (surplus of benefits over costs). When interests are divergent, the costs are higher than in alliances with shared interests since neither ally promises to do much more than it would do anyway.\footnote{Snyder.} As the previous analysis shows, great powers and small states can have incentives to form alliances
for different reasons, not necessarily driven by a mutual interest in deterring a common enemy. Divergent motivations for forming an alliance between great powers and small states are often caused by the disparity in their power capabilities. Whereas a great power may use the alliance as a tool for power projection, a small state leader may seek an alliance with a great power that will allow him to gain access to external resources and will enhance his chances of political survival.

B) BARGAINING AND SIDE PAYMENTS

Although forming alliances with great powers can offer attractive benefits to small state leaders, such alliances entail domestic political costs. In general, alliances involve potential costs in terms of security and autonomy. The risks include abandonment by an ally that fails to fulfill its commitment, entrapment in a war involving the ally's interests rather than one's own, and a general loss of autonomy. A loss of autonomy has an important domestic politics dimension. Extensive alignment concessions can involve substantial domestic political costs to a leader, particularly if these concessions involve the presence of foreign troops, granting military bases, territorial access to the powerful ally or other concessions that are perceived as infringements on the sovereign independence of the state. The costs of such concessions may be higher for Third World states with a history of colonialism and external dependence that invokes popular sensitivity toward any symbol of external domination, and for leaders with tenuous claims to domestic authority. Thus, for a small state leader, the costs of losing some degree of autonomy compounded by the leader’s vulnerability in domestic politics must be offset by the gains from an alliance with a great power.

68 For an interesting discussion on the legitimacy of the state in the Third World, see Ayoob, ”The Third World in the System of States: Acute Schizophrenia or Growing Pains?“; ”Security in the Third World: The Worm About to Turn?.”
During the bargaining phase, according to Morrow’s formulation, parties exchange security and autonomy to form an asymmetric alliance: the small state gains in security and the great power gains in autonomy. I argue here that this trade-off alone leaves a deficit in benefits for the small state. The deficit may arise when parties do not share a common threat or common interests in forming the alliance. Because the parties may have divergent interests, the trade-off alone is likely to leave a deficit in security benefits for the small state. The small state’s gain in security may not offset its loss in autonomy. If the prospective allies have divergent interests and do not share a common threat, then the small state’s security gain from the trade-off may be vague at best. The great power’s autonomy gain, however, may be immediate: by joining the alliance, the small state sends a signal internationally about its alliance preference (and by implication, the alignment denies the competing great powers’ access to the small state), or the small state may grant the great power access to its strategic bases. In the absence of tangible gains, the alliance might be risky for the small state leader: domestically, the leader may endanger his political survival (the key supporters or the winning coalition may turn against him for striking such a deal); internationally, the state limits its options to pursue other alternatives (i.e. nonalignment, alignment with other great powers, etc.) and thus, the alliance may entail large opportunity costs for the small state. Side payments fill the deficit in benefits for the small state and improve the net gain from the alliance. Side payments, thus, provide a compensation mechanism and a positive inducement that increases the net value of the alignment for the small state leader. Since having divergent interests open the room for bargaining, a logical inference can be made, then, that all else equal,
the higher the interest divergence between prospective allies, the higher the likelihood of using side payments in asymmetric alliances.\(^{69}\)

Properly calibrated side payments make the security-autonomy trades and the formation of asymmetric alliances mutually beneficial. A great power’s gain in autonomy helps it to secure and protect its strategic interests; side payments compensate a small state leader for the deficit in benefits from alignment and enhance the leader’s ability to stay in power. Side payments as a policy tool is not new. Throughout history, states have used side payments to influence other states’ policies and to attract allies. Historians have noted Louis XVI purchase of English neutrality during his campaign for hegemony in Europe by providing subsidies to England\(^{70}\); during World War I, Britain and France provided gold subsidies and made pledges of territorial gains to various Arab leaders in order to obtain their support\(^{71}\); France’s loans to Russia were a contributing factor in the formation of the Franco-Russian alliance of 1882.\(^{72}\) Robert Harkavy points out the importance of various forms of military and economic aid in great powers’ acquisition of bases in the periphery after World War II. The aid-for-base bargain between great powers and Third World countries was part of the alliance agreements.\(^{73}\)

\(^{69}\) The use of side payments as compensation for small states’ deficit in gains may be affected by: a) the importance of the alliance to the great power, b) economic conditions and political institutions small state leaders face. Thus, a small state leader who has a large winning coalition may demand a high price for autonomy concession that the great power may find too costly. The great power then may want to find less costly alternatives. On the other hand, for a small state leader who has a small winning coalition, the size and volume of side payments will depend on the state’s resource constraints. For a leader facing severe resource shortage, the marginal utility of additional resources, in this case side payments, will be higher than it is for a leader who is less constrained by resource shortage.


\(^{73}\) Harkavy.
Side payments serve many important purposes for a small state leader. By forming alliances with great powers the leader can gain much needed resources which can be used for buying the loyalty of the leader’s core supporters as well as for internal and external security purposes.74 For a resource-strapped state, supporting a military and defense establishment adequately to deal with various forms of threats can put a heavy burden on the society and exacerbate the distributional dilemma (guns and butter trade-off). Even if a country does have the necessary resources, extracting them for military expenditures can lessen the ability of the leader to maintain political support by diverting resources that might otherwise be used to distribute financial rewards and privileges to his winning coalition members.75 For the leader, then, having access to external resources is an enticing option. The leader has incentives to enlist great powers’ help in the form of economic or military aid to quell domestic oppositions, to keep key supporters loyal, and to repel threatening forces from neighboring states. Political instability that poses threats to leaders’ political survival makes the infusion of external resources even more urgent. This is particularly relevant to small state leaders who rely on a small winning coalition. In politically unstable small coalition polities, leaders urgently need military equipment and other resources to strengthen their domestic security apparatus to quell domestic opposition and buy political loyalty in order to stay in power.

The amount of side payments a small state leader needs as a compensation for his policy concessions depend on political institutions and constraints the leader faces to his political survival. Political institutions affect the bargains leaders are willing to make. I hypothesize that the amount of side payments needed to compensate for policy concessions is likely to be smaller

74 Barnett and Levy.
75 Ibid.
for small coalition leaders than it is for large coalition leaders. This is not because small coalition leaders demand smaller amounts, but because the type of political constraints they face and the type of goods they have to produce to stay in power.

Since a small coalition leader relies on a small winning coalition, it is easier for him to satisfy the coalition members than it is for their large coalition counterparts. The usage of side payments as external resources is dictated by the recipient leaders’ survival strategies. As resources are often fungible, side payments in the form of loans, grants, military aid, etc.\(^\text{76}\) can be used to enhance leaders’ ability to produce private goods. Bueno de Mesquita and Alastair Smith’s (2007, 2009) aid-for-policy model, in which donors give aid to recipient leaders in return for policy concessions,\(^\text{77}\) suggests that aid is more likely to help donors to achieve their objectives when leaders in the recipient states have discretion to divert aid to pay for the loyalty of their winning coalition members. In this view, aid is expected to flow to countries whose leaders are willing to back donors’ policies in exchange for aid sufficient to improve their political and economic welfare and enhance their prospect for political survival. Making autonomy concessions in exchange for side payments provides small coalition leaders with access to external resources that enables them to remain in office through rent seeking rather than by producing effective public policy. Side payments, however, improve the survival prospects of recipient leaders at the expense of their citizens who may dislike the concessions their leaders make.\(^\text{78}\) Those outside the winning coalition in the recipient state often are made worse off by the transaction of these side payments. In small coalition polities external resources disproportionately end up in the hands of the leader and her cronies in the form of private goods. The improvement in government-provided benefits aimed at


\(^{77}\) de Mesquita and Smith, "A Political Economy of Aid."

\(^{78}\) "Foreign Aid and Policy Concessions."
the winning coalition is unlikely to offset the welfare losses resulting from the concession to the donor for those outside the coalition. Thus, all else equal, small coalition leaders may be able to afford to strike a deal with great powers as long as the deal provides a sufficient amount of side payments that they can utilize to improve their chances of political survival.

A large coalition leader may require a large amount of side payments for policy concessions. The leader requires large amounts of resources to compensate the members of his large winning coalition for their losses in utility due to policy concessions. In general, large coalition leaders must allocate available resources to produce public goods that benefit general voters (the selectorate). Side payments are likely to be used for more inclusive purposes that tend to benefit a large section of the society. A large volume of side payments in large coalition polities may enhance the leaders’ ability to produce necessary public goods without imposing additional taxes (or other means of resource extraction) on their citizens. These side payments can increase investment in infrastructure, provide additional resources for social welfare programs, and ease the budgetary burdens of military expenditures. U.S. aid to Western Europe under the Marshall Plan is an example of such a success story. In sum, small coalition leaders may be able to afford to make policy concessions for a smaller amount of side payments than large coalition leaders can. This variation in the amount of side payments is a function of institutional constraints small state leaders face and the types of goods they have to produce to stay in power.

Thus, as side payments become part of the deal, the autonomy-security trade-off is mutually beneficial for the parties. The small state offers concessions (such as changes in its

79Additionally, aid fosters the survival of a political leader in a small coalition regime whose incentives make it unlikely that she provides effective public policy. Therefore, not only do those outside the coalition get pro-donor policies they dislike, but they also experience the prolongation of a typically oppressive, rent-seeking political order supported by the aid giver. Therefore, aid donors are unpopular among the general public in many recipient countries. Indeed, this dislike is most intense when a small coalition leader receives a large amount of aid because a large amount of aid is indicative of the implementation of a policy especially distasteful to the citizens in the recipient country. Ibid.
internal policies or granting military bases that allow the projection of military forces) to the great power ally. In return, a great power can offer a potential ally an increase in security through an increased amount of side payments, such as military equipment, arms or other logistical support. The great power’s ability to influence its small state ally’s internal and external policies can produce autonomy benefits by realizing desired changes in the status quo and by freeing resources to pursue other goals. In sum, for the great power, the strategic value of the alliance justifies the cost of side payments; for the small state, gains involve both economic and strategic dimensions at the expense of some autonomy. Given that the great power is likely to be considerably wealthier than the small power, then the marginal cost of sacrificing some resources (side payments) to the small power is relatively a small cost for the great power and a large gain for the small, poorer power who values the marginal gain in external resources more highly. Hence, it is possible to find an appropriate compensation scheme since the utility gain from the side payment is large for the small power relative to the big power and so at a small utility cost to the great power a large utility deficit can be bought off for the small power when it grants a difficult policy concession.

**Hypotheses**

Thus, taking domestic politics and leaders’ political survival perspectives into account I propose the following hypotheses about the formation of asymmetric alliances:

1. **Having divergent interests between a great power and a small state increases the likelihood that side payments will be used to cement the alliance.**

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81 Davis.
2. All else equal, the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders than it is for large coalition leaders.

3. All else equal, politically unstable small states are more likely to form asymmetric alliances than are politically stable small states.

4. Threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances.

II. Cooperation and Discord

Once an alliance is formed, the allies have to be concerned with the maintenance and management of the alliance. Some scholars have suggested that alliances may fail to achieve their stated objectives when they lack political cohesiveness or are riven by internal quarrels and disagreements. These strains in alliances are more likely to arise when states form alliances for different purposes and have divergent interests. When the objectives are incongruent or the parties do not a share a common enemy, serious problems of cooperation and coordination may arise that make the alliance more formal than real. When parties sometimes have divergent interests in asymmetric alliances, one should expect numerous ambiguities in alliance commitments, which in turn may cause frequent policy disagreements and open discord between the allies. Thus, asymmetric alliances need to be managed if the parties want to continue to receive the benefits from their alignments. During the maintenance phase of the alliance, the parties engage in a process

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of bargaining to continue the flow of benefits from the alignment as well as to minimize one’s costs and risks associated with the alliance commitments.

From a small state’s perspective, the attractiveness of an asymmetric alliance depends on the continuous flow of side payments. Any drastic change in the flow of side payments, combined with available great power alternatives (to replace the existing one) encourages the small state to consider alternative alliances. If the alternative arrangement promises to offer more than the existing one, the small state will have an incentive to terminate the current alliance. Hence, ongoing side payments play an important role in maintaining intra-alliance cooperation. An asymmetric alliance is likely to be more durable when there are no drastic changes in the flow of side payments and small states do not have great power alternatives to replace the existing ally. We must consider the effects of domestic changes (regime and leadership change) in small states on the maintenance of asymmetric alliances. Drastic changes in domestic politics (e.g. changes that occur after a violent revolution) may alter the preferences of the ruling coalition such that the previous trade-off and benefits from the alliance are no longer deemed attractive. A regime change that drastically alters the institutions of government and its personnel may lead to changes in the terms of alliance agreements and affects the continuity of the alliance.

A) The Volume of Side payments

As in the formation phase, side payments play an important role in the maintenance phase of asymmetric alliances. The trade-off theory of asymmetric alliances suggests that as the degree of divergent interests varies, so does the magnitude of side payments a small state receives for its autonomy concessions. The small state is likely to receive a small amount of side payments when the allies have a low level of divergent interests. Since parties already have a high degree of shared
interests, large amounts of side payments are not needed. The great power can buy policy concessions from the small state for a cheaper price.

The formative period of the U.S.-Ethiopian alliance illustrates this point. In the early 1950s, the Ethiopian Emperor Haile Selassie Mariam sought to capitalize on growing U.S. fear of Soviet expansion and requested American aid. The emperor sought an alliance with a great power, preferably with the United States, that would provide him with military and economic aid in order to deter various internal and external threats. Although the emperor had the Soviet Union as an alternative, he preferred the United States for some practical and political considerations. He feared that the semi-feudal nature of his empire would become a fertile ground for revolutionary propaganda often supported by the Soviet government. In addition, the Emperor’s desire to build a sophisticated Ethiopian army, he thought, would be possible quickly and efficiently with American help. Despite the Emperor’s declared loyalty to the West, the United States viewed Ethiopia as a lower priority than other countries in the Middle East. In order to attract American interests, the Ethiopians offered the United States the use of Kagnew communications facility. An alliance agreement was signed in 1953. The amount of side payments was a contentious issue at the outset of the U.S.-Ethiopian alliance. Under the 1953 agreements Ethiopia received only about $5 million in military aid per year, which reflected Ethiopia’s lack of importance to the United States and a source of dissatisfaction for the emperor, whose bargaining power in Washington was limited during the early years of the alliance. The emperor’s domestic critics questioned Ethiopia’s

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83 Ethiopian officials used the “Northern Tier” concept, promoted by U.S. secretary State John Foster Dulles, to argue that Ethiopia should form part of a “Southern Tier”, a secondary line of defense against Communist expansion in the Middle East, that would act as a safety valve should the Northern Tier fall. However, since Ethiopia faced no communist threat and American defense strategists did not consider the state a strategically important in the global fight against Communism, the United States was reluctant to make any commitment to the Ethiopian leader. See Jeffrey A Lefebvre, *Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991* (University of Pittsburgh Pre, 1992). P. 64
alliance with the United States. They pointed out that during 1956 the Soviet Union provided Egypt with $450 million in military aid; Syria and Yemen received Soviet arms worth $60 million and 7.5 million respectively from Moscow. These states received large amounts of aid without granting bases to the Soviet Union. Ethiopia, on the other hand, despite its consistent support of U.S. foreign policy received a very small amount of aid from the United States.\textsuperscript{84} Thus, as the degree of divergent interests between the allies was very low, the Ethiopian leader’s ability to bargain for more side payments for his concessions on autonomy was limited.

When the level of divergent interests is very high, two outcomes are possible. First, negotiations may fail and very little or no side payments are expected. As a result of a high degree of divergent interests, the great power may find the small state’s demands too expensive to obtain desired policy concessions. Second, if the great power considers the small state’s cooperation important to its foreign policy objectives, it may be willing to pay a higher price for the small state’s concessions. In this case, a successful negotiation is possible. For example, the United States was willing to pay large amounts of side payments for Pakistan’s cooperation in the War on Terror even though the countries had a high level of divergent interests in the war. When the level of divergent interests is in the medium range (neither very low nor very high), parties can bargain policy concessions in exchange for large amounts of side payments. In this case since prospective allies have at least some shared interests, they have incentives to strike a successful deal.

Thus, I propose the following hypotheses concerning the volume of side payments small states are likely to receive for their concessions on autonomy: a) when the level of divergent interests is very low (that is, parties share a high level of mutual interests), small amounts of side

\textsuperscript{84} Ibid. pp. 82-88
payments are necessary to maintain the alliance; b) when the level of divergent interests is very high, very large amounts of side payments (for a successful negotiation) or no side payments (for an unsuccessful negotiation) are expected; and c) when the level of divergent interests is medium (neither very low nor very high), parties can bargain policy concessions in exchange for large amounts of side payments. The figures below show the hypothesized relations between the level of divergent interests and the expected amounts of side payments.

Figure 2.1: Divergent interests and side payments: unsuccessful bargaining
B) Cooperation and Realignment

Side payments offer a mechanism to compensate small states for granting autonomy concessions to great powers. In order for this arrangement to continue, a steady flow of side payments is necessary. Intra-alliance discord is expected when the parties have divergent interests. It has been argued that the task of alliance maintenance is easier and the risks associated with being in an alliance are less acute when members share a set of common objectives.\textsuperscript{85} Divergent interests among allies tend to make the alliance precarious and prone to disintegration. When parties have divergent interests and they want to achieve different objectives from an alliance, the alliance may

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face a more pronounced alliance security dilemma. In addition, alliance cohesion and tightness is less likely in the absence of a common threat or a shared enemy. According to James Morrow (1994), alliance “tightness”—the degree of peacetime military coordination among the members of an alliance—involves greater peacetime costs, but it also increases the ability of the allies to fight together if a military conflict occurs. Morrow argues that a high degree of coordination requires tighter alliances, which in turn depends on how “deterrable” the threat is. Divergent interests and the absence of shared enemies between allies, however, should not be detrimental to the maintenance of asymmetric alliances. A steady flow of side payments to small states may overcome the strains between allies caused by divergent interests.

86The alliance security dilemma is minimal when the parties have a high proportion of common interest. If the allies share common interests and common enemies, the risks of abandonment and entrapments may be minimal. With a common enemy, the risk of abandonment is low since the ally is equally interested in deterring the enemy; the risk of entrapment is low as well because the state is serving its own interests. In contrast, the dilemma is severe when the allies are threatened by different enemies or have different conflicts with the enemy. In such circumstances, the likelihood of abandonment and the cost of entrapment will be high. The allies will be skeptical about each other’s loyalty and may not want to be trapped in other’s conflicts. The risk of entrapment may be a serious concern for the states that have different enemies and divergent interests. See Snyder, Alliance Politics. Pp. 186-87


88 Morrow, "Alliances, Credibility, and Peacetime Costs."
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The level of benefits parties receive or expected to receive tends to vary from year to year. Intra-alliance bargaining will determine who will get what and how much. The outcome of this bargaining may depend on changing circumstances and the relative importance of goods parties willing to trade with each other. For example, the volume and size of side payments a small state receives will depend on the degree to which the great power ally values the importance of autonomy concessions from the small state. On the one hand, changing geopolitical circumstances may alter the importance of the small state to the great power. If the small state becomes less attractive, its bargaining power vis-à-vis the great power will deteriorate and consequently the volume of side payments it receives will be more likely to decrease. On the other hand, the small state leader can extract more side payments if the state remains strategically important to its great power ally. A small state leader may use divergent interests with his great power ally as a bargaining leverage. The U.S.-Pakistan alliance illustrate this point.

After the end of the Cold War American strategic interests in South Asia and in Pakistan waned. In 2001, Pakistan received $5.3 million from the U.S. However, Pakistan became an attractive partner again in America’s prosecution of the war in Afghanistan. Pakistan received $800 million in 2002. As the war unfolded, Pakistan turned into a safe haven for the Taliban and Al Qaeda, the groups that the United States wanted to defeat. The United States pressed Pakistan to take strong actions against these groups, but the Pakistani leaders feared that doing so would start a domestic insurgency. Moreover, the Pakistani military actively supported some factions within these groups to maintain Pakistan’s influence in Afghanistan. This difference in objectives between the parties offered an opportunity for Pakistan to demand more side payments. The United States offered a higher amount, but the Pakistani government deemed the offer inadequate. The Pakistani government ignored American pressure and started looking for ways to work with the
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Taliban.\textsuperscript{89} As Bueno de Mesquita observes, “Aid is basically a pay or don’t play program. The United States wouldn’t pay and Pakistan wouldn’t play.”\textsuperscript{90} The stalemate was resolved in Pakistan’s favor: the United States increased side payments to $1.5 billion by the end of September 2009.\textsuperscript{91}

If the conditions that initially helped to form the alliance hold, leaders are likely to maintain current alliance policy.\textsuperscript{92} However, when such conditions change, leaders may find the maintenance of the alliance not as valuable as it once was or it becomes more costly than beneficial. For instance, the strategic importance of the small state to the great power may decline which may prompt the great power to reduce the volume of side payments it previously offered. The small state leader then may want to renegotiate the alliance terms or realign, if they can, with a competing great power. In general, alliances are more likely to be terminated when one or more members experiences changes that affect the value of the alliance. The small state leaders will have incentives to realign when the expected net gain from realignment outweighs the expected gain from the existing alliance. The magnitude of side payments and the availability of substitute great power allies will affect small state leaders’ calculation whether to continue or terminate the existing alliance.

When small state leaders become heavily dependent on side payments, the continuation of these external resources is crucial for their political survival. A significant change in the volume

\textsuperscript{89} The government of Pakistan’s leader Asif Ali Zardari made a deal with the Taliban in February 2009. The government agreed to pay the Taliban about $6 million and agreed to the imposition of Sharia law in the Swat Valley in exchange for the Taliban agreeing to an indefinite ceasefire. The deal, however, unraveled by May of the same year.


\textsuperscript{91} It is not surprising that the Pakistani government, after accepting the aid, stepped up its operations against militant groups within its borders. I concur with Bueno de Mesquita’s observation that the Pakistani government have been “careful not to wipe out the Taliban threat. Doing so would just lead to a termination of U.S. funds.” Ibid. p. 174

and composition of side payments is likely to have adverse effects on intra-alliance cooperation. Changes in side payments alone, however, are less likely to lead to the termination of the alliance by small states. Although a small state leader will oppose any reduction in side payments, the termination of the alliance, in the absence of an alternative source, will deprive him of valuable (albeit a reduced amount) external resources. For the small state, realignment under these circumstances becomes an attractive alternative if it promises to offer more net gains than possible under the existing arrangement.  

93 As Bruce Berkowitz argues (in the context of International Treaty Organizations or ITO) that a state is more likely to confirm its membership in an ITO when the net advantages of membership increases, and when the advantages decrease, a state is more likely to defect.  

94 In order to evaluate comparative gains from alignment strategies, small state leaders must have one or more substitute great powers or prospective allies to replace the existing great power ally.

The availability of a prospective great power ally improves small state leaders’ bargaining leverage vis-à-vis the existing ally. A state’s bargaining power during the maintenance phase will be greater if it is less dependent on the ally, has loose commitments, and the ally has greater interests at stake in the alliance. A state’s dependence on the alliance in turn is a function of the net benefits it receives from it, compared to the benefits available (or expected) from alternative sources.  

95 The state is less dependent on the ally if it has alternative sources of benefits—a substitute great power and the opportunity for realignment. In other words, a state is more dependent on the alliance if it has a high opportunity costs of terminating the alliance.  

96 For a small

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93 It is also possible that a small state leader may find realignment more attractive, even if there are no changes in the level of side payments from the current ally, simply because he expects to gain a greater net benefits from a prospective great power ally.


95 Snyder, "The Security Dilemma in Alliance Politics."

state leader, the opportunity costs of terminating an existing alliance is lower when an alternative
great power is available who is willing to meet the leader’s needs. The following example of
Ethiopia’s decision to realign with the Soviet Union at the expense of its existing ally, the United
States, demonstrates this point.

In the 1960s, Ethiopia was the location of the largest American economic and military
assistance program and the largest embassy in Sub Saharan Africa. Ethiopia was a loyal
American ally in Africa. The alignment came to an end when Emperor Haile Selassie was toppled
in 1974 by a group of military officers known as the Derg (committee) who found the Soviet Union
a better provider than the United States. The Derg commenced on violent purges and targeted
killings of its opponents to consolidate its power. The group was then taken over by Major
Mengistu Haile Mariam in late 1974. Following the overthrow of Emperor Haile Selassie, the new
regime secured record levels of military and economic aid from the United States. Steven David
notes that despite this record level of aid, the new leader Mengistu Haile Mariam chose to realign
with the Soviet Union at the expense of the United States. If side payments were an important
factor for Mengistu’s decision to end the alignment with the U.S., David’s narrative appears to be
a puzzle. However, when one looks into Mengistu’s dealings with both superpowers, it is clear
that he was looking for the highest bidder.

While Mengistu opened negotiations with the USSR for an alliance, he worked out new
plans for military support from the United States, the existing ally. Between mid-1974 and the fall

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98 Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge
University Press, 2005). See Ch.7
99 American assistance at that point was crucial since the regime was facing rising threats from Somalia, a rebellion
in the province in Eritrea, and various anti-regime force in the capital.
100 David, "Explaining Third World Alignment."
of 1976 the United States supplied Ethiopia with $180 million worth of military aid. Meanwhile, the Ethiopian leader rejected at least two Soviet offers because they were too small and limited. Finally, by early 1977 Moscow agreed to offer a more extensive aid package that satisfied the Ethiopian leader. Ethiopia obtained from the Soviets a commitment for between $350 million and $450 million in arms. Mengistu’s calculations paid off handsomely: starting in September 1977 and for the following eight months, the Soviets sent more than $1 billion worth of military equipment to Ethiopia; the Soviet support proved to be a crucial factor in Ethiopia’s success against Somalia during the Ogaden war.

Thus, for small state leaders, the value of an existing alliance may depend on the continued receipt of side payments as well as the availability of substitute great powers. If there are substitute great powers who are willing to offer more (or the same volume) side payments than the small state is getting (or expected to get) from the existing alliance and the expected costs for small states are equal to (or less than) the existing level, then the net value of realignment with another great power will increase. The small state leader, then, has an incentive to realign with another great power. The small state leader’s expectations about a higher payoffs of net value from the new alliance play an important role in the leader’s decision to realign.

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101 Westad., p. 265
102 In January 1976, the USSR offered 3.5 million roubles communication and other engineering equipment along with 16.5 million roubles of other technical equipment. The Ethiopian leader rejected the offer. Then in June 1976, the USSR offered a much broader proposal for Soviet military assistance. To surprise of the USSR, Ethiopia rejected the offer as well. See ibid. p. 267-69
103 Ibid. pp. 272-79
C) Domestic Changes in Small States

Important domestic political changes in small states, such as changes in the existing political regime or leadership may affect the state’s alliance policies. A regime change is different from a leadership change. A regime change must accompany complete changes in the “rules of the game” whereas a leadership change often involve changes in the personnel without altering the major institutions of the state. For example, in a coup d’état one part of the military replaces another without any discernable changes in the rules of the game or the institutions of government. Thus, in a regime change both the rulers and the rules have to change.104

i) Regime Change: The characteristics of the governing coalition tend to change after a regime change and that, in turn, affects the preferences and policies of the new regime. Different groups or coalitions serve different constituencies with different ideologies or world views. They bring different values and priorities to office when they gain control of the institutions of government. As Morrow points out, a change in the government or regime may alter a state’s utility function and hence its alliance portfolio.105 I contend that, all else equal, a regime change in small states will cause one of the following outcomes: a) the new regime may terminate the existing alliance or b) the alliance remains intact in exchange for an increased amount of side payments.

When a violent revolution replaces an existing regime (a complete change in the leadership and institutions of the previous regime), changes in the state’s internal and external policies might be far reaching.106 In the aftermath of a revolution, the new leader will have a winning coalition

104 Siverson and Starr.
106 There is another obvious source of changes in alliance policy. If a country losses a war and in the aftermath a new regime is installed in the country by the victorious foreign power, then it is highly likely that the new regime will
2. A Trade-Off Theory of Asymmetric Alliances

whose members may have different set of preferences about internal and external policy issues. Leeds et al (2009) argue that a change in foreign policy is most likely when the new leader receives his or her primary societal support from a different core group than his or her predecessor. The sources of the state’s alliance policies may derive from the desire of new elites to “redistribute international values”\(^{107}\); the new regime and its leaders may want to enhance its internal legitimacy by aligning with other states that share the state’s internal and external policies\(^{108}\). Thus, the probability of some changes in the state’s alliance policy is higher when small states experience a violent regime change. The new regime may terminate the existing alliance if the new winning coalition prefers non-alignment or realignment with another great power. The U.S. alliance with Iran encountered this fate after the Islamic revolution in Iran in 1979 when the new regime terminated Iran’s long-held alliance with the United States. It is also possible that the new regime maintains the existing alliance but demands a higher price (i.e. a higher amount of side payments) for the state’s concessions on autonomy. In this case, the continuation of an asymmetric alliance will depend on the extent to which the great power values the alliance. If the alliance remains important to the great power, it will survive albeit for a higher price; otherwise, the alliance will be terminated.


ii) **Leadership Change**: I hypothesize that changes in leadership are less likely to lead to the termination of an existing alliance in the short run. A leadership change, both in democratic and non-democratic small states, should have minimal impacts on the continuation of asymmetric alliances. The extent to which changes in foreign policy preferences translate into observed policy changes is influenced by political institutions, which are less likely to go through extensive changes after a leadership change. Domestic political institutions mediate the translation of interests and preferences into policy, and some institutions tend to moderate the effect of changes in policy by making policy change more difficult. Bueno de Mesquita et al. (2003) demonstrate that the size of the winning coalition and the selectorate have systematic influence on the policies adopted by leaders; different institutional rules encourage different behavioral patterns on the part of leaders.

Separation of powers, accountability, transparency, and well-established legal systems make policy change more difficult in large coalition polities, which in turn encourage policy continuity. Since all democratic leaders must maintain the support of a significant portion of the selectorate and they have to provide public goods to make their large winning coalition happy, it can be inferred that large coalition leaders will want to pursue policies with broad appeal. Drastic changes in alliance policies without garnering support from the winning coalition may be a difficult thing to do for a large coalition leader. Moreover, because most democratic leaders cannot govern effectively without cooperating with other officials who may draw support from different sections of society (for instance, legislatures, governing coalition partners, leaders of subnational institutions).

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109 Leeds, Mattes, and Vogel.
110 Choi; Gaubatz; Leeds, "Domestic Political Institutions, Credible Commitments, and International Cooperation."; Lipson.
political units), any drastic change in policy becomes difficult. Thus, an asymmetric alliance is likely to survive, at least in the short run, after a leadership change in a democratic small state.

Variance in policy choice is expected to be more dramatic in small winning coalition systems. However, I argue that leadership changes in small coalition states will less likely to lead to the termination of an existing alliance. Leaders in such systems can exercise variations in private goods policies more easily than in policies that maximize the public good.111 For small coalition leaders, surviving the initial period in office is particularly difficult because “they have not yet worked out where the money is, making them unreliable sources of wealth for their coalition, and they have yet to work out whose support they really need and who they can dump from their transitional coalition.”112 Side payments are a more attractive source of revenue than taxation or other internal means of resource extraction. In the absence of any alternative great powers, survival driven small coalition leaders have incentives to continue the existing alliances, at least in the short run, which can provide them access to much needed external resources, such as military and economic aid. These resources enhance the new leader’s ability to produce private goods and to keep his coalition members loyal. Thus, based on the above discussion, the following hypothesis can be deduced about the maintenance of asymmetric alliances.

111 Bueno de Mesquita and Smith, *The Logic of Political Survival*.
112 Once small coalition leaders are able to survive the initial periods, they have a much better chance of staying in power than large coalition leaders. See *The Dictator's Handbook: Why Bad Behavior Is Almost Always Good Politics*. pp. 73-74
Hypotheses:

1) All else equal, the amount of side payments used to maintain the alliance depends on the level of divergent between the allies:
   
   a) When the level of divergent interests is very low, small amounts of side payments are necessary to maintain the alliance;
   b) When the level of divergent interests is very high, very large amounts of side payments (for a successful negotiation) or no side payments (for an unsuccessful negotiation) are expected; and
   c) When the level of divergent interests is in the medium range, parties can bargain policy concessions in exchange for large amounts of side payments.

2) A small state will be likely to realign if the expected net gain from realignment outweighs the expected gain from the existing alliance.

3) All else equal, regime changes in small states increase the likelihood that
   
   a) The alliance will be terminated, or
   b) The amount of side payments received will increase.

4) In the short run, leadership changes in small states will be less likely to effect the continuation of asymmetric alliances.
Conclusion

Alliances are an important part of states’ foreign policy. Prominent theories in international relations posit that states form alliances to aggregate their capabilities; states use alliances to deter a common threat. However, states also form alliances even when they do not share a common threat or a common enemy. Great powers and small states sometimes form asymmetric alliances to achieve different objectives from the alliances. The current research focuses on alignment strategies of small states and asks why and under what conditions asymmetric alliances are formed. The capability aggregation models of alliance formation, mostly in the neorealist tradition, are ill-equipped to provide an adequate explanation of why states with divergent interests form alliances. This chapter offers a trade-off theory of asymmetric alliances. It argues that in the face of multiple threats to their political survival, small state leaders trade some parts of their state autonomy in exchange for gain in security from great powers. Because the parties have divergent interests, the trade-off tends to leave a deficit in benefit for small states. Side payments are used as a compensation mechanism that make the alliance mutually beneficial to both parties. The chapter also explains the role of side payments in intra-alliance cooperation and lays out the conditions under which small states may realign or terminate an existing alliance.

The trade-off theory lays out conditions that are likely to affect the continuity and change in asymmetric alliances. It pays special attention to the role of side payments in the formation and maintenance of alliances. Side payments offer a powerful incentive for small state leaders to form alliances with great powers. Consider SEATO and the Baghdad Pact, two (multilateral)
2. A Trade-Off Theory of Asymmetric Alliances

Asymmetric alliances formed in the height of the Cold War.\textsuperscript{113} Although these American-led asymmetric alliances were formed to fight communist expansion in Asia and the Middle East respectively, small states in the Third World were interested in these alliances more about gaining economic and military support from the United States than about fighting Communism. One observer noted that these small state allies “consider their membership to the alliance to constitute a special claim upon the American treasury, American weapons, and American political support for their special national aspirations. In other words, this support is the price the United States pays for having the receiving nations as allies.”\textsuperscript{114} We now turn to empirical analyses to test the proposed hypotheses.

\textsuperscript{113} Morgenthau, “Alliances in Theory and Practice.” P. 203.
\textsuperscript{114} Ibid. p. 203
Having set out the theoretical argument, I turn now to the evidence to evaluate the validity of the trade-off theory. While the three chapters after this one probe the theory in light of detailed case analyses designed to assess the subtle and detailed nuances of security arrangements and side payments, this chapter examines the potential of the theory to be generalized across a large sample of cases, providing an overall analysis of the extent to which the theory’s hypotheses characterize general patterns in asymmetric alliances and alignments. Thus, this chapter reports and explains the result of quantitative analysis. Using quantitative methods, I seek to explain when great powers and small states are likely to form alignments or formal alliances and under what circumstances side payments are likely to be used in asymmetric relations. In addition to testing the hypotheses on asymmetric dyads, I extended the test to the entire domain of observations in the dataset to assess the validity of the hypotheses to all dyads.

I test four hypotheses related to alliance formation and maintenance. The results from the regression analyses are consistent with the predictions of the hypotheses. I have found that first, having divergent interests between allies increases the likelihood that small states receive a higher amount of aid (which I used as a proxy for side payments). Second, nondemocratic or autocratic states (small coalition polities) are more likely to receive a smaller amount of aid for policy concessions than do large coalition (democratic) states. Third, politically unstable (states that
experience more political violence) small states are more likely to form asymmetric alliances than are politically stable small states (that experience less political violence). Fourth, threats to leaders’ political survival in small states increase the likelihood that they form alliances with great powers. Moreover, I also found that the abovementioned findings are not necessarily limited to small states in the Third World (asymmetric dyads), these findings are equally valid in other interstate dyads as well.

The organization of the chapter is as follows. The first section summarizes the predictions from each hypothesis. The next section describe the data, and explains the research design used to test the hypotheses. The following section then reports and explains the results of the regression analyses. The last section explain the implications of the findings. Specifically, I address the strength and weakness of the findings and the extent to which the results are generalizable.

I. Hypotheses

The chapter analyzes the regression results of the following hypotheses concerned with bargaining between parties with disparate capabilities and with the formation and maintenance of asymmetric alliances as developed in the previous chapter.

5. Having divergent interests between a great power and a small state increases the likelihood that the great power uses side payments to cement an alliance.

6. All else equal, the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders than it is for large coalition leaders.

7. All else equal, politically unstable small states are more likely to form asymmetric alliances than are politically stable small states.
8. Threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances.

These hypotheses make distinct predictions about the conditions under which asymmetric alliances might be formed and side payments are likely to be used. The first hypothesis predicts that having divergent interests between the parties increases the likelihood of using side payments by great powers to obtain cooperation from otherwise unwilling governments. The prediction is built on the idea that side payments work as a compensation mechanism that fills the gap in benefit from security arrangements for one party (usually the weaker side). Thus, I contend that when having divergent interests between allies generates gaps in benefit for weaker parties, great powers offer side payments to compensate small states for the gaps in order to cement security arrangements, such as alliances. The second hypothesis suggests that small coalition (autocratic) small states will be more likely to receive smaller amounts of side payments than their large coalition counterparts. Since small coalition leaders rely on a small group of key supporters (known as the winning coalition) to stay in power, it is relatively easier for them (than their large coalition counterparts) to make security arrangements with great powers for a smaller amount of side payments, which can be used to garner support, through the provision of private goods, from the coalition members who may be dissatisfied by the security arrangements with great powers.

The third and fourth hypotheses predict that politically unstable small states and politically threatened leaders are likely to form asymmetric alliances. While the hypotheses predict the same outcome, they have different predictors—political instability and threats to leaders’ political survival. The third hypothesis suggests that small states that face political instability (as a result of frequent and a high magnitude of political violence) are likely to form external alliances as a way
to gain assistance, such as military aid, from great powers. The fourth hypothesis stipulates that threats to small state leaders’ political survival make it more likely they form asymmetric alliances to protect their political powers at home. The following chart lists key explanatory variables and the predicted outcomes suggested by the proposed hypotheses.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Explanatory Variables</th>
<th>Predicted Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Divergent interests</td>
<td>The use of side payments</td>
</tr>
<tr>
<td>2</td>
<td>Small coalition regime in small states</td>
<td>Smaller amounts of side payments (than for large coalition polities)</td>
</tr>
<tr>
<td>3</td>
<td>Politically instability (in small states)</td>
<td>More likely to form asymmetric alliances</td>
</tr>
<tr>
<td>4</td>
<td>Increased threats to small state leaders</td>
<td>More likely to form asymmetric alliances</td>
</tr>
</tbody>
</table>

II. Data, Variables, and Research Design

The panel data used in this study are organized in directed dyad-year format in which side A (which the database coded as ccode1) is the United States and side B (ccode2) involves all available states. Below I explain the variables used in testing the hypotheses, the source of data, and the research design.

Dependent Variables

**Side Payments**: I use U.S. foreign aid as a proxy for side payments. Although side payments may come in other forms, foreign aid is a widely used mechanism between the United
States and small states as a bargaining tool. As for data availability, foreign aid data are more readily available and easily accessible than other forms of side payments. Examples of other types of side payments may involve trade concessions, offers of investment, territorial concessions, etc. U.S. foreign aid data are available for an extensive period of time covering most interstate dyads. The foreign aid data are derived from the annual “U.S. Overseas Loans and Grants” (also known as the “Greenbook”) that contains U.S. economic and military foreign assistance from 1946 to 2011.¹

Changes in the level of foreign aid as a dependent variable can be measured in two ways: measuring nominal or percentage changes over the years and thus making it a continuous variable; or measuring changes in two simple categories—whether there is an increase in aid level or no increase, thus making it a dichotomous or binary variable. I did not choose the former option for at least two reasons. First, using aid as a continuous dependent variable to test the first hypothesis would lead to misleading results. The theory stipulates that the likelihood of using side payments is a function of having interest divergence between the parties. Since each state assigns different values to issues, it would be misleading to use a standardized measure of interest divergence to infer changes in the (actual) amounts of aid. Second, as shown below in figure 1, the prediction that the amount of side payments is a function of interest divergence is conditioned upon a key variable—successful or failed negotiation between the parties.² However, the lack of these

¹ I use constant data ($U.S. 2011) for both economic and military aid. See U.S. Overseas Loans and Grants (Greenbook), http://gbk.eads.usaidallnet.gov/.
² Note that a separate hypothesis predicts that all else equal, the amount of side payments used to maintain the alliance depends on the level of divergent between the allies: a) When the degree of divergent interests is very low, small amounts of side payments are necessary to maintain the alliance; b) When the degree of divergent interests is very high, very large amounts of side payments (for a successful negotiation) or no side payments (for an unsuccessful negotiation) are expected; and c) When the level of divergent interests is in the medium range, parties can bargain policy concessions in exchange for large amounts of side payments. This hypothesis will be tested in the case studies chapters.
bargaining related data to measure these variables constrains a proper test of the hypothesis and in
the absence of these data regression results will be likely to lead to misleading conclusion.

Consider a simple hypothetical example. Suppose that the United States, after the
completion of bargaining process, increased aid amount from $1 million to $2 million for X and
$50 million to $100 million for Y. Also suppose that both the U.S.-X and U.S.-Y dyads have
divergent interests scores of -0.5. (I use affinity score, explained below, which is based on the
similarity of a country’s voting patterns with the United States—in support of U.S. interests—in
the UN General Assembly. In a scale between +1 and -1, a negative score implies dissimilar or
divergent interests). Given these setup, regression results will lead to misleading conclusion: a
huge difference in nominal aid amounts despite having the same level of interest divergence.
Measuring percentage changes in aid would not solve the problem either: both X and Y have a
100% increase in aid with the same level of interest divergence. (Here we would not know the
importance and intensity of interest divergence in the dyads that lead one party getting $2 million
whereas $100 million for the other) The affinity scores do not capture many case-specific
variations and the importance of interest divergence unique to individual cases. (The case study
method, which allows a more detailed and nuanced analysis of the magnitudes and depth of interest
divergence in a dyad, is more suitable for testing the hypothesis that predicts outcomes conditioned
on bargaining-related variables. The subsequent chapters perform such tests.)
The above mentioned problems should not limit our ability to test the hypothesis if a binary
dependent variable is used. In this case logit regression models will test the odds of an increased
level of aid when a dyad has divergent interests. Thus, a dependent variable \( \text{aidup} \) is generated to
test the first hypothesis. The variable measures changes in total aid—the sum of economic and
military aid. It is a binary variable coded as 1 for a given year if the total aid increases in the next
three years, 0 otherwise. For example, a value of 1 will be assigned for 1960 if total aid increases
between 1960 and 1963. The variable helps us to test the odds of an increased level of aid when
interests diverge between allies. According to the summery statistics shown in Table 2, there are
3,112 observations involving an increase in aid level and 10,319 in which aid level did not increase.
A second dependent variable \( \log\text{aid} \) (the log of total aid) is used to measure the magnitude of
change in aid level. This dependent variable is used to test the second hypothesis. Multiple
regression models are used to test the hypothesis.
3. Quantitative Analysis

**Alliance Formation:** Formal alliances data are collected from the Correlates of War (COW) project. The data are in directed-dyad year format. For our purpose I use alliance data from 1946 to 2012 that include all alliance dyads involving the United States. In order to test the third and fourth hypotheses I generated a dependent variable *aformed*. It is a binary variable, coded as 1 if a new alliance was formed between the United States and a small state in given year, 0 otherwise. As shown table 2, there are 88 observations involving the formation of new alliances in the dataset. Logit regression models will be used to test the hypotheses.

| Table 3.2: Descriptive Statistics (Dependent Variables) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Variable        | Freq.           | Percent         | Obs.            | Mean            | Std. Dev.       |
| **aidup** (binary) | 1               | 3,112           | 23.17           | 13431           | .231            | .421 |
|                 | 0               | 10,319          | 76.83           |                 |                 |                 |
| **aformed** (binary) | 1               | 88              | 2.72            | 3,240           | .027            | .162 |
|                 | 0               | 3,152           | 97.28           |                 |                 |                 |
| **logaid**      |                 |                 | 7604            | 16.666          | 2.764           |

**Independent and Control Variables**

**Divergent Interests:** I use Erik Gartzke’s affinity dataset, which measures state preferences or the interest similarity and divergence among pairs of states (dyads). The dataset uses voting in the UN General Assembly to measure interest similarity. For the purpose of this

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3 The Directed-dyad format contains the alliance dataset with one observation for each directed-dyad alliance initiation. See Formal Alliances (v. 4.1), the Correlates of War Project, http://www.correlatesofwar.org/data-sets/formal-alliances
study, I included only U.S.-directed dyads (i.e. the pairs include the United States on the one side and all other countries on the other). The Affinity index constitutes values on a scale between -1 (least similar interests) to 1 (most similar interests) for all countries that are members of the United Nations for the period 1946 to 2008. The dataset contains three categories of United Nations Voting data (1 = “yes” or approval for an issue; 2 = abstain, 3 = “no” or disapproval for an issue.) to create an index ranging from -1 to 1.\(^4\) One problem with using affinity data as an explanatory variable to predict changes in aid level in a given year is that the relationship between the variables may have an endogeneity problem. It is hard to determine whether the affinity level shapes aid amounts or vice versa. In other words, we do not know whether the amount of aid a state receives in a given year is a consequence or a cause of the state’s affinity (voting in the UN General Assembly) with the donor in that year.\(^5\) To address this problem I calculated the moving average of the previous years’ affinity scores from a given year. Thus, a dyad’s degree of interest divergence for a given year is the previous five years’ moving average of the dyad’s affinity scores from the year. (For example, a state’s affinity score for 1960 would be the moving average of the state’s affinity score from 1955 to 1959). Using the moving average of previous years’ affinity score helps us to address the potential endogeneity problem because the moving average looks at the pattern of past affinity as a possible explanation of the current year’s aid.

A binary variable \textit{divinterest} is used as a key independent variable in testing the first hypothesis. The variable is coded 1 if the affinity score is negative in a given year, meaning that the moving average affinity – voting similarity in the General Assembly – between the country in question and the United States is less than 0; otherwise the variable is coded as 0. A negative

\(^4\) For more details about the affinity dataset, see http://pages.ucsd.edu/~egartzke/htmlpages/data.html
\(^5\) In addition to the problem of endogeneity, affinity scores are only limited to UN voting patterns. However, as conceptualized in this study that the variable divergent interests incorporate all political and security related issues affecting the interest of parties.
affinity score between a dyad members implies dissimilarities of interests, which I term in this study as divergent interests.

I did not use divinterest as a continuous variable because first, the hypothesis (that having divergent interest increases the likelihood of using side payments) does not require the key independent variable divinterest to be measured in continuous values. Secondly, as mentioned previously, states assign different values to issues and rate interest divergence with allies differently reflecting an individual state’s unique historical and geopolitical circumstances. For example, both India and Pakistan want to have their presence in Afghanistan to help to maintain a status quo and a political outcome favorable to their respective state interests. But Pakistan tends to assign far more importance to this goal (as specified in a doctrine called “strategic depth”) than India does. An individual country can bargain with the great power over its perceived interest divergence and can iron out a compensation scheme. It is thus, implausible to compare divergent interests across cases in large-n analyses.

**Political Instability:** The yearly level of political violence in a country is used as a proxy for political instability. A plausible argument can be made that the more violence a state experiences, the more politically unstable the state tends to be. I use the magnitude of societal and interstate violence to measure the level of political violence. The data are derived from the Major Episodes of Political Violence and Conflict Regions dataset (hosted by POLITY IV) covering 1946-2014. Major episodes of political violence are defined by the systematic and sustained use of lethal violence by organized groups that result in at least 500 directly-related deaths over the course of the episode. The dataset include observations about both societal and interstate violence.

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6 For more on Major Episodes of Political Violence and Conflict Regions, see Monty G. Marshall, Center for Systemic Peace <www.systemicpeace.org>
3. Quantitative Analysis

The categories of interstate violence include major episodes of international violence and a state’s involvement in an interstate war in a given year. The types of societal violence include episodes of civil violence, civil war, ethnic violence, and ethnic war. For both interstate and societal violence, the data are scaled from 1 (lowest) to 10 (highest) for each episode and 0 denotes no episodes. I labelled the variable \textit{polviolence}, which contains the total summed magnitudes of societal and interstate violence. Thus, since \textit{polviolence} = interstate violence + societal violence, the data range from 0 to 20. It is a key independent variable to test the third hypothesis. According to the summary statistics shown in table 3, the variable contains 9197 observations with a mean score of .729.

\textbf{Threats to Leaders’ Survival:} I created a variable, \textit{highthreat}, to measure leaders’ perception of threat to their political survival. The variable generated a threat index for each year by taking into consideration two factors: the causes of leadership change and changes in GDP per capita income.\(^7\) Three major causes of leadership change were included into the analysis: regular means, irregular means, and deposed by foreign powers. A regular means of leadership change occurs in accordance with explicit rules or established conventions of a particular country. Examples of Regular removal include voluntary retirement, term limits and defeat in elections. Removal from office through irregular means occurs when the leader was removed in contravention of explicit rules and established conventions. Most Irregular removals from office are done by domestic forces, such as leadership removal through coups, popular revolts, assassinations, etc. A leadership change by foreign powers involves cases where a foreign state

\(^7\) I ran a logit analysis using dummy variable, \textit{leadershipconcern} (that included the causes of leadership change, i.e. regular, irregular, and deposed by foreign powers) as independent variable and the change in GDP per capita. The results derived from the logit analysis were used to generate prediction index, \textit{highthreat}. See Appendix A for results of the logit analysis.
directly removes a foreign leader, for example through invasion. Leadership change data are derived from the Archigos Leadership Dataset.\(^8\)

The change in national income is measured by calculating the change in GDP per capita over the preceding three years. (For example, the change in national income in 1960 is measured by calculating the difference in income level from 1956 to 1959).\(^9\) GDP per capita income data come from the Maddison project database.\(^10\) For an incumbent leader, the mode of how his predecessors were removed and the health of the state’s economy may shape his understanding of threats to his political survival. Thus, a prosperous economy and a regular means of leadership change would be considered less threatening than a suffering economy with decreasing national income and irregular means of leadership change.

**Winning Coalition**: A small winning coalition polity is typically represents an autocratic regime, a monarchy, or a military junta whereas large coalition polities generally represent liberal democratic regimes.\(^11\) For coalition type in small states, I use POLITY IV’s autocracy index. The variable has an 11-point additive scores (0-10): the higher the score, the more autocratic the state

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\(^8\) For more on Archigos dataset, see http://www.rochester.edu/college/faculty/hgoemans/data.htm. See also Henk E Goemans, Kristian Skrede Gleditsch, and Giacomo Chiozza, "Introducing Archigos: A Dataset of Political Leaders," *Journal of Peace research* 46, no. 2 (2009).

\(^9\) Looking back at three years is arbitrary. The idea is that a general trend in economic conditions, such as changes in GDP per capita income can be better understood by previous experiences rather than the conditions present in the current year. A dummy variable changeincome is created to measure whether GDP per capita income decrease. A decrease in income is calculated in the following way: Changeincome (year0) = lag (year1). Percapitagdp < lag (year4). Percapitagdp. The variable is coded as 1 if GDP per capita income decrease, 0 otherwise.


\(^11\) I use winning coalition types to classify political regimes following the Selectorate theory developed by Bruce Bueno de Mesquita and his colleagues. See Bueno de Mesquita and Smith, *The Logic of Political Survival*. 
is. Thus, a score of 10 implies that a state is most autocratic. According to the descriptive statistics shown in table 3.3, the variable contains 7045 observations and the mean autocracy score is 3.933.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Freq.</th>
<th>Percent</th>
<th>Obs.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>divinterest (binary)</td>
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<td>4,417</td>
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<td>7859</td>
<td>.562</td>
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<tr>
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<td>0</td>
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<td>polviolence</td>
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<td>9197</td>
<td>.729</td>
<td>1.80</td>
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<td>autoc2</td>
<td></td>
<td></td>
<td>7045</td>
<td>3.933</td>
<td>3.605</td>
</tr>
<tr>
<td>highthreat</td>
<td></td>
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<td>13431</td>
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<td>.019</td>
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<td>sumten</td>
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<td></td>
<td>12210</td>
<td>5582.692</td>
<td>2105.672</td>
</tr>
</tbody>
</table>

**Control Variables**: I used several control variables in testing the hypotheses. A coldwar variable is used to control for the effects that Cold War politics exerted in alliance politics. It is a binary variable, coded as 1 for the years 1955 to 1990, 0 otherwise. During the height of the Cold War in the early 1950s the United States and the Soviet Union competed for allies in the Third World. The superpowers formed several asymmetric alliances to spread their sphere of influence.

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12 POLITY IV defines Institutionalized Autocracy in terms of “the presence of a distinctive set of political characteristics. In mature form, autocracies sharply restrict or suppress competitive political participation. Their chief executives are chosen in a regularized process of selection within the political elite, and once in office they exercise power with few institutional constraints.” For more on the data, methodology, see Monty G. Marshall, Ted Robert Gurr, and Keith Jaggers, “POLITY IV Project: Political regime Characteristics and Transitions, 1800-2013” Center for Systemic Peace www. systemicpeace.org
Controlling for these competitive alignments will allow me to assess the effects of primary independent variables on alliance formation. Leadership tenure, measured in the number of days a leader stays in power, is used to take into account each leader’s longevity in office. It is plausible to infer that a leader who has been in power for a long time may have more sway in policymaking process and is more competent in policy implementation than a new incumbent. I used the log of leadership tenure (\textit{logsumten}) in the regression. The data for leadership tenure come from the Archigos dataset. Neighboring countries may be friendlier or more hostile toward each other. A great power may consider its neighboring states as its sphere of influence and thus may be more inclined to make alliances or provide more material assistance than it does to distant states. In order to control the effects of these factors, a variable \textit{distance} is generated that measures distance in miles between the two capital cities of a dyad.\textsuperscript{13} The log of miles (\textit{logdistance}) is used in regression analysis. Another variable \textit{year} is used to control for the time effects or the temporal trends during a given period. The level of military expenditure is used as a control variable to test the third and fourth hypothesis. The expectation is that countries that can spend more on the military may have a less need for external alliances. The source of data is the Correlates of War (COW) National Material Capability dataset, which measures military expenditure in thousands of U.S. dollars. I use the log of military expenditure, \textit{logmilex}, in the regression models.

In addition, I used several interaction variables. An interaction term \textit{divinterest*allaince1} is used to assess the effects of divergent interests between allies. Furthermore, I generated some interaction variables involving the Cold War. An interaction variable \textit{coldwar*alliance1} is used to the separate the Cold War alliances from non-Cold War alliances. A second interaction variable \textit{cold*auto} is used to control for any different treatment (in terms of aid receipt) autocratic regimes.

\textsuperscript{13} I use Google Map service to calculate the distance between two capital cities.
received during the Cold War. Lastly, \textit{cold*threat} is intended to control for the interaction effects between the level of threats to leaders and the Cold War.

III. Results

In testing each of the hypotheses enumerated earlier, I divided the test results into two types of models: a) the first set of models exclude excluding European states and Canada from the analyses (henceforth panel A); and b) the second set of models include all dyads in the dataset (henceforth panel B). The first type is intended to limit the tests to non-European and non-Western countries, most of whom are developing countries. The purpose of the later is to assess the application of the hypothesis to all available dyads (where ccode1 is the United States) in the dataset. Thus, the results for each hypothesis are presented in two separate tables, representing regression models for asymmetric and all dyads. I compare both models (for each hypothesis) side by side.

I use logit regression to test all but the second hypothesis. Multiple regression is used to test the second hypothesis. In both cases I use cluster-robust method. In panel data individual observations, rather than being independent of each other, are grouped together in clusters (such as clustered on country-level). The cluster method assumes that model errors uncorrelated across clusters but correlated within cluster. The method generates robust standard errors for individual independent variable. (Failure to control for within-cluster error correlation can lead to small standard errors, and consequently narrow confidence intervals, and low p-values.)

In logit analysis I add odds ratio (e^b) and e^bStdX to make data interpretation easier. Since it is difficult to interpret logit regression coefficients, odds ratio serves a useful purpose. The
3. Quantitative Analysis

ratio tells us the odds of a change in the dependent variable in response to changes in independent variables. It is, however, difficult to compare the odds ratio for one variable with the odds ratio for another variable when they are measured on different scales. This is usually the case for continuous and categorical variables. For binary variables we can interpret the odds ratio and percentage directly (a change in X (0/1) increased/decreased the odds of changes in Y). But for continuous or categorical variables, a more useful way to interpret data is to evaluate the effect of a 1-standard deviation change in an independent variable on the dependent variable. Thus, $e^{b\text{StdX}}$ generates the odds ratio for a 1-standard deviation change in a predictor variable.

In analyzing multiple regression (used to test the second hypothesis) results, I use a measure known as semipartial $R^2$ (in addition to Coef. std. error. and P values) to compare the importance of each independent variable to $R^2$. In other words, semipartial $R^2$ measures how much each variable increases $R^2$ if the variable is entered into the model last. This approach helps us to understand how much of the variance is uniquely explained by an independent variable, controlling for all other independent variables. The purpose of using semipartial $R^2$ is not to assess the overall size of the $R^2$ but to evaluate the relative importance of each independent variable to the model.

A) Divergent interests—Side payments:

The first hypothesis predicts that having divergent interests increases the likelihood that side payments will be used. The expectation is that an increase in divinterest positively affects the likelihood of aidup. The results from the logit analyses shown in both set of models—panel A

14 For example, suppose that we are interested in how much a variable $M$ increases to $R^2$ (which measures how much a regression model explain the variance in the data). In semipartial $R^2$ approach, a regression model will be run without $M$ and an $R^2$ will be generated. Then the model will be run for the second time with inclusion of $M$. The second model now has a larger $R^2$. The difference between the two $R^2$-values will tell us how much the variable $M$ increases $R^2$. 

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(table 4a) and panel B (table 4b)—support the hypothesis. In model 1 (table 4a) the interaction between existing alliances and divergent interests (divinterest*alliance1) is positively related to aidup; the relationship is statistically significant (p<0.04). Divergent interests and alliances alone (without interaction) are not significant. The odds ratio (shown in the third column for each model) suggests that having divergent interests in existing alliances increases the odds that aid will increase by 54.2% [(1.542-1)*100]. The interaction term in model 4 (table 4b) is also positively related to aidup and the result is significant at P<0.00. Here the interaction term increases the odds that the United States provides more aid to allies by 109.4%.

Model 2 (table 4a) and model 5 (table 4b) add a new interaction term (Cold War alliances—coldwar*alliance1), year and its binomial term yr2 into the analysis. As in the previous models, the first interaction term—divergent interests in alliances—is positively related to the dependent variable aidup and the relationship is statistically significant in both models. In both cases, the interaction term increases the odds that allies get more aid from the United States (the odds ratio is 2.11 in model 2 and 2.78 in model 5—which can be read as 111% and 178% respectively). The new interaction term, coldwar*alliance1, is positively related to aidup and the result is statistically significant (P<0.03) in model 2; the odds that the United States gave more aid to small state allies during the Cold War increased by 55.8%. Model 5 shows a similar pattern: the interaction term is statistically significant. In this model, the odds of more U.S. aid to all allies during the Cold War increased by 83%. The coefficients for year and yr2 (year squared) suggest that the level of aid gradually declined since 1946 and then started to increase. The turning year (when total aid level began to increase again) was 1979 in model 2 and 1980 in model 5.15

15 The following formula is used to determine the turning year: Coefyear/(Coefyr2)*2
3. Quantitative Analysis

Model 3 (table 4a) and model 6 (table 4b) drop year and yr2 from the analysis. The two interaction terms—divergent interests among allies and the Cold War alliances—are still significant. For both interaction terms in both models there are increasing odds that U.S. aid will increase. Figure 3.2 and 3.3 below show the pattern of the interaction between divergent interests and alliances (divinterest*alliance1) in the probability matrix for model 3 (panel A) and model 6 (panel B) respectively. The figures show the effect of having divergent interests in the absence and presence of alliances.

Figure 3.2:
Divergent interests and aid: asymmetric dyads
To sum up, the logit analyses, presented in table 3.4a and table 3.4b, are consistent with the prediction—having divergent interests increases the likelihood that more aid will be used as side payments. The key interaction term, $\text{divinterest*alliance1}$, is positively related to the dependent variable $\text{aidup}$ and the result is statistically significant. The results suggest that the likelihood of the United States giving more aid to its allies increases when there are divergent interests between the parties. As figure 3.2 and 3.3 show, this relationship is consistent in both sets of models—in asymmetric dyads as well as in all dyads.
### Table 3.4a
(Divergent interests—Side payments)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>Odds Ratio (e^b)</td>
<td>Coef. (Robust Std.Err)</td>
</tr>
<tr>
<td></td>
<td>P&gt;</td>
<td>Z</td>
<td></td>
</tr>
<tr>
<td>aidup</td>
<td>-0.063 (.122)</td>
<td>0.605 0.939 0.970</td>
<td>-0.252 (.152)</td>
</tr>
<tr>
<td>divinterest</td>
<td>-0.188 (.180)</td>
<td>0.296 0.828 0.914</td>
<td>-0.697 (.315)</td>
</tr>
<tr>
<td>divinterest  # alliance1</td>
<td>0.433 (.210)</td>
<td>0.039 1.542 1.175</td>
<td>0.749 (.292)</td>
</tr>
<tr>
<td>coldwar</td>
<td></td>
<td></td>
<td>0.688 (.163)</td>
</tr>
<tr>
<td>coldwar  # alliance1</td>
<td></td>
<td></td>
<td>0.443 (.206)</td>
</tr>
<tr>
<td>year</td>
<td>-6.931 (.693)</td>
<td>0.000 0.001 0.000</td>
<td></td>
</tr>
<tr>
<td>yr2</td>
<td>.001 (.000)</td>
<td>0.000 1.002 3.111</td>
<td></td>
</tr>
<tr>
<td>_Cons</td>
<td>-0.127 (.107)</td>
<td>0.235 6859.062 (686.463)</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>N = 5543</td>
<td>Prob &gt; chi2 = 0.074</td>
<td>N = 5543</td>
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### Table 3.4b
(Divergent interests—Side payments)

<table>
<thead>
<tr>
<th></th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Coef. (Robust Std.Err)</td>
<td>Coef. (Robust Std.Err)</td>
<td>Coef. (Robust Std.Err)</td>
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<td>P&gt;</td>
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<td>Odds Ratio (e^b)</td>
<td>Odds Ratio (e^b)</td>
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<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>e^bStdX</td>
<td>e^bStdX</td>
<td>e^bStdX</td>
</tr>
<tr>
<td>aidup</td>
<td>-.001 (.125)</td>
<td>0.996 0.999 1.000</td>
<td>-.146 (.145)</td>
</tr>
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<td>divinterest</td>
<td>-.489 (.191)</td>
<td>0.011 0.613 0.788</td>
<td>-.1025 (.264)</td>
</tr>
<tr>
<td>divinterest #</td>
<td>.739 (.210)</td>
<td>0.000 2.094 1.295</td>
<td>1.023 (.249)</td>
</tr>
<tr>
<td>alliance1</td>
<td>.489 (.191)</td>
<td>0.011 0.613 0.788</td>
<td>-.1025 (.264)</td>
</tr>
<tr>
<td>coldwar</td>
<td>-.150 (.159)</td>
<td>0.348 0.861 0.928</td>
<td>-.627 (.115)</td>
</tr>
<tr>
<td>coldwar #</td>
<td>.603 (.190)</td>
<td>0.002 1.829 1.288</td>
<td>.606 (.177)</td>
</tr>
<tr>
<td>alliance1</td>
<td>.489 (.191)</td>
<td>0.011 0.613 0.788</td>
<td>-.1025 (.264)</td>
</tr>
<tr>
<td>year</td>
<td>-5.352 (.685)</td>
<td>0.000 0.000 0.000</td>
<td>0.000 0.000 0.000</td>
</tr>
<tr>
<td>yr2</td>
<td>.001 (.000)</td>
<td>0.000 1.001 5.333</td>
<td>0.000 1.001 5.333</td>
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<tr>
<td>_Cons</td>
<td>-.316 (.114)</td>
<td>0.006 5298.41 678.432</td>
<td>.161 (.151)</td>
</tr>
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</table>

N = 7140
Prob > chi2 = 0.000

N = 7140
Prob > chi2 = 0.000

N = 7140
Prob > chi2 = 0.000
B) Coalition type—Side payments

The second hypothesis proposes a relationship between coalition type in small states and the level of side payments. It predicts that small coalition small states are likely to receive smaller side payments than large coalition small states. The regression results presented in table 3.5a (panel A) and 3.5b (panel B) are consistent with the prediction. The results for model 1 in panel A shows that autoc2 (autocratic small states) is negatively related to logaid. Thus, keeping all other variables constant, as regimes in small states becomes more autocratic, aid level is likely to decrease. The relationship is statistically significant at a level of p>0.01. The interaction term—cold*auto—is not significant. The variable auto2 has an increment to R\(^2\) of 0.012 (p < 0.000)—it adds more to the model’s R\(^2\) than other predictors. Model 4 in panel B (table 3.5b) shows a similar pattern: controlling for other variables, as regimes (in all dyads) becomes more autocratic, they were likely to receive less aid from the United States. The relationship is statistically significant (P < 0.01). As in model 1, the semipartial R\(^2\) for autoc2 is more important to the model than other variables.

Model 2 in panel A (table 3.5a) and model 5 in panel B (table 3.5b) add leadership tenure (logsumten) and year in the regression. The results for model 2 suggest that controlling for other variables, autoc2 is positively related to logaid and the relationship is statistically significant (P<0.001). Leadership tenure is not significant. This implies that leaders who stayed in power longer have no advantage in gaining more aid than leaders who had shorter tenure in office. The results show that year has a negative coefficient, suggesting that U.S. aid decreased over the years, and it is significant at P<0.003. As in model 1, autoc2 has the highest increment to R\(^2\)—0.016 (P<0.000). We see a similar pattern in model 5 in panel B: autoc2 is significant; as in model 2,
leadership tenure is not significant and year is negatively related to logaid. Here, unlike in model 2, the interaction term, cold*autoc, is significant. The coefficient for the main effect (autoc2) is -.143 and for the interaction term it is .103. This results suggest that while autocratic regimes received more aid from the U.S. during the Cold War, autoc2 has a net negative effect on logaid (since auto2 has a larger coefficient than the interaction term).

The next two models, model 3 (table 3.5a) and 6 (table 3.5b), add a control variable, GDP per capita of ccode2 (logincome) to the regression. As we see in table 5a and table 5b, both models have results very similar to the previous models. The key independent variable, autoc2, is negatively related to logaid, as expected by the hypothesis, and the relationship is statistically significant. In model 3, logincome is negatively related to logaid with a coefficient of -.428 (P<0.05); the variable has an increment to R² of 0.022 (P<0.000). The semipartial R² values for autoc2 and logincome suggest that both variables are equally important, adding (0.022) more to the overall variance explained by the model than other predictors. Model 6 has similar results: autoc2 is significant with a negative coefficient; logincome has a coefficient of -.538 (P<0.004), which suggests that controlling for other variables, as GDP per capita in ccode2 increases, the amount of aid they receive from the United States decreases. Figure 3.4 and 3.5 below show the pattern of the relationship between autoc2 and logaid, controlling for other variables, for model 3 and model 6 respectively.

Thus, the test results are in line with the expectation. We have seen that autocratic regimes, across all models, tend to receive less aid. This finding is consistent both in panel A (involving asymmetric dyads) and in panel B (involving all dyads). An identical test using democracy, rather than autocracy, as the key independent variable shows that democratic regimes are receive higher amounts of aid (see Appendix B).
3. Quantitative Analysis

**Figure 3.4**
Autocratic Regimes and aid: asymmetric dyads

**Figure 3.5**
Autocratic Regimes and aid: all dyads
### Table 3.5a
(Coalition type—Side payments)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>logaid</td>
<td>Coef. (Robust Std.Err) P&gt;</td>
<td>t</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-.139 (.050) 0.007 0.012 (0.000)</td>
<td>-.166 (.048) 0.001 0.016 (0.000)</td>
<td>-.189 (.046) 0.000 0.022 (0.000)</td>
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<tr>
<td>autoc2</td>
<td>.699 (.253) 0.007 0.008 (0.000)</td>
<td>.514 (.265) 0.055 0.004 (0.000)</td>
<td>.631 (.259) 0.017 0.006 (0.000)</td>
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<td>coldwar</td>
<td>.060 (.049) 0.222 0.001 (0.006)</td>
<td>.074 (.049) 0.138 0.002 (0.000)</td>
<td>.057 (.050) 0.258 0.001 (0.009)</td>
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<td>coldauto</td>
<td>logsumten</td>
<td>logincome</td>
<td>year</td>
</tr>
<tr>
<td></td>
<td>.060 (.096) 0.530 0.000 (0.122)</td>
<td>-.428 (.218) 0.052 0.022 (0.000)</td>
<td>-.006 (.006) 0.371 0.001 (0.018)</td>
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<td></td>
<td>17.049 (.238) 0.000 36.722 (14.160) 0.011 32.535 (13.758) 0.020</td>
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</tr>
<tr>
<td>N</td>
<td>4386 Prob &gt; F = 0.000 R-squared = 0.042</td>
<td>N = 4357 Prob &gt; F = 0.000 R-squared = 0.050</td>
<td>N = 4235 Prob &gt; F = 0.000 R-squared = 0.075</td>
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### Table 3.5b
(Coalition type—Side payments)

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<th>Model 4</th>
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<th>Model 6</th>
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<td>Coef.</td>
<td>P&gt;</td>
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<td>(Robust</td>
<td>Std.Err)</td>
<td>R² (Significance Value)</td>
<td>(Robust</td>
<td>Std.Err)</td>
<td>R² (Significance Value)</td>
<td>(Robust</td>
<td>Std.Err)</td>
<td>R² (Significance Value)</td>
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<td>0.002</td>
<td>0.011 (0.000)</td>
<td>-.197</td>
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<td>0.020 (0.000)</td>
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<td>(.044)</td>
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<td>0.972</td>
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<td>0.751</td>
<td>0.000 (0.377)</td>
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<td>coldaut</td>
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<td>0.122</td>
<td>0.002 (0.000)</td>
<td>.103</td>
<td>0.043</td>
<td>0.004 (0.000)</td>
<td>.095</td>
<td>0.062</td>
<td>0.003 (0.000)</td>
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<td></td>
<td>(.050)</td>
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<td>(.050)</td>
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</tr>
<tr>
<td>logsumte</td>
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<td></td>
<td>-.013 (0.111)</td>
<td>0.903</td>
<td></td>
<td>0.000 (0.720)</td>
<td>-.019</td>
<td>0.857</td>
<td>0.000 (0.605)</td>
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<td>loginc</td>
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<td>-.538</td>
<td>0.004</td>
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<td>(.185)</td>
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<tr>
<td>year</td>
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<td>0.001</td>
<td>0.017 (0.000)</td>
<td>-.019</td>
<td>0.009</td>
<td>0.011 (0.000)</td>
<td>N = 5223</td>
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<tr>
<td></td>
<td>(.007)</td>
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<td>(.007)</td>
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<td>R-squared = 0.022</td>
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<tr>
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</tbody>
</table>

N = 5000  
Prob > F =0.000  
R-squared = 0.077
C) Political instability—Alliance formation

The third hypothesis predicts that politically unstable small states are more likely to form asymmetric alliances. Political instability is represented by *polviolence*—the total magnitudes of interstate and societal violence. Since it might be unlikely that political instability would immediately prompt leaders to form alliances, I used lagged three years of *polviolence* to reflect a country’s experiences with political instability in the three previous years. It is more realistic to infer that having had experience with political violence in previous years, a leader is better able to form expectations about the country’s needs for external help that could be obtained through alliance formation.

The logit analysis shows a statistically significant relationship between political instability and alliance formation supporting the hypothesis. Model 1 in panel A (table 3.6a) shows that holding other variables constant, *polviolence* is positively related to alliance formation (*aformed*) with a coefficient of .283 and the result is statistically significant (P< 0.001). The control variable *year* is significant, which suggests that the likelihood of U.S alliances with small states declines over the years; leadership tenure (*logsumten*) is not significant. Since *polviolence* is a categorical variable, it is more appropriate to measure odds ratio by using 1-standard deviation change in the independent variable (reported by e^bStdX). According to the results for model 1, 1-standard deviation change in *polviolence* increases the odds that small states form alliances with the United States by 56.7%. Model 4 in panel B (table 3.6b) shows a similar pattern: *polviolence* has positive coefficient of .238 (P<0.003); for model 4, 1-standard deviation change in *polviolence* increases the odds that states form alliances with the United States by 40%. Figure 3.6 and 3.7 below show the pattern of the relationship between *polviolence* and alliance formation (using a probability metric), controlling for other variables, for selective model 1 and inclusive model 3 respectively.
Figure 3.6
Political instability and alliance formation: asymmetric dyads

Figure 3.7
Political instability and alliance formation: all dyads
The key independent variable *polviolence* remains significant in model 2 in panel A (table 3.6a) and model 5 in panel B (table 3.6b). The two models drop leadership tenure (*logsumten*) and add distance (in miles) between the dyads (*logdistance*) to the analysis. In model 2 *polviolence* has a positive coefficient of .219 (P<0.01); 1-standard deviation change in polviolence increases the odds that the United States form alliances with small states by 39.8%. The independent variable is also significant in model 5, where 1-standard deviation change in *polviolence* increases the odds of alliance formation by 28.3%. Geographic distance between the dyads is positively related to the dependent variable, *aformed* in both model 2 and model 5 and the relationship is significant at P<0.000 and P<0.015 respectively. The results suggest that the United States was more likely to form alliances with distant countries than with proximate countries.

Model 3 (table 3.6a) and model 6 (table 3.6b) extend the analysis by adding the log of military expenditure (*logmilex*) to the regression. The variable of interest, *polviolence*, is still significant with positive coefficients in both models. While military expenditure is not significant in selective model 3, it is significant (P<0.025) with a positive coefficient in model 6. In the later model the results suggest that 1-standard deviation change in logmilex increases the odds of alliance formation with the United States by 68.5%. This finding is counterintuitive since we expect that countries that are able to spend more on their military capabilities have a lesser need for external alliances.

Thus, to sum up, the results in both panel A (table 6a) and panel B (table 3.6b) are supportive of the hypothesis that political instability (represented by interstate and societal violence) increases the likelihood that states form alliances with external powers. We have seen that the key independent variable *polviolence* increases the odds of alliance formation with the United States; this relationship is statistically significant across all models.
Table 3.6a
(Political instability—Alliance formation)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>P&gt;</td>
<td>Z</td>
</tr>
<tr>
<td>aformed</td>
<td>e^bStdX</td>
<td>e^bStdX</td>
<td>e^bStdX</td>
</tr>
<tr>
<td>L3. polviolence</td>
<td>.283 (.085)</td>
<td>0.001</td>
<td>1.327</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>.219 (.085)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>.222 (.086)</td>
</tr>
<tr>
<td>year</td>
<td>-.115 (.022)</td>
<td>0.000</td>
<td>0.891</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-.125 (.029)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-121 (.034)</td>
</tr>
<tr>
<td>logsumten</td>
<td>.393 (.253)</td>
<td>0.121</td>
<td>1.482</td>
</tr>
<tr>
<td>logdistance</td>
<td></td>
<td>2.244 (.619)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>2.221 (.578)</td>
</tr>
<tr>
<td>logmiles</td>
<td></td>
<td>-0.073 (.163)</td>
<td>0.653</td>
</tr>
<tr>
<td>_cons</td>
<td>220.220 (.43.348)</td>
<td>0.000</td>
<td>223.286 (.55.174)</td>
</tr>
<tr>
<td></td>
<td>N = 1668</td>
<td>Prob &gt; chi2 = 0.000</td>
<td>N = 1902</td>
</tr>
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### Table 3.6b
(Political instability—Alliance formation)

<table>
<thead>
<tr>
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<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>Odds Ratio (e^b)</td>
<td>Coef. (Robust Std.Err)</td>
</tr>
<tr>
<td></td>
<td>e^bStdX</td>
<td>e^bStdX</td>
<td>e^bStdX</td>
</tr>
<tr>
<td>aformed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L3. polviolence</td>
<td>.238 (.081)</td>
<td>1.270 (1.400)</td>
<td>.184 (.078)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.169 (1.239)</td>
<td></td>
</tr>
<tr>
<td>year</td>
<td>-.093 (.018)</td>
<td>0.910 (0.226)</td>
<td>-.096 (.019)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.178 (0.157)</td>
<td></td>
</tr>
<tr>
<td>logsumten</td>
<td>.205 (.145)</td>
<td>1.228 (1.197)</td>
<td></td>
</tr>
<tr>
<td>logdistance</td>
<td></td>
<td>1.078 (.443)</td>
<td>0.015 (2.940)</td>
</tr>
<tr>
<td>logmilex</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>_cons</td>
<td>179.378 (35.480)</td>
<td>0.000</td>
<td>177.078 (36.392)</td>
</tr>
<tr>
<td></td>
<td>N = 2316</td>
<td>Prob &gt; chi2 = 0.000</td>
<td>N = 2666</td>
</tr>
</tbody>
</table>
D) Political threats to leaders—Alliance formation

The last hypothesis tests the effects of threats to leaders’ political survival on alliance formation. It predicts that threats to leaders’ political survival increase the likelihood of alliance formation. As explained before, a predictor variable *hight threat* is generated by incorporating the patterns of leadership change and changes in GDP per capita income. The results from logit analyses reported in table 3.7a and table 3.7b are consistent with the prediction.

The key independent variable *hight threat* in model 1 in panel A (table 3.7a) is positively related to the dependent variable, alliance formation (*aformed*) and the result is significant at *P*<0.000; 1-standard deviation change in *hight threat* increases the odds that small state leaders, who face threats to their political survival, form alliances with the United States by 58.7%. The other variables in the model are the geographic distance between the dyads (*logdistance*) and military expenditure (*logmilex*). The results suggest that as geographic distance between the asymmetric dyads increases, the odds of alliance formation increases as well. Small states that have a higher level of military expenditure are less likely to form alliances with the United States (the odds decreases by 57% [the *exp*StdX is 0.431 and thus the odds ratio is 1- 0.431= 0.569]). The results for Model 4 in panel B (table 3.7b) has a similar pattern. The variable *hight threat* has a positive coefficient and the result is statistically significant (*P*<0.000). In this model 1-standard deviation change in *hight threat* increases the odds that states form alliances with the United States by 54.8%.

A new variable *coldwar* is added to the analysis in model 2 (table 3.7a) and model 5 (table 3.7b) to control for the effects of Cold War competition on the pattern of alliance formation. The results for model 2 and model 5 have the similar pattern and direction as found in the previous two
models. In both models, hightheat has positive coefficients and the results are statistically significant at P<0.000. In both models coldwar, holding other variable constant, is negatively related to alliance formation, which suggests that there was a decreasing odds of alliance formation during the Cold War.

The last two models, model 3 (table 3.7a) and model 6 (table 3.7b), replace the control variable coldwar with year, which is significant in both models. The addition of year to the regression has some noticeable effects: in model 3 the significant level for hightheat has changed from P<0.000 to P<0.048; in model 6 we see that logdistance and logmilex are no longer significant. We should note that the key variable of interest, hightheat, is still significant in both models. As for the odds ratio, 1-standard deviation change in hightheat increases the odds of alliance formation by 26% (by asymmetric dyads) in model 3 and 38% (by all dyads) in model 6.

Thus, as discussed above, the logit analyses support the prediction of the fourth hypothesis. The key independent variable, hightheat, is positively related to the dependent variable, aformed across all models. We have seen that an increase in hightheat increases the odds of alliance formation. The relationship is statistically significant. From these results we can infer that controlling for other variables, an increase in threats to leaders political survival increases the odds that small states (or states in general) form alliances with the United States.
## Table 3.7a
(Political threats to leaders—Alliance formation)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>Odds Ratio (e^b)</td>
<td>Coef. (Robust Std.Err)</td>
</tr>
<tr>
<td>aformed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>highthreat</td>
<td>21.812 (6.096)</td>
<td>0.000</td>
<td>3.000</td>
</tr>
<tr>
<td>logdistance</td>
<td>1.520 (.333)</td>
<td>0.000</td>
<td>4.576</td>
</tr>
<tr>
<td>logmiles</td>
<td>-.253 (.051)</td>
<td>0.000</td>
<td>0.776</td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>coldwar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>_cons</td>
<td>-15.400 (2.688)</td>
<td></td>
<td>-16.415 (3.063)</td>
</tr>
</tbody>
</table>

N = 1958
Prob > chi2 = 0.000

N = 1958
Prob > chi2 = 0.000

N = 1958
Prob > chi2 = 0.000
### Table 3.7b
(Political threats to leaders—Alliance formation)

<table>
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<tr>
<th></th>
<th>Model 4</th>
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<th></th>
<th>Model 5</th>
<th></th>
<th></th>
<th>Model 6</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>P&gt;</td>
<td>Z</td>
<td></td>
<td>Odds Ratio (e^b)</td>
<td>Coef. (Robust Std.Err)</td>
<td>P&gt;</td>
<td>Z</td>
<td></td>
</tr>
<tr>
<td>aformed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>highthreat</td>
<td>22.684 (5.071)</td>
<td>0.000</td>
<td>7.100</td>
<td>1.548</td>
<td>22.688 (4.866)</td>
<td>0.000</td>
<td>7.100</td>
<td>1.548</td>
<td>16.725 (4.605)</td>
</tr>
<tr>
<td>logdistance</td>
<td>.795 (.323)</td>
<td>0.014</td>
<td>2.216</td>
<td>1.491</td>
<td>.950 (.372)</td>
<td>0.011</td>
<td>2.588</td>
<td>1.611</td>
<td>.428 (.314)</td>
</tr>
<tr>
<td>logmiles</td>
<td>-.123 (.043)</td>
<td>0.005</td>
<td>0.884</td>
<td>0.633</td>
<td>-.127 (.043)</td>
<td>0.004</td>
<td>0.880</td>
<td>0.623</td>
<td>-0.058 (.063)</td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>coldwar</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>_cons</td>
<td>-10.606 (2.593)</td>
<td>0.000</td>
<td>-11.423 (2.909)</td>
<td>0.000</td>
<td>144.510 (21.438)</td>
<td>0.000</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

N = 2722
Prob > chi2 = 0.000

3. Quantitative Analysis
IV. General Discussion and Conclusion

The findings reported above have potential consequences for our understanding of interstate bargaining and the causes of alliance formation. The results support the first hypothesis that having divergent interests increases the likelihood that aid will be used by one party (usually the more powerful one) to compensate the other party (usually the weaker side). The idea that aid is a strategic tool used by donors to achieve certain foreign policy objectives is not new. However, the role of aid as a bargaining tool in alliance relations has been discounted by prominent alliance theorists. For example, Stephen Walt argues that, “military or economic assistance is offered and accepted only when both parties believe it is in their interest to do so. In particular, offering or accepting aid is one way that states with different capabilities can respond to a common threat.”

The results found in support of the first hypothesis contradict Walt’s point that states offer and accept aid only to pursue a common interests—defeating or deterring a common enemy. The regression results suggests that the odds that the United States provide more aid to the allies increase when the parties have divergent interests (that is, when parties have more dissimilar interests).

It is perhaps intuitive to think that states that share common interests help each other more by giving foreign aid than states with divergent interests. But when we consider bargaining scenarios in interstate relations, as such bargaining involves the strategic use of aid, then give-and-take is a normal outcome. The idea that having divergent interests requires one party to use aid as

\[181\] Walt, *The Origins of Alliance*. P. 42
side payments to compensate the other party for its concessions on issues falls in the realm of a give-and-take understanding of interstate relations. Indeed, this is a key argument of this study.

Domestic politics looms large in the findings of this chapter. Both for the transaction of foreign aid and the causes of alliance formation, domestic political factors have importance effects. As explained before, the regression results support the hypothesis that all else equal, autocratic (small coalition) states are likely to receive smaller amounts of aid than democratic (large coalition) states. This result support other studies in the literature. For example, Alberto Alesina and David Dollar found that democratic states receive more foreign aid than non-democratic states.\(^{182}\) I elaborated in the theory chapter that the logic of the hypothesis is rooted in Bruce Bueno de Mesquita and others’ work on the Selectorate theory.\(^{183}\) In bargaining with foreign powers it is easier for small coalition leaders to make concessions for at a lower price than it is for large coalition leaders. As a small coalition leader relies on a smaller number of key supporters to stay in power than does a large coalition leader, it is easier for such a leader to reward the coalition members for their utility losses as a result of the leader’s policy concessions. (For example, granting bases to a foreign power may anger some members of the winning coalition. The leader then has to compensate these disaffected members.) Thus, small coalition leaders can make concessions in exchange for smaller amounts of aid than can large coalition leaders. Empirical evidence consistent with the second hypothesis support this Selectorate theory framework.

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\(^{182}\) Alesina and Dollar.  
\(^{183}\) Bruce Bueno de Mesquita and other have done extensive work on the Selectorate theory, which focuses on domestic politics and leadership survival. For their seminal work, see Bueno de Mesquita and Smith, *The Logic of Political Survival*. On the application of the model to foreign aid transaction, see "A Political Economy of Aid," *International Organization* 63, no. 02 (2009); "Foreign Aid and Policy Concessions," *Journal of Conflict Resolution* 51, no. 2 (2007).
3. Quantitative Analysis

In addition to the transaction of aid, domestic politics have crucial effects on leaders’ motivation for forming alliances. The results suggest, consistent with the third and fourth hypotheses, that politically unstable small states are more likely to form alliances with great powers than are politically stable small states; threats to leaders’ political survival in small states motivate leaders to form alliances with great powers. These findings highlight the importance that domestic political factors, such as political violence and the consequent instability as well as threats to leaders’ political survival, play in in shaping leaders’ motivation for external alliances. The fourth hypothesis (threats to leaders’ survival as cause of alliance formation) is consistent with other studies in the literature. For example, Michael Barnett and Jack Levy as well as Steven David have made a similar argument albeit based on a small sample of case studies rather than the large-n, more general analysis, done here. More importantly, these findings have implications for the theoretical debate in the alliance literature. They suggest that a heavy emphasis on the balance of power, the balancing-bandwagoning paradigm, and external exigencies of alliance formation (as in the neorealist tradition) are perhaps misguided and an incomplete explanation of why small states in Third World form alliances. While I do not claim that external threats have no role, this study put emphasis on domestic political imperatives in the Third World (that Mohammed Ayoob calls aptly “the security problematic of the Third World” as a cause of alliance formation.

As discussed previously, each hypothesis is tested on asymmetric dyads involving non-Western and developing countries as well as on all dyads (all observations in the dataset). The results are consistent with the hypotheses in both cases. This suggests that the theory has wider application. Although the theory lays out its explanation in the context of small states in the Third World, the test results reported in this chapter show that when European states are included in the

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184 Barnett and Levy; David, Choosing Sides: Alignment and Realignment in the Third World.
185 Ayoob, “The Security Problematic of the Third World.”
4. Quantitative Analysis

Analysis, the trade-off theory can explain alliance politics and bargaining processes in all interstate relations. The theory offers an explanation where parties bargain for security arrangements and use side payments as a bargaining tool to achieve desired objectives.

The data used in this quantitative analysis contained only U.S.-led directed dyads and U.S. foreign aid data. As the time period under study here contains the Cold War conflict, the Soviet-led dyads are also relevant to the study as we will see in some of the case analyses in the following chapters. However, the lack of reliable Soviet aid data makes it difficult to expand the dataset. The question then becomes, how generalizable are these findings relying only on U.S. aid data. Building on the idea that foreign aid is a bargaining instrument that powerful states use to achieve their foreign policy objectives, I contend that the results are generalizable. For example, during the Cold War both the United States and the Soviet Union used foreign aid as a strategic tool to compete over bases, allies, and influence in the Third World. Both superpowers followed a similar strategic purpose.

During the height of the Cold War the dominating factor determining the nature of American aid to the less-developed countries was the Communist threat. Section 2 of the Mutual Security Act of 1951 provided the framework for the United States aid program: “The Congress declares it to be the purpose of this act to maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries to the free world, to develop their resources in the interest of their security and independence and the national interest of the United States. ..” As a foreign policy instrument, economic assistance was used as a carrot to entice less-developed countries into joining the Western camp. Military aid to the developing countries was designed to enable local forces to deter the threat of Communism. The military security of the less developed countries and of the United
States—a factor closely related to anticommunism—also prompted economic assistance.186 Similarly, the Soviet Union used foreign aid to influence less developed countries in the Third World. An important motivation for Soviet economic assistance was the desire to affect foreign policy position of the less developed countries. The use of aid for this purpose was most clearly manifested in unreserved Soviet support of newly independent countries’ espousals of neutralism, anti-colonialism and anti-Westernism. The Soviet aid program, military and economic, made “neutrality” pay as a foreign policy stance for less developed countries. Through economic aid to neutral states the Soviet Union provided an alternative source of capital which served to strengthen the bargaining power of Third World countries with the West as well as to prevent them from joining the western alliance system.187 To sum up, Foreign aid can be seen as a basic instrument which the United States used to achieve its foreign policy objectives in the Third World. Like American aid policy, Soviet aid was in large part motivated in large part by the desire to exert direct political influence of various forms on the less developed countries. The claim that foreign can be used as a side payments to obtain cooperation from unwilling governments is not unique to the United States. I content that the proposition is generalizable in other cases where parties engage in bargaining for security arrangements.

I used quantitative method to test the hypotheses related to alliance formation. Lack of available data for alliance management and maintenance prevented me from testing hypotheses about alliance maintenance and cooperation. In addition, among the four hypotheses, the test for the first and the second could have been more precise to alliance formation if I had access to data related to negotiations among prospective allies. As I mentioned previously, the affinity data, which I used for divergent interests, are a partial reflection of interest divergence between states.

186 Walters. Pp. 7-15
187 Ibid. Pp. 30-35
Since the affinity scores are only based on states’ voting patterns in the UN, the data do not tell us other aspects of states’ interest similarity or divergence with the United States. Moreover, not all issues being considered for voting in the UN General Assembly are important to U.S. relations with other states. Fortunately, case studies allow me to further test these hypotheses. For example, I found regression results that show that having divergent interests increases the chances of more side payments. The finding can be tested further in case studies to see if it holds for alliance bargaining. The next three chapters test most of the proposed hypotheses—both regarding the formation and maintenance of alliances—using case studies that allow me to use more nuanced and detailed context in testing the hypotheses.
Appendix A

A predictor index *highthreat* is used as a key independent variable in testing the fourth hypothesis. The index is generated by running a logit analysis using *leaderconcern* (the causes of leadership change) and *changeincome* (a decrease in GDP per capita income). The results of the logit analysis is given below.

<table>
<thead>
<tr>
<th>Hightthreat: Threats to leaders’ political survival</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaderconcern</td>
<td>Coef. (Std. Err.)</td>
<td>P&gt;</td>
</tr>
<tr>
<td>Changeincome</td>
<td>.595 (.071)</td>
<td>0.000</td>
</tr>
<tr>
<td>_cons</td>
<td>-2.531 (.036)</td>
<td>0.000</td>
</tr>
</tbody>
</table>

N = 13431
Prob > chi2 = 0.00
Appendix B

As I discussed earlier, the results for the second hypothesis consistent with the hypothesis, suggest that autocratic small states are likely to receive a decreasing amount of foreign aid. An identical test using democracy as a key independent variables show the democratic small states are likely to receive increasing amounts for aid. The results are shown below.
Table 3.8a  
(Large Coalition regimes—Side payments)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>P&gt;</td>
<td>t</td>
</tr>
<tr>
<td></td>
<td>(Robust Std.Err)</td>
<td></td>
<td>(Robust Std.Err)</td>
</tr>
<tr>
<td></td>
<td>Semipartial R²</td>
<td></td>
<td>Semipartial R²</td>
</tr>
<tr>
<td></td>
<td>(Significance Value)</td>
<td></td>
<td>(Significance Value)</td>
</tr>
<tr>
<td>logaid</td>
<td>.085 (.050)</td>
<td>0.095</td>
<td>0.006 (0.000)</td>
</tr>
<tr>
<td>democ2</td>
<td>.892 (.212)</td>
<td>0.000</td>
<td>0.018 (0.000)</td>
</tr>
<tr>
<td>coldwar</td>
<td>-.019 (.042)</td>
<td>0.648</td>
<td>0.000 (0.336)</td>
</tr>
<tr>
<td>colddem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>logsumten</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>logincome</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>_cons</td>
<td>16.306 (.235)</td>
<td>0.000</td>
<td>33.103 (14.270)</td>
</tr>
</tbody>
</table>

N = 4386  
Prob > F = 0.000  
R-squared = 0.034

N = 4357  
Prob > F =0.000  
R-squared = 0.040

N = 4235  
Prob > F =0.000  
R-squared = 0.073
Table 3.8b
(Large Coalition regimes—Side payments)

<table>
<thead>
<tr>
<th></th>
<th>Model 4</th>
<th></th>
<th>Model 5</th>
<th></th>
<th>Model 6</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Robust Std.Err)</td>
<td>P&gt;</td>
<td>t</td>
<td></td>
<td>Semipartial $R^2$ (Significance Value)</td>
<td>Coef. (Robust Std.Err)</td>
</tr>
<tr>
<td>logaid</td>
<td>.062 (.039)</td>
<td>0.112</td>
<td>0.004 (0.000)</td>
<td>.071 (.040)</td>
<td>0.076</td>
<td>0.005 (0.000)</td>
</tr>
<tr>
<td>democ2</td>
<td>.808 (.200)</td>
<td>0.000</td>
<td>0.012 (0.000)</td>
<td>.504 (.224)</td>
<td>0.026</td>
<td>0.004 (0.000)</td>
</tr>
<tr>
<td>coldwar</td>
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<td>0.300</td>
<td>0.001 (0.007)</td>
<td>-.061 (.045)</td>
<td>0.183</td>
<td>0.002 (0.000)</td>
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<td>0.000 (0.066)</td>
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<td>0.669</td>
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<td>logsumten</td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>year</td>
<td>-.022 (.007)</td>
<td>0.003</td>
<td>0.015 (0.000)</td>
<td>-.017 (.007)</td>
<td>0.016</td>
<td>0.008 (0.000)</td>
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<tr>
<td>_cons</td>
<td>16.452 (.218)</td>
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<td>61.340 (14.368)</td>
<td>0.000</td>
<td></td>
<td>55.558 (13.956)</td>
</tr>
<tr>
<td>N = 5223</td>
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<td></td>
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<td></td>
</tr>
<tr>
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<td>Prob &gt; F = 0.000</td>
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4. THE U.S.-PAKISTAN ALLIANCE

An alliance does not require the allies to have identical interests, but “an alliance requires of necessity a community of interests for its foundation.” One well-received proposition in the alliance literature suggests that states are more likely to form an alliance when they share a common threat.1 These ideas, however, would provide an inadequate explanation of the U.S.-Pakistan alliance. The United States and Pakistan had divergent and conflicting interests in forming the alliance. During the height of the Cold War American policy toward the subcontinent was based on an effort to unite the region against Communist powers. The United States initially sought alignment with both India and Pakistan in order to create a united force against Communism. The Pakistanis, however, sought an alliance with the United States to strengthen their defense against India. The Pakistani leaders wanted the United States to arm Pakistan at the expense of India and had little or no interest in the containment of Communist powers. The U.S.-Pakistan alliance, thus, poses an interesting puzzle. Despite these conflicting objectives, the United States and Pakistan formed an alliance in 1954 and subsequently Pakistan joined two U.S.-led regional security pacts in the 1950s. Indeed, both countries have long been allied. This chapter explains why the United States and Pakistan formed an alliance and how they have been able to maintain the alliance.

Since its inception in 1954, the alliance has had many ups and downs including accusations of Pakistan’s “double plays”\(^2\) and America being a “fair weather friend.”\(^3\) Given the states’ divergent objectives, such ups and downs are not surprising. Consider a recent issue concerning Pakistan’s support for the Taliban, which the United States wants to defeat in Afghanistan. During a meeting with American officials in May 2008 one Pakistani General made the case that the real problem in Afghanistan was not al Qaeda or the Taliban; the real problem was India, Pakistan’s arch enemy. The officer described, with alarm, how the Indians were encircling and intent on annihilating Pakistan by opening consulates and building roads in Afghanistan. The officer argued that in the long run, “when the U.S. pulls out, India will reign. Therefore, the Pakistanis will have to sustain contact” with the Taliban to ensure a friendly government in Afghanistan. The officer concluded that Pakistan “must support the Taliban.”\(^4\) Such an admission by a Pakistani general was a confirmation of what had already been known to policy makers in Washington, i.e., that Pakistan had been actively supporting the Taliban and various militant groups in the region. Billions in American aid to Pakistan were being used to support the Taliban and groups that the United States wants to defeat in the region, as if “the American taxpayers were making monthly deposits in the Taliban’s bank accounts.”\(^5\)

The purpose of this chapter is to explain why the United States and Pakistan, despite having divergent interests, formed an alliance and how they have maintained the alliance despite having


\(^{3}\) For an example of the accusation that the United States has not been a loyal ally of Pakistan see Zulfikar Ali Bhutto, The Myth of Independence (Oxford University Press, USA, 1969).


\(^{5}\) Ibid., pp. 245-246
so many strains in the bilateral relations. The chapter tests two distinct hypotheses about the formation of asymmetric alliances. First, threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances. The hypothesis emphasizes that leaders’ domestic politics imperatives play a critical role in their alliance strategies. We should see that the Pakistani leaders sought to use the alignment with the United States as a tool to counter threats to their political survival. Second, having divergent interests between a great power and a small state increases the likelihood that side payments will be used to cement the alliance. We should observe that having divergent interests between the United States and Pakistan about the objective of the alliance increased the likelihood that the United States uses side payments as a compensation for Pakistan’s autonomy concessions.

The Trade-Off theory suggests that during the maintenance phase of an asymmetric alliance ongoing cooperation between the allies is more likely when the small state receives a steady flow of side payments from the great power. In general, intra-alliance cooperation will be likely as long as the conditions that initially lead to the alliance formation—the autonomy-security trade-off and the use of side payments to compensate for small state’s autonomy concessions—hold. Following the theory’s logic, the United States and Pakistan should be able to cooperate as long as Pakistan received a steady flow of side payments. The chapter tests several hypotheses related to alliance maintenance. First, all else equal, the amount of side payments used to maintain the alliance depends on the degree of divergent interests between the allies. The theory hypothesized three possible scenarios about the relationship between the level of divergent interests and amounts of side payments: a) when the level of divergent interests is very low (that is, parties share a high level of shared interests), small amounts of side payments are necessary to maintain the alliance; b) when the level of divergent interests is very high, a very large amount of
side payments is expected if negotiations are successful, but no increase in side payments otherwise. Lastly, c) when the level of divergent interests is in the medium range (neither very low nor very high), parties can bargain policy concessions in exchange for large amounts of side payments. The theory also predicts the effects of domestic political changes in small states on the continuation of asymmetric alliances. Second, all else equal, regime changes increase the likelihood that a) the alliance will be terminated, or b) the alliance will remain intact in exchange for an increased amount of side payments. The hypothesis is built on the idea that a regime change involves fundamental changes in the state’s political institutions and in the characteristics of the winning coalition. The new regime may want to detach itself from the foreign policies, including the state’s existing alliances, of the previous government. Thus, we should observe that the new leadership after a regime change in Pakistan may want to terminate the alliance with the United States or may demand a higher price for its cooperation with the ally. Third, in the short run, leadership changes in small states will be less likely to affect the continuation of an asymmetric alliance. Thus, we expect leadership changes, which do not alter the existing institutions of the government, in Pakistan to have minimal impacts on the continuity of the alliance.

The chapter is organized in the following order. The first part of the chapter is about the formation of the U.S.-Pakistan alliance. Consistent with the predictions, the case study finds that threats to the Pakistani leaders’ political survival led them to form an alliance with the United States. Even though the prospective allies had divergent interests, the alliance agreement was made possible by a strategic trade-off between the two parties facilitated by the transaction of side

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6In small coalition polities leaders are less likely to cut an important source of external resources by terminating the alliance. In large coalition polities (in democracies), as many scholars have shown, leadership changes are not associated with rapid changes in the state’s foreign policies. Democratic leaders are expected to respect the state’s existing commitment in foreign relations. Thus, I contend that leadership changes in small states are less likely to effect the continuation of the alliance.
The second part focuses on the maintenance of the alliance. As we will see, the alliance went through many phases of ups and downs. Disagreements between the parties, some of which are deep rooted, (whether U.S. aid to India, Pakistan’s nuclear programs, or fighting the Taliban) have been numerous and the alliance relations have been abound with unmet expectations and questions about unfulfilled obligations toward each other. The chapter illustrates that a very high degree of divergent interests adversely affected the amount of side payments Pakistan received form the United States. The allies managed to cooperate and Pakistan received large amounts of side payments when the level of divergent interests was medium (that is, not very high or very low). Lastly, the case study shows that leadership or regime change in Pakistan have had little impacts on the continuity of the alliance since all leaders, driven by domestic political survival, prioritized the maintenance of the alliance with the United States to secure maximum amounts of side payments. The chapter ends with a summary of the findings and their theoretical and policy implications.

I. Formation

The U.S.-Pakistan alliance was the result of a bargaining process in which Pakistan made some concessions on its autonomy (in terms of supporting American foreign policy and granting the United States basing rights in Pakistan) in exchange for side payments. As the following analysis shows, even though the prospective allies had divergent interests in pursuing the alignment, military and economic side payments played a crucial role in cementing the alliance. The alliance, which guaranteed a steady flow of side payments, enhanced the Pakistani leaders’ political survival in a perilous domestic political environment.
A) Pakistan’s Incentives for the Alignment

i) External Threats: The partition of the subcontinent and the traumatic birth of Pakistan set off long-term acrimonious relations with India. Most important and consequential of all issues was the dispute over Jammu and Kashmir. In addition, dividing India’s financial and physical assets, settling refugee property claims, distribution of vital irrigation water, demarcating borders, etc. became difficult and thorny issues. Although Pakistan’s founding leader, Muhammad Ali Jinnah, hoped to have friendly relations with India and the two states even attempted to join in a no-war declaration, the dispute over Kashmir and the inability to come to a resolution sealed the fate of India and Pakistan on a trajectory of mutual distrust and hostilities. In October 1947, a tribal incursion into Kashmir from Pakistan’s Northwest Frontier Province sought to capture the capital city of Srinagar and the surrounding Vale. The dispute has been a source of tension between the two countries since that tribal skirmish in 1947.

Relations with another neighbor, Afghanistan, immediately turned sour after the Kabul government opposed Pakistan’s entry into the United Nations. Regarding irredentist Pashtun nationalism and the border issues with Afghanistan, the Kabul government upset Pakistan by

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9 Some 2000 armed tribesmen were trucked in from Pakistan Northwest Frontier Province to join the local forces. The Indian army successfully cleared the Vale of the tribal intruders and subsequently took control over the two-third of Kashmir. For more on this, see Akbar Khan, Raiders in Kashmir (Karachi: Pak Publishers Limited, 1970); Phillips Talbot, "Kashmir and Hyderabad," World Politics 1, no. 03 (1949); Alastair Lamb, The Kashmir Problem: A Historical Survey (New York: Praeger, 1967); Henry Vincent Hodson, The Great Divide: Britain, India, Pakistan (Oxford University Press, USA, 1985).
stating that “the natural and legal rights of freedom of the Northwest Frontier people and the free tribes along the borders may also be established.” Furthermore, Afghanistan supported the call for *Pushtunistan*, an independent state for the Pathans to be curved out of Pakistan’s Northwest Frontier Province, and questioned the validity of the frontier between Afghanistan and Pakistan—the *Durand Line*.\(^\text{10}\)

An effective response to these external challenges required a significantly stronger military capability than Pakistan possessed in its early years. In the aftermath of the partition Pakistan gained 30 percent of the Indian army, 40 percent of the navy, and 20 percent of the air force. Pakistan had no ordinance factories of its own which left the state in an odd position of being in the possession of an army without matching firepower.\(^\text{11}\) As Pakistan scrambled to develop its defense force and lacked military equipment and the industrial plant to produce arms and munitions, it needed a powerful external ally who could help build its defense capability. The Pakistani leaders turned to the United States in the fall of 1947 for military aid.\(^\text{12}\)

ii) **Internal Challenges:** Pakistan’s internal challenges were no less formidable and in some respects posed serious problems for the ruling party and its leaders. Various domestic forces made it difficult for the Pakistani leadership to consolidate the authority structure of the new state, to maintain stability and even territorial integrity. Immediately after independence, Pakistan, with seventy million people, had to work within many serious constraints, including an unusual

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\(^{10}\) The Durand Line was established by Britain in the 1890s as a boundary between Pakistan and Afghanistan. The border split the ethnic Pathans between Afghanistan, where they were the largest ethnic group, and Pakistan. For more on the Pak-Afghan relations, see Umbreen Javaid and Qamar Fatima, "An Analytical Study of Pakistan’s Policy toward Afghanistan before the Taliban’s Rise," *Journal of Political Studies* 20, no. 2 (2013); Marvin G Weinbaum, "War and Peace in Afghanistan: The Pakistani Role," *The Middle East Journal* (1991); "Pakistan and Afghanistan: The Strategic Relationship," *Asian Survey* (1991); *Pakistan and Afghanistan: Resistance and Reconstruction* (Westview Pr, 1994).

\(^{11}\) Jalal. p.42

\(^{12}\) Pakistan requested arms and military aid worth $510 million, which the U.S. rejected. See Kux. p.44
geography: a thousand miles of Indian territory separated the Eastern wing (East Pakistan) from the west, where the Punjab, the Northwest Frontier Province, Sindh, and Baluchistan were located. Perhaps the biggest challenge for the leadership was the integration of disparate populations with various nationalities into a sense of nationhood and loyalty to the state.\textsuperscript{13}

Pakistan, like almost all new states, had to build its central government infrastructure and national institutions from scratch. For Pakistan’s leaders after Jinnah, it was difficult to manage the increasingly unruly Muslim League, the nation’s only significant political party. Once its principal demand, an independent Pakistan was achieved, the party began to unravel in the face of mounting infighting and the lack of programmatic goals. As Ayesha Jalal noted, “since Pakistan was constitutionally a federation of provinces, the absence of a nationally based political party providing a two-way channel of communication between the government and the different levels of society was to become a serious impediment to the integration of its diverse constituent units.”\textsuperscript{14} The League lost mass support within a few years of independence. The elite that had demanded an independent Pakistan was now challenged by groups that sought to build Pakistan as a loose federation of Muslim majority provinces, with an emphasis on ethnic and regional cultures.\textsuperscript{15} In the new state, the \textit{Mohajirs} (the migrants from North and Central India) gained control of the government, bureaucracy, and business, while the local elites were marginalized.\textsuperscript{16} The local politicians (the “feudals”) were more interested in preserving their power and cliental support base

\textsuperscript{13}In addition to the Bengalis in East Pakistan, the new state had to integrate five major groups: the Sindhis, the Baloch, the Puktoons, the Punjabis, and the incoming \textit{Mohajirs} or migrants from North and Central India, who migrated in huge numbers to the new state. See Owen Bennett-Jones, “Pakistan: Eye of the Storm,” (New Haven, CT: Yale University Press, 2009). p.43
\textsuperscript{14}The Muslim League encompassed a broad spectrum of organizations including quarrelsome rural grandees from the Punjab and Sindh, disgruntle refugee leaders from India, ambitious Muslim clerics, and squabbling Bengali politicians. Jalal. See P.61 and Ch. 3 for a broad overview.
\textsuperscript{16}Mohajirs were more educated, urbanized and professionally qualified and experienced in the British Indian bureaucracy than the local population. Stephen P Cohen, \textit{The Idea of Pakistan} (Brookings Inst Press, 2004). pp.45-46
than lending their support to the League.\(^{17}\) As the central government’s priorities became increasingly diverged from the provincial demands, the League leaders at the center lent their support to the feudals. The central leadership understood that the fate of the League was tied to the support and survival of the landed feudals.\(^{18}\) The instrument that hastened the disintegration of the Muslim League was the Pakistani army, which kept the civilian politicians on a “short leash”, while pursuing their self-anointed destiny as defenders of the nation against what they “imagined to be an ever present Indian threat.”\(^{19}\)

The focus on rivalry with India served a useful purpose for the ruling elite. According to Pakistan scholar Husain Haqqani, the rivalry was used as an instrument to secure legitimacy and authority for the new state and to influence the relationship between the state and its citizens. Within weeks of independence, the Muslim League newspaper *Dawn* carried editorials that “called for ‘guns rather than butter’, urging a bigger and better-equipped army to defend ‘the sacred soil’ of Pakistan.”\(^{20}\) This meant prioritizing the military and security apparatus above anything else in the name of Pakistan’s security. In Pakistan, defense against India justified the call for a strong army and a strong state with consolidated central authority. For an insecure central leadership in Pakistan, the distinction between internal and external security threats became blurred. In order to legitimize their political authority Pakistani leaders must demonstrate strength and decisiveness.

\(^{17}\)Politics was dominated by local notables in West Pakistan. In Punjab and Sindh, the leadership was drawn from the landed elites known as “feudals.” Their politics was based on patron-client relationships that had long dominated the region. Eventually the local feudals were co-opted by the Muslim League. See John R Schmidt, *The Unraveling: Pakistan in the Age of Jihad* (New York: Farrar, Straus and Giroux, 2011). pp.22-23

\(^{18}\) The landed families were in control of the provincial Muslim Leagues in the West Pakistan. They provided the bulk of the leadership at the center. According to one estimate, 7% of the landowners in West Pakistan owned 51% of the land, while the upper 1% owned 30% of the land. The landed elite class was so powerful that the central leadership was afraid to levy tax on their incomes or to initiate agrarian reforms. The League leaders at the center feared that antagonizing the elites might encourage mass exodus of prominent local notables from the League, the formation of opposition groups, and consequently, a serious loss of support for the central government. See Jalal,pp.66-67

\(^{19}\) Schmidt,pp. 22-23 and 33-34

\(^{20}\) Quoted in Haqqani. p.14
vis-à-vis India. This explains the preoccupation and even obsession of Pakistan’s leaders with the need to have a strong defense establishment since the early years of the state. Given Pakistan’s weak resource base, the leadership was ill-equipped to develop a strong defense establishment without external help.

iii) The State of the Economy: The state of the economy in Pakistan was such that the government’s ability to exercise central authority over disparate national groups in the newly demarcated provinces was severely constrained. The partition of the subcontinent left Pakistan only 17.5 percent of the financial assets of British India, not all of which were available for its immediate use. The new state had less than 10 percent of the industrial base in British India and according to one estimate, in 1947 Pakistan’s total industrial assets were worth approximately $112 million, of which the better part was owned by non-Muslims who had fled to India after the partition. The government without adequate means found it impossible to arm and supply military forces sufficient to handle a multitude of internal and external security problems. The central government thus faced a dilemma in domestic resource distribution: defense spending absorbed nearly seventy percent of the central government’s total expenditures between 1948 and 1950, which handicapped Pakistan’s domestic economic development efforts. Financially strapped Pakistan badly needed help and was not bashful about seeking it from the United States.

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21 Jalal. pp. 48-49
22 Pakistan had virtually no industry, and the major markets for its agricultural products were in India. The monetary assets of the government were held by the Reserve Bank of India and in the hostile atmosphere the transfer of assets was not a smooth process. The non-Muslim entrepreneurial class, which had dominated commerce in the areas now became Pakistan, either fled or transferred its capital across the new border. Ibid. p. 64; Haqqani. P. 11
24 Ibid. p. 128. Pakistan’s finance minister Ghulam Mohammad commented on the state’s first budget which allocated 70 percent of the total revenues for defense: “expenditure for defense . . . was higher than would normally be justified
B) American Interests

The Indian subcontinent appeared remote and less important to the American leadership preoccupied with the emerging Cold War challenges in the late 1940s. One analysis produced by the Central Intelligence Agency (CIA) in 1947 placed India and Pakistan along with the colonial areas of North Africa in fourth place (after Western Europe, the Middle East, and the Far East) among areas important to U.S. security. The same analysis also maintained that the two states were not subject to direct Soviet aggression. These conclusions, however, changed in a few years in light of the tumultuous events in Asia and the Middle East in the early 1950s. With regards to Pakistan, America’s attitude toward its creation had been unenthusiastic as American leadership expressed support for a united India. Some U.S. media commentaries were hostile toward the idea of Pakistan and focused mainly on the Congress Party as the leading force for independence and on its principal leaders, Mahatma Gandhi and his designated heir, Jawaharlal Nehru. One way the Pakistanis could have won America’s sympathy for their cause was to tie Pakistan’s internal political instability to communist penetration orchestrated by the Soviet Union or the Communist China. Pakistan, however, did not have strong communist organizations capable of threatening the state’s political structure.

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26 American media was unflattering toward the creation of Pakistan. For example, *Time* reported that the people of Karachi “did not welcome Pakistan with the wild enthusiasm that swept the new dominion of India. After all, Pakistan was the creation of one clever man, Jinnah.” See Kux. pp. 5-10
27 Indeed efforts were made in the early 1950s to characterize labor troubles in various parts of the state as part of a grand communist design. In the early 1950, Pakistan intelligence services “had been fabricating increasingly bizarre reports about the fledgling local communist party and its purported plans to destabilize the state. These “subversive” activities were reported to have been linked to the Soviet embassy in Pakistan. Then in March 1951, Ayub Khan’s sudden elevation to the post of Commander-in-Chief was followed by an alleged coup attempt (known as “the Rawalpindi Conspiracy”) which was portrayed as linked to communist conspiracy. Subsequent evidence, however,
Despite a low priority on America’s Cold War agenda, American defense strategists explored the potentials of the subcontinent in the future American sphere of influence against the Soviet Union. Thus, it was argued that the conditions of political and economic deterioration and the near-chaotic situations in the region had created a power vacuum from which the Soviet Union stood to gain.\textsuperscript{28} One approach to the region highlighted the importance of Pakistan to U.S. national security objectives given the state’s geographic location. Another perspective recommended the United States maintain good relations with India especially in the aftermath of the Chinese Communist revolution. According to the latter approach, India and its leader Nehru held a special place in the developing world and gaining India’s support would be a moral and political advantage for the United States.\textsuperscript{29} The Truman administration, however, charted an evenhanded approach to the subcontinent. It refrained from taking sides for fear that open support for one would alienate the other and would entrap the United States in the region’s conflicts and might give the Soviet Union an opening to intervene in the region.\textsuperscript{30}

Although initially American policymakers had doubts about the feasibility of an alliance with Pakistan, increasing involvement of the Soviet Union in the Middle East generated a new urgency for a regional defense organization. As Nehru adopted a nonaligned foreign policy and made it clear that India would resist all efforts to draw it into the Western camp,\textsuperscript{31} the Eisenhower

\textsuperscript{28} See McMahon, \textit{The Cold War on the Periphery: The United States, India, and Pakistan}. pp. 13-15
\textsuperscript{29} A State Department analysis highlighted India’s importance to the United States: “In all of Asia it is now the only nation that is large enough and has the power potential to resist a determined communist military effort with any possibility of success. If India should fall to the Communist power, a consolidation of that power throughout Asia would be inevitable. If we were to have an effective policy in Asia, therefore, India must be the keystone of that policy.” Quoted in ibid., p. 19
\textsuperscript{30} The fear of entrapment also prevented the Truman administration from taking any side in the border dispute between Pakistan and Afghanistan. see Kux. pp. 42-43
\textsuperscript{31} Nehru repeatedly pronounced India’s nonaligned foreign policy. On one occasion he warned that “Once foreign relations go out of your hand into the charge of somebody else . . . to that extent and in that measure you are not independent.” Quoted in McMahon, \textit{The Cold War on the Periphery: The United States, India, and Pakistan.}, p. 37
administration adopted a changed approach to the region, shifting from evenhandedness (or a relative indifference between India and Pakistan) to a tilt toward Pakistan. American defense planners sought to incorporate Pakistan into a regional defense organization. The new policy was consistent with the administration’s approach to foreign policy which emphasized forming new alliances in the periphery.\textsuperscript{32} Pakistan’s strategic location and its possible importance in a confrontation with the Soviet Union had caught policy planners’ attention in Washington. One report noted the strategic importance of Pakistan and suggested that in a period of emergency, Pakistan could form a base both for military and air operations.\textsuperscript{33} To American defense planners, thus, Pakistan’s strategic importance was based on two considerations: a) Pakistan’s contiguous border with the Soviet Union which would facilitate the establishment of air bases and effective intelligence gathering facilities there, and b) Pakistan’s geographic proximity to the Persian Gulf which could enhance the defense of Middle East oil fields.

\textit{Incentives for Alignment: A Summary} The United States and Pakistan had divergent objectives in forming an alliance: Pakistan wanted an alignment with the U.S. to check the Indian threat (an external motivation) and to check various centripetal and irredentist forces (an internal security motivation). Pakistani leaders sought to strengthen the state’s military and its economy by gaining access to external economic and military resources. The United States, in contrast, sought to enlist Pakistan in the ensuing Cold War by utilizing Pakistan’s geostrategic location in U.S. maneuvers and potential war fighting capabilities against the Soviet Union. A growing number of

\textsuperscript{32} According to President Eisenhower and his foreign policy team, more alliances with friendly nations committed to the West would enable the United States to encircle the Soviet Union; they would provide a local reservoir of manpower in the case of a global or regional conflict; they would provide the United States a deterrent power against Soviet aggression. Ibid. pp. 155

\textsuperscript{33} The Note was made on October 18, 1948 by the Pakistani embassy for the State Department. Ibid. p. 44
officials in the U.S. were convinced that the Middle East—a paramount concern given its chronic instability, vulnerability to external aggression, and oil wealth—must be defended (and denied access to the Soviet Union) if a global war should erupt and they believed that Pakistan could become a strategic asset in achieving this goal.\footnote{Ibid. p. 130 and Ch. 4} Thus, both parties sought to form an alliance albeit having divergent interests. In the following pages I analyze how the United States and Pakistan negotiated an agreement in the face of divergent interests by employing side payments to cement the alliance.

C) Bargaining and the Alliance formation

i) The Bargaining: The initial bargaining terms for Pakistan and the United States can be summarized as follows: Pakistan would form an alliance with the U.S. and join the U.S.-led regional security arrangements in exchange for a) military and economic aid, and b) a security guarantee from the U.S. against India; the United States was willing to provide military and economic aid in exchange for a) Pakistan’s inclusion in the regional security arrangements, and b) the ability to use Pakistan’s strategic location, including military bases, in any future confrontation with the Soviet Union. However, the U.S. refused to provide security guarantees against India. Thus, Pakistan’s key external security concern was not included in the agreement. Side payments, as we will see, were used to compensate for interest divergence and to cement the alliance.

Pakistan’s political and military leaders made concerted efforts to convince American officials about Pakistan’s strategic value. They portrayed Pakistan as an anticommunist warrior even though Pakistan faced no communist threat. In the height of the Cold War, the Pakistani
leaders stressed their country’s value in a war with the Soviets. Immediately after independence, Jinnah explored the possibility of an alliance with the United States. He believed that Pakistan could extract a good “price” from the United States for such an alliance in light of Pakistan’s strategic location, which he thought was important in the “Great Game” between the great powers. One observer reported an overemphasis by Pakistan’s leaders of a Russian threat to Pakistan. This “manufactured threat” and “the hope of tapping the U.S. treasury was voiced so persistently that one wondered whether the purpose was to bolster the world against Bolshevism or to bolster Pakistan’s own uncertain position as a new political entity.” Soon after independence Pakistan lobbied Washington to obtain a $2 billion loan to meet the state’s economic and defense needs over the coming five years. From 1947 to the finalization of the alliance in 1954 Pakistan lobbied fervently in Washington for economic and military aid.

Jinnah’s successors maintained the same strategy—emphasizing Pakistan’s geo-strategic value in the Cold War-- to attract American aid. Pakistan’s military leader, Ayub Khan, portrayed Pakistan’s situation as being in the tradition of the nineteenth-century “Great Game” between Russia and Britain: in the new Great Game the threat was the possibility of a massive Soviet invasion through the mountain passes of Central Asia aimed at reaching the warm waters of the Arabian Sea. Ayub proposed to American officials that a proper response to the “Soviet design” should be an expanded Pakistani army properly equipped for the task of blocking the Soviets. He boasted about Pakistan’s potential to provide manpower and strategic bases and declared that Pakistan was “extremely anxious to cooperate with the United States.” In Ayub’s formulation, to

35 Kux. p. 20; Haqqani. p. 30
37 Pakistan received a $10 million relief grant or .5 percent of its request. See Kux. pp. 21-44
38 In the fall of 1951, Pakistan sent another mission to Washington to seek arms. In 1952 Pakistan requested $200 million worth of military equipment and again, as before, the request yielded no results. Ibid. p. 35, 52-53.
win the “great game” the U.S. needed to strengthen Pakistan’s military with arms and equipment.\textsuperscript{39} He further assured American officials by saying that “our army can be your army if you want us. But let’s make a decision.” In sum, Pakistani officials worked hard to convince American officials that Pakistan and its resources would be at America’s disposal in times of security crises in the region. They highlighted Pakistan’s support for American foreign policy objectives in the region.

From the outset, the Pakistani leaders conditioned their support for American foreign policy on Pakistan’s receipt of tangible benefits from the United States. For example, Pakistan supported the U.S. position on Korea at the United Nations. But, when the U.S. asked that Pakistani troops join the UN forces in the Korean War, Pakistan’s Prime Minister, Liaquat Ali Khan, declined. He refused to send troops without an American commitment to strengthen Pakistan’s military capability. The Prime Minister thought the price of Pakistan’s support “should be a positive American assurance to help equip... [the] Pakistan army.”\textsuperscript{40} He further argued that his country might send troops to Korea only if the U.S. made a “commitment that will assure his people” (against possible Indian threat). Washington rejected such a condition, believing that such a commitment would alienate India and Afghanistan and limit U.S. freedom of action (that is, autonomy) in Asia.\textsuperscript{41} The Pakistani officials underscored Pakistan’s needs for aid in the context of the Cold War rivalry.\textsuperscript{42} They warned U.S. officials, in climactic terms, that the government

\textsuperscript{39}To allay U.S. concerns about the impact of American aid to India, Ayub asserted that if the United States strengthened Pakistan by providing economic and military aid, India would “drop its intransigent attitude on Kashmir.” Also, Pakistan’s Governor General Ghulam Mohammed reportedly promised that no U.S. military aid would ever be used against India; furthermore. Ibid. p. 55
\textsuperscript{40}Jalal. p. 113
\textsuperscript{41}Kux. p.49
\textsuperscript{42}An interesting example in this regard involved Pakistan’s Prime Minister Liaquat Ali Khan’s use of Moscow visit to secure an invitation from the Truman administration. In mid-1949, when Truman invited Indian leader Jawaharlal Nehru to the United States but not Liaquat Ali Khan, it hurt Liaquat’s political standing in Pakistan. The Pakistani leader countered the American move by eliciting an invitation to visit the Soviet Union. Liaquat’s Moscow visit was a signal to Washington that Pakistan should not be taken for granted. To counter any fallout from Liaquat’s visit to Moscow, Truman invited the Pakistani leader to the United States. Liaquat’s Moscow visit, however, did not materialize. Although the Pakistani leader was eager to travel on short notice, Moscow continued to delay the matters and eventually postponed the visit. See ibid.pp.32-33
needed to show some results of (reward for) the state’s “pro-western policy” and “. . . If Pakistan does not get assistance from the West, the Government’s position will be grave. Pakistan may turn away from the West.” They wanted American officials to know that the future government in Pakistan might be controlled by groups hostile toward the West and aligned with the Soviet Union.\footnote{Quoted in McMahon, The Cold War on the Periphery: The United States, India, and Pakistan. Pp.128, 141}

The Pakistani ruling elite’s calculations for political survival played an important role in seeking an alliance with the United States. An increase in political instability, intraparty disputes within the League, and the lack of a resolution of the Kashmir dispute made the opposition a credible threat to the ruling elite’s hold on power. These internal troubles manifested themselves in a dire outcome: Prime Minister Liaquat Ali Khan was assassinated on Oct 15, 1951. Pakistan went through important institutional changes after Liaquat’s assassination that altered his successor’s survival strategy. Liaquat’s successor Khwaja Nazimuddin’s brief tenure ended on 17 April, 1953 when he was forced to resign by the governor-general in collaboration with the military leadership.\footnote{Jalal. p. 179} Pakistan’s military establishment was now in firm control of the state’s foreign policy. Whereas Liaquat and Nazimuddin were worried about anti-western sentiments—especially when it came to Pakistan’s support for pro-American policies, the new mode of foreign policymaking lacked any concern about public opinion.\footnote{It is important to note that the new leadership was willing to join the alliance without having explicit security guarantee from the U.S. against India. This changed strategy resulted from deteriorating political and economic conditions in Pakistan that made external aid vital for the}
ruling elite. A constitutional crisis concerning the power-sharing formula between the center and the provinces made the shaky balance between the two even more volatile. Around the same time sectarian rioting in West Pakistan (especially in Punjab) prompted the military to dismiss the provincial government in Punjab and impose martial law. In addition, Pakistan experienced a severe food shortage starting in 1952 for which the government needed urgent help from external sources. In the midst of these political and economic crises, Mohammad Ali Bogra, who was then Pakistan’s ambassador in Washington, was appointed as the new Prime Minister after Nazimuddin. By 1953 the military had become the dominant force in Pakistan whose leadership portrayed the organization as the only force capable of maintaining order. The new Prime Minister’s priority was clear from the outset. If Bogra were to retain his power, he had to satisfy the defense establishment’s demand for military equipment. He had to use his connections in the United States to prepare the ground for a substantial economic and military aid package.\footnote{Bogra’s agenda also included securing a million ton wheat grant from the United States. With the help of Secretary of State Dulles, he was able to secure the grant. Ibid. pp. 179-81} Given Pakistan’s deteriorating political and economic conditions, Pakistan’s political and military leaders agreed to join the U.S-led defense arrangements in exchange for military and economic aid, even if the United States remained unwilling to give Pakistan a security commitment against India. That is, they were prepared to accept aid (side payments) that could help them to hold on to power even as they gave in on their principal concern—security guarantees against India.

American policymakers in the Eisenhower administration needed to decide whether the advantages of having Pakistan’s contribution to Middle East defense as a member of the alliance would outweigh the adverse reaction in India. Many in the administration, prominently Vice President Richard Nixon and Secretary of State John Foster Dulles, believed Pakistan’s inclusion
4. The U.S.-Pakistan Alliance

into the alliance would provide the United States with important strategic advantages.\textsuperscript{47} As noted previously, America’s interest in Pakistan was rooted in the state’s geostrategic location. According to one analysis, Pakistan’s air bases would become crucial bases for strategic bombers; Pakistan’s numerous airfields were within easy reach of Soviet Central Asia, including Ural and Siberian industrial areas that are far distant from U.S. bases in the Mediterranean and Arabia.\textsuperscript{48} Implicitly or explicitly, the prospect of gaining access to Pakistan’s air bases “almost certainly factored into all U.S. assessments of Pakistan’s overall strategic worth.”\textsuperscript{49} Given the unequivocal enthusiasm Pakistani leaders had for the alliance, such an assessment was not unrealistic. The United States decided to provide military aid to Pakistan by forming an alliance with the state.

Pakistan’s decision to form the alliance without getting a security guarantee against its principal rival is not consistent with the perspective that argues that external threat is the primary cause of alliance formation. Rather, the decision can be explained by the domestic political needs of Pakistan’s leaders and by their calculus for political survival. Side payments served as a positive inducement for the Pakistani leaders and facilitated the formation of an asymmetric alliance. James Morrow argues that asymmetric alliances are formed as a result of a security-autonomy trade-off between great powers and minor powers. In forming asymmetric alliances, according to this formulation, small states trade some autonomy in exchange for gains in security.\textsuperscript{50} The trade-off theory of asymmetric alliances contends that a simple security-autonomy may not be enough. In the absence of side payments, the autonomy-security trade-off would have left a deficit in benefit for Pakistan. Since the parties did not share a common enemy and the United States was not willing

\textsuperscript{47} Secretary State Dulles believed that the Pakistani army (along with NATO and Turkey), backed by the might of the United States, would be able to serve as the bulwark against the Soviet threat. See Kux. p. 62


\textsuperscript{49} McMahon, \textit{The Cold War on the Periphery: The United States, India, and Pakistan}, p. 176

\textsuperscript{50} Morrow, “Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances.”
to offer any security guarantee against India, the security benefit for Pakistan was ambiguous at best. Without side payments an alliance with the United States would have endangered the survival prospects of Pakistani leaders. Pakistani public opinion, after all, was hostile toward the West. Moreover, the alignment signaled Pakistan’s preference for the U.S.-led alliance (which by implication, limited Pakistan’s options to pursue nonalignment or to join the Soviet bloc). Thus, for Pakistan, side payments filled the deficit in benefits from the alliance and compensated for the vagueness of security gains.

**ii) The Alliance and its provisions:** The Middle East Defense Organization (MEDO), a British-led military group to be headquartered in Egypt with mainly Arab members and perhaps including Pakistan, was the initial formulation for a regional defense pact. Pakistan rejected the idea in 1952. Likewise, Pakistan was not enthusiastic about joining the altered informal version of MEDO. Given Pakistan’s unwillingness, Assistant Secretary of State Henry Byroade concluded that Pakistan would probably change its mind and join an anticommmunist alliance if the United States were willing to provide enough military equipment. After MEDO failed to materialize, Secretary of State Dulles advanced the idea of a northern-tier defense arrangement in July 1953 to bolster Middle East security. He believed that Pakistan would be a strong supporter of such an arrangement against communism.

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51 After the initial failure, the feasibility of MEDO resurfaced again in Washington. The idea was that a defense arrangement extending from Turkey to Pakistan—a geographic arc of Muslim, mainly non-Arab states—and small amounts of military assistance from the United States would help stabilize the region and make it less vulnerable to Soviet inroads. This altered version of MEDO and later even an informal military planning body failed to materialize.

52 Kux, p. 47-49

53 Ibid, p. 56. The objective of a “Northern Tier of defense” was to reduce U.S. involvement in distant wars (such as the Korean War) and to build up the capabilities of countries like Pakistan, Iran, Turkey, and Iraq as the front-line states.
The Eisenhower administration decided to form a bilateral alliance with Pakistan. Pakistan soon join two U.S.-led regional alliances. The United States encouraged Pakistan to join these alliances to incorporate Pakistan into a broader regional defense system against possible Soviet aggression. With encouragement from Washington, Pakistan and Turkey negotiated a bilateral treaty for military, economic, and cultural cooperation in February 1954. This first step toward the broader northern-tier arrangement provided the rationale for Pakistan to seek arms from the United States. Pakistan immediately submitted a formal request for U.S. military aid and the United States responded positively. President Eisenhower, concerned about India’s reaction, assured the Indian leaders that the United States would not allow Pakistan to use American military aid against India. On May 19, 1954, Pakistan and the United States signed a mutual defense assistance agreement. The accord provided the legal basis for military aid. The first regional alliance that Pakistan joined was the Southeast Asia Treaty Organization (SEATO). After France’s defeat in Indochina, the SEATO was intended to create a collective security mechanism in Southeast Asia against communist expansion. Pakistan sought to have the SEATO shield aimed against aggression from all quarters, including protection against the Indian threat. However, Dulles made it clear that the SEATO would deal only with communist aggression lest it became entrapped in the India-Pakistan disputes. Pakistan joined the alliance and became a founding member of the SEATO. Pakistan joined a second regional security organizations when it became a member of the Baghdad Pact, which was designed to counter Soviet influence in the Middle East. Joining the Baghdad

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54In a letter, published on Feb. 25, 1954, to Nehru, Eisenhower pledged that “if our aid to any country, including Pakistan, is misused and directed against another in aggression, I will undertake immediately, in accordance with my constitutional authority, appropriate action both within and without the United Nations to thwart such aggression.” Eisenhower made the similar pledge during his visit to the Subcontinent in the late 1950s. See ibid. p. 63, 82-86.
55The Pakistani delegation argued that “There were no varieties of evil, no verities of aggression and it was necessary to resist it wherever it came from.” Quoted in Syed Adil Husain, "Politics of Alliance and Aid: A Case Study of Pakistan (1954-1966)," Pakistan Horizon 32, no. 1/2 (1979).
56The United States initially sought to retain observer status in the Baghdad Pact. However, when Moscow responded to the U.S. northern-tier initiative by sending arms to Egypt via Czechoslovakia and showed interests in South Asian
Pact and the SEATO gave Karachi a strengthened claim on U.S. resources and in turn, the United States acquired an even larger stake in Pakistan’s well-being.

D) The Trade-off

Soon after the completion of the bilateral alliance, the United States and Pakistan had to renegotiate the amount and scope of aid. The Pakistanis quickly and loudly voiced their dissatisfaction. As one observer put it, “A gaping chasm existed between the free-flowing dollars that Pakistani military officers and bureaucrats conjured up as their just reward for open alignment with the West and the modest dollar figures contemplated by Washington planners.”57 Military Chief Ayub complained that if Pakistan was to get no more than what the U.S. was offering ($30 million) in the form of military assistance, it would be better for Pakistan not to be involved in a defense arrangement with the United States. The Pakistani leaders made the case that alignment with the United States was such a risky decision that without enough military and economic aid, the survival of the pro-U.S. ruling group was in danger.58 Prime Minister Bogra urged Washington to grant more aid and argued, in a meeting with Dulles, that without sufficient aid he would be “derided” in Pakistan. Secretary of State Dulles, annoyed by numerous requests for more aid, told Bogra that he “thought Pakistan had undertaken its anti-communist stand because it was right, not just to make itself eligible for certain sums of dollar aid.”59 These complaints from the Pakistani

57 McMahon, The Cold War on the Periphery: The United States, India, and Pakistan. P. 191
58 Kux. p. 67-68. Pakistani government faced increasing opposition for its alignment with the United States. For example, over 30,000 protesters attended an angry rally in Lahore and called for the withdrawal of Pakistan from the British Commonwealth, SEATO, and the Baghdad Pact. McMahon, The Cold War on the Periphery: The United States, India, and Pakistan. p. 208
59 Kux. p.68
officials provide further support for the idea that gaining material support (economic and military aid) was a crucial motivation for the Pakistani leaders’ decision to join the alliance.

Pakistan’s anxieties over the size of the American aid package eased as the United States had put together a more generous and comprehensive aid package for Pakistan. Washington promised $105.9 million as economic aid for the 1954 fiscal year. More importantly, U.S. officials also presented Pakistan with a military program boosted to $50 from the initial $30 million and established specific program goals: the United States committed to equip 4 army infantry and 1.5 armored divisions, to provide modern aircraft for 6 air force squadrons, and to supply 12 vessels for the navy. The estimated cost of this program was $171 million. The Pentagon later recalculated the possible cost of the military program promised to Pakistan in 1954 to $301.1 million. Another interagency review of foreign military aid programs revealed that fulfilling the October 1954 arms aid commitment to Pakistan would cost $505 million—almost three times the original estimate of $171 million. Thus, the United States became Pakistan’s primary supplier of economic and military aid. By 1957, Pakistan was receiving significant amounts of defense equipment and training, along with substantial economic aid. These aid programs improved Pakistan’s armed forces across the board.

Pakistan’s sense of security was strengthened by gaining access to American military aid. The United States, as expected, gained in autonomy or freedom of action in the region by getting access to Pakistan’s strategic bases. The United States was granted permission to two important bases in Pakistan for intelligence gathering purposes. Pakistan allowed the United States to establish a secret U.S. intelligence facility and granted permission for U-2 aircraft to fly from

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60 These comprehensive military aid programs were spelled out in the October 1954 aide-memoire. Ibid. p. 68-69
61 Ibid. Pp. 81, 83, and 86-87. By 1957, according to one report, the United States was supporting a large military in Pakistan, numbering over 180,000 men. McMahon, The Cold War on the Periphery: The United States, India, and Pakistan. p. 211
Pakistan. Later it was announced that Pakistan would grant the U.S. Air Force a ten-year lease to set up a “communications facility” at Badaber, ten miles from Peshawar (the capital of the Northwest Frontier Province). The air force communications station was the cover for a major communication intercept operation for collecting electronic intelligence, run by the National Security Agency (NSA). Because of its proximity to Soviet Central Asia, Badaber was an excellent place from which to monitor signals from Soviet missile test sites and to intercept sensitive communications. The Badaber facility became an important link in the chain of electronic listening posts that U.S. intelligence agencies established around the borders of the Soviet Union in order to gain knowledge and understanding of Russian military capabilities. Pakistan also granted the CIA permission to use the Peshawar airport as a takeoff point for flights over the Soviet Union by U-2 aircraft, known as the “spy in the sky.” The photo intelligence gathered by the U-2 had vital strategic importance in the years before the United States developed space satellites. Pakistan, thus, joined countries, such as Norway, West Germany, Japan, and Turkey that offered base facilities to the United States for secret aircraft and intelligence gathering efforts. Pakistan’s willingness to host these key U.S. intelligence operations substantially increased the value of the alliance for the United States. In return for side payments, the United States gained strategic bases that it judged to be of great importance for U.S. national security.

In addition to the base facilities, one has to consider Pakistan’s autonomy loss in terms of the opportunity costs of the alliance. Pakistan’s inclusion into the U.S.-led alliances had adverse effects on its relations with the Soviet Union, the People’s Republic of China, and other non-aligned countries. The fallout was especially harsh on Pakistan’s relations with key Islamic countries. For example, during the Suez crisis in 1956 the Egyptian leader Gamal Nasser, a popular

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62 Kux, pp. 91-92
4. The U.S.-Pakistan Alliance

figure in the Islamic World and among non-aligned countries, publicly criticized Pakistan (as a “stooge of Western imperialism”) for its alliance with the United States.\textsuperscript{63} More importantly, the alliance hurt the potential for a diplomatic solution to the Kashmir conflict. The Indian leadership back away from an earlier pledge to hold plebiscite in Kashmir and accused Pakistan of introducing the Cold War into the region.\textsuperscript{64} The alliance cost Pakistan the Soviet support for the Kashmir plebiscite. Instead, the Soviet leader Nikita Khrushchev and premier Marshal Nikolai Bulganin, in their visit to India in 1955, declared Kashmir as an “integral part of India”.\textsuperscript{65} The Pakistani leaders expected that these autonomy losses and liabilities on the state’s foreign policy would be compensated by side payments from the United States.

At the formative stage of the alliance both sides gained from the alliance as expected. Pakistan gained in side payments: between 1954 and 1959, the United States provided $425 million in military aid and $855 million in economic aid to Pakistan.\textsuperscript{66} The U.S. gained in autonomy (freedom of action) in the region by gaining influence in Pakistan’s foreign policy during the height of the Cold War and importantly, having access to strategic bases in Pakistan. Pakistan, as Ayub put in his autobiography, \textit{Friends Not Masters}, had become America’s “most allied ally in Asia.”\textsuperscript{67}

Figure 1 below shows the volumes of side payments the United States provided to Pakistan from 1948-2010. The Figure shows that a large amount of side payments followed immediately after the formation of the alliance. However, the flow of aid, particularly military aid, fluctuated. The volumes of aid have been correlated with the strategic importance of Pakistan to the United States. The fluctuation is fairly consistent with the ups and downs in the intra-alliance relationship. The

\textsuperscript{64} Shirin Tahir-Kheli, \textit{The United States and Pakistan: The Evolution of an Influence Relationship} (Praeger New York, NY, 1982). P. 13
\textsuperscript{65} Ibid. p.14
\textsuperscript{66} Husain Haqqani, \textit{Magnificent Delusions: Pakistan, the United States, and an Epic History of Misunderstanding} (PublicAffairs, 2013). P. 87
bilateral relations attained, according to one observer, an “unsteady equilibrium” in the early 1960s. During the maintenance phases the alliance has suffered from numerous difficulties due largely to divergent interests parties sought in the alignment.

68 The United States remained the largest provider of aid to Pakistan and the Badaber facility remained great value to U.S. intelligence community. Many in Washington, however, started to question Pakistan’s willingness and capability to deploy forces beyond the state border. A June 1956 National Intelligence estimate (NIE) expressed doubt as to whether Pakistan could provide meaningful assistance in the defense of the Middle East. Kux. Pp. 79-83
II. Maintenance

Pakistan signed a second bilateral security agreement with the United States (in addition to the 1954 bilateral treaty) in March 1959. The United States subsequently received a written promise (from Pakistan) of unrestricted access to the Peshawar base for ten years. The security agreement did not offer Pakistan anything new: it committed the United States to take actions only in the instances of communist aggression. It did not commit the United States to defend Pakistan against India—something that the Pakistani leaders wanted. It did, however, offer the Pakistani leader an added tool for demanding more side payments. For example, the Pakistani leader, Ayub Khan, successfully extracted supersonic F-104 fighter aircraft from the United States in 1960 by using the Badaber facility as a lever. Despite Ayub’s success in gaining the aircraft, the alliance relations began to unravel by the mid-1960s. At the heart of discords between the allies was divergent interests which led to different understandings of the outcomes the alliance supposed to produce. We will see in the following pages that as the level of divergent interests varied, so did the amount of side payments Pakistan received from the United States.

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69 Tahir-Kheli. P. 7
70 After Iraq left the Baghdad Pact in the summer of 1958, the Pact transformed into the Central Treaty Organization (CENTO). The United States signed new and identical bilateral security agreements with the remaining CENTO members. The new agreement committed the United States to take appropriate action in the instances of communist aggression. The bilateral treaty hardly offered anything new since Pakistan already had a U.S. commitment against communist aggression under the SEATO and the bilateral treaty signed in 1954. See Kux. Pp. 98-102
71 President Ayub used the CENTO to ask for more arms from the United States. He justified the demand for supersonic F-104 fighter aircraft on two grounds. First, Pakistan needed the F-104s to boost its security against a perilous regional environment threatened by communist aggression such as the Soviet penetration into Afghanistan. Second, the Badaber facility had caused security problems for Pakistan and the F-104s were needed to counter these threats. Despite initial rejection, the United States approved the Pakistani demand for the aircrafts by March 1960. The key to this reversal and Pakistan’s leverage was the Peshawar airport for U-2 flights and the Badaber facility as American officials concluded that providing the F-104s was the price the United States had to pay for Pakistan’s cooperation on the use of the special facilities in Pakistan. See ibid. Pp. 104-05 and 111-12; Haqqani. Pp. 90-96
A) A Troubled Alliance: Diverging Views on Alliance Obligations

This section explains major phases of strains in the US-Pakistan alliance since the 1960s. A principal reason for the strains in the alliance was diverging views on alliance obligations. This was because both the United States and Pakistan pursued the alliance with diverging and in some cases with conflicting objectives. As Shirin Tahir-Kheli noted, “The fundamental dichotomy between the U.S. and Pakistani perceptions of the source of threat was irreconcilable.” The first sign of a serious trouble began when the United States decided to provide long-term aid to India in the early 1960s. The Pakistani leadership reacted to the growing U.S.-India relations by diversifying their foreign relations, particularly by developing close relations with Communist China, which the United States regarded as contrary to Pakistan’s alliance obligations. Contrary to the American view, the Pakistani leadership construed the 1959 agreement and its alignment with the United States as an open-ended pledge of U.S. help. Each side pursued policies that the other deemed contrary to its interests. Both parties complained about unmet expectations and accused each other of reneging on the alliance obligations. During these troubled phases of the alliance, the degree of interest divergence increased to the extent that it diminished Pakistan’s bargaining lever and made Pakistan’s demands for side payments too costly for the United States.

i) U.S. Aid to India: The Pakistanis often complained that the United States treated India better than it treated Pakistan. American economic aid to India and the emphasis on India’s economic development was part of a new approach put forward by the Eisenhower administration in the late 1950s that focused on economic development as a way to contain

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72 Tahir-Kheli. P. 25
73 Robert Komer, a Kennedy administration official, observed that Pakistan viewed its alliance ties with the United States as an “insurance against Indian and Afghan threats and as a means of leverage.” According to Komer, Ayub “forces us into a position which run contrary to our larger strategic interests in the area. see Haqqani. P. 102
Communism in the Third World. This developmental approach to combating communism picked up speed when John F. Kennedy became president.\textsuperscript{74} The Pakistanis opposed this policy and were increasingly irritated by the steady increase in U.S. economic aid to India.\textsuperscript{75} Figure 4.2 below shows U.S. economic and military aid to India as a percentage of U.S. aid to Pakistan from 1955 to 1979.

\textsuperscript{74} For a detailed application of this approach, derived largely from the Modernization theory, see Taffet. 

\textsuperscript{75} Pakistan’s foreign minister Bogra accused the United States of deceiving Pakistan by entering into a secret treaty with India. Haqqani. p. 97; Kux. P. 86
The Indo-American relations improved markedly under the Kennedy administration. A rapid increase in U.S. economic and later military aid to India caused much anger and frustrations in Pakistan. Whereas the administration substantially increased economic aid to India to $1 billion, it pledged only $150 million in 1961 for the Pakistan aid consortium, organized by the World Bank to raise funds for Pakistan’s economic development. Indeed, as figure 2 shows, from 1955 to 1979 India received more economic aid, on a yearly basis, from the United States than Pakistan did. The Pakistani leadership, disappointed by this disparity, pressed the U.S. officials to use economic aid as a lever to force India to make concessions on Kashmir. Having failed to persuade the Kennedy administration to put pressure on India and concerned about the possibility of U.S. military aid to India, a frustrated Ayub warned that Pakistan would reconsider its membership in the SEATO and might leave the Western alliances. Despite Ayub’s threat of defection, the United States decided to provide military aid to India in the wake of the Sino-Indian border war of 1962. For some American defense strategists, the border war was an opportunity to shore up an anti-communist front and to strengthen U.S. relations with India.

To allay Pakistan’s concern, the Kennedy administration assured Ayub—as the United States assured India in 1954 before giving military aid to Pakistan—that the United States was committed to Pakistan’s security. For the Pakistanis, U.S. aid to India, in the absence of a solution to the Kashmir conflict, increased Pakistan’s insecurity and demonstrated that the U.S. government was

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77 In the wake of Ayub’s threat of defection the United States pledged more economic aid ($500 million over a two-year period) for the next Pakistan consortium session. In addition, Ayub received President Kennedy’s assurance that the administration would consult the Pakistani leader first before giving military aid to India. However, the United States and Great Britain agreed to provide $120 million of emergency military aid to India to counter the short-term threat from China. . Pp. 122-23, 132.
4. The U.S.-Pakistan Alliance

insensitive to Pakistan’s core security interest. In response, Ayub stipulated the need for Pakistan to diversify its foreign policy in order to reduce dependency on the United States. 78

ii) Pakistan’s triangular diplomacy: Hosting U.S. intelligence facilities posed certain entrapment risks for Pakistan. These risks came close to fruition in May 1960 when the Soviet Union shot down a U-2 spy plane launched from the U.S. facilities in Pakistan. The Soviet leader singled out Pakistan and warned: “Do not pay with fire, gentlemen! . . . If any American plane is allowed to use Peshawar as a base of operations against the Soviet Union, we will retaliate immediately.” 79 Although the U-2 incident and the Soviet threat should have activated the security guarantee (against any threats of communist aggression) embedded in the alliance, Ayub doubted American commitment to Pakistan’s security. 80 Ayub stressed that although Pakistan would maintain its alliance with the United States, it needed to reduce total dependence on the United States. To this end, Ayub devised a strategy that he called “walking on a triangular tightrope”: maintaining good relations with the United States while developing friendlier relations with China and the Soviet Union. 81

Although Ayub’s triangular diplomacy did not achieve its stated objectives, it brought Pakistan closer to China. Pakistan’s relations with Communist China improved markedly in the 1960s that caused much tension in the U.S.-Pakistan alliance. Pakistan switched its vote on the

81 Khan. P. 119. When asked whether it was feasible for Pakistan to be “in the position of a lamb between the lions,” Ayub asserted that “he knew how to live peacefully among the lions by setting one lion against another.” See Kux.p. 153. Indeed, by the end of 1963, Pakistan signed a number of commercial agreements with the USSR and China. See Jacques Nevard, “Pakistan in Pacts with 2 Red Lands,” The New York Times October 1, 1963.
China representation issue at the UN in 1961 to support the Chinese communists in the place of the Chinese nationalists. Pakistan and China subsequently reached a number of bilateral agreements—such as a Kashmir border agreement in December 1962 and a civil aviation agreement in August 1963—that marked a step toward improving the bilateral relations. The Chinese leadership responded positively to the Pakistani gestures: China formally announced its support for the Pakistani position on the Kashmir issue and provided Pakistan a $60 million interest-free loan. The Soviet Union was another part of Pakistan’s triangular diplomacy. Ayub assured the Soviet leaders in April 1965 that Pakistan would not serve as an instrument (particularly referring to the Badaber facilities) of US policy in South Asia if the Soviet Union supported Pakistan on the Kashmir dispute. From 1967 to 1969, the Soviet Union offered Pakistan multiple inducements, such as expanded economic aid, military aid (for the first time), and opening up transit trade across Pakistan and Afghanistan to permit increased economic activity between the Soviet Union and South Asia in an effort to offset Chinese influence and reduce U.S. position in Pakistan. Pakistan, however, could not sustain the Soviet leg of its triangular diplomacy. Cooperating with the Soviet Union or participating in the Soviet-led regional arrangements would have risked involving Pakistan in an anti-Chinese groupings. As the Sino-Soviet split was then at its height, the Soviet leadership offered Pakistan a choice: if Pakistan wanted more arms from the USSR, it had to distance itself from China; Pakistan could not be on

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82 For more on the early stage of the Sino-Pakistan relations, see Kux. Pp. 117-18, 126, 153; Iqbal Akhund, Memoirs of a Bystander (Karachi: Oxford University Press, 1997); Anwar Hussain Syed, China & Pakistan : Diplomacy of an Entente Cordiale (London: Oxford University Press, 1974). Pp. 65-70
83 Kux. P. 137 and 150. See also Morrice James, Pakistan Chronicle (New York: St. Martin's Press, 1993). Pp.110-113
friendly terms with both at the same time. Facing a trade-off between the Soviet Union and China, Pakistan opted for the later.\textsuperscript{86}

Ayub’s triangular diplomacy infuriated American officials. President Kennedy made it clear that the U.S. core interest was the prevention of control of Europe by the Soviet Union or Asia by Communist China. He warned the Pakistanis regarding their growing relations with China: Pakistan “must realize that there are certain limits which should not be overstepped if a fruitful Pak-US relationship can continue.” Similarly, President Johnson told Ayub that if Pakistan wanted to receive American aid, “there could be no serious relationship with China.”\textsuperscript{87} For Johnson, Pakistan’s relations with communist countries would destroy the foundation, the \textit{raison d’etre}, of the U.S.-Pakistan alliance. The Sino-Pakistani relationship, despite American opposition in the 1960s, flourished and China has remained Pakistan’s close strategic partner in the regional politics.

\textbf{iii) A Commitment Problem:} The build-up tensions in the alliance manifested their effects on Pakistan’s inability to obtain American assistance, which in turn reinforced the Pakistani leaders’ doubt about the sincerity of U.S. commitment to defend Pakistan’s security.\textsuperscript{88} The doubt came to fruition during the Indo-Pakistani wars in 1965 and 1971. The 1965 India-Pakistan war broke out in an inopportune phase of the alliance. When the war took a turn for the worse for Pakistan,\textsuperscript{89} Ayub, citing the 1959 the bilateral agreement, asked for immediate American military

\textsuperscript{88} In reaction to Pakistan’s growing relations with China (and perhaps as a prelude to the future embargo), the Johnson administration abruptly postponed the Pakistani leader’s scheduled trip to the United States in April 1965 and postponed the World Bank led Pakistan consortium. See Nevard, "U.S. Delaying Aid, Pakistan Reports."; Kux.
\textsuperscript{89} The war, started in the first week of August 1965, caused largely by the infiltration of the Pakistani irregular cells, activated by the Pakistani military, inside Kashmir. The conflict broadened on September 6, 1965 when India struck
The Johnson administration, instead, suspended military and economic aid to Pakistan and India on September 8, 1965. The U.S. arms embargo hurt the Pakistani defense establishment more than it did India since the Pakistani military was heavily dependent on American weapons and equipment. The Pakistanis accused the United States of rewarding India’s aggression and warned a dire consequence of the embargo on the alliance relations. In the end, the Pakistani leadership, feeling bitterly let down by the United States, accepted the UN imposed ceasefire. While the United States imposed arms embargo, China stepped up its role as Pakistan’s arms supplier.  

Although the Pakistanis appreciated a relatively better American response to the 1971 war, they were disappointed that the United States did not intervene militarily to prevent Pakistan’s territorial dismemberment. When East Pakistan declared independence on March 26th, 1971, the civil war (or the Bangladesh’s war of independence) between the two wings began. While the Pakistani army’s indiscriminate killings led to a humanitarian crisis in East Pakistan, the Nixon administration remained silent. A *New York Times* editorial noted, “Washington’s persistent silence on recent events in Pakistan is increasingly incomprehensible in light of eye witness evidence that the Pakistani army has engaged in indiscriminate slaughter.” The administration’s

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reluctance to put pressure on Pakistan was due to America’s rapprochement effort with China in 1971 in which the Pakistani leader Yahya Khan, who succeeded Ayub Khan following the 1965 war, played the role of a mediator between Washington and Beijing. India officially intervened in the war when Pakistan broadened the conflict by initiating preemptive air attacks against India (on December 3, 1971). In light of Indian intervention and perhaps the fear that the Indo-Soviet alignment, formalized as a friendship treaty in August 1971, might disintegrate Pakistan, the United States threatened to intervene on Pakistan’s behalf. President Nixon ordered nuclear aircraft carrier *Enterprise* to proceed toward the Bay of Bengal as a way to underscore the credibility of the threat. Given the importance of Pakistan’s role in the secret diplomacy with China, a reasonable inference can be made that President Nixon did not want to put pressure on the Pakistani leader on the East Pakistan crisis lest it jeopardized the rapprochement effort with China. Despite America’s measured action, Pakistan’s defeat in the 1971 War and its eventual dismemberment with the birth of an independent Bangladesh was a bitter experience for the Pakistanis. Pakistan’s alliance with the United States did not save its territorial unity.

The commitment problem, as explained here, was at the heart of divergent interests between the parties. The United States never gave Pakistan an explicit security guarantee against India, which has always been the primary concern for the Pakistanis. The Nixon administration’s “tilt”

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95 As Nixon reportedly instructed American officials, “To all hands. Don’t squeeze Yahya at this time.” See Kissinger, *White House Years*. P. 856
toward Pakistan ended soon after its rapprochement with China was completed by 1972, at a time when Pakistan needed the United States to replenish its lost weapons and equipment after the war of 1971. The bilateral relations were about to hit another roadblock as Pakistan commenced on a nuclear arms race with India.

iv) Pakistan’s Nuclear Program:--Pakistan’s nuclear ambition has been a source of friction in the alliance for decades. The nuclear arms race in the subcontinent begun when India detonated an underground nuclear device on May 8, 1974. Reacting to India’s action, Prime Minister Zulfikar Ali Bhutto vowed to follow suit and to develop Pakistan’s own nuclear device. American efforts, which involved promises of economic and military rewards, to dissuade Pakistan from the nuclear arms race failed to materialize from the outset. In light of the mounting evidence that Pakistan was pressing ahead with its nuclear program, the United States offered both carrots and sticks to sway Pakistan from the nuclear path. For carrots, the United States lifted the arms embargo on Pakistan (and India) on February 1975. Importantly, the Ford administration offered 110 A-7 attack bombers, which the Pakistani air force wanted to improve its strike capability against India. For sticks, the administration warned Pakistani officials about harsher treatment should Jimmy Carter, who was favorite to win the 1976 election, elected President. In addition, the administration let the Pakistanis know that it may have to cut-off foreign aid as required by the Glenn-Symington amendment to the Foreign Assistance Act, which barred assistance to non-NPT (the nuclear Non-Proliferation Treaty) countries that are pursuing nuclear capability. Thus, the deal

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96 Once again, American strategists beginning to view India as more important than Pakistan. President Nixon instructed U.S. ambassador to India Kenneth Keating to inform the Indian leaders that “India has a friend in the White House. . . We are going to China for reasons of our own. We took action on India because our law requires it. . . In reality we are India’s best friend.” Quoted in Haqqani. P. 189

97 On March 11, 1965 he famously argued that Pakistan would “eat grass” if necessary to match any nuclear capability that India developed. See Patrick Keatley, "The Brown Bomb," Guardian (Manchester) March 11, 1965.

98 See Akhund.; Kux.
on the table entailed Pakistan to forgo its nuclear ambitions and in exchange the United States would provide a substantial conventional arms package. Pakistan rejected the offer believing that the state’s security against India could only be enhanced by acquiring nuclear weapons. The bilateral tension over Pakistan’s nuclear program abated in the 1980s for the sake of mounting a covert war against the Soviet presence in Afghanistan.

Pakistan’s nuclear program became a source of tension again after the end of the Afghan War in the early 1990s. As it was no longer in doubt that Pakistan possessed a nuclear device and Pakistan’s strategic importance, which prevented punitive actions before, to the United States declined sharply, President Bush imposed sanctions, as specified in the Pressler provisions, on Pakistan in October 1990. As a result, the $564 million economic and military aid program approved for fiscal year 1991 was frozen. The loss of nearly $300 million of arms and other military equipment a year was a heavy blow to Pakistan’s defense establishment. The Pakistanis criticized the Pressler Amendment as unfair since it penalized only Pakistan but not India. The bilateral stand-off got worse when India exploded a series of underground devices on May 11, 1998. The Clinton administration, like his predecessors, attempted to persuade Pakistan’s Prime Minister Nawaz Sharif not to follow suit by offering tangible benefits, such as the resumption of economic and military aid as well as the delivery of the F-16s aircraft. Prime Minister Sharif,

99 For more see, Steve Weissman and Herbert Krosney, The Islamic Bomb: The Nuclear Threat to Israel and the Middle East (Times books New York, 1981).
100 The U.S. Congress adopted the Pressler Amendment in 1985 that required an annual certification from the President that Pakistan did not possess a nuclear device. By May 1990, US intelligence reports concluded that Pakistan had taken the final step toward the possession of a nuclear weapon. Mitchell Reiss, Bridled Ambition: Why Countries Constrain Their Nuclear Capabilities (Woodrow Wilson Center Press, 1995). P. 188
101 Pakistani officials offered to freeze Pakistan’s nuclear program if the United States lifted the sanctions. However, The United States demanded a complete destruction of the bomb cores and roll back Pakistan’s nuclear capability, a demand the Pakistani leader refused to accept. Pakistani officials asserted that Pakistan had reached a nuclear understanding with the United States, which stipulated that Pakistan could keep its existing nuclear capability and continue to receive military and economic aid. However, the Pakistanis claimed, the United States had moved the nuclear goalposts in 1990 by replacing “Stay where you are” with “Roll back your nuclear capability” through the destruction of bomb cores. See Kux. Pp. 300-310
however, faced a difficult choice, one that could jeopardize his political survival. On the one hand, if Pakistan tested a nuclear device, the United States would certainly impose new sanctions which in combination with the existing Pressler sanctions would take a huge toll on Pakistan’s weak economy. On the other hand, if he did not test, Sharif would have to pay a huge political cost at home as Pakistanis were clamoring for their state to match India’s test. In the end, the Pakistani leader gave in to mounting pressure from domestic forces and Pakistan exploded a total of six underground nuclear devices by the end of May 1998. As expected, the United States imposed sanctions on Pakistan once again.\textsuperscript{102}

A pertinent question thus becomes: could the United States have persuaded Pakistan from the nuclear path? One might suggest that Pakistan’s objective in developing nuclear capability and gaining parity vis-à-vis India’s nuclear power was an indivisible issue. The Pakistani leaders could not have traded the issue for side payments. Both Bhutto and Sharif faced tremendous domestic pressure to develop Pakistan’s nuclear capability. While exploring how to respond to India’s nuclear test, Prime Minister Sharif was reportedly told by the editor of the widely read Urdu newspaper \textit{Nawai-i-Waqt}, “There is going to be an explosion soon. It will either be a Pakistani nuclear test or your being blown out of office!”\textsuperscript{103} The Pakistani leaders would have jeopardize their political survival had they gave in to American pressure. It can also be argued that the United States did not offer the Pakistani leaders a big enough side payments package to induce Pakistan’s concessions on the nuclear program. Indeed, Prime Minister Bhutto argued in 1975 that Pakistan’s need for improving security after India’s nuclear test might be fulfilled and Pakistan might be deterred from seeking nuclear weapons if the United States provided sufficient conventional

\textsuperscript{102} Ibid. P. 347

\textsuperscript{103} Quoted in ibid. P. 346
The U.S. offers of conventional weapons (offered by the Ford and Clinton administration) were inadequate for the Pakistani leaders to make concessions on the nuclear program. Given the past experience—American indifference, as perceived by the Pakistanis, to Pakistan’s security concerns—Pakistani officials were reluctant to give up on the nuclear program. A big enough side payments package, such as a security guarantee against India and offering the U.S. nuclear umbrella (the kind that the United States offered to Japan) to Pakistan could perhaps worked to dissuade Pakistan from its nuclear path. The United States was unwilling to offer such a guarantee as it was too costly for America’s strategic interests in the region.

As we have seen, the United States and Pakistan had fundamental disagreements as to what their obligations were to each other as allies. These disagreements were an outcome of their divergent interests in the alliance. Pakistan’s relations with China, which was considered a threat to U.S. interests in Asia, remained a source of discords between the allies until 1971. American policymakers detested Pakistan relations with communist China to the extent that President Kennedy warned the Pakistanis that “if they don’t play ball, we will give our aid to someone else.” Another contentious issue was U.S. military aid to India, which increased Pakistanis’ perception of insecurity and reinforced the idea that the United States was insensitive to Pakistan’s security. While the importance of Badaber facilities to the United States in the early 1960s mediated divergent interests and allowed Pakistan to obtain side payments by using the base as a lever, developments in U.S. space satellites capable of intercepting Soviet communications waned the

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105 As some American officials argued that Pakistan might be deterred from its nuclear program only if the United States offered to rewrite the 1959 security pledge to Pakistan—which obliged the United States to come Pakistan’s defense in case of attack by a communist country—promising to defend Pakistan against India. See Bernard Gwertzman, "Washington Plans $500 Million in Aid for Pakistanis," ibid. March 24, 1981.
base’s importance by the mid-1960s.\textsuperscript{106} The level of divergent interests in the mid-1960s, thus, changed from medium to high. The effects of this change were seen when the United States imposed a decade-long arms embargo on Pakistan in 1965. Finally, Pakistan’s nuclear program injected more tensions into the alliance and Pakistan suffered more punitive sanctions. The next section delves into the revival of the alliance. It shows that the parties found the level of divergent interests was within a bargaining range and the alliance cooperation was achievable for a price.

**B) The Revival of the Alliance**

The U.S.-Pakistan alliance was revived following two events that broke the phases of Pakistan’s relative insignificance to the United States and made the state a crucial U.S. ally. The Soviet invasion of Afghanistan and the ensuing U.S.-financed covert war against communist forces in Afghanistan marked the first event. The second was the U.S.-led War on Terror in Afghanistan. In both instances the United States and Pakistan were able to bargain a level of cooperation facilitated by a large amount of side payments.

**i) The Afghan War:** The Soviet invasion of Afghanistan on Christmas Eve 1979 elevated Pakistan’s profile in Washington as a frontline state. Although the Soviet officials informed Pakistan that the scope of the invasion was limited, the Pakistani government decided to oppose the Soviets in Afghanistan publicly, would provide shelter for Afghan refugees, and would covertly offer clandestine military assistance to anti-Communist insurgents.\textsuperscript{107} The degree of interest divergence between the United States and Pakistan can be characterized as medium in the ensuing Afghan War. Both parties sought to topple the Kabul government to achieve different

\textsuperscript{106} Kux. P. 174
\textsuperscript{107} Ibid. P. 247
American interest in war derive from the Cold War logic. For the United States, “It was revenge time after the series of U.S. defeats in Vietnam, Angola, the Horn of Africa, etc. It was payback time.” For President Zia, the Soviet presence in Afghanistan did not necessarily raise alarm concerning Pakistan’s security. Even though he accused the Soviet Union of having expansionist agenda in the region, the Pakistani leader did not move any troops from Pakistan’s border with India to its border with Afghanistan. This suggests that Zia was not worried about hostile Soviet action against Pakistan. If he did, as Haqqani points out, “there would have to be at least some Pakistani resistance before American and other Western troops come to Pakistan’s defense.” Instead, the Pakistani leader saw the war as an opportunity to secure Pakistan’s strategic interests in Afghanistan by replacing hostile Afghan leaders with friendly ones. Thus, it was possible to find a cooperative arrangement for a price.

American intention to punish the Soviet Union in Afghanistan (as stipulated in the “Carter Doctrine”) made Pakistan’s role critical and the Pakistani leader, Muhammad Zia-ul-Haq, was intent on using his state’s newfound importance and an improved bargaining position to extract maximum side payments possible. In an effort to maximize the Soviet costs of the invasion, the United States decided to collaborate with Pakistan and in exchange for Pakistan’s cooperation, the Carter administration offered Pakistan $400 million of military and economic aid over two years. Zia, however, rejected the offer as “peanuts,” too small a compensation. Although aid

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108 Quoted in ibid. p. 261
109 Haqqani. P. 246
110 Whereas the U.S. desire to drive the Soviets out of Afghanistan derived from the Cold War logic, President Zia had been supporting the Afghan opposition before the Soviet intervention. Zia opposed the Afghan leaders, aligned with relatively small Afghan communist party, because of their support for Pashtun nationalists (located mostly in Pakistan’s Balochistan province) who had been fighting for an independent “Pashtunistan.” As Zia had been trying to recruit the United States in his covert war against the Afghan government, the Soviet intervention was an opportunity to get the United States involved and to reshape the Afghan politics by getting rid of unfriendly government. Ibid. Pp. 232-36.
negotiations failed, the Carter administration expanded the CIA’s covert cooperation with Pakistan’s Inter-Services Intelligence Directorate (the ISI) to provide weapons and ammunition to anti-communist insurgent groups in Afghanistan, known as *mujahdeen* (freedom fighters).\(^\text{112}\)

According to this scheme, which remained intact throughout the War, the CIA funneled aid through the ISI, which then distributed the supplies to the mujahedeen.\(^\text{113}\) The scheme provided the Pakistani military and the ISI with the means to control the mujahedeen and to a large extent enhanced Pakistan’s ability to influence the outcome in the war.\(^\text{114}\) Beyond this limited level of cooperation, the Pakistani leader was aiming for a more substantial amount of side payments. The Carter administration’s offer was not good enough and Zia was hoping for a better future.

Fortunately for the Pakistani leader, one of the priorities of the incoming Reagan administration was to forging a close relationship with Pakistan to punish the Soviet invasion in Afghanistan as a part of its larger effort to check Soviet expansion in the Third World.\(^\text{115}\) The United States and Pakistan came to an understanding, similar to the scheme used by the Carter administration, of how to wage a covert war in Afghanistan: the Pakistani military and the ISI would act as intermediaries between the CIA and the mujahedeen groups.\(^\text{116}\) The United States now offered, much to the satisfaction of the Pakistanis, a generous package—a $3.2 billion, multi-


\(^{114}\) In order to maintain control over the mujahedeen, the ISI limited the distribution of weapons and other supplies to recognized groups which were headquartered in the Pakistani city of Peshawar. Kux. P. 252

\(^{115}\) Supporting the Afghan insurgency was a key part of the “Reagan Doctrine”, which stipulates that the strategy of reversing the rising Soviet tide in Afghanistan, Central America, Africa, and elsewhere in the Third World.

\(^{116}\) The terms of this arrangement are the following: 1) Pakistan would not grant the US any bases in Pakistan to avoid tarnishing its non-aligned credentials; 2) the Regan administration would live with Pakistan’s nuclear program as long as Pakistan did not explode a bomb; 3) Zia regime’s human rights record would no longer be an issue; 4) the CIA would supply arms and ammunition to the Afghan mujahedeen through the ISI. The Americans would train and Pakistanis in the use of weapons and equipment, and the ISI, in turn, would instruct the Afghans. For details about the management of the Afghan operation, see Mohammad Yousaf, Mark Adkin, and Mohammad Yusaf, *The Bear Trap: Afghanistan’s Untold Story* (Jang Publishers Lahore, 1992).
year commitment divided between economic and military aid.\textsuperscript{117} As the covert operation expanded and American officials urged the Pakistanis to “grow the war” as much as possible, Zia advised his military to practice caution in order not to provoke major Soviet retaliation, as he wanted “to keep the pot boiling, but not have it boil over.”\textsuperscript{118} Indeed, the Pakistani leader had every incentive to “keep the pot boiling” as he was able to extract massive amount of side payments including advanced military equipment and the state-of-the-art F-16 aircraft (which were limited to NATO allies and Japan).\textsuperscript{119} Zia knew how to keep the American patron interested in Pakistan: he successfully invoked anti-communist fear and labelled the Soviet strategy as a new “great game” in which Afghanistan was a gateway to the Russian push toward the Arabian Sea.\textsuperscript{120} As long as the war “pot” in Afghanistan was “boiling,” American aid to Afghan mujahedeen (which implied more aid to Pakistan) would continue to flow.

An expanded U.S.-Pakistan cooperation in the wake of Soviet intervention in Afghanistan was a blessing for the Pakistani leader. It enabled Zia to consolidate his power at home and to enhance his international prestige as a leader who was standing up to the Soviet aggression. The massive volume of side payments from the United State enhanced Zia’s political power and survival potential. By late 1982, the United States was providing Pakistan with $600 million a year in economic and military aid. With Pakistan on the front line, massive aid from the United States and matching amount from Saudi Arabia, there was a growing and potent insurgency against the Soviet forces in Afghanistan.\textsuperscript{121} The infusion of billions of dollars helped Pakistan’s lagging

\textsuperscript{117} Kux. Pp. 257-59
\textsuperscript{118} Quote in ibid. P. 262; see also Gates. P. 252
\textsuperscript{120} Cogan; Gates. Pp. 251-53
\textsuperscript{121} The combined U.S.-Saudi spending on the covert aid program increased from $60 million in 1981 to $400 million in 1984. See Kux. Pp. 266 and 274.
economy and large amounts of military aid and equipment kept the military satisfied. In keeping with previous understanding, the United States refrained from criticizing Zia’s handling of domestic politics or Pakistan’s nuclear program. When Pakistan’s nuclear program caused trouble again in the U.S. Congress in 1984 and 1985, the Pakistani leader assumed, correctly, that the U.S. government would prioritize getting Pakistan’s cooperation in Afghanistan than getting tough over the nuclear issue. Thus, Zia believed that as long as Pakistan did not explode a nuclear device and the Red Army was in Afghanistan (which Zia thought would remain there for a very long time), U.S. military and economic aid to Pakistan would continue. Indeed, President Reagan certified in October 1986, as required by the Pressler Amendment, that Pakistan did not possess a nuclear device even though mounting evidence suggested otherwise. As the Afghan war grew in intensity by 1986, the United States doubled the funding for covert operation from $300 million to $600 million annually. By the end of 1986, with matching contribution from Saudi Arabia, more than $1 billion a year worth of supplies were being pumped into Pakistan for the Afghan insurgents.

Although the United States and Pakistan wanted to defeat the Soviet forces and their allies in Afghanistan, they had different objectives in the final outcome of the war. As the Soviet withdrawal seemed more likely by 1987, Pakistan sought a favorable political outcome (in the composition of the Afghan government, not just a simple Soviet withdrawal) in the Afghan war. Zia believed that victory by the mujahedeen could produce, for the first time since 1947, a government in Kabul friendly toward Pakistan. This outcome would enable Pakistan to gain

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122 President Reagan used his weaver authority, citing U.S. national interests as the reason for not imposing sanctions against Pakistan. See Reiss, P. 218.Kux. Pp. 277-78, 286.
“strategic depth” against India, a long goal of the Pakistani military. Pakistan’s overall objectives in the Afghan war also came in conflict with American objective. Whereas U.S. was interested in getting the Russians out, according to U.S. ambassador to Pakistan Arnold Raphael, “Zia and the ISI . . . felt that after eight years of war Pakistan was entitled to run its own show in Kabul.” A final accord, the Geneva accords, was signed on April 14, 1988 to end the war and the Soviet Union withdrew its forces from Afghanistan on February 15, 1989. Although the large amounts of side payments was a boon for the Pakistani leader, a long term consequence of this massive infusion of money and military equipment to the Pakistani military was that it funded and nourished well-entrenched fundamentalist groups in Afghanistan and Pakistan.

As the covert war in Afghanistan came to an end, the United States sought stability in the region. Pakistan, however, continued to support and financed groups capable of igniting instability in Afghanistan to promote its strategic interests in the region. Pakistan’s support for the Kashmiri insurgents, who were fighting against the Indian rule, brought the state closer to being declared as a state sponsoring terrorism by the United States. The ISI, using guerilla-warfare expertise gained during the Afghan war, actively supported the insurgency by providing them with supplies, training, and harboring hundreds of young Islamic extremists inside Pakistan. Pakistan became the arbiter in the Afghan civil war that erupted after the Soviet withdrawal among various ethnic

124 Javaid and Fatima.
126 The Pakistanis transferred American arms and ammunitions to the seven recognized resistance groups, of which the largest share went to fundamentalist groups that wanted to establish a conservative Islamic state in Afghanistan. The ISI especially favor a group led by Gulbuddin Hekmatyar, a staunch anti-American Islamist with whom Pakistan had established a covert relationship since the Mid-1970s.
127 Hundreds of young Islamists (mujahedeen) were veterans of guerrilla training camps set up during the Afghan war, most of which were located near Peshawar or just over the border in Afghanistan. The camps were the breeding grounds for a generation of Islamic fundamentalists (including Arabs and Pakistanis) who fought not only the Soviet and Communist regime in Afghanistan, but also joined with the Kashmiri insurgents to fight against India. See Edward Gargan, "Radical Arabs Use Pakistan as Base for Holy War," The New York Times April 8, 1993.
and religious factions. The state’s strategic ambitions of having strategic depth in Afghanistan by installing a friendly government in Kabul seemed achievable by the mid-1990s. Pakistan’s chosen group in the Afghan civil war was the fundamentalist *Taliban* (“students”) movement, a powerful force that emerged in the summer of 1994 around Kandahar in southern Afghanistan. With substantial help from the Pakistani military and the ISI, the Taliban was able to capture Kabul by September 1996 and mounted a relentless war against the Northern Alliance, which controlled the northern Afghanistan and at odds with Pakistan’s strategic objectives, to gain a total control of Afghanistan. Pakistan’s support for the Taliban added a new friction to the US-Pakistan relations by 1998. Importantly, intelligence reports concluded that Osama bin Laden, a Saudi citizen and the leader of al-Qaeda responsible for terrorist attacks on US embassies in Kenya and Tanzania, was in Afghanistan under the protection of the Taliban government. Thus, as the Cold War and the war in Afghanistan came to an end, divergent interests in the US-Pakistan relations became all too apparent. For the United States, Pakistan was no longer considered strategically important; it became a nuclear troublemaker and a source of regional instability. The ups and down in Pakistan’s strategic importance to the United States led Pakistanis to charge that the United States proved to be a “fickle friend”, as one Pakistani diplomat charged, “With the Afghan war over, the United States no longer need[s] Pakistan. You Americans have discarded us like a piece of used Kleenex.”

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128 The core of the Taliban movement consisted mainly of Pashtun refugees who had been students in religious schools (known as madrassas) in Pakistan’s Baluchistan province. A case can be made that the Taliban was a prominent product of General Zia’s Islamization policy and the promotion of religious schools in Pakistan. The ISI’s support, when Benazir Bhutto was in power, was instrumental in the Taliban’s success. For more see Ahmed Rashid, *Taliban: Militant Islam, Oil and Fundamentalism in Central Asia* (Yale University Press, 2010); William Maley, *Fundamentalism Reborn?: Afghanistan and the Taliban* (NYU Press, 1998).

129 Coll. Pp. 9-10

130 Quoted in Kux. p. 310
ii) The War on Terror: American ambivalence toward Pakistan ended after the September 11, 2001 terrorist attacks on the United States. As the United States commenced on the War on Terror in Afghanistan where the Al-Qaeda leadership had been under the protection of the Taliban regime, Pakistan again became an important frontline state. Deputy Secretary of State Richard Armitage delivered a stern message to General Mahmud Ahmed, the head of the ISI, “Pakistan must either stand with the U.S. in the fight against terrorism or stand against us. There was no Maneuvering room.” Armitage also offered incentives to the Pakistanis: if Pakistan took the right choice, the U.S. would lift the sanctions and there would be a positive relationship between the two states. Pakistan’s military ruler General Musharraf declared Pakistan’s support for America’s War on Terror by making a difficult switch from Pakistan’s support for the Taliban to the United States.

The level of divergent interests between the allies in pursuing the War on Terror was high. The United States and Pakistan had diametrically opposed preferences regarding the outcome of the war in Afghanistan. While the United States sought Pakistan’s cooperation in defeating groups, such as the Taliban, Pakistan did not want the Taliban defeated in Afghanistan. A number of factors, however, made Pakistan’s cooperation possible. First, the Pakistani leaders thought that they could protect Pakistan’s strategic interests in Afghanistan by joining the U.S.-led coalition. Second, Musharraf calculated that if Pakistan declined American demands, the United States might sought India’s cooperation which would enable India to win U.S. support for its position on the Kashmir dispute. The fear of a U.S.-Indian alliance was apparent in Musharraf’s address to the

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131 Haqqani. P. 310
132 Musharraf later wrote that U.S. officials were threatened Pakistan, letting the Pakistanis know that “We should be prepared to be bombed back to the Stone Age,” if Pakistan did not agree with the U.S. demands. Pervez Musharraf, In the Line of Fire: A Memoir (New York: Free Press, 2006). Pp. 200-07
nation. He argued that India would benefit if Pakistan did not cooperate with the Americans: “Our critical concerns, our important concerns can come under threat. . . When I say critical concerns, I mean our strategic assets and the cause of Kashmir. If these come under threat it would be worse situation for us.” 133 Third, the United States was willing to pay a high price for Pakistan’s cooperation. Musharraf’s willingness to cooperate with the United States, however, did not guarantee Pakistan’s wholehearted support for the War on Terror. The primary objective of Pakistan’s security apparatuses has always been to be prepared for the “elusive” threat from India, not fighting terrorism.134

The United States and Pakistan reached a quid pro quo arrangement. According to the arrangement, Pakistan would deny Al-Qaeda shelter in Pakistan, break diplomatic relations with the Taliban regime, and importantly, cooperate with American war efforts in Afghanistan by offering the United States Pakistan’s base facilities and military installations.135 In return, the United States offered a generous side payment package that included substantial amounts of military and economic aid, lifted sanctions, and promised to forgive $2 billion of Pakistan’s debt.136 Musharraf expected significant opposition from various domestic forces for supporting the U.S. war effort, but the anticipated rewards outweighed the anticipated costs. Under the new arrangement, the United States provided Pakistan with large amounts of economic and military

133 Haqqani. P. 311
134 President George W. Bush wrote that “the Pakistani military spent most of its resources preparing for war with India. Its troops were trained to wage a conventional battle with its neighbor, not counterterrorism operations in the tribal areas. The fight against the extremists came second.” George W. Bush, Decision Points (New York: Crown Publishers, 2010), pp. 211-12
135 According to the arrangement, Pakistan would 1) grant over-flight rights; 2) allow U.S. troops access to a number of Pakistan’s military bases; 3) provided force protection by deploying troops for the bases and U.S. ships in the Indian Ocean; 4) provide logistical support to the U.S. war effort; and 5) Pakistan would share intelligence with the United States. See ibid. P. 188; Craig Cohen and Derek Chollet, "When $10 Billion Is Not Enough: Rethinking Us Strategy toward Pakistan," Washington Quarterly 30, no. 2 (2007); Musharraf; C Christine Fair, "The Counterterror Coalitions: Cooperation with Pakistan and India," (DTIC Document, 2004).
136 Cohen and Chollet.
aid, including, the F-16 aircraft, some frigates for the navy, and sophisticated equipment for the army. Between 2002 and 2012, Pakistan received a total of $25 billion in aid and reimbursement.137

There were considerable debates within the Pakistan military about how much should Pakistan cooperate with the United States. The Pakistani military did not want the Taliban defeated in Afghanistan lest the Northern Alliance, the anti-Taliban forces that favored India more than Pakistan, might come to power. Many Pakistani strategists feared that a northern alliance-led Afghanistan would make Pakistan a sandwich between India and Afghanistan.138 On the domestic front, according to Anatol Lieven, a majority of Pakistanis viewed the Taliban as engaged in a legitimate war against foreign occupation, similar to the resistance against Soviet occupation in the 1980s.139 The government of Pakistan clamped down on some extremists groups while left other untouched. By 2005-06, the Taliban resurfaced in Afghanistan and American intelligence reports suggested that the ISI was aiding and directing the Taliban activities from Pakistan.140 For the people of Pakistan, the government’s “halfhearted participation” in the War on Terror made Pakistan vulnerable to terrorist attacks. Pakistan’s defense establishment framed terrorist attacks in Pakistan as the price Pakistanis had to pay for supporting the United States. Pakistani officials then demanded greater monetary compensation for the losses Pakistan suffered by aligning itself with War on Terror. Indeed, this has been a familiar technique to extract more side payments from

137 Haqqani. P. 312
138 Teresita C Schaffer, "Us Influence on Pakistan: Can Partners Have Divergent Priorities?," Washington Quarterly 26, no. 1 (2002). In addition to the fear of Afghanistan becoming an Indian client state under the rule of Northern Alliance, the Pakistanis also feared that India would increase its support for Pakistan’s Baloch nationalist rebels via Afghanistan. See Anatol Lieven, Pakistan: A Hard Country (New York: Public Affairs, 2011). P. 8
139 Pp. 8-9
the United States, as Haqqani observes that “whipping up public sentiment was often the Pakistani military’s modus operandi for seeking a new deal for aid and arms.”

C) The Effects of Domestic Political Changes in Pakistan

The trade-off theory predicts that leadership change will have minimal or no effects on the continuity of an existing alliance. Leadership changes in Pakistan, most of which occurred through military coups that installed military rulers in power without fundamentally altering important institutions of the government, had minimal effects on the continuation of the alliance. Side payments from the United States enormously benefited the military. The rentier character of the military and its ability to extract material support from the United States enhance its political power at the expense of political parties and other civilian organizations.

The Pakistani military rulers courted the United States for side payments and supported the continuation of the alliance. Although the Pakistani leaders were disappointed by America’s increasing economic and military aid to India, none of them wanted to sever the alliance. Ayub Kahn, Pakistan’s first military ruler, assured the United States that he would strengthen the U.S.-Pakistan relations and told American officials that the continuation of U.S. aid was a “matter of life and death to Pakistan.” Even though Ayub devised the triangular diplomacy to bolster the regime’s nationalist credentials at home, he had little incentives to terminate the alliance with the United States, which remained the largest source of economic and military aid for Pakistan.

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141 Haqqani. pp.312-18
143 Ayub reminded U.S. lawmakers in a joint session of congress: “If there is real trouble, there is no other country in Asia where you will be able to even put your foot in. The only people who will stand by you are the people of Pakistan.” Khan. P. 137; Kux; Khan.. Pp. 98-101
144 By the early 1960s Pakistan was receiving $400 million in economic assistance annually from the United States, which amounted to half of the foreign assistance that Pakistan was receiving. Kux. Pp. 144-46, 156.
Pakistan’s two last military rulers, General Mohammed Zia ul-Haq and General Pervez Musharraf, benefited enormously from American aid. The Soviet invasion of Afghanistan proved to be a boon for Zia. Pakistan became a frontline state in the Afghan war and channeled American military equipment to the Afghan mujahdeen. In the 1980s, billions of dollars in American side payments provided a tremendous strength to the military regime of General Zia. The United States provided Pakistan with two aid packages amounting $3.2 billion and $4.2 billion as well as advanced weapons and equipment that enhanced the military’s standing and Zia’s political position at home. The massive infusion of U.S. aid in the post 9/11 arrangement enabled General Pervez Musharraf, who came to power through a military coup in October 1999, to appease his primary supporters, the higher echelons of the military, and subsidized the military’s ability to penetrate the state and undermine civilian institutions and political leadership. Billions of dollar in side payments, indeed, enhanced Musharraf’s ability to stay in power for almost a decade. As in the 1980s, American side payments to Pakistan in exchange for its cooperation in the War on Terror were never intended to promote better governance in Pakistan. The Pakistani leaders could not afford to sever Pakistan’s bilateral alliance with the United States; doing so would probably have drifted the United States toward India. Thus, the finding that leadership change in Pakistan had very little effects on the continuity of the alliance is consistent with the hypothesis.

As in leadership changes, regime changes in Pakistan (from military dictatorship to democracy) had very little effects on the state’s alignment with the United States. Most regime changes in Pakistan occurred at times when the alliance was suffering from severe strains or the

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145 Ibid. P. 242. See also, Gates. Pp. 244-48
146 Zia had ruled Pakistan for 11 years by catering to the country's three most powerful groups (Zia’s winning coalition): the military, the Muslim clergy, and the third group consisted of landlord families and business leaders. Massive American aid enabled him to keep these groups satisfied. See Weisman. Siddiqua. P. 90
United States lost interest in Pakistan. As a result, leaders like Zulfikar Ali Bhutto, Benazir Bhutto, and Nawaz Sharif had little bargaining leverage to extract large side payments from the United States. After Pakistan’s defeat in the 1971 war Bhutto succeeded Yahya Khan in 1972, a traumatic time for Pakistan when Bhutto faced enormous challenges including boosting the country’s morale and fixing serious unrest within the military. Although Bhutto had a reputation of being a firebrand critic of American foreign policy, once at the helm of power Bhutto stressed the importance of maintaining good relations with the United States. The Pakistani leader made an earnest effort to rekindle the alliance by invoking the familiar argument that the stability in the Middle East was interconnected with that of South Asia and American interests in both regions were being threatened by the Soviet Union. Bhutto even offered bases to the United States and agreed to host American military in Pakistan. Even though the United States provided economic and military aid to Pakistan after the embargo was lifted, Pakistan’s nuclear ambitions strained the intra-alliance relations. Bhutto delivered the military’s demands for advanced American weapons and technologies. However, his domestic policies hurt the military’s pocketbooks and its

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149 Haqqani. Pp.198-203.

organizational autonomy.\textsuperscript{151} Finally, Bhutto, Pakistan’s first democratically elected leader in the post-1971, was ousted by the army on July 5, 1977 and was eventually hanged on April 4, 1979.\textsuperscript{152}

Pakistan’s democratic experiment in the 1990s was chaotic. From 1988 to 1997 four general elections brought the Pakistan People’s Party (PPP) (led by Benazir Bhutto) and the Pakistan Muslim League (led by Nawaz Sharif) to power twice respectively. However, Pakistan’s president used a constitutional provision, a legacy of Zia’s effort to enhance presidential power, to dismissed three democratically elected governments—Bhutto was dismissed twice and Sharif once—for corruption, nepotism and maladministration. Throughout this period the military remained a very powerful actor responsible for Pakistan’s nuclear and foreign policy matters.\textsuperscript{153} The U.S-Pakistan relations in 1990s were strained by serious disagreements on Pakistan’s nuclear weapons and its support for the Taliban and other insurgents groups in the region. The powerful influence of the military in the state’s foreign and security policies ensured the continuity of the alliance, but a high level of divergent interests and a lack U.S. interests in Pakistan left Pakistan democratic leaders with little leverage to extract large amounts of side payments from the United States. This chaotic pattern of leadership change ended when Prime Minister Nawaz Sharif was deposed by the military in 1999. The Military was in charge again for the fourth time. The ensuing

\textsuperscript{151} Bhutto’s policies such as the creation of the Federal Security Force (FSF) that the military considered a competing organization cutting into its budget and diminished its role in maintaining domestic law and order, budgetary policies that affected the military’s pocketbooks caused resentment in the military establishment. Finally, the politicization of the military, ordering the organization to intervene during the anti-government demonstrations was the final straw. Tahir-Kheli. Pp. 66-70


\textsuperscript{153} During Benazir Bhutto’s first term (1988-1990), for example, the Prime Minister’s role was limited by the power of the “troika”—the president, the prime minister, and the chief of army staff. The Pakistani military remained a powerful force in important national security matters. The military leadership agreed to accept Benazir Bhutto as long as she did not meddle with the military’s internal matters, would not involve with Afghanistan and the nuclear issues (Kux, 293).
War on Terror and an expanded bilateral cooperation revived the alliance, of course for a large amounts of side payments.

As we have seen, regime change and transition to democracy in Pakistan had little impacts on the alliance relations. This finding is inconsistent with the prediction. The hypothesis predicts that regime change in small state will lead to the termination of the alliance or the new regime demands more side payments for alliance maintenance. Neither of these outcomes was present in the Pakistan case. A powerful explanation of this pattern lies in the dominant role of the military in the state’s politics and decision-making process. Stephen Cohen succinctly summarize the primacy of Pakistan’s military: “There are armies that guard their nation’s borders, there are those that are concerned with protecting their position in society, and there are those that defend a cause or an idea. The Pakistan army does all three.”

Politically powerful Pakistan’s military has been able to penetrate into the state, society, and the economy. The military has always had a central role in shaping the state’s foreign policy and national security agenda. The Indian threat made the military more prominent than other domestic players and defined Pakistan as a state that viewed its existence in terms of its hostile relations with India. Since 1947, the military experienced direct power four times. Once in power, the military would create its own patronage network to mitigate resistance to military rule through threats and inducements. All military rulers instituted changes to preserve the army’s institutional goals, its influence over Pakistan’s security policies, and to enhance the continuation

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154 Cohen. P. 105. Other scholars made the similar points about the military’s multi-dimensional role. See for example, Jalal; Haqqani.
155 See .
156 Siddiqa. P. 63
4. The U.S.-Pakistan Alliance

of its political power. These changes inevitably undercut the viability of national political institutions. As the military becomes a stakeholder in Pakistan’s politics, it expanded its economic interests as well, such as the expansion of an extensive network of economic organizations run by the military and its retired personnel. Each military ruler rewarded the senior echelons of the military to ensure their loyalty and to preserve his political power. There has been a symbiotic and mutually dependent relationship between the military and the political elites.

For the Pakistani leaders, civilian or non-civilian, the military has been a crucial part of their winning coalitions. Political survival requires the leaders to fulfill the military’s demands and to promote the military’s preferred foreign policies, including a strong tie with the United States, which has remained the largest source of external resources for the Pakistani leaders. The infusion of these external resources has enabled the leaders to provide rewards to the member of their winning coalitions, importantly, the military, and keep them loyal. As the military maintained its powerful presence in the important institutions of the government and in the decision making process, civilian leadership (democratically elected governments) rarely had decision-making

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157 Pakistan’s military rulers, such as Ayub and Zia, dominated the state’s politics and the institutions of government to an extent that their reins prevented the rise of a civilian leadership. Thus, their departure left Pakistan with no alternative but to continue with another round of military dictatorship. See Terence Smith, “Ayub's Pakistan: A One-Man Show,” The New York Times February 26, 1968; Henry Kamm, "An Unclear Succession: Zia's Dominance Leaves No One in Line but Military Is Likely to Maintain Control," ibid. August 18, 1988.; Schaffer.

158 Ayub Khan introduced “basic democracy” in 1962 to preclude competitive elections. Successive military rulers held non-competitive and rubber-stamp parliaments. In 1985, the army forced a weak parliament to pass the Eighth amendment to the constitution that empowered the president to dismiss the parliament and the Prime Minister. This was a safety valve intended to punish civilian regimes that deviate from the military’s preferred policies, harm its interests or question its authority. Similarly, General Musharraf formed the National Security Council (NSC) in 2004 in order to give the military a powerful role in Pakistan’s foreign and security policies. For more see Siddiqa.

159 For an important analysis of the military’s role in Pakistan’s economy, see ibid.

160 The members of political and economic elite class accommodate the military’s interests for mutual benefits. The opposition parties do not hesitate to use the military to undermine sitting governments to force early elections. Politicians view the military as a tool to extract benefits. Fair, "Time for Sober Realism: Renegotiating Us Relations with Pakistan."; Siddiqa. P. 22; Jalal; Cohen; Zulfikar Khalid Maluka, The Myth of Constitutionalism in Pakistan (Oxford University Press Karachi, Pakistan, 1995); Shuja Nawaz, Crossed Swords: Pakistan, Its Army, and the Wars Within (Oxford University Press, USA, 2008).
autonomy independent of the military. As Hasan-Askari Rizvi, a Pakistan scholar and military analyst, explains the military’s role in shaping Pakistan’s national interest:

“During the Zia era, the military directly controlled nuclear policy and the conduct of the Afghan War. Nuclear policy has remained their close preserve, even under civilian rule. Benazir Bhutto complained in September 1991 that she was denied information about highly sensitive aspects of the country’s nuclear program during her first term as Prime Minister. The role of the foreign office and the civilian leadership in formulating and implementing the Afghanistan policy increased after the 1989 withdrawal of Soviet troops, but senior Army commanders and the Inter-Service Intelligence (ISI) continue to have a significant input. Similarly, the Army maintains deep interest in policy in policy toward India, including Kashmir. . . Unless the military is satisfied that there are credible guarantees against India’s efforts to interfere, it will resist surrendering its nuclear-weapons option and advice caution on normalizing relations.”

It is then very likely that some critical aspects of Pakistan’s foreign policy (fiercely anti-Indian stance, maintaining strategic interests in Afghanistan, and the continuation of strategic alliance with the United States) are likely to remain intact across all political regime types—military dictatorship or democratic regime.

As this section shows, domestic political changes in Pakistan have had little effects on the maintenance of the alliance. The theory hypothesized that leadership change should have minimal effects on the continuity of the alliance. The Pakistan case is consistent with the hypothesis. All new leaders, civilian or military, in the wake of any political changes relied on American aid to consolidate the support of their winning coalitions. As for regime change, the theory hypothesized

161 Quoted in Haqqani. Pp. 263-64
that the new regime would either terminate the alliance or demand a higher price for the maintenance of the alliance. We should note that the elaborate role of the military in Pakistan’s politics and decision-making process inhibited the emergence of a regime detached from the interests of the military leaders, who prefer to maintain the alliance with the United States. As a result, we saw that regime changes in Pakistan did not lead to any drastic changes, such as the termination of the alliance. A new regime’s ability to extract more aid from the United States was conditioned upon the strategic importance of Pakistan to the United States. As pointed out before, in most cases, the new regimes found it difficult to obtain large amounts of aid when the alliance experienced a high level of interest divergence.

D) Reviewing Theoretical Expectations and Aid Flows

The following table (table 4.1) summarizes interest divergence, organized according to different periods of analysis, between the United States and Pakistan during the maintenance phase of the alliance and expected level of side payments.
Table 4.1: The level of Divergent interests (DI) and the amount of Side Payments (SP) *(1)*

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Measuring the level of DI</th>
<th>Negotiations (if any)</th>
<th>Predicted amount of SP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1965</td>
<td>- The importance of the Badaber base to the U.S. (+)</td>
<td></td>
<td>Increase/Large</td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s membership in anti-communist Alliances (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s relations with China and the USSR (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- U.S. aid to India and a lack of U.S. commitment to defend Pakistan against India (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1966-1971</td>
<td>- The importance of the Badaber base started to wane (-)</td>
<td></td>
<td>Decrease/No SP</td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s relations with China (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Lack of U.S. commitment to defend Pakistan against India (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s role in U.S. rapprochement with China (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The U.S. imposed arms embargo on Pakistan (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972-1977</td>
<td>- Pakistan’s nuclear program (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Disagreements about the proper price for Pakistan’s role in Afghanistan (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978-1983</td>
<td>- Pakistan’s interest in defeating pro-gov’t forces in Afghanistan (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s strategic importance to U.S. in the Afghan War (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s nuclear program expanded (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984-1989</td>
<td>- U.S. sought stability in Afghanistan; Pakistan’s active role in the Afghan civil war (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s support for the Kashmi insurgesnts (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan built nuclear weapons (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The U.S. imposed sanctions (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990-1995</td>
<td>- Pakistan’s role in Afghanistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Negotiations failed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996-2001</td>
<td>- Pakistan’s support for the Taliban in the Afghan civil war (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s support for the Kashmi insurgesnts (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan tests nuclear weapons (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The U.S. imposed sanctions (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-2007</td>
<td>- U.S. valued Pakistan’s cooperation in the War on Terror and was willing to pay a higher price (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Pakistan’s support for the Taliban (-)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*(1)* The hypothesis predicts that a) when the level of DI is very low, small amounts of SD are expected; b) when the level of DI is very high, very large amounts of SP (for a successful negotiation) or no SP (for an unsuccessful negotiation) are expected; and c) when the level of DI is in the medium range, large amounts of SP are expected.

+/- Signs reflect the positive or negative effects of the issues on the bilateral relations.
The trade-off theory predicts that when the level of divergent interests becomes very high or very low, the amounts of side payments the small state receives from the great power are likely to be small. When the level of divergent interests was in the medium range, the amounts of side payments are expected to be large. Throughout the course of the alliance, the allies rarely had a very low level of divergent interests. However, the allies had a very high level of divergent interests during multiple periods that adversely affected the transaction of side payments. As the second part of the chapter demonstrates (and table 1 shows), except for two periods (1960-1965 and 1984-1989) the United States and Pakistan had a high degree of interest divergence throughout the maintenance phase of the alliance. These variations affect the theory’s predictions about the amount of side payments Pakistan was expected to receive. Figure 4.3 below shows the amounts of aid Pakistan actually received during the corresponding periods noted in table 4.1.
As we see in Figure 4.3 (which shows percentage change in U.S. aid to Pakistan during the maintenance phase of the alliance.) from the mid-1960s to the early 1980s, Pakistan received significantly lower amounts of side payment due to a high level of divergent interests. Then the alliance was revived during the Afghan War and the War on Terror. The allies have had a high degree of interest divergence in the War on Terror, yet Pakistan has been able to receive a large amount of side payments for its cooperation with the United States. At least three critical factors can explain this outcome. First, the Pakistani leaders sought to protect important national interest in Kashmir by cooperating with the U.S. (even though they did not want see the Taliban defeated in Afghanistan). Second, the United States was willing to pay large amounts of side payments for Pakistan’s cooperation. Third, coercion may have played a role. Musharraf reported later, regarding the American demands, “we should be prepared to be bombed back to the Stone Age” if Pakistan did not cooperate with the United States. As the theory suggests, if the great power values the ally’s cooperation highly, then a successful negotiation can result in a large amount of side payments for the small state even though the allies have a high degree of interest divergence. The United States, indeed, has highly valued Pakistan’s cooperation in the War on Terror.

**Conclusion**

This chapter analyzes the formation and maintenance of the U.S.-Pakistan alliance. The chapter tests a number of hypotheses about the formation and maintenance of the alliance. I hypothesize that 1) threats to leaders’ political survival motivate small states to form asymmetric alliances; 2) the use of side payments is necessary when parties have divergent interests in forming

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162 The aid data (from 1960-2007) are organized into periods, with six years interval. In each period, the figure shows, percentage change in average amount of U.S. aid from the previous period.

163 Haqqani. P. 311
the alliance. Regarding the maintenance phase of the alliance, the chapter tests the following hypotheses: 3) the amount of side payments a great power provides to the small state is a function of the level of divergent interests allies have in maintaining the alliance; 4) all else equal, regime changes in small states increase the likelihood that a) the alliance will be terminated, or b) the alliance will be maintained for an increased amount of side payments; and 5) in the short run, leadership changes in small states will be less likely to affect the continuation of asymmetric alliances. The findings in this chapter are largely consistent with the above mentioned hypotheses.

The trade-off theory claims that threats to leaders’ political survival motivate them to form alliances. The case study illustrates that the Pakistani ruling elite had powerful domestic political imperatives to seek external assistance by forming an alliance with the United States. Pakistan faced external challenges from India and Afghanistan. However, an exclusive focus on external threats cannot explain the Pakistani leaders’ decision to form the alliance. If the Indian threat was the only factor determining Pakistan’s decision, then we cannot explain why the Pakistani leaders’ chose to sign the agreement even when the United States refused to offer any security guarantee again India. We have to take domestic political factors into account to explain the Pakistani leaders’ alliance decision. Soon after independence, Pakistan’s leaders faced the daunting tasks of state-building. If the new state was to survive as a viable political unit, it had to create a new administrative structure for the central government, resettle millions of refugees, establish an industrial infrastructure, and modernize its defense forces and the Pakistani leaders had to undertake these challenging tasks without adequate financial resources. Political instability, an increasing chasm between the center and the provinces, and the lack of a broad-based national political organization made it difficult to establish a clear authority structure. In highlighting the

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164 Jalal., p. 48
domestic political challenges of the new state, the deputy commander-in-chief of the Pakistan army, lieutenant general Nazir Ali confided to an American official in 1952 that he was “more worried. . . over the actions of politicians than he was of the Indian army.”

Facing these multitude of internal and external challenges, Pakistan’s ruling elites needed a strong security apparatus and a functioning economy. They sought a powerful external ally, the United States, who could provide them with military and economic aid.

The United States and Pakistan entered into the alliance for different reasons. Whereas the United States enlisted Pakistan as a partner in bolstering the defense of the Middle East, Pakistan was more concerned about India than about any menace from the communists. The United States saw the security accord as directed strictly against the communist threat and was wary of becoming entangled in Pakistan’s dispute with India. The United States offered side payments to Pakistan as a compensation mechanism that filled the deficit in benefits, due largely to interest divergence between the parties, for the Pakistani leaders. The United States gained in autonomy by incorporating Pakistan into the western alliance systems (and by implication denied the Soviet Union access to Pakistan) in the emerging Cold War and by having the permission to use Pakistani bases for its own strategic purposes. Pakistan gained much needed economic and military aid that helped the Pakistani leaders to strengthen the state’s internal and external security.

The alliance experienced many ups and downs since its inception. From 1965 to 1978, one of the difficult phases of the bilateral relations, divergent interests in the alliance caused parties to have different expectations about their obligations toward each other. The United States expected Pakistan, as a recipient of U.S. aid, to behave like a reliable ally: American policymakers wanted

165 Ibid., p. 177
166 Ibid, p. 84
Pakistan to limit its relations with China (until 1971) and expected Pakistan’s contribution (i.e. sending troops) in America’s anti-communist wars in Asia (such as in Vietnam and Laos).\(^{167}\) The Pakistani leaders, however, declined to make any concrete commitments but entertained such possibilities if Pakistan received more military aid and equipment from the United States. Moreover, the Pakistani leaders stressed that as an ally, Pakistan deserved unrivaled U.S. support in its dispute with India on the Kashmir Issue, which the United States refused to do. American officials emphasized that American military equipment given to Pakistan would be a part of common support against communism, not against India.\(^{168}\) For the Pakistani leaders, the United States betrayed Pakistan, a formal American ally, by providing economic and military aid to India, which had been a self-proclaimed neutral state, and by imposing an arms embargo in Pakistan’s time of need.\(^{169}\) The Pakistan leaders in turn attempted to reduce the state’s reliance on the United States by warming up relations with the Soviet Union and by cultivating a close relationship with Communist China. These strains in the bilateral relations adversely affected the alliance cohesion. From the mid-1970s on, Pakistan’s nuclear program has remained a source of tensions between the allies. A high degree of divergent interests adversely affected the amounts of side Pakistan received from the United States during many phases of the alliance. The Iranian Secretary General of CENTO remarked that the U.S.-led alliances were “like insuring your house against fire; the policy does not cover damages by earthquake or theft” accurately portrayed the strains in the U.S.-Pakistan alliance.\(^{170}\) The United States had never intended the alliance to become an all-inclusive


\(^{168}\) Kux. p. 95


\(^{170}\) Quoted in Tahir-Kheli. p. 19
security guarantee (against India), the alliance was intended to contain the Soviet and Communist penetration into South Asia.

Despite these strains, the bilateral alliance remained intact. A powerful explanation as to why the Pakistani leaders declined to sever the bilateral relations with the United States, as we saw before, has been the praetorian nature of the state’s political structure. Survival driven leaders, civilian or military alike, must ensure that the military’s foreign policy priorities (primarily keeping the perception of Indian threats alive) and material interests are intact. Meeting these demands required the leaders to maintain the alliance with United States, which has remained the largest provider of external resources to Pakistan. Although the Pakistani leaders attempted to reduce the state’s dependency on the United States, in the absence of an alternative great power willing to meet Pakistan’s economic and defense needs, the Pakistani leaders maintained the alliance with the United States. Although the Pakistanis considered China as an “all weather friend”, China refused to make any formal commitment to Pakistan and its material assistance to Pakistan in the 1960s and the 1970s was inconsequential compared to massive level of economic and military aid the United States provided to Pakistan.

International relations scholars often take side payments for granted; that various economic and military aid programs have little or no impact on states’ alignment decisions. In resource strapped developing countries, the possibility of having access to external resources can be a great incentive for the leaders to make certain foreign policy decisions, such as aligning with a great power. As this chapter shows, this was certainly the case for the Pakistani leadership. In the absence of American economic and military aid, would Pakistan have aligned with the United States? It would have been highly unlikely. Had the United States balked at Pakistan’s requests for side payments or showed little interest in enlisting it in an anticomunist defense network,
Pakistan would have sought alignment with the other great power (the Soviet Union, possibly), a patron capable enough to provide it with economic and military aid. This inference is not merely a counterfactual; Pakistan’s civilian and military elites, doubtful about the reliability of American commitment, in the 1960s and 1970s attempted and succeeded to some extent in diversifying Pakistan’s foreign policy by establishing bilateral relations with the Soviet Union and China.
The Spanish-American War (1898) was a watershed event for both the United States and the Philippines. While American victory in the war cemented the position of the United States as a Pacific power, the post-war settlement prolonged the subjugation of the Filipinos by replacing Spain with the United States as the new colonial power. Following the war President William McKinley assured the Filipinos on 21 December 1898 that the United States “come not as invaders or conquerors, but as friends, to protect the natives in their homes, in their employment, and in their personal and religious right.”¹ However, the 1898-99 debate in Washington was settled in favor of retaining the Islands and thus, the Philippines became a formal colony of the United States. The decision was inspired by an imperial grand design as well as a missionary zeal. While American strategists expected the Philippines to serve as a conduit for promoting U.S. economic and strategic interests in Asia, ardent missionaries envisioned the retention of the islands as an opportunity to bestow the blessings of American civilization on the Philippines. After serving more than four decades as a colony the Philippines was granted independence on July 4th, 1946. The United States and the Philippines soon signed a number of security agreements to formalize their alignment.

Throughout the course of the alliance America’s security interests has guided the strategic importance of the Philippines and the value of the alliance to the United States. The archipelago was ranked low on the U.S. security agenda at the outbreak of World War II. American awareness regarding the importance of the emerging nations in the Third World heightened when the superpower competition spread to the Third World during the 1950s and 1960s. The Philippines gained in importance on the U.S. security agenda as the United States extended the Cold War containment strategy to Asia. Political changes in the region, such as the Communist revolution in China, the start of the Korean War, and American military build-up in Vietnam elevated the perceived importance of the Philippine bases and U.S security relations with the islands. Thus, while the military value of the Philippines was dimmed in 1947, the islands were rated high in importance in subsequent years during the height of the Cold War in Asia. The U.S-Philippines security relations were tied to the American bases in the Philippines. An adequate level of compensation for the bases had been a contentious issue between the allies. The bilateral security relations were in abeyance during the 1990s after the closure of the American bases in 1992. The alliance was then revived again as a useful tool to fight terrorism in Southeast Asia. The alliance relationship, thus, has swung ups and downs in evolving American security interests in Asia-Pacific.

The Philippines case serves a useful purpose for testing the trade-off theory. The Philippines shares some similarities with another major case, Pakistan, used in this study: both states were economically poor with several domestic political and economic challenges; also, because of their strategic locations, both states were considered important to America’s foreign policy agenda during the early stage of the Cold War. The cases, however, differed in some

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important ways. While the United States and Pakistan had high level of divergent interests, the Philippines, as the Pakistan case study shows, had a very low level of divergent interests (or a high level of shared interests) with the United States. Contrary to Pakistan, the Philippines has had experiences with democratic institutions for most of its existence as an independent state, although the quality of democracy was problematic at times. These differences help me to evaluate the strength and relevance of the hypotheses in different conditions.

The chapter tests two hypotheses of the trade-off theory about the formation of U.S.-Philippines alliance. First, threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances. We should see that the Philippine leaders sought to form an alliance with the United States to counter threats to their political survival. Second, having divergent interests between a great power and a small state increases the likelihood that side payments will be used to cement the alliance. The hypothesis leads us to expect that having interest divergence between the United States and the Philippines makes it more likely that the United States would use side payments to compensate the Philippines’ autonomy concessions. The chapter then tests several hypotheses about the maintenance phase of asymmetric alliances. First, all else equal, the amount of side payments used to maintain the alliance depends on the degree of divergent interests between the allies. The theory hypothesized three possible scenarios about the relationship between the degree of divergent interests and amounts of side payments: a) when the level of divergent interests is very low (that is, parties share a high degree of mutual interests), small amounts of side payments are necessary to maintain the alliance; b) when the level of divergent interests is very high, a very large amount of side payments is expected if negotiations are successful, but no increase in side payments otherwise. Lastly, c) when the level of divergent interests is medium (neither very low nor very high), parties can bargain policy concessions in
exchange for large amounts of side payments. The theory also predicts the effects of domestic political changes in small states on the continuation of asymmetric alliances. Second, we expect that all else equal, regime change in the Philippines increases the likelihood that a) the new regime terminates the alliance, or b) the alliance will remain intact in exchange for an increased amount of side payments. Third, in the short run, leadership changes in small states will be less likely to affect the continuation of asymmetric alliances. Thus, we expect leadership changes, which do not alter the existing institutions of the government, in the Philippines to have minimal impacts on the continuity of the alliance.

Consistent with the predictions, the case study finds that threats to the Philippine leaders’ political survival motivated them to form an alliance with the United States. The chapter shows that a low level of divergent interests (or a high degree of shared interests) handicapped the Philippine leaders’ ability to extract large amount of side payments even though the Philippines made extensive autonomy concessions. We will see that a low level of divergent interests in the 1950s and 1960s adversely affected the bargaining leverage of the Philippine leaders and the amount of side payments they received form the United States. However, by the 1970s and 1980s the Philippine leaders were able to extract higher amounts of side payments than before due to a modest increase in divergence of interests. Leadership changes in the Philippines had little impact on the continuity of the alliance since the Philippine leaders relied on U.S. aid to enhance their political survival. However, regime changes in the Philippines had some qualitative effects on the alliance. Although the alliance remained intact and the amount of side payments increased after the first regime change (1972), in the wake of the second regime change (1986) the parties failed to renew the bases agreement. The United States withdrew from the Philippine bases in 1992, which in turn adversely affected the alliance tightness in the 1990s.
5. The U.S.-Philippines Alliance

The chapter is organized in the following order. The first part of the chapter probes the formation of the U.S.-Philippines alliance. The second part focuses on the maintenance of the alliance. It traces the relationship between divergent interests and the amount of side payments the Philippines received from 1955 to the beginning of the War on Terror. In the concluding section I summarize the findings and discuss the importance and relevance of the findings for the theory.

I. Formation

The U.S.-Philippine alliance was underpinned by three bilateral agreements: the 1947 Military Bases Agreement (MBA), the 1947 Military Assistance Agreement (MAP), and the 1951 Mutual Defense Treaty. These agreements solidified the bilateral relations and allowed the United States to maintain a large military presence in the islands. The negotiations over the terms of these agreements were complex and linked to multiple areas of interests. In addition to these bilateral agreements, the Philippines also joined the Southeast Asian Treaty Organization (SEATO), an American-led multilateral security pact. As we will see, the political survival of the Philippine leaders was a crucial factor in their alignment decision. Since the level of divergent interests between the parties was very low, forging the alliance cost very little to the United States. This section begins with a discussion of the Philippine and American interests in forming the alliance. It then focuses on the bargaining process that led to the signing of the agreements mentioned above. The section then ends with a review of the trade-offs that both parties made in forming the alliance.
A) Philippines’ Incentives for the Alignment

i) External Threats: In the early twentieth century the Filipino elites and American authorities perceived the emerging great power politics in the region as a threat to the Philippines. Japan’s aggressive design in the Asia-Pacific came in conflict with the American presence in the Philippines and Hawaii. Japan emerged as a powerful regional actor in the wake of its triumph over Russia in the Russo-Japanese War of 1904. Although the United States and Japan reached a settlement in 1905, the American position in the Philippines seemed less secure. To counter serious threats from Japan, the leadership of the Philippine commonwealth attempted to placate Japan in the late 1930s. A lack of confidence on the part of Manuel Quezon, who became the first president of the Philippine commonwealth, in American willingness to defend the Philippines led him to seek a separate agreement with Japan. Quezon met the Japanese leadership in June 1938 and urged the Japanese to give him a formal pledge to respect Philippine neutrality. The Roosevelt administration, however, thwarted Quezon’s plan for neutrality and the Japanese leadership did not make any commitments to the Philippine leader.

This threatening external environment disappeared after the end of the Second World War. The Philippines faced no external threats in the post-war regional environment. The Japanese threat to the Philippines ceased to exist by the end of the War. By 1947 the Japanese empire was liquidated, China was paralyzed by civil war, and the Soviet Union had not yet shown a

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3 According to the settlement, Japan swore off the Philippines and United States conceded Japan’s preeminence in Korea. Henry William Brands, Bound to Empire: The United States and the Philippines (Oxford University Press, 1992). Pp. 79-83
4 Quezon appointed General Douglas MacArthur as military advisor to the Philippines in 1934. MacArthur proposed a plan (the Swiss formula) to defend the islands. However, the U.S. Congress refused to fund MacArthur’s plan. Karnow. p.270-76
5 Japan eventually attacked and occupied the Philippines. As the war began, Japan offered to respect Philippine sovereignty under a separate peace plan. Quezon considered the idea but later swayed by American officials and discarded the offer. Ibid. pp. 276-77 and 296-308
preparedness to try to expand its influence in Asia, perhaps because of its overwhelming burden of recovery following the war. The external threat oriented perspectives (that states form alliances to check against external threats), such as neorealism, on alliance formation cannot explain who the United States would be defending the Philippines against. American policy makers did not see any credible external threat to the Philippines at this time. Although the Philippines did not face external threats, the domestic political environment in the Philippines was far more challenging for the ruling elites.

**ii) Internal Challenges:** The Philippine ruling elites faced a threatening political environment long before the islands gained independence. Political instability in the Philippines in late 1930s, according to one observer, was like “a social volcano, constantly rumbling with discontent, erupting periodically in local revolts.” The worldwide economic slump had shrunk the foreign market for Philippine exports like sugar and coconut oil. Conditions in the countryside deteriorated, driving the average income below subsistence level. According to a census report (of the 1930s), out of a population of sixteen million, a fourth of them were dispossessed “agricultural day laborers.” Agrarian reforms were attempted but did not materialize as the land owning class opposed such measures. The Philippine elites had reasons to be worried about rebellions. In fact, the commonwealth of Philippines experienced a rebellion in May 1935 when more than sixty thousand peasants, known as *Sakdalists*, rose in revolt in Manila.

It was the social-economic conditions and the profound dissatisfaction that the peasants felt about the status quo that kept the possibility of violent rebellions alive. In the late 1940s a new
threat to the Philippine leadership was a domestic force known as the *Huks*. The Huk ranks overwhelmingly consisted of poor peasants who were fighting for economic reforms rather than for revolution. They opposed the abuses of feudalism and were willing to serve as tenants as long as landowners gave them easy credit, a fair share of the crop and protection against repression by local authorities. The Huk leaders entered the political process in 1945 and formed a coalition known as the Democratic Alliance. The coalition’s platform was hardly revolutionary. According to the movement’s leader, Luis Taruc, the coalition did not advocate revolution, or socialization, or change in the society, but aimed to develop “a healthy industrialized capitalist country out of the feudal agricultural condition” through “the ballot and the peaceful petition.”

The big landowners and the traditional political elite, for whom any change in the status quo would pose a threat to their political and economic power, did not tolerate the coalition. Manuel Roxas, the first President of independent Philippines, denied the party’s role in the political process, outlawed the movement as “subversive,” and vowed to liquidate the Huks. The Huks responded by commencing on a strategy of attrition against the government army.

The Huks were characterized by Filipino and American officials as a part of the international communist conspiracy. A closer look, however, reveals that such characterization was perhaps exaggerated and strategically made to delegitimize the movement and its core demands. Although the Philippine Communist party was a part of the united front that started the guerilla movement *Hukbong Bayan Laban sa Hapon* (the Huks), the Huk was, in essence, a protest movement against economic inequality and elite oppression of the poor peasants. One Huk

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10 Quoted in Karnow. P. 340
12 The leadership of the Philippine Communist party was principally composed of Manila labor leaders and intellectuals who clung to the classic Marxist belief in the primacy of the urban proletariat (in a country that had no industry). The party made little impact on poor Filipinos. See Karnow. Pp. 337-38
fighter later said: “Nobody would give us our rights or hear our demands. They said we were Communists. I didn’t even know what Communism was, and I still don’t. But they called you a Communist, that was that. It made no sense to deny it, because they wouldn’t believe you.”

Indeed, few Huks were hostile to the United States; they were an active part of anti-Japanese resistance during the war and helped the American forces to liberate the Philippines. Although the Huks were portrayed as the agents of the Soviets, according to one observer, there is no evidence to indicate that the Russians were tracking or managing their activities. Also, there is no proof that the Huks ever received Chinese Communist aid.

While American policymakers saw an international communist conspiracy in Huks, the Filipino elites saw the group as a threat to their postwar political aspirations. Aware that the United States disliked left-leaning movements and the postwar U.S. military leadership in the Philippines was determined to preserve the political power of the traditional elite, the ruling elites denounced the Huks as dangerous Communists. Not surprisingly, the Huk insurgency drew attention in Washington in the emerging Cold War international environment. Elpidio Quirino, Roxas’s successor, used a scorched earth military policy that imposed heavy damages on villages. This policy, however, generated more sympathy and new recruits for the insurgents. Quirino found it difficult to cope with the Huks and feared that a protracted fight against the Huks would be a costly venture at a time when the country was experiencing difficult economic conditions. Agrarian reforms might have been a political answer, but the elite class resisted any change to the status quo as such changes would hurt them economically and politically.

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13 Quoted in ibid. p. 342
14 Ibid. p. 344
15 Ibid. pp. 340-45
The Philippine leadership sought American help to defeat the Huks. One Philippine official reminded the Americans that “Philippine independence is the handiwork of the United States,” and this handiwork was under threat from “communist conspiracy.”\textsuperscript{16} Despite the claim of an elaborated international communist conspiracy, the real threat to Philippine security was domestic political instability stemming largely from the weakness of the national government and the possibility of civil revolt.\textsuperscript{17} The Philippine leaders needed American help to preserve their hold on power. They sought an alignment with the United States and a renewed American engagement in the Islands to remedy the precarious nature of their political fortune.

\textbf{iii) The State of the Economy:} The Philippines began as an independent state with a number of serious economic problems.\textsuperscript{18} Like most countries of the Third World, the Philippines inherited a colonial economic legacy. The economy remained agrarian and very much dependent on the United States. The state was ravaged by the Second World War—the estimated costs of the War for the Philippines ranged from $220 million in 1945 to as high as $1.6 billion in 1947.\textsuperscript{19} In addition to the destructive consequences of the War, the Post-independence economic arrangement (the Trade Act) with the United States made the Philippines heavily dependent on Washington.\textsuperscript{20}

\textsuperscript{16} Brands. Pp. 240-41
\textsuperscript{17} Claude Albert Buss, \textit{The United States and the Philippines: Background for Policy} (American Enterprise Institute for Public Research, 1977). P. 23
\textsuperscript{18} see Shirley Jenkins, \textit{American Economic Policy toward the Philippines} (Stanford University Press, 1954).
\textsuperscript{19} Karnow. P. 333
\textsuperscript{20} The health of the post-independent Philippine economy was shaped by policymakers in Washington. Immediately after the end of the Second World War the U.S. Congress enacted two pieces of legislation in 1946: the Philippine Rehabilitation Act and the Philippine Trade Act. The Rehabilitation Act provided for a sum of $620 million for damaged public and private property during the war. The implementation of the Rehabilitation Act, however, was made conditional on the approval of the Trade Act by the Philippine government. The Trade Act provided for a transitional period of free trade both ways up to 1954. Tariff duties would reciprocally be imposed gradually thereafter and tariffs would be raised in full in twenty years. In addition, the Trade Act contained a number of controversial provisions that many Filipinos saw as a significant infringement on Philippine sovereignty. First, the Act tied the Philippine Peso to the American dollar. It barred the Philippine monetary authority from adjusting the peso to the changing international monetary circumstances on its own. Second, and perhaps most contentious, the Trade Act contained a provision known as “parity,” which granted the Americans and the Filipinos equal rights in the exploitation and development of Philippine national resources and in the operation of public utilities. Also, the president of the United States retained the right to suspend the trade agreement in the event of any violations of the parity provisions.
As a major purchaser of Philippine products the United States could destabilize the economic health of the Philippines by raising tariffs or cutting quotas. A major recession or changes in American consumer demands for Philippine goods could harm Philippine exports. Historian H.W. Brands observes that the Trade Act, by requiring parity, setting quotas and establishing tariffs, pegging the peso to the dollar made the Philippine economy “hostage” to American actions. The war’s devastation and desperate economic conditions made the Philippines reliant on American assistance. As one observer noted that the Philippines were “never more dependent than on the eve of independence.” The Filipino leaders wanted special access to American markets, continued American investment, and Washington’s payment for war damages claims. In sum, the Philippine elites sought American assistance in order to maintain the viability of the state as well as to secure their hold on power.

**B) American Interests**

In the immediate aftermath of World War II American defense planners gave the Philippines a low priority. The United States assigned more importance to Japan, Korea, and Guam than to the Philippines as sites for air and naval stations and ground force deployments. The navy favored Okinawa (Japan) and Guam because they were easier to defend. Dwight Eisenhower, then army

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21 Brands. P. 228. During the commonwealth period, 72.9 percent of all Philippine trade was with the United States. Between 1946 and 1955, when the Trade Act allowed free trade between the two countries, 71.4 percent of all Philippine trade was conducted with the United States—resulting in Philippine balance-of-trade deficit of almost $1.5 billion. See William E. Berry Jr, *U.S. Bases in the Philippines: The Evolution of the Special Relationship* (Boulder: Westview Press, 1989). P. 8

chief of staff in 1946, proposed that the United States withdraw all army personnel from the
Philippines.23 Robert Patterson, Secretary of War in the Truman administration, concurred with
Eisenhower and explained that the fundamental problem was a mismatch between American
responsibilities and available funds. He made it clear that the United States could not afford “. . .
to waste our strength by maintenance of a force of any considerable size in the Philippines.” To
underline his concern, Patterson even cancelled military construction projects in the Philippines.24

Even though the Philippines was not rated high in importance in the late 1940s, the emerging
Cold War regional and international environment altered American calculations about the islands’
strategic worth. This elevated strategic importance of the Philippines was aided by the Cold War
logic that prompted the superpowers to court allies in the periphery. Strategically, the archipelago
formed a vital link in the Pacific island chain that formed America’s fallback line of defense against
Asian communism. Politically, the Philippine government could serve the useful purpose of
supporting American initiatives in international forums like the United Nations.25 George Kennan,
the first director of the State Department’s Policy Planning Staff, helped guide American policy
toward Post-independence Philippines and the Far East in order to check the Soviet Union and to
preserve American interests. According to Kennan, the United States should preserve the
Philippines as bulwark of U.S. security in the area.26 A National Security Council paper
(November 1950)—in the backdrop of the Communist victory in China, the ongoing Korean War
and the deepening troubles in Indochina—described the Philippines as crucially important to the
United States. The Philippines formed an “essential part of the Pacific island chain that constituted

23 Karnow. P. 332
24 Although in 1945 the American war and navy departments, uncertain about the future, had aimed for many base
sites, by 1946 the American government had to prioritize because financial constraints. See Brands. P. 232
25 Ibid. P. 229
26See Raymond Bonner, Waltzing with a Dictator: The Marcoses and the Making of American Policy (Times Books
New York, 1987).
America’s vital defensive perimeter in the Far East. The islands was considered an important strategic location from which the United States could project power throughout the East and Southeast Asia region.  

In the emerging Cold War tension between the superpowers, American policy toward the Philippines had both security and economic dimensions. On the security front, America’s security interests in the Philippines involved the maintenance of the Philippine bases, which had been on the agenda as far back as 1900. Although financial constraints made American policymakers hesitant about costly involvements in the islands earlier, the United States was now willing to bear the burden of becoming a global power.  

Having permanent bases in the Philippines was now deemed important because they would help to contain the spread of Communism and to protect U.S. interests in the region. The second objective was to keep Philippines’s market open to American investors and exporters. American policymakers envisioned the Philippines as the gateway to the “great” China market and to the rich resources of Asia-Pacific. They imagined the Islands as springboards from which American ships, aircraft and troops could be vaulted into other parts of the region.

**Incentives for Alignment: A Summary:** In the immediate aftermath of World War II the Philippines did not face any external enemies. The Philippine elites, however, had to counter serious economic, social and political unrest that posed threats to their political power. One observer succinctly summarizes the situation in the new state: “Productivity in what little industry there was and in the war-ravaged agricultural sector hovered at low levels. Already strained

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27 Brands. P. 246  
28 See Karnow. P. 330  
29 Brands. P. 220  
30 Karnow. P. 331
relations between Manila and the countryside grew more and more tense as the war-spawned Hukbalahap (Huk) movement gained strength. Clashes between the armed forces and Huk guerillas raised the spectre of revolution against the weak regime in Manila.”\textsuperscript{31} As explained in this section, the Philippine leaders needed to reengage the United States in the Islands to counter domestic threats, primarily the Huk insurgency, to their political survival. They sought an alignment with the United States. America’s strategic interests in the Islands had evolved from a relative indifference in the late 1940s, when the detailed outline of the Cold War in the Asia Pacific had not been drawn, to a useful strategic asset in the early 1950s. The Philippine bases were envisioned to have important purposes in the emerging Cold War regional politics. In this context, American strategists shared the Philippine leaders’ concerns about the “Communist” Huk and the need to defeat the insurgency. Thus, it can be argued that by the late 1940s the United States and the Philippines had very little or no divergent interests in forming an alliance.

C) Bargaining and the Alliance formation

The Military Bases Agreement and the Military Assistance Agreement, two complementary agreements signed in 1947, were important contractual aspects of the U.S.-Philippines alliance. The bases were a primary issue during the rounds of negotiation that led to the signing of these agreements. American and Philippine negotiators had to decide how many bases should be granted, where these bases would be located, and how much compensation should the Philippines received.\textsuperscript{32} The Philippine leaders wanted to use the bases as a lever to extract

\textsuperscript{31} Dingman.
\textsuperscript{32} In April 1945 the U.S. Navy listed fourteen sites as potential suitable for development as American bases. In addition, the War Department had plans to construct “major air centers” in the Philippines for fighter planes and several staging areas for grounds and amphibious operations. See Brands. pp. 220-222
economic and military aid from the United States. However, a low level of divergent interests between the parties diminished the Philippine leaders’ bargaining lever and adversely affected their ability to extract large amounts of side payments from the United States.

i) The Bargaining: Although formal negotiations for the bases started in 1946, informal bargaining began before the Philippines gained independence. The Philippine leaders made commitments, in public and in private, to grant the United States the basing rights. For example, Quezon, President of the Philippine Commonwealth, asserted in 1942 that the United States should have naval bases in the Philippines “from where you can strike against any country that may try to impinge on your rights.” Similarly, Quezon’s successor Sergio Osmena expressed unqualified support for American retention of the bases in the Philippines.\(^{33}\) The Philippine leader signed a preliminary agreement with President Truman in May 1945 concerning America’s basing rights in the Philippines.\(^{34}\) American officials were highly confident about the Philippine leaders’ consent on the bases issue even before the negotiations began. American attitude can be understood by Secretary of War Henry Stimson’s comment (concerning some U.S. lawmakers’ objections to formal negotiations for the bases) that while the requirement of negotiations was meaningless to us, negotiations would be a courtesy and a face-saving scheme for the Philippine leaders.\(^{35}\) Thus,

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\(^{33}\) Soon after assuming the presidency, Osmena expressed his view in a press conference in Washington on August 19, 1945 that he favored the United States maintaining Army and Navy bases in the Philippines without qualification. In a memorandum to Truman, Secretary of State Edward Stettinius summarized his meeting with Osmena that Osmena had agreed to “whatever suggestions the United States desired to make in reference to the retention of the bases after the war.” See Berry Jr. Pp. 13-14

\(^{34}\) The agreement granted the United States unlimited authority to build as many bases as it wanted in almost any locations in the Philippines. It allowed American forces unrestricted movement between the bases and placed no limit on how many military personnel could be assigned to the bases. As William Berry observed, “That Osmena would agree to such privileges while receiving in return only a vaguely worded assurance to protect the Philippines is a good indication of how determined he was to keep the American military presence in his country.” For more on this preliminary agreement, see ibid. pp. 16-18

American negotiators were dealing with a situation in which the degree of interest divergence between the parties was very low and the Philippine leaders were eager to grant bases and to form an alliance with the United States. As a result, the Philippine leaders’ bargaining lever and their ability to extract side payments were limited. For the United States, the objective of the negotiations was, perhaps, to get the cheapest deal possible.

Although American officials had not anticipated any serious opposition from the Philippine leaders to the bases issue, they faced Philippine objections to certain provisions in the proposed agreement. When the Negotiations for a bases agreement began, the Philippine leader (Roxas) agreed to most of the demands made by the United States. However, Roxas objected to two American demands. The first objection was concerning the location of the bases. The United States insisted on having extensive military facilities within Manila, the capital city. Roxas, however, objected to hosting major American bases in Manila, which he thought would be an affront to Philippine nationalism. As Roxas asserted, “When the national capital is the nation’s greatest center of population and of the nation’s economic life, the presence of alien military establishments becomes truly intolerable.” He feared that these bases in the capital would be a “constant source of friction” and a “convenient object of attack by individuals and groups interested in maligning the nature of our relationship with the United States.” Thus, Roxas noted, such bases were “politically unpalatable”, “strategically unnecessary”, and a source of fear that in case of a war, the nation’s capital will be subjected to attack and destruction.” The second objection was regarding the criminal jurisdiction provisions. The proposed draft gave the United States authority

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36 Some examples of these demands are the following: that the United States would acquire the bases for ninety-nine years; that the United States would be permitted to use public utilities under conditions no worse than those applicable to the Philippine armed forces; that the Philippines could not give third nations base rights without U.S. approval. See Shalom; Berry Jr.
37 Quoted in Brands. P. 232
38 Quoted in Shalom
over all offenses committed by the members of the U.S. armed forces regardless of who the victim was and whether the offense was committed on or off the base, on or off duty.\textsuperscript{39} The Philippine leader viewed the American proposals on this issue as tantamount to the revival of extraterritoriality. To the Philippine leader, such provisions would be difficult to sell to the Philippine Congress.\textsuperscript{40} The criminal jurisdiction provisions became a contentious issue and the negotiations reached an impasse by October 1946.

As the Philippine leadership pressed on these objections, the United States began to reevaluate the importance of retaining military bases in the Philippines. While the negotiations dragged on longer than expected, Roxas decided to submit the bases agreement, which had not been concluded, to the Philippine Senate for ratification. It is worth pointing out that Roxas did not need the Philippine Congress, where opposition to granting the United States basing rights had gained steam, to ratify the agreement.\textsuperscript{41} Roxas’s decision was perhaps motivated by the desire to protect himself politically by getting the Philippine Congress involved in the bases agreement. It was also possible that the decision may have been a calculated move to put pressure on the United States to soften its position on difficult issues, such as the criminal jurisdiction provisions. In a letter to President Truman Roxas noted that he could not compromise on two issues: first, no military bases could be built in Manila or in other metropolitan areas; and second, the Philippines must have exclusive jurisdiction over off-base offenses “irrespective of the persons involved.”\textsuperscript{42} If the Philippines had sought to put pressure on the United States by hardening its position, the strategy was upended by the U.S. War Department’s decision to withdraw all U.S. Army forces

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\item \textsuperscript{39} Berry Jr. P. 20
\item \textsuperscript{40} Karnow. p. 332
\item \textsuperscript{41} The Philippine Congress had passed a Joint Resolution (No. 4) that authorized the President to negotiate the bases agreement without requiring ratification by the Senate. See Berry Jr. Pp. 27-28
\item \textsuperscript{42} Ibid. p. 29
\end{itemize}
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from the Philippines and to halt all permanent construction of Philippine bases. It is not clear whether the U.S. decision was a result of economic constraints or a bargaining tool to pressure Roxas to accept American demands.

The Philippine leadership sought to extract side payments from the United States in exchange for the bases. The Philippine negotiators wanted a separate military assistance agreement that would guarantee military aid for the Philippines. One Philippine official advised Roxas: “We feel and know that strategic and economic position and policy of the United States, especially as regards to oil, demand that she maintain military, naval, and air bases in the Philippines, which is the key to the great oil reserves of the Indies.” He urged Roxas “to use the base talks as the bargaining instrument” to gain “military assistance we actually need and want for use as we want it, and under the terms we wish to impose.”

However, the Philippine leaders had limited bargaining leverage which became even more apparent when the United States sought to halt the construction of permanent bases in the Philippines. Given the Philippine leaders’ willingness to grant the United States basing rights, as explained previously, American officials did not expect to pay large amounts of side payments for the bases. Finally, the United States and Philippines concluded the bases agreement that satisfied almost all American demands with the exception of building military bases in Manila. William Berry argues that the U.S. decision to reduce the American military presence and not to seek military bases in Manila was determined by economic and strategic considerations. The Truman administration and the War Department was concerned that the Congress would not fund the construction of new base facilities in the Philippines in addition to increasing demands on American resources in Korea, Australia, Japan, and Germany.

43 Quoted in Shalom.
44 The State Department had suggested that “it would probably not be advisable to suggest a quid pro quo in connection with negotiations on this subject. Such a course could be left to be utilized later if any serious opposition should arise on the part of Philippine officials.” Ibid.
In addition, American strategists considered Guam and Okinawa as more attractive to the U.S. military than were military facilities in the Philippines. The United States sweetened the deal by assuring (without pledging any specific amount) the Philippine leader of a military aid pact.

The Philippines subsequently signed a Mutual Defense Treaty with the United States in 1951 and joined the Southeast Asian Treaty Organization (SEATO) as a founding member in 1954. Although the Mutual Defense Treaty and SEATO did not significantly modify the existing U.S.-Philippine security relations, they added more layers of treaties to the alliance. The United States signed the Defense Treaty with the Philippines to obtain the Philippine support for the Peace Treaty with Japan (the San Francisco Peace Treaty). Although the Philippine leaders initially opposed the peace treaty, they finally agreed to join the treaty in return for Japan’s acknowledgement of an obligation to pay reparations and a long-term military and economic aid commitment from the United States. The Philippines also sought to be part of a regional pact (a Pacific pact) modeled after the North Atlantic Treaty Organization (NATO). In the early 1950s the Philippine leaders thought the United States might reward an initiative to resist communism with more economic aid, which would then compensate the Philippines for the loss of interim reparations payments from Japan. American defense planners were not initially interested in a new Pacific Pact, but changes

45 Berry Jr. Pp. 29-33
46 The U.S.-led peace initiative with Japan troubled Manila because the Philippine leaders feared that they would lose their reparations claims on Japan once such a settlement was reached. The Philippine government demanded that the United States recognize the Philippines’ reparation claims. In an effort to overcome the Philippine opposition to the peace treaty, Secretary of State Dulles sought to use economic aid as an incentive. Although the Philippines accepted the American offer of a quarter billion dollars in aid, the Philippine leader insisted that Japan pay at least some part of the eight billion dollars that the Philippine advisory commission on reparations had recommended. In the end, Japan acknowledged that it would compensate for war damages by providing services (not cash). The United States cemented the Philippine consent to the peace treaty by agreeing to sign a Mutual Defense Treaty with the Philippines. See Dingman.
47 American military leaders did not want to create another NATO in the pacific. Instead, Pentagon preferred bilateral arrangements with the countries of the Pacific Rim that would enhance America’s freedom of action and treat each state in the region individually. See Brands. P. 257
48 Dingman.
in the geo-political dynamics in the region (especially the French defeat in Indochina) made them reconsider the initiative. The Philippines hosted the negotiations for a regional pact and joined the Manila Pact or the Southeast Asia Treaty organization (SEATO) in 1954.49

ii) **The Alliance and its provisions:** The Military Bases Agreement was signed on March 14th, 1947. The Philippines made major concessions on most American demands. The agreement granted the United States “the right to retain the use” of 16 bases in the Philippines and to use 7 other bases if the U.S. deemed “military necessity” of such action. These 23 bases were granted to the United States rent-free for a period of 99 years (until 2045). Prominent among these base sites included the naval and air base complex at Olangapo-Subic Bay-Cubi Point on Luzon Island, serving as the home base of the U.S. 7th Fleet. The 60,000 acre Subic base became the U.S. navy’s primary repair facility for its ships in the Pacific. Another prominent base was the Clark Air Base, located in Pampanga Province, where the U.S. 13th Air Force was stationed. In addition, the Philippine negotiators made major concessions on the criminal jurisdiction provisions.50 Following the completion of the bases agreement a Military Assistance Agreement was signed on March 20th, 1947. As noted earlier, the agreement did not specify the extent of American military aid to the Philippines. It established a Joint U.S. Military Advisory Groups (JUSMAG) in the Philippines to advice, train, and equip the Armed Forces of the Philippines.51

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49 See Brands, pp. 257-58
50 The agreement entitled the United States had exclusive jurisdiction over every individual (including Philippine nationals) who committed a crime on any base. Offenses committed among American soldiers (inter se offenses) as well as security offenses against the U.S., even if committed off the bases fell within U.S. jurisdiction. For more details about various provisions of the Bases Agreement, see William E Berry Jr, "The Effects of the Us Military Bases on the Philippine Economy," *Contemporary Southeast Asia* (1990). Ch. 2
51 The JUSMAG was to be consisted of Army, Navy, and Air Corps personnel. The Philippines was responsible for providing office space and living quarters for those assigned to the JUSMAG. See ibid. pp. 45-46; William J Pomeroy, *An American Made Tragedy: Neo-Colonialism & Dictatorship in the Philippines* (International Publishers, 1974).p. 25
The Mutual Defense Treaty tied the Philippines to American foreign policy goals in the Asia-Pacific region. The treaty insisted that “an armed attack in the Pacific area on either of the parties, would be dangerous to own peace and safety.” A feature of the treaty was the stipulation that in cases of armed attack each country “would act to meet the common danger in accordance with its constitutional processes.” In practice, this stipulation had important implication for the parties as to how they were expected to react in crises. Whereas the Philippine government could hardly withstand strong American pressure to become involved in U.S. military adventures regardless of Philippine interests, the United States government could ignore Philippine pleas for U.S. help in any situation that did not seriously affect American interests. Senator Claro M. Recto, a Filipino critic of the Treaty, argued that the U.S. commitment in the Mutual Defense Treaty was vague and amounted to no commitment at all. According to Recto, the Philippines would have benefited if the Treaty followed the NATO formula—the provision that an armed attack against either parties in the Pacific area should be considered as an attack against both—so that in the event of an armed attack against the Philippines, the United States would take immediate action to repel the attack. The United States, however, was unwilling to take make such a commitment.

Lastly, the SEATO (the Manila Pact) was designed to serve as a collective security mechanism for South East Asia. The Treaty stipulated that in the event of an armed attack in the treaty area against any of the parties, the signatories would act to meet the common danger in accordance with their constitutional processes and that they would consult together to agree on measures for common defense if anyone of them considered the inviolability, territorial integrity, sovereignty, or political independence of any party to the treaty threatened by armed attack.

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52 p. 26
53 Buss, P. 29
5. The U.S.-Philippines Alliance

The United States resisted the inclusion of any automatic war trigger provision in the treaty. American negotiators insisted that war declarations must be in accord with the constitutional processes of the signatories, which the Philippine officials complained was a mere legalism to avoid making any clear commitments. Although U.S. Secretary of State John Foster Dulles privately reassured the Philippine leader about the U.S. commitment to Philippine security, he did not accept the Filipino demand to turn the SEATO into a NATO-style organization. Importantly, Dulles made it clear that the United States was pledging itself only to resist communist aggression and would not get involved in other conflicts of the signatories.55

D) Trade-off

The alliance enabled the United States to make extensive gains in foreign policy autonomy in Southeast Asia. The Military Bases Agreement was an attractive deal for the United States. Indeed, the Philippine government granted the United States extensive privileges with regards to the bases. The government permitted almost total freedom for U.S. air force planes to operate in the country’s air space, including use of its flight information services and its internationally assigned radio communication frequencies. The Bases Agreement carved out enclaves for the United States “where Philippine sovereignty stopped at the gates.” The Philippine courts had no jurisdiction over crimes committed by U.S. servicemen on the bases, including crimes against Filipino citizens. Natural resources located on the base lands could not be exploited by Filipinos.56 The agreement provided the United States with a major springboard for pursuing its foreign policy objectives in

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54 Interestingly, for a South East Asian Defense Treaty, the Philippines and Thailand were the only two South East Asian states in an alliance otherwise dominated by the Western powers—The United States, Britain, France, Australia, and New Zealand—with Pakistan added as a link to the Central Treaty Organization (CENTO). Ibid. p. 33
55 See Brands. P. 259
56 Pomeroy. P. 22
Asia, knitted the Philippines closely to the Cold War. In addition to the bases, the United States gained greater economic privileges in the Philippines. One observer noted that Americans, paradoxically, acquired greater privileges in the Islands during the post-colonial years than they had during the colonial period.\footnote{Karnow. P. 333}

The alliance facilitated the Philippines’ support for American foreign policy objectives in military ventures as well as in international diplomacy. The Philippines took part in almost every military conflict the United States got involved in the Asia-Pacific. For example, the Philippines sent five Filipino battalion in succession to Korea to support U.S. armed forces in the Korean War. When the U.S. 7th Fleet, operating from its main base in the Philippines at the Subic Bay, intervened in the Formosa Straits area to provide protection for the Chiang Kai-Shek’s regime in Taiwan, the Philippines became a partner in the hostility against China. During a military coup in Indonesia in 1958, the U.S. Clark Air base in the Philippines was used for CIA-directed bombing raids on Indonesia and made the Philippines complicit in the U.S. intervention in Indonesia.\footnote{For a review of CIA’s activities in Indonesia, see Stephen Kinzer, The Brothers: John Foster Dulles, Allen Dulles, and Their Secret World War (Macmillan, 2013). Ch. 8} 

Lastly, the U.S. bases in the Philippines were greatly expanded as some of the main staging areas for air and naval attacks on both North and South Vietnam. The Clark Air base was used for operations in Vietnam while the Subic was used as the chief base for bombs and shells for naval aircraft and ships attacking Vietnam. Some claimed that the United States had stockpiled nuclear weapons on its Philippine bases and had nuclear submarines operating from those bases (without Philippine permission) intended to use against China and other communist countries.\footnote{Pomeroy. Pp. 29-30} 

As for international diplomacy, the United States consistently received Philippine support for its security and foreign policy agenda in the United Nations. At the 1955 Bandung Conference of Asian and
African countries, the Philippines defended American foreign policy and refused to accept the nonalignment agenda. During the Taiwan Strait crisis in 1955 and the Vietnam War the Philippines stood firmly behind the United States.\textsuperscript{60}

The Philippine leaders made extensive concessions on the bases and the criminal jurisdiction provisions. In return, however, the Philippines received a very small amount of side payments.\textsuperscript{61} Although the United States sweetened the bases agreement with the Military Assistance Agreement (MBA), which committed the United States to provide military aid to the Philippines, was a compensation for the Bases, the MBA cost very little to the United States.\textsuperscript{62} In fact, the bases agreement specified that the bases would be granted free of rent. The Purpose of the MBA was not to furnish the Philippines with big items military equipment, but to boost the Philippine internal security. The Philippine leaders and their allies in the ruling class sought an alliance with the United States to secure their political survival in the post-independent Philippines. Although there was no plausible external threat to the Philippines in 1947, the ruling elites faced serious internal threats to the status quo, looming primarily from the marginalized peasantry.\textsuperscript{63} They needed to reengage the United States in the Islands and sought American assistance in boosting the Philippine internal security. In the first decade, the Joint United States Military Advisory Group (JUSMAG), which was created as a result of the MBA, spent $169.3 million to

\textsuperscript{60} Brands. Pp. 255-56
\textsuperscript{61} Secretary of State Dean Acheson claimed in January 1950 that the Philippines received $2 billion dollars in economic aid from the United States during the first four years of independence. A large part of this amount was spent on operating expenses of U.S. military and civilian installations, on rehabilitations and war damages claims, and on veterans’ payments. ("Acheson Criticism Angers Filipinos," The New York Times January 14, 1950.) Thus, the whole $2 billion figure cannot be considered as side payments since it was not intended to compensate the Philippines’ concessions on autonomy. The American bases, nonetheless, produced useful positive externalities for the Philippine economy, including an important source of employment. The bases, mainly the Cark Air Base and the Subic Bay Naval Base, were the largest employer of labor in the Philippines after the government. See Buss. P. 120. For more on the extent of positive externalities caused by the bases, see Berry Jr.
\textsuperscript{62} Shalom.
\textsuperscript{63} See Kerkvliet.
support and reorganize the Philippine Constabulary, and to train and equip the Philippine military. This military aid figure is indeed small compared to, for example, American military aid commitment to Pakistan, which formed an alliance with the U.S. in 1954. During the first few years of the alliance. According to the Pentagon, the U.S. military aid commitment to Pakistan amounted to $505 million by the end of the 1950s. Figure 5.1 shows U.S. aid to the Philippines from 1946 to 2010. It is important note that the Rehabilitation Act (1946) provided for a sum of $620 million for damaged public and private property during the Second World War. The United States fulfilled its rehabilitation commitment by 1952. In addition to the rehabilitation fund, the United States also provided the Philippines with aid for veterans’ welfare, which were not tied to the bases agreement or the MBA.

The trade-off theory predicts that when parties have a low level of divergent interests (i.e. similar interests), a small (or no) amount of side payments is needed to compensate for the small state’s autonomy concessions. As explained in the previous section, the United States and the Philippines had very little or no interest divergence in forming the alliance. In the late 1940s the United States was relatively indifferent toward establishing bases in the Philippines. American policymakers, however, were open to a cheap deal. Roxas and his predecessors had expressed their willingness, both in private and in public, to host American bases in the Philippines. Although the Philippine leaders objected to certain American demands, such objections were mitigated by their strong desire to form the alliance as a means to protect their political power in a threatening

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65 McMahon, The Cold War on the Periphery: The United States, India, and Pakistan. P. 221
66 Bonner. P. 272
67 Veterans Administration provided various benefits to Filipino veterans. From 1946 to 1956, the Veteran Administration provided approximately $124 million per year in payments to Filipino veterans. The United States also gave $473 million in back pay to those personnel who were integrated into the U.S. Army before the beginning of the War and who fought as guerrillas during the Japanese occupation. Berry Jr. Pp. 9 and 40
5. The U.S.-Philippines Alliance

domestic political environment. By portraying the Huks as a part of world-wide communist conspiracy, the Philippine ruling elites successfully delegitimized the organization and the root causes of insurgency. The United States, which had an interest in helping the Philippine ruling elite and the political establishment in order to protect its basing rights, responded by providing economic and military aid to boost the Philippines’ internal security. In addition, the elite class had economic interests in the alignment. The Philippine elites benefitted enormously from their trade relations with the United States during the colonial eras. Philippine independence, however, threatened to disrupt the special relations. Having an alliance with the United States and granting the bases to U.S. ensured the continuation of profitable economic relations. Thus, as the level of divergent interests was very low (the parties had a high degree of mutual interests), the United States did not need to provide a large amount of side payments to Philippines to cement the alliance.

68 The idea that the Huk insurgency was a part of worldwide communist aggression received enough attention in Washington that a National Security Council paper (of Nov. 1950) noted that it was imperative to defeat the Huks. According to the paper, a Huk victory would “discredit the United States in the eyes of the world and seriously decrease U.S. influence, particularly in Asia,” and it might make the Philippines “the key to Soviet control of the Far East.” American advisors were deployed to work with the Philippine government to delegitimize and to defeat the Huks. see Brands. pp. 240-46
69 The U.S.-Philippines trade relations during the colonial era greatly benefitted the Philippine upper class at the expense of the mass. For example, a U.S. Department of Agriculture expert reported in 1939 that “Sugar favors may be injuring the Philippines far more than they help them. First, they have taken much of the best land out of the production of rice (almost the sole food) and put it into an export commodity which benefits the people only through beggarly wages . . . we are increasing the wealth of a handful of people by tens of millions a year.” See Shalom.
With American support, the Philippine ruling elites were able to defeat the Huks and secured their political position at home in the short run. The Philippine leaders, however, soon realized that the compensation they received for the bases was much smaller than what other countries received with the similar level of concessions. According to William Berry, compare to the status-of-force agreements the United States reached with the NATO allies, the Philippines received insignificant compensation for its bases agreement and there was “ample evidence that Filipinos were justified in their belief that they received unequal treatment from the United States.”

As we saw in the previous pages, the Philippine leaders were much too eager to grant the United States the basing rights to strike a hard bargain and to extract large amounts of side payments. The next section illustrates that a low level of divergent interests continued to affect

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70 Berry Jr. P. 57
the Philippine leaders’ ability to obtain large amounts of side payments until American involvement in Vietnam intensified.

II. Cooperation and Discord

The United States rated the Philippine bases high in importance during the height of the Cold War tension in Southeast Asia in the 1950s. One Pentagon report suggested that the American bases in the Philippines would be of “extreme importance” in holding the Pacific island chain together and “these bases are therefore as essential part of a worldwide base system designed to deter communism.”71 The alliance proved to be a steady one as the Philippines’ reliability was never in doubt in Washington. From the early 1970s, however, interests diverged modestly. The second part of the chapter delves into cooperation and discord in the alliance. It analyzes how changing circumstances gave rise to divergence of interests and how such changes affected the alliance tightness and the amounts of side payments the Philippines received from the United States.

A) A Steady Alliance: American Indifference to a loyal Ally

i) A Loyal American Ally: Although the bases were a contentious issue in the bilateral relations, the Philippines remained a loyal ally of the United States throughout the 1950s and 1960s. While American strategists considered the Philippine bases important to America’s Cold War containment strategy, for many Filipinos the bases were a sign of colonialism and a source of agitation. The Eisenhower administration sought accommodation with the Filipino demands

71 Brands. P. 270
(especially concerning the criminal jurisdiction issues), but refused to consider any demands that might curtail America’s free use of the bases.\textsuperscript{72} The Philippine leaders repeatedly asked for more aid and even attempted to use the bases as a lever. During this period of the alliance, however, the parties had a low level of divergent interests, which limited the Philippine leaders’ ability to extract large amounts of side payments from the United States.

Throughout the 1950s and 1960s, the Philippine leaders remained loyal followers of American foreign policy. Of these leaders, Ramon Magsaysay (1953-1957) was well-known for his un-wavering support for the United States. The Philippines during the Magsaysay presidency was heavily involved in the early stages of U.S. intervention in Vietnam and allowed the CIA to operate freely from the Philippine bases. For example, a Freedom Company training camp was set up on the Clark Air base reservation areas to train South Vietnam’s counter-guerilla force.\textsuperscript{73} Like their predecessor, Carlos Garcia (1957-1961) and Diosdado Macapagal (1961-1965) maintained a close relationship with the United States. The Garcia administration faced various internal problems including rampant corruption, social unrest, and the rising influence of the Philippine nationalists who called for cutting all ties with the United States. Despite a rising anti-American sentiment in the Philippines, President Garcia attempted to demonstrate his loyalty to the anticommmunist cause, something he knew American policymakers would appreciate. Similarly, Macapagal followed the American lines in regional and international politics.\textsuperscript{74}

Despite their support for American foreign policy, the Philippine leaders’ pleas for more aid fell on deaf ears in Washington. Magsaysay justified his request for more compensation to

\begin{itemize}
  \item \textsuperscript{72} Ibid. p. 277
  \item \textsuperscript{73} Pomeroy. P. 31
  \item \textsuperscript{74} Garcia initiated (which the Philippine Congress approved) legislation, the Anti-Subversion Law in 1957, to ban the Philippine Communist Party, the Huk and other similar dissident movements. The law has been used against all political dissidents. Ibid. P.28;Buss. P. 39-41
\end{itemize}
Secretary of State Dulles by suggesting that the bases were worth more to the United States than America was paying and complained that other countries with American bases were getting more than the Philippines. The Philippine leaders, as friendly as Magsaysay, failed to raise the compensation amounts for the bases. Magsaysay’s successors Garcia and Macapagal experienced the similar indifference in American response to their requests for more aid. Garcia asked for more aid to make the Philippines a “showcase of democracy” and tried to exploit Washington's fear of Communism. He claimed that unless the United States provide more aid, the Philippines would see Communist resurgence in the countryside.75 American officials, however, did not see justification for more aid since the Huks and Communist inspired groups were largely quiet and no longer posed a threat. They dismissed the demand for more compensation for the bases as the work of “cheap politicians” who simply wanted to get more out of the United States.76 The Philippine leaders, however, got attention in Washington when hostilities broke out in the Gulf of Tonkin in Vietnam. As the conflict intensified, the United States and the Philippines reiterated their commitments to the SEATO against communist expansion in the region.

ii) The Philippines’ Role in the Vietnam War: American military build-up in Vietnam put pressure on the Philippine government to contribute to the war effort. The United States started to increase the use of the Philippine bases to prosecute the war and wanted the Philippines to send forces to Vietnam. The Johnson administration craved the support of America’s allies, including the Philippines, for the war in Vietnam. Macapagal, however, was unable to persuade the Philippine Congress to send troops to Vietnam. The Philippine leadership did not share American fear about the consequences of a domino falling in Vietnam for the Philippines. For most Filipinos,
“there existed positive resistance to taking part in what increasingly seemed America’s war.”\textsuperscript{77} While the extent of the Philippines’ contribution could be negotiated with the United States, Ferdinand Marcos, who assumed power in 1965, cared about how the outcome in Vietnam might change the value of the Philippines to America’s regional strategies.

Marcos was aware of the elevated importance of the Philippine bases to the United States and intended to exploit the bases to maximize the amount of side payments from the United States. Soon after getting elected as President, Marcos let American officials to know that he was noncommittal about the bases. Although U.S. Secretary of State Dean Rusk was able to persuade Marcos to send a modest number of troops to Vietnam, Marcos expressed vague support for the Vietnam War. When the Philippine leader visited the United States (in September 1966), it was clear what the allies wanted from each other: Marcos asked for more American aid and Johnson wanted a larger Philippine force in Vietnam. The visit turned out to be a beneficial one for Marcos: he got a pledge of more than $80 million in American aid in return for troop contribution to the Vietnam War and a continued support for the war.\textsuperscript{78} While Marcos, as a Senator, previously opposed Macapagal’s proposal to send Philippine forces to Vietnam, as President he sent a Philippine Civic Action Group (PHILCAG) to Vietnam for a price. He calculated that as long as the United States was in Vietnam, he could attract American aid for his support for the war. The Senate subcommittee on the United States Security Agreements and Commitments revealed that Marcos received at least $39 million for sending the PHILCAG to Vietnam.\textsuperscript{79}

\textsuperscript{77} Ibid. P. 281
\textsuperscript{78} Ibid. pp. 284-85; In addition, the Johnson administration also promised to support the Philippine efforts to obtain loans from the World Bank and pledged to increased economic aid to the Philippines. See Berry Jr. P. 135; see also, David Wurfel, \textit{Filipino Politics : Development and Decay} (Ithaca: Cornell University Press, 1988).
\textsuperscript{79} Bonner. Pp. 73-75
From the mid-1950s to 1972 the U.S.-Philippines alliance experienced no discernible divergence of interests (see table 1 for a summary of interest divergence during various periods of the alliance). As explained above, in the absence of any perceptible interest divergence, the United States had little incentives to increase the amount of side payments. American policymakers concluded: why pay more when the Philippines was securely in the American fold. The Philippines’ bargaining leverage increased somewhat as American involvement in the Vietnam War intensified.

B) The Politics of “Pay for Play”

Interest divergence between the parties widened concerning the importance of hosting American bases in the Philippines and American commitment to the security of the Islands. As the pressures mounted to withdraw American forces from Vietnam, policymakers in Washington began to reassess the American foreign policy for East and Southeast Asia. In the ensuing reexamination of American interests in the region, there appeared to be some uncertainties whether the United States should retract or retain its strategic investment. For the Philippines, this uncertainty was a bad omen—the Philippines’ importance might be diminishing in Washington, which meant less bargaining leverage for the Philippine leaders. In response, Marcos undertook new diplomatic initiatives to reduce his reliance on the United States. As interests diverged, the Philippine leader’s ability to bargain more side payments improved. Thus, From the mid-1970s on, as this section illustrates, Marcos extracted a substantial amount of side payments by threatening to deprive the United States of access to the bases that American strategists thought indispensable for containing the Communist sphere of influence in the region.
5. The U.S.-Philippines Alliance

i) Uncertainties in U.S. Foreign Policy: In the mid-1970s there were two currents of thinking in the U.S. approach to Southeast Asia. One approach urged a reexamination of American foreign policy and called for a reduction in the U.S. role in Southeast Asia. Newly announced U.S. foreign policy doctrines seemed to be supportive of this approach. For example, the Nixon Doctrine promised that the United States would keep its treaty commitments and would provide a nuclear shield if a nuclear power threaten an American ally, but the United States would no longer intervene, as it did in Vietnam, with ground troops in another state. The doctrine stipulated that the nations in Southeast Asia would have to bear the responsibilities of their own defense; American intervention could not again be called for except in the unlikely event of an overt aggression by outside forces. Nixon’s successor Gerald Ford issued a similar formulation in 1974 that minimized American roles in conventional defense of an ally unless U.S. interests were directly involved.

Some strategists and lawmakers in Congress feared that the United States might get entrapped in the Philippines’ internal conflicts. The SEATO was criticized as an obstacle to better relations with China, with which the United States had made rapprochement in the early 1970s. U.S. interests in Southeast Asia, including in the Philippines, were judged important but not vital or worth fighting for. The loss of Vietnam might have damaged American prestige but it did not

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80 For more on America’s changing strategies in Southeast Asia in the 1970s, see Ralph N Clough, East Asia and Us Security (Brookings institution, 1975); William P Bundy, "New Tides in Southeast Asia," Foreign Affairs (1971).
81 The new policy formulation adopted by both the Nixon and Ford administration stated that: 1) the United States will honor its commitment by providing a shield for the freedom of an ally; 2) conventional defense is the responsibility of the country directly concerned, with the united States assisting where it will make a difference and where U.S. interests are involved; 3) insurgencies are best handled by the threatened governments with police, paramilitary action, and economic and social reforms; and 4) new commitments by the United States will be viewed in the light of careful assessment of U.S. national interests, specific threats to those interests, and U.S. capacity to contain those risks at an acceptable risk and cost. Buss. P. 108. For more on the Nixon Doctrine, see Robert S Litwak, Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976 (CUP Archive, 1986); Jeffrey Kimball, "The Nixon Doctrine: A Saga of Misunderstanding," Presidential Studies Quarterly 36, no. 1 (2006).
constitute any threat.\textsuperscript{82} Regarding the Mutual Defense Treaty, some policymakers sought to make it clear that the United States was obligated to defend the Philippines only in the instances of an “external armed attack,” not in the cases of domestic insurgency. Although there was no significant evidence of the Chinese or the Soviet involvement with the domestic dissident groups in the Philippines, some in Washington feared that the treaty might drag the United States into unwanted internal wars on behalf of the Philippine government.\textsuperscript{83} Moreover, according to this line of thinking, the importance of the Philippine bases diminished somewhat since there was no significant threat of armed aggression by major powers in Southeast Asia. As the continuing utility of the Philippine bases was in doubt, the major issue was to determine how much rent the United States should pay the Philippines for the bases.\textsuperscript{84}

A second approach called for a continued American presence in Southeast Asia. Even though there were no immediate external threats to the Philippines during the Marcos era, the proponents of this approach considered the bases indispensable for carrying out the global policies of the United States. The retentionist camp, supported by the defense department, argued that after the fall of South Vietnam, the Philippine bases became more important than ever. For example, Admiral John S. McCain, Jr. made the case that the strategic location of the Philippines made the islands vital to the defense of Japan, Australia, and the Indian Ocean. The bases, according to McCain, represented “our farthest forward outpost, our last dam, our frontline trenches and were we to lose the Philippines, our next fall back would be Guam, then Honolulu, and then the State

\textsuperscript{82} Buss. p. 105-06, 110  
\textsuperscript{83} Ibid. p. 116 and 129  
\textsuperscript{84} The strategic importance of the bases, originally based on the importance of the command of the seas, was now replaced by air power and missiles technology in American defense strategies. The American bases often caused opposition in the Philippines and irritation in the region. As long as American bases existed in the Philippines, it became difficult to negotiate with the Soviet Union since the presence of American bases made the détente diplomacy problematic between the superpowers. Ibid. pp. 119-22
Admiral McCain and like-minded strategists argued that the bases gave the United States the flexibility and operational efficiency to respond to any contingency and to maintain military readiness in the Western Pacific. The retentionist camp, thus, advocated the maintenance of American bases in the Philippines, even for an increased amount of rent payments.ii) Marcos’s Response: Keeping the options Open: Marcos had to consider the possibility that the United States might withdraw its forces from Southeast Asia and might reduce its commitments to the Philippines. For the Filipino leader such a scenario was a cause for concern since it meant that in time of trouble he could not rely on U.S. assistance. Marcos called for a reexamination of the entire security relationship with the United States. The Philippine leader contemplated strategies that would preserve the Philippines’ importance to the United States in the post-Vietnam period and would improve his bargaining leverage to extract large amounts of side payments. Marcos sought to gain the greatest return possible for the bases.

Marcos devised a new foreign policy initiative called the New Developmental Diplomacy—a result largely of some uncertainties in American commitment to Southeast Asia and the Philippines. The Philippine leader now took a firmer position toward the United States and called for the renegotiation and revision of the Mutual Defense Treaty and the SEATO agreement. Filipino officials revived an old demand that instead of obliging the United States to take action in accordance with its constitutional processes, the SEATO should, like in the NATO, make the United States committed to defend the Philippines in the event of an armed attack. It

85 Quoted in ibid. p. 122
86 Secretary of Foreign Affairs Carlos Romulo asserted that the treaties, pacts, and agreements that the Philippines had entered into no longer supported the state’s national interests. Thus, Romulo pointed out the pacts and agreements “promoted our interests to limited extent, but not enough to justify the almost unlimited advantages that accrued to others at the costs of our own self-reliance and initiative.” Quoted in ibid. p. 52; see also Astri Suhrke, "Us-Philippines: The End of a Special Relationship," The World Today (1975); Robert L Youngblood, "Philippine-American Relations under the" New Society", Pacific Affairs (1977).
was also argued that American obligations toward the Philippines in the Mutual defense Treaty were so vague that the treaty was almost meaningless. The treaty, according to this view, failed to meet Philippine demands for an automatic American response to the defense of the Islands. It committed the Philippines to take actions on behalf of the United State—serving American interests rather than that of the Philippines.\textsuperscript{87} In a speech of May 23, 1975, Marcos said: “It is difficult if not impossible to stake the nation’s survival on whimsical interpretations of the mutual defense agreements which are apparently dependent not on legal commitments but on the mood of the nation in any historical period.”\textsuperscript{88} In addition, Marcos raised questions of whether the bases served the mutual interests or whether they promote only America’s geo-strategic interests in Asia.\textsuperscript{89}

In an effort to offset dependency on the United States, Marcos initiated an active campaign to diversify Philippine foreign policy. He launched an intensive campaign to attract Japanese economic assistance to the Philippines. Marcos loosened ties with Taiwan in order to normalize relations with the People’s Republic of China—a dramatic reversal of Marcos’ perception of threat concerning China, which he had singled out earlier as a force of aggression in the region.\textsuperscript{90} In addition, Marcos adopted an open-door policy toward all communist countries including the Soviet Union. The Philippines became the spokesman in the region for the recognition of the new governments in Cambodia, Vietnam, and Laos and led the discussions for incorporating these states into a new regional organization. When Vietnam announced its unification, the Philippines

\textsuperscript{87} Buss. Pp. 51-53
\textsuperscript{88} Quoted in ibid. p. 89
\textsuperscript{89} Marcos stated: “The original purposes for which these bases were established may not exist anymore. In the contemporary context, the questions that arise are: do these bases exist solely for the mutual defense of our two countries or do they perpetuate American participation in Philippine affairs and support experiments in Asia?” Quoted in Berry Jr. P. 147.
\textsuperscript{90} In pursuit of his bold step toward China, Marcos abrogated all treaties and agreements between the Philippines and Taiwan. Suhrke.
was among the first to extend recognition. The improved Philippine-Chinese relations caused little or no alarm in Washington, but the United States did not appreciate the Philippine leader’s “cozy” relations with the Soviet Union and other communist countries of the Soviet bloc. More disturbing from the American perspective was a nonaggression and non-subversion Pact Marcos signed with now unified Vietnam in 1978. These policy initiatives were taken largely to offset the expected decline in American commitments to the Philippines.

In an attempt to broaden his options Marcos sought to rent the Philippine bases to other parties to earn more. Marcos wanted to maximize the rent money for the bases. If the United States was not willing to raise the payment amount for the bases, Marcos was willing to shop for the highest bidder. He saw no reason why the facilities at the bases could not be made available to the Japanese, the Russians, or anyone else who wanted to use them for a higher payment. By the early 1970s the Philippine leadership could see the disparity between the amounts the United States paid for its bases in other countries and what the Philippines had been receiving. During the 1970s the United States made agreement with three Mediterranean states on American basing facilities: a five-year agreement with Spain contained a $1.2 billion compensation clause; a four-year agreement with Turkey entitled Ankara $1 billion in compensation; and a similar agreement with Greece involved a payment of $700 million. During the same time period, Thailand received over $400 million in military assistance and South Korea received over $600 million. However, the Philippines received only $50 million in grant aid. Figure 5.2 below makes a comparison between the amount of military and economic aid Thailand and the Philippines received from the United

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91 Buss. pp. 56 and 86-87
92 Ibid. p. 91, 125
States from 1950 to 1976, when Thailand hosted American bases. Marcos could easily point to the disparity in American aid for the Philippines and Thailand, which received more economic and military aid than did the Philippines even though the Philippines hosted the largest American bases in the region. Perhaps more disturbing for Marcos, Indonesia was getting as much military aid from the United States as was the Philippines without granting basing rights.\textsuperscript{94}

\textsuperscript{94} Bonner. P. 217
iii) (Re) Negotiations for the Bases: The Philippine leadership feared that the United States might abandon the Philippines just like Vietnam. Fortunately for Marcos, the retentionist camp prevailed in the post-Vietnam foreign policy debate in Washington. Marcos was aware of this outcome and “played Washington like a virtuoso.” Even though Marcos portrayed himself as the leader who would secure American interests in the Philippines, he hinted at abrogating the bases agreements unless the Americans offered “satisfaction” (which meant more side payments).\textsuperscript{95} Multiple rounds of negotiations for the modifications of the bases agreement, which was supposed to run until 1991, began in 1975 to settle disagreements between the parties.\textsuperscript{96}

The 1975 negotiations for the bases agreement entailed protracted rounds of bargaining in which the key issues that had to be settled were a set of terms for American use of Philippine bases and the amount of compensation in rent the United States had to pay for the bases.\textsuperscript{97} Marcos’ chief negotiator Carlos Romulo, foreign minister, set the demand at a higher amount (which ranged in more than a billion dollar) for a deal. Marcos wanted an increased amount of economic and military aid to combat internal threats that included difficult insurgencies and to bolster support for his martial law regime.\textsuperscript{98} The negotiations were suspended due to disagreements over the amount of

\textsuperscript{95} As Brands pointed out that few in Washington were surprised to know that for Marcos satisfaction had very little to do with extraterritoriality or the bases being an infringement upon the Philippine sovereignty than with increased American aid. Brands, P. 307

\textsuperscript{96}From 1947 through 1969, the original bases agreement was the subject of periodic negotiation and modification including the revision of the original termination date from 2046 to 1991. In 1956 both parties affirmed full Philippine sovereignty over the base territories. In 1959 both parties reached a “memorandum of agreement” (known as the Bohlen-Serrano Agreement) that entailed some important changes: the operational use of the bases by the U.S. would require prior consultation with the Philippine government; the U.S. could not establish long-range missile capabilities on the bases without consulting the Philippine government; and U.S. operations were to be consolidated into four active bases. In 1965 the United States revised the criminal jurisdiction provisions of the bases agreement to address to Filipinos’ concern about sovereignty. See Gregor.

\textsuperscript{97} Buss, p. 91

\textsuperscript{98} Marcos reportedly declined an offer from the Ford administration worth $1 billion over a five-year period because the offer was smaller than the amount he had demanded. The offer was unacceptable to Marcos because he wanted the $1 billion in military assistance plus an undisclosed additional amount of economic aid. (See Berry Jr.) Marcos rejected the offer, perhaps, because he thought the outgoing Ford administration’s offer might not be respected by the incoming Carter administration. See Bonner. P. 211
side payments.\textsuperscript{99} When the negotiations resumed in 1977, Marcos intensified a campaign designed to put pressure on Washington. He encouraged members of his regime to denounce the American bases as symbols of neocolonialism. The government-sponsored youth groups organized anti-bases rallies and protests with banners that read “Yankee, go home.”\textsuperscript{100} These actions, the Philippine leader hoped, would serve to appease Filipino nationalists who disliked the American bases and would allow him to strike a hard bargain and extract more side payments from the United States. As American ambassador to the Philippines, David Newsom observed, “President Marcos, like any master strategist, realizes that in any game it is wise to keep one’s options open. . . . He therefore may flirt without compunction with the Third World, China, or the Soviet Union, if this suits his immediate purposes.”\textsuperscript{101} Meanwhile the Carter administration was under increasing pressure from its domestic critics for losing America’s influence in the Third World. The administration was determined not to jeopardize the Philippine bases by raising questions about the martial law regime or by evoking the regime’s human rights abuses.\textsuperscript{102} By the end of 1978 the United States and Philippines concluded an agreement, according to which the United State agreed to provide the Philippines $500 million in military aid for five-year period.\textsuperscript{103} The Carter

\textsuperscript{99} Brands. Pp. 307-8
\textsuperscript{100} Bonner. P. 253
\textsuperscript{101} Quoted in Brands. p. 310
\textsuperscript{102} Fortunately for Marcos, the Carter administration was under serious pressure at home for losing America’s strategic positions in the Third World. The administration had to content with the Soviets and their sympathizers making inroad in former American allies, such as in East Africa, Ethiopia, Nicaragua, and Iran. The administration was not about to lose the Philippines. The Soviet gains in the Third World reinforced the argument that retaining the Philippine bases would sustain an American presence in the Indian Ocean and Persian Gulf. (ibid. p. 311) One observer correctly pointed out that during the carter administration the Philippine bases “became the tail wagging the policy dog.” For a more detailed review of The Carter administration’s reluctance to criticize Marcos for human rights abuses, See Bonner. Ch. 8-11
\textsuperscript{103} Why did Marcos accept a deal promising $500 million but rejected a $1 billion deal from the Ford administration? How different were these two deals in substance? According to one Defense Department official who was involved in the negotiations during both administrations, the two deals were the same. Whereas the Ford deal included all kinds of aid (economic, military, Peace Corps, Food for Peace, etc.), the amount in the Carter deal included only military aid. The 1979 agreement reduced the size of the reservations at Clark and Subic bases without hampering American operations. It labeled the facilities “Philippines” bases, requiring that the Philippine flag fly there. The Pact specified review of the agreement every five years until 1991. Brands. p. 308-11; Bonner. Pp. 211-12
administration also pledged economic aid to the Philippines. Between 1979 and 1980, the United States provided the Philippines $155 million in economic aid and helped the Philippines to get $721 million in loans from multinational development banks.104 The Carter Administration made efforts to deliver Marcos the promised amount as the administration was well aware that if Washington, according to Brands, “failed to deliver, he doubtless would scuttle the agreement.”105

The next round of negotiations, which began in 1983, was less acrimonious and quicker than the last one. By the mid-1980s, the Philippine bases had become largely a convenience for the United States. The bases were not used as forward bases for significant U.S. Pacific forces, which were located in Hawaii and Japan.106 President Ronald Reagan, however, sought to reach an agreement as the administration perceived the Soviet presence in Southeast Asia as a threat to American interests in the region. The Reagan administration revived the idea that there was a global communist conspiracy inciting violence and unrest in the Third World, although the American embassy in Manila reported that there was no Russian connection to political violence in the Philippines.107 While American interest in the retention of the bases grew, for many Filipinos the idea that the bases did not serve the Philippines’ national interest, having the bases was an affront to the state’s sovereignty, and a possible target in a superpower confrontation persisted.108 The revived Cold War fears in Washington boded well for Marcos. Thus, the 1983 compensation agreement made a significant increase in compensation from $500 million in 1979 (for a five-year period) to $900 million for five years.109

104 P. 287
105 Brands. P. 311
107 See Brands. Pp. 316-17
109 Berry Jr.
The trade-off theory suggests that small states have a better chance of gaining large amounts of side payments from great powers when the parties have a medium level of interest divergence. As this section has shown that the alliance experienced a medium level of interest divergence during the Marcos’ martial law regime that lasted from 1973 to 1986 (see table 1). Disagreements about the relative importance of the bases to the Philippines and the degree to which the bases served Philippine national interest was a major issue between the allies. The heightened importance of the Philippine bases during the Vietnam War improved the Philippines’ bargaining leverage with the United States that boded well for Marcos. Although the United States was not prepared to leave the Philippine bases altogether as the Vietnam War was winding down, the strategic importance of the alliance as well as the bases diminished somewhat. The Philippine leader highlighted interest divergence between the allies when America’s commitment to the Philippines was uncertain in a changed political environment in Southeast Asia. In response, Marcos kept his options open: he warmed up diplomatic relations with communist countries including the Soviet Union; in addition, he hinted the willingness to let third parties use the bases in order to maximize the compensation amounts. In the end, the Philippine leader masterfully negotiated deals that ensured higher payments for the bases. The next section delves into the effects of political changes on the U.S.-Philippine alliance.

C) Political Changes in the Philippines:

The trade-off theory predicts that all else equal, leadership changes will be less likely to affect the continuity of alliances in the short run. As the analyses in the second part of this case study shows, all Philippine leaders until Marcos remained overtly loyal to American foreign policy objectives. From the 1950s to the mid-1960s the Philippine leaders’ close affinity with the United
States ensured a steady alliance relationship. Magsaysay, for example, exemplified this pattern of un-waivered loyalty to American foreign policy objectives. As historian H.W. Brands observes, “Washington and Manila have never got along better than during the years of the Magsaysay administration. . . . Magsaysay was the epitome of what Washington was looking for in an Asian leader, the model it held up for its other client countries.”

A consequence of such a close affinity (i.e. a low level of interest divergence) was that it diminished the Philippine leaders’ bargaining leverage and thus, adversely affected their ability to extract large side payments for autonomy concessions. Periodic leadership changes in the Philippines had little impact on the continuity of the alliance.

The first regime change in the Philippines occurred in 1972 when Marcos declared martial law. Like his predecessors, Marcos sought American economic and military aid to consolidate his political power at home. His terms as a democratically elected leader were mired by several internal troubles. American analysts listed the domestic hazards to Philippine stability: “land hunger in the countryside, unemployment in the cities, and the grinding poverty of the overwhelming majority of the people.”

He faced armed rebellions (for example, the Moros uprising in the late 1960s and early 1970s in Muslim populated Mindanao) and widespread dissatisfaction with the government’s failure to improve the living standard of the poor mass, which contributed to the rise of a leftist insurgency. A plausible solution to these domestic insurrections was basic reforms. However, the Filipino leadership, drawn largely from landowning families, did not feel any strong commitment to major changes in the countryside, since their family and personal interests lie in perpetuating the status quo.

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110 Brands. P. 265
111 Ibid. P. 286
112 See ibid. pp. 288-91
discontents, Marcos and his cronies fostered widespread corruption, utilized patronage and money to enrich his loyal supporters.\textsuperscript{113} As bleak economic conditions exacerbated social unrest in the Philippines, Marcos had to contend with increasing demands for change from all sectors of the society.\textsuperscript{114} In the face of multiple domestic threats to his political power, Marcos imposed martial law on September 23, 1972.\textsuperscript{115}

The theory suggests two possible outcomes as a result of a regime change. The new regime may want to disassociate itself from the policies of the previous regime and thus may terminate the alliance; or it may demand more side payments as a compensation for the maintenance of the alliance. An important condition in the latter case is the level of importance the great power attached to the continuity of the alliance. The prediction is predicated on the idea that a regime change entails a complete restructuring of the state’s political institutions and leadership. In the case of first regime change in the Philippines in 1972, while there were changes in political institutions, there was no leadership change. Thus, following the theory’s logic, we expect Marcos to maintain the alliance. The regime change made Marcos’ need for American support and aid even more urgent. The martial law regime changed the distribution of power among the Filipino elites. Since Marcos relied on the military to stay in power, military leaders became an essential part of his winning coalition at the expense of some groups in the traditional elite class. Marcos rewarded the military handsomely: appropriations for the Philippine armed forces and constabulary tripled between 1972 and 1977; the Military’s share of the GDP doubled to 2

\begin{footnotesize}
\begin{itemize}
\item 113 Ibid. P. 284
\item 114 See George M. Guthrie, ed., \textit{Six Perspectives on the Philippines} (Manila: Bookmark, 1971); Benigno S Aquino, "What's Wrong with the Philippines?," \textit{Foreign Affairs} (1968).
\item 115 Marcos justified the imposition of martial law, in Proclamation 1081 (September 22, 1972), by referring to the endemic social and political unrests caused by rural insurgencies, communist conspiracies, and a socialist agrarian reform movement. However, it is not difficult to understand that Marcos declared martial law as a way to stay in power after serving two consecutive terms as President. See Buss. Pp. 64-65
\end{itemize}
\end{footnotesize}
percent.\textsuperscript{116} American aid helped Marcos to keep his core supporters happy and allowed him maintain a strong grip on power. In the absence of a reliable source of external resources Marcos had to continue the alliance with the United States. The United States continued to support Marcos for the sake of securing uninterrupted access to the bases irrespective of the regime’s human rights violation and lack of respect for democratic values.\textsuperscript{117} As we saw in the previous section, Marcos successfully renegotiated the Bases Agreement and extracted more side payments for the bases than his predecessors. Even before the negotiations began, U.S. military aid to the Philippines almost doubled in the first three years of the martial law regime compare to the last three years before martial law: whereas U.S. military aid to the Philippines from 1970 to 1972 totaled $60.2 million, the amount increased to $118.7 million during the 1973-1975 period.\textsuperscript{118}

The regime’s hold on power began to slip during the early 1980s. Armed insurrections, economic recession, and rampant corruption at various levels of government weakened Marcos’ authoritarian regime.\textsuperscript{119} More and more members of the elite who were deprived of being part of Marcos’ winning coalition resented the monopolization of power and profit-making opportunities by Marcos and his cronies. Finally, the assassination of Philippine opposition leader Benigno Aquino in August 1983 upended the regime’s hold on power as an anti-regime uprising (known as

\textsuperscript{116} Brands. P. 301 and 314
\textsuperscript{117} Both the Carter and the Reagan administration consistently supported Marcos until his resignation. The Reagan officials argued that Marcos must be “reassured, cultivated and maintained in power”; criticizing Marcos would weaken the regime and a weakened regime would in turn weaken the American position in the Philippines. A successor democratic regime could hardly be better for the U.S. security and economic interests in the Philippines. Ibid. p. 321. For a similar view see also Jeane Kirkpatrick, “Our Interests in the Philippines,” \textit{Chicago Tribune} December 15, 1985.\textsuperscript{118}
\textsuperscript{118} Youngblood.
\textsuperscript{119} The brutal oppression of the masses at the hands of the military, martial law eliminated the “safety valve” of legitimate dissent. As the moderate political opposition was weakened, the leftist and communist forces gained greater credibility as a militant anti-government organizations taking on the regime. See Brands. P. 316. Also see William H Overholt, "The Rise and Fall of Ferdinand Marcos," \textit{Asian Survey} 26, no. 11 (1986).
the “People’s Power”) forced Marcos to resign in 1986 that led to the second regime change in the Philippines.

While Marcos played the quid pro quo game with the United States very well by using the bases as a lever, his successor, Corazon Aquino, who was elected president in 1986, faced a different set of political constraints. Aquino elevated herself as the antithesis of Marcos and faced strong pressure, emanating from a broad coalition of the people, to distance herself from the Marcos policy including American presence in the Islands. Aquino stated on many occasions that she would respect the terms of the MBA until 1991, but after that she wanted to “keep her options open” regarding the future of the bases. The Philippine leader sought large amounts of side payments from the United States to show her large winning coalition the benefit of maintaining the bases agreement. Aquino’s preference for a large side payments is consistent with the trade-off theory’s logic that the new leadership in the aftermath of a regime change in small states may demand a large amount of side payments as compensation for the maintenance of the alliance. The United States in this instance, however, was not willing to pay large compensation for the bases.

The degree of interest divergence remained at the medium level after the regime change in 1986 (see table 1). One of the contending issues was Aquino’s handling of rebel groups in the Philippines. While the Reagan administration wanted the Aquino government to take a hardline approach to fighting the communist insurgency in the Philippines, President Aquino sought to pursue reconciliation with the rebels. Another source of diverging interests was the

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120 See Berry Jr.; Brands. P. 341
121 American officials hinted that new American aid would depend on a hard line against the communist insurgents. The Philippines received a $200 million package of economic and military aid; in addition, the Reagan administration successfully arranged the Philippines’ creditors to reschedule repayment of the country’s foreign debt, worth more than $13 billion. Aquino took military actions to defeat the insurgency much to the satisfaction of the United States. See . P. 341-42
understanding among the Filipinos that the alliance no longer serve Philippine national interests. It was a commonly held belief among many Filipinos that the United States was not paying enough for the bases. The negotiation that commenced in 1987 over the compensation amount broke down at the initial stage because the U.S. offer was deemed inadequate. The Philippine Secretary of Foreign Affairs, Raul Manglapus, made the familiar complaint that the United States was not paying as much as it should for the use of the bases. He argued that the bases served only American (not Philippine) national interests since the Philippines did not confront any credible external security threat. Therefore, the United States should be willing to pay a sufficient amount of compensation for the bases. Some Philippine officials also proposed a debt-for bases swap: The United States would pay the Philippines’ foreign debt, which totaled $30 billion, in exchange for the continued access to the bases. As the Cold War was coming to an end, the United States did not consider the Philippine bases worth paying large amounts of side payments. In response to the demand for more rents, American officials made it clear that if pressed the United States might go somewhere else.\textsuperscript{122} Moreover, they wanted to have some assurances that the United States would continue to have access to the bases after 1991—a pledge that President Aquino was not willing to make. U.S. Defense Department officials have scrambled to find alternatives. None of the proposed sites, including Singapore and Japan, seem to offer Subic’s advantages, which include huge deep-water facilities and access to the strategic waters of the South China Sea.\textsuperscript{123}

The United States and the Philippines reached a tentative deal in October 1988 under which the United States agreed to pay $962 million for the use of the bases for two years. A long round of negotiation then followed for a new bases agreement. After nearly eleven months of

\textsuperscript{122} Ibid.
negotiations, a new base agreement, the Treaty of Friendship, Cooperation, and Security (TFCS), was signed in June 1991 that required approval from the Philippine Senate. The new deal stipulated that the United States would phase out Clark and Subic bases over ten years and in return, the Philippines would receive $203 million annually in compensation for the bases.\(^{124}\) The debate among Filipinos over the compensation amount continued to focus on whether the bases served the Philippine interests. The Philippine leaders did not share America’s post-Cold War security concerns. They did not see any immediate external threat to the Philippines and threats coming from internal sources could not be addressed by the U.S. military presence in the country. To the Aquino administration, the post-Cold war alliance with the United States would require increased level of military and economic aid that could soothe domestic opposition to the American military presence and would entice the Philippine Senate to ratify the new base agreements.\(^{125}\) Meanwhile the eruption of the Pinatubo volcano in the spring of 1991 covered the Clark base with ash to the extent that the United States decided to drop the base from the deal.\(^{126}\) Now, the Philippine demand for a large compensation amount was indeed deemed excessive by the United States.

Finally, after passionate debate, the Philippine Senate, on September 16, 1991, rejected the agreement (TFCS). Many analysts suggested that the Senate decision was driven by a nationalist sentiment; the bases were considered a “vestige of colonialism and an affront to Philippine sovereignty” and the decision was a call for ending a relationship of “crippling dependence” with the United States. Another contributing factor was the U.S. refusal to guarantee that no nuclear weapons would pass through the base.\(^{127}\) The Senate vote also reflected the view that the

\(^{126}\) Brands. P. 344
\(^{127}\) Sanger.
compensation package was too small. The U.S. offer of $203 million a year was far less than the amount the Filipinos had sought. The United States never raised the compensation amount.\footnote{Philip Shenon, "Philippine Senate Votes to Reject U.S. Base Renewal," ibid. September 16, 1991.} Although Aquino supported the treaty, she had to go with the Senate in the face of an impeachment threat from the opposition. The Philippine senate decision forced the U.S. to withdraw from the Subic Naval Base by the end of 1992.\footnote{Brands. P. 344} The United States, as expected, reduced economic and military aid to the Philippines by 60 percent for the fiscal year 1992.\footnote{As a result, the Philippine government was unable to replace the $200 million that the United States provided annually in military assistance until 1991, which covered about 67 percent of the AFP’s acquisition and maintenance costs. Castro.} In addition, military relations between the U.S. and the Philippines were downscaled substantially: port visits by the U.S. Navy were discontinued in 1996, and no joint military exercises were conducted in Philippine territory.\footnote{Richard Fisher, "Rebuilding the U.S.-Philippine Alliance,” Heritage Foundation, http://thf_media.s3.amazonaws.com/1999/pdf/bg1255.pdf.} The U.S.-Philippines alliance was not terminated after the closure of American bases in the Philippines. But it lacked any significance in the bilateral relations and remained this way throughout the 1990s.

Thus, to sum up, leadership changes in the Philippines had few or no effects on the continuity and tightness of the alliance. Throughout the 1950s and the 1960s, regular leadership changes did not harm the alliance tightness. The alliance remained steady after the first regime change in 1972 when Marcos imposed martial law. The martial law regime received more aid than before (See figure 1 and 3). Following the second regime change in 1987 (when the Philippines returned to democratic institutions), the effort to negotiate an agreement on the bases collapsed. The U.S. offer (compensation) for the bases was considered inadequate. President Aquino, who, unlike Marcos, relied on a large coalition, had to give in to the nationalist sentiment that opposed
the continuation of the U.S. bases. For the United States, the Philippine demands, including large compensation for the bases, was considered too costly. The Philippine Senate decision caused strains in the alliance and the eventual eviction of the United States from the Philippine. The alliance became a moribund affair between the United States and the Philippines.

**D) The Revival of a Moribund Alliance**

The South China Sea dispute and the global War on Terror facilitated a gradual revival of the U.S.-Philippines security relations. The Chinese military construction projects on the Mischief Reef in the mid-1990s were interpreted in the Philippines as a sign of China’s expansionist and hegemonic designs in the South China Sea.\(^{132}\) Philippine officials, given the state’s lack of resources to modernize the ill-equipped AFP (Armed Forces of the Philippines), considered a revived alliance with the U.S. as a hedge against possible conflicts with China over the Spratly Islands. They sought to revitalize the security ties with the United States that would bring in an increased level of military aid.\(^{133}\) For the United States, the usefulness of a revived U.S.-Philippine security ties stemmed from two motives: a) the Philippines might play a useful role in a possible containment strategy against China in the future, and b) the Philippines’ cooperation could strengthen U.S. effort to fight terrorism in Southeast Asia.

Competing claims over the Spratlys in the South China Sea have been made for decades. The U.S. reluctance to support the Philippine claims to most of the Spratly islands had been a

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\(^{132}\) China’s “provocations” included its enactment of the Territorial Law of the Sea in 1992 (which claimed jurisdiction over territorial and maritime areas of the Paracel and Spratly Islands), the construction of a Chinese military outpost on Mischief Reef (inside the Philippine-claimed areas) in 1995, the dispatch of Chinese naval vessels near Reef in 1997, etc. see Castro; "The Us-Philippine Alliance: An Evolving Hedge against an Emerging China Challenge," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 31, no. 3 (2009).

contentious issue in the alliance since the 1970s. In the 1990s, the key U.S. security interests in Southeast Asia were preserving freedom of navigation and protecting sea lanes of communications, and preventing instability in the region. American policymakers were concerned that the dispute in the South China Sea might incite historical antagonism among various Southeast Asian states that might led to an unstable regional order. Although the United States has not taken a belligerent stand (vis-à-vis China) in the South China Sea dispute, American defense planners saw China’s projection of power in the region with alarm and found the Philippines’ interest in improving ties with the U.S. appealing. The United States sought a rotational deployment of American forces in the islands that would allow for an improved infrastructure to enable the rapid start of operations in a future crisis in the region. Thus, in February 1998, the United States and the Philippines signed the Visiting Forces Agreement (VFA), which was followed by the resumption of American military aid to the Philippines.

External threat-centric explanations of changes in the U.S.-Philippine alliance posit that the alliance became dormant in the 1990s because of the disappearance of the Soviet threat after the end of the Cold War; the alliance was revived in 1999 because of China’s provocations in the

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134 In 1971 the Philippines had claimed sovereignty over the islands in the South China Sea and garrisoned eight of them. Vietnam and Malaysia made rival claims over the islands in the 1970s. In 1987 China, which had claimed the island groups as early as 1951, begun to occupy some submerged features and erected military observation posts on Mischief Reef in the Spratly group in the 1990s. For more, see Leszek Buszynski, "Realism, Institutionalism, and Philippine Security," *Asian survey: a monthly review of contemporary Asian studies* Asian survey 42, no. 3 (2002); David Chan-oong Kang, *China Rising: Peace, Power, and Order in East Asia* (Columbia University Press, 2007), pp. 136-37; Austin.


138 See Domingo Siazon Jr, "Challenges and Opportunities for Rp-Us Relations in the 21st Century."
South China Sea. However, some observers suggest that these explanations are inadequate. They point out that Mischief Reef is not closer to the Philippines than several islands in the Spratlys that China had previously occupied, and that China had regularly contested the Philippine claims in the South China Sea in the previous decades. Thus, China’s actions in the 1990s hardly constituted a new security threat to the Philippines. These observers have argued that the Philippine government portrayed China as a threat in order to induce public support for revitalizing the security ties with the United States. The idea that China’s rise is being perceived as a security threat that has evoked the Philippines to engage in balancing behavior is not as clear as the proponents suggest. A better assessment would be that the Philippines, like other countries in Southeast Asia, has been engaged in a strategy of accommodating China and benefit from China’s growing economic power while maintaining good relations with the United States. Both in bilateral and multilateral (ASEAN) settings, China and the Philippines have maintained diplomatic

140 Greg Austin points out that "some tens of men, in a tiny bunker on a submerged reef in the middle of the ocean, hundreds of kilometers from any substantial habitation and more than thousand kilometers from the nearest Chinese air cover, could not represent much of a threat. . . . China’s record in the South China Sea is little different from that of other countries.” See Greg Austin, *China’s Ocean Frontier: International Law, Military Force, and National Development* (St. Leonards, NSW, Australia: Australian National University, Canberra, 1998).; "Unwanted Entanglement: The Philippines’ Spratly Policy as a Case Study in Conflict Enhancement?."; Doug Bandow, "Instability in the Philippines: A Case Study for U.S. Disengagement," Cato Institute, http://www.cato.org/publications/foreign-policy-briefing/instability-philippines-case-study-us-disengagement. 
efforts to address the Spratly Islands issue. The Philippines has benefited from its rapidly improving economic relations (in bilateral trade and investment) with China.

Getting the Philippine cooperation in the War on Terror gave a second impetus to improving the bilateral ties. Alarmed by suspected links between Abu-Sayyaf, an organization based in the Philippines, and other militant organizations, the United States deemed it important to support the Philippine in its own campaign against the Islamists groups. The Philippines became one of the first Asian states to declare support for the U.S. War on Terror. Philippine President Gloria Macapagal Arroyo offered the United States access to the Philippine bases for possible military operations. The United States and the Philippines signed a Military Logistics and Support Agreement (MLSA) that allowed the United States to use the Philippines as a supply base for military and made the Philippines an important partner in the U.S. War on Terror in Southeast Asia. Since joining the U.S. War on Terror, the Philippines received increasing level of aid from the United States including a training package for the AFP, delivery of military equipment, and the creation of a new bilateral defense consultative mechanism. U.S. aid to Philippines increased tenfold from $1.9 million in 2001 to $19 million in fiscal year 2002. In 2002 the United States deployed 1200 U.S. troops, as military advisors to the AFP, directed at fighting al-Qaeda affiliated organizations in the Philippines. Unlike U.S. forward deployment during the Cold War, the recent deployment was limited in ambitions in that U.S. troops were to assist the Philippine government

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143 Andreas W Daum, Lloyd C Gardner, and Wilfried Mausbach, America, the Vietnam War, and the World: Comparative and International Perspectives (Cambridge University Press, 2003).
144 Kang. P. 138
to neutralize and defeat terrorist organizations. In addition to military aid, the Philippine leader secured an attractive trade and investment package worth approximately $1 billion from the United States in November 2001. U.S. aid served an important political purpose for the Philippine leader. The military gained access to needed arms and equipment. U.S. military aid helped the Arroyo regime to improve its relations with the military, an important constituency in Philippine politics.

The U.S.-Philippines alliance was revived from its dormant status in the 1990s since the Philippines joined the anti-terrorism campaign. The level of divergent interests during the revival phase (2001-2010) can be characterized as ranging from low to medium. Although the bilateral relationship improve vastly since 2001, it was not without constraints. The Arroyo government faced fierce domestic opposition against the signing of the MLSA and even impeachment threat from congressional opposition for the possible deployment of 3000 American combat troops to the Philippines in 2003. Despite her support for “the Coalition of the Willing” (set of countries that supported U.S. war effort in Iraq), the war was so unpopular in the Philippines that the Arroyo administration could not send forces to Iraq. Another source of disagreement between the parties was the inclusion of the Moro Islamic Liberation Front (MILF), based in Mindanao (the second largest and southernmost major island in the Philippines), into the U.S. State Department’s list of Foreign Terrorist Organizations. The Philippine government feared that the inclusion of the MILF into the list would derail its peace building efforts with the group. These domestic constrains made it difficult for a democratic leader like Arroyo to make concessions or to cooperate with the

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150 Ibid.; Kang. P. 140
United States on unpopular issues/policies. Thus, a new-found role of the Philippines on the U.S. War on Terror and a low to modest level of divergent interests allowed the Philippine leader to gain some attention in Washington and to receive more aid than the last few years. It should be noted, however, since the focus of the War on Terror has been in South Asia and in the Middle East, the Philippines received a relatively small amount of U.S. aid compare to, for example, the amount Pakistan received after 2001.

D) Reviewing Theoretical Expectations and Aid Flows

Table 5.1 summarizes theoretical expectations between interest divergence and the amount of side payments during the maintenance phase of the U.S.-Philippines alliance. It explains the causes of interest divergence and the effect of such variations on the amount of side payments the Philippines received from the United States.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Measuring the level of DI</th>
<th>Negotiations (if any)</th>
<th>Predicted amount of SP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-1965</td>
<td>Low</td>
<td></td>
<td>Decrease/No SP</td>
</tr>
<tr>
<td></td>
<td>- The continuation of the bases (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Philippine support for American interests in the region (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1966-1972</td>
<td>Low</td>
<td></td>
<td>Decrease/No SP</td>
</tr>
<tr>
<td></td>
<td>- The continuation of the bases (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Philippine Support for the Vietnam War (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1973-1986</td>
<td>Medium</td>
<td></td>
<td>Increase/Large</td>
</tr>
<tr>
<td></td>
<td>- The continuation of the bases (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The Philippines' relations with communist countries (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Disagreement over the importance of having U.S. bases in the Philippines (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Modification of the bases agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Negotiations successful</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. The U.S.-Philippines Alliance

<table>
<thead>
<tr>
<th>Period</th>
<th>Level</th>
<th>Events</th>
<th>Side Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-1964</td>
<td>Medium</td>
<td>Relative importance of the bases to the U.S. and the Philippines; renewal of the bases agreement (·)</td>
<td>Renewal of the bases agreement</td>
</tr>
<tr>
<td>1987-1992</td>
<td></td>
<td>Some disagreement about how to deal with the communist insurgency in the Philippines (·)</td>
<td>· Negotiations successful (but the Philippine Senate rejected the agreement)</td>
</tr>
<tr>
<td>1993-2000</td>
<td>Low</td>
<td>The United States withdrew its bases and dormant bilateral relations (·)</td>
<td>Decrease/No SP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shared interest between the parties over the South China Sea dispute (+)</td>
<td></td>
</tr>
<tr>
<td>2001-2010</td>
<td>Low/High</td>
<td>The Philippines’ support for the War on Terror (+)</td>
<td>Increase (modest)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public opposition in the Philippines against the deployment of U.S. forces to the Islands (and against the Iraq War) (·)</td>
<td></td>
</tr>
</tbody>
</table>

(2) The hypothesis predicts that a) when the level of DI is very low, small amounts of SD are expected; b) when the level of DI is very high, very large amounts of SP (for a successful negotiation) or no SP (for an unsuccessful negotiation) are expected; and c) when the level of DI is in the medium range, large amounts of SP are expected.

+/- Signs reflect the positive or negative effects of the issues on the bilateral relations.

The theory predicts that when the level of divergent interests is very low (i.e. a high degree of shared interests), the small state is likely to receive a small amount of side payments. When the level of divergent interests was in the medium range, the amounts of side payments are expected to be large. Unlike the Pakistan case, the U.S.-Philippines alliance did not suffer from a high level of divergent interests (that is, a high level of conflicting interests). The United States and the Philippines had a very low level of divergent interests during multiple periods that adversely affected the Philippine leaders’ ability to extract large amounts of side payments.
As we see in Figure 5.3 (which shows percentage change in U.S. aid to the Philippine during the maintenance phase of the alliance\textsuperscript{152}) the relationship between the degree of divergent interests and changes in American aid to the Philippines are consistent with the hypotheses. During the three periods, 1956-1965\textsuperscript{153}, 1966-1972, and 1993-2000, when the level of divergent interests was low, the amounts of side payments to Philippines dropped compared to other periods. However, when Marcos was in power, (from 1966-1986, both as an elected leader and as an authoritarian dictator), the level of divergent interests can be characterized as ranging from low to

\textsuperscript{152} The aid data (from 1947-2010) are organized into periods. In each period, the figure shows, percentage change in average amount of U.S. aid from the previous period.

\textsuperscript{153} According to the analysis presented in Figure 3, during the period 1956-1965 there was a 48% decrease in average aid from the previous period, 1947-1955. As mentioned before (see page 23), the United States provided the Philippines with large sums of aid (not related to bases or the alliance agreement) for war rehabilitation purposes as well as payments for Philippine veterans from 1947 to 1955. During this period, the Philippines received an average of $123 million. The average aid level dropped to $64.4 million during 1956-1965. The aid level further dropped to $58 million in the next period, 1966-72. Thus, it is plausible to question the change in aid (-48\%) during 1956-1965 because there were rehabilitation related payments in the previous years. Note that change in aid for the next period, 1966-72, is consistent with the hypothesis.
medium. Marcos was able to obtain more side payments from the United States than his predecessors.

**Conclusion**

This chapter tests the trade-off theory’s hypotheses about the formation and maintenance of the U.S.-Philippines alliance. The theory predicts that 1) threats to the Philippine leaders’ political survival led them to form an alliance with the United States; 2) having divergent interests between prospective allies increased the likelihood that side payments were used to cement the alliance. Regarding the maintenance phase of the alliance, the theory predicts that 3) the amount of side payments the United States provided to the Philippines was a function of the level of divergence interests between the parties: i) when the degree of divergent interests was very low (that is, parties shared a high degree of mutual interests), small amounts of side payments were necessary to maintain the alliance; ii) when the level of divergent interests was very high, the Philippines was expected to receive no side payments (for an unsuccessful negotiation) or a very large amount of side payments (for a successful negotiation); and, iii) when the level of divergent interests was in the medium range (not very low or very high), large amounts of side payments were more likely to be used to maintain the alliance; 4) all else equal, a regime change in the Philippines is expected to cause one of the following outcomes: i) the new regime may terminate the existing alliance or ii) the alliance would remain intact in exchange for an increased level of side payments; and 5) leadership changes in the Philippines were less likely to lead to the termination of an asymmetric alliance. The findings in this chapter are consistent with the above mentioned hypotheses.
The Philippine leaders formed an alliance with the United States to enhance their domestic political survival. In the immediate aftermath of World War II the Philippines did not face any external threats. The Philippine elites, however, had to counter a number of domestic threats. As explained in the first section of this chapter, the Philippine leaders needed to reengage the United States in the Islands to counter domestic threats to their political survival. They sought an alliance with the United States. America’s strategic interests in the Islands had evolved from a relative indifference in the late 1940s, when the detailed outline of the Cold war in Asia Pacific had not been drawn, to a heightened importance of the bases in the 1950s. For the Philippine elite, the alliance with the United States gave them access to its sugar market and the military aid to ensure that they maintained their power against the marginalized mass who posed a threat to the status quo. A primary source of domestic threat to the Philippine elite came from the Huk insurgency whose rank and file consisted of poor peasants and from other lower classes. They joined the insurgency not necessarily to impose an ideology, but to force the government to make economic reforms. Thanks to American aid, the Philippine ruling elites were able to defeat the insurgency and secured their political survival, at least in the short run.

American interests in the alliance had been dominated by the maintenance of the Philippine bases. As Paul Wolfowitz, Assistant Secretary of State, said, “Our relationship with the Philippines is dominated by our interest in the maintenance of unhampered use of our military facilities at Subic and Clark . . . These facilities are essential for our strategic posture in the Far East as well as the Indian Ocean areas.” Although critics charged that the presence of U.S. military bases impaired Philippine sovereignty and the Philippines had become a pawn in the U.S. global game,

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154 Brands. P. 318
155 Quoted in ibid. P. 321
the Philippine leaders traded the bases for much needed economic and military aid from the United States. Hosting American bases had some important economic benefits for the Philippines. In addition to the compensation, the bases produced some positive externalities for the Philippine economy. For example, the bases contributed more than $200 million annually to the Philippine economy.\(^\text{157}\) According to some estimates, by the 1980s, the U.S. bases contributed as much as 3-4% of GDP.\(^\text{158}\) For the United States, the bases and alliance agreements were concluded on attractive terms: as a result of a high degree of interest convergence and a much willing Philippine leadership, the alliance (including the basing rights) cost very little to the United States. The Philippine leaders, for decades complained about the compensation amount for the bases. As American diplomat Francis T. Underhill summarized the Filipino sentiment in the 1970s: “The Filipinos have long since persuaded themselves that bases serve only U.S. interests and that their generous acceptance of a serious abridgement of their sovereignty has been inadequately recognized and shabbily rewarded.”\(^\text{159}\)

The Chapter traces the relationship between the level of divergent interests the parties had in the alliance and the amount of side payments the Philippines received for its concessions on autonomy. During the formative years of the alliance (1947-1954), the Philippines received smaller amounts of side payments for the bases than other countries with the similar level of concessions. This outcome is consistent with the trade-off theory’s prediction that when parities have a low level of divergent interests, a small amount of side payments is needed to compensate for the small state’s autonomy concessions. The Philippine leaders were much too willing to grant the United States the basing rights to strike a hard bargain and to extract large amounts of side payments.

\(^\text{157}\) According to Raymond Bonner, some 43,000 Filipinos earned their living working on the bases and tens of thousands more benefitted indirectly by the American bases. Bonner. P. 220


\(^\text{159}\) Quoted in Bonner. P. 214
payments. The chapter shows that during several periods of the maintenance phase of the alliance—1956-1965, 1966-1972, and 1993-2000—the level of divergent interests was low. As a result, as the trade-off theory suggests, the Philippines received a small amount of side payments (See figure 3). A low level of divergent interests adversely affected the Philippine leaders’ ability to obtain a large amounts of side payments until American involvement in Vietnam intensified in the late 1960s and Marcos hardened his bargaining strategies vis-à-vis the United States. During the martial law regime of Marcos (1973-1986) the level of divergent interests increased to a medium level which enabled Marcos to bargain harder and obtain large amounts of side payments from the United States. As Brands explains, Marcos “clearly considered the United States primarily a cow to be milked for whatever it was worth . . . the relationship between the two countries was much more a business proposition than before.”

Leadership changes in the Philippines had few or no effects on the continuity and cohesion of the alliance. Throughout the 1950s and the 1960s, regular leadership changes did not harm the alliance tightness. The alliance remained steady after the first regime change in 1972 when Marcos turned the Philippine democracy into an authoritarian dictatorship. The Philippines under the Marcos’ martial law regime received more side payments than before (See figure 1). Following the second regime change in 1987 (when the Philippines became a democracy again), disagreements between the parties about whether the U.S. bases served Philippine national interests and the rise of nationalist sentiment in the Philippines led to the eventual eviction of the United States from the Philippine bases. We expected that the new democratic regime of Aquino would demand a higher price for maintaining the existing terms of the alliance or the regime change might lead to the termination of the alliance. We saw in this chapter that the Aquino

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160 Brands. P. 346
government demanded a higher amount of compensation for the bases. The United States, however, refused to raise the compensation amount. The failure in the negotiation and the subsequent termination of the bases agreement significantly affected the cohesion and the tightness of the alliance.

Although the alliance remained dormant in the 1990s, The Philippines support for the War on Terror and the evolving dispute in the South China Sea offer promising signs of renewed cooperation and the revival of the alliance. In light of the recent Chinese activities in the South China Sea areas, the Philippine leadership is seeking American military aid to boost their defense capabilities.\(^{161}\) The United States perceived a revitalized security relation with the Philippines would provide an added basing infrastructure for any future contingencies in the region.\(^{162}\) Thus, the United States signed the Enhanced Defense Cooperation Agreement in April 2014 with the Philippines. Under the agreement, the U.S. military will enjoy greater access to bases across the Philippines archipelago for a 10-year term and would allow the U.S. Navy greater operational flexibility in the South China Sea.\(^{163}\) America’s renewed focus on Asia including the new agreement with the Philippines is part of a strategy known as “the Pivot” (or Pivot to Asia).\(^{164}\)

\(^{161}\) Siddharth a Mahanta, "The Philippines to the United States: We Want You Back," (June 1, 2015), https://foreignpolicy.com/2015/06/01/philippines-china-military-carter/.


Like many parts of the Third World, the Horn of Africa became a fertile ground for proxy wars among various local and regional forces supported by the Cold War rivals. The Horn’s geography and its proximity to the oil-rich Middle East, a part of the Gulf of Aden and the Indian Ocean—vital for trade and the supply of oil to the world market—made the region strategically important to the contending superpowers’ geo-political interests.¹ Both the United States and the Soviet Union invested heavily in their respective allies—the United States in Ethiopia and the Soviet Union in Somalia—in the 1960s. However, Ethiopia and Somalia switched sides and realigned by the late 1970s and the early 1980s respectively. The purpose of the chapter is to provide an explanation of why small states realign. By using realignment cases in the Horn of Africa, the chapter argues that small states’ realignment is a function of leaders’ calculation about expected future benefits from realignment vis-à-vis the existing alliance. Leaders are more likely to realign when they expect to gain more side payments from realignment than the current level of side payments from the existing alliance.

Regional political dynamics combined with its strategic location turned the Horn into a focus of international diplomacy during the Cold War. The Horn’s two primary actors, Ethiopia and Somalia, were in conflict over territories and disputed borders. Soon after independence in 1960, Somalia pursued its historic claims over the Ogaden province of Ethiopia in order to unify the province’s majority ethnic Somali population under one greater Somalia. Whereas Somalia’s claims on the territory were based on a strong sense of Somali nationalism, Ethiopia’s claims were based on its emperors’ long-held suzerainty on the territories and on boundary agreements with the European powers. Somalia’s territorial claims spread beyond the Ogaden territory. According to David Laitin, the Somalis had multi-irredentist claims (symbolized by five stars on the state’s flag and three of these stars (regions) were “unredeemed”): North-eastern province of Kenya, the Ogaden province of Ethiopia, and the French territory of Afars and Issas (Djibouti). These competing claims and local disputes became a source of international tensions as both superpowers supported rival forces as a means to preserve their interests in the Horn of Africa.

From 1953 to 1977 the United States was Ethiopia’s primary external ally and a major source of economic and military aid. During this period the United States gave Ethiopia approximately $300 million in military aid and $350 million in economic aid. In the 1960s, Ethiopia was the location of the largest American economic and military assistance program and largest embassy in Sub Saharan Africa. Ethiopia, in turn, served as a loyal American ally in

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5 David, Choosing Sides: Alignment and Realignment in the Third World. P. 99
Africa. However, by 1977 the U.S.-Ethiopian alliance came to an end and Ethiopia realigned with the Soviet Union. Somalia, a loyal ally of the Soviet Union throughout the 1960s, cut its relations with the USSR and realigned with the United States in the early 1980s. One observer commented that “In terms of international relations, there had never in the post-war world been a reversal as dramatic as that which, in the course of months, transferred Somalia from almost total dependence on Russia to a situation of abject reliance on the west, and which, simultaneously, broke Ethiopia’s ties with the west and made it into the recipient of massive Soviet bloc aid. . .” How do we explain these dramatic reversals in alignment in the Horn of Africa? What prompted Ethiopia and Somalia to realign? The trade-off theory offers an explanation based on leaders’ calculation about the expected future gain from realignment.

As in the formation phase, side payments play an important role in the maintenance phase of asymmetric alliances. The trade-off theory of asymmetric alliances suggests that the amount of side payments a small state receives should be low when the degree of interest divergence between the parties is either very low or very high. In the former, since both parties have a high level of interest convergence, the small state has little or no bargaining leverage to extract a high amount of side payments from the great power. In the latter case, since the parties have a high level of interest divergence, negotiations for the existing arrangements or for new arrangements may fail: the small state may demand a higher price that the great power deems too expensive. In some cases, however, a high degree of interest divergence may allow the small state to extract a very large amount of side payments given that the great power values the ally’s cooperation highly. It

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6 By early 1970s, Ethiopia received over 80 percent of all U.S. MAP funds programmed for Africa. See Lefebvre. P. 131. Also, see Jim Hoagland and Lawrence Stern, “U.S. Aid to Ethiopia--from Emperor’s Dentist to Jets,” Washington Post May 11, 1972.

is in between the two extremes where parties can negotiate and maintain a stable trade-off arrangement: the small state receives side payments (as determined by the bargaining outcome) in exchange for its autonomy concessions to the great power.

The realignment cases in the Horn offer an opportunity to test two hypotheses proposed in this study. One hypothesis predicts the effects of regime change on the continuation of asymmetric alliances. I contend that, all else equal, a regime change in small states will cause one of the following outcomes: a) the new regime may terminate the existing alliance or b) the alliance remains intact in exchange for an increased amounts of side payments. The continuation of an asymmetric alliance is also contingent on the degree to which the great power values the alliance. If the alliance remains important to the great power, it will survive; otherwise, the alliance will be terminated. A second hypothesis predicts under what circumstances small state leaders are likely to realign. The magnitude of side payments and the availability of substitute great powers as prospective allies will affect small state leaders’ decision whether to continue or terminate the existing alliance. If there are substitute great powers who are willing to offer more (or the same volume) side payments than the small state is getting from the existing alliance and the expected costs for small states are equal to (or less than) the existing level, then the net value of realignment with another great power will increase. The small state leader, then, has an incentive to realign with another great power. Thus, I hypothesize that a small state will be likely to realign if the expected net gain from realignment outweighs the expected gain from the existing alliance.

An alternative explanation is Stephen David’s omnibalancing theory, which argues that leaders of third world countries align or realign with great powers that will do whatever is necessary to help them to stay in power. David, however, misplaces emphasis on the role of material incentives (various types of aid which I call side payments in the context of alliance
bargaining) in leaders’ alignment decisions. Although the trade-off theory’s explanation is consistent with omnibalancing as far as the objective of alignment (leaders’ domestic political survival) is concerned, the trade-off theory adds that small state realignment is an outcome of a bargaining process in which side payments play a powerful role in leaders’ realignment decisions. As we will see in the following pages, the leaders of Ethiopia and Somalia chose to realign based on a rational calculation as to which competing superpowers would provide them with more side payments, deemed necessary for their political survival. The next section provides a brief background on great powers’ involvement in the Horn of Africa followed by an analysis of the effects of regime change on the alliance. Section three and four then probe why and under what circumstances the leaders of Ethiopia and Somalia chose to realign.

I. Great Powers in the Horn of Africa, 1953-1974

The United States entered the Horn by signing a Mutual Defense Treaty with Ethiopia in 1953 that established a quid pro quo arrangement between the parties. Although the Ethiopian leader did not share American Cold War objectives, both parties perceived the Soviet Union as a threat for different reasons. In the early 1950s, the Ethiopian Emperor Haile Selassie Mariam sought to capitalize on growing U.S. fear of Soviet expansion and requested American aid. The emperor wanted to ally with a great power, preferably with the United States, that would provide him with military and economic aid in order to deter various internal and external threats. Although the emperor had the Soviet Union as an alternative, he preferred the United States for some practical and political considerations. First, Haile Selassie relied on a conservative ruling coalition (consisted of the Ethiopian nobility, the Ethiopian Coptic Church, and the military) that viewed revolutionary ideas and propaganda disruptive. The emperor, thus, feared that the semi-feudal
nature of his empire would become a fertile ground for revolutionary propaganda often supported by the Soviet government. Second, the Emperor’s desire to build a sophisticated Ethiopian army, he thought, would be possible quickly and efficiently with American help. Despite the Emperor’s declared loyalty to the West, the United States viewed Ethiopia as a lower priority than other countries in the Middle East. In order to attract American interests, the Ethiopians offered the United States the use of Kagnew communications facility. On May 22, 1953, the United States and Ethiopia signed a Mutual Defense Assistance Agreement (MDAA) and a Defense Installations Agreement (DIA). The two treaties laid the foundation for U.S.-Ethiopian alliance relations. The agreements created the basis for a quid pro quo, arms-for-base-rights exchange: the United States would provide Ethiopia with military assistance and military training, in exchange, Ethiopia would provide the United States guaranteed access to Ethiopian military installations—including a strategically important former British base at Kagnew as well as airfields and ports in the Asmara-Massawa area.

The amount of side payments was a contentious issue at the outset of the U.S.-Ethiopian alliance. Under the 1953 agreements Ethiopia received only about $5 million in military aid per

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9 Ethiopian officials used the “Northern Tier” concept, promoted by U.S. secretary State John Foster Dulles, to argue that Ethiopia should form part of a “Southern Tier”, a secondary line of defense against Communist expansion in the Middle East, that would act as a safety valve should the Northern Tier fall. However, since Ethiopia faced no communist threat and American defense strategists did not consider the state a strategically important in the global fight against Communism, the United States was reluctant to make any commitment to the Ethiopian leader. See Lefebvre. P. 64. For more on the emperor’s interests in the United States, see John H. Spencer, *Ethiopia at Bay : A Personal Account of the Haile Sellassie Years* (Algonac, Mich.: Reference Publ., 1984).
10 The location of the Kagnew base (in Eritrea) was ideal for America’s worldwide defense communications networks and serve as an intelligence gathering outpost in the region. The station transmitted radio signals back to Washington from the Middle East, Europe, North Africa, and the pacific region. The British decision to relinquish control of Eritrea forced the United States to make a permanent arrangement that would allow a reliable access to the facility. This arrangement required Ethiopia to have control over Eritrea. The United States, thus, offered American diplomatic support for a federation between Ethiopia and Eritrea. See Lefebvre. Pp. 55, 65-66. For more, see Harold G Marcus, *Ethiopia, Great Britain, and the United States, 1941-1974* (University of California Press Los Angeles, 1983); David A Korn, *Ethiopia, the United States and the Soviet Union* (Routledge, 1986). P. 1
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year, which reflected Ethiopia’s lack of importance to the United States and a source of dissatisfaction for the emperor, whose bargaining power in Washington was limited during the early years of the bilateral relations. By the late-1950s, however, Ethiopia gained in importance as a strategic location which could become valuable in the event of direct U.S. intervention in the Middle East, where the Soviet Union had gained a foothold in important strategic locations. The United States initiated negotiations with Ethiopia in 1957 for extended base rights to Ethiopian military facilities. American defense strategists deemed it necessary to solidify the 1953 arms-for-base-rights agreement. The negotiations ended in stalemate because both sides could not agree on the level of side payments. The Ethiopian demand for $10 million per year as a compensation (side payments) was deemed too costly by the United States. Emperor Haile Selassie tried to play “hard ball” and attempted to improve his bargaining position by nurturing the possibility of a defection to the Soviet Union or becoming non-aligned, both of which were considered viable in light of increasing Soviet influence in the region; either outcome would have diminished American influence in Ethiopia.

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11 Important changes in the Middle East involved Egypt’s deteriorating relations with the West over the funding of the Aswan Dam, the Suez war of 1956 and subsequent nationalization of the Suez Canal by Gamal Nasser of Egypt. By the end of 1956, the Baghdad Pact, American Middle East defense plan, appeared to be a failure. Given the administration’s preference for a larger role of the United States in the Middle East (as stipulated in the Eisenhower Doctrine, announced in January 1957), Ethiopia seemed, at least in the short run, valuable as a strategic location. Thus, the Kagnew base and extended basing rights in Ethiopia would form a part of the base network in U.S. operational plans and strategic infrastructure. See Lefebvre. P. 82

12 The threat of communist penetration in the Horn of Africa seemed possible in early 1958. The emperor’s threat of defection seemed credible when he signed a long-term, low-interest credit agreement worth $200 million with the USSR in June 1959. Additionally, by the end of the 1950s, U.S. strategic interest in Kagnew facility had expanded beyond communications and intelligence gathering operations; the base was now valued in the context of U.S. nuclear strategy vis-à-vis the Soviet Union. The Department of Defense described the base as “the most important radio facility in the world.” See ibid. Pp. 100-103.

13 Emperor Haile Selassie intended to use U.S. requests for additional military facilities as a means to extract more side payments. His asking price was $10 million in military assistance per year and U.S. help in establishing an Ethiopian Air Force. Ibid. P.78

14 The emperor’s domestic critics questioned Ethiopia’s alliance with the United States. They pointed out that during 1956 the Soviet Union provided Egypt with $450 million in military aid. Smaller states in the region such as Syria and Yemen received Soviet arms worth $60 million and 7.5 million from Moscow. These states received large amounts of aid without granting bases to the Soviet Union. Ethiopia, on the other hand, despite its consistent support of U.S.
The emperor succeeded in using the Soviet Union as a lever to force the Americans to pay more attention to his needs. The Eisenhower administration valued uninterrupted access to military installations and bases in Ethiopia. In 1958 the United States offered Ethiopia an aid package worth almost $25 million (including $14.7 million in military aid) and agreed to provide aid to the Ethiopian Air Force, a highly valued demand of the emperor. The increased amount of aid was followed by the conclusion of an executive agreement between the United States and Ethiopia on August 29, 1960 that laid out a framework for security cooperation between the two countries. In exchange for continued access to Ethiopian military facilities, the United States agreed to train and equip an Ethiopian army of 40,000 soldiers. In addition, the United States also agreed to provide about $10 million in military aid to Ethiopia annually over the next fifteen years (1961-1975)—a vastly improved level of side payments compared to about $5 million in military aid the United States gave Ethiopia annually from 1953 to 1960.15

The changes in U.S. perception of Ethiopia’s strategic importance were tied to the Kagnew communications facility. As Jeffrey A. Lefebvre observes, “American interests in Ethiopia and, many would argue, began and ended with the Kagnew communications facility.”16 In the 1950s and the 1960s the type and amount of side payments the United States was willing to pay was dependent on the degree of importance it attached to maintaining access to the Kagnew communications facility.17 As the communications and intelligence functions at the Kagnew picked up pace and expanded to include a space research project (the Stonehouse project), the United States increased side payments to Ethiopia, agreed to support the Ethiopian air force, and

15 Ibid. Pp. 94-95
17 Ibid.
to train and equip the Ethiopian national army. The linkage between the Kagnew and American side payments to Ethiopia was acknowledged by the Assistant Secretary of State for African Affairs, “If it were not for Kagnew, I would hope that our military involvement would be substantially reduced.” In the face of Ethiopia’s unease about America’s overt involvement at Kagnew, the United States compensated Ethiopia by providing the Imperial air force with F-5 aircrafts.18

In the early 1960s, a rift between Somalia and the West provided the Soviet Union an opportunity to open its account in the Horn. The Somalian leadership requested military aid from the West to expand and strengthen the state’s small military forces; but the effort was of little avail. A consortium of western countries--the United States, Italy, and West Germany--offered a small package worth $10 million and agreed to provide training for an army of 5,000-6,000 troops with an emphasis on boosting internal security.19 A disappointed Somali leadership viewed the Western offer as inadequate and thus rejected it. Somalia soon accepted a Soviet offer in October 1963, which included $30 million in military aid to expand the Somali army from 4000 to 20,000 troops and to assist in the development of an air force.20 Soviet military aid bolstered the Somali army and allowed the Soviet Union to expand its influence in the Horn of Africa. The Soviet military build-up in Somalia picked up pace by the 1970s. A military coup d’état in Somalia in October 1969 brought to power General Mohammed Siad Barre, who reinvigorated Somalia’s irredentist claims on Ethiopia and stepped up military build-up with the help of the Soviet Union.21

19 Farer. P. 258
The Soviet strategists assessed that expanding Soviet naval activities in the Indian Ocean required support facilities, which Somalia could provide. In February 1972 Soviet Union signed a military cooperation agreement with Somalia under which the Soviet Union agreed to provide Somalia with $60 million worth of military aid to upgrade and extend the Somali armed forces. In return, Somali granted the Soviet Union access rights to Somalia military facilities, including the construction of port facilities at Berbera overlooking the Red Sea.  

An increasing Soviet influence in the Horn ratcheted up the Cold War competition, which in effect enhanced the Ethiopian leader’s bargaining position vis-à-vis the United States. By early 1964 military skirmishes in the Ogaden between Somalia and Ethiopia escalated into a small-scale border war. As the United States adopted a posture of impartiality in the dispute, the Soviet Union offered to provide Ethiopia as many arms as needed and agreed to cut aid to Somalia if Ethiopia adopted a pro-Soviet policy and forced the United States to leave the Kagnew base. If the Ethiopian leader accepted the Soviet offer or chose a neutralist path, he would get Soviet military assistance and would improve his image in newly independent African states where anti-imperialist forces had a powerful role in regional politics. On the other hand, making such policy changes would definitely cost him American support and would endanger a deal involving the supersonic F-5 aircraft that the United States agreed to provide Ethiopia in 1962. American policymakers, who tended to believe in the logic of falling dominos and were concerned about the Soviet influence in the Horn, delivered the F-5s to Ethiopia (in 1966-67) and became more attentive of the Emperor’s


6. The Logic of Realignment

needs to prevent further Soviet encroachment into the region. In the final analysis, the emperor opted for the continuation of Ethiopia’s alliance with the United States.

The Ethiopian leader sought more aid from the United States to improve his threatened political position at home. The emperor’s regime was in trouble in early 1974. The global oil crisis hit the state badly: the government had serious difficulties with its balance of payments, and as a result, it cut down on expenditure at home. Many Ethiopians detested corruption and inefficiency in Haile Selassie’s administration. They blamed the emperor for the lack of a coordinated response from the government during the devastating famine of 1972-73. Moreover, The Emperor faced the Eritrean insurgency aided by the Arabs and the Soviet bloc in the north and by the Somalis, armed by the Soviet Union and Cuba, in the south and east. The Ethiopian leader needed American military assistance to strengthen the capabilities of the Ethiopian army which was already overstretched and weakened in dealing with the Eritrean insurgency. An over extended Ethiopian army left Ethiopia vulnerable to an external attack by Somalia. The Emperor requested a $450 million worth of modern military equipment from the United States in 1973. However, he failed to persuade the U.S. government to grant him such an expensive shopping list. As noted before, U.S. side payments to Ethiopia were justified by the American desire to have a continued access to the Kagnew. By the early 1970s, however, U.S. strategic dependence upon the Kagnew was on the decline because of improvement in satellite technology. The United States was phasing out the Kagnew operations by 1973 and it appeared likely that the U.S. would not renew the twenty-five

25 The Eritrean National Movement resorted to guerrilla warfare after Ethiopia dissolved the Ethiopia-Eritrea federation in 1962 and incorporated it into the Ethiopian empire.
year lease, which was scheduled to expire in 1978. The depreciation in Kagnew’s strategic values meant that the Ethiopians had very few or no valued asset to offer the United States in exchange for military aid.

Even though the utility of the Kagnew base was waning by the 1970s, the United States was still concerned about increasing Soviet naval activities in the Indian Ocean region. Of particular interest to American defense strategists was Soviet military construction activities at Somalia’s port of Berbera in 1972. The Soviet presence in the region and stepped up activities were perceived by American strategists as a threat to the western sea lines of communication (SLOCs) connecting the Middle East and South Asia with the Western world. Access to Eritrean ports of Massawa and Assab and control over Ethiopia’s Dahlak island chain was considered important in countering any threat to shipping in the Southern Red Sea and northwest part of the Indian Ocean. Secretary of Defense James Schlesinger declared in 1974, “The Horn of Africa is of particular strategic importance due to its geographical proximity to the troubled Middle East.”

The United States, thus, feared that the termination of aid programs to Ethiopia would allow the Soviet Union an opportunity to control the Horn and to threaten American interests in the region.

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II. The Effect of Regime Change

The quid pro quo relationship between the United States and Ethiopia seemed stable during the long reign of Emperor Haile Selassie. The emperor’s semi-feudal regime was toppled in 1974 by a group of military officers known as the Derg (committee), which created a Military Administrative Council (PMAC) to rule Ethiopia.31 The Derg commenced on violent purges and targeted killings of its opponents to consolidate its power. By the end of 1974 the Derg killed the nominal head of the state, General Aman Andom, for his attempt to negotiate with the Eritrean liberation movements and within three years of the coup, the original 120 in the junta were reduced in number by half. The ruling group was then taken over by Major Mengistu Haile Mariam in late 1974.32 Although the regime change marked the beginning of the end of the alliance, the correlation between the regime change and the termination of the U.S.-Ethiopian alliance does not explain whether the regime change itself was a cause of the change in the alliance.

In the absence of an alternative source of external resources, the Derg needed to maintain its ties with the United States. The Derg had to counter, as I explain in more details in the following section, numerous secessionist insurrections within Ethiopia and hostile and now militarily threatening Somalia. The Eritrean insurrection, developed slowly in the 1960s and gained momentum with the help of external support especially from the Soviet Union, became a serious threat to the Derg by 1974. Mengistu believed that his political survival was dependent on the successful handling of the Eritrean problem. The regime was facing armed conflicts of varying

degrees in each of Ethiopia’s fourteen provinces. In addition, the regime had to contend with various domestic dissident groups. The Ethiopian People’s Revolutionary Party (EPRP), a Marxist group consisted of students and Marxist intellectuals, was the most threatening among these civilian groups. Mengistu himself was a target of assassination believed to be perpetrated by the EPRP. Faced with these threats, the Derg leadership was determined to maintain America’s economic and military support until a better alternative was found to replace the United States. In the early years of the regime, the Ford administration attempted to maintain the U.S.-Ethiopian relations. This policy was predicated on the assumption that as long as the Soviet Union supported Ethiopia’s enemies, such as Somalia and insurgents in Eritrea, the new regime would not endanger its relations with the United States. Thus, the United States maintained a continuous flow of military aid to Ethiopia. In the absence of a reliable alternative, Mengistu needed American aid to counter various internal and external threats to his political power. Indeed, U.S. aid to Ethiopia increased in the early years of the Derg regime. Mengistu, however, demanded more, which for the United States was too costly a price for Ethiopia’s strategic worth. Thus, it is not necessarily the regime’s change, but a disagreement between the parties over the amount of side payments and the availability of an alternative (to the United States) that explain Ethiopia’s realignment.

34Ibid. P. 112
35Indeed, both the American government and the Derg officials initially expressed their interest in maintaining the alliance. Regarding the possibility of a defection to the USSR, one Ethiopian government source maintained that “We may be moving to the left but this does not necessarily mean closer to the Soviet Union.” Alvin Shuster, “Strife in Ethiopia Strains Military Rule,” The New York Times March 7, 1976.
36Brent Scowcroft, Kissinger’s chief military aide, regarded Ethiopia as one of the six countries that should receive increased amount of military aid, especially after the fall of American supported regimes in Indochina. Secretary of State Henry Kissinger intervened repeatedly to maintain the flow of U.S. aid to the Derg. see Westad. P. 260
The regime change in Somalia in 1969 had little adverse effects on the state’s existing alignment with the Soviet Union. Somalia’s democratic governments led by President Abdirashid Shermarke and Prime Minister Ibrahim Egal (who were elected in 1967 and reelected in 1969) seemed friendly toward the West. The Somalian leaders, however, were disappointed by the limited offer made by the United States and other western countries to their request for military aid. Somalia turned to the Soviet Union and accepted a more generous offer from the Soviets. The new regime under Mohammed Siad Barre, who seized power in a military coup on October 21, 1969, strengthened Somalia’s ties with the Soviet Union.37 The bilateral relationship reached its height when both parties signed a Treaty of Friendship and Cooperation in 1974 and Somalia started to receive more Soviet arms and equipment than ever before.

Siad Barre’s decision to strengthen ties with the Soviet Union was led by internal rather than external threats to his political power. Ethiopia, Somalia’s primary external enemy, at that point could not pose a military threat to Somalia. In 1974 the Ethiopian regime was in disarray, trying to recoup from multiple threats to its existence. Barre’s decision was a result of his need to maintain the support of the winning coalition, which was shaped by Somalia’s clan politics. Barre was dependent on the support of certain clans, who were located near the Ethiopian-Somalian border and wanted Barre to gain control over the Ethiopian controlled Ogaden territory, occupied by ethnic Somalis. Since these clans gained in importance in the government and constituted Barre’s crucial power base, he had to respond to the clans’ irredentist demands.38 To achieve this

38 Somalia’s irredentist foreign policy—reuniting all ethnic Somalis under the banner of a “greater Somalia” was directly tied to internal clan politics in Somalia. For more on this see David, Choosing Sides: Alignment and Realignment in the Third World. Pp. 101-102; For more, see Marina Ottaway, Soviet and American Influence in the Horn of Africa (Praeger Publishers, 1982); Christopher S Clapham, Third World Politics: An Introduction (Univ of Wisconsin Press, 1985).p. 154; Ioan M Lewis, Blood and Bone: The Call of Kinship in Somali Society (The Red Sea Press, 1994).
objective, Barre needed external support to strengthen Somalia’s armed forces and the Soviet Union was a willing great power, prepared to satisfy Barre’s needs. Thus, the regime change in 1969 strengthen Somalia’s alliance relations with the Soviet Union.

One alternative explanation of why regime changes in Somalia (1969) and Ethiopia (1974) were followed by the strengthening of the Soviet-Somalian ties and a deterioration of the U.S.-Ethiopian relations is perhaps the new regimes’ ideological affinities with the Soviet Union. Ideology, however, had limited effects on these changes. Although Siad Barre of Somalia proclaimed his adherence to “scientific socialism,” the regime’s actions did not support Barre’s claims. He did little to change Somalia’s political structures. He joined the Arab League and maintained ties with conservative Arab states, who were regarded as hostile toward Communism and the Soviet Union. Thus, according to David, “From the very beginning of his relationship with the USSR, Siad’s pragmatism and nationalism appeared to guide him much more than allegiance to Marxism-Leninism.”

Similarly, ideology explains very little as to why the U.S.-Ethiopian relations deteriorated after Mengistu came to power. There was no single ideology dominant among the officers of the Derg. The military junta was divided into liberals and radicals. Ideological battles ensued on major policy issues and disputes were settled through violent means. When Mengistu’s faction came out victorious, he did not make any commitment to change Ethiopia in accordance with Marxism-Leninism. Like any leaders, Mengistu’s actions were intended to strengthen his hold on power. To this end, he brutally oppressed Marxists followers and other leftist dissidents. Mengistu refused to form a civilian political party in Marxist

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39 David, Choosing Sides: Alignment and Realignment in the Third World. P. 101
40 Schwab.
mold lest it turned against his political power. He accepted U.S. military and economic aid for three years after taking power and broke ties with the United States only when he found a better deal from the USSR. These patterns of behavior are inconsistent with a leader with strong ideological convictions.

III. Ethiopia’s Realignment: Mengistu’s Search for a Better Alternative

The United States did not initially oppose the Derg. American policy makers did not oppose the regime’s domestic goals and maintained a policy of non-interference in Ethiopia’s domestic politics. The Mutual defense Treaty between Ethiopia and the United States continued to be in effect and the American base in Kagne remained operational. Following the overthrow of Emperor Haile Selassie, the new regime secured more military and economic aid from the United States than did the previous regime. American military aid during the Haile Selassie’s last years had been held to about $10 million per year. In the summer of 1974, the United States approved a military aid program worth about $100 million. Steven David notes that despite this record level of aid, the new leader Mengistu Haile Mariam choose to realign with the Soviet Union at the expense of the United States. If side payments were an important factor for Mengistu’s decision to end the alignment with the U.S., David’s narrative appears to show a puzzle. However, when

43 State Department officials attempted to put a positive interpretation of the PMAC’s leftist propaganda. The Department’s Policy Planning Staff argues that “The PMAC’s publication of its ‘ideology’ of ‘Ethiopian socialism’ manifest another African trait, closer to Nyerere’s African socialism than to Marxism-Leninism-Maoism.” See Petterson.
44 See Korn. P. 8
one looks into Mengistu’s dealings with both superpowers, it is clear that he was looking for the highest bidder. Figure 6.1 below shows a close correlation between major changes in the U.S.-Ethiopian alliance and the fluctuation in U.S. aid to Ethiopia from 1946 to 1980.

![Figure 6.1: U.S. Economic and Military Aid to Ethiopia, 1946-1980](image)

**Figure 6.1: U.S. Economic and Military Aid to Ethiopia, 1946-1980**

Causes for Realignment:

**A. Various Internal and External Threats:** The Derg faced numerous challenges to its political power. By 1976-77 the regime had to deal with several secessionist insurrections throughout Ethiopia, spurred largely by the belief that the instability and weakness of the Derg provided an opportunity to gain greater autonomy or even independence, that threatened to disintegrate the state.\(^{45}\) Of these, Eritrean revolt posed a serious challenge to the Derg. As the Derg

\(^{45}\) David, *Choosing Sides: Alignment and Realignment in the Third World.* P. 110
refused to compromise on the Eritrean issue, the Eritrean People's Liberation front (EPLF), supported by the Soviet Union, South Yemen, and Cuba, gradually took control of most rural Eritrea. Eritrea’s strategic and economic importance to Ethiopia was such that the Derg leadership believed that the loss of Eritrea would lead to the downfall of the regime. Thus, the regime was determined to defeat the insurrection militarily. Soviet support for the Eritrean rebels was largely motivated by the desire to create an independent state in Eritrea where the USSR would exercise influence; at the same time, the success of the Eritrean insurrection would threaten the territorial integrity of Ethiopia, a friend of the United States. In addition to armed insurrections, the Derg also faced opposition from various civilian groups. The Derg’s attempt at land reforms met with fierce opposition from landowners in rural areas. The regime had to use the army to quell the opposition. In the urban areas the regime faced criticism from leftist organizations for not going far enough in reform. These dissident groups, located in the capital city, had a disdain for the Derg and wanted to topple the regime. Of these groups, the radical left, led by the Ethiopian People’s Revolutionary Party (EPRP), believed that “true” Marxist-Leninist revolution would not be possible with the military men in power. One Derg officer described the threat posed by the EPRP as more serious than the ongoing armed insurrections throughout the country. Unsuccessful at bringing all leftist factions into a unified movement, the regime started to prosecute its leftist critics, most of whom were arrested, executed, or sent into exile. Armed attacks against the government by separatists, left-wing groups, and by representatives of the old regime intensified

to the extent that by the end of 1976, few observers in Addis Ababa thought the regime would survive much longer.48

As the prospect for a negotiated settlement between Somalia and Ethiopia diminished by 1974, a Somalian attack against Ethiopia seemed likely. With Soviet military assistance Somalia became a formidable military power in the Horn. By the time the Derg took power, military experts agreed that Somalia had become stronger than Ethiopia. Soviet military aid to Somalia increased after the military coup in Ethiopia: from 1974 to 1977, the Soviet Union supplied military equipment worth about $300 million. Thanks to Soviet military aid, Somalia, a small country with three million people, developed the fourth largest army in black Africa (after Nigeria, Zaire, and Ethiopia).49 In addition, the Derg leadership understood that in order to stay in power, they had to use brutal force to suppress the civilian groups. The regime needed military equipment to fight against internal and external threats. However, with the election of Jimmy Carter in 1976, who made the provision of U.S. aid conditional on the recipient countries’ respect for human rights, the Derg could not count on the United States for much needed military and economic aid.

**B. Inadequate Side Payments from the Existing Ally:** The Derg leadership was skeptical about America’s willingness to continue to provide economic and military aid to Ethiopia. They pointed out America’s indifference toward Ethiopia by referring to the Nixon administration’s refusal to grant a request for a $450 million military aid package made by Emperor Haile Selassie in 1973.50 The Derg was disappointed by the American “wait-and-see” approach to Ethiopia’s urgent military needs. For example, The United States waited a month to

48 Westad. Pp. 258-59
49 David, Choosing Sides: Alignment and Realignment in the Third World. P. 114
50 The American policy, contrary to the Derg’s objectives, on the Eritrean conflict was to bring about a negotiated settlement by giving Ethiopia enough arms to contain the rebellion but not enough to enable Ethiopia to score military victory. See Lefebvre, Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991. P. 154
respond to an urgent Ethiopian request for light weapons and ammunition (totaling some $30 million) and finally provided only $7 million worth of ammunition.\textsuperscript{51} Despite some delays in responding to the Derg’s arms requests, the Ford administration tried to protect the alliance with Ethiopia. In the spring of 1976 the United States offered two squadrons of F-5E fighter bombers to Ethiopia and agreed to take other Ethiopia requests (worth approximately $100 million) into consideration. The offer, however, failed to reassure the Derg officials. The Derg leadership doubted American support for the regime. For example, they saw U.S. warning against the Derg’s “peasants’ march” initiative (which was designed to kill the Eritrean rebels) as a sign of American hostility to the regime.\textsuperscript{52}

As the Derg was fighting for its political survival in a difficult political environment, Mengistu did not believe that the United States would provide the levels and types of resources that he needed to stay in power. The Ethiopian leadership was concerned that U.S. interest in the Kagnew base was waning because satellite communications had taken over most functions of the base. As a result, the Derg leadership was skeptical about its ability to bargain for a large amount of military and economic side payments. The United States provided Ethiopia with $80 million worth of military equipment in 1975 and 1976, but the level of military aid fell far short of what the Ethiopian leader had requested. When the United States listed Ethiopia as a country in violation of human rights in 1976, the Carter administration was now even more reluctant to provide the

\textsuperscript{51} The U.S. decision to supply only $7 million worth ammunition out of a total request of $30 million outraged Derg officials. They perceived the decision as a sign that the United States was opposed to the revolution and was reneging on a long-term commitment to supply arms to Ethiopia. See Korn, Pp. 13-15; Lefebvre, Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991. P. 156

\textsuperscript{52} The Derg developed a plan of recruiting a large number of peasant militia from the center and south Ethiopia to push out or kill the Eritrean rebels. In exchange for their service, the peasant militia members would be rewarded with the lands vacated by the Eritreans. The program, known as the “peasants’ march” provoked a stern reaction in Washington, which in turn made the Derg more skeptical about America’s commitment to Ethiopia. See Korn. P. 16-17
Ethiopian regime with arms and equipment to quell internal unrest, which the Derg thought necessary to consolidate its power.\textsuperscript{53} Whereas the Derg was frustrated by America’s delayed response and foot-dragging to the regime’s urgent requests for arms, the Ethiopians saw the signing of a friendship treaty between the Soviet Union and Somalia and a massive shipment of Soviet arms to Somalia, an estimated $300 million in arms from 1974 to 1977. Indeed, The Soviet Union gave Somalia more in three years than the United States provided Ethiopia during the entire period of the U.S.-Ethiopian relations, which amounted to $287 million in 24 years.\textsuperscript{54}

The trade-off theory suggests that when the degree of interest divergence between allies increases, negotiations for the maintenance of existing arrangements or for new arrangements may fail: the small state may demand a price that the great power finds too costly. The great power, thus, may decline the small state’s demands, giving the small state an incentive to realign. The aid data presented above show that the United States increased side payments in the first two years of the Derg in an attempt to allay the Ethiopian leader’s concerns about American commitment. However, the Derg’s demands for a high volume of side payments, especially weapons and equipment, were deemed too costly for American strategic interests in the Horn and in the Middle East. The Kagnew station, which had provided a justification for U.S. economic and military side payments, became obsolete and a redundant strategic facility by the early 1970s. In addition, a continued American presence in Ethiopia which was waging an “anti-Arab” war in Eritrea would strain an improved U.S. relations with some Arab states after the 1973 Yom Kippur War. Thus,

\textsuperscript{53} David, \textit{Choosing Sides: Alignment and Realignment in the Third World}. P. 109
\textsuperscript{54} According to Paul Henze, from 1974 to 1977 the United States provided Ethiopia with approximately $180 million in military aid; during the same period, the Soviet Union gave Somalia about $300 million in arms and equipment. See Paul Henze, "Getting a Grip on the Horn," in \textit{The Pattern of Soviet Conduct in the Third World}, ed. Walter Laqueur (New York: Praeger, 1983).
U.S. side payments to Ethiopia significantly decrease in 1976 at a level comparable to the mid-1950s.\(^{55}\)

American reluctance to provide the Ethiopian regime with sufficient side payments made Mengistu to reconsider alignment with the United States and to look for other options. The Ethiopian leader needed external resources, importantly military aid, to deal with various threats. If the United States was not willing to offer what he needed, then he had to be open to other options. The Soviet Union seemed to be a good candidate for switching alignment. The Derg leadership understood that the USSR had a greater willingness to arm its small state allies than that of the United States. The Soviet Union in the 1970s proved to be a generous patron, capable of proving enormous amounts of economic and military resources to its clients in Somalia and in the Middle East. As Stephen David observes, “the Ethiopian military was understandably frightened and envious of the huge military build-up taking place across the borders. If Ethiopia aligned with the USSR, presumably it could receive a similar bounty of weapons.”\(^{56}\) A possible realignment with the Soviet Union had to have met certain conditions: a) since the Soviet Union would risk its strategic investment in Somalia, it needed a more stable, larger, and more powerful client. Importantly, the Soviet leadership needed to ascertain the Derg’s commitment to Moscow; b) the

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\(^{55}\) The pattern of U.S. side payments to Ethiopia over the years is consistent with the trade-off theory’s expectations: the level of side payments is likely to be low when the degree of interest divergence between the parties is either too low or too high. As discussed previously, in the 1950s, the Ethiopian leader received a low amount of side payments (certainly compare to Pakistan). Both parties saw the USSR as a threat (although for different reasons) and the Ethiopian leader had a strong preference of the United States over other great powers. The Ethiopian leader, thus, could not bargain for more side payments from the United States. The volume of side payment increased in the 1960s when the Ethiopian sent a costly signal by signing a loan agreement with the USSR and entertain the possibility of a defection. After 1976, the degree of interest divergence increased between the United States and the Derg. The Ethiopians demanded prices that were too expensive for the United States. The level of side payments, thus, sharply decrease after 1976.

\(^{56}\) David, *Choosing Sides: Alignment and Realignment in the Third World*. P. 114
Ethiopian leaders must receive (or expected to receive) a bigger and more attractive side payment package from the Soviet Union than they received or expected to receive from the United States.

**The Bargaining and Trade-off**

The possibility of Ethiopia’s realignment with the Soviet Union posed a dilemma for Moscow. The Soviet Union was concerned about how an alliance with Ethiopia might affect its stake in Somalia, the reliability and commitment of the Derg as a potential Soviet ally, and possible reactions in the United States to Ethiopia’s realignment.\(^57\) Making a long-term military commitment to Ethiopia would surely upset the Somalian leadership. For nearly 15 years the Soviet Union had cultivated a loyal client in Somalia by providing economic and military aid and single-handedly training the Somali armed forces. As of 1977, there were approximately 1700 Soviet advisors stationed in Somalia and the Soviet fleet enjoyed access to naval facilities at Kismayu, Mogadishu, and Berbera. The Berbera port had extensive docking, communications, and missile support facilities constructed by the Soviet Union. By offering arms to Ethiopia, the Soviet Union faced the prospect of losing all its investment in security infrastructure in Somalia. Given that the Derg was fighting for its political survival in an unstable political environment in Ethiopia, the Soviet leadership feared the possibility of finding itself on the side of an unpopular and disintegrating regime. Moreover, the Soviet leaders were not sure how the United States would react to the decision to supply arms to Ethiopia, which had been linked closely to the United States as late as 1976.\(^58\)


\(^58\) Porter. Pp. 183-84
Despite the risks associated with changing policy in the Horn, the Soviet Union was intrigued by the revolution in Ethiopia. The Soviet leadership did not want to miss an opportunity to extend its influence in Ethiopia, which would remain in the Western fold if rejected by the USSR. The Soviet interest in Ethiopia stemmed, to some extent, from the desire to compensate for its declining position vis-à-vis the United States in the Middle East. In the mid-1970s the Soviet Union lost its foothold in Egypt and Sudan after both countries expelled the Soviet military and terminated their alliance agreements with the Soviet Union. According to one account, the Soviet decision to support the Derg was motivated by its desire to strengthen its foothold in the Horn of Africa to compensate for its declining influence in the Middle East and North Africa. The Soviet embassy noted in 1975 that a Soviet-Ethiopian military cooperation would strengthen the Soviet position in the Horn and in other countries of the Red Sea basin. Facing two choices—the existing ally (Somalia) and an attractive prospective ally (Ethiopia), Soviet strategists intended to maintain relations with both Somalia and Ethiopia.

The Derg began to probe the possibility of long-term commitments from the Soviet Union in 1974 at a time when the regime was still receiving American aid. The Ethiopians approached the Soviet Union again in January 1975 in search of military aid. The Ethiopian delegation declared the Derg’s commitment to socialism: “Ethiopia counts on the political, economic, and military assistance of the Soviet Union—the great power whose policy and ideology coincide with the policy and ideology of Ethiopia.” The Ethiopians made the case that the regime was dependent on

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59 Although the initial Soviet reaction to the regime change in Ethiopia can best be characterized as one of cautious indifference, the Soviet officials feared that the political environment in the Horn would allow the United States, China, and local ant-socialist groups to cooperate against the Soviet Union. see Westad. P. 262
61 Quoted in Westad. P. 265
Soviet support to survive a multitude of internal and external threats. The Soviet leadership, however, had not overcome hesitations about the durability of the Derg. The Soviet embassy in Addis Ababa characterized the political changes in Ethiopia as “anti-feudal revolution” that was transitional in nature. In order to allay the Soviet hesitation about the new regime’s socialist credentials, the Derg accelerated its leftward move including economic reforms. (The schism within the Derg between pro-U.S. and pro-Soviet faction was resolved by February 1977 through violent means—known as the “red terror”—that left Colonel Mengistu and his faction in control of the PMAC.)

The Derg leadership sought an alignment with the Soviet Union that would allow it to counter both internal and external threats. Mengistu calculated that an alliance with the Soviet Union would not only give him access to Soviet arms and equipment, but it would also have added benefits of improving Mengistu and his regime’s legitimacy among domestic supporters and opponents on the left, which challenged the socialist credentials of the Derg. As the U.S.-Ethiopian relations were beginning to sour in the summer of 1975, the Soviet Union and Ethiopia were engaged in a secret diplomacy to negotiate possible weapons transfers. The Derg officials presented the Soviet Union with a comprehensive list of weapons and equipment. The Soviet leadership, however, had not been able to overcome its doubt about the Derg’s credibility and commitment to the USSR (as Moscow expressed concerned about pro-western officials in the Derg and in the Ethiopian government that prevented its ability to respond positively to the Ethiopia’s demands). The Ethiopian delegation did not receive any concrete answers. Moscow found the level of Ethiopian requests for military aid excessive and informed the Ethiopians that the Soviet

63 Edmond J. Keller and Collection Thomas Leiper Kane, Revolutionary Ethiopia: From Empire to People’s Republic (Bloomington: Indiana University Press, 1988).
64 Porter. Pp. 192-93
Union would reach such high levels of military cooperation with other countries only after the development of a fifteen-year relationship or more. The lack of a clear answer from the Soviet Union was disappointing for the Derg.

The Soviet Union finally made an offer to Ethiopia in November 1975. Mengistu, however, rejected the offer for being too small. Moscow offered assistance with military training and the delivery of communications equipment both for military and civilian purposes. The Derg officials made it clear that if a comprehensive agreement could not be signed, then Ethiopia would not sign any agreement with the Soviet Union at all. In the absence of a comprehensive deal from the Soviet Union, Mengistu continued to rely on the United States for arms and equipment. He could not sever ties with the United States while the Soviet Union was still refusing to give him military equipment he wanted. A frustrated Mengistu, thus, replied to an inquiry of why Ethiopia was still receiving American weapons, “What else can we do, the Soviets will not provide them.” Mengistu continued to maintain relations with the United States and worked out new plans for military support from the U.S. Between mid-1974 and the fall of 1976, the United States provided Ethiopia with $180 million worth of arms and equipment.

Although negotiations between Moscow and Addis Ababa were strained over the amounts and scope of aid, Mengistu steadfastly pursued a comprehensive deal from the Soviet Union. Mengistu found helping hands in some Soviet officials who saw a Soviet-Ethiopian alignment as an opportunity to consolidate Soviet influence in the Horn. Soviet ambassador to Ethiopia, Anatolii Ratanov, lobbied the Soviet leadership in favor of an expanded deal with Ethiopia. The ambassador

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65 The Soviet delegation offered a draft agreement of 3.5 million robles of communication and engineering equipment along with 16.5 million robles of other technical equipment. See Westad. P. 267
66 See Korn. P. 19
67 David, Choosing Sides: Alignment and Realignment in the Third World. P. 119
68 Westad. P. 265
6. The Logic of Realignment

stressed the operational possibilities for the Red Navy in the Red Sea and argued that if the Soviet Union did not make a positive response to the Ethiopia’s demands, the United States and China would take the opportunity and the Soviet Union might lose its position in Somalia.\(^6^9\) The Soviet leadership agreed, thanks to Ratanov’s lobbying, to offer a much broader package to Ethiopia in June 1976 that included arming the Ethiopian Navy, its anti-aircraft defense forces, and a new militia. The Derg rejected the second offer as well, much to the surprise of the Soviet leadership. The Soviet embassy in Ethiopia maintained that the Ethiopian hesitation was resulted from the fear that the Soviet offer was not comprehensive enough for a complete rearmament of the Ethiopian armed forces. The embassy recommended even a bigger deal to allay Mengistu’s fear.\(^7^0\) Finally, the Soviet leadership relented and agreed to offer Ethiopia extensive military aid. On December 14, 1976, the Soviet Union and Ethiopia signed the first basic agreement on military cooperation.\(^7^1\) The Soviet Union hinted to Mengistu that if the Derg could sever Ethiopia’s ties with the United States, the Soviets would take care of Ethiopia’s long term needs.\(^7^2\)

Demonstrating the Derg’s credibility as a worthy ally became a priority of the Ethiopian leader. As a sign of his commitment to the USSR, Mengistu executed/purged pro-American officials.\(^7^3\) A final step would be the termination of Ethiopia’s Mutual Defense Agreement with the United States. President Jimmy Carter, meanwhile, ordered a review of America’s ties with Ethiopia, including the U.S.-operated bases in Kagnew, communications bases at Asmara,

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\(^6^9\) Ibid. P. 268
\(^7^0\) Ibid. P.269
\(^7^1\) This preliminary agreement involved some $100 million in military equipment, primarily tanks and artillery. See Korn. P. 19
\(^7^2\) David, *Choosing Sides: Alignment and Realignment in the Third World*. P. 120; Henze; Ottaway and Ottaway.
\(^7^3\) One observer speculates that the purging of pro-western officials may have been a condition linked to the Soviet supply of arms to Ethiopia. Porter, p. 194; For more, see Paul B Henze, *Russians and the Horn: Opportunism and the Long View* (European American Institute for Security Research, 1983).
Eritrea. When the U.S. embassy in Addis Ababa notified the Ethiopian government on April 21, 1977 that the United States would close the Kagnew base, Mengistu used the opportunity to announce that the Ethiopian government was ordering the immediate closure of the Kagnew base. On April 30, 1977 the Ethiopian government terminated the 1953 Mutual Defense Assistance Agreement with the United States, a year ahead of the treaty’s scheduled expiration. After having purged pro-American officials from the Derg and served ties with the United States, Mengistu was in a better position to claim his pro-Soviet credentials. The 1976 agreement was a prelude to a much bigger and substantial agreement that was signed in May 1977 when Mengistu visited Moscow. The 1977 agreement was characterized as the largest single arms agreements negotiated between the USSR and a Third World country. According to some estimates, the value of Soviet pledges worth $350 to $450 million or more. Much to the satisfaction of the Ethiopian leader, the Soviet Union declared its unqualified support of the Ethiopian position on the Ogaden dispute and stressed the importance of “the territorial integrity of states and the inviolability of state boundaries.” By signing the military assistance agreement, Ethiopia and the Soviet Union, for all intents and purposes, made the realignment a foregone conclusion.

A pertinent question is then: was it reasonable for the Derg to expect that its realignment gamble would pay off? I content that Mengistu’s expectation about a successful bargaining was reasonable. First, in the context of the Cold War tension and superpower competition, it was a reasonable assumption on the part of the Derg that the Soviet Union might be open to an outcome that would drive the United States out of Ethiopia and strengthen the Soviet strategic position in the Horn. Second, once the Derg approached the USSR, the Soviet leadership never rejected the

74 Westad. p. 260
75 Korn. P. 28
76 Porter. P. 197
possibility of a deal. The Soviet Union, instead, made multiple offers, which suggested its interest in Ethiopia and to the Derg leadership, there were rooms for more bargaining. Third, the Derg leadership was encouraged by third parties to hold on to its demands for a higher price. According to historian Odd Arne Westad, the Ethiopian leadership had a high confidence in its ability to extract a much bigger deal from the Soviet Union. This high level of confidence, as the Soviet embassy in Ethiopia suspected, was due to the encouragement of and suggestions made by both Cuban and East European representatives to the Ethiopians that the Soviet leadership would eventually turn around. Thus, it was not irrational for Mengistu to remain steadfast to his demands and expect that the Soviet Union would be likely to give in.

Ethiopia’s realignment altered the superpowers’ relations with the Horn. This changed political environment generated different consequences for the contending parties. The Soviet Union and Ethiopia made positive net gains from the realignment. Before analyzing Soviet gains in the realignment, we need to address why the Soviet Union, despite a heavy investment in Somalia, chose to defect to Ethiopia. Two motives can be discerned, one deriving from geostrategic ambition and the other from a growing Soviet frustration with Somalia. First, Soviet strategists initially hoped that by supplying arms to both sides, the Soviet Union could act as a mediator between the belligerent neighbors and prod Somalia and Ethiopia into joining South Yemen and Djibouti in a federation of Socialist Red states (a Pax Sovietica). Furthermore, the Soviet Union envisioned a plan that would grant autonomy to the Ogaden and Eritrea. Second, the Soviet leadership was frustrated by Somalia’s continuous relations with countries/parties (such as China, Saudi Arabia, Sudan, the Arab League, etc.) that were considered hostile to the Soviet

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77 Westad. Pp. 268-69
Union. In addition, by 1976 some Soviet officials noted the increasing influence of conservative Arab states (such as Saudi Arabia) in Somalia. They feared that a Somali government influenced by conservative Arab countries could not be trusted as a solid ally.\(^79\) When the Somalian leader rejected the Federation of Socialist Red States plan, the Soviet Union opted for Ethiopia, the larger and more powerful of the two sides. As far as accessing port facilities in the region was concerned, the Soviet strategists calculated that the possible loss of the Somalian port Berbera would be compensated by acquiring access to the Ethiopian ports of Massawa and Assab, located north of Berbera. Together with its facilities in Aden and expected access to Massawa and Assab, the Soviet Union could “make a Russian lake out of the Red Sea” and would become a dominant naval power in the region.\(^80\)

For the Ethiopian leader, the protracted bargaining strategies paid off well. Mengistu gained long-term Soviet commitments to supply arms and equipment. By the spring of 1977 as Somalian regular forces had joined the rebel groups fighting in the Ogaden and a war between two neighbors seemed very likely, the Soviet Union started to pour arms and military equipment into Ethiopia. Soviet aid was instrumental in Ethiopia’s victory in the Ogaden war. Beyond the War, from March 1977 to May 1978, the Soviet Union delivered approximately $1 billion worth of weapons to Ethiopia.\(^81\) The Ethiopian leader gained enormous sums of side payments without accruing additional costs of alignment: like they did before for the United States, the Ethiopians granted the Soviet Union access to Ethiopian military installations and base facilities. However, with the Soviet Union, Mengistu would not have to be worried about abiding by certain human

\(^80\) Schwab.
\(^81\) Porter. P. 200
rights standards or be concerned about the Soviet hostility toward his regime as he did before with the Carter administration.

Ethiopia’s realignment was a loss for America’s strategic interests although the extent of the setback was debatable. For the Carter administration, under pressure for losing Ethiopia, Somalia seemed to be a good candidate for a recourse that would offset the U.S. loss and the Soviet gain in Ethiopia. Siad Barre appeared to be another losing party, at least in the short run, in the Ethiopian realignment. He lost Somalia’s long-term patron and a primary provider of military aid. For the Somalian leader, as we will see in the following section, the changed political environment in the Horn opened an opportunity to realign with the United States. In the summer of 1977, the United States adopted a dual strategy of indirect support for Somalia and covert attempts at overthrowing the Derg regime in Ethiopia in order to set the country “back on the path to constructive political evolution in association with the Free World” and to drive the Soviets out from Ethiopia. Importantly for Barre, the United States signaled an openness to supply arms to Somalia.

**IV. Siad Barre’s Dilemma and Somalia’s realignment**

As the U.S.-Ethiopian alliance was in trouble, the Carter administration began to consider replacing the troubled relations with a new alliance with Somalia. The administration was concerned that the Soviet Union was positioning itself to control the West’s access to oil and other raw materials through interventions in Africa and the Middle East. The Ethiopian realignment with

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82 Westad. p. 261
83 Ibid. P. 261
the Soviet Union meant that the Soviets had now direct influence both in the Indian Ocean and in the Red Sea area, through its access to Eritrean ports—Massawa and Assab. In early April 1977, President Carter instructed Vice President Walter Mondale, “Tell Cy [Vance] and Zbig [Brzezinski] that I want them to move in every possible way to get Somalia to be our Friend." When the Ethiopian leader signed arms agreement with the Soviet Union and a realignment in the Soviet policy seemed likely, the Somalian leader was prepared to do the same: realign with the United States. In June 1977 a private channel of communication was established between Jimmy Carter and Somalia’s President Siad Barre. In a meeting with the Somali ambassador to the United States President Carter reportedly expressed sympathy toward Somalia’s defense needs and agreed to cooperate with other countries in helping Somalia to maintain its defensive strength. However, when Somali government forces entered the Ogaden to fight alongside Western Somali Liberation Front (WSLF) in August 1977, the United States refused to supply arms, direct or indirectly, to Somalia.

Barre approached the United States for arms in June 1977 in light of the uncertainty about Soviet policy toward the Horn. He assumed Soviet neutrality in deciding to initiate the Ogaden War. It was when Barre failed to persuade the Soviet leadership to increase arms to Somalia (or reduce arms supplies to Ethiopia) in August 1977 and the Soviet Union cutoff arms pipeline to Somalia the next month that the Somalian leader decided to terminate the alliance with the Soviet

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84 Ibid. p.251
87 This assumption was based on the fact that the Soviet Union had important strategic investment in Somalia. Having access to the Berbera facility allowed the Soviets to control access to the Red Sea and enabled them to monitor U.S. naval operations in the Arabian Sea. Thus, Barre made a reasonable assumption that even after making deals with Ethiopia, the Soviet leadership, if pressed, would stay neutral in the Ogaden War. See Lefebvre, Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991. P. 179
Barre made a rational calculation believing that if he evicted the Soviets from Somalia, the United States would like to offset it loss in Ethiopia by aligning with Somalia and would come to Somalia’s aid in the Ogaden war. Thus, Barre renounced the 1974 Treaty of Friendship and Cooperation with the Soviet Union, terminated Soviet use of the base facilities at Berbera, and broke off diplomatic relations with Cuba (without breaking diplomatic relations with the Soviet Union).

Despite having an extensive relationship with the Soviet Union, the Somalian leader kept his options open. Over the years Somalia maintain relations and received aid from countries that were considered hostile to the Soviet Union and its strategic interests. Somalia maintain close relations with China which competed the superpowers for influence in the Horn. According to one account, “Chinese economic aid to Somalia in fact far exceeded the Soviet contribution by 1973 of $71 million of which military aid amounted to $50 million.” Somalia received aid from European countries, such as Italy, France, and West Germany; the United Nations became Somalia’s biggest source of multilateral aid by 1975. Although the Soviet leadership was not pleased with Somalia’s relations with the West, it was opposed to Barre’s flirtation with conservative Arab countries, such as Iran, Saudi Arabia, Egypt, and Sudan. Somalia became the first non-Arabic-speaking country to join the Arab League in 1974. These alternative sources of aid may have provided Barre with a cushion and a means to reduce dependency on the Soviet Union.

Although Barre failed at the initial attempt to gain American aid, he believed that the United Stated States would eventually turned around. With the abrogation of Soviet ties, Barre

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88 Ibid. Pp. 180-84
89 Lyons.
90 David, Choosing Sides: Alignment and Realignment in the Third World. P. 126; Lyons.
hoped to attract the United States to Somalia’s cause: military aid to win the Ogaden war in the short-run, and a fruitful alliance in the long-run. Barre’s calculation can be justified for a number of reasons. First, the United States signaled on many occasions about its willingness to provide arms to Somalia and openness to an alignment. President Carter, both in private and in public, sympathized with Somalia’s needs and expressed a desire to make Somalia a “friend” of the United States. Moreover, the Somalian leadership may have felt Secretary of State Vance’s statement of July 1977 reassuring. Vance stated that the United States would “consider sympathetically appeals from states which are threatened by a buildup of foreign military equipment and advisors on their borders in the Horn and elsewhere in Africa.”91 Second, Barre received positive reports from third parties about American intent to help Somalia. He was courted by some Arab states and was offered incentives to break the alliance with the Soviet Union. Saudi Arabia offered an annual payment of $300 million and Egypt and Sudan offered arms if Barre expelled the Soviets from Somalia.92 According to one account, Barre received assurances that Saudi Arabia would finance the purchase of a big arms package from the United States. Both the Saudi and Egyptian leader advised Carter to take advantage of the unraveling relationship between Somalia and the USSR. The advice, according to David Korn, “fell on attentive ears.”93 Third, the Somalian leader could make a logical conclusion that given the Cold War competition over allies, bases, and influence in the Horn and in other parts of the Third World, the United States would be willing to compensate its loss in Ethiopia by aligning with Somalia.

92 David, Choosing Sides: Alignment and Realignment in the Third World. P. 133
93 Brind. Korn. P. 31
Despite sending numerous positive signals, the United States decided not to supply arms to Somalia.\textsuperscript{94} The decision was a result of a debate within the Carter administration that was eventually won by Africa specialists at the State Department, who advised against American involvement in the war on Somalia’s behalf. They feared that military assistance to Somalia might be misconstrued by other countries in Africa as American support for territorial dismemberment; such a perception could have serious consequences for the U.S. position in the Horn and elsewhere in Africa. They argued that the Ogaden war should be dealt with as a local problem that did not require American attention.\textsuperscript{95} American refusal to supply arms to Somalia sealed the fate of the war: the Ethiopians prevailed, thanks to the generosity of its new patron.

When Somalia’s defeat in the Ogaden war appeared certain, Siad Barre was presented with a Soviet peace plan in February 1978 that offered a way for Somalia to retain its alliance with the Soviet Union. The Soviet peace plan required Somalia to withdraw from the Ogaden, respect Ethiopia’s recognized boundaries, and to give up Somalia’s claims on Kenya and Djibouti. In addition, Somalia had to make its naval facilities available to Soviet Union, and participate in a political arrangement with Ethiopia and South Yemen. In return, Somalia would be given a promise of eventual autonomy for the Ogaden Somalis, a guarantee of the border with Ethiopia, and a resumption of Soviet military aid.\textsuperscript{96} Barre rejected the offer because accepting the deal would mean renunciation of stated objectives of Somali nationalism—unifying ethnic Somalis scattered in

\textsuperscript{94} The decision shocked the Somalian leader and evoked a sense of betrayal in Mogadishu. According to one observer, “The Americans, however, were confused in their responses. From April, 1977 on, Mr. Carter gave Somali strong diplomatic support in an attempt to shake off the Russians. What is more, in late August and September the United States was on record as prepared to provide arms to Somalia even though Somalia had already launched its invasion of Ethiopia.” Jonathan Power, "Earning African Friends," \textit{The New York Times} June 21, 1978.


\textsuperscript{96} See Porter. P. 199
different parts of the Horn under a “greater Somalia.” Barre, who was born in the Ogaden and whose core supporters in Somalia’s clan politics demanded action to liberate the fellow ethnic Somalis in the Ogaden from Ethiopia, was in no position to give up on the Ogaden territory. Complying with the Soviet offer would likely to have led to his ouster. Barre’s decision is not hard to understand. It was a general understanding in Somali domestic politics that that no leader could renounce the Somali nationalist claim on the Ogaden and hope to survive politically. While Barre rejected the Soviet offer, he was pursuing negotiations with the United States that appeared far more promising.

The United States and Somalia began to explore the possibility of a bilateral relationship after the end of the Ogaden War. For the Carter administration it was strengthening America’s presence in strategically important region, and for the Somalian leader having the support of a great power patron to counter threats to his political power brought both parties to the bargaining table. In March 1978 the United States offered to provide “defensive weapons” and a limited, about $7 million, economic assistance program. Although the initial round of negotiation broke down because the Somalian leader refused to agree to American demands that Somalia respects the existing boundary with Ethiopia, which implied the abrogation of Somalia’s claim on the Ogaden territory, Said Barre reopened the negotiation after crushing a coup attempt in April. Fortunately for the Somalian leader, President Carter came under political pressure in the United States for

98 For example, when the government of President Shermaarke and Prime Minister Egal attempted to compromise on the Ogaden issue and tried to strike a deal with Ethiopia, Shermaarke was assassinated in October 1969. See Lefebvre, Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991. Pp. 48-50
99 In exchange for defensive weapons and limited economic aid, the United States also demanded that Somalia provide formal assurances that it would not use force against other countries in the region and use U.S.-supplied weapons for defensive purposes within Somali territory. Ibid. p. 197. Also, see Petterson.
being weak on defense issues and the administration’s inaction in the Ogaden War.\textsuperscript{100} The Islamic revolution in Iran in 1979 and the subsequent hostage crisis put U.S. strategic positions in the Persian Gulf and the Middle East at risk. These changes, according to Jeffrey A. Lefebvre, “eroded Washington’s resistance to taking political risks in Somalia. . . Somalia began to figure prominently in Washington’s short-term political-military response to the deteriorating security situation in the region.”\textsuperscript{101} The United States sought access to military facilities in Kenya, Oman, and Somalia to improve America’s strategic position in the Middle East and the Persian Gulf. In Somalia, American defense strategists were interested in gaining access to the Berbera base facility.\textsuperscript{102}

The Somalian leadership happily accepted the importance the Carter administration placed in Somalia’s cooperation. Although the United States had other options (Kenya and Oman), Barre perceived this new-found importance as an opportunity to bargain harder and extract a large amount of side payments from the United States in exchange for granting the U.S. access to Somali military facilities. Thus, in the early spring 1980, the Somalian leader demanded a $1 billion five-year arms package for advanced military equipment.\textsuperscript{103} The Carter administration was planning to allocate $100 million for Kenya, Oman, and Somalia for the first year, of which Somali would


\textsuperscript{101} Lefebvre, \textit{Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991}, P. 199

\textsuperscript{102} Among many usages, having access to Berbera would enable the United States to support ships and planes in the Red Sea, the Gulf of Aden, the Arabian Sea, the Persian Gulf, and the Indian Ocean. see Richard Halloran, "U.S. Is Reported Considering Offer of Somalia Base," \textit{The New York Times} December 23, 1979.

receive only 30 percent, which was less than one-fifth of the Somalia’s demands.104 In addition, Barre found it an opportune time to push for an agreement whereby the United States would recognize Somali claim to the Ogaden. Some American officials expressed concerns that Barre was demanding large scale military and economic aid in return for granting access to the former Soviet base at Berbera. They feared that such extended aid would embolden the Somalian leader to expand the guerrilla was against Ethiopia in the Ogaden region.105 In the final analysis, American defense strategists calculated that the risks of enabling Somali military intervention in the Ogaden by supplying arms was outweighed by broader strategic imperatives.106

Finally, the United States and Somalia signed an agreement that established a quid pro quo arrangement. The negotiations dragged on for six months, according to Lefebvre, in “an atmosphere of a Middle Eastern bazaar”: “Washington had seen a ‘rug’ (the Berbera base) that it wished to purchase. Mogadishu had set an unreasonably high price for its goods. Now the game would be to see how much the American buyer could bargain down the Somali merchant. Given the circumstances, the American buyer appeared desperate enough to overlook certain commercial improprieties (such as Somali transgression in the Ogaden) on the part of Somalia. But in this bargaining game Mogadishu was dealing with a customer who could acquire from other merchants (Oman and Kenya) far superior (Masirah Island) and less fragile (Mombasa) goods.”107 After several months of protracted negotiations, the United States and Somalia signed a ten-year base rights access-security assistance agreement on August 22, 1980. According to the agreement, the United States would gain access to base facilities at Berbera and Mogadishu in exchange for $40

106 Cooperation with Somalia was considered important to the implementation of the Carter Doctrine (announced in January 1980). See Lefebvre, Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991. p. 200
107 Ibid. p. 200

\section*{Conclusion}

In the face of perilous domestic political environments Mengistu Haile Mariam of Ethiopia and Siad Barre of Somalia followed a similar alignment path: both leaders chose to realign with a more generous benefactor that would provide them with necessary side payments to stay in power. Regime changes in Ethiopia and Somalia were not the immediate cause of realignment, but the bargaining process in changed political environments resulted in alignment calculus that both leaders followed to optimize their political survival. I offer two hypotheses in this chapter: first, all else equal, regime change in small states may cause one of the following outcomes: a) the termination of the existing alliance or b) the alliance survives in exchange for an increase in side payments; second, a small state leader will be likely to realign if the expected net gain from realignment outweighs the expected gain from the existing alliances. The findings in this chapter are consistent with the trade-off theory’s hypothesis about realignment in asymmetric alliances. This chapter illustrates that regime changes in Ethiopia and Somalia lead to an increase in side payments from their respective great power allies. Importantly, both leaders realigned with a great power that they expected would provide them more side payments than the existing ally for a lower cost.
The regime change in Ethiopia did not pose an immediate threat to the U.S-Ethiopian alliance. As we saw before, the new regime received more side payments from the United States in the first few years than the emperor’s last years in office. However, by 1977 Mengistu’s hold on power was precarious in the face of a prolonged war in Eritrea, multiple secessionist insurrections, rising discontents in the capital and in other parts of the country, and a hostile, Soviet armed Somalia. The Derg leadership needed more military aid to resolve the Eritrean rebellion by force, to suppress the domestic dissidents, and respond to Somalia’s growing military strength. The Ethiopian leaders were frustrated by American wait-and-see response to Ethiopia’s urgent requests for aid. Put simply, the amount of side payments that the Ethiopian leaders received and expected to receive in the future was not enough for the regime’s political survival. For the United States, however, the Derg’s demands were too costly for American strategic interests in the Horn and in the Middle East. Ethiopia’s decision to realign demonstrated rational calculations on the part of Derg’s leaders as to which superpower was willing to supply more side payments for a cheaper price. While Mengistu opened negotiations with the USSR for an alliance, he worked out new plans for military support from the United States. As the negotiation with the USSR progressed, the Ethiopian leader rejected at least two Soviet offers because they were too small and limited. Finally, in 1977 Moscow agreed to offer a more extensive aid package that satisfied the Ethiopian leader. In a matter of months Ethiopia was transformed into a client state of the Soviet Union, became dependent on its new patron from defense against the Somalian force that the USSR had built up for a decade.

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109 See Westad, p. 267-69
109 Ibid. pp. 272-79
110 Porter, P. 214
Somalia, like Ethiopia, aligned and realigned in pursuit of a more beneficial alliance arrangement. Somalia turned to the Soviet Union in the early 1960s after rejecting a small offer of military aid from the West that the Somalian leadership deemed inadequate. A transition from democracy to military authoritarianism that brought Siad Barre to power changed very little in the state’s irredentist agenda supported by the Somalian nationalists who had a powerful role in Somalia’s clan politics. After assuming power Barre strengthen Somalia’s ties with the Soviet Union in the hope of gaining necessary military aid to pursue the state’s irredentist claims over territories in the neighboring countries inhabited by ethnic Somalis. From 1967 to 1976 Somalia saw an infusion Soviet economic and military aid in exchange for having for the Somalian base facilities. After the Ogaden War the Somalian leadership was presented with two choices: first, accept the Soviet peace plan that would have implied surrendering Somalia’s historic claims to territories inhabited by ethnic Somalis in exchange for a resumption of Soviet military aid; and second, sever ties with the Soviet Union and pursue a promising bargaining with the United States for a long-term relationship. It is not surprising that Barre opted for the second option since accepting the Soviet offer would have been very costly and would likely to have led to his ouster. Somalia signed a base rights access-security assistance agreement in August 1980 without incurring added costs of surrendering the state’s territorial claims and capitulating to the enemies (as the Soviet plan would have implied). Somalia received a total of almost $300 million in American security assistance between 1980 and 1986.\textsuperscript{112}

Domestic politics played a critical role in Mengistu and Barre’s realignment decisions. They bargained with great powers to attain a more beneficial arrangement than what they had expected to gain from the existing alliance. They reconciled between domestic politics imperatives

\textsuperscript{112} Lefebvre, \textit{Arms for the Horn: Us Security Policy in Ethiopia and Somalia, 1953–1991}. P. 45
(political survival) and external pressures and, alike any leaders would be expected to do, use foreign policy, alliance policy to be specific, as a tool to maximize their survival potential. These dynamics, as the chapter illustrates, will surely be missed if one emphasizes on the variations in external threats, as in the neorealist tradition, as a determinant of state’s alignment and realignment policy.
CONCLUSION

All alliances involved some risks associated with abandonment and entrapment. These risks are pronounced in asymmetric alliances when allies do not have a high degree of shared interests. Forming alliances with great powers can be risky for weaker states. Although ideally asymmetric alliances should provide security and protection for weaker side, such benefits are not guaranteed. By aligning with a great power a weaker power can become a de facto enemy of competing great powers. The Greek historian Thucydides narrates the tragic fate of Melos, a small island nation who was an ally of Sparta, when Athens, a competing great power fighting against the Spartans during the Peloponnesian War, invaded the island in 416 BC. Students of international relations are familiar with Thucydides’ description of the bargaining between the Melos and the Athenians before the invasion in the Melian Dialogue. Sprinting from the power politics in the ancient world to the twentieth century, consider the Pakistani leader Ayub Khan’s discomfort in 1960 as a result of Pakistan’s alliance relations with the United States. When the Soviet Union shot down a U-2 spy plane launched from the U.S. facilities in Pakistan in May 1960, the Soviet leader Nikita Khrushchev soon singled out Pakistan and warned: “Do not pay with fire, gentlemen! . . . If any American plane is allowed to use Peshawar as a base of operations against the Soviet Union, we will retaliate immediately.” Granting extensive concessions to foreign powers can cause a weaker

2 Quoted in Kux. P. 112. For more on the U-2 affairs see Beschloss.
state to loss some aspects of its autonomy and may jeopardize the leader’s political survival in domestic political setting.

In addition to being a target in great power politics, a weaker power has to worry about abandonment by the ally in its hour of need. The Shah of Persia learned the risk of abandonment the hard way in 1804. The British Empire—concerned about the expansionist design of Napoleon as well as potential threat of war from neighboring Afghanistan against the Empire’s “Crown Jewel”, India—signed a security agreement with the Persian ruler in 1800. The agreement was designed to a) prevent any French presence in the Shah’s domains, and b) oblige the Shah to declare war against Afghanistan if the Afghans threatened India. To the Persian ruler, a defense agreement with a great power, such as Great Britain was perceived as a security guarantee against all external threats to the Persian territory. The Shah’s perception, however, was proven wrong when Tsar Alexander of Russia annexed the independent kingdom of Georgia, which Persia regarded as within its own sphere of influence. As the Russian troops moved closer to Tehran, open hostilities broke out in 1804 when the Russian sieged Erivan, the capital of Armenia, a Persian territory. The Shah sent an urgent plea for help to Britain. In the context of European power politics, however, Russia and Britain were allies in 1804 fighting against Napoleon’s forces in Europe. Thus, unfortunately for the Persian ruler, Britain prioritized its security interest in Europe in a changing geopolitical condition chose to ignore the Shah’s plea for help against Russian incursion.³ The Shah was left alone to face the mighty Russia.

Having alliances with weaker powers can be beneficial for great powers. Asymmetric alliances had a prominent role in great powers’ foreign policy during the Cold War. Both the

United States and the Soviet Union fiercely competed for small state allies in order to outbid each other in the Third World. For the United States, alliances with the newly independent weaker countries in Asia and Africa provided useful complementary resources to its strategic objective. As historian Robert J. McMahon summarizes the prevailing views in the Eisenhower administration about the role of alliances in the periphery: “They [alliances] enabled the United States to encircled the Soviet Union with nations formally committed to the West; they provided for the commitment of local manpower if a global or regional conflict erupted, thus promising to save American lives; they offered great deterrent power by erecting an American security shield that might discourage Soviet or Chinese aggression against any state aligned with the United States; and they provided a psychological boost to nations sympathetic to or aligned with the United States by demonstrating that history and momentum lay with the West.”

Despite having potential benefits, great powers have to be worried about the risk of entanglement in the weaker ally’s regional conflicts; a great power may also become complicit in weaker ally’s domestic abuses. Hilton Root calls these risks as “the commitment trap.” David Newsom, a Carter administration official summarized the dilemma in dealing with Ferdinand Marcos of the Philippines, an American ally:

“In seeking to achieve our current goals and objectives in the Philippines, we face a serious but not unique dilemma. We have certain specific national security objectives, namely, the retention of our military bases, which we can only achieve by reaching agreement with a leadership considered by many in the United States—and in the Philippines—to be in violation of accepted norms of human rights.”

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4 McMahon, *The Cold War on the Periphery: The United States, India, and Pakistan*. P. 155
6 Quoted in Brands. P. 312
Knowing these risks and in some cases having divergent interests, why do great powers and small states form asymmetric alliances? How do they maintain these alliances? This study probes these questions. It promotes a trade-off theory of asymmetric alliances. The theory posit that asymmetric alliances are a result of strategic bargaining between great powers and small states in which side payments, a function of the degree of interest divergence between the parties, are used by great powers to filled the deficit in gains felt by weaker powers. The parties use the trade-off, in which the weaker power make some autonomy concessions in exchange for side payments from the great power, to ameliorate the risks of alignment. The theory argues that domestic political survival is a primary motivation as to why small state leaders form alliances with great powers. The theory contributes to our understanding of under what circumstances foreign aid can be used as side payments in security relations between states.

This concluding chapter is organized as follows. The following two sections focus on the formation and maintenance of asymmetric alliances respectively. These sections provide a detailed summary of the findings derived from quantitative analysis and case studies used to test the hypotheses. The last section then inquires into the theoretical and policy implications of the theory.

**FORMATION OF ASYMMETRIC ALLIANCES**

The Trade-Off theory of asymmetric alliances articulates a model about the formation and maintenance of alliances between great powers and weaker states. It contends that leaders in small states are motivated to form alliances with great powers to enhance their potentials for political survival in difficult domestic political settings. Side payments play a major role in both the formation and maintenance phases of asymmetric alliances. This section explains the findings related to the formation of asymmetric alliances.
The Role of Side Payments in Alliance bargaining

The theory proposes that having divergent interests between prospective allies increases the likelihood that great powers use side payments to form the alliance. The amount of side payments a great power is willing to pay is a function of having divergent interests between the parties. Great powers and small states may want to form alliances for different reasons, not necessarily driven by a mutual interest in deterring a common enemy. Different motivations for alliances are often a result of the disparity in power capabilities between great powers and small states. Whereas a great power may use an alliance as a tool for power projection, a small state leader may want to form an alliance with a great power to enhance his chances of political survival.

In forming an asymmetric alliance, the autonomy-security trade-off alone cannot improve the net gain for the weaker side. Such a trade-off can generate a deficit in gain for the weaker power. The use of side payments fill the gap and make the trade-off mutually beneficial. Given that the great power is likely to be considerably wealthier than the small power, the marginal cost of sacrificing some resources (side payments) to the small power is relatively a small cost for the great power and a large gain for the small, poorer power who values the marginal gain in external resources more highly. Hence, it is possible to find an appropriate compensation scheme since the utility gain from the side payment is large for the small power relative to the big power and so at a small utility cost to the great power a deficit in utility can be bought off for the small power when it grants a difficult policy concession. Side payments, thus, provide a compensation mechanism that make an alliance agreement mutually beneficial. According to this arrangement, the small state offers concessions (such as changes in its internal policies or granting military bases that allow the projection of military forces) to the great power ally. In return, The great power can offer the leader of a potential ally an increase in security by providing side payments, such as military
equipment, arms or other logistical support. This strategic trade-off enhances the great power’s freedom of action and enables it to project power in distant regions.

The quantitative analysis in chapter three found evidence that all else equal, the odds of using side payments increase when there are divergent interests between allies. The hypothesis is tested in two case studies—the U.S.-Pakistan alliance (chapter four) and the U.S.-Philippines alliance (chapter five). The findings in both cases are consistent with the hypothesis. I summarize the findings from these cases below.

The United States and Pakistan had different objectives in forming an alliance. Pakistan wanted an alignment with the U.S. to check the Indian threat (an external motivation) and to counter various centripetal and irredentist forces (an internal security motivation). Pakistani leaders sought to resolve these concerns by strengthening Pakistan’s military and its economy by gaining access to external economic and military resources. The United States, however, sought an alliance with Pakistan as a vehicle in the ensuing Cold War by utilizing Pakistan’s geostrategic location in U.S. maneuvers and potential war fighting capabilities against the Soviet Union. For American strategists, chronic instability in the Middle East, the region’s vulnerability to external aggression, and the need to defend its oil wealth (against the Soviet penetration) provided added impetus to have a strategic presence in South Asia. American policymakers rated Pakistan’s base facilities highly and considered that having access to these facilities could become a strategic asset if a global war should erupt. The United States, however, did not share Pakistan’s concern about India and was unwilling to offer any security guarantee against India. Thus, whereas Pakistan was concerned about India rather than any menace from the communist powers, the United States saw

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7 McMahon, *The Cold War on the Periphery: The United States, India, and Pakistan*. p. 130 and Ch. 4
a possible security accord as directed strictly against the communist threat and was wary of becoming entangled in Pakistan’s dispute with India. These divergent interests did not stop the United States and Pakistan from striking an alliance agreement: the offer of side payments by the United States provided a compensation mechanism that made the alliance mutually beneficial. Pakistan’s willingness to host key U.S. intelligence operations substantially increased the value of the alliance for the United States. In return for side payments, the United States gained strategic bases that it judged to be of great importance for U.S. national security. In addition to the base facilities, one has to add Pakistan’s autonomy loss in terms of the opportunity costs of the alliance (such as the option of maintaining neutrality or having an alliance with the Soviet Union, etc.) as part of its utility loss. The Pakistani leaders expected that these autonomy losses and liabilities on the state’s foreign policy would be compensated by side payments from the United States. Indeed, the side payments made the alliance agreement possible even though the parties had interest divergence and in some cases conflicting objectives.

The U.S.-Philippines alliance negotiations were proceeded under different circumstances. The trade-off theory predicts that when parties have a low level of divergent interests, a small amount of side payments is needed to compensate for the small state’s autonomy concessions. Whereas there was a high degree of divergent interests between the United States and Pakistan, the United States and the Philippines had very little interest divergence in forming the alliance. The United States was relatively indifferent toward establishing bases in the Philippines in the late 1940s. American policymakers, however, were open to a cheap deal. The Philippine leaders (Roxas and his predecessors) had expressed their willingness, both in private and in public, to host American bases in the Philippines. Although the Philippine leaders objected to certain

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8 Ibid, p. 84
American demands during the negotiation process, such objections were mitigated by their strong desire to form the alliance as a means to protect their political power in a threatening domestic political environment. By portraying the Huks insurgency as a part of world-wide communist conspiracy, the Philippine ruling elites successfully delegitimized the organization and the root causes of insurgency. In the context of the Cold War tension, the characterization of the Huks as a communist insurgency prompted the United States to help the Philippine ruling elite and the political establishment. In addition, the elite class had economic interests in the alignment. The Philippine elites benefitted enormously from their trade relations with the United States during the colonial eras. Having an alliance with the United States after independence and granting the bases to U.S. the Philippine elites ensured the continuation of profitable economic relations. Thus, in the absence of any external threat the desire to protect the Philippine political establishment against domestic insurgency was consistent with both parties’ interest. As the prospective allies had very little divergent interests (the parties had several important shared interests including protecting the Philippine political establishment from domestic threats), the United States did not need to provide a large amount of side payments to Philippines to cement the alliance. A low degree of divergent interests between the parties diminished the Philippine leaders bargaining leverage and adversely affected their ability to extract large amounts of side payments from the United States in exchange for the bases.

I illustrated in the case studies that having varying degree of interest divergence during the formative stage of the alliances with the Philippines and Pakistan caused the United States to incur different levels of cost (in terms of side payments). Even though the Philippines granted the United

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9 Brands, pp. 240-46
10 Shalom.
States extensive basing rights than did Pakistan, Pakistan received more side payments (foreign aid used as a proxy for side payments) than the Philippines did. This outcome is consistent with the hypothesis. The Bases Agreement granted the United States basing rights in the Philippines free of rent. In the first decade (after the alliance was formed in 1947), the Joint United States Military Advisory Group (JUSMAG), which was created as a result of the MBA, spent $169.3 million to support and reorganize the Philippine Constabulary, and to train and equip the Philippine military. Indeed, much of American military aid in the 1950s was used to boost Philippine internal security.\textsuperscript{11} This military aid figure is indeed small compare to American military aid commitment to Pakistan, which formed an alliance with the U.S. in 1954. During the first few years of the alliance, according to the Pentagon, the U.S. military aid commitment to Pakistan amounted to $505 million by the end of the 1950s.\textsuperscript{12}

The theory predicts that the amount of side payments a small state leader needs as a compensation for his policy concessions also depend on political institutions and constraints the leader faces in domestic politics. Political institutions affect the bargains leaders are willing to make. The theory contends that the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders (usually seen in autocracies) than it is for large coalition leaders (typically seen in democracies). This is due to different types of political constraints leaders face in domestic politics. Since a small coalition leader relies on a small number of core supporters, it is easier for him to satisfy these supporters than it is for their large coalition counterparts. Side payments a small coalition leader gain from the great power ally enable him to remain in office through rent seeking and rewarding their supporters with private

\textsuperscript{11} Brands, p. 235; Buss, P. 129; Kerkvliet. Pp. 192-93;
\textsuperscript{12} McMahon, \textit{The Cold War on the Periphery: The United States, India, and Pakistan}. P. 221
goods. Large coalition leaders, on the other hand, require a large amount of side payments for policy concessions. They need to compensate their coalition members with public goods that are often more expensive than rewarding few supporters with private goods. The quantitative analysis found robust evidence in support of the hypothesis. The regression results suggest that autocratic small states are likely to receive a smaller amount of aid than their democratic counterparts.

**Domestic Politics Imperatives and Alliance Formation**

The theory predicts that domestic politics imperatives provide a powerful motivation for small state leaders to form alliances with great powers. It makes two specific predictions: first, politically unstable small states are more likely to form asymmetric alliances than do politically stable small states; and second, threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances. The two hypotheses project changes in domestic politics as key factors in explaining leaders’ need for external alliances.

Domestic political factors and the calculus for political survival can play a crucial role in a small state leader’s alignment choices. When faced with threats to his political survival, the leader must decide whether to deal with the threat by internal means which involves extraction of scarce societal resources or by external means by forging an alliance with a powerful state that is capable and willing to supply resources that satisfy the leader’s’ needs. Given that domestic extraction (for example, taxation) is costly, forming an alliance is an attractive option that will help the leader to rely less on expensive extraction from the society and to alleviate risky guns-and-butter trade-off in domestic distribution of resources. Side payments, which the leader gain by making autonomy concessions to the great power ally, help him to ameliorate a critical potential dilemma in domestic resource allocation and maintain the loyalty of his core domestic political coalitions. A key
argument of the theory, thus, threats to leaders’ political power and calculation of their own political survival increase the likelihood that they form asymmetric alliances.

Domestic political instability may affect leaders’ chances of political survival. It is possible that the presence of persistent political instability in a small state increases threats to the leader’s hold on power. However, this may not always be the case. Even during the episodes of political instability and violence a leader’s hold on power may be secured as long as he can maintain the loyalty of key groups or actors (for example, the military or other security organizations). I test the hypotheses separately in quantitative analysis. Empirical evidence, in both quantitative analyses and case studies, are consistent with predictions about the domestic politics imperatives for alliance formation. As explained in quantitative analysis in chapter three, using the total magnitudes of societal and external violence as a proxy for political instability, I found that more violence prone small states are more likely to form external alliances than do small states with fewer episodes of political violence. Also, the regression results support the hypothesis that small state leaders are likely to form alliances when they face threats to their political survival. I tested the latter proposition using case studies and the results show convincing evidence in line the prediction.

In the early years of the state (prior to the formation of the U.S.-Pakistan alliance) the Pakistani leaders faced several challenges that threatened to weaken the power of the dominant party (the Muslim League) and its leadership. The perception of India as an existential threat to Pakistan put serious pressure on the leadership to counter “the Indian threat” with military means and to achieve a favorable solution to the Kashmir dispute. Any sign of weakness (vis-à-vis India) or any hint of compromise would certainly have delegitimized the leadership and its political survival. It was not surprising that the new state, which was severely strained by the lack of a
resource base, had prioritized defense spending at the expense of social and economic development. Moreover, soon after independence, Pakistan’s leaders faced the daunting tasks of state-building. If the new state was to survive as a viable political unit, it had to create a new administrative structure for the central government, resettle millions of refugees, establish an industrial infrastructure, and modernize its defense forces and the Pakistani leaders had to undertake these strenuous and difficult tasks without adequate financial resources.\textsuperscript{13} Political infighting, an increasing chasm between the center and the provinces, and the lack of a broad-based national political organization made it difficult to establish a clear authority structure. The deputy commander-in-chief of the Pakistan army, lieutenant general Nazir Ali confided to an American official in 1952 that he was “more worried. . . over the actions of politicians than he was of the Indian army.”\textsuperscript{14} Facing these multitude of internal and external challenges, Pakistan’s ruling elites needed a strong security apparatus and a functioning economy. They sought a powerful external ally (the United States) who could provide them with military and economic aid. The United States was willing to provide much needed resources in exchange for certain concessions (such as supporting the American Cold War agenda, granting bases etc.). Thanks to the successful bargaining, Pakistan gained economic and military aid that helped the Pakistani ruling elites to strengthen their potentials for political survival in a precarious domestic political environment.

Whereas the Pakistani leadership faced a threatening political environment short of an armed insurrection in the early years of the state, the Philippine leaders had to deal with a violent uprising against the very existence of the political establishment. For the Philippine leaders, the primary concern in the post-independence years was internal security threats. In the immediate

\textsuperscript{13} Jalal., p. 48
\textsuperscript{14} Ibid., p. 177
aftermath of World War II the Philippines did not face any external enemies. The Philippine elites, however, had to counter serious economic, social and political unrest that posed threats to their political power. As the war-ravaged economy suffered, clashes between the armed forces and Huk guerillas raised the spectre of revolution against the weak regime in Manila. These political and economic conditions threatened the survival of the Philippine political elite class and its leaders sought to continue their privileged position in the post-independent Philippines as they did during the commonwealth period. The Philippine leaders, after the Island’s independence, needed to reengage the United States in the Islands to counter domestic threats to their political survival. They sought an alignment with the United States. America’s strategic interests in the Islands had evolved from a relative indifference in the late 1940s to a useful strategic assets in the early 1950s. The Philippine bases were envisioned to have important purposes in the emerging Cold War regional politics. The United States had strategic interests in protecting the Philippine political establishment (as mentioned previously) and thus, the alliance served the mutual interests of both parties.

The trade-off theory does not claim that small state leaders do not face external threats. The theory posit that there is an intertwining relationship between external and internal threats that shape leaders’ understanding of threats to their political survival. While the Pakistani leaders face external challenges (primarily, from India), domestic political factors were as important as external factors in shaping their alliance decision. The line between internal and external threats was blurry at best for the Pakistani ruling elites. The Philippine leaders faced no clear external threats, but they encountered powerful domestic challenges to their political survival. As illustrated in this section, empirical evidence is consistent with the hypotheses concerning the formation of

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15 Dingman.
asymmetric alliances. The theory stipulates that domestic political imperatives, importantly, threats to leaders’ political survival motivate small state leaders to form asymmetric alliances. Regarding alliance bargaining, the theory suggests that the presence of interest divergence increases the likelihood that side payments will be used to compensate for the deficit in benefit for small state, which is likely to arise in a strategic trade-off between asymmetric powers.

MAINTENANCE OF ASYMMETRIC ALLIANCES

The maintenance and management of an asymmetric alliance requires concerted efforts on the part of the allies. During the maintenance phase of the alliance, the parties continue to engage in bargaining to maintain the flow of benefits from the alignment and to minimize the costs and risks associated with the alliance commitments. As in the formation phase, side payments play an important role in the maintenance phase of an asymmetric alliance. This section summarizes the hypotheses concerning alliance maintenance and empirical findings.

Divergent interests, Side Payments and Intra-alliance Cooperation

The trade-off theory suggests that as the degree of divergent interests varies during the maintenance phase, so does the amount of side payments a small state receives for its cooperation with the great power ally. When the allies have very little interest divergence (that is, when parties share similar interests), the small state is likely to receive a small amount of side payments. Since the parties already share a high degree of shared interests, large amounts of side payments are not necessary to make new or to maintain the existing security arrangements. The great power can obtain policy concessions and cooperation on important issues from the small state for a cheaper price. When the degree of divergent interests is very high, two outcomes are possible. First,
negotiations for new arrangements or for ongoing cooperation may fail and very little or no side payments are expected. As a result of a high level of divergent interests, the great power may find the small state’s demands too expensive to obtain desired policy concessions. Second, if the great power considers the small state’s cooperation important to its foreign policy objectives, it may be willing to pay a higher price for the small state’s concessions. In this case, a successful negotiation is possible. The small state’s chances of gaining large amounts of side payments are higher when the degree of interest divergence is in the medium range. The figure below shows the expected relationship between the level of divergent interests and the amounts of side payments. I put the hypothesis to test using two case studies.

Figure 3.1: Expected relationship between divergent interests and side payments
The U.S.-Pakistan alliance experienced many ups and downs since its inception. The alliance experienced a high degree of divergent interests during the most part of its existence. As interest divergence grew between the allies, whether because of Pakistan’s effort to diversify its foreign policy or because of changes in U.S. strategic interests in South Asia, maintaining the alliance cohesion became challenging for both parties. The variation in side payments that Pakistan received was a function of the varying degree of interest divergence. From 1965 to 1978, one of the difficult phases of the bilateral relations, divergent interests in the alliance caused parties to have different expectations about their obligations toward each other. The United States expected Pakistan to behave like a reliable ally: American policymakers wanted Pakistan to limit its relations with China (until 1971) and expected tangible contribution from Pakistan (i.e. sending troops) in America’s anti-communist wars in Asia (such as in Vietnam and Laos). The Pakistani leaders, however, declined to make any concrete commitments to the American demands but they were open to such possibilities if the United States provided Pakistan with more military aid and equipment. Moreover, the Pakistani leaders emphasized that as an ally, Pakistan deserved unrivaled U.S. support in its dispute with India on the Kashmir Issue, which the United States refused to do. For the Pakistanis, the United States betrayed Pakistan by providing economic and military aid to India and by imposing an arms embargo in Pakistan’s time of need. The Pakistan leaders in turn attempted to reduce the state’s reliance on the United States by warming up relations with the Soviet Union and by cultivating a close relationship with Communist China. These strains adversely affected the alliance cohesion. From the mid-1970s on, Pakistan’s nuclear program has remained a source of tensions between the allies. Thus, from the mid-1960s to the

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16 See Kux. Pp. 151-52. See Haqqani. P. 109. For a brief overview of the strains in the alliance, see Frankel.
17 Kux. p. 95
18 The United States lifted the embargo in 1975. See Gwertzman, “10-Year U.S. Ban on Pakistan Arms Will Halt Today.”
early 1980s, Pakistan received significantly lower amounts of side payment due to a high degree of divergent interests. At a time when Pakistan urgently needed U.S. military aid, the United States imposed a decade-long arms embargo on Pakistan in 1965.

Since the 1980s the U.S.-Pakistan alliance went through more ups and downs and the amounts of side payments responded to these variations accordingly. During the early 1980s Pakistan became a frontline ally in the fight against the Soviet Union in Afghanistan. The degree of divergent interests between the allies in prosecuting the Afghan War was medium and the parties were able to strike a successful bargain. Pakistan received a large amount of side payments in exchange for its cooperation in the war. This is in line with the prediction that when the degree of divergent interests is in the medium range, the amounts of side payments are expected to be large.

As the Cold War and the war in Afghanistan came to an end, interest divergence in the US-Pakistan relations was on the rise again. For the United States, Pakistan was no longer considered strategically important; rather, it became a nuclear troublemaker and a source of regional instability. American ambivalence toward Pakistan ended after the September 11, 2001 terrorist attacks on the United States. As the United States commenced on the War on Terror in Afghanistan where the Al-Qaeda leadership had been under the protection of the Taliban regime, Pakistan became an important frontline state once again. The degree of divergent interests between the allies in pursuing the War on Terror was high. The United States sought Pakistan’s cooperation in defeating the Taliban regime and Al-Qaeda fighters, but Pakistan did not want the Taliban defeated in Afghanistan. However, the Pakistani leaders calculated that the state’s broader strategic interests in Afghanistan and Kashmir could best be protected by joining the U.S.-led coalition. Moreover,
the United States was willing to pay a high price for Pakistan’s cooperation. Between 2002 and 2012, Pakistan received a total of $25 billion in aid and reimbursement.\(^\text{19}\)

The U.S.-Philippines alliance, for the most part, experienced little interest divergence and remained largely cohesive. This allowed The United States to obtain extensive concessions for relatively lower amounts of side payments. From the mid-1950s to 1972 the U.S-Philippines alliance experienced no discernible degree of interest divergence. As a result, the United States had little incentives to increase the amount of side payments for the Philippines’ concession on the bases and cooperation with U.S. foreign policy goals. Repeated requests by the Philippine leaders during the 1950s and 1960s for raising aid amount yielded no positive outcome. American policymakers saw no need to pay more when the Philippines was securely in the American fold. The Philippines remained a loyal American ally and participated in several American covert and overt operations in Southeast Asia during the height of the Cold war. The Philippines’ bargaining leverage improved as American involvement in the Vietnam War intensified. The Philippine leader, Ferdinand Marcos, was aware of the elevated importance of the Philippine bases to the United States and as long as the United States was in Vietnam, Marcos could bargain for more aid in exchange for his support for the war.\(^\text{20}\)

The U.S-Philippine alliance experienced a medium level of interest divergence during the Marcos’ martial law regime that lasted from 1973 to 1986. Although the United States was not prepared to leave the Philippine bases altogether as the Vietnam War was winding down, the strategic importance of the alliance as well as the bases diminished somewhat. The Philippine leader highlighted divergence of interests between the allies when America’s commitment to the

\(^{19}\) Haqqani. P. 312
\(^{20}\) Bonner. Pp. 73-75
Philippines was uncertain in a changed political environment in Southeast Asia. The Filipinos questioned the merit of hosting U.S. bases in the Islands and raised concern about American commitment to the security of the Philippines. Facing uncertainties about U.S. commitment, Marcos kept his options open: he warmed up diplomatic relations with communist countries including the Soviet Union, which caused some concerns in Washington. In addition, he hinted the willingness to let third parties use the bases in order to maximize the compensation amounts. In the end, the Philippine leader masterfully negotiated deals that ensured higher payments for the bases. The 1978 bases agreement resulted in American commitment to provide the Philippines $500 million in military aid for five-year period (in addition to other provisions of economic aid). The 1983 compensation agreement made a significant increase in compensation from $500 million (for a five-year period) to $900 million for five years.21

The degree of interest divergence remained at the medium level after the regime change in 1986. The Philippine leader Benigno Aquino and the Reagan administration had disagreement on how to handle and defeat rebel groups in the Philippines. Moreover, a major source of diverging interests was the understanding among the Filipinos that the alliance no longer served Philippine national interests. The Philippine leaders argued that the bases served only American (not Philippine) national interests since the Philippines did not confront any credible external security threat. They demanded large amounts of compensation for the bases. The United States, however, was unwilling to raise the aid amount and pressed on the Philippines to allow the United States to have access to the bases after 1991 (when the bases agreement was scheduled to expire). President Aquino, however, was unwilling to make such a pledge.22 A new base agreement was signed in

21 Berry Jr.
22 Brands.
June 1991 that stipulated that the United States would phase out Clark and Subic bases over ten years and in return, the Philippines would receive $203 million annually in compensation for the bases.\textsuperscript{23} The Philippine Senate, however, rejected the treaty on September 16, 1991. The decision forced the U.S. to withdraw from the bases by the end of 1992.\textsuperscript{24} The United States, as expected, reduced economic and military aid to the Philippines by 60 percent for the fiscal year 1992.\textsuperscript{25} The alliance was revived after the Philippines joined the U.S.-coalition against the War on Terror. Since joining the U.S. War on Terror, the Philippines received increasing level of economic and military aid from the United States. U.S. aid to Philippines increased tenfold from $1.9 million in 2001 to $19 million in fiscal year 2002.\textsuperscript{26}

Thus, the case analyses show that the variation in the magnitude of side payments Pakistan and the Philippines received during the maintenance phases of the alliance was a function of their degree of interest divergence with the United States. The Pakistani leaders found it difficult to obtain large amounts of side payments when the alliance was experiencing a high degree of interest divergence until the United States considered Pakistan’s cooperation necessary in conducting covert and over military operations in the 1980s and the 2000s. For the Philippine leaders, it was a low level of interest divergence that limited their ability to bargain large volumes of side payments during the most phases of the alliance. These dynamic changes within cases are consistent with the theory’s prediction.

\textsuperscript{23} Shenon.  
\textsuperscript{24} Brands. P. 344  
\textsuperscript{25} See Castro, "Philippine Defense Policy in the 21st Century: Autonomous Defense or Back to the Alliance?."  
\textsuperscript{26}Garamone.
The Effects of Domestic Political Change

Important domestic political changes in small states, such as changes in the existing political regime or leadership may affect the state’s alliance policies. The theory predicts that, all else equal, a regime change in small states will cause one of the following outcomes: a) the new regime may terminate the existing alliance or b) the alliance remains intact in exchange for an increased amount of side payments. After a regime change, the new leadership may terminate the existing alliance if the new winning coalition prefers non-alignment or realignment with another great power. It is also possible that the new regime maintains the existing alliance but demands a higher price (i.e. a higher amount of side payments) for the state’s concessions on autonomy. In this case, the continuation of an asymmetric alliance will depend on the extent to which the great power values the alliance. If the great power assigns a higher importance to the alliance, it will survive albeit for a higher price; otherwise, the alliance will be terminated.

The trade-off theory also predicts that leadership change alone, both in democratic and non-democratic small states, should have minimal impacts on the continuation of asymmetric alliances. Because most democratic leaders are accountable to various democratic institutions and they need to work with officials representing different sections of society, any drastic change in foreign policy becomes difficult. Thus, an asymmetric alliance is likely to survive, at least in the short run, after a leadership change in a democratic small state. For small coalition leaders, surviving the initial period in office is particularly challenging because of the certainties about the loyalty of the coalition members and leader’s ability to figure out a resource base to reward key supporters with private goods. In the absence of any alternative great powers, small coalition leaders have incentives to continue the existing alliances, at least in the short run, which can provide them access to much needed external resources, such as military and economic aid. These
resources enhance the new leader’s ability to produce private goods and to keep his coalition members loyal. Thus, all else equal, small coalition leaders have incentives to maintain the alliance in the short run.

Evidence from the case studies are consistent with the prediction that leadership change in small states has minimal or no effects on the continuity of the alliance. Several leadership changes in Pakistan, most of which occurred through military coups that installed military rulers in power without fundamentally altering important institutions of the government, had minimal effects on the continuation of the alliance. Side payments from the United States enormously benefited the military. All new leaders relied on American aid to consolidate the support of their respective winning coalitions. They needed military aid, for which the United States has been the largest provider, to demonstrate strength against India. Similarly, leadership changes in the Philippines had few or no effects on the continuity and tightness of the alliance. Throughout the 1950s and the 1960s, regular changes in leadership in the Philippines did not harm the alliance tightness.

As for regime change, the findings from case studies are mixed. In the case of Pakistan, neither of the predicted outcomes—termination of the alliance or a higher price for the maintenance of the alliance—was present. This finding is inconsistent with the hypothesis. Most regime changes in Pakistan occurred at times when the alliance was suffering from severe strains and when U.S. strategic interests in South Asia was declining. As a result, the Pakistan leaders like Zulfikar Ali Bhutto and Benazir Bhutto, who assumed power in the post-military regimes, had little bargaining leverage to extract large amounts of side payments from the United States. Despite having severely strained relations with the United States, why didn’t regime change cause the termination of the alliance? An important explanation as to why the Pakistani leaders declined to sever the alliance with the United States was the praetorian nature of the state’s political structure.
A regime change, as defined in this study, implies a complete change in the state’s political institutions as well as a change in leadership. The elaborate role of the military in Pakistan’s politics and decision-making process, however, inhibited the emergence of a regime detached from the interests of the military leaders. The military has always had a central role in shaping the state’s foreign policy and national security agenda.\textsuperscript{27} The perceived threat from India made the military more prominent than other domestic players and defined Pakistan as a state that viewed its existence in terms of its hostile relations with India.\textsuperscript{28} As the military becomes a stakeholder in Pakistan’s politics, it expanded its economic interests as well, such as the expansion of an extensive network of economic organizations run by the military and its retired personnel. For the Pakistani leaders, civilian or non-civilian, the military has been a crucial part of their winning coalitions. Political survival requires the leaders to fulfill the military’s demands and to promote the military’s preferred foreign policies, including a strong-tie with the United States, which has remained the largest source of external resources for the Pakistani leaders. The infusion of these external resources has enabled the leaders to provide rewards to the member of their winning coalitions, importantly, the military, and keep them loyal. As the military maintained its powerful presence in the important institutions of the government and in the decision making process, civilian leadership must give priority to the military’s preferences on important foreign policy and national security issues. It is then very likely that some critical aspects of Pakistan’s foreign policy (fiercely anti-Indian stance, maintaining strategic interests in Afghanistan, and the continuation of strategic alliance with the United States) will remain intact irrespective of regime change.

\textsuperscript{27}See Haqqani.
\textsuperscript{28}Siddiqua. P. 63
7. Conclusion

The two instances of regime change in the Philippines did not end the alliance with the United States, but these changes led to demands for more side payments. The alliance remained steady after the first regime change in 1972 when Marcos imposed martial law. Marcos raised the price for hosting the bases and demanded more for the maintenance of the alliance. Fortunately for Marcos, the United States attached a high level of importance to the bases. He successfully used American strategic needs and renegotiated the bases agreement twice (1979 and 1983), each time for a significantly higher price than the last one. Even before the negotiations, the martial law regime received more aid than before. Following the second regime change in 1987 (when the Philippines returned to democratic institutions), the new regime sought renegotiations for the existing bases agreements and demanded more for the bases. The U.S. offer (compensation) for the bases was considered inadequate. President Aquino, who, unlike Marcos, relied on a large coalition, had to give in to the nationalist sentiment that opposed the continuation of the U.S. bases. For the United States, the Philippine demands, including more compensation for the bases, was deemed too costly. The Philippine Senate rejected a renegotiated bases agreement which then forced the United States to leave the Philippine bases. Although the decision caused strains in the bilateral relations, it did not terminate the alliance. The alliance became a moribund affair between the United States and the Philippines.

Regime change in Somalia and Ethiopia had very different results. The regime change in Somalia in 1969 had little adverse effects on the state’s existing alignment with the Soviet Union. The new regime under Mohammed Siad Barre, who seized power in a military coup in 1969, strengthened Somalia’s ties with the Soviet Union.29 The bilateral relationship reached it height

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when both parties signed a Treaty of Friendship and Cooperation in 1974 and Somalia started to receive more Soviet arms and equipment than ever before. Ethiopia experienced a regime change in 1974 when the Derg and subsequently Major Mengistu Haile Mariam came to power. The political change in Ethiopia, contrary to the effects of political change on Somalia-USSR alignment, weakened Ethiopia’s alliance with the United States. In the absence of a reliable alternative, Mengistu needed American aid to counter various internal and external threats to his political power. Indeed, U.S. aid to Ethiopia increased in the early years of the Derg regime. Mengistu, however, demanded more aid, which for the United States was too costly a price for Ethiopia’s strategic worth—a disagreement that severely strained the alliance. As I argue in chapter six, regime change in Ethiopia was not directly responsible for the eventual termination of the U.S.-Ethiopian alliance. It was disagreements about the appropriate costs of alliance maintenance and the availability of the Soviet Union as a possible prospective ally that explain Ethiopia’s decision to terminate alliance with the United States.

The case analyses show mixed results for the hypothesis. In two instances—the Philippines and Ethiopia—regime change had some qualitative effects on the alliance. In both cases the new regimes demanded a higher amount of aid (which is in line with the hypothesis), but the demands were considered too costly for the United States. While Ethiopia terminated the alliance, the Philippines ended basing rights in the Islands, which adversely affected the alliance relations. In Somalia regime change strengthened the alliance and the new regime was able to extract more side payments (than before) from the Soviet Union. Lastly, there was no clear effects of the regime change on the U.S.-Pakistan alliance. I argue that the strong presence of the military in the decision making process (especially in the foreign policy realm) ensure the maintenance of the alliance irrespective of leadership change or regime change in Pakistan.
Incentives for Realignment

The value of an existing alliance to small state leaders depends on the continued receipt of alliance benefit, which in asymmetric alliances I characterize as side payments. Any drastic change in the flow of side payments, combined with available great power alternatives (to replace the existing one) encourages the small state to consider the possibility of realignment. An asymmetric alliance is likely to be more durable when there are no drastic changes in the flow of side payments and small states do not have great power alternatives to replace the existing ally. If there are substitute great powers who are willing to offer more (or the same volume) side payments than the small state is getting from the existing alliance and the expected costs for small states are equal to (or less than) the existing level, then the net value of realignment with another great power will increase. The small state leader, then, has an incentive to realign with another great power. I hypothesize that small state leaders are likely to realign when they expect a higher payoff of net value from the new alliance than they receive or expected to receive from the existing alliance.

The cases of realignment in Ethiopia and Somalia provide support to the hypothesis. The leaders of both countries decided to terminate their existing alliance and to realign with competing great powers in order to gain a more beneficial arrangements and to improve the net gain from alignment. In Ethiopia Mengistu’s hold on power by 1977 was precarious in the face of a prolong war in Eritrea, multiple secessionist insurrections, rising discontents in the capital and in other parts of the country. The Derg leadership needed more military aid to resolve the Eritrean rebellion by force, to suppress the domestic dissidents, and to respond to Somalia’s growing military strength. The Ethiopian leaders were frustrated by American wait-and-see response to Ethiopia’s urgent requests for aid. Put simply, the amount of side payments that the Ethiopian leaders received and expected to receive in the future was not enough for the regime’s political survival. For the
United States, however, the Derg’s demands were too costly for American strategic interests in the Horn of Africa. Ethiopia’s decision to realign demonstrated rational calculations on the part of Derg’s leaders as to which superpower was willing to supply more side payments for a cheaper price. While Mengistu opened negotiations with the USSR for an alliance, he worked out new plans for military support from the United States. As the negotiation with the USSR progressed, the Ethiopian leader rejected at least two Soviet offers because they were too small and limited. Finally, in 1977 Moscow agreed to offer a more extensive aid package that satisfied the Ethiopian leader. In a matter of months Ethiopia was transformed into a client state of the Soviet Union, became dependent on its new patron from defense against the Somalian force that the USSR had built up for a decade.

Somalia, like Ethiopia, realigned to improve its net gain from alignment. After assuming power Barre strengthen Somalia’s ties with the Soviet Union in the hope of gaining necessary military aid to pursue the state’s irredentist claims over territories in the neighboring countries inhabited by ethnic Somalis. From 1967 to 1976 Somalia saw an infusion of Soviet economic and military aid in exchange for granting the Soviet Union access to the Somalian base facilities. In the wake of the Ogaden War the Somalian leadership was presented with two choices: first, accept the Soviet peace plan that would have implied surrendering Somalia’s historic claims to territories inhabited by ethnic Somalis in exchange for a resumption of Soviet military aid; and second, sever ties with the Soviet Union and pursue a promising negotiation with the United States for a long-term relationship. It is not surprising that Barre opted for the second option since accepting the Soviet offer would have been very costly and would likely to have led to his ouster. Somalia signed

30 See Westad. p. 267-69
31 Ibid. pp. 272-79
32 Porter. P. 214
an agreement with the United States in August 1980 without incurring added costs of surrendering the state’s territorial claims and capitulating to the enemies (as the Soviet plan would have implied). Somalia received a total of almost $300 million in American security assistance between 1980 and 1986. Domestic politics played a critical role in Mengistu and Barre’s realignment decisions. They bargained with great powers to attain a more beneficial arrangement than what they had expected to gain from the existing allies. They reconciled between domestic politics imperatives (political survival) and external pressures and, alike any leaders would be expected to do, use foreign policy, alliance policy to be specific, as a tool to maximize their survival potential. Table 7.1 below summarizes the major findings and their consistency with the hypotheses.

Table 7.1: Summary of hypotheses and major findings

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Major Findings</th>
<th>Consistent with Predictions?</th>
</tr>
</thead>
</table>
| 1) Having divergent interests between a great power and a small state increases the likelihood that the great power uses side payments to cement an alliance. | - Quantitative:  
  * The odds of using side payments increase when allies have divergent interests.  
  - Pakistan:  
    * U.S. and Pakistan had divergent interests in the formative years of the alliance; U.S. paid large amounts of side payments to cement the alliance.  
  - The Philippines:  
    * U.S. and the Philippines had very little interest divergence in the formative years of the alliance; U.S. paid a small amount of side payments to cement the alliance. | YES |

7. Conclusion

<table>
<thead>
<tr>
<th>2) All else equal, the amount of side payments needed to compensate for policy concessions is likely to be smaller for small coalition leaders than it is for large coalition leaders.</th>
</tr>
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<tbody>
<tr>
<td>- Quantitative:</td>
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<tr>
<td>* Non-democratic small states received smaller amounts of foreign aid from the United States than do democratic small states.</td>
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<td>YES</td>
</tr>
</tbody>
</table>

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<tr>
<th>3) All else equal, politically unstable small states are more likely to form asymmetric alliances than are politically stable small states.</th>
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<tbody>
<tr>
<td>- Quantitative:</td>
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<tr>
<td>* Small states that experience a higher magnitude of political violence are more likely to form alliances with the United States than do small states with a lower magnitude of political violence.</td>
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<tr>
<td>YES</td>
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<th>4) Threats to leaders’ political survival in small states increase the likelihood that they form asymmetric alliances.</th>
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<tbody>
<tr>
<td>- Quantitative:</td>
</tr>
<tr>
<td>* A higher degree of political threats increases the likelihood that leaders form alliances with the United States.</td>
</tr>
<tr>
<td>- Pakistan:</td>
</tr>
<tr>
<td>* The Pakistani leaders formed an alliance with the United States to secure their hold on power threatened by internal and external challenges.</td>
</tr>
<tr>
<td>YES</td>
</tr>
<tr>
<td>- The Philippines:</td>
</tr>
<tr>
<td>* Rising domestic threats to their political survival was a crucial factor that led the Philippine leaders to form an alliance with the United States.</td>
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<th>5) All else equal, the amount of side payments used to maintain the alliance depends on the level of divergent between the allies:</th>
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<tr>
<td>a) When the level of divergent interests is very low, small amounts of side payments are necessary to maintain the alliance;</td>
</tr>
<tr>
<td>b) When the level of divergent interests is very high, very large amounts of side payments (for a successful negotiation) or no side payments (for an unsuccessful negotiation) are expected; and</td>
</tr>
<tr>
<td>c) When the level of divergent interests is in the medium range, parties can bargain policy concessions in exchange for large amounts of side payments.</td>
</tr>
<tr>
<td>- Pakistan:</td>
</tr>
<tr>
<td>* Having a high level of divergent interests made it difficult for Pakistan to obtain side payments; in some instances however, when the United States valued Pakistan’s cooperation in regional conflicts highly, successful negotiations made it possible for Pakistan to gain very large amounts of side payments.</td>
</tr>
<tr>
<td>* Having a medium level of divergent interests made it easier for Pakistan to obtain large amounts of side payments from the United States.</td>
</tr>
<tr>
<td>* The U.S.-Pakistan alliance rarely experienced a low degree of interest divergence</td>
</tr>
<tr>
<td>YES</td>
</tr>
<tr>
<td>- The Philippines:</td>
</tr>
<tr>
<td>* A low level of divergent interests adversely affected the Philippine leaders’ ability to extract higher</td>
</tr>
</tbody>
</table>
### 7. Conclusion

- The Philippine leaders were successful in gaining large amounts of side payments when the parties had a medium level of divergent interests.
- The U.S.-Philippines alliance rarely experienced a high degree of interest divergence.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Example</th>
<th>Outcome</th>
</tr>
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</table>
| 6) A small state will be likely to realign if the expected net gain from realignment outweighs the expected gain from the existing alliance. | The Horn of Africa:  
- Both the Ethiopian and Somalin leaders chose to realign that would allow them to gain more aid (than possible from the existing alliances) and would be least costly to their political survival at home. | YES              |
| 7) All else equal, regime changes in small states increase the likelihood that a) the alliance will be terminated, or b) the amount of side payments received will increase. | - Pakistan:  
- Regime change had no noticeable effect on the alliance
- The Philippines:  
- The Philippine leader gained more side payments after a regime change in 1972; the alliance remained intact.
- An unsuccessful negotiation for the bases weakened the alliance—the United States withdrew from the bases—after a second regime change in 1986.
- The Horn of Africa:  
- A regime change in Ethiopia in 1974 was not responsible for the termination of the U.S.-Ethiopian alliance; rather, the Ethiopian leaders’ dissatisfaction about the amount of aid led them to realign with the Soviet Union.
- A regime change in Somalia in 1969 strengthened the state’s alignment with the Soviet Union. | MIXED/LARGELY INCONSISTENT |
| 8) In the short run, leadership changes in small states will be less likely to effect the continuation of asymmetric alliances. | - Pakistan:  
- Leadership changes had not effects on the continuation of the alliance.
- The Philippines:  
- Leadership changes had no effects on the continuation of the alliance. | YES              |
THEORETICAL AND POLICY IMPLICATIONS

The dissertation makes important contributions in the international relations scholarship. First, it presents a systematic study of alliance relations between asymmetric powers that focuses on leaders’ domestic political survival in weaker states countries as a primary motivation for alliance formation with stronger states. This focus on domestic politics departs from some prominent theories that suggest that the formation and maintenance of alliances are determined primarily by states’ perception of external threats. An overemphasis on external threat—found in the balance of power theory and the balance of threat theory—by alliance theorists projects a narrow focus on the purpose and scope of alliances. External threat oriented theories (the balance of threat theory, for example) stipulate a dichotomous pattern of alliances, balancing and bandwagoning, caused by states’ perception of external threat and their relative power capabilities. In the balancing-bandwagoning paradigm weaker states have only one option: capitulating to threatening powers (bandwagoning). The trade-off theory makes useful contribution to the alliance literature by breaking out of the balancing-bandwagoning paradigm and by expanding the scope of alliances. The theory focuses on leadership survival as the primary motivation of alliance formation. In doing so the theory emphasizes that external threats are often enmesh with domestic political factors that shape leaders’ assessment of threat to their political survival. A broader approach to security, which recognizes the intertwining nature of internal and external security threats as the trade-off theory does, is more pertinent to advance our understanding of the alignment strategies of developing countries in the Third World than does an exclusive focus on
external threats. Moreover, by focusing on domestic political factors, such as domestic political institutions and leaders’ survival in domestic political settings, the current study helps us understand the interrelationship between domestic and international politics and offers a bridge between international relations and comparative politics literature.

Second, contrary to the existing theories of alliances in the literature, the dissertation shows that various forms of foreign aid, which I term side payments in the context of alliance bargaining, play an important role in the formation and maintenance of asymmetric alliances. The trade-off theory stipulates that alliance bargaining involves trade-offs that sometimes generate deficit in utility for one party (usually the weaker party). The more capable and stronger party uses foreign aid as side payments to obtain policy concessions and cooperation from weaker parties. While the use of foreign aid as side payments is not new to the literature, the use of foreign aid as a bargaining tool in alliance relations is a novel addition to the alliance literature.

Third, the dissertation offers a dynamic and process oriented approach that emphasizes that alliance agreements and accompanying security arrangements between strong and weak states are a result of bargaining processes. The trade-off theory is a process-oriented theory that probes not only why asymmetric alliances are formed but also how they are maintained. The theory underscores domestic political processes shaping small state leaders’ perception of threat and dynamic bargaining between prospective allies. Once an alliance is formed, it traces changes in alliance relations over time in response to changing strategic interests of allies. The theory maintains that the likelihood that the weaker party receives side payments is a function of the degree of interest divergence between the allies. Furthermore, it predicts that small state leaders have incentives to realign when the expected net gains from realignment outweigh the gains from the existing alliance—a projection based on leaders’ expectations about future gains. These
dynamic hypotheses, most of which highlights alliance relations as a result of bargaining outcomes between states, are potentially novel contribution to the alliance literature.

By focusing on the alignment strategy of weaker states and their bargaining with great powers, the dissertation advances our understanding of the patterns of alliances between unequal powers. This is an improvement on the alliance literature since the literature has largely ignored the patterns of alliances and alignments in weaker states. This lack of attention to small state alignment is a product of a general trend in the international relations scholarship that downplays the relevance of small and weaker states to international security. Even during the Cold War, when it was well-recognized that superpowers’ involvement in the Third World was driven by their strategic concerns for allies and influence, some prominent scholars argued that the United States wasted its scarce resources on the secondary and tertiary interests in the peripheral regions in the Third World.\(^{34}\) The end of the Cold War removed, according to this view, whatever strategic imperatives the United States may had in the Third World.\(^{35}\) Indeed, some neorealist scholars have predicted that the focus of international politics will move back to Europe after the end of the Cold War as European states would renew their geopolitical rivalries paralleling the nineteenth century power politics.\(^{36}\) Contrary to this prediction, the sources of insecurity and instability in the contemporary world politics have been more decentralized than before acquiring transnational and transregional characteristics. The end of the Cold War did not bring stability to the periphery, nor has it ushered in a new international order. Today’s international politics simply does not fit into any preconceived categories of international order (usually characterized by the distribution of


\(^{35}\) Van Evera, "Why Europe Matters, Why the Third World Doesn't: American Grand Strategy after the Cold War."

\(^{36}\) See for example, Mearsheimer, "Back to the Future: Instability in Europe after the Cold War."
power), such as multipolarity, bipolarity, or unipolarity. The rise of transnational terrorism has placed developing countries at the center of international attention. Many weaker states have become frontline states in the War on Terror. It is more likely that the West will continue to feel the effects of political instability and conflicts in the Third World. Just as policymakers in the West cannot afford to ignore conflicts and instability in the Third World, international relations scholars cannot disregard small states without putting their theories at the risk of being irrelevant to today’s international context.

Both in quantitative analysis and in case studies, most of the empirical data used in this study to test the hypotheses involved U.S.-led asymmetric alliances. A reasonable question then becomes: how generalizable are these findings across other asymmetric alliance dyads? I argue that the findings are not necessarily specific to the United States; they are generalizable to all great powers seeking autonomy concessions from a potential ally. For example, in the context of Cold War rivalry, both superpowers used similar strategies (the use of foreign aid as side payments to provide incentives to potential allies) to court prospective allies in the Third World.

An important determinant of American foreign aid during the Cold War to less-developed countries was the perceived threat of communism. As section 2 of the Mutual Security Act of 1951 provided the framework for the United States aid program: “The Congress declares it to be the purpose of this act to maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries to the free world, to develop their resources in the interest of their security and independence and the national interest of the United States. . .”

37 Walters. Pp. 7-15
to shore up support for anti-Soviet policy abroad, and to build military security infrastructure in recipient countries to deter the threat of communism. Foreign aid, thus, can be seen as a basic instrument which the United States used to achieve its foreign policy objectives in the Third World. Similarly, the Soviet Union used foreign aid to influence less developed countries in the Third World. Soviet economic and military assistance was intended to affect foreign policy position of the Third World. The Soviet Union competed with the United States in the Third World for bases, allies, and influence. In doing so, the Soviet leadership used various aid programs to outcompete American influence in the Third World. Thus, like the United States, Soviet aid was in large part motivated in large part by the desire to exert direct political influence of various forms on Third World countries.

The trade-off theory has policy implications for both great powers and weaker states. The findings in this study have potential relevance for the United States. If the end of the Cold War offered a relative respite for the United States in its pursuit of asymmetric alliances, it did not last very long. The start of the War on Terror gave new urgencies for complementary resources, supporting bases, and allies in small developing countries. In this ambitious war against terrorism small states have become frontline states again who are expected to play a vital role in defeating entrenched terrorist networks. Recognizing the importance of America’s alliances with small states, U.S. National Security Strategy since 2002 emphasize U.S. security commitments to allies in South Asia, the Middle East, Africa, and Asia-Pacific. While the United States no longer faces great power competition, at least not to the extent that it did during the Cold War, foreign aid

38 Ibid. Pp. 30-35
remains a bargaining tool as it was during the Cold war, a means to induce support from weaker developing countries for the War on Terror.

One conclusion of this study is that it is perhaps easier and cost effective to deal with autocratic leaders than with democratic leaders, at least in short run. This is due to the variation in domestic political institutions. One might find it an unsavory inference that a security arrangement with a small coalition state (autocratic state) will be more cost effective. It is not hard to understand why great powers (like the United States) prefer to maximize utility in seeking cost efficient security arrangements with weaker powers. Qualms about dealing with unsavory leaders never stopped the United States from making security arrangements during the Cold War or in the War on Terror. In addition, as the Selectorate model suggests, cost efficient arrangements abroad make it easier for American presidents to provide national security, a public good, more effectively to domestic constituents.39 It should be noted, however, that cost efficiency in the short run does not necessarily generate effective foreign policy. As the Cold War history suggests, such alliances sometimes trapped the United States into supporting brutal dictators and had adverse effects on the U.S. foreign policy interests in the long run.

Another implication of this study is that a great power should find it preferable to strike a deal with state with which it has a low or medium level of interest divergence. In such an agreement, both parties will have some shared interests that could help to maintain the security arrangement for a longer period of time. If a successful negotiation produces an arrangement in which parties have a high degree of interest divergence, such an alliance will be very costly to the great power (since it has to compensate the partner with large amounts of side payments). In

39 Bueno de Mesquita and Smith, "A Political Economy of Aid.", "Foreign Aid and Policy Concessions."
addition, such alliances can be precarious with the potentials to have unintended consequences for both parties.

For weaker powers, whose leaders desire to maximize benefits from making a security arrangement with a great power, maintaining a high level of affinity with the great power may not an effective way to extract side payments. Empirical analyses in this study shows that small and weaker powers can deal with great powers to maximize gains from alliances. In a bargaining context the trade-off theory suggests that as long as the weaker power can maintain at least some level of interest divergence, it can play the game of “play for pay” very effectively. The challenge for small state leaders is to recognize the level of interest divergence that would be optimal, which is different for each country, for a successful bargaining with great powers. Egyptian President Gamal Nasser, according to Mohamed Heikal, sketched out a manual consisted of a set of advice for Third World leaders wished to negotiate with the Soviet Union. One of the advices was that Third World leaders should avoid long protracted quarrel with the Soviet leadership. This is because, as Nasser elaborated: “When differences arise between the Soviet leaders and the leaders of country which has enjoyed category A status, they are, to begin with, anxious to play these differences down as far as possible . . . But if the quarrel persists, and they come to the conclusion that there is nothing to be looked for from the leader with whom they are dealing, they will eventually give the signal that he is to be regarded as an enemy.” According to Heikal, countries that enjoyed a category A status were those that the Soviet Union regarded as most favored nations and rated highly for their strategic importance. See Mohamed Heikal, *The Sphinx and the Commissar: The Rise and Fall of Soviet Influence in the Middle East* (New York, San Francisco, London: Harper & Row, Publishers, 1978). Pp. 22-31
Although I used small states and the Third World political context to explain and to test the theory, the application of the trade-off theory is not necessarily limited to the Third World. The theory’s focus on the bargaining process can equally be useful in analyzing any interstate negotiations for security arrangements. The theory posit that when states are asked to make security concessions that are sometimes not in the country’s leadership’s interest, the leadership then demands side payments to make up the deficit in utility from a security arrangement, such as alliances. Side payments serve as a compensation mechanism that fill the deficit. The magnitude of side payments needed to cement an agreement or obtain cooperation, according to the theory, depends on the degree of interest divergence between the parties, domestic political constraints a leader (who is making the concessions) faces, and the importance the state (who is asking for concessions) attaches to the agreement. These parameters of the theory are not necessarily specific to small states in the Third World, but general enough that they can be applied to any interstate security bargaining. The theory, thus, provides a useful theoretical framework for the future research on interstate negotiations for security arrangements.
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