Fair Weather Allies:

Terrorism and the Allocation of United States Foreign Aid

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Abstract

While it is commonly assumed that the United States uses using foreign aid as an instrument to combat global terrorism, it is unclear whether it views terrorist threats to other countries, particularly its allies, with urgency. We show that the relationship between transnational terrorism and foreign aid flows is strongly conditional on whether terrorist activity based in a potential recipient directly threatens the U.S. Using data on terrorist attacks and casualties in potential recipient countries, we demonstrate that terrorist activity based within a state's borders that targets U.S. interests is a strong determinant of both whether that state receives any aid and also how much aid it receives. In contrast, the presence of terrorism targeted at non-U.S. interests, even if it targets formal allies of the U.S., is generally unrelated to U.S. aid allocation. These findings suggest that the U.S.'s use of foreign aid to fight terrorism and political violence is narrowly tailored to assist countries that directly threaten its own security, rather than those of other countries, even its allies.

Introduction

Since 1945, a primary objective of United States foreign policy has been to build and maintain a network of allies that support its security and economic objectives. During the Cold War, the central purpose of this network was to counter the influence of the Soviet Union. The U.S.-led network of alliances emerged from the Cold War unrivaled, and the U.S. occupied an historically unprecedented position as a global superpower. With this unrivaled position came the task of maintaining its network of alliances and its own vision of global stability and order. Many predicted that with the Soviet threat gone, the American network of alliances would atrophy and the U.S.'s position as sole superpower would be challenged (e.g., Mearsheimer (1990)).[1] However, during the 1990's, the U.S. continued to maintain and expand its alliance network, working in concert with allies in Iraq, the Balkans, and elsewhere. The terrorist attacks of September 11, 2001 (i.e., 9/11) arguably brought a renewed focus to U.S. foreign policy, as transnational terrorist organizations that targeted U.S. interests were identified as a major, if not the predominant, security threat.

Foreign aid has been an important instrument used by the U.S. to expand its influence and protect its own interests and those of its allies. During the Cold War, the U.S. distributed foreign assistance to Europe and throughout the so-called Third World as part of its strategy to protect allies and halt Soviet expansion (Meernik and Poe, 1998; Dunning, 2004; Boschini and Olofsgard, 2007). In the decade immediately following the Cold War, aid policy was supposedly re-oriented toward a greater focus on countering rogue states (Lai, 2003) and funding development projects (Meernik and Poe, 1998; Fleck and Kilby, 2010; Wright and Winters, 2010). Since the attacks of September 11, 2001, however, aid policy has undergone yet another shift, this time toward countering the threat from international terrorism (Fleck and Kilby, 2010), which is often viewed – rightly or wrongly – as the preeminent threat to the security of the U.S. and its allies (Mueller, 2006). However, the threat from terrorism is qualitatively different from the Soviet threat in that it is more disparate, as it does not always emanate from a single or obvious source. In this paper we explore whether the United States has altered its patterns of foreign aid allocation as the types of security threats it faces have changed.

While we know that before the Cold War ended, U.S. foreign aid tended to flow to allies and

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[1]For a more recent argument that the era of U.S. predominance is at its end, see **?**.

those regimes it deemed strategically important (Bueno de Mesquita and Smith, 2009; Boschini and Olofsgard, 2007), it is unclear whether the focus on maintaining its network of allies in the face of this new threat has remained central to U.S. aid policy over the past decade. In fact, a common perception is that the U.S. has pursued a more unilateral foreign policy stance after 9/11, which has had consequences for the coherence of its network of allies, and the world order it had led since the end of the Cold War (Ikenberry, 2011). Thus it remains an unexplored empirical question whether U.S. aid policy after the Cold War – and particularly in the face of the "new" post-9/11 security threats – has remained geared toward maintaining and protecting the U.S.-led network of allies that has existed since the end of World War II.

In this regard, our research is related to the international hierarchy arguments put forward by Lake (Lake, 2007, 2009a,b). Lake argues that states often surrender some of their sovereignty to a more powerful state in exchange for protection and other services such as economic assistance. During the Cold War, the United States constructed a security hierarchy in which allies in Europe and many in the so-called Third World ceded some sovereignty over defense with the understanding that the U.S. would help protect them from threats from the Soviet Union and from insurgents within their own borders (Lake, 2009a). Threats to the survival of these regimes were often seen as threats to American interests as well, and U.S. aid patterns tended to reflect this. Governments in Honduras, Peru, Thailand, and many other U.S. allies facing insurgent threats during the the Cold War could expect to receive tens of millions in U.S. financial assistance to secure incumbent regimes, to help their militaries combat security threats, and enable them to resist Soviet influence (Mott, 2002; Muscat, 2002). Given that U.S. foreign policy has shifted its focus to combat the more diffuse threat posed by transnational terrorism, we analyze whether this emphasis on maintaining and protecting this alliance network from new threats has remained a priority of U.S. foreign policy.

The goal of this paper is to determine empirically whether and how the United States has maintained aid allocation patterns consistent with its overarching security objectives. Given this focus, we make three main contributions to the literature linking foreign aid and terrorism. First and most generally, we assess the relationship between terrorism and U.S. foreign aid allocation. While cases such as U.S. aid to Pakistan post-2001 are well-known, it is not obvious that such widely known post-9/11 cases are representative of a broader spatial and temporal trend directly linking terrorism and foreign aid. Furthermore, terrorism is by no means a "new" threat, as it

has received significant attention from policy-makers since at least the 1980s. Accordingly, we assess the link between terrorism and U.S. aid over the last three decades. Second, we use multiple data sources and measures to distinguish between terrorism that directly threatens U.S. interests, terrorism that threatens U.S. allies, and terrorism that threatens the interests of states not allied with the U.S. These distinctions are essential given our interest in whether the U.S. uses foreign aid to help its allies counter the threat from terrorism. Third, we provide new theoretical links between the large and well established foreign aid literature and the quickly growing terrorism literature. Additionally, we tie both of these literatures to larger theoretical debates about how America's role as a global superpower has or has not changed since 9/11.

Our results suggest that the U.S. has not adjusted its foreign aid policy since 2001 to help its allies combat terrorism that threatens their interests. Rather, U.S. foreign aid allocation to recipient countries is primarily influenced by the volume and severity of terrorist attacks emanating from a recipient country that directly target U.S. interests. Strikingly, we find no link between terrorist activity against U.S. allies and U.S. foreign aid allocation, despite rhetoric from U.S. officials that would suggest otherwise. These patterns are robust across both economic and military aid. In other words, as U.S. security policy has pivoted to combat transnational terrorism, its foreign aid policy has placed less emphasis on maintaining the security of its network of allies, and more on protecting its own direct security interests.

The article proceeds as follows. First, we outline the connection between terrorism and foreign aid. We then discuss the patterns we expect to see between terrorism and foreign aid allocation under different theoretical perspectives. Given our theoretical expectations, we subsequently discuss the data we use to test our hypotheses. Then, we present our results and discuss their implications for the larger debate about changes in the nature of U.S. foreign policy since 9/11. We conclude by discussing some important cases that illustrate our results as well as addressing promising areas for future research.

Foreign Aid and Terrorism

Since the mid-1970s, transnational terrorist groups have played a prominent role in international relations (Enders and Sandler, 1999; Hoffman, 2006; Shugart, 2006). The attacks of September 11,

2001, quickly led international terrorism to be perceived as the most serious threat to the security of the United States and its allies. This threat poses a unique problem for states that are the targets of transnational terrorism: since counterterrorism and/or counterinsurgency falls within the realm of the host state's domestic policy, eliciting cooperation from the host of a group is essential to combat internationally based groups (Schultz, 2010). We argue that foreign aid is a useful tool for states threatened by internationally hosted terrorist groups. In rare cases, such as the U.S. military intervention in Afghanistan, a state is willing to intervene directly in a host state in an effort to forcefully remove a group and decrease terrorism at prohibitively high cost.[2] However, even in the rare cases in which the U.S. undertakes a military campaign, foreign aid remains an important part of its overall strategy, as large amounts of aid have flowed to Afghanistan since 2001 and Iraq since 2003.

We argue that major powers with a strong interest in fighting transnational terrorism (namely, the U.S.) view foreign aid as a vital component of their counterterrorism policy. Indeed, a growing literature posits that aid allocation affects patterns of terrorism. Azam and Thelen (2008, 2010) find that as OECD aid to a country increases, the number of terrorist attacks that emanate from that country decreases. Savun and Hays (2011) take a similar approach, but find that OECD aid only decreases terrorism when delivered to countries that enjoy good governance. Bandyopadhyay, Sandler and Younas (2011) demonstrate theoretically that a target state's foreign aid allocation not only affects the behavior of the recipient government, but can also affect the donor's homeland security strategy. In a similar vein, Bapat (2011) explores the relationship between foreign aid provision and the demise of terrorist groups, finding that military aid actually prolongs terrorist campaigns in host countries. Neumayer and Plumper (2011) show that U.S. military aid is associated with increases in terrorism that targets U.S. citizens. While conclusions are mixed as to whether aid is associated with decreased terrorism, a wide range of studies find that there is indeed a relationship between aid and terrorism. We contend that these studies have proceeded to explore whether aid leads to less terrorism without adequate knowledge of how patterns of terrorism affect aid allocation. This is an important oversight if one wishes to determine the efficiency of foreign aid

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[2]As of 2010, by one estimate the United States had spent over $300 billion on military operations against the Taliban in Afghanistan since 2001 (National Priorities Project, 2011). This is equal to roughly twice the total amount of economic and military aid sent to the rest of the world combined over the same period (USAID Economic Analysis and Data Services, 2010). In our data, both U.S. military action and economic sanctions are far less frequently used against hosts of terrorist activity than is foreign aid.

as a counterterrorism strategy, as donor motivations are important when asking questions about aid effectiveness (Easterly, 2002; Dunning, 2004; Wright, 2008*b*; Bearce and Tirone, 2010; Wright and Winters, 2010).

Terrorism, Foreign Aid Allocation, and U.S. Foreign Policy

Given that terrorism is widely deemed to be one of the primary threats to U.S. security, how the U.S. distributes foreign aid in response to terrorist attacks provides insight into its overall foreign policy posture. We explore three plausible theoretical ideas about the link between terrorism, U.S. foreign aid allocation, and overall U.S. foreign policy. We also assess the role of alliances in U.S. grand strategy in an age when the threat of terrorism looms large in U.S. policy.[3] Finally, we examine the related question of whether the end of the Cold War or the September 11 attacks significantly altered how U.S. foreign aid policy responds to terrorism, or whether the connection between terrorism and foreign aid has been consistent but has simply played a larger role after the attacks of 9/11.

An Expansive View of Terrorism and Foreign Aid

First, it is possible that the U.S. views all terrorism as a security threat. Countries that host terrorist groups are prone to instability which can spread across borders and infect other countries or entire regions (Bapat, 2007). This can adversely affect the security objectives of the U.S., which as a major power, has interests around the world and generally favors stability and the *status quo* (Lemke, 2002). Furthermore, groups that use terrorism challenge states' monopolies on the use of force and by definition do not comply with legal combat standards by explicitly targeting civilians. Thus, terrorism is not only a serious threat to stability but also represents a challenge to the rule-based liberal order that has been ascendant since the end of the Cold War (Ikenberry, 2001, 2011). Accordingly, countering the threat from terrorism has been an important objective that has received attention from U.S. foreign policy-makers since at least the mid-1980s. The expansive view of the connection between aid and terrorism is consistent with President Bush's statement before

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[3]Our hypotheses are general and are not tied specifically to economic or military aid. While it is plausible that economic aid and military aid are representative of distinct motivations, in practice it is difficult to make this distinction due to aid fungibility. Thus, we separately analyze economic aid, military aid, and total aid in our analysis but do not claim that the provision of military versus economic aid necessarily reveal distinct motivations on the part of the donor.

Congress on September 20, 2001 that "[o]ur war on terror begins with al Qaeda, but it does not end there. It will not end until every terrorist group... has been found, stopped and defeated." In a sense, this view comports with the belief that as the lone superpower in the international system, the U.S. has an interest in stability everywhere on the globe. Moreover, much of the literature is implicitly consistent with this view, as previous studies probing the aid-terrorism link make no distinctions between different types of terrorism (e.g., Azam and Thelen (2008, 2010); Young and Findley (2011)). The view that the U.S. uses aid to counter all types of terrorism is summarized by hypothesis 1.

Hypothesis 1. *As the volume and severity of all terrorist attacks that occur within a state increase, its probability of being a recipient of U.S. foreign aid increases. Furthermore, if it is a recipient, the level of aid it receives increases.*

However, we are skeptical of such an expansive notion of how the U.S. views the threat from terrorism. Although the U.S. clearly sees terrorism as a serious security threat, it has not consistently opposed all groups that use the tactic. During the Cold War, the U.S. provided support for anti-Communist groups such as the Contras in Nicaragua.[4] Thus, while instability in the U.S. or in allies was viewed as a serious threat, destabilizing the governments of Soviet allies such as Cuba or Afghanistan was consistent with U.S. security objectives. More recently, the U.S. has been supportive of groups that oppose Iran.[5] Thus, the idea that the U.S. prioritizes combatting *all* terrorism is perhaps far-fetched.

Foreign Aid to Assist Allies

A second possibility is that the U.S. focuses more exclusively on terrorism that threatens its own interests and those of its allies. This view suggests that maintaining and protecting its allies against prominent security threats remains central to U.S. grand strategy and foreign policy. A key implication of this view is that the strategy behind U.S. foreign aid policy has remained the same since the Cold War, even while the threat perceived as dominant has changed. During the Cold War, U.S. foreign aid was used as an instrument to influence and bolster its allies in the larger

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[4]See **?** on state support for groups.

[5]*U.S. Is Said to Expand Covert Operations in Iran: Plan Allows Up to 400 Million for Activities Aimed at Destabilizing Government* (2008)

struggle against the Soviet Union (Meernik and Poe, 1998; Dunning, 2004; Boschini and Olofsgard, 2007).[6] Since the attacks of September 11, 2001 the threat from terrorism has been viewed as the preeminent threat to U.S. security. Accordingly, if the maintenance of stability within allies remains a central goal of U.S. grand strategy as it was during the Cold War, we should expect U.S. foreign aid to flow to countries in which both its own interests and those of its allies are targeted by terrorism. This view is consistent with the notion that the maintenance of internal stability in the countries within its alliance network remains a central part of U.S. grand strategy (Lake, 1999, 2009a). However, it is not consistent with the assertion that the U.S. became less concerned with its network of allies as it increasingly focused on the threat from terrorism after 2001 (Ikenberry, 2011).

In sum, if a central goal of U.S. foreign aid policy is to counter terrorist threats to its interests and those of its allies, we should expect to see aid flows increase to countries in which terrorism threatens U.S. and U.S.-allied targets. However, we should not necessarily expect a relationship between terrorism against non-allies and U.S. foreign aid allocation.

Hypothesis 2. *(a.) As the level of terrorist activity against U.S. or U.S. allies' targets in a state increases, its probability of being a recipient of U.S. foreign aid increases. Furthermore, if it is a recipient, the level of aid it receives increases.*

(b.) Terrorist activity against non-U.S. or non-U.S. allied targets has no effect on foreign aid allocation.

Importantly, the view summarized in hypothesis 2 integrates the idea that not all terrorism is seen as threatening to U.S. interests. Thus, if a significant part of U.S. foreign aid strategy is to aid its allies in combatting terrorism, it need not have an overriding interest in combatting all terrorism (as suggested by hypothesis 1). Consequently, this view is consistent with cases in which the U.S. is indifferent towards or even supportive of violent groups. Despite this potential strength, it is not clear that the U.S. views terrorism that targets its allies (but not its own citizens) as a significant security threat. In his discussion of prominent cases of "passive" sponsorship of terrorist groups, Byman (2005, 244–254) notes that a very surprising case is the U.S.'s indifference towards curtailing Irish Republican Army fundraising within its borders.

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[6]Relatedly, Lai (2003) provides evidence that U.S. aid strategy shifted in the 1990s to reflect concerns about the threat posed by "rogue states".

"America's self-image as a staunch opponent of terrorism and its closeness to London make it all the more surprising that for many years the United States tacitly allowed Irish republican terrorists to raise money and organize on U.S. soil with relatively little interference. Since the advent of modern terrorism in 1968, President after President has condemned it in the strongest language. Moreover, the United Kingdom is perhaps America's closest ally in the world...Nevertheless, the United States...allowed terrorists to flourish due to domestic sympathy, limits on capacity (in this case for legal reasons), and *little sense of threat* (Byman, 2005, 244, emphasis added)."

While this is just one case, its importance draws the notion that the U.S. is overly concerned with terrorism that targets its allies into question. The United Kingdom is one of the U.S.'s closest allies and the fight against the IRA (and related groups) was arguably the most important British security issue since World War II. If the U.S. proved unresponsive to the British fight against the IRA, it is questionable that it would view terrorism against its many (usually) less important allies as threats to its security.

A Limited View of Terrorism and Foreign Aid

Some analysts of U.S. foreign policy suggest that the rise of terrorism has led the U.S. to be less concerned with its extensive alliance network, as the these alliances are viewed as less relevant to this type of threat (Ikenberry, 2011). Accordingly, the Bush administration's reordering of American grand strategy in the aftermath of the September 11, 2001 attacks had a much more unilateral flavor[7]. The threat from terrorism was viewed as fundamentally different than previous security threats, and thus an era in which terrorism was the preeminent threat required a different strategic doctrine. While the U.S.'s network of alliances was not to be dismantled or abandoned, Ikenberry notes that "the view was that these forms of security cooperation were less useful in confronting new threats (Ikenberry, 2011, 261)." Thus, from the perspective of U.S. policymakers, the threat from terrorism was different from more conventional security threats such as Soviet expansion, and therefore required a different foreign aid strategy. Furthermore, the U.S. aid budget is finite, and

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[7]It is not obvious that the Obama administration has altered the U.S.'s unilateral approach, as one of its signature initiatives in the battle against terrorism is a sharp increase in the use of drones, a strategy that is generally unpopular internationally.

thus U.S. policymakers may prefer disbursing these funds only where vital U.S. interests are at risk.

This narrow view of how the U.S. perceives the threat from terrorism also addresses the key problem with the expansive view embodied in hypothesis 1. Namely, it recognizes flaws with the idea that the U.S. views all terrorism as threatening to its interests. It also effectively deals with the possibility that terrorism which targets allies is not considered a significant security threat. Furthermore, the limited view is consistent with the U.S. turning a blind eye to IRA violence against the UK for at least two decades, while neither of the other two approaches can explain such cases. Hypothesis 3 summarizes this limited view of the connection between terrorism and U.S. aid policy.

Hypothesis 3. *(a.) As the level of terrorist activity against U.S. targets in a state increases, its probability of being a recipient of U.S. foreign aid increases. Furthermore, if it is a recipient, the level of aid it receives increases.*

(b.) Terrorist activity against non-U.S. targets is not systematically related to foreign aid allocation.

Terrorism and U.S. Foreign Aid Policy Across Time

The three perspectives about the connection between the threat from terrorism and U.S. aid policy outlined above assume that the nature of the relationship between terrorism and U.S. aid policy has remained constant across time. In other words, no distinction is made about how terrorism affects U.S. aid policy after 2001 relative to before 2001, or relative to the Cold War period. By stating the hypotheses in this way, we argue that the nature of the relationship between terrorism and U.S. foreign aid policy did not fundamentally change across time. The threat from terrorism has been perceived as serious for several decades. For example, Presidents Reagan and Clinton developed strategies and policy initiatives specifically to confront the threat of terrorism. However, it is clear that the *magnitude* of the threat from terrorism changed after 9/11.[8] Although terrorism has been relevant to U.S. foreign policy for decades, it is quite clear that it has become more central to U.S. foreign policy since 2001.

In sum, we argue that while the magnitude of the threat from terrorism increased, the connection

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[8]By magnitude, we refer to the perception of the magnitude by policy-makers.

between terrorism and foreign aid has remained constant. Accordingly, we expect hypotheses 1–3 to be valid throughout our sample (1976-2006). We explicitly test this claim below by analyzing the effect that terrorism has on foreign aid allocation during the Cold War (1976–1989), during the initial post-Cold War period (1990–2000), and after 9/11 (2001–2006).

Data and Methods

To test our hypotheses, we rely on data from the U.S. Agency for International Development (USAID), the agency within the U.S. government responsible for disbursing foreign assistance (USAID Economic Analysis and Data Services, 2010). These data offer adequate temporal coverage and distinguish between economic and military aid, which is important to ensure that we do not make incorrect inferences by aggregating economic and military aid. Most existing research on aid allocation has either aggregated these two categories or focused on the determinants of only one. This is a fine strategy if theory clearly suggests the analysis of economic or military aid. However, in our case, both types of aid are relevant, so we analyze economic and military aid individually as well as total aid. Furthermore, the few existing studies that analyze distinctions among military and economic assistance suggest that there are some differences (e.g., (Apodaca and Stohl, 1999)), although it is unclear whether terrorism affects these two aid types differently. Accordingly, we create dependent variables for economic aid, military aid, and total aid. For our measures of terrorism, we utilize data contained in the START Global Terrorism Database (START, 2009).

We evaluate our arguments by estimating several empirical models. First, we estimate Heckman two-step selection models for each type of aid.[9] The two-step approach is to first estimate a selection equation that determines which countries are selected by the U.S. to receive aid and second, estimate a model of how much aid is given to aid recipients. We include country-specific fixed effects in the aid levels regressions to ensure that countries receiving abnormal amounts of aid have a different constant, and to capture other time-invariant attributes.[10] Studies such as Lai (2003) and Bueno de Mesquita and Smith (2007) estimate similar models, which makes comparison of our results to previous findings straightforward.

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[9]We focus on the two-step model, as the "one-step" full information maximum likelihood Heckman model is less general (i.e., it requires additional distributional assumptions) and is known to produce less stable estimates. See Greene (2007) for details.

[10]We demonstrate that the results are robust to several alternative modeling approaches in the appendix.

Dependent Variables

We construct two dependent variables for each type of aid we examine. The first is a binary indicator for whether a country received U.S. aid in a given year. Specifically, the variable takes a value of 1 in a given year if the recipient received aid, and a 0 otherwise. This variable is used in the first stage selection equation. We create a dichotomous variable for each of the three types of aid.

The second dependent variable measures the total amount of each category of aid received by aid recipients (i.e., those who received aid in the first step) in millions of constant 2009 dollars. It is well known that there is a high level of variance in the amounts of U.S. aid received by different countries, which leads any raw aid variable to be highly right-skewed. In our case, the variable ranges from $100,000 to over $14 billion, with a mean of $167 million and a standard deviation of $709 million. As is common in the literature (e.g., Bueno de Mesquita and Smith (2007)), we deal with this by using the natural log of economic, military, and total aid received.

Main Independent Variables

To test the relationship between the targets of terrorism and U.S. foreign aid allocation, we develop two categories of variables – attacks and casualties – from the Global Terrorism Database (GTD). These variables are discussed in detail below.

Attacks

The GTD is useful for our purposes, as it contains detailed information about location, year, and primary target(s) for each of the more than 80,000 terrorist attacks from 1970 to 2007. For an attack to be included in this database, it must meet at least two of the following criteria: 1.) the act must be aimed at achieving a political, economic, religious, or social goal; 2.) there must be evidence of an intent to coerce or intimidate an audience beyond the immediate victims; 3.) the act must be outside the context of legitimate warfare (START, 2009).

We construct three types of attacks variables from the GTD data. First, we count the number of attacks within a country in which the U.S. is listed as a target (*U.S. Attacks*). Second, using alliance data from the Alliance Treaty Obligations and Provisions (ATOP) data (Leeds et al., 2002),

we code whether an attack targets a U.S. ally. While ATOP only classifies alliances up to 2003, we extend the data for this variable by three years as the United States alliance portfolio remained the same from 2003 to 2006.[11]. We then count the number of attacks within a country in which a formal U.S. ally was listed as a primary target (*U.S. Ally Attacks*).[12] Thus, *U.S. Ally Attacks* or *U.S. Attacks* are coded as taking place within a given country if they take place within the borders of that country and physically target the interests of either the U.S. or one of its allies. Finally, we count the number of attacks within a country that targeted *neither* the U.S. *nor* its allies (*Other Attacks*). Each of these variables is aggregated at the yearly level, and is summarized below.[13]

- *U.S. Attacks* – a count of terrorist attacks within a country in which the U.S. is the primary target (i.e., citizens, NGOs, diplomatic facilities, businesses, etc.);

- *U.S. Ally Attacks* – a count of attacks within a country in which the primary target is a formal U.S. ally; and

- *Other Attacks* – a count of attacks within a country in which the primary target is a country with which the U.S. is not formally allied.

Table 1 summarizes these three attacks variables. We note that the variables are not highly correlated, as *U.S. Attacks* and *U.S. Ally Attacks* are correlated at about 0.5, *U.S. Attacks* and *Other Attacks* at 0.12, and *U.S. Ally Attacks* and *Other Attacks* at about -0.05. It is also clear that the distribution of the attacks variables are highly right-skewed. We employ the natural log of the number of each type of attack, as this smooths the distribution of the data and increases confidence in our estimates. There is also a substantive justification for using the logarithmic specification: as a country becomes host to an increasing number of attacks, the influence of each additional attack on U.S. foreign aid should decrease.[14] Finally, we lag this variable in all specifications, as it is more plausible that aid policy in year t responds to terrorism that occured in year $t - 1$.

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[11]We learned this through personal correspondence with Ashley Leeds, who is currently updating the ATOP data and has already coded the United States through 2006.

[12]We count Israel as a U.S. ally although a formal alliance contract is lacking.

[13]We also employ a count of groups active in each country in each year using Jones and Libicki (2006). We distinguish among groups that attack U.S. interests in a given year and those that do not and find results consistent with those reported in the main text. We report these alternative results in the supplemental appendix.

[14]We also tried a simple count of attacks and found the logged variable was preferred by the Bayesian Information Criterion (BIC).

Table 1: Summary of Attack Variables

Number of Attacks in a Country	Number of Observations U.S. Attacks	Number of Observations U.S. Ally Attacks	Number of Observations Other Attacks
At least 1	726	1685	2530
At least 2	356	1203	1900
At least 3	217	979	1585
At least 4	157	847	1395
At least 5	121	752	1246
At least 10	48	539	891
At least 20	11	382	594

Casualties

It may be the case that a country hosts a high number of terrorist attacks, but that these attacks are low-magnitude and thus not viewed with as much alarm as more severe attacks. To allow for this possibility, we count the number of casualties that result from terrorist attacks as a measure of severity.[15] As with the attacks variables, we aggregate casualties by country-year, and distinguish between U.S. casualties, casualties in U.S.-ally targeted attacks, and casualties from attacks that target neither U.S. citizens nor the citizens of allies. These variables are summarized below.

- *U.S. Casualties* – the number of U.S. citizens killed in terrorist attacks in a country

- *U.S. Ally Casualties* – the number of people killed in attacks in which a U.S. ally was the primary target.

- *Other Casualties* – the number of people killed in attacks in which the primary target was not the U.S. or one of its allies.

Table 2 summarizes the casualties data. The table shows that, similar to our *Attacks* variables, U.S. casualties from transnational terrorism are much less frequent than casualties of citizens of

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[15]The GTD also includes data on the number of people injured by terrorist attacks. We include results using variable in the supplemental appendix, as it performs similarly to the casualties variable.

Table 2: Summary of Casualty Variables

Number of Casaulties in a Country	Number of Observations U.S. Casualties	Number of Observations U.S. Ally Casualties	Number of Observations Other Casualties
At least 1	192	975	1304
At least 2	94	752	1047
At least 3	64	633	919
At least 4	43	560	846
At least 5	35	522	793
At least 10	17	408	652
At least 20	9	308	498

other countries. Furthermore, the correlations among these variables are even lower than for the attacks variables, as *U.S. Casualties* and *U.S. Ally Casualties* are correlated at about 0.25, while the other correlations are similar to the *Attacks* variables. We use a one-year lag and the natural log of this variable as well.

The estimation of a model with a lagged dependent variable (LDV) and fixed effects raises some econometric issues. Specifically, it is well known that this model can generate biased estimates, which may make an alternative estimator more appropriate.[16] In our case, bias is likely to be less serious, due to the fact that our sample contains both a large number of cross-section units (150 recipients) and time periods (30 years). Judson and Owen (1999) demonstrate that bias is not a serious issue for a LDV model with fixed effects when used on large sets of panel data. Furthermore, any resulting bias is generally concentrated in the coefficient on the lagged dependent variable rather than the other estimates, which would not affect our conclusions regarding the variables of theoretical interest. Given that we also have unbalanced panels, which makes estimation of alternative models difficult, we take the advice of Judson and Owen (1999) and estimate the LDV model with fixed effects. We report the results for all of our regression models without a LDV in the appendix to demonstrate that none of our main findings change.

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[16]See Cameron and Trivedi (2005) for details.

Finally, to assess our arguments that the U.S. emphasis on protecting allies from security threats has changed with both the end of the Cold War and the onset of the "War on Terror," we use time-period indicator variables for the Cold War, the 1990s, and post-2001.[17]

Other Independent Variables

In addition to our variables of interest, we included a number of variables found in other studies to influence U.S. foreign aid allocation. Apodaca and Stohl (1999) and Lai (2003) have found that bureaucratic inertia within U.S. aid agencies leads the amount of aid received by a state in year t to be strongly determined by aid received in year $t-1$. We therefore include a one-year lag of the natural log of aid received by a state as a predictor of the amount of aid received in year t.

Regime type is also widely assumed to have an effect on aid decisions, particularly after the Cold War, as Western donors had more leeway to encourage democratic reforms in more countries through the provision of foreign aid (Dunning, 2004; Wright, 2008*a*). To control for the possibility that the U.S. provides foreign assistance to reward or encourage democratic reforms, we include a lagged measure of a state's Polity score.

One of the more robust findings in the aid literature is that less developed countries are more likely to receive foreign assistance (cf., Meernik and Poe (1998) or Demirel-Pegg and Moskowitz (2009), among others). Although some (e.g., Fleck and Kilby (2010)) have found that the degree to which development is emphasized has changed over time, it remains an important factor. We control for level of development with a one-year lag of the natural log of GDP per capita, taken from Gleditsch (2002). To allow for the possibility that U.S. aid agencies factor country size into aid decisions, we use the natural log of the population as provided by the World Bank (2010). The United States may also give preference to countries with which they have a strong economic relationship. This may be to reward a state for opening its borders to trade, or simply to ensure that a country continues to give preference to U.S. economic interests. We include a lag of the natural log of total trade with the U.S. (Gleditsch, 2002).

Giving special preference to countries that do not engage in human rights abuses became an institutionalized part of the foreign aid process during the 1970s, as the United States Congress passed

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[17]We code the final year of the Cold War as 1989, although the results are not sensitive to changing the final year to 1990 or 1991.

legislation tying respect for human rights directly to aid allocation (Cingranelli and Pasquarello, 1985). Previous studies show mixed results, with some finding that respect for human rights leads to more aid (Cingranelli and Pasquarello, 1985), while others find the relationship to be conditional on the time period (Demirel-Pegg and Moskowitz, 2009; Lebovic, 1988). Human rights data are taken from the Political Terror Scale (Gibney, Cornett and Wood, 2009). These codings are based on human rights reports from both the U.S. State Department and Amnesty International which chronicle the use of violence, torture, and detention by states against their citizens. The data range temporally from 1976 to 2006, assigning a value of 1 for a country with few or no human rights abuses, and a 5 for the worst offenders. We dichotomize this variable by coding a country as a human rights violator if it scores at least a 3 on the scale.[18]

Results

We report results from several different selection models of U.S. foreign aid allocation.[19] The models in Tables 3 and 4 differ only in terms of how the threat from terrorism is measured. Table 3 employs the count of terrorist attacks in a given year, while the models in Table 4 use the number of casualties caused by attacks each year. The selection equation in each model assess who initially gets aid, while the regression equation assesses how much aid countries get conditional on being recipients. We ensure that the Heckman models are identified by including the cubic polynomial in time since a country has received the relevant kind of aid (i.e., t, t^2, and t^3) in the selection equation but not in the regression equation (Carter and Signorino, 2010).[20] Moreover, these variables account for duration dependence, or the idea that countries that received aid in $t-1$ are likely to have a different probability of receiving aid relative to a country that has not received aid in 10 years (Lai, 2003). In all models, the cubic polynomial is a significant predictor of who gets aid, but not of aid levels, which ensures that it identifies each model.[21] In each of the two tables, we estimate models in which the dependent variable indicates which countries get economic aid (columns 1–2), military aid (columns 3–4), and total aid (columns 5–6). Subsequently, we estimate models that assess how

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[18]This is the point at which a country engages in more widespread human rights abuses.

[19]For several alternative modeling approaches and robustness checks, see the appendix.

[20]This means that the t, t^2, and t^3 variables are different for military, economic, and total aid.

[21]We report the (insignificant) estimated coefficients for the cubic polynomial variables in the outcome equation in table 1 in the appendix. The estimates and standard errors presented in the appendix correspond to the first six models estimated and reported in tables 3 and 4. We also estimate non-selection models and find very similar results.

the importance of terrorism has changed U.S. aid policy since the end of the Cold War and the 9/11 attacks. All models also report lambda, which is estimates the hazard of non-selection, and the correlation coefficient rho.[22]

What Countries are Aid Recipients?

Examination of the selection equations in tables 3 and 4 indicate that both the volume and severity of attacks against U.S. targets are consistently strong predictors of whether a country receives any kind of foreign aid. Furthermore, neither terrorism against U.S. allies nor the interests of non-allied countries occurring within a state's borders are ever significant predictors of whether a country will receive aid or not. These results provide support for the idea that the United States is primarily concerned with terrorism that directly targets its own interests, rather than with terrorist activity in general. These findings thus provide support for Hypothesis 3, namely that only terrorism against U.S. interests will significantly affect aid allocation.

Our finding that only attacks against U.S. interests are a significant determinant of aid allocation is rather surprising, as both past research and official U.S. rhetoric would lead one to believe that U.S. aid is targeted to support the efforts of recipient regimes against domestic threats, especially regimes that are U.S. allies. For instance, the 2009 *Enhanced Partnership with Pakistan Act* notes that the aid package is intended to "support Pakistan's struggle against extremist elements" and to "prevent any territory of Pakistan from being used as a base or conduit for terrorist attacks inside Pakistan" (United States Congress, 2009). While the United States is probably broadly concerned with global stability, our results imply that it tends to devote significant resources only where its *own* interests are threatened. If the U.S. were systematically concerned about stability, we would expect to see conflict-prone countries such as India or the Democratic Republic of Congo receiving large amounts of aid to combat their long-lasting domestic insurgencies. However, the groups based in these countries do not pose a direct security threat to American interests, and so these states have not been major recipients of U.S. foreign aid (USAID Economic Analysis and Data Services, 2010).

The estimates in both tables also demonstrate that the presence of anti-U.S. terrorist activity

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[22]We do not provide much discussion of these estimates. Generally, selection does not matter that much for military aid, but matters for economic and total aid.

has a similar effect on the probability of receiving both types of aid. This finding is somewhat surprising, though there is some evidence that terrorism is seen as a development issue as well: a 2005 Congressional Research Service report to Congress notes that funds from the Economic Support Fund specifically target countries important to the U.S.'s strategic goals, with the threat from terrorism being a prominent strategic interest (Congressional Research Service Report for Congress, 2005, 5). The lack of strong differences across economic and military aid also support our assertion that any distinction between these categories is muddled by the fact that it is difficult to provide some countries–such as Pakistan during the 1990s or Sudan currently–with military aid for political and/or legal reasons. The finding that U.S. allies are significantly more likely to be recipients of economic but not military assistance is also consistent with this logic.

While the results for the terrorism variables are similar across aid types, our results for several of the other variables suggest that there are differences between military and economic aid. For instance, we find that economic aid was disbursed to a smaller set of countries during the Cold War, while military aid was given to a larger set. Thus, the typical finding that U.S. aid was less widely distributed during the Cold War than afterwards results from either a focus on economic aid (e.g., Bueno de Mesquita and Smith (2007)) or from focusing only on total aid (e.g., Lai (2003)).[23] The findings for the post-9/11 variable provide evidence for the expansion in U.S. foreign aid policy after the September 11 terrorist attacks. The pool of recipients of both military and economic aid expanded after 9/11. On the face of it, this result makes our finding that terrorist attacks against U.S. allies within a country's borders does not significantly it becoming an aid recipient all the more surprising.

Human rights violators are significantly less likely to be military aid recipients, but the same is not true for economic aid. This reflects the fact that the U.S. Congress issued legislation in the mid-1970s tying foreign aid to respect for human rights (see Cingranelli and Pasquarello (1985) and Poe and Meernik (1995)). This had a greater effect on military aid, which may be used rather directly for repression by states with poor human rights records. The finding that human rights violators receive *more* economic aid is somewhat surprising, though this could be explained by the use of economic aid as a "carrot" to encourage more respect for human rights. It may also be easier

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[23]In the case of total aid, it is clear from the results that economic aid allocation drives the negative and significant coefficient. This makes sense as the majority of U.S. foreign aid has always been economic.

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for the U.S. Congress to justify sending economic aid to help strategically important regimes that have poor human rights records (Sudan is a possible example of this).

We also find that poorer countries are always more likely to be aid recipients, which makes intuitive sense and is consistent with the existing findings. This applies for both economic and military aid, as poor countries tend to be weak both militarily and economically, and therefore most in need of both kinds of assistance. This effect is larger for economic aid than for military aid. With regard to regime type, we find no significant relationships between a state's Polity score and the initial provision of aid.[24] Additionally, neither the level of trade with the U.S. nor the population of the potential recipient country appear to be considered at the initial allocation stage.

How Much Aid Do they Receive?

We now turn to the results for the levels of aid disbursed to recipient countries. First, note that the results reported in the "Aid Levels" columns of Tables 3 and 4 apply only to countries that receive aid; that is, the results are all conditional on the countries' selection by the U.S. into the sample of aid recipients. Second, the inclusion of recipient fixed effects implies that the coefficients reported for the aid levels regressions reflect within country variation from their mean across time (i.e., as the number of attacks against U.S. targets within Country A increases over time, aid to Country A will increase over time as well). This ensures that the estimated coefficients on the attacks-based or casualties-based variables do not simply pick up variation across recipients, but rather within a recipient. Finally, given that we include a lagged dependent variable, the aid levels equations in the models in Tables 3 and 4 are dynamic. We therefore assume that aid levels at time t are a function of aid levels at time $t-1$ and changes in the exogenous regressors in the current year.[25]

The results in Tables 3 and 4 indicate that both the number of attacks on U.S. targets within a recipient's borders and the severity of those attacks significantly increase the level of aid it receives from the U.S. across time. Both variables have a positive and statistically significant effect in

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[24]The correlation between the Polity measure and the terrorist activity variables are relatively low (≈ 0.15), so these variables do not serve as a "proxy" for regime type. See the supplementary materials for models that drop the terrorist activity variables.

[25]Some of the exogenous regressors, such as the attacking groups variable, are lagged by a year. Thus, we assume that changes in the attacking groups variable in year $t-1$ are relevant to aid in year t. Similarly, changes in the attacking groups variable in year $t-2$ are assumed to influence aid in year $t-1$, and so on. While we think lagging several of the exogenous variables is theoretically appropriate (see discussion in the previous section), measuring all exogenous regressors in year t leads to similar results.

all models. This finding is quite robust, as we also include recipient fixed effects and the lagged dependent variable in each model. Interestingly, we find again that neither the number of attacks, nor the severity of those attacks against U.S. allies or non-allies are consistently significant. Thus, Hypothesis 3 receives further support.

However, the results for aid levels are a bit more nuanced than they are for selection. For instance, we find that both the volume and severity of terrorism against U.S. allies has a positive and significant effect on the level of military aid. However, the magnitude of the effect is about half of that for attacks against U.S. interests and there is no similar effect on the level of economic aid. In fact, the results in Table 3 indicate that the number of attacks against U.S. allies is negatively associated with the level of economic aid, although the effect is small, and the corresponding coefficient is insignificant in the casualties model in Table 4. In sum, the finding that the volume of attacks against U.S. allies is associated with higher levels of military aid tempers support for Hypothesis 3. U.S. military aid may be somewhat sensitive to the threat faced by allies, although the lack of a connection between U.S. ally casualties and military aid suggests a rather weak relationship.

The population variable points to an important difference between the initial allocation of aid and the level of aid provided, as well as between economic and military aid. Population increases across time are found to be a significant determinant of the amount of economic aid received, but not military aid. This is likely because economic aid is meant to benefit the entire population, while military aid is only meant to benefit a small subset.

Several other results suggest differences between economic and military aid. First, note that a change in a recipient's Polity score is significantly related to the amount of economic aid a recipient country receives (at the 0.10 level). While the results for the selection equations indicate that democracies are not more likely to receive aid, those that do are given more economic aid as they become more democratic. However, there is no significant relationship between changes in a recipient's Polity score and the level of military aid received. Changes in a recipient's human rights practices also have no significant influence on the level of either military or economic aid. Thus, while human rights violators were less likely to receive military aid and more likely to receive economic aid, this variable is insignificant in determining aid levels.

The findings for GDP per capita indicate that as recipient countries develop, they receive less

aid, which comports well with previous findings and conventional wisdom. This holds for both economic and military aid, as poorer countries also probably have poorly equipped militaries. Changes in bilateral trade levels with the U.S. have no effect on levels of either type of aid. Furthermore, being a U.S. ally has no effect on either economic or military aid levels.

The Cold War and post-9/11 variables indicate that recipients of either military aid or economic aid received more aid during the Cold War and after 2001. Aid levels were at their lowest during the 1990s. Taken in tandem with the results for the selection equations, this tells us that the likelihood of being an economic aid recipient was lower during the Cold War, but recipients received more of it, relative to the 1990s. However, the receipt of military aid was more likely during the Cold War, and recipients received more aid. This finding makes sense, as the peak of military aid as a percentage of overall aid was 42% in 1984 (Congressional Research Service Report for Congress, 2005) Strikingly, the pool of recipients of both types of aid grew after 9/11, and aid recipients uniformly receive higher levels of aid than they did during the 1990s. We further explore shifting trends across time when we explore the changing role that the threat from terrorism plays in U.S. aid policy below.

Finally, it has been established that a good deal of bureaucratic inertia is inherent in the aid provision process (Lai, 2003). Unsurprisingly, we find that the level of aid received in the previous year has a strong positive and significant effect on the level of aid received in the current year.

Has the Connection Between Terrorism and Foreign Aid Changed?

The results reported above strongly suggest that U.S. foreign aid policy responds to direct terrorist threats against its own interests rather than to threats against any other countries. However, the question remains whether this has been the case throughout the different time periods in the sample. On the one hand, it is plausible that the effect of terrorism on foreign aid policy has remained the same, and that only the magnitude of the effect of terrorism on aid flows has changed since 2001. On the other hand, it is also possible that as the perception of the terrorist threat grew after 9/11, U.S. foreign aid policy fundamentally shifted to counter this threat. The estimated models in Tables 5 and 6 evaluate these possibilities.[26]

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[26]We only report results using the casualty variables here in the interest of space; however, the attacks variables produce similar patterns.

Table 5 assesses whether the relationship between terrorism and foreign aid disbursement has changed over time. It contains three two-step selection models: one for the Cold War (1976–1989), one for the 1990s, and one for the post-9/11 period (2002–2006).[27] Estimating a separate model for each time period allows a straightforward examination of whether higher threats from terrorism have a consistent effect on foreign aid allocation. It also provides conservative estimates, as the sample sizes in each period are considerably smaller relative to the full sample. Given that significant differences are not found between economic and military aid, we focus on total aid in Table 5 to simplify the presentation. Table 6 estimates the full sample period but includes interactions between the terrorism variables and time-period indicators for the Cold War (1976 to 1990) and the post-Cold War years (1991-2001). Thus, the coefficients for the interaction terms are interpreted relative to the excluded category, which is the post-9/11 period. Furthermore, the individual terrorism and alliance variables are interpreted as the effect of these variables in the post-9/11 period.[28]

Table 5 shows that the effect of terrorism on foreign aid policy across time has changed less than one might expect. First, note that, consistent with Hypothesis 3, the coefficients for the number of U.S. casualties from terrorist attacks remains positive across the selection and aid levels equations during all three time periods. In contrast, the coefficients for attacks on U.S. allies or non-allied countries are generally close to zero and never statistically significant. The key differences are that the coefficients for $ln(U.S.\ Casualties_{t-1})$ are not statistically significant during the Cold War. Thus, this provides some evidence that terrorism was less of a factor for aid policy during the Cold War, even when it targeted U.S. interests. We find that terrorism targeting U.S. interests was a significant factor in aid allocation during the 1990s, in both the allocation and aid levels stages. Moreover, the effect of anti-U.S. terrorism has a large effect on how much aid recipients receive after 9/11. Strikingly, the coefficient on $ln(U.S.\ Casualties_{t-1})$ is even larger than that of the level of aid given the prior year, or $ln(Aid_{t-1})$. However, terrorism does not significantly influence who initially receives aid in the post-9/11 period. Thus, while aid disbursement underwent a large

change post-9/11, the pool of recipients did not. Foreign aid levels declined from the end of the Cold War to the early 2000s, and subsequently increased again. These findings suggest that a good deal of this increase went to countries in which U.S. interests were under attack.

The results in Table 6 are consistent with the discussion of the results in Table 5. Recall that the post-9/11 indicator is the excluded category, both individually and relative to the interactions. Thus, the individual coefficients for the terrorism variables are interpreted as the effect of these variables in the post-9/11 period, while the period interactions are interpreted relative to the post-9/11 period. The results show two main things. First, the results mirror the finding from Table 5 that countries hosting higher levels of terrorism against the U.S. receive much higher levels of foreign aid post-9/11. Second, the results show a changing pattern in U.S. foreign aid policy before and after the 9/11 attacks. The negative coefficients on the interactions between the Cold War and the 1990s suggest that the effect of U.S. casualties is significantly greater post-9/11 relative to during the Cold War or during the 1990s.

In sum, the nature of the relationship between terrorism and U.S. foreign aid policy has not changed since the Cold War. More lethal attacks against U.S. targets is always associated with a higher probability of receiving aid and higher levels of aid. Furthermore, attacks against U.S. allies and the interests of non-allied countries are never consistently associated with foreign aid allocation. However, the significance of anti-U.S. terrorism to U.S. aid policy has changed, as anti-U.S. terrorism attracts significantly more foreign aid post-9/11. These findings provide an interesting window into the perceived increase in unilateralism that has pervaded U.S. policy since 9/11.

Cases

In order to shed some light on the intuition behind our main findings, we briefly discuss several real-world cases that serve as particularly stark examples of the U.S. tendency to take terrorism against its own interests more seriously than terrorism against the interests of its allies. Specifically, we highlight cases in which a U.S. ally experienced terrorism consistently over time, but varied in terms of whether the terrorism targeted American interests.

Colombia, a U.S. ally, underwent a period of relatively little U.S. aid received between the

mid-1970s and late 1980s, despite experiencing consistently high levels of terrorism by left-wing and paramilitary groups. U.S. citizens were not significantly targeted during this period. However, three Americans were killed by terrorist attacks in both 1981 and 1983. The U.S. responded with single-year spikes in aid, doubling from $13 million in 1981 to $27 million in 1982, and from $9.5 million in 1983 to $60 million in 1984. Aid levels subsided in subsequent years, and would not rise again until the Plan Colombia agreement in 2000 (Veillette, 2005).

Two other prominent cases in South America further illustrate this trend. Attacks against Chilean targets in U.S.-allied Chile began rising in the late 1970s, peaking in 1984 and declining over the next decade. During this time, U.S. aid remained low, averaging just several million dollars per year. However, from 1990 to 1992, attacks against American targets skyrocketed, and Chile experienced a brief spike in U.S. aid, receiving an average of $18 million over those three years, until anti-American attacks ceased, at which point aid levels decreased markedly. The same is true of Peru, another American ally. U.S. foreign aid stayed at a fairly constant level throughout during the 1970s and 80s, even as Shining Path violence against Peruvian targets increased and peaked in the mid-to-late 1980s. However, when Americans began being targeted and killed in the late 1980s and early 90s, U.S. aid was roughly doubled in exchange for a harsh crackdown by President Alberto Fujimori, after which violence declined (McClintock and Vallas, 2002).

This pattern can also be observed in other regions. From the late 1970s onwards, violence in the Philippines remained at a high level, with hundreds of Filipinos killed each year, while American aid remained relatively constant. However, during an eight-year period from 1985 to 1992, attacks against American targets increased sharply. During that time, U.S. aid to the Philippine government underwent a similar increase, dropping back to previous levels when anti-American attacks ceased in the early 1990s. Finally, U.S. aid policy in East Africa reveals a similar pattern. In response to the 1998 bombings of U.S. Embassies in Nairobi and Dar es Salaam, which resulted in the deaths of 23 Americans, the U.S. dramatically increased its aid to Kenya from $39 million in 1997 to over $100 million annually in the years after the bombings (Aronson, 2011). Tanzania enjoyed a similar increase in the wake of the attacks.

As both the data and foreign aid literature have demonstrated, the U.S. allocates aid for a variety of reasons. The variation in U.S. aid allocation in our data thus is not *entirely* attributable to variation in terrorism, but our results show that terrorism targeting the U.S. is a consistently

strong determinant. Furthermore, we show that U.S. foreign aid policy tends to place direct U.S. security interests before all else, even the interests of allies besieged by severe terrorist campaigns. The cases briefly discussed here can provide some insight into how this tendency manifests itself in specific instances where the interests of both the U.S. and those of its allies are threatened.

Conclusion

This paper contributes to the literature on transnational terrorism and foreign aid by investigating how the motivations of the largest aid donor are influenced by different types of terrorism. Specifically, we analyze whether there is a general association between U.S. foreign aid and terrorism, or if foreign aid is allocated only where U.S. interests and those of its allies are directly threatened. In addition, we contribute to recent debates about whether the nature of U.S. foreign policy has changed with regard to its alliance network since the Cold War and the onset of the "War on Terror."

We propose three alternative arguments for understanding the connection between terrorism and U.S. foreign aid policy. Following our arguments, we measure both the frequency and severity of attacks against U.S. interests, the interests of U.S. allies, and those of non-allied countries. By disaggregating attacks this way, we advance the study of the relationship between terrorism and foreign aid patterns. Previous studies do not allow for the possibility that certain types of terrorist activity are viewed as more threatening than others, and thus may affect aid patterns differently. We find that there are indeed important distinctions among attacks against different targets. The level of terrorist activity directed at U.S. interests within a recipient country is positively associated with U.S. economic and military aid across all time periods in our sample. However, with few exceptions, the terrorist threat against U.S. allies or other countries is never associated with U.S. foreign aid allocation. We also estimate models to determine whether U.S. foreign aid has responded differently to terrorism over time in our sample and find that U.S. foreign aid has generally responded to terrorism in the same way throughout our sample. We thus provide solid empirical evidence that, in attempting to build the counter-terrorism capacity of other states "so that it does not have to fight on its own soil (United States Congress, 2008)," the U.S. delegates its fight against terrorism to other states through the provision of foreign assistance primarily when its own interests are

threatened. This is an important contribution, as previous studies on the subject have examined only terrorism in general without differentiating between terrorist threats that target a donor from those that do not. From a policy-making perspective, our central finding is surprising, as foreign aid is a relatively inexpensive way to try to bolster the interests of U.S. allies. This highlights what some have argued is the increased unilateralism of U.S. foreign policy in the post-9/11 era.

Despite the prominence of terrorism as a security threat and the consistent framing by U.S. leaders as a threat to the liberal world order, our findings strongly suggest that the U.S. defines the terrorist threat quite narrowly. We find that the distribution of U.S. foreign aid is influenced only by *direct* security threats from terrorism that targets U.S. interests. In contrast, U.S. aid policy is unresponsive to attacks against formal U.S. allies, even when we account for severity. Given that the U.S. is using aid to combat terrorism, these patterns are problematic. Cooperation with allies is essential to combatting transnational terrorism, as cooperation on police work, intelligence gathering, and the collection and sharing of information on terrorist financial networks are important to counterterrorism efforts (e.g., (Pillar, 2001)). Accordingly, the U.S. has enlisted considerable allied support in its counterterrorism efforts. In particular, U.S. cooperation with the European Union has been central to efforts to target the finances of terrorist networks (See Archick (2012) for details). Providing foreign assistance to help allies combat the threat from terrorism is a relatively cheap way to at least demonstrate to allies that they have a stake in robust counterterrorism cooperation with the U.S. Furthermore, studies such as Azam and Thelen (2008) and Azam and Thelen (2010) find that higher aid flows are associated with *fewer* terrorist attacks, which suggests that aid may be part of an effective counterterrorism strategy.[29]

The results of this study open up several avenues for future inquiry into the aid motivations of the United States and other countries. First, we find that the U.S. chooses to allocate foreign aid primarily in response to security threats against its own interests rather than those of its allies. This raises the interesting question of how these allies will respond to the perceived stinginess of the United States. While this question is beyond the scope of the current article, there are a number of possible reactions from U.S. allies. One possibility is that these countries seek out aid donors other than the United States to provide funding for their security needs. An interesting extension of this paper would be to look at whether other major aid donors respond to terrorism in a similar

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[29]However, see Neumayer and Plumper (2011) for a counter to this.

manner as the U.S. Given the rise of China and increasing focus on Chinese aid and development policy, particularly in Africa, (e.g., see Dreher and Fuchs (2011)) the study of emerging Chinese aid patterns seems timely. It may also be the case that countries experiencing a high level of terrorism that does not target the U.S. are simply left to their own devices. Finally, our finding that U.S. aid policy reacts strongly to the threat of terrorism raises questions about the effectiveness of foreign aid as a counterterrorism instrument. Equally important, through what channel does foreign aid affect terrorism? Is the aid effective at compelling the recipient state to act as a counterterrorist agent, or does the aid boost development, thereby reducing terrorism indirectly? Such questions clearly have major security implications, and are worthy of further scholarly attention.

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Table 3: Main Results with Attack Variables

	Economic Aid		Military Aid		Total Aid	
	Selection	Aid Levels	Selection	Aid Levels	Selection	Aid Levels
$ln(U.S.\ Attacks_{t-1})$	0.18*	0.20**	0.21**	0.15**	0.44**	0.24**
	(0.11)	(0.04)	(0.09)	(0.04)	(0.14)	(0.04)
$ln(U.S.\ Ally\ Attacks_{t-1})$	0.01	-0.05**	-0.03	0.07**	-0.04	-0.03*
	(0.04)	(0.02)	(0.03)	(0.02)	(0.04)	(0.02)
$ln(Non-U.S.\ Non-Ally\ Attacks_{t-1})$	0.18**	0.01	0.01	0.01	0.16**	0.01
	(0.05)	(0.02)	(0.04)	(0.02)	(0.06)	(0.02)
$ln(Aid_{t-1})$		0.63**		0.60**		0.67**
		(0.01)		(0.02)		(0.01)
$Polity_{t-1}$	0.00	0.01*	0.01	0.00	-0.00	0.01
	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
$ln(GDPpc_{t-1})$	-0.51**	-0.16**	-0.07	-0.14**	-0.42**	-0.17**
	(0.06)	(0.04)	(0.04)	(0.05)	(0.06)	(0.04)
$ln(Population)$	-0.06*	0.52**	0.04	-0.13	-0.04	0.45**
	(0.04)	(0.13)	(0.03)	(0.17)	(0.04)	(0.12)
$Human\ Rights_{t-1}$	0.08	-0.03	-0.29**	0.02	0.00	-0.04
	(0.09)	(0.03)	(0.07)	(0.04)	(0.10)	(0.03)
$ln(Trade_{t-1})$	0.02	-0.00	-0.02	-0.03	0.00	0.00
	(0.02)	(0.01)	(0.02)	(0.03)	(0.03)	(0.02)
$U.S.\ Ally$	0.31**	0.19	-0.04	-0.19	0.30**	0.06
	(0.11)	(0.17)	(0.09)	(0.26)	(0.12)	(0.17)
$Cold\ War$	-0.47**	0.21**	0.21**	0.12*	-0.42**	0.20**
	(0.09)	(0.05)	(0.08)	(0.06)	(0.09)	(0.05)
$Post\ 9/11$	0.50**	0.09**	0.20**	0.19**	0.41**	0.11**
	(0.11)	(0.04)	(0.09)	(0.05)	(0.12)	(0.04)
t	-0.69**		-0.78**		-0.72**	
	(0.03)		(0.03)		(0.04)	
t^2	0.04**		0.06**		0.04**	
	(0.00)		(0.00)		(0.00)	
t^3	-0.00**		-0.00**		-0.00	
	(0.00)		(0.00)		(0.00)	
$Constant$	6.47**	-6.00*	1.45**	3.68	5.77**	-4.73**
	(0.78)	(2.18)	(0.60)	(2.77)	(0.82)	(2.13)
$lambda$	0.16**		0.06		0.23**	
	(0.06)		(0.04)		(0.06)	
rho		0.23		0.08		0.34
Recipient Fixed Effects	No	Yes	No	Yes	No	Yes
N=	4062	3105	4062	2367	4062	3271

Standard Errors in Parentheses

** Indicates Significance at .05 Level; * Indicates Significance at 0.10 Level

Table 4: Main Results with Severity Variables

	Economic Aid		Military Aid		Total Aid	
	Selection	Aid Levels	Selection	Aid Levels	Selection	Aid Levels
$ln(U.S.\ Casualties_{t-1})$	0.37** (0.16)	0.31** (0.05)	0.06 (0.11)	0.20** (0.06)	0.44** (0.16)	0.26** (0.05)
$ln(U.S.\ Ally\ Casualties_{t-1})$	0.04 (0.03)	-0.02 (0.02)	0.04 (0.04)	0.10** (0.02)	0.02 (0.04)	0.02 (0.02)
$ln(Non-U.S.\ Non-Ally\ Casualties_{t-1})$	0.05 (0.03)	0.01 (0.01)	0.01 (0.02)	0.03 (0.02)	0.05 (0.04)	0.02 (0.01)
$ln(Aid_{t-1})$		0.63** (0.02)		0.60** (0.02)		0.67** (0.02)
$Polity_{t-1}$	0.00 (0.01)	0.01** (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.01)	0.01** (0.00)
$ln(GDPpc_{t-1})$	-0.49** (0.06)	-0.17** (0.04)	-0.07* (0.04)	-0.15** (0.05)	-0.41** (0.06)	-0.18** (0.04)
$ln(Population)$	-0.05 (0.03)	0.50** (0.13)	0.04 (0.03)	-0.14 (0.17)	-0.03 (0.04)	0.44** (0.12)
$Human\ Rights_{t-1}$	0.11 (0.09)	-0.04 (0.03)	-0.29** (0.07)	0.01 (0.04)	0.04 (0.10)	-0.04 (0.03)
$ln(Trade_{t-1})$	0.02 (0.02)	-0.00 (0.02)	-0.02 (0.02)	0.03 (0.03)	0.00 (0.03)	-0.00 (0.02)
$U.S.\ Ally$	0.24** (0.10)	0.23 (0.17)	-0.08 (0.08)	-0.06 (0.25)	0.24** (0.11)	0.09 (0.17)
$Cold\ War$	-0.46** (0.09)	0.21** (0.05)	0.21** (0.08)	0.14** (0.06)	-0.41** (0.09)	0.20** (0.05)
$Post\ 9/11$	0.46** (0.11)	0.09** (0.04)	0.20** (0.09)	0.19** (0.05)	0.38** (0.12)	0.11** (0.04)
t	-0.68** (0.03)		-0.79** (0.03)		-0.72** (0.04)	
t^2	0.04** (0.00)		0.06** (0.00)		0.04** (0.00)	
t^3	-0.00** (0.00)		-0.00** (0.00)		-0.00** (0.00)	
$Constant$	6.23** (0.76)	-5.76** (2.17)	1.53** (0.59)	3.74 (2.76)	5.60** (0.81)	-4.51** (2.13)
$lambda$	0.15** (0.06)		0.06 (0.04)		0.22** (0.06)	
rho		0.22		0.08		0.32
Recipient Fixed Effects	No	Yes	No	Yes	No	Yes
N=	4062	3105	4062	2367	4062	3271

Standard Errors in Parentheses

** Indicates Significance at .05 Level; * Indicates Significance at 0.10 Level

Table 5: Selection Models with Separate Periods

	Cold War		1990s		Post-9/11	
	Selection	Aid Levels	Selection	Aid Levels	Selection	Aid Levels
$ln(U.S.\ Casualties_{t-1})$	0.11	0.08	1.04**	0.12*	0.03	0.33**
	(0.28)	(0.10)	(0.43)	(0.07)	(0.58)	(0.08)
$ln(U.S.\ Ally\ Casualties_{t-1})$	0.00	0.01	-0.03	0.04	0.18	0.01
	(0.05)	(0.03)	(0.07)	(0.03)	(0.25)	(0.04)
$ln(Other\ Casualties_{t-1})$	0.07	-0.01	-0.02	0.03	0.11	0.02
	(0.07)	(0.02)	(0.05)	(0.02)	(0.17)	(0.03)
$ln(Aid_{t-1})$		0.51**		0.43**		0.19**
		(0.02)		(0.02)		(0.03)
$Polity_{t-1}$	-0.00	0.02*	0.01	0.01	0.01	0.02
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
$ln(GDPpc_{t-1})$	-0.52**	-0.45**	-0.36**	-0.15	-0.39**	0.04
	(0.11)	(0.12)	(0.09)	(0.12)	(0.16)	(0.04)
$ln(Population)$	-0.11*	0.81**	0.05	-0.49	-0.04	2.06**
	(0.06)	(0.30)	(0.06)	(0.30)	(0.11)	(0.72)
$Human\ Rights_{t-1}$	-0.19	-0.10*	0.22	0.03	0.50*	-0.11
	(0.16)	(0.06)	(0.17)	(0.06)	(0.29)	(0.07)
$ln(Trade_{t-1})$	0.05	0.01	-0.05	0.03	0.02	0.06
	(0.05)	(0.05)	(0.04)	(0.03)	(0.07)	(0.04)
U.S. Ally	0.40**	-0.03	0.25	-0.50	-0.16	0.14
	(0.19)	(0.31)	(0.19)	(0.34)	(0.30)	(0.20)
t	-1.24**		-0.73**		-0.40**	
	(0.10)		(0.06)		(0.08)	
t^2	0.12**		0.04**		0.02**	
	(0.02)		(0.01)		(0.01)	
t^3	-0.00**		-0.00**		-0.00	
	(0.00)		(0.00)		(0.00)	
Constant	7.14**	-7.14*	4.15**	9.72**	5.65**	-34.09
	(1.45)	(4.17)	(1.18)	(4.60)	(2.19)	(12.43)
lambda	0.44**		0.01		-0.21	
	(0.08)		(0.10)		(0.16)	
rho	0.74		0.02		-0.50	
Recipient Fixed Effects	No	Yes	No	Yes	No	Yes
N=	1556	1133	1742	1458	764	680

Standard Errors in Parentheses

** Indicates Significance at .05 Level; * Indicates Significance at 0.10 Level

Table 6: Selection Model with Time Period Interactions

	Economic Aid		Military Aid		Total Aid	
	Selection	Aid Levels	Selection	Aid Levels	Selection	Aid Levels
$ln(U.S.\ Casualties_{t-1})$	0.41 (0.69)	0.46** (0.09)	0.27 (0.48)	0.42** (0.11)	0.40 (0.67)	0.45** (0.09)
$ln(U.S.\ Ally\ Casualties_{t-1})$	0.83 (0.73)	0.08** (0.03)	0.12 (0.10)	0.12** (0.04)	0.49 (0.58)	0.09** (0.03)
$ln(Other\ Casualties_{t-1})$	0.25 (0.20)	0.03 (0.02)	0.19** (0.07)	0.06** (0.03)	0.20 (0.20)	0.04 (0.02)
$ln(U.S.\ Casualties_{t-1}) * Cold\ War$	-0.27 (0.73)	-0.09 (0.14)	-0.19 (0.52)	-0.45** (0.17)	-0.23 (0.71)	-0.26* (0.14)
$ln(U.S.\ Ally\ Casualties_{t-1}) * Cold\ War$	-0.79 (0.74)	-0.13** (0.04)	-0.09 (0.10)	0.00 (0.04)	-0.50 (0.59)	-0.09** (0.04)
$ln(Other\ Casualties_{t-1}) * Cold\ War$	-0.18 (0.21)	-0.07** (0.03)	-0.22** (0.08)	-0.06* (0.04)	-0.14 (0.21)	-0.05* (0.03)
$U.S.\ Ally * Cold\ War$	0.18 (0.23)	0.14 (0.09)	-0.18 (0.19)	0.06 (0.12)	0.57** (0.25)	-0.15* (0.09)
$ln(U.S.\ Casualties_{t-1}) * 1990s$	0.37 (0.78)	-0.30** (0.11)	-0.28 (0.50)	-0.25* (0.14)	0.63 (0.78)	-0.30** (0.11)
$ln(U.S.\ Ally\ Casualties_{t-1}) * 1990s$	-0.82 (0.74)	-0.10** (0.03)	-0.09 (0.10)	-0.06 (0.04)	-0.47 (0.59)	-0.07** (0.03)
$ln(Other\ Casualties_{t-1}) * 1990s$	-0.22 (0.21)	-0.01 (0.02)	-0.19** (0.07)	-0.05* (0.03)	-0.17 (0.21)	-0.01 (0.02)
$U.S.\ Ally * 1990s$	0.26 (0.22)	0.16** (0.08)	-0.18 (0.19)	0.02 (0.10)	0.34 (0.24)	0.15** (0.08)
$U.S.\ Ally$	0.06 (0.20)	0.13 (0.18)	-0.16 (0.16)	-0.09 (0.27)	-0.14 (0.23)	-0.01 (0.19)
$Cold\ War$	-0.97** (0.18)	0.15* (0.09)	0.24* (0.14)	-0.06* (0.11)	-1.01** (0.20)	0.09 (0.09)
$1990s$	-0.52** (0.17)	-0.12** (0.06)	-0.19 (0.13)	-0.14* (0.07)	-0.52** (0.19)	-0.14** (0.06)
t	-0.68** (0.03)		-0.80** (0.03)		-0.73** (0.04)	
t^2	0.04** (0.00)		0.06** (0.00)		0.04** (0.00)	
t^3	-0.00** (0.00)		-0.00** (0.00)		-0.00** (0.00)	
$Constant$	6.71** (0.79)	-4.90* (2.35)	1.61** (0.60)	5.51* (3.00)	6.14** (0.84)	-3.40 (2.33)
$lambda$	0.13** (0.06)		0.06 (0.04)		0.22** (0.06)	
rho	0.20		0.08		0.31	
Recipient Fixed Effects	No	Yes	No	Yes	No	Yes
N=	4062	3105	4062	2367	4062	3271

Standard Errors in Parentheses

** Indicates Significance at .05 Level; * Indicates Significance at 0.10 Level