

# Purchasing Power: U.S. Overseas Defense Spending and Military Statecraft\*

Brian Blankenship<sup>†</sup>  
University of Miami

Renanah Miles Joyce<sup>‡</sup>  
Columbia University

June 5, 2019

## Abstract

The literature on economic statecraft has long focused on the effectiveness of foreign aid and trade as tools of inducement. However, existing scholarship largely neglects the role played by government procurement. By choosing to purchase goods or hire labor in foreign states, governments can provide economic benefits for strategic ends. The United States in particular leverages its defense procurement as a foreign policy tool. We introduce a new dataset of U.S. government procurement using information on all contracts executed overseas from 2000 to 2015. We develop a typology of how states use procurement to achieve foreign policy goals—power projection, counterinsurgency, and development—and provide descriptive statistics to explore variation in spending across countries and over time. We illustrate the power of the contract data by using it to code U.S. military access in Africa, assess the relationship between spending and economic growth, and test whether economic inducements can buy influence.

---

\*We would like to thank Jon Brown, Allison Carnegie, Eugene Gholz, Jon Godbout, Paul Huth, Tony Marcum, Jonathan Markowitz, and three anonymous reviewers for their feedback on previous drafts. Both authors contributed equally to this study. The author ordering represents a rotation based on multiple collaborations. The data and replication materials for this study can be found on the Harvard Dataverse, <https://doi.org/10.7910/DVN/TSBHIC>.

<sup>†</sup>Assistant Professor, Department of Political Science, University of Miami, bxb731@miami.edu

<sup>‡</sup>Ph.D. Candidate, Department of Political Science, rfm2144@columbia.edu

*Leaders must leverage money and contracting in operations.*

---

—Commander’s Guide to Money as a Weapons System

## 1 Introduction

Large posters on barrack walls asked the U.S. soldiers occupying Mosul in 2003: “What have you done to win Iraqi hearts and minds today?”<sup>1</sup> One answer, which became an integral part of the U.S. counterinsurgency strategy in Iraq, was to spend money. American military officers were directed to do business locally whenever possible to create jobs and economic opportunities. As a handbook on “money as a weapons system” told officers, “Money and contracting in a [counterinsurgency] environment are vital elements of combat power” (MNC-I CJ8, 2009: i). Shipments of cash moved around the battlefield in armed convoys known as “jingle runs.”<sup>2</sup>

Using contracting to fight an insurgency is just one way that governments use spending toward strategic ends. Since World War II, the United States in particular has leveraged its defense spending as a foreign policy tool. Yet we know little about the conditions under which it does so—or the consequences. How much business does the United States do with foreign firms, where, and why? What impact does this spending have on U.S. foreign policy interests and what are the effects on stability or economic growth in recipient countries?

Within the field of international relations, scholars focus on the role of foreign aid and sanctions in manipulating changes in states’ behavior. Within the field of economics, scholars examine the effects of government procurement on domestic markets and international trade. Neither, however, can adequately explain the conditions under which states contract with foreign firms to achieve policy ends. Yet, as Baldwin (1985: 43) notes, “Direct monetary payment is one of the most common ways for some people to get other people to do things they would not otherwise do.”

Scholars are beginning to study how states use economic power abroad for political ends as attention shifts to China’s economic rise. Surprisingly, however, this literature largely neglects the

“world’s largest client” (Kuchins and Sanderson, 2010: 6). The U.S. military spends more money annually than any other organization in the world; this spending can be strategic, meaning that it is designed to meet both efficiency and policy needs. Military spending thus represents a huge potential tool for inducing policy compliance, albeit one with uncertain effects.

In this article, we conceptualize spending as military statecraft. First, we outline the interests that motivate spending and sketch the conditions under which the United States chooses procurement as a policy tool. Next, we introduce an original dataset of global U.S. government procurement, created from contracting records in the Federal Procurement Data System-Next Generation (FPDS-NG). We illustrate the potential of these data not only to test the framework’s implications, but for a variety of academic purposes. In particular, spending functions as a remarkably accurate indicator of U.S. military access, for which data are notoriously hard to obtain. Finally, we show the value of spending as a measure of U.S. support in addition to more conventional measures of assistance—such as arms transfers and foreign aid—since doing so picks up a number of countries that the alternatives do not.

The remainder of the paper is organized as follows. In the next section, we review work on strategic procurement, highlighting gaps in the economics and international relations literature. Section 3 develops a conceptual framework for understanding when states use spending as a tool of military statecraft. Section 4 introduces a new dataset of U.S. global defense procurement. Section 5 examines patterns of global spending and demonstrates three applications of the spending data. Next, we compare the new procurement measure against alternative measures. The final section discusses government procurement as a research agenda and considers policy implications.

## **2 The State of Debate on Strategic Procurement**

Political scientists are paying new attention to government procurement as a foreign policy tool, with interest sparked by China’s growing investments in developing countries (e.g., Strange et al., 2017). Scholars of China’s behavior observe that states may use economic power to advance na-

tional industries and secure access to resources (Brautigam and Xiaoyang, 2012; Gallagher and Irwin, 2015), or to influence trading partners' foreign policies (Fuchs and Klann, 2013).<sup>3</sup> These studies examine the relative weight of economic and political interests that motivate Chinese spending, as well as the challenge of disentangling which interests drive investments (Norris, 2016).

Traditionally, however, the political science literature has neglected a “not-so-obvious” type of economic statecraft: government spending on goods and services (Baldwin, 1985: 40-42). Early scholarship explicitly *denied* spending as statecraft, arguing that direct purchases were essentially commercial transactions and thus beyond the purview of political science (Baldwin, 1985: 43). The exception is a small American politics literature that examines use of spending to achieve domestic political gains (Goldman, Rocholl, and So, 2013; Mayer, 1995; Young and Sobel, 2013).<sup>4</sup>

For its part, the economics literature has long noted that governments use their market power strategically. As Baumol (1947: 2) says, “It is primarily the fact that a government often purchases for other reasons than direct consumption that distinguishes it from the ordinary purchaser.” In other words, governments spend money not only because of their need for goods and services, but also because of the anticipated market effects. Government procurement in the developed world typically represents around 19% of the market (Audet, 2003); it is this “gargantuan nature” that makes procurement a policy tool (Baumol, 1947: 2). The assumption, however, is that governments harness this procurement power to bolster national firms (Branco, 1994).

The idea that governments have a “home bias” in procurement has long attracted economists’ attention, with scholars studying the effects of domestic government spending on foreign trade (Muller, 2008), and the ways that governments use preferential procurement as a non-tariff barrier to trade (Rickard and Kono, 2013; Shingal, 2015). Given their size, government markets have huge foreign trade potential if home bias can be overcome. Of course, government procurement markets are not entirely contestable; employee salaries and defense expenditures are often considered non-contestable (Audet, 2003). Still, the contestable portion is estimated at around “7-9% of gross domestic product (GDP) in developed countries” (Shingal, 2015: 188).

Recent work examines the effects of the 1996 World Trade Organization (WTO) Agreement on Government Procurement (GPA), designed to open government markets to foreign competition.<sup>5</sup> There is little evidence that GPA membership increases procurement from foreign firms (Rickard and Kono, 2013; Shingal, 2015). Rickard and Kono (2013) argue that disappointment with the GPA has led to “rapid proliferation of procurement rules in preferential trade agreements (PTAs).” They do not find that these agreements reduce discrimination either, but suggest that PTAs provide “a win-win situation”—they can be violated easily or used as a cover to smuggle contracts to foreign firms. For the most part, however, scholars argue that governments use these agreements as a “weapon” to penetrate foreign markets (Weiss and Thurbon, 2006).

### **3 Procurement as (Military) Statecraft**

These bodies of literature have overlooked a huge source of economic power that the U.S. government uses strategically: overseas government spending, particularly military procurement, involving purchases of goods and services that are intended to have specific market effects. Although civilian procurement can also be used strategically, the scale is much smaller and thus rarely the preferred tool for policy-makers. The focus on military procurement makes sense given the U.S. reliance on defense-related money for foreign policy ends that has been observed elsewhere. For example, the “militarization” of foreign aid has been linked to the ease of justifying military aid to Congress compared to economic aid (Milner and Tingley, 2015)—and military aid is a drop in the bucket compared to the billions that the U.S. military spends annually on goods and services.

At least three factors plausibly increase the United States’ incentives to use military procurement strategically. First, political reluctance to curtail military spending—particularly spending associated with contingency operations—reduces the need to prioritize efficiency above other considerations. Second, the scale of spending means that even comparatively modest purchases can have outsized local effects. Third, much of this money is spent overseas, given the global U.S. military presence. Distance and opacity around operational requirements reduces public scrutiny,

providing cover similar to PTAs.

The challenge with procurement is ensuring that the right actors get the benefits. Unlike foreign aid, inducements do not go directly to the recipient government; instead, the spending state contracts with commercial firms. For states like China, the prevalence of state-owned or affiliated firms makes it easier to direct business as desired. The American government, by contrast, is generally prohibited from awarding contracts without competition or stipulating how contractors fulfill the terms of the contract.<sup>6</sup> In competitive bids for contracts in developing markets, large American or transnational firms almost always win over local firms. Large firms may subcontract locally for goods and services to fulfill the contract, but the government cannot require that they do so.<sup>7</sup> If firms prefer not to buy or hire locally, their profit motive may get in the way of the sending state's effort to use targeted spending as a tool of statecraft.

To circumvent this risk, U.S. policymakers sometimes seek to award contracts to foreign firms without full and open competition. Limiting competition to select sources enables the U.S. government to contract directly with targeted firms, thus mitigating agency problems involved in delegating local procurement responsibility to American firms as prime contractors. There are several ways to do this under the Federal Acquisition Regulation (FAR), which provides seven exceptions to the requirement for competition, including: (1) only one responsible source, (2) international agreement, and (3) authorized or required by statute.<sup>8</sup>

Governmental audits highlight the scope of non-competitive defense spending. In 2014, a Government Accountability Office (GAO) report found that over 80% of U.S. government non-competitive awards were defense contracts (GAO, 2014: 1). Of the \$308 billion that the Department of Defense (DoD) awarded in fiscal year (FY) 2013, 43% were non-competitive contract awards (GAO, 2014: 1). Around 90% of these cited “only one responsible source” as the justification for the sole-sourced award, leaving around \$13 billion in directed spending for other reasons.

To illustrate the use of non-competitive spending, we use our data to differentiate between “de facto” reasons a contract may be awarded non-competitively (e.g., only one responsible source) and

“strategic” reasons. We code the following justifications for non-competitive awards as strategic in nature: international agreement and authorized by statute. Table 1 shows the breakdown of overseas non-competitive spending for strategic reasons.<sup>9</sup> These figures suggest that in any given year, the United States non-competitively awards upwards of \$1 billion in overseas contracts.

[Table 1 about here.]

### **3.1 Why States Spend Strategically**

Next, we develop a conceptual framework for understanding when states use spending to pursue security ends. States have different policy interests against which they apply diverse economic tools. Defense spending, however, is always linked to military and security requirements. This implicates different interests and policy tools than the literature typically considers, which is why we develop a new framework. Our empirical evidence focuses on the United States, but the three categories of objectives generalize to regional powers with security interests beyond their borders.

#### **3.1.1 Power Projection**

The first category involves military access to other countries’ territories for purposes of power projection. Under an international system characterized by norms of sovereignty, great powers generally attempt to induce rather than compel other states to provide access to their territory (Cooley and Spruyt, 2009). Local procurement serves as an instrument to gain access, which spans a continuum from overflight rights to major overseas bases.

Previously identified vehicles for inducement include military aid and security guarantees (Cooley, 2008). These benefits accrue to the regime or the state rather than to the population directly. Procurement, on the other hand, is a more flexible tool that can funnel money to the government (i.e., through state-owned enterprises) or into the local economy.<sup>10</sup> Economic benefits diffuse via direct employment or increased demand for production. This approach attempts to make a continuous U.S. presence financially advantageous for local communities, thus muting potentially hostile public opinion.

After World War II, the United States wrote spending agreements into its treaties with base-host countries such as Denmark and the Philippines. These agreements stipulated that the United States would purchase goods and services locally in exchange for basing access.<sup>11</sup> More recently, agreements have also taken the form of PTAs. Of the 14 countries and entities with whom the United States had PTAs as of 2016 (Congressional Budget Office, 2016: 6), six are known to host a U.S. military presence: Australia, Bahrain, Israel, Oman, Singapore, and South Korea.

Another way is via special procurement authorities. In 2009, for example, blockages and closures of supply routes from Pakistan into Afghanistan led the United States to seek alternative routes. The solution it devised was the Northern Distribution Network, a network of air and ground supply routes traversing Central Asia, the South Caucasus, and Russia. To persuade countries to join the network, the FY 2010 National Defense Authorization Act (NDAA) authorized preferential procurement of products and services from Georgia, Kyrgyzstan, Pakistan, Armenia, Azerbaijan, Kazakhstan, Tajikistan, Uzbekistan, and Turkmenistan.<sup>12</sup>

Two similar policies currently drive strategic spending in Africa. Concerned that the United States needed to “take definitive steps to maintain its basing access and agreements with the Government of Djibouti,” the FY 2015 NDAA authorized preferential procurement from Djiboutian companies to support Camp Lemonnier.<sup>13</sup> Two years later, the FY 2017 NDAA extended the spending authority to any African country that “has signed a long-term agreement with the United States related to the basing or operational needs of the United States Armed Forces.”<sup>14</sup>

States can also induce hosts to deny military access to third parties, in a form of commercial “anti-access/area denial.” Offering lucrative financial deals to firms in access-providing countries may thwart competitors. This was likely a factor in Djibouti, where Russia began negotiating for military access in 2012. The U.S. national security advisor went to Djibouti in person to prevent the deal—talks that culminated in a renegotiated 20-year lease for Camp Lemonnier, nearly doubling the annual rent to \$63 million.<sup>15</sup> China’s actions in the Northern Marianas Islands demonstrate a similar logic. In 2015, Chinese investors behind a proposed casino resort on Tinian warned they

might pull out if plans for U.S. military expansion on the island moved forward.<sup>16</sup>

### **3.1.2 Counterinsurgency**

The second category involves winning “hearts and minds” in counterinsurgency environments. Poor economic conditions are theorized to fuel insurgencies, with rebel groups using economic grievances to elicit popular support for the rebellion. Lack of jobs may also reduce the opportunity costs for joining the insurgency, thus providing a pipeline of recruits to the armed groups (Collier and Hoeffler, 2004; Humphreys and Weinstein, 2008).

The United States’ preferred counterinsurgency model<sup>17</sup> emphasizes the role of economic development in creating security by providing jobs for young men who might otherwise join the insurgency and by strengthening the state’s ability to deliver public goods (SIGAR, 2018: 6). Spending became a major component of the U.S. counterinsurgency strategy in Iraq and Afghanistan, where it appeared in warfighting guidance under the term “money as a weapons system.” In this view, money was “one of the primary weapons... to achieve successful mission results in [counterinsurgency] and humanitarian operations” (MNC-I CJ8, 2009: 1).

A prominent example was the Commander’s Emergency Response Program (CERP), which allowed military commanders in Iraq and Afghanistan to authorize small-scale humanitarian or reconstruction projects that provided public goods such as street cleaning or generator installation. To maximize its effectiveness as a counterinsurgency tool, the CERP provided private goods simultaneously by procuring local parts and labor for projects (Martins, 2004: 6-8). Criteria for project selection were local hires, benefits, and visibility (MNC-I CJ8, 2009: 13).

Special procurement authorities are also used in counterinsurgency settings. The “Iraqi First” and “Afghan First” policies, which were codified in the FY 2008 NDAA, allowed for limited competition awards and preferential procurement of products and services from Iraqi and Afghan entities with an explicit goal of creating a “stable source of jobs.”<sup>18</sup> The Afghan First initiative was expanded in 2010, with all U.S. military personnel in Afghanistan directed to: “Hire Afghans first,

buy Afghan products, and build Afghan capacity.”<sup>19</sup> The U.S. Ambassador instructed civilian contracting agencies to follow suit (SIGAR, 2012: 2), and NATO issued its own policy for members to emphasize “spending *in* Afghanistan rather than *on* Afghanistan” (NATO, 2011).

A final way is to create organizations that operate outside of the confines of regular bureaucratic processes. For example, the DoD created a Task Force for Business Stabilization Operations to support private sector development in Iraq and Afghanistan. The task force began in Iraq in 2006, with an early mission to find ways to shift lucrative support contracts to Iraqi firms. The mission evolved to direct involvement in private sector development, adopting a mandate to revitalize formerly state-owned enterprises (Zimmerman, Egel, and Blum, 2016: 1). Its mission, first in Iraq and next in Afghanistan where it transitioned in 2010, was “to leverage economic development... as a strategic and operational tool” (Sopko, 2015: 3).

### **3.1.3 Reconstruction and Development**

The third category involves post-conflict reconstruction and economic development. Spending is used to build local economic capacity in ways similar to the previous category, but in post-conflict or peacetime environments. The amount of resources at the military’s disposal often dwarf other governmental actors, making military procurement an attractive tool. By increasing demand for production and creating job opportunities, defense spending can help to stabilize post-conflict environments and jumpstart economic growth. For example, research suggests that peacekeeping improves local economies around bases indirectly through spending and job creation (Mvukiyehe and Samii, 2010). These economic benefits may also help to build local capacity in places where the military anticipates future operational or access needs.

U.S. military procurement in Japan illustrates these interests. Japan’s economy was in dire straits from the end of World War II until the outbreak of the Korean War. In December 1950, President Truman declared a state of emergency that allowed the U.S. Army to sidestep normal, competitive procurement processes (Gough, 1987: 59). This gave rise to an “offshore procurement

program” through which the U.S. military ultimately spent an estimated \$741 million in Japanese products and services for the Korean War (Lee and Sato, 1982: 5). The program was controversial because critics saw it as detracting from the U.S. military industrial base,<sup>20</sup> but the production demand it generated was credited ultimately with ending Japan’s economic recession. In 1954, the United States and Japan codified an arrangement to continue bolstering Japanese defense industry production through preferential procurement.<sup>21</sup>

Finally, routine military spending presents development opportunities outside of post-conflict environments. In areas with sparse infrastructure, militaries may use defense spending to build local capacity in anticipation of future operational needs. For example, in 2009, the military command with responsibility for U.S. military activities in Africa developed an “Adaptive Logistics Network” that would leverage existing logistics capabilities on the continent to meet operational needs quickly and flexibly (Ward, 2009: 23). The concept called for “[d]eveloping the local economy and infrastructure,” using procurement to build capacity that would in turn reduce transportation time and costs (U.S. Africa Command, 2011: 7). By using local commercial sources, the military sought to “stimulate the African economy by providing business opportunities for the transportation sector” (Ulmer, 2009: 3).

## 4 A Dataset of U.S. Overseas Procurement

Our data on U.S. government spending come from the FPDS-NG, which replaced the Federal Procurement Data Center in 2003 as the official repository for government procurement data. All federal government agencies are required to report data to FPDS-NG on contracts with a value of \$3,500 or higher. All actions associated with those contracts, irrespective of individual value, are subsequently reported.

The unit of analysis is the contract-action, where each observation indicates either a new contract or a modification to an existing contract. The data for each contract include a wide variety of fields. For our purposes, the most important of these are the contract number (or Procurement

Instrument Identifier, PIID), place of performance country (where the money was spent), information on the vendor who was awarded the contract (including name and country of origin), the date the contract was signed (day, month, and year), the amount obligated (in dollars),<sup>22</sup> and the U.S. department (State, Defense, etc.) responsible for the contract. Thus the contract data can be easily collapsed to the country-year, country-month, or even the country-day level for use in cross-national data analysis.<sup>23</sup>

FPDS-NG contains data on contracts performed domestically as well as those performed in foreign countries.<sup>24</sup> We exclude the former, as we are primarily interested in defense spending as a foreign policy tool. Data are available for 252 countries and territories, with a temporal range from the late 1970s through the present.<sup>25</sup> Data are much sparser prior to the 2000s, however, and thus should be treated with caution. We thus collect contracts from 2000-2015 for all countries and territories outside the United States. Defense spending accounts for over 80% of U.S. overseas spending between 2000-2015, with the State Department and the U.S. Agency for International Development (USAID) being distant second and thirds, as Table 2 shows. The total number of contract-actions during this period is 2,383,977, with 1,667,739 (or slightly more than two-thirds) of actions coming from the DoD.<sup>26</sup> The number of contracts, in turn, totals 1,038,605, of which 513,727 are Defense contracts.

[Table 2 about here.]

## 5 Overview of Strategic Procurement

To demonstrate the potential of the government spending data, we conduct preliminary analyses using data on DoD contracts from 2000-2015.<sup>27</sup> First, we illustrate country-level trends in U.S. defense spending by presenting figures on the top recipients of spending as well as the country-level correlates of spending. Second, we show the variation in U.S. defense spending across regions and over time; notably, we show that the United States is more likely to award contracts non-competitively in countries where it has explicit policies in place to limit competition. Next,

we provide three applications of the contract data by: (1) using content analysis to identify the locations of U.S. military access in Africa; (2) showing the relationship between spending and recipients' economic growth; and (3) providing evidence on the effectiveness of procurement as an instrument of influence. Finally, we compare the procurement measure to traditional measures of U.S. security interests and discuss the implications of choosing different measures.

### 5.1 Country Trends

Table 3 shows the top targets of U.S. spending. The left half of the table shows the top 10 countries where U.S. contracts were spent by total dollar amount; the right half shows the top 10 recipients by percentage of the recipient's GDP. In terms of total amounts, the top recipients of U.S. spending include a number of formal U.S. allies—Canada, Germany, South Korea, the United Kingdom, and Japan—and Iraq and Afghanistan, where the United States has waged counterinsurgency campaigns. As a percentage of GDP, however, the countries that predominate (outside of Iraq and Afghanistan) are those in which the United States has military access but which—aside from Greenland, a Danish territory—do not enjoy U.S. security guarantees (Djibouti, Kyrgyzstan, Greenland, Bahrain, Kuwait, Bahamas, and the Marshall Islands).

[Table 3 about here.]

Additionally, we provide preliminary evidence on the country-level correlates of U.S. spending. To test the association between spending and the motivations described above—namely, military access, counterinsurgency, and reconstruction—we regress U.S. spending (logarithmized because the distribution of spending is skewed) on three main variables.<sup>28</sup> First, to proxy for reconstruction efforts, we create a dummy variable to indicate whether the state has experienced a civil war in the past five years, using data on civil wars from the Uppsala Conflict Data Program (UCDP). Second, we capture U.S. counterinsurgency efforts by including dummy variables for Afghanistan in 2002-2014 and Iraq in 2004-2011. Third, we measure military access using a dummy variable

that indicates whether a country is home to U.S. military “real property,” with data obtained from the DoD’s annual Basing Structure Reports.<sup>29</sup>

We also control for several factors that capture recipients’ economic and political characteristics. First, we control for states’ GDP, GDP per capita, and their composite Polity scores. Second, to control for political alignment, we include two dummy variables indicating whether the state: (1) has a defense pact with the United States, or (2) is a major non-NATO U.S. ally.<sup>30</sup>

Table 4 contains multivariate regression outputs from ordinary least squares models.<sup>31</sup> Models 1-2 omit the Polity score, as controlling for it reduces the available number of observations; Models 2 and 4 include region and year fixed effects to account for unobserved spatial and temporal heterogeneity. The results show that the United States spends more in larger, more democratic countries, as well as in countries where it wages counterinsurgencies. The United States also spends more in countries with which it is aligned, but not necessarily formally allied.

[Table 4 about here.]

## 5.2 Regional and Global Trends

Next, we assess spatial and temporal trends in spending. Figure 1 shows the amount of total U.S. spending accounted for by Europe, Africa, Asia, the Americas, and the Middle East in 2000, 2005, 2010, and 2015.<sup>32</sup> Three major trends emerge. First, there has been a marked shift in spending away from Europe toward Asia, the Middle East, and Africa over time. Second, the height of U.S. spending in the Middle East (2005) and Asia (2010) corresponds with the heights of the wars in Iraq and Afghanistan, respectively. Third, the proportion of U.S. spending in the Americas has remained quite steady from 2000-2015. Additionally, American military spending peaked globally during the 2005-2013 period, largely due to counterinsurgency efforts in Afghanistan and Iraq. Even before and after these wars, however, U.S. overseas spending consistently ranges between \$10-20 billion a year.<sup>33</sup>

[Figure 1 about here.]

### **5.2.1 Non-Competitive Spending**

As discussed above, the data allow us to limit the sample to contracts that were awarded with less than full and open competition for strategic reasons. These contracts, which account for 20,398 of the total, are those awarded for political and strategic reasons rather than out of necessity (e.g., because there was only one viable source). We expect power projection and counterinsurgency needs to relate positively to this type of non-competitive spending. Additionally, we expect an increase in non-competitive awards to follow the introduction of “host-nation first” preferential procurement policies.

Table A4 in the supplementary material presents regression outputs when replicating Table 4 using non-competitive spending as the dependent variable. As expected, U.S. military access, counterinsurgency efforts, and preferential procurement policies are all strong predictors of non-competitive spending. Figure A5 also shows the levels of non-competitive spending in the 12 countries that were targets of preferential procurement policies during the period for which we have data.

### **5.3 Application: Spending as an Indicator of Access**

The procurement data provide a potential solution to a vexing empirical challenge for U.S. foreign policy scholars: measuring U.S. military presence overseas. Since the 2004 Global Defense Posture Review, the United States has moved away from using large, Cold War-style main operating bases, shifting toward a larger number of “small-footprint” bases such as forward operating sites (FOSs) and cooperative security locations (CSLs) (Pettyjohn, 2012: 83-96). A number of scholars have lamented the challenge of finding reliable information on U.S. military facilities in regions such as Africa and Latin America—especially for any reasonable length of time—where the United States has increasingly sought to project power by relying on FOSs, CSLs, and ad hoc contingency locations (Turse, 2015; Vine, 2015).<sup>34</sup> At best, scholars have compiled incomplete lists of U.S. bases in these regions for limited cross-sections of time, using media reports that are

often ambiguous as to the location and start dates of facilities.<sup>35</sup>

We illustrate the value of the contract data for identifying U.S. military facilities abroad by focusing on Africa, which has seen a dramatic increase in U.S. military presence since the mid-2000s. The data provide insight into where the United States has spent money to build the infrastructure needed to host U.S. troops, equipment, and intelligence, surveillance, and reconnaissance (ISR) capabilities. To code the data, we first conducted a qualitative content analysis of the contract-action descriptions for all DoD contracts performed in Africa in 2000, 2007, 2014, and 2015. This qualitative check identified 54 keywords that are often associated with U.S. military facilities.<sup>36</sup> With these keywords, we devised two criteria for larger-scale quantitative coding of contracts between 2000 and 2015, as well as two for turning these codings into a country-year indicator.<sup>37</sup>

A brief example illustrates: a 2015 contract-action contained the following description: “Base or life support services for Agadez, Niger.” This contract-action met our criteria and contributed to coding Niger as hosting U.S. military access. In this case, the data capture evidence of military access two years before media reports identified Agadez as the site of a U.S. military base for unmanned aerial vehicles in 2017.<sup>38</sup>

We then collapse the number of access-related contracts by country-year to create a dummy variable indicating whether the United States had military access in a particular country-year.<sup>39</sup> Our coding of military access picks up all but one African country (Libya) confirmed by *Military Times* as having a U.S. presence as of late 2017.<sup>40</sup> Moreover, our coding picks up a number of additional countries: Benin; Burundi; Central African Republic; Côte d’Ivoire; Gabon; Gambia; Ghana; Liberia; Mauritania; Morocco; Senegal; Seychelles; Sierra Leone; Tanzania; and Togo (see Figure A2 in the supplementary material).<sup>41</sup>

Table 5 adds our indicator of military access to the regression models from Table 4. The results suggest that it is a powerful predictor of spending. Indeed, Table A3 in the supplementary material shows that the correlation between access and spending (0.446) is greater than that between GDP and spending in Africa (0.238). In substantive terms, the regression coefficients suggest that the

United States spends between 34,867% (or more than 300 times) and 111,555% (or more than 1,000 times) more in countries where it has military access, depending on the model specification.<sup>42</sup>

[Table 5 about here.]

#### 5.4 Application: Effects of Spending on Growth

Next, we provide preliminary evidence on the effect of spending on reconstruction and development. The dependent variable here is recipients' annual GDP growth, measured as a percentage of the previous year's GDP. The independent variable of interest is the logarithmized value of U.S. defense spending in each country. We also include several basic political and economic control variables—namely recipients' GDP, GDP per capita, and Polity score, all of which are lagged by one year. We also include a lagged dependent variable in order to account for general growth trends by controlling for the previous year's growth.<sup>43</sup>

Table 6 shows the results. Models 1 and 2 focus on the effect of spending, while Models 3-4 compare it to that of U.S. economic aid.<sup>44</sup> Models 5-6 include both spending and economic aid as covariates. The results indicate a robust, positive relationship between spending in year  $t - 1$  and growth in year  $t$ . Specifically, a 100% increase spending is predicted to increase recipient GDP by about 0.1% in Model 1, and about 0.3% in Model 2. Models 3-6 show that economic aid does not have a statistically significant effect, and indeed the coefficients on the aid variable are negative. The results also hold—and indeed are even stronger—when the sample is limited to states which have emerged from civil war in the past five years or which are undergoing U.S. counterinsurgency campaigns (i.e., Iraq and Afghanistan) in Models 2, 4, and 6. This suggests that spending may have strong effects on economic growth during and after internal armed conflict.

Moreover, additional analysis (see Table A13) shows that previous year's growth in year  $t - 1$  does not predict spending in year  $t$ , which ameliorates concern about endogeneity. Nevertheless, our results here are not meant to be conclusive, but merely suggestive. Further research can identify the effect of spending on growth, as well as the conditions under which this relationship is likely

to hold.

[Table 6 about here.]

## 5.5 Application: Spending as an Instrument of Influence

To further demonstrate the value of the spending data for testing questions of interest to political scientists, we explore spending as a tool of foreign policy influence. In particular, following a large literature on the relationship between U.S. foreign aid and recipients' United Nations (UN) voting patterns (e.g., Carter and Stone, 2015; Dreher, Nunnenkamp, and Thiele, 2008; Wang, 1999), we assess whether higher levels of U.S. spending are associated with a greater likelihood that recipients will vote with the United States in the UN. Many studies argue that donors use economic and military aid strategically to buy political support, often in the form of UN votes (Carter and Stone, 2015; Lundborg, 1998; Wittkopf, 1973) or other policy concessions (Dreher et al., 2018; Sullivan, Tessman, and Li, 2011). Yet the efficacy of aid in securing concessions is debated. While some authors find that foreign aid increases political support (Lundborg, 1998; Wang, 1999), others find less support (Dreher, Nunnenkamp, and Thiele, 2008; Lai and Morey, 2006; Sullivan, Tessman, and Li, 2011). Our data provide us with a new means to test the classic question of whether international influence can be bought.

Following the convention in the literature on aid and UN voting, our dependent variable is the degree of overlap in UN General Assembly votes between each state and the United States in a given year. Specifically, we use Lijphart's Index of Agreement, which codes opposite votes (i.e., one Yes, one No) as 0, identical votes as 1, and partially agreeing votes (i.e., one state abstains while the other votes Yes or No) as 0.5, and then takes the average of all the votes (Lijphart, 1963). Data are from Bailey, Strezhnev, and Voeten (2017).<sup>45</sup> For decades, scholars have treated UN votes as an attractive proxy for foreign policy influence, as it is both generalizable—that is, not limited to any one issue area—and easy to measure (Wittkopf, 1973; Bailey, Strezhnev, and Voeten, 2017). Moreover, U.S. law since the 1980s has mandated that the State Department and USAID take UN

voting into account for allocating foreign aid (Carter and Stone, 2015; Kegley and Hook, 1991). Focusing on UN votes thus provides a hard test for studying the influence of spending, particularly compared with aid.

Table 7 shows the results, using logarithmized U.S. defense spending in each country as the independent variable, as well as the same controls as the analyses from Tables 4 and 5. Models 1-2 also include region and year fixed effects to account for spatial and temporal heterogeneity. The results show that spending has a robust, positive association with states' UN voting patterns. Model 2 also controls for U.S. economic aid, and the results suggest that the effect of spending is similar in magnitude to that of aid—a canonical tool of economic statecraft. Models 3 and 4, in turn, replicate the results from Models 1-2 but include country fixed effects instead of region fixed effects. In these models we do not control for the covariates that exhibit little-to-no variation over time within countries (e.g., whether the state is a U.S. ally).

[Table 7 about here.]

The results suggest that there is a robust relationship between U.S. spending and recipients' voting patterns in the UN, even after controlling for GDP, GDP per capita, regime type, alignment with the United States, and the level of economic aid, as well as including year, region, or country-fixed effects. Moreover, this relationship is similar in magnitude to that between U.S. economic aid and recipient UN votes. In both cases, a 100% increase in spending or aid increases allies' voting alignment by about .03%.<sup>46</sup>

## 5.6 Comparing Procurement to Other Forms of Assistance

Finally, scholars may be interested in using procurement spending as a proxy for the amount of support a state receives from the United States. Thus it is worth considering how patterns of U.S. overseas procurement compare with other forms of assistance, such as foreign aid and arms sales.<sup>47</sup> The United States uses each of these tools for different purposes, and thus it is important to know which countries one is likely to pick up depending on the measure of support used.

In general, the evidence shows modest overlap between spending, foreign aid, and arms sales. Since one might expect overlap between the three to be a simple artifact of recipients' market size, we use all three measures as a percentage of recipients' GDP to correct for the size of their economies. The correlation between spending and aid is only 0.149, while that between spending and arms sales is 0.126.<sup>48</sup> The low correlations between these variables suggest that each of them picks up a fairly unique set of countries.

The results from a factor analysis similarly suggest that these variables are weakly suited for constructing a single latent variable that captures overall U.S. support. The Bartlett test of sphericity yields a p-value of less than 0.001, and thus we can reject the null hypothesis that the three variables are not intercorrelated; however, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is only 0.549, which suggests that the data are of questionable suitability for factor analysis. Indeed, factor analysis yields only one factor with a positive Eigenvalue, though there are no factors with an Eigenvalue greater than the commonly-used threshold of 1. The top-scoring countries on this factor shown in Table A17 are similar to those shown in Table 3, and include countries such as Iraq and Afghanistan, three U.S. base hosts, four major non-NATO allies, and one country (Liberia) that emerged from a civil war. Above all else, these results suggest that measures of foreign aid or arms sales alone do not adequately capture the major recipients of procurement spending. A fuller picture of U.S. support requires using all three.

Additionally, we replicate Model 4 of Table 4 to compare the determinants of procurement with those of aid and arms sales. Models 1-3 use logarithmized spending, aid, and arms sales, while Models 4-6 use each of these as a percentage of the recipient's GDP. The results, reported in Table A16 in the supplementary material, show that much like spending, aid and arms tend to go to democracies, major non-NATO allies, and countries where the United States wages counterinsurgency. Similarly, the United States sells arms more to countries hosting military bases, though the same is not true for foreign aid, which instead goes to poorer recipients. Unlike aid and arms, however, the United States spends more in countries with which it does *not* share a defense pact.

A more detailed look at the top recipients of U.S. arms and aid (as a percentage of GDP) in Table 8 yields further insights. Aside from Iraq and Afghanistan, there is limited overlap between the top recipients of U.S. spending, on the one hand, and the top recipients of U.S. aid and arms, on the other. Only Bahrain is a top recipient of both arms and spending, while the Marshall Islands receives a great deal of aid and spending. Notably, both countries are base hosts and neither has a U.S. defense pact.

[Table 8 about here.]

To summarize, then, if scholars use U.S. procurement as a proxy for support, they will tend to pick up states: (1) where the United States has military access; and (2) that do not have U.S. defense pacts, but are nonetheless aligned with the United States. There is some overlap between spending and arms sales, but whereas U.S. arms tend to go to treaty allies and vulnerable “frontline” states, spending tends to go to states which are not formal U.S. allies and which are in more peripheral or secure areas—such as Djibouti, Kyrgyzstan, and the Marshall Islands. Thus, spending allows us to capture relationships with states that host U.S. bases in a way that arms and aid do not.

## 6 Discussion: Procurement as a Research Agenda

This article seeks to accomplish three tasks. First, we draw attention to the role of strategic procurement of goods and services as an understudied form of economic statecraft, particularly in the context of the United States. Second, we introduce a new dataset of U.S. overseas procurement and provide descriptive statistics by country, region, and year. Third, we demonstrate three applications of the data by using it to: (1) code U.S. military access in Africa; (2) show the relationship between spending and recipient economic growth; and (3) test the classic international relations question of whether economic inducements can buy influence.

These applications only scratch the surface of the data’s potential. Future research on the causes and consequences of strategic spending could make use of our framework and these data in numerous ways. As discussed previously, the data provide a means for testing whether spending

is more or less effective for purchasing policy concessions than other levers such as aid and arms. Existing research on economic statecraft in the U.S. context is dominated by studies which seek to determine whether tools of inducement—for example, foreign aid and arms sales—translates into influence over recipient states’ foreign policies (Bueno de Mesquita and Smith, 2007; Sullivan, Tessman, and Li, 2011). Targeted procurement is another historically common—yet virtually unstudied—instrument of influence. Adding these data promises to address omitted variable bias that may otherwise affect quantitative analyses. Indeed, our preliminary analyses suggest that the countries where the United States spends the most money are not necessarily the same as those who receive high levels of aid or arms.

Second, further research should examine whether spending achieves its desired effects. Does local procurement effectively stimulate economic development in the long run? Our preliminary evidence suggests that spending has at least a short-term positive effect on growth, yet anecdotal evidence suggests that spending may also have negative effects. Military spending can skew local markets and create critical vulnerabilities when it is withdrawn. For example, initially significant economic gains in Afghanistan turned out to be unsustainable; the Afghan economy lost as many jobs between 2014-2016—500,000—as had been created between 2009-2012 (SIGAR, 2018: 2-8). As U.S. spending plummeted, unemployment hit 40% by 2013, “a disaster that the World Bank underestimated so drastically that donors hadn’t earmarked money for an emergency jobs program.”<sup>49</sup>

On the one hand, procurement is an attractive tool because it directly injects resources into a local economy. This allows a “donor” state to bypass governments that might otherwise attempt to siphon off some of the resources for their own gain, a well-documented phenomenon in the foreign aid literature (Alesina and Weder, 2002; Burnside and Dollar, 2000). Moreover, in the context of power projection it allows the sending state to directly compensate the host population, thus mitigating anti-base sentiment and reducing the likelihood of eviction if the ruling government loses power (Cooley, 2008; Cooley and Nexon, 2013).

On the other hand, relying on private firms to carry out procurement policies essentially delegates diplomacy to private actors. Governments with restrictive procurement laws may not be able to legally stipulate how contracts are sourced, and firms may not even realize that the intention was to fulfill a diplomatic obligation. This problem is particularly acute for the United States, where laws restrict procurement to U.S. firms, require open competition, or limit the government from stipulating how contractors fulfill the terms of the contract. The broader implication is that using procurement as a foreign policy tool may systematically disadvantage democratic powers relative to autocratic powers, who have greater ability to control market activity—a point scholars have noted in the context of trade (Fuchs and Klann, 2013).

For better or worse, spending represents a huge amount of economic power given the size of government procurement markets. We argue that a research agenda on procurement as foreign policy is particularly needed because of its unique costs and benefits compared to other tools of economic statecraft. Further research can thus shed more light on the conditions under which states choose one tool versus another, as well as on the effectiveness of spending for achieving goals such as promoting development, waging counterinsurgency, and securing foreign military access.

## Notes

<sup>1</sup>Dana Hedgpeth and Sarah Cohen, “Money as a Weapon,” *Washington Post*, August 11, 2008, available at <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/10/AR2008081002512.html> (last accessed April 5, 2019).

<sup>2</sup>Transporting and keeping track of cash became so problematic that the U.S. military began a “Cashless Battlefield” initiative in 2008 to introduce electronic transactions. See Armey, Lipow, and Webb (2014: 46).

<sup>3</sup>China is not the only state that uses a mix of aid and trade toward foreign policy ends; for example, Brautigam and Xiaoyang (2012: 802) discuss Japan’s “flying geese” model in which Japan uses a mix of financial incentives to help launch regional production networks.

<sup>4</sup>These studies tend to focus on grants and assistance, however, given the greater political discretion in their allocation. The Young and Sobel (2013) article is the only one we found to mention FPDS-NG in a leading political science journal in the last 20 years.

<sup>5</sup>Each member determines which sectors to open to competition. An annex to the United States' membership specifies that it "does not cover procurement of any service in support of military forces located overseas." See United States, Annex 5: services, Coverage Schedules, Agreement on Government Procurement, World Trade Organization Web site, available at [https://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_app\\_agree\\_e.htm#revisedGPA](https://www.wto.org/english/tratop_e/gproc_e/gp_app_agree_e.htm#revisedGPA) (last accessed March 28, 2018).

<sup>6</sup>Federal Acquisition Regulation, 48 C.F.R., Chap. 1, Part 42, Subpart 42.5 (2017).

<sup>7</sup>There are exceptions under which the U.S. government can dictate award of subcontract dollars, but these are tied to congressionally mandated set-asides for specific categories of small business (e.g., women-owned firms). For an overview, see GAO (2017: 3-4).

<sup>8</sup>Federal Acquisition Regulation, 48 C.F.R., Chap. 1, Part 6, Subpart 6.3 (2017).

<sup>9</sup>Dollar figures are deflated to constant 2005 US dollars. Deflator obtained from: U.S. Office of Management and Budget Historical Tables, "Table 10.1—Gross Domestic Product and Deflators Used in the Historical Tables," <https://www.whitehouse.gov/omb/historical-tables/>.

<sup>10</sup>Cooley and Nexon (2013) refer to these strategies as "binding" and "pivoting" respectively.

<sup>11</sup>For example, see Agreement Relating to the Employment of Philippine Nationals in the United States Military Bases in the Philippines, U.S.-Phi., December 28, 1968, 19 U.S.T. 5892.

<sup>12</sup>NDAA for FY 2010, Title VIII, Subtitle A, Sec. 801.

<sup>13</sup>NDAA for FY 2015, Title XII, Subtitle E, Sec. 1263.

<sup>14</sup>NDAA for FY 2017, Title X, Subtitle H, Sec. 899A.

<sup>15</sup>Eric Schmitt, "U.S. Signs New Lease to Keep Strategic Military Installation in the Horn of Africa," *New York Times*, May 5, 2014, available at <https://nyti.ms/1usuMko> (last accessed April 5, 2019).

<sup>16</sup>Adam Ashton, "Quietly, Guam slated to become a massive new US military base," *Saipan Tribune*, November 24, 2015, available at <http://www.saipantribune.com/index.php/quietly-guam-slated-to-become-a-massive-new-us-military-base/> (last accessed April 5, 2019).

<sup>17</sup>Not all counterinsurgency models prioritize winning the support of the population. See Byman (2015).

<sup>18</sup>NDAA for FY 2008, Title VIII, Subtitle H, Sec. 886.

<sup>19</sup>David Petraeus, "COMISAF's Counterinsurgency (COIN) Contracting Guidance," NATO/ISAF memo, available at <http://graphics8.nytimes.com/packages/pdf/PETRAEUSGUIDELINES.pdf> (last accessed March 28, 2018).

<sup>20</sup>The Counselor of Mission in Japan (Waring) to the Deputy Director of the Office of Northeast Asian Affairs (McClurkin), March 18, 1952, *Foreign Relations of the United States (FRUS), 1952-1954, China and Japan*, Vol. XIV, Part 2, (Washington, DC: Government Printing Office [GPO], 1985), Doc. 540.

<sup>21</sup>The terms were specified in an annex to the U.S.-Japan 1954 Mutual Defense Assistance Agreement. See Memorandum by Alice L. Dunning of the Office of Northeast Asian Affairs to the Acting Director of That Office (McClurkin), March 1, 1954, *FRUS 1952-1954, China and Japan*, Vol. XIV, Part 2, (Washington, DC: GPO, 1985), Doc. 742.

<sup>22</sup>Obligations are amounts of money associated with financial transactions that the government is required to pay at a given point. These are distinct from disbursements, or outlays, which are the actual funds used to pay obligations. Funds can also be removed from a contract, or deobligated, which is reflected in the contract data.

<sup>23</sup>The data and replication package will be made available on the Harvard Dataverse.

<sup>24</sup>A foreign place of performance is defined as “work produced, supplied, or performed primarily outside of the United States or its territories” (Schwartz and Ginsberg, 2013: 5).

<sup>25</sup>The first year for which we have evidence of contracts is 1978.

<sup>26</sup>Table A1 in the supplementary material shows country-year level summary statistics.

<sup>27</sup>All amounts are in constant 2005 U.S. dollars.

<sup>28</sup>We add one before taking the natural logarithm.

<sup>29</sup>Real property generally includes major operating bases and some forward operating sites, but not smaller sites or contingency locations. The reports are available at <https://www.acq.osd.mil/eie/Library.html#Rpts> (last accessed December 14, 2018).

<sup>30</sup>GDP and GDP per capita come from the World Development Indicators, while the Polity score is from the Polity IV project (Marshall and Jagers, 2011). Alliance data are from Version 4.1 of the Correlates of War’s Formal Alliances Dataset (Gibler, 2009).

<sup>31</sup>All covariates are lagged by one year, except for the dummy variables capturing emergence from a civil war in the past five years and U.S. counterinsurgency efforts.

<sup>32</sup>Our regional classifications follow those used by the Correlates of War Project. We exclude Oceania from these figures, which accounts for less than 1% of U.S. spending.

<sup>33</sup>Figure A1 in the supplementary file shows total U.S. overseas procurement spending from 2000-2015.

<sup>34</sup>These smaller facilities are not considered real property and thus not subject to the same reporting requirements. Some contingency locations may also be secret.

<sup>35</sup>For example: Turse (2015); Vine (2015); Moore and Walker (2016).

<sup>36</sup>Additional information on the content analysis, along with the full list of keywords, is in the supplementary file.

<sup>37</sup>These criteria are explained in the supplementary material (Section A4).

<sup>38</sup>Sudarsan Raghavan and Craig Whitlock, “A city in Niger worries a new U.S. drone base will make it a ‘magnet’

for terrorists,” *Washington Post*, November 24, 2017, available at [https://www.washingtonpost.com/world/africa/a-city-in-niger-worries-a-new-us-drone-base-will-make-it-a-magnet-for-terrorists/2017/11/23/0b62fbf4-cef3-11e7-a87b-47f14b73162a\\_story.html](https://www.washingtonpost.com/world/africa/a-city-in-niger-worries-a-new-us-drone-base-will-make-it-a-magnet-for-terrorists/2017/11/23/0b62fbf4-cef3-11e7-a87b-47f14b73162a_story.html) (last accessed April 5, 2019).

<sup>39</sup>For the coding rules by which we created this dummy variable, see Section A4 in the supplementary material.

<sup>40</sup>Shawn Snow, “US troops lack support despite expanding mission in Africa,” *Military Times*, November 19, 2017, available at <https://www.militarytimes.com/flashpoints/2017/11/19/us-troops-lack-support-despite-expanding-mission-in-africa/> (last accessed April 5, 2019).

<sup>41</sup>Additional research validates most of these sites. The United States has CSL agreements with Benin, Côte d’Ivoire, Gabon, Gambia, Ghana, and Senegal (Cooley, 2008: 242). Liberia and Sierra Leone hosted a U.S. military presence during Operation United Assurance to help combat the Ebola crisis (Joint Chiefs of Staff, 2016). The U.S. Air Force operates in the Seychelles (Davis et al., 2012: 26). Mauritania and Burundi have hosted contingency locations; see Nick Turse, “Secret US Military Documents Reveal a Constellation of American Military Bases Across Africa,” *The Nation*, available at <https://www.thenation.com/article/secret-us-military-documents-reveal-a-constellation-of-american-military-bases-across-africa/> (last accessed May 1, 2018). Finally, Central African Republic was the site of recent U.S. military operations against the Lord’s Resistance Army; see *Deutsche Welle*, “US forces to pull out of CAR amid ongoing hunt for Kony,” April 26, 2017, available at <http://www.dw.com/en/us-forces-to-pull-out-of-car-amid-ongoing-hunt-for-kony/a-38597986> (last accessed April 5, 2019).

<sup>42</sup>Table A5 in the supplementary material shows that our results are robust to using non-competitively awarded spending instead of all spending as the dependent variable.

<sup>43</sup>The results are not sensitive to including or excluding the lagged dependent variable.

<sup>44</sup>Foreign aid data come from USAID (2018).

<sup>45</sup>Some studies limit their sample of votes to those labeled by the U.S. State Department as “important” (Wang, 1999), but empirical evidence suggests that doing so does not affect results (Dreher, Nunnenkamp, and Thiele, 2008; Wittkopf, 1973).

<sup>46</sup>Table A9 in the supplementary material shows that our results are robust to using non-competitively awarded spending instead of all spending as the independent variable.

<sup>47</sup>Arms transfers data come from the Stockholm International Peace Research Institute (SIPRI, 2018), while foreign aid data come from USAID. Here we use both military and economic aid.

<sup>48</sup>Correlation matrices can be found in Tables A14 and A15.

<sup>49</sup>George Packer, “Afghanistan’s Theorist-in-Chief,” *New Yorker*, June 27, 2016, available at <http://www.newyorker.com/magazine/2016/07/04/ashraf-ghani-afghanistans-theorist-in-chief> (last accessed April 5,

2019).

## References

- Alesina, Alberto, and Beatrice Weder. 2002. "Do Corrupt Governments Receive Less Foreign Aid?" *American Economic Review* 92 (4): 1126–1137.
- Armey, Laura E., Jonathan Lipow, and Natalie J. Webb. 2014. "The Impact of Electronic Financial Payments on Crime." *Information Economics and Policy* 29: 46–57.
- Audet, Denis. 2003. "Government Procurement: A Synthesis Report." *OECD Journal on Budgeting* 2 (3): 149–194.
- Bailey, Michael A., Anton Strezhnev, and Erik Voeten. 2017. "Estimating Dynamic State Preferences from United Nations Voting Data." *Journal of Conflict Resolution* 61 (2): 430–456.
- Baldwin, David A. 1985. *Economic Statecraft*. Princeton, NJ: Princeton University Press.
- Baumol, W. J. 1947. "Notes on the Theory of Government Procurement." *Economica* 14 (53): 1–18.
- Branco, Fernando. 1994. "Favoring Domestic Firms in Procurement Contracts." *Journal of International Economics* 37 (1/2): 65–80.
- Brautigam, Deborah, and Tang Xiaoyang. 2012. "Economic Statecraft in China's New Overseas Special Economic Zones: Soft Power, Business or Resource Security?" *International Affairs* 88 (4): 799–816.
- Bueno de Mesquita, Bruce, and Alastair Smith. 2007. "Foreign Aid and Policy Concessions." *Journal of Conflict Resolution* 51 (2): 251–284.
- Burnside, Craig, and David Dollar. 2000. "Aid, Policies, and Growth." *American Economic Review* 90 (4): 847–868.
- Byman, Daniel. 2015. "'Death Solves All Problems': The Authoritarian Model of Counterinsurgency." *Journal of Strategic Studies* 39 (1): 62–93.
- Carter, David B., and Randall W. Stone. 2015. "Democracy and Multilateralism: The Case of Vote Buying in the UN General Assembly." *International Organization* 69 (1): 1–33.
- Collier, Paul, and Anke Hoeffler. 2004. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56 (4): 563–595.
- Congressional Budget Office. 2016. *How Preferential Trade Agreements Affect the U.S. Economy*. Washington, DC: CBO.
- Cooley, Alexander. 2008. *Base Politics: Democratic Change and the U.S. Military Overseas*. Ithaca, NY: Cornell University Press.
- Cooley, Alexander, and Daniel H. Nexon. 2013. "The Empire Will Compensate You: The Structural Dynamics of the U.S. Overseas Basing Network." *Perspectives on Politics* 11 (4): 1034–1050.
- Cooley, Alexander, and Hendrik Spruyt. 2009. *Contracting States: Sovereign Transfers in International Relations*. Princeton, NJ: Princeton University Press.
- Davis, Lynn E., Stacie L. Pettyjohn, Melanie W. Sisson, Stephen M. Worman, and Michael J. McNeerney. 2012. *U.S. Overseas Military Presence: What Are the Strategic Choices?* Santa Monica, CA: RAND Corporation.
- Dreher, Axel, Andreas Fuchs, Bradley Parks, Austin M. Strange, and Michael J. Tierney. 2018. "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa." *International Studies Quarterly* Forthcoming: doi: 10.1093/isq/sqx052.

- Dreher, Axel, Peter Nunnenkamp, and Rainer Thiele. 2008. "Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis." *Public Choice* 136 (1/2): 139–164.
- Fuchs, Andreas, and Nils-Hendrik Klann. 2013. "Paying a Visit: The Dalai Lama Effect on International Trade." *Journal of International Economics* 91 (1): 164–77.
- Gallagher, Kevin P., and Amos Irwin. 2015. "China's Economic Statecraft in Latin America: Evidence from China's Policy Banks." *Pacific Affairs* 88 (1): 99–121.
- GAO. 2014. *Defense Contracting: DOD's Use of Class Justifications for Sole-Source Contracts*. Washington, DC: GAO. GAO-14-427R.
- GAO. 2017. *Contracting Data Analysis: Assessment of Government-wide Trends*. Washington, DC: Government Accountability Office. GAO-17-244SP.
- Gibler, Douglas M. 2009. *International Military Alliances, 1648-2008*. Washington, DC: CQ Press.
- URL:** <http://www.correlatesofwar.org/>
- Goldman, Eitan, Jorg Rocholl, and Jongil So. 2013. "Politically Connected Boards of Directors and the Allocation of Procurement Contracts." *Review of Finance* 17 (5): 1617–1648.
- Gough, Terrence J. 1987. *U.S. Army Mobilization and Logistics in the Korean War*. Washington, DC: Government Printing Office.
- Humphreys, Macartan, and Jeremy M. Weinstein. 2008. "Who Fights? The Determinants of Participation in Civil War." *American Journal of Political Science* 52 (2): 436–455.
- Joint Chiefs of Staff. 2016. *Operation United Assistance: The DOD Response to Ebola in West Africa*.
- URL:** [https://www.jcs.mil/Portals/36/Documents/Doctrine/ebola/OUA\\_report\\_jan2016.pdf](https://www.jcs.mil/Portals/36/Documents/Doctrine/ebola/OUA_report_jan2016.pdf)
- Kegley, Jr., Charles W., and Steven W. Hook. 1991. "U.S. Foreign Aid and U.N. Voting: Did Reagan's Linkage Strategy Buy Deference or Defiance?" *International Studies Quarterly* 35 (3): 295–312.
- Kuchins, Andrew C., and Thomas M. Sanderson. 2010. *The Northern Distribution Network and Afghanistan*. Washington, DC: Center for Strategic & International Studies.
- Lai, Brian, and Daniel S. Morey. 2006. "Impact of Regime Type on the Influence of U.S. Foreign Aid." *Foreign Policy Analysis* 2 (4): 385–404.
- Lee, Chae-Jin, and Hideo Sato. 1982. *U.S. Policy Toward Japan and Korea: A Changing Influence Relationship*. New York: Praeger.
- Lijphart, Arend. 1963. "The Analysis of Bloc Voting in the General Assembly: A Critique and a Proposal." *American Political Science Review* 57 (4): 902–917.
- Lundborg, Per. 1998. "Foreign Aid and International Support as a Gift Exchange." *Economics and Politics* 10 (2): 127–141.
- Marshall, Monty G., and Keith Jagers. 2011. Polity IV Project: Political Regime Characteristics and Transitions, 1800-2011.
- URL:** <http://www.systemicpeace.org/polity/polity4.htm>
- Martins, Mark. 2004. "No Small Change of Soldiering: The Commander's Emergency Response Program (CERP) in Iraq and Afghanistan." *The Army Lawyer* (2): 1–20.
- Mayer, Kenneth R. 1995. "Electoral Cycles in Federal Government Prime Contract Awards: State-Level Evidence from the 1988 and 1992 Presidential Elections." *American Journal of Political*

- Science* 39 (1): 162–185.
- Milner, Helen V., and Dustin H. Tingley. 2015. *Sailing the Water's Edge: The Domestic Politics of American Foreign Policy*. Princeton, NJ: Princeton University Press.
- MNC-I CJ8. 2009. “Money as a Weapon System (MAAWS).” Standard Operating Procedures, 26 January.
- Moore, Adam, and James Walker. 2016. “Tracing the US Military’s Presence in Africa.” *Geopolitics* 21 (3): 686–716.
- Muller, Gernot J. 2008. “Understanding the Dynamic Effects of Government Spending on Foreign Trade.” *Journal of International Money and Finance* 27 (3): 345–71.
- Mvukiyehe, Eric, and Cyrus Samii. 2010. “Quantitative Impact Evaluation of the United Nations Mission in Liberia: Final Report.” Submitted to UN Office for Internal Oversight Services, February 2010.
- NATO. 2011. “Backgrounder: NATO Afghan First Policy.”
- Norris, William J. 2016. *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control*. Ithaca, NY: Cornell University Press.
- Pettyjohn, Stacie L. 2012. *U.S. Global Defense Posture, 1783-2011*. Santa Monica, CA: RAND Corporation.
- Rickard, Stephanie J., and Daniel Y. Kono. 2013. “Think Globally, Buy Locally: International Agreements and Government Procurement.” *Review of International Organizations* 9 (3): 333–352.
- Schwartz, Moshe, and Wendy Ginsberg. 2013. *Department of Defense Trends in Overseas Contract Obligations*. Washington, DC: Congressional Research Service.
- Shingal, Anirudh. 2015. “Econometric Analyses of Home Bias in Government Procurement.” *Review of International Economics* 23 (1): 188–219.
- SIGAR. 2012. “Afghan First Initiative Has Placed Work with Afghan Companies, but is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data is Limited.” Special Inspector General for Afghanistan Reconstruction.
- URL:** <https://www.sigar.mil/pdf/audits/2012-01-31audit-12-06.pdf>
- SIGAR. 2018. “Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan.” Special Inspector General for Afghanistan Reconstruction.
- URL:** <https://www.sigar.mil/interactive-reports/private-sector-development-and-economic-growth/index.html>
- SIPRI. 2018. “SIPRI Arms Transfers Database.” Stockholm International Peace Research Institute.
- URL:** <https://www.sipri.org/databases/armstransfers>
- Sopko, John F. 2015. “DOD Task Force for Business and Stability Operations in Afghanistan: Preliminary Results Show Serious Management and Oversight Problems.” 114th Cong., 2nd sess. Statement of John F. Sopko, Special Inspector General for Afghanistan Reconstruction, U.S. Senate Subcommittee on Readiness and Management Support.
- Strange, Austin M., Axel Dreher, Andreas Fuchs, Bradley Parks, and Michael J. Tierney. 2017. “Tracking Underreported Financial Flows: China’s Development Finance and the Aid-Conflict Nexus Revisited.” *Journal of Conflict Resolution* 61 (5): 935–963.
- Sullivan, Patricia L., Brock F. Tessman, and Xiaojun Li. 2011. “US Military Aid and Recipient

- State Cooperation.” *Foreign Policy Analysis* 7 (3): 275–294.
- Turse, Nick. 2015. *Tomorrow’s Battlefield: U.S. Proxy Wars and Secret Ops in Africa*. Chicago: Haymarket Books.
- Ulmer, Tom R. 2009. “Using an Adaptive Logistics Network in Africa: How Much and How Far.” Unpublished manuscript, Air University.
- U.S. Africa Command. 2011. “U.S. Africa Command 2011 Logistics Strategy.”
- USAID. 2018. “U.S. Overseas Loans and Grants Greenbook.” United States Agency for International Development.
- URL:** <https://www.usaid.gov/developer/greenbookapi>
- Vine, David. 2015. *Base Nation: How U.S. Military Bases Abroad Harm America and the World*. New York: Metropolitan Books.
- Wang, T. Y. 1999. “U.S. Foreign Aid and UN Voting: An Analysis of Important Issues.” *International Studies Quarterly* 43 (1): 199–210.
- Ward, William E. 2009. “United States Africa Command 2009 Posture Statement.” Statement before the United States Senate Armed Services Committee.
- Weiss, Linda, and Elizabeth Thurbon. 2006. “The Business of Buying American: Public Procurement as Trade Strategy in the USA.” *Review of International Political Economy* 13 (5): 701–724.
- Wittkopf, Eugene R. 1973. “Foreign Aid and United Nations Votes: A Comparative Study.” *American Political Science Review* 67 (3): 868–888.
- Young, Andrew T., and Russell S. Sobel. 2013. “Recovery and Reinvestment Act spending at the state level: Keynesian stimulus or distributive politics?” *Public Choice* 155 (3/4): 449–468.
- Zimmerman, Rebecca S., Daniel Egel, and Ilana Blum. 2016. *Task Force for Business and Stability Operations: Lessons from Afghanistan*. Santa Monica, CA: RAND Corporation.

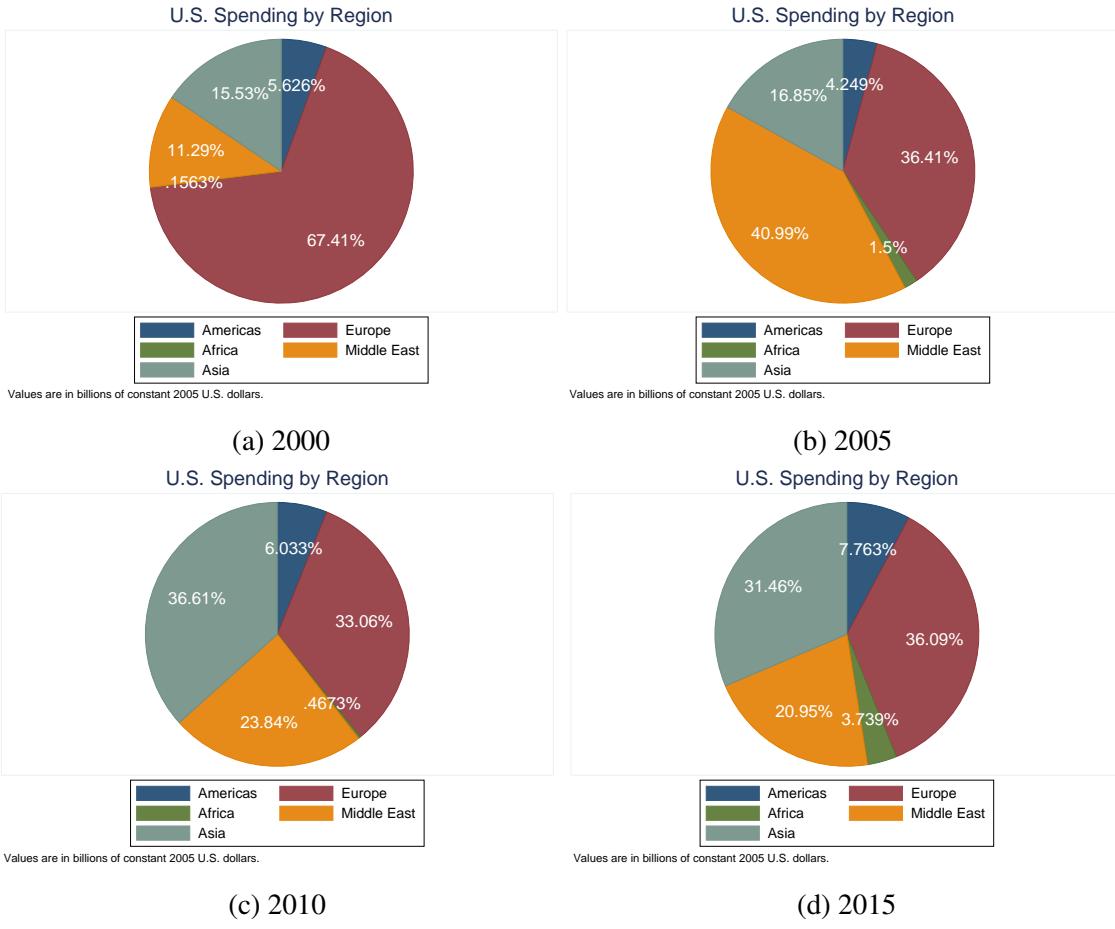


Figure 1: U.S. defense spending by region, 2000-2015

Year	Total obligation value	Non-competitive obligations	“Strategic” non-competitive obligations
2000	8.45	0.76	0.41
2005	31.67	4.69	0.89
2010	40.29	9.27	2.05
2015	15.57	3.84	1.46

Table 1: Proportion of U.S. spending from “strategic” contracts, for selected years, 2000-2015. All values represent billions of constant 2005 U.S. dollars.

Year	Total obligation value (billions USD)	Total contracts	Department (%)		
			Defense	State	USAID
2000	9.42	12,136	89.7	4.9	1.7
2005	38.24	74,106	82.8	9.9	4.9
2010	49.09	132,019	82.1	7.9	6.9
2015	23.27	116,000	67.3	15.9	10.8

Table 2: Proportion of U.S. global spending by department, for selected years, 2000-2015.

<b>Country</b>	<b>Spending (billions USD)</b>	<b>Country</b>	<b>Spending (% GDP)</b>
Iraq	86.01	Kiribati	74.7%
Afghanistan	81.62	Afghanistan	51.1%
Kuwait	40.85	Djibouti	14.3%
Germany	34.15	Kyrgyzstan	8.9%
South Korea	22.36	Marshall Islands	8.7%
Japan	20.3	Iraq	5.3%
United Kingdom	16.16	Greenland	5.3%
Canada	12.17	Kuwait	2.6%
Switzerland	12.1	Bahrain	2.5%
United Arab Emirates	11.49	Bahamas	1.4%

Table 3: Countries and territories where the most U.S. defense spending took place, by total amount and as a percentage of GDP, 2000-2015.

	(1) Spending (log)	(2) Spending (log)	(3) Spending (log)	(4) Spending (log)
GDP (log)	1.266*** (0.050)	1.227*** (0.055)	1.004*** (0.068)	0.792*** (0.072)
GDPpc (log)	0.168 <sup>+</sup> (0.087)	-0.315** (0.107)	0.636*** (0.100)	0.296* (0.122)
Civil war	-0.304 (0.482)	-0.421 (0.475)	-0.001 (0.482)	-0.099 (0.475)
US counterinsurgency	11.721*** (0.374)	10.468*** (0.370)	8.535*** (0.176)	6.988*** (0.590)
US defense pact	0.624** (0.229)	-0.301 (0.264)	0.169 (0.255)	-0.935** (0.290)
Major non-NATO US ally	3.360*** (0.327)	3.497*** (0.454)	3.475*** (0.355)	3.251*** (0.432)
US real property	3.706*** (0.212)	4.246*** (0.226)	2.887*** (0.230)	3.597*** (0.242)
Polity			0.099*** (0.023)	0.118*** (0.026)
Year FE	No	Yes	No	Yes
Region FE	No	Yes	No	Yes
N	2901	2901	2419	2419
R <sup>2</sup>	0.379	0.414	0.369	0.419

Robust standard errors in parentheses.

<sup>+</sup> $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

Table 4: Determinants of U.S. global defense spending, 2000-2015.

	(1) Spending (log)	(2) Spending (log)	(3) Spending (log)	(4) Spending (log)
GDP (log)	0.527*** (0.154)	0.433** (0.151)	0.821*** (0.167)	0.730*** (0.167)
GDPpc (log)	0.306 (0.217)	0.017 (0.217)	0.094 (0.233)	-0.155 (0.240)
Civil war	-0.114 (0.651)	-0.553 (0.675)	-0.027 (0.639)	-0.372 (0.666)
US military facility (Africa)	7.018*** (0.399)	5.858*** (0.507)	6.805*** (0.428)	5.857*** (0.540)
US real property	4.267*** (0.696)	4.129*** (0.729)	3.262*** (0.865)	3.249*** (0.878)
Polity			0.262*** (0.040)	0.234*** (0.039)
Year FE	No	Yes	No	Yes
Region FE	No	No	No	No
N	767	767	735	735
R <sup>2</sup>	0.218	0.276	0.273	0.318

Robust standard errors in parentheses.

+ $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

Table 5: Correlates of U.S. defense spending in Africa, 2000-2015.

	(1) GDP growth	(2) GDP growth	(3) GDP growth	(4) GDP growth	(5) GDP growth	(6) GDP growth
GDP growth (lag)	0.085 (0.072)	0.132 <sup>+</sup> (0.077)	0.085 (0.071)	0.112 (0.077)	0.086 (0.072)	0.132 <sup>+</sup> (0.077)
Spending (log)	0.001* (0.001)	0.004* (0.002)			0.001* (0.001)	0.004* (0.002)
GDP (log)	-0.002 (0.002)	0.003 (0.007)	-0.000 (0.002)	0.010 (0.007)	-0.002 (0.002)	0.004 (0.007)
GDPpc (log)	-0.013*** (0.003)	-0.037** (0.012)	-0.013*** (0.003)	-0.031** (0.011)	-0.014*** (0.003)	-0.036** (0.012)
Polity	-0.001** (0.001)	-0.002 (0.002)	-0.001* (0.001)	-0.001 (0.002)	-0.001** (0.001)	-0.002 (0.002)
US economic aid (log)			-0.000 (0.001)	-0.000 (0.003)	-0.000 (0.001)	-0.002 (0.004)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	Yes	Yes	Yes	Yes
N	2269	279	2327	285	2258	279
R <sup>2</sup>	0.348	0.362	0.349	0.343	0.347	0.363

Robust standard errors in parentheses.

<sup>+</sup> $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

Models 2, 4, and 6 limit the sample to states that have emerged from civil war or are experiencing a U.S. counterinsurgency campaign.

Table 6: Results showing the relationship between U.S. spending and recipient GDP growth, 2000-2015.

	(1) Voting with US	(2) Voting with US	(3) Voting with US	(4) Voting with US
Spending (log)	0.001** (0.000)	0.001** (0.000)	0.000+ (0.000)	0.001* (0.000)
GDP (log)	0.001 (0.001)	-0.000 (0.001)	-0.039*** (0.011)	-0.040*** (0.011)
GDPpc (log)	0.015*** (0.002)	0.019*** (0.003)	0.022* (0.010)	0.025* (0.010)
Polity	0.005*** (0.000)	0.005*** (0.000)	0.000 (0.000)	0.000 (0.000)
US counterinsurgency	-0.043*** (0.010)	-0.050*** (0.010)		
US defense pact	0.056*** (0.005)	0.058*** (0.005)		
Major non-NATO US ally	0.090*** (0.019)	0.086*** (0.019)		
US real property	-0.003 (0.006)	-0.002 (0.006)		
US economic aid (log)		0.002*** (0.000)		0.001*** (0.000)
Year FE	Yes	Yes	Yes	Yes
Region FE	Yes	Yes	No	No
Country FE	No	No	Yes	Yes
N	2408	2396	2408	2396
R <sup>2</sup>	0.683	0.685	0.915	0.916

Robust standard errors in parentheses.

+ $p < 0.10$ , \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

Table 7: Results showing the relationship between U.S. spending and voting patterns in the UN, 2000-2015.

Aid (% GDP)	Aid (total)	Arms (% GDP)	Arms (total)
<b>Afghanistan</b>	<b>Afghanistan</b>	<b>Afghanistan</b>	<b>South Korea</b>
Micronesia	<b>Iraq</b>	Israel	<b>United Arab Emirates</b>
<b>Marshall Islands</b>	Israel	Egypt	Saudi Arabia
Somalia	Egypt	United Arab Emirates	<b>Japan</b>
Liberia	Russia	Jordan	Taiwan
Palau	Pakistan	<b>Iraq</b>	Egypt
Haiti	Jordan	<b>Bahrain</b>	Australia
East Timor	Colombia	Singapore	Israel
Jordan	Ethiopia	Oman	<b>United Kingdom</b>
<b>Iraq</b>	Kenya	Greece	Turkey

Table 8: Top recipients of U.S. foreign aid and arms sales, 2000-2015. Bold text indicates a state that was also a top recipient of U.S. spending, whether as a percentage of GDP (Columns 1 and 3) or as a total in constant 2005 US dollars (Columns 2 and 4).