Proposition 1. The following set of strategies constitute a stationary Markov Perfect Equilibrium (MPE):

1. \( T \): If \( H \) plays Defensive, \( \neg \)Attack Center if \( c_T \geq 1 - \frac{p^{\lambda t}}{1-x} \) and Attack Center otherwise. If \( H \) plays Negotiate and \( U \) plays \( \neg \)Sustain Aid, play Accept; Attack Center if \( c_T < \frac{p^{\lambda t}x^*}{1-x} \) and Accept, \( \neg \)Attack Center otherwise.

2. \( H \): If \( x > 0 \), play Defensive. If \( x = 0 \), play Negotiate if \( p^{\lambda t} < c_H \) and Defensive otherwise.

3. \( U \): If \( p^{\lambda t} < c_H \), set \( x = x^* \), where

\[
x^* = \frac{1}{18} [18 - \frac{12 + 27p^{\lambda t}(1+\alpha)(1-x)}{(-9p^{2\lambda t}(1+\alpha) + 3\sqrt{8+27p^{\lambda t}-8\alpha(1+\alpha)^3})^2} - 6 * \frac{1}{3\sqrt{8+27p^{\lambda t}-8\alpha(1+\alpha)^3}}] \]

if \( x^* < 1 - p^{\lambda t} \), and set \( x = 1 - p^{\lambda t} \) otherwise. If \( p^{\lambda t} > c_H \), set \( x = x^* \) iff \( x^* < 1 - p^{\lambda t} \) and \( \alpha > \frac{p^{2\lambda t}(2-x^*)}{p^{\lambda t}(2-p^{\lambda t}(2-x^*)-2x^*)} \), and set \( x = 0 \) otherwise. If \( x^* > 1 - p^{\lambda t} \), set \( x = 1 - p^{\lambda t} \) iff \( \alpha > \frac{p^{\lambda t}}{1-p^{\lambda t}} \) and \( x = 0 \) otherwise.

Proof. The game divides into three subgames: one in which \( H \) plays Negotiate, one where \( H \) plays Defensive, and one where \( H \) plays Offensive.

Lemma 1. \( H \) strictly prefers Defensive to Negotiate if \( x > 0 \).

Proof. From the text, we know that if \( H \) plays Negotiate, \( U \) plays \( \neg \)Sustain Aid, \( T \) plays Attack Center if \( c_T < \frac{p^{\lambda t}x}{1-x} \) and \( \neg \)Attack Center otherwise. Since \( c_T \sim U[0,1] \), define \( H \)'s belief that \( T \) plays Attack Center if \( H \) plays Negotiate as \( \frac{p^{\lambda t}x}{1-x} \). Since it is common knowledge that \( U \) has a dominant strategy to \( \neg \)Sustain Aid, the expected utility to \( H \) for playing Negotiate is: \( \frac{p^{\lambda t}x}{1-x} (p - c_H) + (1 - \frac{p^{\lambda t}x}{1-x}) (\frac{p^{\lambda t}}{1-x} \alpha) \). Alternatively, if \( H \) plays Defensive, \( T \) plays Attack Center if \( 1 - \frac{p^{\lambda t}}{1-x} - c_T > 0 \), or \( 1 - \frac{p^{\lambda t}}{1-x} > c_T \). Define \( H \)'s belief that \( T \) plays Attack Center if \( H \) plays Defensive as \( (1 - \frac{p^{\lambda t}}{1-x}) \) since \( c_T \sim U[0,1] \). \( H \)'s utility for this strategy is therefore equal to \( (1 - \frac{p^{\lambda t}}{1-x}) (\frac{p^{\lambda t}}{1-x} - c_H) + (\frac{p^{\lambda t}}{1-x}) (1) \). Comparing expected utilities, we see that the payoffs for
playing *Defensive* weakly dominate those for playing *Negotiate*. If $T$ plays *Attack Center*, the payoff to $H$ for *Negotiate* is equal to $p\lambda t - c_H$, whereas the payoff to $H$ for *Defensive* if $T$ plays *Attack Center* is equal to $(p^{At}/1-x) - c_H$. If $x > 0$, it must be true that $p^{At}/1-x > p^{At}$. Therefore, $H$ improves his welfare by playing *Defensive* versus *Negotiate* if $T$ plays *Attack Center*. On the other hand, if $T \sim *Attack Center*, $H$'s payoff if he plays *Negotiate* is equal to $p\lambda t - c_H$, whereas if he plays *Defensive*, his payoff is equal to 1. Since by assumption $1 \geq p^{At}/1-x$, the payoff to $H$ for playing *Defensive* if $T$ plays $\sim *Attack Center* weakly dominates the payoff to $H$ for playing *Negotiate* if $T$ plays $\sim *Attack Center*.

**Corollary 1.** If $x = 0$, $H$ prefers *Defensive* iff $p^{At} > c_H$ and prefers *Negotiate* otherwise.

If $US$ sets $x = 0$, the payoff to $H$ for *Negotiate* is:

$$\frac{p^{At}(0)}{1-0} (p - c_H) + \left(1 - \frac{p^{At}(0)}{1-0}\right) \left(\frac{p^{At}}{1-x}\right)$$

This expression simplifies to $p^{At}$, which indicates that $H$'s payoff for *Negotiate* if $x = 0$ is equal to $p^{At}$. On the other hand, if $US$ sets $x = 0$, the payoff to $H$ for *Defensive* simplifies to:

$$(1 - p^{At})(p - c_H) + (p^{At})(1)$$

$H$ therefore prefers to play *Defensive* over playing *Negotiate* when $x = 0$ if:

$$p^{At} < (1 - p^{At})(p^{At} - c_H) + (p^{At})(1)$$

Simplifying this expression further by subtracting $p^{At}$ from both sides:

$$0 < (1 - p^{At})(p^{At} - c_H)$$

Since $p^{At} \in [0,1]$, it must be true that $(1 - p^{At}) \geq 0$. This expression is therefore true unless $c_H > p^{At}$. ■

**Lemma 2.** $H$ strictly prefers to play *Defensive* over *Offensive*.

**Proof.** If $x > 0$, $H$'s payoff for *Defensive* is equal to:

$$(1 - p^{At}/1-x)(p^{At}/1-x - c_H) + (p^{At}/1-x)(1)$$

$H$'s payoff for *Offensive* is:

$$\frac{p^{At}}{1-x} - c_H - \rho$$

If $H$ plays *Defensive*, both possible outcomes yield greater utility than $H$'s payoff for *Offensive*. If $T$ plays *Attack Center*, $H$ prefers *Defensive* if $\frac{p^{At}}{1-x} - c_H > \frac{p^{At}}{1-x} - c_H - \rho$, which is true since $\rho \in [0,1]$. If $T$
plays "Attack Center, $H$ prefers Defensive if $1 > \frac{p^{\lambda t}}{1-x} - c_H - \rho$, which is always true. If, on the other hand, $US$ sets $x = 0$, $H$ prefers Defensive to Offensive if $\frac{p^{\lambda t}}{1-0} - c_H > \frac{p^{\lambda t}}{1-0} - c_H - \rho$, which simplifies to $0 > -\rho$.

Again, since $\rho \in [0,1]$, this statement is also true, which indicates that $H$ strictly prefers Defensive to Offensive.

Lemma 3. If $p^{\lambda t} < c_H$, & $x^* > 1 - p^{\lambda t}$, $US$ sets $x = 1 - p^{\lambda t}$.

Proof. If $p^{\lambda t} < c_H$, and $US$ sets $x = 0$, $H$ plays Negotiate, which produces a payoff to $US$ of $-\alpha$.

On the other hand, if $US$ provides $H$ with military aid, $H$ plays Defensive, which produces a payoff to $US$ of:

$$
(1 - \frac{p^{\lambda t}}{1-x})(\frac{p^{\lambda t}}{1-x} + (1 - \frac{p^{\lambda t}}{1-x})(-\alpha)) + (\frac{p^{\lambda t}}{1-x})(1 - x)
$$

Since $\frac{p^{\lambda t}}{1-x} \leq 1$, max(x)= $(1 - p^{\lambda t})$, which results in $\frac{p^{\lambda t}}{1-(1-p^{\lambda t})} = 1$. $US$ payoff is therefore simplified to $1 - (1 - p^{\lambda t}) = p^{\lambda t}$. Since $p^{\lambda t} > -\alpha$, it is true that $US$ prefers to set $x = 1 - p^{\lambda t}$ to setting $x = 0$.

Corollary 2. If $p^{\lambda t} < c_H$, & $x^* < 1 - p^{\lambda t}$, $US$ sets $x = x^*$.

If $x^* < 1 - p^{\lambda t}$, $US$ prefers setting $x = x^*$ over setting $x = 1 - p^{\lambda t}$. $US$ optimizes her utility by maximizing the above function:

$$
\frac{\partial(1-x)(\frac{p^{\lambda t}}{1-x} + (1 - \frac{p^{\lambda t}}{1-x})(-\alpha)) + (\frac{p^{\lambda t}}{1-x})(1 - x)}{\partial x} = \frac{(1-x)^3 + 2p^{2\lambda t}(1+\alpha)-2p^{\lambda t}(1-x)(1+\alpha)}{(-1+x)^3}
$$

We can then define $x^*$ as the value of $x$ such that

$$
\frac{(1-x)^3 + 2p^{2\lambda t}(1+\alpha)-2p^{\lambda t}(1-x)(1+\alpha)}{(-1+x)^3} = 0;
$$

$$x^* = \frac{1}{18} [18 - \frac{12 + 3p^{\lambda t}(1+\alpha)}{(-9p^{2\lambda t}(1+\alpha)+\sqrt{3}[\sqrt{-8+27p^{2\lambda t}-8\alpha}(1+\alpha)^3]} - 6 * 3\pi(-9p^{2\lambda t}(1+\alpha)+\sqrt{3}[\sqrt{-8+27p^{2\lambda t}-8\alpha}(1+\alpha)^3])]
$$

Define $x^*$ as the offer that maximizes $US$ utility. $US$ therefore sets $x = x^*$ unless $x^* > 1 - p^{\lambda t}$, which is the upper limit on $x$. We know from Lemma 1 that $US$ strictly prefers providing $x = 1 - p^{\lambda t}$ to setting $x = 0$ if when $p^{\lambda t} < c_H$ and $H$ plays Negotiate. Therefore, if $EU_{US}(x = x^*) > EU_{US}(x = 1 - p^{\lambda t})$, it must be also be true that $EU_{US}(x = x^*) > EU_{US}(x = 0)$ when $p^{\lambda t} < c_H$.

Lemma 4. If $p^{\lambda t} > c_H$ & $x^* > 1 - p^{\lambda t}$, $US$ sets $x = 1 - p^{\lambda t}$ if $\alpha > \frac{p^{\lambda t}}{1-p^{\lambda t}}$.

Proof. If $p^{\lambda t} > c_H$, $H$ plays Defensive regardless of whether or not $US$ provides military aid. However, without the military aid from $US$, the probability that $T$ successfully destabilizes $H$ is equal to
(1 − p^{\lambda t})$, whereas the probability that $T$ destabilizes $H$ with military aid is $(1 − \frac{p^{\lambda t}}{1−x})$, which must be lower than $1 − p^{\lambda t}$ if $x > 0$. We therefore see that while US does not need to provide military aid to prevent $H$ from playing Negotiate, US may prefer to provide aid to increase $H$'s ability to resist destabilization, and deter $T$ from playing Attack Center. If $p^{\lambda t} > c_H$, US sets $x = 1 − p^{\lambda t}$ if $(1 − \frac{p^{\lambda t}}{1−(1−p^{\lambda t})})(1 − \frac{p^{\lambda t}}{1−(1−p^{\lambda t})})(−\alpha) + (1 − \frac{p^{\lambda t}}{1−(1−p^{\lambda t})})(1) \succ (1 − p^{\lambda t})(p^{\lambda t} + (1 − p^{\lambda t})(−\alpha)) + p^{\lambda t}$, which simplifies to:

$$0 \succ (1 − p^{\lambda t})(p^{\lambda t} − \alpha + p^{\lambda t}\alpha)$$

This expression is true if:

$$\alpha > \frac{p^{\lambda t}}{1−p^{\lambda t}}$$

We therefore see that if $p^{\lambda t} > c_H$ and $\alpha > \frac{p^{\lambda t}}{1−p^{\lambda t}}$, US will set $x = 1 − p^{\lambda t}$ to avoid the potentially harmful political cost $\alpha$. If, however, $p^{\lambda t} > c_H$ and $\alpha < \frac{p^{\lambda t}}{1−p^{\lambda t}}$, US is willing to risk the political cost associated with $H$'s destabilization, and sets $x = 0$.

**Corollary 3.** If $p^{\lambda t} > c_H$ & $x^* < 1 − p^{\lambda t}$, US sets $x = x^*$ iff

$$\alpha > \frac{p^{\lambda t}(2−x^*)−2p^{\lambda t}(1−x^*)=(1−x^*)^2}{p^{\lambda t}(2−p^{\lambda t}(2−x^*)−2x^*)}.$$  

**Proof.** If $x = x^*$ and $p^{\lambda t} > c_H$, US sets $x = x^*$ if:

$$(1 − \frac{p^{\lambda t}}{1−x^*})(\frac{p^{\lambda t}}{1−x^*} + (1 − \frac{p^{\lambda t}}{1−x^*})(−\alpha) + (\frac{p^{\lambda t}}{1−x^*})(1) − x^*$$

$$\succ (1 − p^{\lambda t})(p^{\lambda t} + (1 − p^{\lambda t})(−\alpha)) + p^{\lambda t}$$

Simplifying, we see that US sets $x = x^*$ if:

$$\alpha > \frac{p^{\lambda t}(2−x^*)−2p^{\lambda t}(1−x^*)=(1−x^*)^2}{p^{\lambda t}(2−p^{\lambda t}(2−x^*)−2x^*)}.$$

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cox  US Military Aid (0,1)</th>
<th>Logged Max Military Aid</th>
<th>Instrument</th>
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<td>-1.3 (.33)**</td>
<td>-.43 (.11)**</td>
<td>-1.5 (.74)**</td>
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<td>-1.1 (.38)**</td>
<td>-.54 (.3)*</td>
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<td>-.69 (.33)**</td>
<td>.07 (.16)</td>
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<td>-.39 (.14)**</td>
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<tr>
<td>LN Armed Force</td>
<td>.60 (.18)**</td>
<td>.9 (.34)**</td>
<td>.74 (.18)**</td>
</tr>
</tbody>
</table>

| N                   | 174                       | 103                     | 174         |
| Log Likelihood      | -.268.69                  | -.84.97                 | -.276.4     |
| Pr. >chi²           | .00                       | .00                     | .00         |

*p < .1; **p < .05; ***p < .01