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## The risks of nation-building through military aid and intervention

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## Diskussionsbeiträge / Discussion Paper Series

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The Risks of Nation-Building through Military Aid and  
Intervention

Eugen Dimant, Tim Krieger, Daniel Meierrieks

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# The Risks of Nation-Building through Military Aid and Intervention

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## Abstract

This chapter discusses the role of military interventionism and aid in nation-building. We argue that (1) intervention strategies of foreign actors like the United States often unfavorably interact with local institutional settings, which (2) produces undesired outcomes not only for the target country of foreign intervention but also the intervening power. In line with these main findings, we also provide insights from our own empirical work (Dimant et al., 2022) showing that U.S. military aid has not been successful in enhancing military capacity in the recipient countries of military aid, but has rather contributed to exclusion and corruption. These unfavorable effects are, in turn, likely to produce anti-American resentment.

*JEL classifications:* D74, F35, P45

*Keywords:* U.S. military aid, nation-building, interventionism, anti-American terrorism

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*We went there for two reasons, George. Two reasons. One, to get Bin Laden, and two, to wipe out as best we could, and we did, the Al Qaeda in Afghanistan. We did it. Then what happened? Began to morph into the notion that, instead of having a counterterrorism capability to have small forces therein – or in the region to be able to take on Al Qaeda if it tried to reconstitute, we decided to engage in nation building. In nation building. That never made any sense to me.*

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Interview with U.S. President  
Biden (2021)

## 1 Introduction

After attempting to stabilize Afghanistan for almost two decades, U.S. troops and their allies left the country under dramatic circumstances in 2021. Immediately after their withdrawal, the Taliban established a ‘new’ political regime that resembled the one the allies sought to overcome by entering the country in the first place (e.g., King 2022; Weigand 2022).

The original U.S. military plan envisioned destroying al-Qaeda, removing the Taliban regime, and helping rebuild the country with the ultimate goal of sufficiently strengthening local state capacity to prevent the re-emergence of terrorism (Dobbins et al. 2008). Importantly, however, “[t]he United States did not intend to take upon itself the job of nation-building in Afghanistan” (Dobbins et al. 2008: 91). Still, the U.S. effectively ended up in a 20 years-long attempt to build an Afghan nation.<sup>1</sup> In former times, “nations were forged through ‘blood and iron.’ Today, the world seeks to build them through conflict resolution, multilateral aid, and free elections” (Ottaway 2002: 16).<sup>2</sup> That is, nations are usually no longer built through

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<sup>1</sup>Nation-building is here understood as a “process of creating—and identifying with—a common national identity to legitimize the authority of the state” (Sambanis et al. 2015), where legitimate authority “is connected to popular rule” (Mylonas 2013: 17).

<sup>2</sup>An example of ‘blood and iron’ nation-building is Prussia using the German-French War to

(interstate) war but internal processes, which, however, often interact with foreign influence and interests. The case of Afghanistan exemplifies that foreign actors may indeed closely observe and support nation-building efforts also to achieve their own goals, such as reducing or even eliminating the global threat of terrorism.<sup>3</sup>

While not aimed at building the Afghan nation in the first place, the example of (unintended) U.S. nation-building efforts in Afghanistan highlights several challenges and problems that a country faces when trying to influence from the outside the political and societal developments in an institutionally weak country. Weigand (2022: 1) identifies three main factors that explain U.S. failure in Afghanistan:

*First, different actors that were part of the intervention in the country pursued competing agendas, especially with the ‘War on Terror’ undermining human rights and state-building. Second, a gap between the Afghan internationally supported state and its citizens evolved and grew larger over time, especially due to the risk mitigation measures applied. Third, day-to-day interactions that ordinary people in Afghanistan had with the state were often perceived as corrupt and extractive, making it difficult for the state to convey that it was working in the interest of its citizens.*

These factors are not specific to the Afghan situation, but may also explain the frequent failures of ‘armed state-building campaigns’ (Miller, 2013).<sup>4</sup> One may argue that foreign intervention and subsequent nation-building in politically and institutionally fragile states occurs *because* of these countries’ long-standing fragility. Nevertheless, various institutional or economic constraints are detrimental to the success of the operations even if choices and strategies are appropriately selected and applied (Wunische 2022).

The mechanisms behind the success or failure of foreign intervention in nation-building or—at least—initial foreign (military) support for the development of a self-contained path toward national identity and legitimate state authority are not fully understood yet. Specifically, one may ask whether and how the features of foreign intervention (e.g., the inflow of aid or the presence of troops) interact with the local institutional setting. As Weigand (2022) points out, foreign intervention

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establish the German Reich in 1871 (Ottaway, 2002).

<sup>3</sup>For the U.S., the estimated costs attributed to the Afghanistan/Pakistan war zone (excluding future obligations for veterans’ care and spending on homeland security) exceeding \$2.3tn (Crawford 2021), indicating the major importance the U.S. attached to this undertaking.

<sup>4</sup>Miller (2013) focuses on those campaigns by ‘liberal powers’ only; typically with either the U.S. or the U.N. involved, whose failures together outnumber any—broadly defined—successes from the past century until today (Miller 2013).

may affect how the local state is perceived by the local population. Historically, Germany and Japan are examples of successfully supported nation-building; more recent cases like Afghanistan, Iraq, Mali, and Somalia (all of them only indirectly related to nation-building through the ‘global war on terror’) have led to—at best—ambiguous outcomes regarding U.S. goals.

This chapter will provide insights into the success or failure of foreign military intervention and support from the perspective of the supporting country. Our focus will be on the global and national interests of the U.S. in solidifying its security through ‘armed nation-building’. Specifically, we will—after a general discussion of strategic options and their success in the following sections—present some recent empirical findings on the effects of U.S. military aid (as a component of nation-building) as a means of reducing anti-American terrorism (as a self-interested goal of U.S. interventionism).<sup>5</sup> In line with our reasoning above, we will show—based on our own work in Dimant et al. (2022)—that there is little empirical support for the notion that U.S. military aid strengthens local state capacity and through this reduces terrorist activity directed against the U.S.<sup>6</sup> Rather, we find that U.S. military aid results in weaker institutions (e.g., more insecure human rights and corruption) and the production of more anti-American terrorism in recipient countries, contradicting both the U.S. intent of providing aid to serve its own security interests and nation-building by contributing to institutional capacity.<sup>7</sup>

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<sup>5</sup>Terrorism is “the premeditated use or threat to use violence against noncombatants by individuals or subnational groups to obtain a political objective through the intimidation of a large audience beyond that of the immediate victims” (Gaibulloev and Sandler, 2019: 278).

<sup>6</sup>According to Rohner (forthcoming), the conflict literature has concerned itself extensively with explanations of conflicts that have only limited policy relevance (because they are extremely hard to change) such as poverty, natural resource abundance, and ethnic polarization. He argues to extend this research focus and take a more policy-relevant perspective on issues like mediation, economic policies for raising productivity, and military options to establish more peaceful surroundings. Our analysis of foreign interventions aimed at raising state capacity and their unintended consequences falls into the latter category of investigations.

<sup>7</sup>There is contradictory empirical evidence on whether foreign aid has—because it has the characteristic of a rent that can be extracted or usefully employed—a destabilizing (in, e.g., Grossman, 1992; Djankov et al., 2008) or a stabilizing effect (in, e.g., Collier and Hoeffler, 2002; De Ree and Nillesen, 2009). The aid-conflict nexus has also been dealt with in various other recent publications, including Crost et al. (2014), Strange et al. (2017) as well further references mentioned throughout this chapter.

## 2 U.S. interventionism since World War II and its consequences

Historically, U.S. interventions have been guided by broad geopolitical and geostrategic interests. For instance, World War II ultimately led to successful nation-building in Germany and Japan (von Hippel, 2000; Ottaway, 2002). Arguably, it was successful because both were powerful countries with strong national identities even before they waged World War II (Wunische, 2022). Here, the main task for the U.S. was to rebuild an existing national identity within a democratic and peace-supporting institutional setting.

The global East-West divide after WWII precipitated the Korean and Vietnam Wars. These wars ultimately resulted in building the three nations: the Republic of Korea (South Korea), the Democratic People’s Republic of Korea (North Korea), and the Socialist Republic of Vietnam. From a U.S. perspective, the latter two cases were considered failures as both countries entered the Soviet sphere of influence. In addition, the post-WWII era was characterized by various proxy wars (e.g., Ethiopia, Somalia, Panama, Grenada, Nicaragua), in which the U.S.—officially or unofficially—contributed to nation-building efforts (e.g., Linantud, 2008; Miller, 2011, 2013; Ottaway, 2008).

Importantly, however, these interventions were driven by superpower competition (Dobbins et al., 2007) and their ultimate aim was less ‘democratization’ than keeping countries in the Western bloc. Indeed, the concept of ‘democratization’ gradually evolved from “demilitarisation, denazification, and re-education of an entire countrys population” to being “equated with the fight against communism” (von Hippel, 2000: 9). According to Schmitz (2006: 10), the U.S. “[supported] pro-Western dictators who would provide stability, support for American Cold War policies, and a favorable atmosphere for American business”. Local institutional factors (including democratic governance, human rights protection, and anti-corruption measures) arguably played only a secondary role.

With the end of the Cold War and the perceived victory of the liberal-democratic Western model (famously, Fukuyama, 1989), international peace and security became the dominant U.S. goal (again). The U.S. started to cooperate with the United Nations and their branches, NGOs, and other multinational actors more frequently to promote these common interests (von Hippel, 2000).<sup>8</sup> This was necessary because

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<sup>8</sup>According to von Hippel (2000: 10), policy measures included programs “that strengthen the rule of law, enhance respect for human rights, support international electoral observers, improve financial management and accountability, promote decentralization, expand civilian control of the military, and improve electoral processes, the judicial system, the police, legislatures, political

there were—partly because of the loss of external benefactors (including the U.S.)—more cases of politically, economically, and socially fragile countries on the brink of becoming ‘failed states’.<sup>9</sup> Ideas of a ‘democratic’ or ‘capitalist peace’ (Choi, 2011) played an increasing role by replacing the “doctrine of containment [with] a strategy of enlargement of the world’s free community of market democracies” (Lake, 1993: 659).

The ‘War on Terror’ started the most recent turn in U.S. interventionism. Similar to the Cold War, countries could win the support of the U.S. when they entered the alliance against global terrorism. As Schmidt (2013: 213) puts it, “African dictators who had appealed to the West by playing up the communist menace were replaced by a new generation of strongmen who won support by cooperating in the fight against terrorism.” Rather than using long-run prevention strategies to fight terrorism through strengthening local political institutions and economic development, security concerns became dominant and lead to support for mainly (short-run) state capacity for countering terrorism (e.g., Fleck and Kilby, 2010).

### 3 Success and failure of alternative strategies for intervention and counter-terrorism policies

As discussed above, the potential failure or success of U.S. interventionism may result from both U.S. policy decisions and the local situation, whereby both aspects can interact in problematic ways. That is, poor policy choices may get aggravated in an institutionally weak society and when involved actors’ interests diverge.<sup>10</sup>

*The interests of local leaders and the intervening power almost always diverge. And local populations almost always resent foreign occupations and are unlikely to buy-in into the new system. Finally, the intervenors desire for quick results can undermine the state-building process, which has taken some countries several centuries to achieve. (Wunische, 2022)*

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parties, the media, and education at all levels of society.”

<sup>9</sup>Following Miller (2011: 70-1), statehood comprises “five complementary aspects: security, legitimacy, capacity, prosperity, and humanity. To put it somewhat abstractly, states must be able to exercise coercion; articulate a theory of justice to legitimize their coercion; operate institutions to provide other goods and services; exchange and use goods and services; and orient their activities toward human flourishing. They are mediators of violence, justice, the social contract, economic exchange, and the human community. State failure can be understood under the same headings. States can fail in any of these five aspects of statehood, suggesting a typology of five types of a failed state: anarchic, illegitimate, incompetent, unproductive, and barbaric.”

<sup>10</sup>For instance, while economic liberalization has the potential to create economic growth, a corrupt local elite may undermine the desired economic outcomes.



Consequently, U.S. military interventionism often does not achieve its main goals because it frequently produces unintended consequences. These consequences will make it almost impossible to reach a development path that achieves desired goals in the medium and long run. At the same time, an initially successful intervention (like in Afghanistan) may eventually turn problematic because, e.g., experiences of corruption become more and more prevalent.

It is certainly not surprising that U.S. interventionism has led to hostility from local populations and governments. For the Vietnam War, Kocher et al. (2011) and Dell and Querubin (2018) show that aerial bombing increased the military and political activities of insurgents, while weakening local governance and control as well as popular support for the U.S. and the South Vietnamese government. However, the opposite of a strategy of ‘overwhelming firepower’ (Dell and Querubin, 2018) may lead to unintended and undesired effects as well, as Nunn and Qian (2014) indicate. They show that the provision of U.S. food aid did not have a stabilizing effect but increased the incidence and duration of civil conflict in recipient countries.<sup>11</sup> At the same time, the evidence also points to other U.S. policy choices potentially producing more favorable outcomes. For instance, Berman et al. (2011) for Iraq and Dell and Querubin (2018) for Vietnam show that strategies aimed at ‘winning hearts and minds’ may very well reduce insurgents’ activities.

As stressed above, U.S. interventions are not only carried out to stabilize foreign countries but also aid the United States. In the global ‘War on Terror’, the U.S. also intervenes abroad to reduce the generation of more (transnational) terrorist activity against U.S. interests. This raises the question of whether U.S. policies have been successful in this regard or whether they also produced unintended consequences. Here, a small body of literature deals particularly with the nexus between U.S. international involvement—ranging from U.S. military aid over the presence of U.S. troops to U.S. political support in international organizations—and anti-American terrorism.

Neumayer and Plmper (2011) show that U.S. involvement correlates with more anti-American terrorism emanating from the targets of the intervention. They argue that attacking U.S. Americans is more attractive to domestic terrorists the more the terrorists’ home government depends on military support from the United States. A similar finding is presented in Krieger and Meierrieks (2015). Similarly, Gries et al. (2015) find that local repression unfavorably interacts with U.S. military aid to contribute to the production of anti-American terrorism in the aid-receiving country. Again, these studies point to the potentially unfavorable interaction between U.S.

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<sup>11</sup>Sexton (2016) shows that the provision of U.S. counterinsurgency aid leads to an increase in insurgent violence when allocated to contested districts in Afghanistan.

policy choices and local economic and political institutions. By contrast, Saiya et al. (2017) find that the promotion of women’s rights enhances U.S. national security. Similarly, Meierrieks and Gries (2020) do not find evidence that U.S. political support for Israel generates terrorism against U.S. targets.

While providing interesting insights on the correlation between U.S. interventionism and anti-U.S. terrorism, none of these studies include causal estimates. This is different from the findings presented in the next section.

## 4 U.S. military aid and anti-American terrorism

Between 1968 and 2018, the U.S. gave approximately 600 billion US\$ (inflation-adjusted) in foreign military assistance; in 2018 alone, the U.S. spent about 12 billion US\$ on military aid (USAID, 2019). The *United States Agency for International Development* defines military aid as assistance that subsidizes or substantially enhances the military capability of the recipient country (USAID, 2019). For instance, the United States gives financial aid to facilitate the training of military personnel or the purchase of weapons and military supply. That is, the provision of military aid will ultimately be in the service of nation-building by contributing to internal military and political stability of the recipient country.

At the same time, the provision of military aid is also expected to serve U.S. political, commercial and security interests. For instance, American policy-makers emphasize that aid-receiving countries are less likely to produce anti-American terrorism. Between 1968 and 2018, the world saw over 3,600 transnational terrorist attacks against American interests, most notably the 9/11 attacks on New York City and Washington, D.C. (Mickolus et al., 2019). These attacks were associated with noticeable socio-economic costs such as the destruction of property and human life as well as adverse macroeconomic effects (Meierrieks and Gries, 2013; Gaibullov and Sandler, 2019). Consequently, for the U.S., there is a clear utility associated with providing military aid if this type of aid curtails anti-American extremism. From a theoretical perspective, bolstering state capacity in aid-receiving countries is expected to make it costlier for terrorist organizations to operate, e.g., by increasing the likelihood of government punishment (Schneider et al., 2015). *Ceteris paribus*, higher costs of carrying out terrorism are expected to reduce the production of terrorism.<sup>12</sup>

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<sup>12</sup>This argument follows from a rational-economic perspective on terrorism, where the (opportunity) costs and benefits of terrorism determine the utility-maximizing choice between violence (terrorism) and non-violence. For instance, rational-economic models of terrorism are discussed in Caplan (2006) and Schneider et al. (2015).

For a sample of 174 countries between 1968 and 2018, we study how U.S. military aid (1) affects anti-American terrorism and (2) military and economic-political conditions in aid-receiving countries (Dimant et al., 2022). Due to endogeneity concerns, we employ an instrumental-variable (*IV*) strategy to estimate associated effects. For instance, military aid may also *respond* to terrorist activity (Bapat, 2011; Boutton and Carter, 2014; Bezerra and Braithwaite, 2016). That is, the U.S. may increase its military aid to a country after this country (e.g., Afghanistan and Pakistan after the 9/11 terrorist attacks) has become prominently associated with anti-American extremism.

For our *IV*-strategy, we instrument the local receipt of U.S. military aid by U.S. military aid provided to other parts of the world, exploiting variation in global levels of U.S. military aid associated with three distinct military aid programs (concerning foreign military financing, military education, and other aid programs) and variation in the relative importance of these various aid programs for recipient countries.<sup>13</sup> Our instrument is *relevant* because recipient countries will benefit from an increase in U.S. military aid associated with programs to other parts of the world (or lose due to corresponding decreases in aid). It is *exogenous* because aid recipient countries have no leverage to influence U.S. military aid patterns or the distribution of aid associated with specific military aid programs in other parts of the world. Rather, both the level and distribution of military aid are dependent on economic, political, and geo-strategic considerations *within the U.S.* (e.g., Irwin, 2000; Newhouse, 2009). For instance, they may be affected by budgetary considerations in the U.S. and the relative political power of isolationist/interventionist policy-makers.

We show that higher levels of military aid result in *more* anti-U.S. terrorism in recipient countries. In our preferred *IV*-specification, at the sample mean, doubling U.S. military aid increases the risk of anti-American terrorism by 12.9 percentage points, which, in turn, is approximately 82.5% of the mean incidence of anti-U.S. terrorism. This finding survives a battery of robustness checks such as alternative measurements of military aid and anti-American terrorism as well as the use of alternative and placebo instruments.

This finding obviously contradicts U.S. intentions. To better understand why U.S. military aid makes the United States less safe, we empirically investigate how U.S. military aid affects state capacity (e.g., with respect to the strength of the military) as well as institutional conditions (e.g., with respect to corruption) in recipient countries. We find no evidence that U.S. military aid contributes to increased local state capacity. In contrast to the stated intentions of the United States, there is no evidence that military aid actually substantially enhances the military capability of

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<sup>13</sup>Our *IV*-approach follows, e.g., Dube and Naidu (2015) and Auer and Meierrieks (2021).

the recipient country. Furthermore, we show that more U.S. military aid leads to more corruption and exclusionary policies in recipient countries. The latter effects may explain how U.S. military aid translates into stronger anti-American resentment. U.S. military aid allows the recipient country's politicians and bureaucrats to act as gatekeepers and create 'winners and 'losers, with the former disproportionately benefiting by sharing in the rents from aid.<sup>14</sup> At the same time, anti-American resentment develops among the 'losers', i.e., those parts of the population that do not have access to political and economic benefits arising from aid. For these population groups, U.S. military aid instead constrains the means of economic and political participation, which encourages anti-American terrorism.<sup>15</sup>

## 5 Concluding remarks

Discussing the role of military interventionism and aid in nation-building, we have emphasized that (1) intervention strategies of foreign actors like the United States often unfavorably interact with local institutional settings, which (2) produces undesired outcomes not only for the target country of foreign intervention but also the intervening power.

In line with these main findings, our own empirical work (Dimant et al., 2022) shows that U.S. military aid has not been successful in enhancing military capacity in the recipient countries of military aid, but has rather contributed to exclusion and corruption. These unfavorable effects are, in turn, likely to produce anti-American resentment. For instance, in the case of Afghanistan, Weigand (2022) argues that ordinary people often did not perceive local governments—which received support from the United States—as working in their interest but as being extractive and corrupt. Consequently, the local population could have considered U.S. military aid as exacerbating and prolonging this problem, which may have given rise to anti-American sentiment. Our empirical analysis for a global sample indicates that this argument generalizes: more U.S. military aid leads to more rather than less anti-American terrorism, while at the same time not adequately supporting local nation-building efforts.<sup>16</sup>

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<sup>14</sup>Note that this presumes a certain degree of aid fungibility, i.e., the ability of the recipient country to spend targeted aid on non-targeted programs. Deger and Sen (1991) and Khilji and Zampelli (1994) show that military aid is indeed as fungible as economic aid, implying that military assistance may also be used to benefit the local government outside of the military sphere.

<sup>15</sup>This argument taps into the broader literature on the role of grievances in political violence (e.g., Fearon and Laitin, 2003; Collier and Hoeffler, 2004; Blattman and Miguel, 2010; Djankov et al., 2010).

<sup>16</sup>It is important to note, however, that U.S. military aid may very well achieve other goals than

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reducing anti-American terrorism. For instance, in a companion paper (Dimant et al., 2021), we show that U.S. military aid leads to reduced refugee flows to the United States because recipient countries surgically prevent refugee migration in exchange for military aid.

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