

Economic Patronage and Issue Linkage

Austin Horng-En Wang, Department of Political Science, University of Nevada, Las Vegas

austin.wang@unlv.edu, ORCID: 000-0002-0256-2723

Abstract

Economic patronage is when a powerful donor country renders additional economic benefits beyond regular trades to attract another weak recipient country to alter its political position. The patronage includes trade privilege, humanitarian aid, or direct investment. Why do some donors offer patronages (China to Taiwan after 2008) while others do not (US to Cuba after 1996)? Why do some patronages succeed (EU to Rwanda after 2012) while others fail (China to Taiwan in 2014)? This article highlights the difference between economic patronage and sanction, and then provides a new incomplete information model formalizing economic patronages and issue linkages. The powerful donor may not offer patronages in the first place if it perceives its weakness or that the recipient is resilient. Meanwhile, the weak recipient may accept patronages but does not alter its position if it perceives that the donor lacks the capacity to take revenge. The powerful donor's "paper tiger" mechanism and the weak recipient's "opportunism" mechanism are further supported by the empirical analysis of ANES2008 (n=2322) and a representative survey in Taiwan in 2012 (n = 1075), respectively. The model and results reconcile previous findings and indicate the potential bias and endogeneity in the study of economic patronage.

Keywords: Economic patronage, Incomplete information game, Realism, China-Taiwan relationships, Power asymmetry

Word Count: 10961

Introduction

Economic patronage is defined as one relatively powerful donor country rendering additional economic benefits beyond regular trades to attract another relatively weak recipient country to change its political position peacefully. These additional economic benefits may come from foreign aid (Molenaers et al. 2015), “conceding benefit” in the trade agreement such as lower tariffs or loosened restrictions (Chen 2011), humanitarian aid (Brenner et al 2002; Telias and Urdinez 2020), low-interest loans (Scott and Steele 2011), or direct investment in infrastructure for further economic integration (Zeng 2021).

These additional economic benefits come with a price: the recipient country is asked by the donor country to alter its political stance (or expected political stance). In the past, such a requirement was usually referred to as democratization (Bodenstein and Faust 2017; Crawford 1997; Reinsberg 2015; Ziaja 2020). After the rise of China, the scope of the requirement extends to conflict de-escalation (Benson and Niou 2007), extending authoritarian survival (Davidsson 2020), increasing incumbent advantage (Dreher et al 2019), and enhancing cross-country relationships in general (Zeng 2021). Since the additional economic benefits were used in exchange for the political stance, the function is similar to the vote-buying under clientelism.

Economic patronage is conceptually different from economic dependency. One country may be economically dependent on another country by nature simply because of mutual trade under the free market; the free market promotes good exchange and cross-country collaboration coordinated by the relative economic advantages partly driven by the allocation of natural resources and industries. Meanwhile, one country may depend on another because another offers economic patronage to its import, such as lower tariffs, legal assistance, tax cut, or even new infrastructure for transportation. These economic patronages deviate from the normal trade level

in exchange for the recipient country's political stance alternation. Besides, economic patronage also includes direct cash aid to the recipient countries, which may be large as 20% of its GDP (Hackenesch 2015). By definition, economic patronage only happens within an existing power hierarchy. A powerful country exerts its economic benefit in exchange for the less powerful country's change of political position peacefully, instead of (but not excluding) coercing the less powerful country with military force.

Under such a power asymmetry, does economic patronage always work? Interestingly, empirical evidence yields mixed results. The pioneering study by Knack (2004) from the World Bank shows that foreign aid did not promote democratization at all between 1970 and 2000, even though improving human rights was one of the requirements for aid. This article started the empirical debate over the effect of political conditionality. Reinsberg (2015) shows that bilateral aid is much more likely to promote democratization in the recipient country than multilateral aid from the World Bank, suggesting the heterogeneous effect of aid by institutional design. Nieto-Matiz and Schenoni (2020) show that foreign aid from the United States is much more effective in democratization compared with aid from other countries; Haass (2021) points out that foreign aid may drive democratization when the recipient country already has power-sharing among the political elites. For the non-democratization setting, although China's aid may not influence the level of democratization (Davidsson 2020), Zeng (2021) shows that aid from China can only reduce hostility in countries nearby China, not in other recipient countries. Telias and Urdinez (2021) also shows that China actively used vaccine and mask donation to push countries in Latin America to accept the One China Principle and lower or even cut their diplomat ties with Taiwan during the early COVID-19 crisis.

What if the recipient countries received the patronage but refused to change? The donor countries may or may not withdraw the patronage accordingly (Hackenesch 2015). Since the powerful country is usually the first mover in the economic patronage, it suffers from the moral hazard problem that the recipient country may not follow the request after receiving the patronage.

Why does economic patronage not always work? This article argues that the mixed empirical findings in the existing literature may be driven by the endogeneity between donor and recipient countries' strategic choices (Wright and Winters 2010). Specifically, the great power may choose not to offer the economic patronage in the first place if it perceives that the weak country would reject or cheat. One representative example in this category is US's steadfast Cuba policy (Rodríguez and Targ 2015). The US refused to change the status quo and never tried to liberalize Cuba after the Cold War through aid and investment in the first place. Once the great power chooses to offer economic patronage, the great power would certainly want the recipient country to change its position (Bodenstein and Faust 2017).

However, once the economic patronage arrived, the weak country had several options. First, the weak country may simply reject the patronage if it does not worth the alternation of policy position. For example, Rwanda and Ethiopia refused the political conditionality from the European Union when their domestic politics was unstable (Hackenesch 2015); they treasured their incumbency more than the request for democratization along with foreign aid. Oppositely, the weak country's second option is to accept the patronage and change when the change is worthwhile, which follows the classic path of conditionality and liberalization (Molenaers et al 2015).

Meanwhile, the recipient country also has the third option – to be an opportunist. If the great power may not take revenge or lacks the capacity to do so, then the recipient country will be motivated to accept the economic patronage and does not change its political position. One of the

most famous examples in this category is the US-China trade agreement in 1992. The Clinton government required China to improve its human rights performance in exchange for the trade privilege; China refused but still kept the trade privilege with the US's acquiescence. If the great power's threat to withdraw is credible, however, the weak country would calculate the expected utility of cheating and the following punishment, and then decide to accept and change or not in the first place.

When both the donor and recipient countries understand each other's capacity, the donor country, as the first mover, would not let the worst outcome – being cheated by the weak country – take place. The donor country would weigh its own capacity for revenge, the value of the political issue for the recipient country, and the amount of economic patronage it can offer. Once the donor country leaves the status quo and renders the patronage offer, it is already certain that the recipient country will accept and change, which is the best and desired outcome for the donor country. When the recipient country receives the offer, it also understands that the donor country is confident with its own capacity to coerce, so the recipient country would either accept the patronage and change accordingly, or reject the proposal entirely based on the comparison of the value of patronage and political stance. In short, a complete information scenario leaves no room for the weak country to cheat.

When both the donor and recipient countries are not familiar with each other, the incomplete information may enlarge the space for miscalculation. The powerful donor may overestimate the likelihood that the weak recipient cannot be easily bought. The weak recipient may risk the possibility that the great power does not have the capacity to revenge. As a result, we may observe the cases where some great power's economic patronage was exploited by the weak recipient, while in other cases, the great power chose to stay in the status quo in the first place.

Overall, this article proposes an incomplete information model incorporating the motility of both the donor and recipient countries so as to capture the endogeneity between economic patronage and issue linkage. The incomplete information between the great power and the weak country creates the space for mutual misunderstanding and promotes opportunism, making the possible scenario that the weak country exploits the great power's economic patronage. The model may help explain the diversity of interaction between the great power and the weak country through economic patronage and reconcile previously mixed findings in the literature. The model may also help explain the change of interactions within the power hierarchy over time, given the level of mutual understanding and calculation.

To further examine the psychological mechanism of opportunism in the weak country, this article analyzes ANES2008 (n=2322) and a representative survey in Taiwan regarding the Taiwan-China relationship (n=1075). ANES2008 shows that US people agree to provide foreign aid only if they perceived that the US was still domineering and promoting democracy is not costly. The result in Taiwan shows that pro-independence Taiwanese people are willing to trade with China even though they are worried that China might coerce Taiwan politically through the trade – if the threat of coercion is not very credible.

To sum up, this article suggests that the effect of economic patronage is conditional on the type, choice, and mutual perception of both the powerful donor and the weak recipient.

Is the Economic Patronage different?

In the literature, two pioneering models of the economic intervention and issue linkage are proposed by Lacy and Niou (2004) and Benson and Niou (2007). In Lacy and Niou (2004), they suggest an incomplete information model on economic sanction, in which the great power will

threaten the weak state to change its political position through economic sanction in the first place, then decide to punish the weak state or not based on the weak state's response. The model suggests that the economic sanction itself usually fails because the weak states would either surrender when they were threatened, or choose not to surrender after calculating the negative impact of the future sanction.

In comparison, in Benson and Niou's (2007) model of economic liberalization and coercion, the weak state chooses between liberalizing itself or not; once the weak state chooses to open the door, the great power decides to use their bilateral trade to coerce the weak state for political gain.

In this article, the relationship between economic patronage and issue linkage differs from the abovementioned models in salient ways. On the one hand, economic patronage overlaps but not be equal to the economic sanction. Economic sanction depends on bilateral trade in the first place, which can be established by normal trade activities and by economic patronages. When one country implements economic sanctions on the other, both may be hurt because of their previous normal trade activities. One salient example is the US-China trade war during the Trump Administration (2016-2020). In the scenario of economic patronage, however, if the great power chooses not to offer the patronage in the first place or if the weak state rejects the offer later, the great power can save the budget of patronage (Heinrich et al 2016), and the weak state just stays at the status quo. Hence, there is no "threatening" stage in the interaction through economic patronage like the one in Lacy and Niou (2004)'s model of economic sanction. It is also easier for the great power to withdraw the patronage than to stop the bilateral trade because the latter option is much more costly. Besides, some countries may actively reduce the trade dependency and even reject the patronage offer in the first place because they concern the future coercion from the great power, so the trade dependency may not be effectively established in the first place, as was

assumed by Lacy and Niou (2004). For example, North Korea refused to open the border and has limited its trade with other countries since its establishment. Levitsky and Way (2006) illustrate how the foreign linkage plays an important role in the regime change. In short, the function of economic patronage and economic sanction is different enough that a new model is needed to capture how the powerful donor and weak recipient interact through economic patronage.

On the other hand, economic patronage is different from a weak state's active economic liberalization assumed by Benson and Niou (2007). In the scenario of power hierarchy and economic patronage, the great power should move first to decide whether or not to offer the economic patronage in exchange for the weak country's change in position. Sometimes the great power may choose not to offer the patronage but keep the status quo. For example, the United States chose not to open trade with Cuba even though Cuba was no longer a threat to China after the collapse of the USSR in 1993, even though the United States had enough economic power and geopolitical interest to do so since 1900 (Rodríguez and Targ 2015). However, Benson and Niou's model assumes that the weak state is the first mover (to liberalize or not), while the great donor's offer is already granted. Besides, in Benson and Niou's model, their preference setting may underestimate the utility of political issues. In their model, economic liberalization is always preferable to no liberalization for the weak state, and the great power's reputation would not be hurt seriously if the weak state rejected or did not comply. However, a recent study by Carnegie and Dolan (2021) shows that a weak state may gain a reputation by rejecting aid from the great power. Therefore, the model of economic patronage and issue linkage should try to incorporate the weak state's positive political effect for rejecting the patronage. At the same time, the great power would relatively suffer from reputation loss when the weak state rejected its economic patronage proposal. Specifically, the great power would be motivated to be at the status quo if it

can foretell that its economic patronage proposal would be rejected by the targeted weak state or, worse, be exploited by the weak state. To summarize, economic patronage and weak state liberalization also work differently.

Basic model of economic patronage and issue linkage

Thrived from the discussions and examples above, the interaction between great power and a weak state through the economic patronage and issue linkage can be formalized into a simple model below.

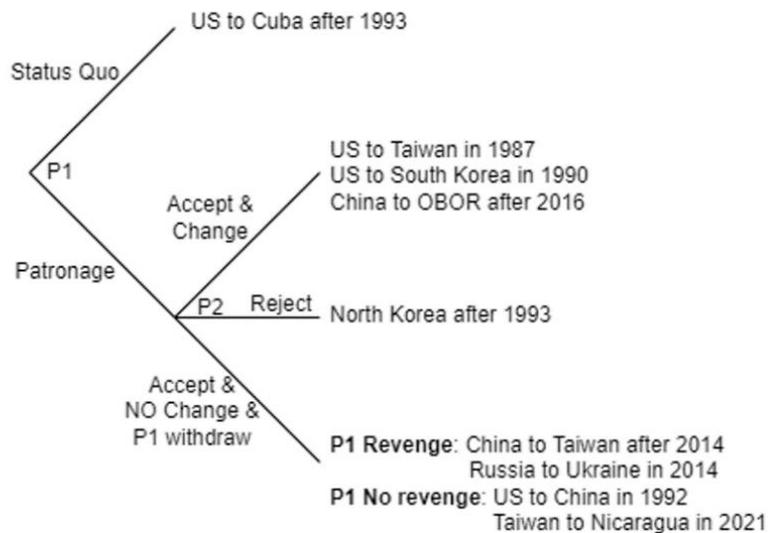


Figure 1. The basic model of economic patronage and issue linkage

In Step 1, Player 1 (the powerful donor) chooses to (a) provide economic patronage to the Player 2, the weak state, in exchange for Player 2 changing its policy position, or (b) the powerful donor maintains the status quo and does not offer the economic patronage to P2. This design captures the “first move” characteristics in the scenario of economic patronage. For example, the US may decide to send humanitarian aids to Cuba after the hurricane or offer trade privilege to

China given the improvement of human rights. Since the offer is additional to the normal trade, there is no threatening stage like the one in the model of economic sanction. P2 would lose nothing if P1 chose to stay in the status quo.

In Step 2, after P1 rendered the patronage, P2 has three options: (a) reject the patronage and maintain the status quo, such as North Korea after its establishment; (b) accept the offer and change the political position accordingly. The cases include Taiwan and South Korea (Fowler 1999), which the United States asked both to democratize around 1990, or the One-belt-one-road (OBOR) countries which accepted China's economic patronage and then supported China's political agenda in the international organizations.

However, P2 still has the third option (c) – accept the offer but does not change its political position (or expected position), and then wait for P1's revenge. Since P1 rendered the offer in the first place, P2 can exploit the moral hazard opportunity and enjoy the patronage at least temporarily. For example, P1 may offer trade privileges, low-cost natural gas, lower tariff, military training, technology transfer, and so on. After observing P2's misconduct, P1, as a great power, will respond by at least withdrawing the economic patronage and even sending revenge. However, the level of revenge varies, which is usually decided by the type of economic patronage and the capacity of P1. In some scenarios, the effect of revenge is strong, such as the total withdrawal of economic patronage, exploiting the already-established economic dependency, military attack, or even supporting domestic revolts. For example, the Taiwanese and Ukrainian chose a leader who was friendly to the nearby great power in 2008 and 2010, respectively. The two countries then received economic patronages from these two great powers, but the public opinion still did not accept the political plan suggested by the great power, such as cross-strait reunification or further Ukraine-Russia economic integration. After the huge protest – Sunflower Movement and Revolution of

Dignity – broke out in Taiwan and Ukraine in 2014 and 2012, China and Russia realized that they had miscalculated the level of nationalism in Taiwan and Ukraine. Afterward, China and Russia withdrew their economic patronage and responded with revenge. China gradually withdrew its economic cooperation with Taiwan by limiting the number of tourists and investments, and gradually cut Taiwan's diplomatic ties with other countries; Russia dropped the 2013 Ukraine-Russia action plan and occupied Crimea later.

However, in some other scenarios, revenge could be weak if not non-exist. The powerful donor may lack the capacity to withdraw the already-given economic patronage. For example, when the US was about to grant trade privilege to China in 1992, the US required China to improve its human rights performance. China rejected it, but the US still offered the trade privilege anyway, considering the future competitiveness of US business in China (Davis and Wei 2020). Similarly, before 2021, Taiwan offered foreign aid to Nicaragua annually and helped build infrastructure in exchange for Nicaragua's diplomat recognition. However, Nicaragua still chose to cut ties with Taiwan and switch its recognition to China in 2021; Nicaragua eventually transferred the property left by the Taiwan government to the Chinese counterpart, and the Taiwan government could do nothing but protest. In both cases, US and Taiwan failed to revenge, nor did they withdraw the already-given economic patronage.

Another possible factor of failed revenge or lack of capacity may come from the complexity of the donor. For example, Reinsberg (2005) shows that the aid from the World Bank does not help democratization at all, but the similar aid from a bilateral deal is much more effective. Similarly, Nieto-Matiz and Schenoni (2020) show that the aid from the United States is a powerful push for democratization compared with other sources, and Zeng (2021) shows that the monetary support from China's OBOR can only improve the political relationship between China and

neighboring countries but not others. In the end, Swedlund (2017) conducts a survey experiment and shows that the number of veto players in the institution influences the perceived likelihood of foreign aid suspension. Among all cases above, the powerful donor's capacity for revenge plays an important role in whether the weak states will accept and change, or choose not to change but exploit the patronage.

The simple model with complete information can easily find the equilibrium through the backward induction. P1 will only offer the economic patronage if P2 accepts and change; if not, P1 would rather stay in the status quo (e.g. Heinrich and Kobayashi 2020). However, whether P2 will accept depends on whether the patronage is worth enough. For example, if P2's policy position – such as its nationalism, fighting for independence, nation-building, (pro/against) democratization, or voting on certain issues in the international organization – is strong enough, P2 may not accept the offer. Meanwhile, once P1 offers the economic patronage first, P2 will be motivated to accept the patronage but not change the position if P1 is not strong enough to revenge; P2 will choose other options once it perceives that P1 has the capacity to revenge.

The incomplete information model

Player types

Following the discussion in the simple model, the equilibrium of the complete information model depends on the “types” of P1 and P2. P2 can be **resilient** (with the probability of p), or P2 can be **susceptible** ($1-p$). A resilient P2 means its issue position is harder to buy, while the susceptible P2 means that its issue is easier/cheaper to buy. For example, the weak state can be resilient if the leader receives a high level of support from its people, the people are loyal to the government, or the policy position is unexchangeable (e.g. P1's proposal strongly violates the

moral value in P2's culture, or P1's request for democratization would endanger the P2's incumbent). In other words, when P2 is resilient, P1's economic patronage is less valuable than P2's original policy stance, so P2 would not choose to accept the patronage and then change its own position. Oppositely, if P2 is susceptible, it indicates that the value of the economic patronage is higher than P2's own policy position. For example, the donor country may offer a trade agreement or foreign aid to ask the weak state to maintain the diplomatic tie, improve the human rights performance (e.g., stop death penalty execution), or support certain proposals in the international organizations. The economic patronage may also be higher than the cost of democratization, or it may serve as lowering the cost (Savun and Tirone 2011).

Similarly, P1 as a great power can be **domineering** (with the probability q) or **paper tiger** ($1-q$). A domineering P1 will take revenge powerfully after it notices that P2 accepted the patronage but did not change its position accordingly – even though the revenge may be costly to P1 as well. Meanwhile, a paper tiger P1, who has a weaker capacity, is not able to revenge even after noticing P2's wrongdoing.

In the aspect of P2, if P2 notices that P1 is domineering, P2 realizes that it would be punished by P1 once it accepted but did not change. In contrast, P2 would exploit the economic patronage and resist change once it noticed that P1 was just a paper tiger. Following the literature, the capacity of P1 may come from the institutional design (Reinsberg 2015), economic strength (Nieto-Matiz and Schenoni 2020), number of veto players (Swedlund 2017), or geographical closeness (Zeng 2021).

Preference by Type of Players

Table 1 lists the preference ranking for P1 and P2 under different outcomes and different types of players. For each outcome, 3 is the most preferred outcome and 0 is the normalized least

preferred outcome. For P1, the preference ranking is the same in all situations: the powerful donor wants the weak state to accept the offer and change its position accordingly (Patronage, Accept and Change, = 3). If the weak state will not accept the patronage, compared to being rejected directly or cheated, P1 would rather stay at the status quo (SQ, 2). For the remaining two options, being rejected (1) in the first place is better than being cheated (with the revenge followed, 0). Being rejected may hurt the reputation but not the budget of the powerful donor, but it is better than being cheated by the weak state and then taking revenge – the powerful donor would lose the patronage (at least temporarily), reputation as a powerful donor (for being deceived by the weak state), and the cost of revenge (beyond withdrawing the patronage).

Table 1. Preference in the Economic Patronage model under different types of P1 and P2				
	Domineering P1 (q) Resilient P2 (p)	Paper Tiger P1 (1-q) Resilient P2 (p)	Domineering P1 (q) Susceptible P2 (1-p)	Paper Tiger P1 (1-q) Susceptible P2 (1-p)
SQ, NA	2,2	2,1	2,1	2,0
Patronage, Accept and Change	3,0	3,0	3,3	3,2
Patronage, Reject	1,3	1,2	1,2	1,1
Patronage, Accept and No Change	0,1	0,3	0,0	0,3

For P2, the preference ranking depends on its own type (whether the economic patronage is worthwhile) and whether the revenge from P1 is strong enough. When P1 is domineering and P2 is resilient, P2's least preferred preference is to simply accept and change (0) because its offer is not worthwhile compared with P2's own policy position; the utility is negative. If P2 cheated (Accept and No change), it will receive and enjoy the patronage temporarily, but it will then be punished by P1 (1); albeit the revenge, P2 may still gain a good reputation for cheating

P1 and for resisting the change, which is slightly better than simply accepting the offer. Since both options above would cause a negative utility to P2 compared with the status quo (nothing happened), a resilient P2 would rather P1 choose the status quo in the first place (2). If P1 dares enough to offer the patronage, the resilient P2 would reject the offer (3) and gain the reputation immediately. This result is better than the status quo (gaining a positive utility) and is supported in the literature (Carnegie and Dolan 2021).

When P1 is a paper tiger and P2 is resilient, P2's best option is to exploit the economic patronage and not change its position (3); it can enjoy the patronage, its original policy position, and shame the powerful donor altogether. The least preferred option is still to accept and change, which negatively impacts the resilient P2 (0). For the remaining two options, rejecting the great power's offer (2) can always gain a positive international reputation, which is better than P1 choosing the status quo in the first place (1).

When P2 is susceptible, however, the weak state P2 considers its policy position less important or valuable than the great power's lucrative economic patronage. In such a scenario, accepting the offer and change will result in a positive outcome, which is better than the status quo. Economic patronage is also better than simply rejecting the great power's offer because it is worthwhile. However, whether it is better than cheating depends on the type of the great power. If the great power is domineering, cheating will cause a negative impact, which is worse than the status quo and all other options (0); if the great power is just a paper tiger, however, the weak state can get an even higher utility by cheating – accepting the offer, no changing position, and gaining a reputation for cheating the great power (3).

Overall, Table 1 summarizes four different types of preference ranking given the two types of both powerful donors and weak recipients.

Equilibrium under complete information

When both the great power and the weak state know their own type as well as the other's type, the equilibrium of the game can be solved easily through the backward induction. Table 2 shows the four equilibria under different types of P1 and P2. P2 will exploit the opportunity of moving later than P1, so P1 will choose the Status Quo (SQ) to avoid worse outcomes. In the perfect information game, the only scenario that P1 moves on (Patronage) and P2 accepts and changes (A&C) is when P1 is domineering and P2 is susceptible. In this scenario, P1 wants P2 to change, and P2 finds the change worthy and cheating not worthy because of P1's follow-up punishment. In other scenarios, P1 will choose the Status Quo regardless of P1 or P2's type and P2's strategy.

	Domineering P1 Resilient P2	Paper Tiger P1 Resilient P2	Domineering P1 Susceptible P2	Paper Tiger P1 Susceptible P2
Equilibrium under complete information	SQ, Reject	SQ, A&N	Patronage, A&C	SQ, A&N

Bayesian Nash Equilibrium under incomplete information

Both the great power and the weak state may not know the other's type. For example, the great power may underestimate the weak state's level of nationalism or its level of loyalty to the leader; the weak state would have a better understanding of how robust the grassroots support it has. Similarly, sometimes the weak state may not be able to estimate how likely and how strong the great power would retaliate after the weak state trolls it; the decision-making process of the great power is usually much more complex than the weak state. For example, the great power may

or may not be able to mobilize its cross-country companies to implement the economic punishment or reach an agreement within the World Bank.

The discussion above can be better formalized into an incomplete information game including all four possible combinations of great power and small state's types. In this model, nature firstly decides the type of P1 (q and $1-q$) and P2 (p and $1-p$). P1 then chooses between Status Quo and Patronage, but P1 only knows its own type (Domineering or Paper tiger) but not P2's. Once P1 chooses patronage, P2 can choose between Accept and Change (A&C), Reject, or Accept and no Change (A&NC). Once again, P2 only knows its own type (Resilient or Susceptible) but not P1's type. The utility of all 16 possible outcomes comes from Table 1. Overall, the incomplete information Economic Patronage game is shown in Figure 2.

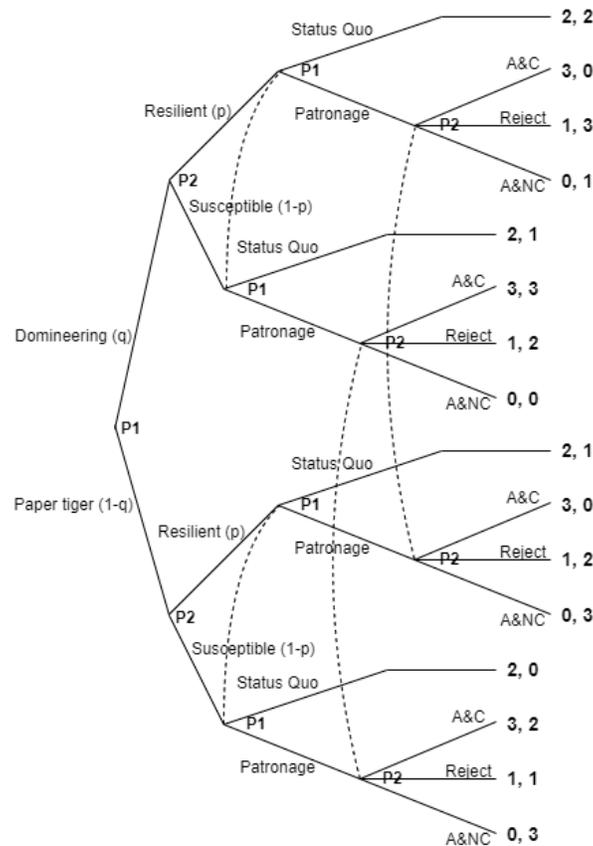


Figure 2. The incomplete information model of economic patronage and issue linkage

Since both P1 and P2 have incomplete information, this model cannot be solved through backward induction. I then apply the extensive form trying to find possible equilibrium given different types of P1 and P2. Before engaging in the extension form, some possible strategy sets can be deleted. First, a resilient P2 will never choose A&C; either reject or A&NC is better than A&C. Once a resilient P2 has a chance to decide, A&C will never be the equilibrium. The second set is that a susceptible P2 will never choose Reject. The other two options are better than Reject under different scenarios, so a susceptible P2's best strategy set would only be the combination of A&C and A&NC. After deleting the five possible strategy sets above, the remaining possibilities can be written into the extensive form in Table 3.

P1 (D, P) \ P2 (R,S)	Reject, A&NC	Reject, A&C	A&NC, A&NC	A&NC, A&C
SQ, SQ	2, p + q	2, p + q	2, p + q	2, p + q
SQ, Patronage	2q+p-pq, 3+p-2q	3+2pq-2p-q, 2-q+pq	2q, 3+pq-2q	3+3pq-3p-q, 2+p-q
Patronage, SQ	pq+2-2q, 2+q-2pq	2+q-2pq, 1+2q	2-2q, p	2+q-3pq, p+3q-3pq
Patronage, Patronage	p, 4pq+3-p-3q	3-2p, 2+q	0, 3+pq-3q	3-3p, 2+p+q-3pq

In this table, the first column is the strategy set for P1 under the two types, and the first row refers to the strategy set for P2 under the two types (after deleting A&C for resilient P2 and Reject for susceptible P2). Each cell indicates the expected utility for P1 and P2 under each pair of strategy sets. Since p and q are between 0 and 1, so it is able to calculate all possible combinations of Nash equilibrium given different conditions of p and q.

After calculation, six possible Nash equilibrium can be derived from the extensive form:

Equilibria 1: under all p and q , (SQ, SQ), (Reject, A&NC)

Equilibria 2: under all p and q , (SQ, SQ), (A&NC, A&NC)

Equilibria 3: if $p > 1/3$, (SQ, SQ), (A&NC, A&C)

Equilibria 4: if $p > 1/2$, (SQ, SQ), (Reject, A&C)

Equilibria 5: if $p < 1/3$ & $1/3 > q > 1/4$, (Patronage, Patronage), (A&NC, A&C)

Equilibria 6: if $p < 1/2$ & $q > 1/3$, (Patronage, Patronage), (Reject, A&C)

The first four equilibriums include all possible combinations of P2's strategies and types – even though P1 will choose SQ in all scenarios. In other words, whenever P1 is unsure about P2's type, there is always an equilibrium for P1 to stay in the status quo, given the possible costs for other options.

When p is sufficiently small, indicating that it is very likely that P2 is NOT resilient, P1 eventually has some motivations to offer economic patronage to P2. When P2 received P1's offer, P2 would guess P1's type. If P1 is likely to be strong and domineering ($q > 1/3$), P2 will reject the offer when P2 is resilient and A&C if P2 is susceptible. If P1 is likely to be a paper tiger ($1/3 > q > 1/4$), P2 will exploit the opportunity and choose A&NC if P2 is resilient. Interestingly, P2 will still choose A&C because there is a certain likelihood that P1 is domineering ($q > 1/4$). When P1 is perceived to be too weak, albeit P2 would exploit the economic Patronage, P1 would rather choose to stay in the status quo in the first place.

Overall, the equilibrium can be summarized in Figure 3 below. In this figure, the x-axis is p , the likelihood that the weak state P2 is resilient. The y axis is q , the likelihood that the great power P1 is domineering. None-SQ equilibrium area is colored, while the SQ equilibrium exists under all possible p and q . (P1's Patronage is indicated as PT in the figure).

It is worth noting that neither (SQ, Patronage) nor (Patronage, SQ) is one possible equilibrium for P1. Among the equilibrium, P1 can only be (SQ, SQ) or (Patronage, Patronage). In other words, in the incomplete information game, when P1 decides to render the economic patronage to P2, P2 only knows that P1 imagined P2 to be susceptible (P2's perceived p is low in the eye of P1); P1 does not provide any additional signal to P2, especially about P1's own type. As a result, P2 cannot update its belief based on P1's action.

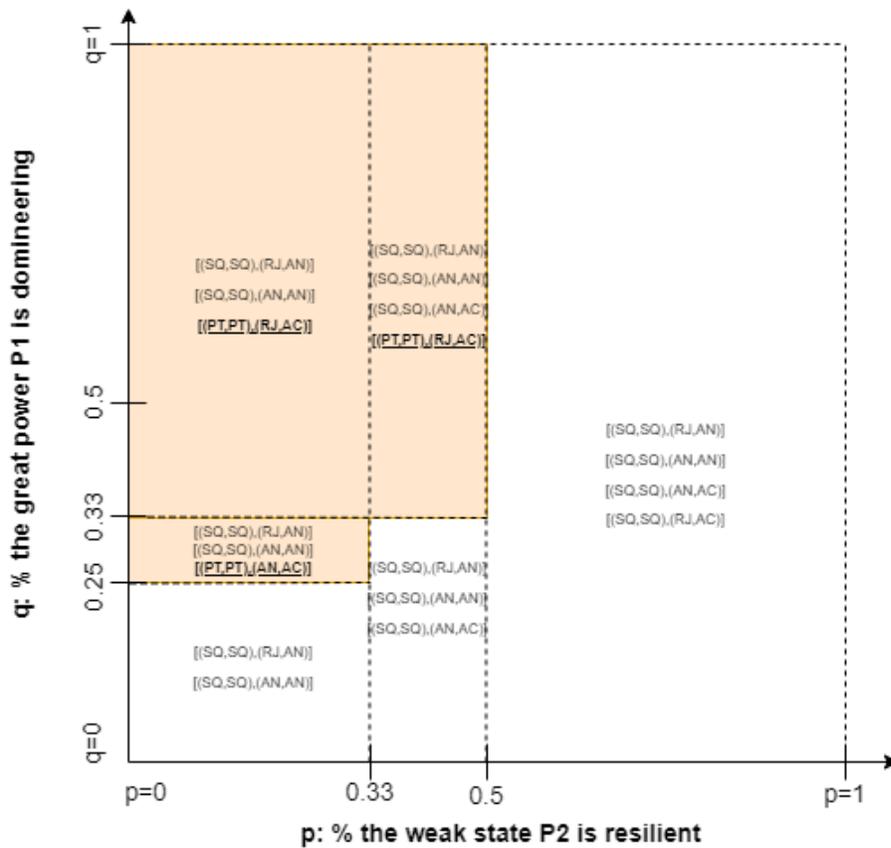


Figure 3. Equilibrium under different types of P1 (q) and P2 (p)

Empirical Evidence – Research Design

In the incomplete information model, how the powerful donor and weak recipient identify themselves and perceive the other influences the choice of strategy and the equilibrium.

Empirically, ample evidence shows that the powerful donor will evaluate the type of the recipient (Bodenstein and Faust 2017; Heinrich et al. 2016). To my knowledge, however, other psychological mechanisms derived from the incomplete information model have not been empirically examined. Following Figure 3, we can examine both the psychological mechanisms in the aspect of the powerful donor and the weak recipient. For the powerful donor, Figure 3 suggests two hypotheses:

Hypothesis 1-1: The powerful donor is less likely to provide economic patronage when it perceives itself as not domineering (low q). (The “paper tiger” mechanism)

Hypothesis 1-2: The powerful donor is more likely to provide economic patronage when it perceives itself as domineering (high q) and the recipient is weak (low p).

Previous works had shown that the powerful donor is less likely to provide economic patronage when the weak recipient is resilient (high p in Figure 3). Hence, H1-1 examines the left side of Figure 3 – small q (less domineering) should be related to fewer economic patronage. In this article, H1-1 is called the “paper tiger” mechanism. Furthermore, H1-2 examines the interaction between p and q . The equilibrium of offering economic patronage for the powerful donor only exists when q is high and p is low.

In the aspect of the weak recipient, Figure 3 assumes that the weak state tends to reject the patronage from the great power if the weak states think that their policy stance is much more important than the economic offer, and vice versa. Second, interestingly, even though a weak state treasures its own policy stance, it may still accept the offer (and do not change later) if the weak

state perceives that the great power would not take revenge, or at least lack the capacity to do so. This hypothesis is called “opportunism” mechanism in this article.

Hypothesis 2-1: The weak recipient is less likely to accept economic patronage when it perceives itself as resilient (high p).

Hypothesis 2-2: The resilient weak recipient (high p) is more likely to accept the economic patronage when it perceives the powerful donor as a paper tiger (low q). (The “opportunism” mechanism)

The two groups of hypotheses from the powerful donor and the weak recipient will be examined by representative surveys in the United States and Taiwan, respectively.

Empirical Evidence – The Powerful Donor and the “paper tiger” mechanism

H1-1 and H1-2 are examined by the 2008-2009 ANES Time Series Study (ANES2008 hereafter, n=2322) largely owing to the data availability. The dataset is publicly available on ANES’s website (<https://electionstudies.org/data-center/2008-time-series-study/>, Access June 16 2022).

Variable and coding

The dependent variable is whether the US citizens support providing the economic patronage or not. In ANES2008, the pre-election wave asked respondents directly that “*Should federal spending on foreign aid be INCREASED (coded as +1), DECREASED (-1), or kept ABOUT THE SAME (0)?*” Since this description of this item uses the term foreign aid directly, it

is close to the definition of economic patronage and rules out the likelihood of normal trade. After 2008, the later ANES surveys dropped this question.

The first independent variable is the paper tiger mechanism, which is formalized as q in the model. In ANES2008, the pre-election wave asked the respondents that “*During the past year, would you say that the United States' position in the world has grown WEAKER (coded as -1), stayed ABOUT THE SAME (0), or has it grown STRONGER? (+1)*” For this variable, a higher value means that the respondent thinks that the US is *domineering*, which indicates a higher q . In contrast, a lower value means that the respondent thinks that the US is just a paper tiger and is no longer influential to the world politics. Therefore, if H1-1 is true, we should observe a positive correlation between Domineering and willing to provide foreign aids (and, vice versa, paper tiger and not willing to provide foreign aids).

The second independent variable, ideally, should be the power donor’s perception of the weak recipient. Unfortunately, there is no direct measure of the perceived resilience in ANES2008. The only imperfect measure is *Not Promote Democracy* in the post-election wave: “*HELPING TO BRING A DEMOCRATIC FORM OF GOVERNMENT TO OTHER NATIONS (very important = -1, somewhat important = 0, not important at all = 1)*.” When a US respondent answered this question, he or she would evaluate either the value of democracy or the cost of promoting democracy; the later part may capture the level of resilience in other nations. If the weak recipient is resilient and treasures its none-democratic institution, it would be much costly for the US to bring the democracy to the recipient. In other words, this variable may partly capture how the US people perceived the level of resilience of the weak recipients. A higher value in Not promote democracy may mean a higher p . Following H1-2, the interaction between the two variables should be negatively correlates with the dependent variable.

Regression result

Table 4 shows five OLS regression models explaining the US people's attitude on foreign aids. The first three models include the two independent variables and their interactions, and Model 4 and 5 further include partisanship (Democrat and Republican as dummies) and socio-demographic background (age, edu, income, and gender). Across all five models, *US Domineering* positively correlates with providing foreign aids, which is consistent with the paper tiger mechanism (H1-1). In other words, when the US people believe that the US's position in the world is high, they are much more willing to offer the economic patronage to other countries; when people believe that the US's position is declining like a paper tiger, they are less likely to offer economic patronage.

Table 4. OLS regressions explaining US providing foreign aid, ANES2008 (n=2322)

	DV: <i>Provide foreign aid</i> (-1 to +1)				
	Model 1	Model 2	Model 3	Model 4	Model 5
US Domineering (-1 to +1)	0.079*** (0.022)	0.065*** (0.067)	0.060*** (0.022)	0.081*** (0.022)	0.057** (0.023)
Not Promote Democracy (-1 to +1)		-0.153*** (0.022)	-0.194*** (0.029)	-0.192*** (0.080)	-0.171*** (0.030)
Domineering × No Dem			-0.071* (0.034)	-0.071* (0.034)	-0.085* (0.035)
Democrat (0 to 1)				0.005 (0.030)	0.033 (0.032)
Republican (0 to 1)				-0.226*** (0.038)	-0.161*** (0.041)
Age (18 to 93)					-0.003*** (0.001)
Edu (0 to 7)					-0.009 (0.010)
Income (0 to 25)					-0.011*** (0.003)
Female (0 to 1)					0.026 (0.029)
Intercept	-0.263*** (0.019)	-0.273*** (0.018)	-0.278*** (0.019)	-0.226*** (0.025)	0.753 (0.564)
N	2322	2322	2322	2322	546
Adj R2	0.005	0.026	0.027	0.044	623.5

Note: ⁺ $p < 0.1$ * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Meanwhile, *Not Promote Democracy* and its interaction with *US Domineering* are both significantly negative across Model 3, 4, and 5. To further illustrate the interactive effect, Figure 4 shows the simulated results from Model 5, Table 4, controlling for all other covariates at the mean value. In Figure 4, the y-axis is the predicted level of providing foreign aids (economic patronage), the x-axis is the perceived level of US domineering (q), the three lines are the level of promoting democracy (p), and the shaded areas are the 95% confidence interval of the simulated results. This figure shows clear supportive evidence to H1-2. US people agree to provide the foreign aid only if US is domineering (high q) AND the recipient is susceptible (promoting democracy is important, the red line, low p); the interactive effect can be found on the upper right corner of Figure 4 ((PT, AC), (PT, AN), or (PT, RJ)).

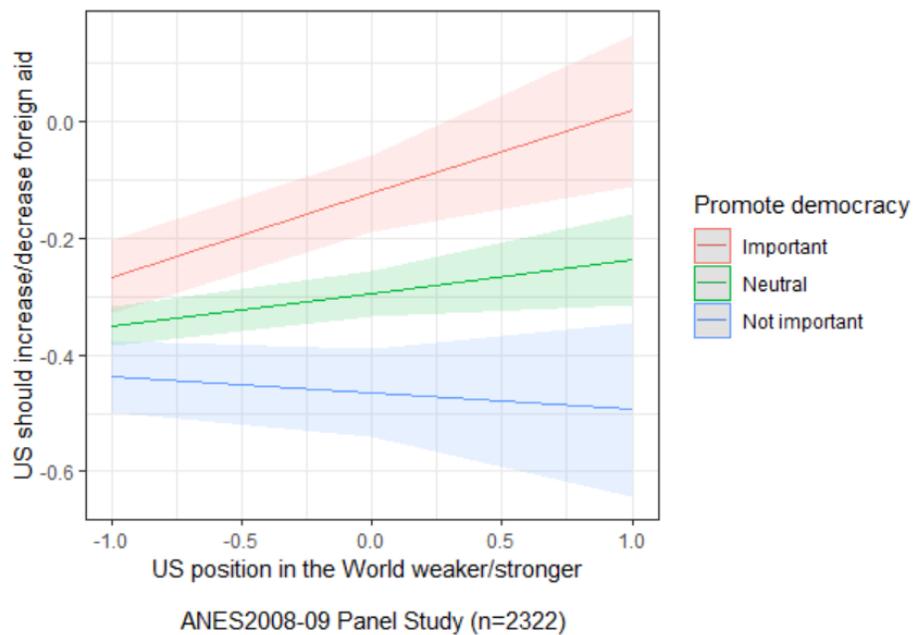


Figure 4, US provides foreign aid only if US is strong and the recipient is perceived as susceptible (easier to promote democracy)

In contrast, whenever the respondents think that the US is not domineering (low q) or the recipient is resilient (promote democracy is not important, the blue line, high p), US citizens in ANES2008 tend not to provide the foreign aid (e.g. always choose SQ).

To sum up, results from ANES2008 extend the understanding of the psychology behind offering economic patronage. The powerful donor will not only consider the level of resilience of the recipient, it will also take its own strength into consideration. If the powerful donor thinks that it is no longer domineering and is a paper tiger, it would not be able to punish the weak recipient in the future. Hence, it would choose not to offer the economic patronage in the first place, as is shown in Figure 4 and Table 4.

Empirical Evidence – The Weak recipient and the “opportunism” mechanism

The second group of hypotheses H2-1 and H2-2 are examined in this article through a representative telephone survey in Taiwan in 2012. The 2012 Taiwan National Security Survey (TNSS2012) is sponsored by Duke University and was implemented by National Chengchi University in Taiwan, and the dataset is publicly available (<https://sites.duke.edu/pass/> Access: May 31, 2022). The survey recruited 1075 respondents between October 22-29, 2012, with RR1 = 9.47% (AAPOR, 2016).

Four unique features in TNSS2012 make this survey a useful case for examining the model of economic patronage and issue linkage in the aspect of the weak recipient. First, China and Taiwan signed the Cross-Straits Economic Cooperation Framework Agreement (ECFA) in late 2010. PRC Premier Wen Jiabao directly promoted and framed ECFA as a “conceding benefit” to Taiwan (*rang-li*), including zero tariffs on numerous agricultural products from Taiwan and tax-

exempts to many Taiwanese businesses.¹ Second, TNSS2012 directly asked Taiwanese respondents whether China would exploit Taiwan's economic dependency on China and ask Taiwan to concede its political request; in TNSS2012, 636 (59.1%) agreed to the statement, and 341 (31.7%) disagreed. In other words, the majority of Taiwanese people already noticed that China would use ECFA and other types of China's economic patronage to alter Taiwan's political stance in the future.

Third, after framing respondents by the item of exploiting economic benefit for political gain, TNSS2012 then asked Taiwanese respondents in the survey whether they support increasing or decreasing the economic tie between China and Taiwan. Since respondents were just reminded of the patronage-issue tie, their responses are much more likely to take this exchange into consideration, which will be closer to the theoretical model above. Interestingly, in TNSS2012, 445 (41.4%) supported increasing the economic tie with China, while 385 (35.8%) hoped to decrease it. Overall, 254 (23.6%) Taiwanese respondents supported increasing economic ties with China and worried that China would exploit it for political gain simultaneously.²

Fourth, TNSS2012 was conducted in the same year of the 2012 Taiwan Presidential Election. In this election, the debate on cross-strait relationships still dominated the campaign (Achen and Wang 2017), and the ECFA was one of the key issues. Hence, Taiwanese respondents would be informed about the patronage-issue tie and may be more willing to answer the survey questions, and their answers may be framed by the patronage-issue exchange.

Variable and coding

¹ Shi, Ruei-de (2012) "Wen: Promoting ECFA is to offer a conceding benefit to Taiwan" *China Times* Feb 28, 2012. <https://www.chinatimes.com/newspapers/20100228000670-260301?chdtv> Access: May 31, 2022

² Among all TNSS surveys from 2003 to 2020, TNSS2012 is the only survey which put the patronage-issue tie item before the preference of cross-strait economic integration. All other surveys reversed the order.

In the economic patronage model, there are two key independent variables. The first IV is the weak state's level of resilience, and the second IV is the perception that the great power is domineering or a paper tiger.

The first IV *Resilience* is captured by item Q12 in TNSS2012 that "If China will attack Taiwan once Taiwan declared independence, do you support Taiwan independence?" Respondents can choose between disagree very much (-2, 26.6%), disagree (-1, 29.7%), agree (1, 18.0%), agree very much (2, 13.7%), and no answer (0, 12.0%). A positive answer means that the respondents are more resilient and think Taiwan's independence is much more important. Previous studies show that many Taiwanese people support independence only if China does not attack Taiwan (Niou 2014; Chen et al 2017), indicating that they are unwilling to sacrifice. In other words, merely asking Taiwanese people's unification-independence attitude may not be able to capture the level of resilience among the respondents. In contrast, the proposed Q12 in TNSS2012 includes the cost of independence, indicating that the respondents evaluated the value between independence and the punishment from the great power (military attack from China after independence). In other words, Q12 can serve as a proper operationalization of the resilience (of the weak state) in the model and the issue that the great power hopes to alter.

The second IV, *Domineering*, is measured by Q27 in TNSS that "If Taiwan declared independence, do you think that China will attack Taiwan?" Respondents can choose between definitely no (-2, 10%), no (-1, 24.2%), yes (1, 25.3%), definitely yes (2, 28.2%), and no answer (0, 12.3%). This item may capture the weak state's perception of whether the great power is able to revenge once the weak state chooses to confront the will of the great power. In the case of the Taiwan-China relationship, China had passed the anti-secession law in 2005, legalizing the use of force if Taiwan sought independence. However, as shown in the distribution above, many

Taiwanese people do not think that China will really attack Taiwan once Taiwan declares independence. Hence, this item is able to operationalize the perception of domineering of the great power in the eyes of weak state's respondents. For those Taiwanese people who believe that China will attack Taiwan, they must believe that China has the capacity and willingness to take action and punish Taiwan, which implies that China is domineering in their eyes. Among those who do not believe that China will attack Taiwan, they tend to believe that China's several claims and legal construction are just not real – they tend to believe that China is just a paper tiger.

The dependent variable *EconTie* is measured by Q7 in TNSS2012 that “Some people in our society argue that Taiwan needs to strengthen the economic tie with China, while others argue to decrease the tie. Which side do you agree?” Respondents can answer between strengthening the tie (1, 41.4%) or decreasing the tie (0, 35.8%). Respondents who did not answer were dropped from the analysis. As mentioned earlier, this question was asked right after the question about patronage-issue exchange (Q6), so respondents were framed to take the exchange into consideration. In the context of the 2012 China-Taiwan relationship, extending Taiwan-China economic tie is similar to accepting more economic patronage from China. The ECFA signed in 2010 was already defined by China as economic patronage, and another agreement – the Cross-strait service and trade agreement which was stopped by the Sunflower Movement in 2014 – was also framed as a rang-li to Taiwanese people. As a result, most Taiwanese people already believe that China will use the economy for political gain in the future. Hence, this item in TNSS2012 can properly capture Taiwanese people's attitude toward economic patronage. In the robustness check, I will only examine the respondents who were worried about China's intention, and the result is consistent.

Since the dependent variable is binary coded, logit regression will be used to examine how much the two IVs and their interaction can help explain the variance of the dependent variable. Among the control variables, Taiwanese respondents' age (1-5), level of education (1-5), gender (1 for female), partisanship (pan-green, pan-blue, and non-partisan), and Taiwanese identity (1 for Taiwanese identity, 0 for both or Chinese identity) are controlled.

Regression results

Table 5 shows the results of four logit regression models explaining Taiwanese people's willingness to strengthen the economic tie with China. Model 1 and 2 include all respondents (n = 1074), while Model 3 and 4 only include the respondents who express their concern that China will exploit the economic tie for political gain (n = 636). Among the four models, both *Resilience* and *Resilience X Domineering* are negatively significant (at 0.1 level, except for Model 3), which supports H2-1 and H2-2, respectively. The negative correlation of *resilience* indicates that Taiwanese respondents who preferred Taiwan independence more (resilient weak state) were less likely to support strengthening trade with China (SQ, RJ), as was hypothesized by H2-1. In contrast, respondents who were indifferent to Taiwan independence (susceptible) were much more willing to trade with China (PT, AC), which is consistent with the first psychological mechanism in the model.

For the second psychological mechanism, Figure 5 shows the simulation of the predicted level of willingness to increase trade with China from Model 2 in Table 5. In this figure, the x-axis is the level of resilience among Taiwanese respondents, the Y-axis is the predicted probability that the respondents support increasing trade with China, controlling all other variables at their means. Furthermore, the five colored lines indicate different levels of perception that China is domineering, while the shaded areas are the 95% confidence interval of the simulated means under different

scenarios. The left side of Figure 5 suggests that Taiwanese respondents who disliked the idea of Taiwan independence would support increasing trade with China anyway, regardless of the perceived level of China's domineering (PT, AC).

Table 5. Logit regressions explaining Taiwanese willingness to strengthen trade, TNSS2012

	DV: <i>EconTie</i> = 1			
	Model 1 All cases	Model 2 All cases	Model 3 Worried cases	Model 4 Worried cases
Resilience (-2 to +2)	-0.644*** (0.060)	-0.411*** (0.067)	-0.610*** (0.078)	-0.404*** (0.088)
Domineering (-2 to +2)	-0.090 (0.059)	-0.144** (0.064)	-0.088 (0.074)	-0.128 (0.080)
Resilience × Domineering	-0.074+ (0.039)	-0.077+ (0.043)	-0.074 (0.050)	-0.094+ (0.055)
Age (1 to 5)		-0.023 (0.065)		-0.109 (0.073)
Edu (1 to 5)		0.191*** (0.072)		0.139 (0.086)
Sex (0 to 1)		-0.88 (0.167)		-0.136 (0.202)
Taiwanese ID (0 to 1)		-0.751*** (0.181)		-0.507** (0.225)
Chinese ID (0 to 1)		0.337 (0.492)		0.279 (0.591)
Party ID: Pan-green		-1.769*** (0.225)		-1.629*** (0.270)
Party ID: Non-partisan		-0.787*** (0.196)		-0.806*** (0.241)
Intercept	-0.067 (0.084)	0.736 (0.491)	-0.412*** (0.107)	0.753 (0.564)
N	855	838	555	546
AIC	1018.1	905.2	676.8	623.5

Note: + $p < 0.1$ * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

However, an interesting pattern emerges on the right side of Figure 5. Among those respondents who preferred independence (*Resilience* = 2, high p) and also perceived the strength of China's power (China will attack = 2, high q), they were less likely to support trade with China (simulated average is below 30%); in other words, they tend to reject China's offer in the first hand (SQ, RJ). Among those independence supporters who also see China as not domineering (China will attack = -2, low q), however, they support the idea of increasing the trade with China (PT,

A&NC). As a result, their simulated level of support (over 50%) is even closer to those who opposed independence. Albeit the result is only significant at the 0.1 level, the effect size of the interaction term is huge on the right side of Figure 5.

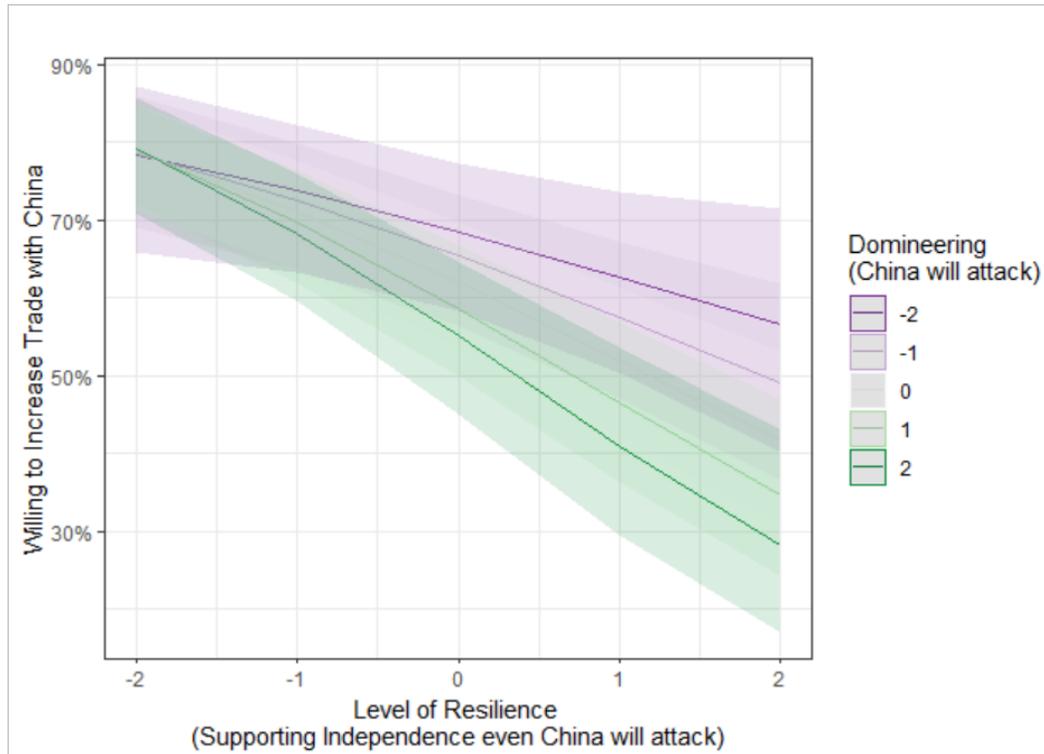


Figure 5. Pro-independence Taiwanese (high resilience) still accepts economic patronage from China if they perceived China as not domineering.

The result here supports the second psychological mechanism – *opportunism (H2-2)* – in the weak recipient. Since the weak recipient perceived that the great power may not or may not be able to take revenge, the weak state is fine to exploit the economic patronage while not changing its own policy stance. As a result, pro-independence Taiwanese respondents who do not think China will attack Taiwan are willing to increase the economic trade with China ((PT, A&NC)

when low p and not so high q). The empirical data supports all three possible equilibriums derived from the incomplete information game.

One possible weakness in Models 1 and 2 in Table 5 is that people may not perceive the trade with China as a patronage-issue exchange in the first place, albeit the survey design should have framed the respondents. To fill the gap, Models 3 and 4 only examine the respondents who already expressed their concern that China will exploit the economic dependency for political gain in Taiwan before answering their opinion on the DV. Hopefully, after controlling for the covariates, Model 4 shows that the interaction between *Resilience and Domineering* is still statistically significant (at the 0.1 level). Hence, the psychological mechanism of both resilience and opportunism exists among the respondents who were worried about China's patronage-issue exchange. In other words, among those who were already worried about China's intention, the pro-independence Taiwan respondents were still willing to increase the trade with China if they did not believe that China will revenge in the future.

Conclusion and Limitation

Overall, this article provides an incomplete information model to formalize the relationship between economic patronage and its issue linkage. Nevertheless, the model helps explain why the economic patronage works in some cases but not in others, and why the powerful donor may offer the economic patronage or not in the first place. Specifically, when both the powerful donor and the weak recipient are uncertain about the other's type, the weak state may exploit the powerful donor when both the perceived p is low and q is not high. The great donor's "paper tiger" mechanism and the weak recipient's "opportunism" mechanism is further examined

through a representative survey in the US and in Taiwan, respectively; empirical results from both sides are consistent with the theory-driven hypotheses.

The endogeneity between the donor and recipient in the model may speak to the potential bias in the empirical works estimating the effect of economic patronage, which has been warned by Wright and Winters (2010). Specifically, our model suggests that the empirical analysis may overestimate the effect of economic patronage. The powerful donor might not offer the economic patronage in the first place if it perceived that the weak recipient might exploit the offer, and the weak recipient may also reject the offer once it perceived that the powerful donor might take revenge. In both cases, the players chose to maintain the status quo, so nothing can be captured in the data archive if the archive is based on available and public economic patronage. For example, in Figure 3, P1 choosing SQ is always an equilibrium across all possible p and q . Among those who are willing to accept the patronage, however, they may be either susceptible in the first place, or underestimate the strength of the powerful donor. Hence, empirical data may reveal that economic patronage is effective because it is likely to be accepted by the susceptible countries, as suggested by this article. One possible mitigation to this potential bias is examining the powerful donor's internal discussion. It is possible that the powerful donor may consider or calculate the potential patronage to a certain weak state but eventually give up after careful calculation.

Another implication of the economic patronage model is the cross-time interactions between the powerful donor and the weak recipient. Both the power donor and the weak recipient may gradually adjust their policy after updating their belief of the other. For example, Taiwan and Ukraine may accept and exploit the economic patronage from China and Russia when they believed that China and Russia would not take revenge (low p , (PT, AN)); once China and Russia showed their domineering attitude, resilient Taiwan and Ukraine would choose to reject the

patronage altogether (PT, RJ). Similarly, China and Russia were willing to offer economic patronage because they perceived that Taiwan and Ukraine were buyable (q is low). However, after Taiwan and Ukraine demonstrated their resilience through the large-scale protest (q is high), China and Russia chose not to provide other economic patronages in the future and maintain the status quo (in the aspect of economic patronage, (SQ, RJ) or (SQ, AN)).

Similarly, the US may refuse to “buy” Cuba because the US perceived a high resilience in Cuba (high q). Once the resilience in Cuba becomes lower, and once the US is still domineering enough, our model suggests that Cuba may accept the economic patronage from the US and gradually democratize as is requested by the US. If the US is not domineering, however, Cuba would exploit the offer, and the US would choose not to offer the patronage in the first place.

Unfortunately, the discussions above also highlight the limitations of the economic patronage model in this article. First, the model in Figure 2 is a one-shot game between the powerful donor and the weak recipient. Once the model turns to a multiple-shot one, it is possible that another equilibrium may emerge. It can be more complex because democracies and authoritarian regimes may have different time horizons, so they may treat future outcomes differently (Wang 2019).

Second, the power donor’s capacity for revenge may be moderated by the third-party intervention. In the case of the Taiwan-Nicaragua 2021 diplomacy crisis, Nicaragua was not afraid of Taiwan’s revenge because it may receive other types of support from China. Similarly, Taiwanese respondents may not be afraid of China’s revenge because they believed the US would defend Taiwan. China also actively exerts its financial institution to compete the donation for development with western-based institutions in Africa (Humphrey and Michaelowa 2019). When there is more than one polar in the international system, the great donors may compete for the

economic patronage, and the weak recipients would have wider leeway to exploit the patronage packages from different sources. Future work may try to include the effect of the third-party intervention in the study of economic patronage and its effect.

Third, this article distinguishes between economic patronage and economic sanction through formalization, but economic patronage is one of the many tools by which the powerful countries may influence the weak ones. In the hierarchy, the powerful countries may concurrently implement economic patronage, economic sanction, military coerce, and other types of diplomat pressure. Therefore, empirical analysis estimating the effect of economic patronage should control the potential influences of others. Future work may also focus on whether these tools complement each other empirically.

In the end, the perceived types of the powerful donor and the weak recipient are crucial for reaching different equilibrium. However, this article did not examine how the players form the perception of the other player in the first place and how they update their beliefs. In the two empirical analysis sections, this article only assumes the respondent's attitude in the US and Taiwan are given. In democratic regimes, the level of resilience and domineering may be estimated through the poll (Bodenstein and Faust 2017), legislative debate, or the institutional design (Swedlund 2017). In contrast, the channel and information would be less clear in the authoritarian regimes. Future work may pay attention to the formation of perception as well as the information asymmetry between different dyads of donor and recipient countries.

Reference

- AAPOR, 2016. *Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys*. https://www.aapor.org/AAPOR_Main/media/publications/Standard-Definitions20169theditionfinal.pdf Access: May 31, 2022.
- Achen, C., & Wang, T. Y. (2017). *The Taiwan Voter* (p. 325). University of Michigan Press.
- Benson, B. V., & Niou, E. M. (2007). Economic interdependence and peace: a game-theoretic analysis. *Journal of East Asian Studies*, 7(1), 35-59.
- Bodenstein, T., & Faust, J. (2017). Who cares? European public opinion on foreign aid and political conditionality. *JCMS: Journal of Common Market Studies*, 55(5), 955-973.
- Brenner, P., Haney, P. J., & Vanderbush, W. (2002). The confluence of domestic and international interests: US policy toward Cuba, 1998–2001. *International Studies Perspectives*, 3(2), 192-208.
- Carnegie, A., & Dolan, L. R. (2021). The effects of rejecting aid on recipients' reputations: Evidence from natural disaster responses. *The Review of International Organizations*, 16(3), 495-519.
- Chen, D. (2011). Liberal Peace across the Taiwan Strait? The US Strategic Ambiguity Policy in the Era of Economic Cooperation Framework Agreement (ECFA). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1903025
- Chen, F. Y., Yen, W. T., Wang, A. H. E., & Hioe, B. (2017). The Taiwanese see themselves as Taiwanese, not as Chinese. *The Washington Post*, 2.
- Crawford, G. (1997). Foreign aid and political conditionality: Issues of effectiveness and consistency. *Democratization*, 4(3), 69-108.

- Davidsson, S. (2020). Modeling the Impact of a Model: The (Non) Relationship between China's Economic Rise and African Democracy. *Politics & Policy*, 48(5), 859-886.
- Davis, B., & Wei, L. (2020). *Superpower showdown: How the battle between Trump and Xi threatens a new cold war*. HarperCollins.
- Dreher, A., Fuchs, A., Hodler, R., Parks, B. C., Raschky, P. A., & Tierney, M. J. (2019). African leaders and the geography of China's foreign assistance. *Journal of Development Economics*, 140, 44-71.
- Fowler, J. (1999). The United States and South Korean Democratization. *Political Science Quarterly*, 114(2), 265-288.
- Hackenesch, C. (2015). It's domestic politics, stupid! EU democracy promotion strategies meet African dominant party regimes. *World Development*, 75, 85-96.
- Haass, F. (2021). The democracy dilemma. Aid, power-sharing governments, and post-conflict democratization. *Conflict Management and Peace Science*, 38(2), 200-223.
- Heinrich, T., Kobayashi, Y., & Bryant, K. A. (2016). Public opinion and foreign aid cuts in economic crises. *World Development*, 77, 66-79.
- Heinrich, T., & Kobayashi, Y. (2020). How do people evaluate foreign aid to 'nasty' regimes?. *British Journal of Political Science*, 50(1), 103-127.
- Humphrey, C., & Michaelowa, K. (2019). China in Africa: Competition for traditional development finance institutions?. *World Development*, 120, 15-28.
- Knack, S. (2004). Does foreign aid promote democracy?. *International studies quarterly*, 48(1), 251-266.
- Lacy, D., & Niou, E. M. (2004). A theory of economic sanctions and issue linkage: The roles of preferences, information, and threats. *The journal of politics*, 66(1), 25-42.

- Levitsky, S., & Way, L. A. (2006). Linkage versus leverage. Rethinking the international dimension of regime change. *Comparative Politics*, 379-400.
- Molenaers, N., Dellepiane, S., & Faust, J. (2015). Political conditionality and foreign aid. *World Development*, 75, 2-12.
- Nieto-Matiz, C., & Schenoni, L. L. (2020). Backing despots? foreign aid and the survival of autocratic regimes. *Democracy and security*, 16(1), 36-58.
- Niou, E. M. (2004). Understanding Taiwan independence and its policy implications. *Asian Survey*, 44(4), 555-567.
- Pakistan Today (2011). Punjab Govt. vows to reject foreign aid, boost trade. *Pakistan Today*.
<https://www.samaaenglish.tv/news/352051>
- Reinsberg, B. (2015). Foreign aid responses to political liberalization. *World Development*, 75, 46-61.
- Rodríguez, R., & Targ, H. (2015). US foreign policy towards Cuba: historical roots, traditional explanations and alternative perspectives. *International Journal of Cuban Studies*, 7(1), 16-37.
- Savun, B., & Tirone, D. C. (2011). Foreign aid, democratization, and civil conflict: how does democracy aid affect civil conflict?. *American Journal of Political Science*, 55(2), 233-246.
- Scott, J. M., & Steele, C. A. (2011). Sponsoring democracy: The United States and democracy aid to the developing world, 1988–2001. *International Studies Quarterly*, 55(1), 47-69.
- Swedlund, H. J. (2017). Can foreign aid donors credibly threaten to suspend aid? Evidence from a cross-national survey of donor officials. *Review of International Political Economy*, 24(3), 454-496.

- Telias, D., & Urdinez, F. (2020). China's foreign aid political drivers: lessons from a novel dataset of mask diplomacy in Latin America during the COVID-19 pandemic. *Journal of Current Chinese Affairs*, 18681026211020763.
- Wang, A. H. E. (2019). Patience, dynamic of protest, and democratic consolidation. *European Political Science*, 18(3), 473-490.
- Wright, J., & Winters, M. (2010). The politics of effective foreign aid. *Annual Review of Political Science*, 13(1), 61-80.
- Zeng, Y. (2021). DOES MONEY BUY FRIENDS? EVIDENCE FROM CHINA'S BELT AND ROAD INITIATIVE. *Journal of East Asian Studies*, 21(1), 75-95.
- Ziaja, S. (2020). More donors, more democracy. *The Journal of Politics*, 82(2), 433-447.