The Interplay between Preemptive and Defensive Counterterrorism Measures: A Two-Stage Game

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ABSTRACT: A two-stage game depiction of counterterrorism is presented, where the emphasis is on the interaction between the preemptive and defensive measures taken by two targeted countries facing a common threat. The preemptor is likely to be the high-cost defender with the greater foreign interests. A prime-target country may also assume the preemptor role. The analysis identifies key factors - cost comparisons, foreign interests, and targeting risks - that determine counterterrorism allocations. The study shows that the market failures associated with preemptive and defensive countermeasures may be jointly ameliorated by a disadvantaged defender. Nevertheless, the sub-game perfect equilibrium will still be suboptimal owing to a preemption choice that does not fully internalize the externalities.