

Chapter 6

CONCLUSIONS

I began this study by posing a few simple questions concerning trade's impact on interstate relations, with the primary question being, Does trade promote peace? To address this question, I argued that it was necessary to investigate a more spatially and temporally diverse group of interstate relations than had previously been considered. In addition, I argued that it was necessary to go beyond the liberal portrayal of a commercial peace and consider alternative interpretations of the impact of trade on interstate relations. In turn, I surveyed the arguments advanced by an eclectic group of critics of liberal thought. Doing so enabled me to draw several conclusions about the overall influence of economic interdependence on interstate relations. In light of the empirical findings, I am now prepared to provide several responses to the questions advanced at the outset of this study.

GENERAL FINDINGS

The empirical analyses presented in this study provide little support for the argument that trade promotes peace in dyadic relationships. Instead, I find that interdependent dyads are more likely to engage in militarized conflicts than those with less extensive trade ties. While trade ties appear to aid states in achieving negotiated settlements to conflict, this enhanced negotiating capacity presumed to be associated with interdependence does not preclude the escalation of conflict. Rather, the evidence indicates that interdependent dyads are more likely to experience the most extreme form of conflict—war.

In turning to the state and system levels of analysis, I found that there are differences in trade's impact across different levels of analysis. In fact, there is some evidence that states that are heavily dependent on trade for their economy are less conflictual than others. However, we see that the economically strong states in the system are more conflictual than others, suggesting that there may be contradictions in the perceived dual policy goals of trade contributing to wealth and peace. Further investigation is needed to address the question of how my state-level findings relate to dyadic-level relationships. I assume that those states enjoying benefits

from trade are the ones that are less likely to engage in conflict, but once again, it is difficult to translate monadic-level phenomena to dyadic-level analysis. Looking at the system level provided a less clear-cut picture about the possibilities for peace associated with increased interdependence. Depending upon how one conceives of both systemic interdependence and conflict, one's conclusions about the relationship may differ. The jury is still out on resolving this question, and further investigation is needed.

Does this mean that critics of liberalism are more accurate than the liberals in their predictions about trade's impact on conflict? In general, no one theoretical position provides an accurate account of the impact of trading relationships. The experience of states within trading relationships differs. As mentioned, few theorists explicitly articulate the hypothesized relationship between trade and conflict. Those that do so provide little explanation for factors that give rise to variations in trading relationships. Throughout this study, I have focused on one argument made by some critics of liberalism—that symmetrical dependence is different than asymmetrical dependence. From the relevant literature, I inferred that symmetrical ties may offer a hope for peace, since they offer states an opportunity to reap the benefits of trade without being subject to the political manipulation found in less symmetrical relationships. Asymmetrical relationships, on the other hand, subject less powerful states to adverse consequences that may nullify the deterrent effect of trade on conflict or may heighten tensions that make conflict more likely. In addition, symmetric ties should be more likely to confer relatively equal benefits to both partners, reducing the likelihood that conflicts will arise over the distribution of the gains for trade. Thus, I reasoned that the greatest hope for peace should arise in relations in which dependence was both symmetric and extensive.

However, the evidence does not support my initial proposition. *The pacifying effect of balanced dependence was seen only at the lowest level of trade ties.* Here, symmetric ties simply reflected the fact that states were relatively equal in their lack of dependence. That is, both states were relatively independent and were equal in that respect. On the other hand, *in situations of extensive trade dependence, states with symmetric ties were found to be more conflictual.* Thus, relationships that I expected to be the most peaceful were instead the most conflictual.

How might we explain this unanticipated finding? Why would the

conditions believed to promote peace be associated with the most frequent and intense conflicts? The answer may reside, in part, in explanations emerging from beyond the economic interpretations of the trade-conflict relationships. For example, we learn from sociological and psychological theories that close relationships are more likely to exhibit increased conflict and cooperation. Relations that exhibit both extensive and mutual trade dependence may be more likely than others to witness the establishment of additional forms of linkages. For example, when dependence is asymmetric, the leader of the more powerful state may not view the more dependent state as being an equal partner in the relationship and may be less likely to forge additional bonds beyond the economic realm. *Mutual need* in trade may motivate each state to strengthen existing bonds in other areas. Thus, the web of interstate linkages may be more extensive in relations among equal partners. And, it is this web of interstate ties believed to foster peace that may contribute to the increased propensity for conflict in interdependent relationships.

Interdependence, as some argue, may create more opportunities for conflict to arise and more issues over which to conflict. Trade ties may simply reflect the magnitude of other interactions between states. Yet, interdependence does not reflect only quantitative differences in interactions; interdependent relations are assumed to be qualitatively different from other types of relationships.

Most scholars recognize that all interdependent relationships entail costly aspects. Foremost among these costs is the reduced ability of states to pursue their own national objectives independent of external influences. The policies and actions of one state may have an effect on its other partners. Liberals advocate policy coordination as a means to reduce the potentially adverse consequences of interdependence. Neo-Marxists and neorealists, on the other hand, underscore the difficulties of achieving policy coordination in interstate relations.

The inability of states to offset the costly aspects of dependence may be the principal factor contributing to tension in trading relationships. If policy coordination is one way to overcome this problem, the question arises over which relationships are most conducive to achieving compromises that are likely to promote the common good. One could argue that policy coordination is more difficult to achieve in asymmetrical relations, since the more powerful actor possesses an advantaged bargaining position and may have no incentive to alter its domestic policies in order to

reduce the negative consequences of dependence for the weaker state. According to this view, relations between equal partners would be more conducive to achieving compromises in policy coordination. On the other hand, one could argue that in relationships between equal partners, each state is less likely to yield to the demands of its partner, which may result in stalemates, when negotiations over contested policies take place.

In discussing asymmetrical relations, I have highlighted the negative aspects of the coercive power afforded to the more powerful state. Yet, a powerful state's ability to impose its will on the weaker states may lead to more coordinated policies. Admittedly, such policies are more likely to favor the powerful state. Most people do not imagine relationships filled with coercion to constitute the types of harmonious trading relationships that liberals portray. Nevertheless, it seems plausible to argue that coercive power can be used to facilitate the rapid resolution of contentious policy issues. Unfortunately, policy disputes resolved through imposed demands (rather than negotiated outcomes) are likely to lead to greater long-term tensions. Thus, it remains unclear whether asymmetrical or symmetrical ties offer greater promise for producing coordinated policies that minimize the adverse consequences of dependence.

In general, leaders may view encroachment on a state's ability to determine its own policies, particularly in the domestic arena, to be a threat to national autonomy and even security. Historically, states tend to be unwilling to subordinate national interests for supranational objectives. Thus, the greatest hope for coordinated policies between interdependent states is likely to arise when there is a convergence of national and supranational objectives. Unfortunately, the liberal assumption that international trade immediately produces a convergence of state and global interests remains questionable.

Moreover, liberals argue that when conflicts of interest arise in interdependent relations, they will be resolved nonviolently. Beyond its empirical disconfirmation, the theoretical basis for this assertion is weak. Interdependent actors frequently engage in conflict. We know that intra-community violence, family violence, and civil wars are common phenomena (more common than interstate conflict). In addition, enhanced mechanisms for conflict resolution do not appear to thwart violence. A cursory look at any newspaper will reveal the widespread use of violence by citizens of democratic states against their fellow citizens. At the same time, the citizens of these societies exhibit a great tendency to resort to

conflict mediation or resolution through institutional and noninstitutional mechanisms (e.g., courts, therapists, mediators). Even when institutional mechanisms exist to resolve conflicts within societies, violence persists. If anything, we must begin to question the very logic upon which the argument that greater integration promotes peace rests. Rather than be surprised that trade failed to promote peace in the evidence reviewed in this study, it appears more logical to have expected to see an increase in violence with the expansion of interdependence.

Given the overall findings, one may ask why the results presented here depart from other studies that reveal a negative relationship between trade and conflict. In part, differences arise over the phenomena scholars seek to explain. As mentioned at the onset, I focus on whether interdependence deters states from engaging in extreme forms of conflict behavior between states—militarized disputes. With few exceptions, related empirical studies that provide evidence that trade promote peace incorporate cooperative and conflictual behaviors. Studies employing measures of “net conflict” evaluate the overall dyadic relationship by looking at the number of cooperative events minus the number of conflictual events. Incorporating cooperative events, which are more numerous than the rare conflictual events examined in this study, means that cooperation outweighs conflict. Thus, the conclusion that trade promotes peace is based on the empirical finding that trading states experience more cooperation. This is, of course, an interesting finding, but it is one that does not exclude the possibility that trading states also conflict more than other states. It may merely support the contention that interdependent dyads experience more cooperation and more conflict than do other states.

Differences also arise in studies that focus exclusively on militarized conflicts. Several efforts to explore the sources of discrepant findings in empirical studies of the trade-conflict relationship have failed to identify one dominant factor as responsible for the variations (Barbieri 1996d, 1998). Among the many variations in research approaches, scholars differ in the samples they analyze, the historical domain they explore, the manner in which they measure central concepts, and the choice of control variables. If, as some suggest, trade has a universally pacifying effect on conflict, the evidence of this effect should hold up across different samples, historical domains, conditions established through the use of control variables, and dimensions of trade dependence captured in

related measures. The findings presented here provide the most comprehensive assessment of liberalism's claim that economic ties inhibit the most extreme forms of conflict behavior. If there were a strong relationship between trade and peace, the evidence presented in this study should have pointed in that direction.

This study, while answering some questions, raises additional questions that require further exploration. At the outset, I argued that anecdotal evidence about the impact of trade fails to inform us about whether a systematic relationship exists between trade and conflict. Yet, having uncovered evidence of that systematic relationship, it is clear that the large-*N* quantitative analyses have their own limitations. While I employ measures designed to capture the variations in interdependent relationships that may account for the differing impact of trade ties, a more detailed examination of the dynamics within interdependent relationships is needed. Given the ambiguities presented in the literature relevant to the trade-conflict debate, further explanatory power and theoretical enrichment might come from supplementing large-*N* studies with detailed case study analyses. The latter approach would provide some of the details about the missing links in the puzzle about countervailing tendencies of economic interdependence.

POLICY IMPLICATIONS

The empirical analyses presented in the previous chapters have important policy implications for the post-Cold War era. Many scholars and policymakers increasingly credit trade with contributing to the post-World War II peace, arguing that the continued expansion of trade ties will produce a similar effect in the post-Cold War era. The findings of this study suggest a reevaluation of policies designed to foster extensive trade ties.

Rather than simply assuming that trade will always promote peace, policymakers must consider the nature and context of economic linkages. In addition, if policymakers are to begin to formulate policies more consistent with the goals of peace, they must begin to recognize the shortcomings of policies designed according to the unconditional liberal premise that trade will always promote peace. By understanding the factors most likely to inhibit conflict in trading relations, political leaders will be better equipped to assess the potential impact of interdependence and to identify those relationships that are most likely to maximize the benefits of economic relationships, while minimizing costs of economic relationships.

In a similar way, scholars are now reevaluating the universal claims about the pacific nature of democratic states and are beginning to question the utility of policies designed to promote democracy among all states. Several scholars claim that states in the process of democratizing may be more conflict-prone than other states (Mansfield and Snyder 1995), that democratization has no significant effect on conflict processes (Thompson and Tucker 1997; Enterline 1995), and that democratic reversion increases the likelihood of interstate conflict (Ward and Gleditsch 1998). The empirical findings presented here suggest that trade may also have a positive influence on the conflict propensity of dyadic relations or have no influence at all. It may, therefore, be important to consider whether the concessions granted to states in the interest of fostering trade ties are worth the potential costs, particularly when the desired outcome is unlikely to obtain. States may still pursue strategies of expanded trade, in the hopes of profiting from economic relationships. Yet, they should not adopt the mistaken belief that trade ties will produce peaceful relationships.

It is also important to consider the implications of my findings with respect to the pacifying influence of symmetry and the presumed conflictual nature of asymmetrical ties at low levels of salience. Currently, Western leaders have sought to incorporate newly independent states into the world economy in the hope of securing a peaceful and prosperous future. The newly independent states of the former Soviet Union provide fertile ground for the West's economic expansion. The present economic standing of many Eastern European states makes it difficult to speak of their relations with the West as symmetrically dependent. Rather, asymmetrical ties may create a vicious circle of dependence and potential contempt that mirrors that found in North-South relations in the post-World War II era. For many of the newly independent states in the post-World War II era, legal independence did not mean economic or political freedom. In addition, the legacy of neocolonialism produced a gap in the distribution of wealth within and between nations and left questions about the viability of a stable peace in North-South relations. Thus, the asymmetrical trading relationships now being created may not only fail to foster peace, but may ultimately prove to be conflict prone.

Certainly, the evolving global economy must be considered when assessing the potential impact of trading relations. As the sheer volume of international trade grows, the flexibility of trading states to redirect trade

patterns increases. In many respects this may offer benefits for trading states and a greater potential to achieve peace through trade. One of the primary negative attributes of dependent relations resides in the inability of dependent states to redirect their trade patterns when faced with undesirable economic relationships. As the flexibility of trade linkages increases, the relationships that emerge may be more reflective of the liberal perception of beneficial trade. That is, when a relationship poses undesirable political or economic costs, states have more freedom to exit the relationship. Unfortunately, many of the structural vestiges of dependence created through colonialism and imperialism persist in North-South relations, limiting the freedom of less powerful states to diversify their trade patterns. As noted, a similar pattern of structural dependence may emerge between emerging economies and dominant states. While most would agree that autarky is not a viable option for developing states, it appears that other policy options must be explored that take into account a more realistic picture of the range of possibilities in the outcome of trading policies. People must consider the negative consequences of trade and interdependence if they are to understand better how to avoid some of the pitfalls of interdependence.

One further trend must be identified in anticipating the impact of trade relations in the post-Cold War era. Given the findings presented here, it appears that the tendency to promote regional trading blocs as a means to derive greater economic benefits may have detrimental political consequences. For the results here indicate that it is extensive trade ties, especially among mutually dependent states, that appear to have the most damaging impact on interstate relations. This is particularly true when trade partner concentration is high, as will presumably be the case in regional trading agreements. Although regional trading agreements signal a willingness of states to cooperate in pursuit of mutual benefits, nations are generally resolute in pursuing national priorities over supra-national goals. Thus, uniting states in the intricate web of linkages found in interdependent relations may prove to have more costs than benefits. In addition, the prospect for conflict is much greater when states pursue extensive as opposed to minor ties; that is, trade with minimum dependence may be a sounder policy than complete interdependence.

One additional trend in economic relationships is important to consider—the changing structure of the global economy. The inability of states to respond to shifting demands in the global economy has height-

ened tensions over trading issues. In particular, the most powerful states no longer garner the same benefits from the world trading system that they once enjoyed. Leaders that are unable to adjust their economy to respond to the changing demands of the global marketplace may turn to scapegoating. Tensions over economic issues may increase as the stakes of economic policies become more critical. Slow economic growth, combined with tensions over trade imbalances, appears to have heightened hostilities over a host of trading issues. Perceptions that one state may be deriving disproportionate gains from trade have led to charges of unfair trading practices. In the past, concerns about relative gains may have been less pronounced since economic expansion enabled more states to derive greater gains from trade. However, the financial crises of the 1990s and the economic hardships these produced may heighten perceptions that the economic pie is shrinking. Whether economic growth is faltering or not, the perception of a shrinking pie, in itself, may create concerns over the distribution of that pie.

Clearly, my predictions paint a grim picture. My intent is not to argue that states should turn back the clock of global integration, but to stress the need to understand the potential impact of increased interdependence. Designing policies based on faulty assumptions about trade's impact benefits no one. If policymakers understand the potential impact of trade ties, they will be better equipped to find ways to stem the tide of tensions that may erupt in such relationships. Ideally, states will devise measures to minimize the costs associated with interdependence, while also maximizing its benefits. They must also consider the overall context in which trading relationships are embedded in evaluating whether it is desirable to expand dependence on any given state.

Possible Scenarios

Given the rarity of militarized disputes, the magnitude of the influence of interdependence on conflict (as of any one factor believed to affect militarized conflict) appears minor. Nevertheless, it is useful to consider the directional influence of interdependence on conflict and the relationships most likely to minimize the risk of conflict. To do this, it is helpful to consider a few possible scenarios that a leader might face in considering whether to increase trade ties with a particular partner.

Imagine that a leader of State A is evaluating its trading relationship with State B and is considering whether to increase its trade dependence

on State B. Assume State A can only alter its own policies toward State B—it cannot influence State B's dependence on the relationship. Assume also that the leader of State A is concerned with maximizing security and seeks to alter its trade dependence in a manner consistent with minimizing the probability of getting into a militarized dispute. Even if the leader assumes that increased trade results in greater gains from trade, placing security concerns foremost on the agenda means that he or she will increase trade dependence only when it seems to offer an increased opportunity for peace. The benefits acquired from expanded trade will not offset the costs of greater insecurity.

Now, let us imagine three possible relationships that State A could have to its trade partner—State B. Recall from figure 1 that the Interdependence-Dependence Continuum consists of four quadrants. Quadrants I and IV represent asymmetrical trading relations; quadrants II and III represent symmetrical relations, with quadrant III representing minor linkages and quadrant II indicating extensive interdependence. Using the logit estimates from the analysis of MID occurrence for the period 1870–1992 that are reported in table 1, I calculate the dispute probabilities corresponding to different configurations of trade-partner dependence for a given dyad, $Dyad_{ab}$.

Figure 6 illustrates the dispute probabilities corresponding to the various configurations of trade dependence. The first figure, (a), depicts the lowest range of quadrant III, where each state conducts no more than 10 percent of its trade with a given partner. This scenario represents the most typical type of dyad in the sample, with 90 percent of observed cases in this study falling within this cell. Thus, this scenario is particularly interesting to consider. The next two cases, (b) asymmetrical and (c) symmetrical and highly salient relationships, are less typical, but worthy of consideration. The trend toward greater regional integration, as well as asymmetrical trading arrangements, may make these relationships more common in the post-Cold War era.

Imagine that State A can make only incremental changes in its trade dependence in the short term (i.e., moving outside the quadrant considered may provide alternative scenarios not considered here). In figure 6 (a), I find that the optimal position for maximizing security occurs at the lowest point of mutual dependence (0, 0). The probability of a dispute in a given year is 0.003 when no trade ties exist, compared to 0.008 at position (.1, .1). Regardless of State B's initial level of trade dependence

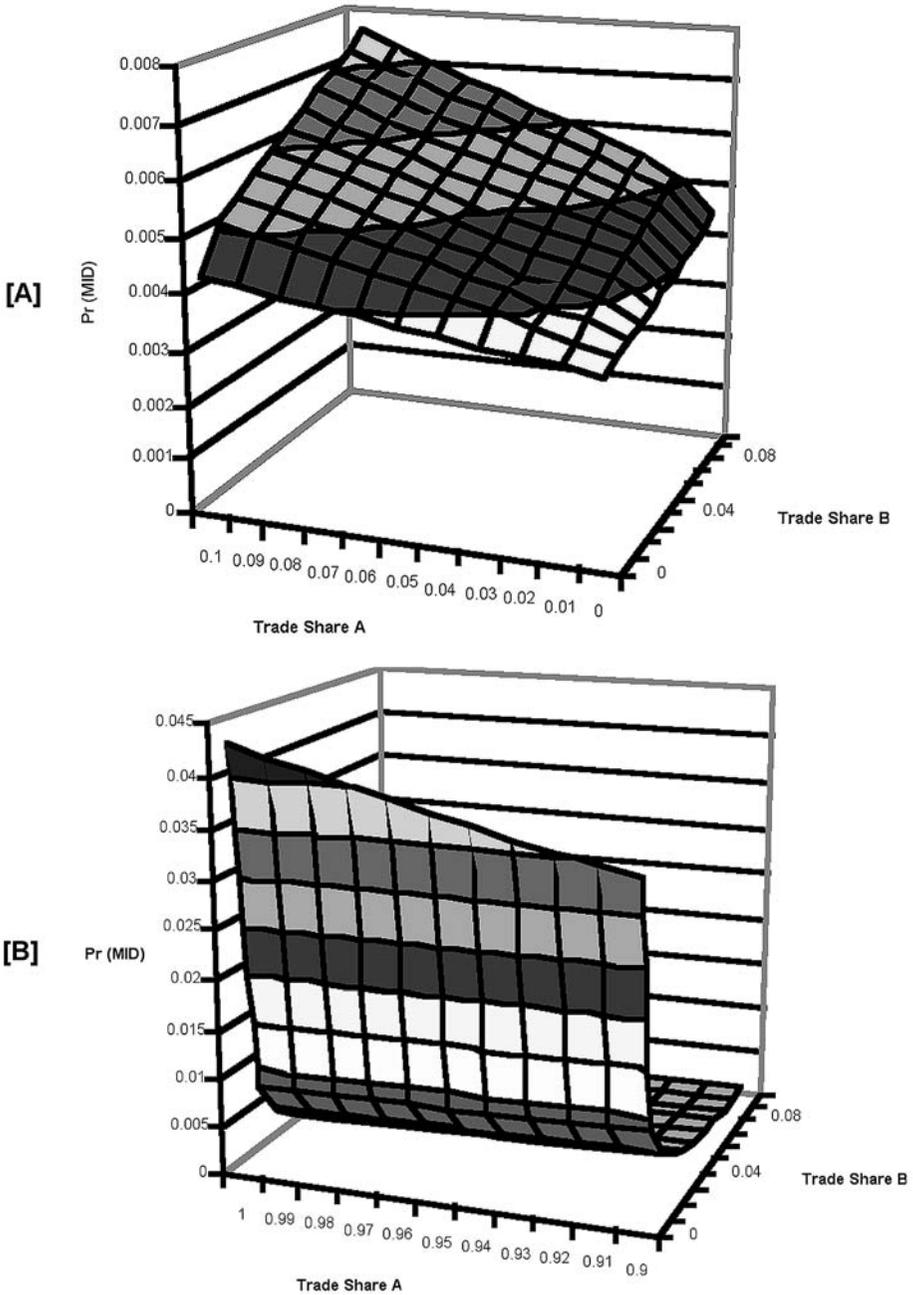


FIG. 6. Scenarios of interdependent relationships: *A*, symmetrical, nonsalient relationships (quadrant III); *B*, asymmetrical relationships (quadrants I and IV); *C*, symmetrical, salient relationships (quadrant II).

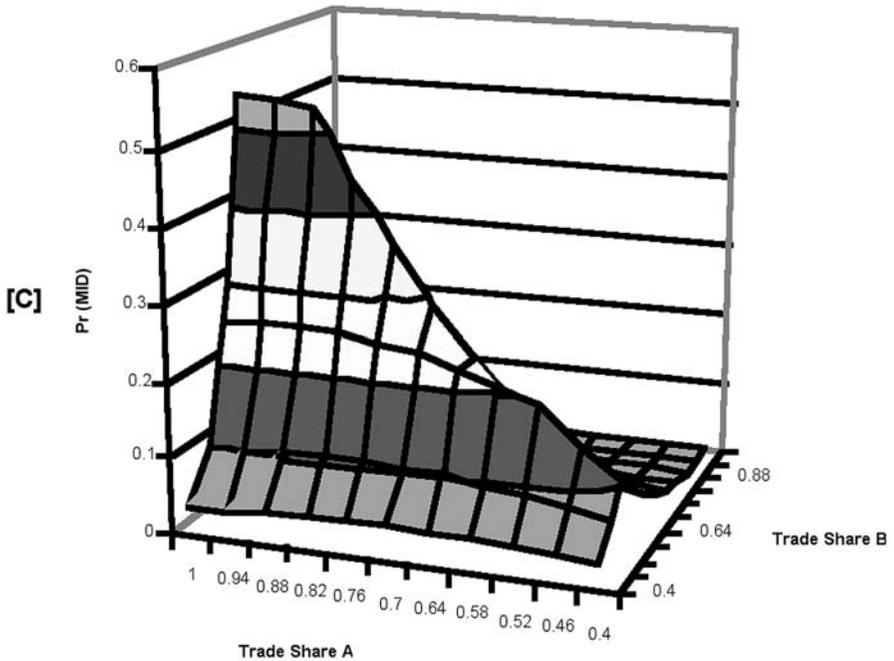


FIG. 6(C)

within this quadrant, State A will always be better off from a security maximization perspective in reducing its trade dependence on B. This leads to the conclusion that for the most typical type of trading relationship, leaders are better off minimizing trade dependence, if security maximization is a priority. In fact, it appears that this is the position that most states take with respect to trade. Whether intentional or not, in most cases states fail to depend on any one partner for more than 10 percent of their trade. In only about 10 percent of the cases observed in the sample do states exceed a dependence level of more than 10 percent with any one partner.

In figure 6 (b) I consider the case of an asymmetrical trading relationship. State A conducts between 90 and 100 percent of its trade with State B, while State B conducts no more than 10 percent of its total trade with State A. Cases such as these are observed in the sample, but are extremely

rare. Less than 1 percent of the observations in this study represent cases where a state relies on one partner for more than 90 percent of their total trade. In such a situation, the optimal move for State A would depend on State B's position. If State B conducts less than 10 percent of its trade with State A, A is better off reducing its trade dependence on B. In this range of highly unequal dependence, the greater A's reduction in dependence, the lower the probability of conflict. On the other hand, within this quadrant, if State B conducts more than 10 percent of its trade with A, State A is better off increasing its trade dependence on State B. The optimal position for minimizing conflict actually occurs at the position (1, .1). The less dependent state (State B) is always better off increasing its trade dependence on A. This extreme form of asymmetrical relations makes each state less secure, which could be compensated by a move toward greater symmetry.

Figure 6(c) illustrates the case in which State A and State B have highly salient and symmetrical dependence, where each state conducts more than 40 percent of its trade with the other. This case represents an extremely atypical situation. The more typical scenarios are those where dyads are either symmetrical and nonsalient or else asymmetrical. In this relationship, a movement toward symmetry increases the likelihood of conflict. If State A's trade share is larger than State B's, State A is better off increasing its dependence on B. However, if State A's trade dependence is lower than State B, decreasing dependence is more desirable. If one state moves toward the region of greater symmetry, the other state should move to a position of relative asymmetry. We see that the impact of symmetry varies across different types of dyadic relationships. In the first scenario, symmetrical relations are more pacific, while here, they are more conflictual.

Finally, we may depart from the approach taken in the previous scenarios to consider a different perspective of viewing the trade-conflict relationship. If we adopt the liberal view that states are concerned with maximizing welfare, rather than security, the optimal policy would differ. A state might be willing to forfeit greater security for greater gains from trade. Perhaps the more realistic approach would be to recognize that states derive utility from both welfare and security. However, an increase in the gains from trade appears to require a trade-off with security.

If a leader's decision calculus incorporates concerns for maximizing welfare and security, then decisions to alter one's trade policy would

depend upon a number of factors, including the utility a leader ascribed to welfare relative to security goals, the risk acceptance of a leader, and the nature of the trading relationship. Some leaders might be willing to forfeit the gains from trade associated with expanded trade ties in the interest of greater security (i.e., a reduced likelihood of experiencing a dispute). On the other hand, a leader might be willing to risk the higher likelihood of a dispute in the interest of acquiring greater gains from trade. Whether a leader substitutes gains from trade for security will, in part, depend upon the utility he or she assigns to security versus gains from trade. In addition, a leader's decision to substitute welfare for security will in part depend upon his or her propensity toward risk acceptant behavior. For example, if a leader recognizes the rarity of militarized disputes, he or she may incorporate a consideration of the probability of a dispute actually occurring into the decision calculus for expanding trade ties. Given the rarity of disputes, the probability of incurring the costs of conflict is lower than that of attaining the benefits of trade. Again, the nature of the relationship must also be considered, since there are instances where an increase in dependence requires no security trade-off. The primary point I hope to underscore from these scenarios is that trade decisions involve implicit costs to national security, a view at sharp variance with the traditional liberal approach. These costs must be evaluated relative to the benefits from trade when considering strategies for altering trade policies. Obviously, further attention must be devoted to assessing the factors that might influence a leader's decision calculus, yet this approach may offer a more realistic assessment of the trade-conflict relationship than that provided by alternative models.

THE FUTURE

This study stimulates some important issues for future research. Perhaps the primary component missing from this and related research would be a more adequate assessment of the costs and benefits incurred through interdependence. I have repeatedly argued that the conflictual or pacific elements of interdependence are directly related to perceptions about trade's costs and benefits. Yet, a more comprehensive evaluation of these costs and benefits is needed to see whether a link truly exists between the benefits enjoyed in a given trading relationship and the inhibition of conflict in that relationship or, conversely, the presence of net costs for at least one trading partner and the presence of conflict in that relationship.

For example, we should consider whether trading relationships that contain two partners believed to benefit from trade are more pacific than those relationships that contain at least one state believed to be worse off from trade. In this study I have merely outlined the types of relationships believed to confer the greatest benefits, but such benefits and costs require more rigorous investigation.

In addition, while liberals generally assume benefits increase with the expansion of trade, benefits may actually conform to the law of diminishing returns. Costs, on the other hand, may grow exponentially, as interdependence grows. Thus, if we evaluate the net benefits of interdependence, costs may outweigh benefits as interdependence increases. Again, further investigation is necessary to evaluate the functional form consistent with the rise and/or decline of costs and benefits in interdependent relations. Of course, assessing the political costs of interdependence may be more difficult than assessing the economic benefits. For example, it is easier to evaluate the variations in national growth corresponding to greater participation in trade than to assess the political impact of dependence, such as losses in national autonomy.

Another area that requires further consideration concerns the interactive effects of several types of interdependence for fostering interstate peace. One of the primary components of liberal theory focuses on the convergence of interests and the transmission of commonalties that arise through economic and noneconomic linkages. While I have controlled for several types of interstate bonds, further attention is needed to uncover the combined effect of expanding interstate bonds in multiple areas. There may be countervailing influences from different forms of interstate interdependence.

Throughout this study I have underscored the two dominant perceptions about interstate linkages, one suggesting that greater ties foster peace, the other suggesting that interdependence increases the likelihood of conflict. Empirical evidence suggests that different forms of interdependence may have different effects on conflict. For example, contiguity is consistently found to increase the likelihood of conflict, while the commonalties believed to be associated with joint democracy are generally found to inhibit conflict. Scholars tend to focus on the same notion of interstate ties to explain both the pacific and conflictual nature of these two types of interstate ties. In fact, some of the same theorists who argue that the high levels of contact associated with contiguity give rise to

conflict suggest that the ties promoted through joint democracy will give rise to peace. We can only conclude that interstate ties foster both peace and conflict. Yet, we need to determine why greater ties in one area may be more conducive for peace, while in other areas, interdependence will increase conflict. Again, we are left with the conclusion that it is not interdependence itself, but some element of that relationship, that gives rise to variations in its impact on conflict.

Although part of the answer may reside in the costs and benefits of interdependent relationships and the manner in which this influences conflict decisions, it is clear that the dynamics described in psychological and sociological theories of close relationships may have important implications for studies of interstate interdependence. For instance, these theories may help uncover the mystery of the factors that tip the balance between conflict and cooperation that clearly coexist among interdependent actors. Exploring this question has implications for trading relations, as well as other forms of relations between actors in world politics.

In a similar vein, further investigation is required in order to understand the interrelationship between conflict and cooperation in interdependent relations. This is particularly true among states whose destinies may be linked, but where the link is established through conflictual interactions (e.g., enduring rivalries). As in other dyadic relationships, it is important to understand how the promotion of cooperation may dampen conflictual behaviors. Similarly, it is necessary to consider the simultaneous influences of trade and conflict. Here, I considered only the influence of interdependence on conflict, but, as discussed previously, conflict likely affects interdependence. However, a more complete assessment of the factors influencing trade patterns may be needed to evaluate the influence of trade on conflict, and that of political factors on trade.

In addition, recent discussions over the most appropriate measures of interdependence tended to view GDP- and total trade-based measures as alternative methods of operationalizing the same phenomena. As discussed, these measures may actually be capturing related, but distinct, dimensions of interdependence. Further tests are needed to evaluate why some forms of dependence produce different results on interstate relations. In addition, researchers are exploring new ways to capture the importance of commodities in evaluating trade dependence. Obviously, dependence and interdependence captures myriad interstate ties, some of which remain unexplored or unoperationalizable.

Finally, one missing link in the trade-conflict relationship resides in the nexus of domestic politics and international relations. Generally, political economists and others focus on the internal conditions and domestic coalitions influencing trade policies (Rogowski 1989). On the other hand, this study and related studies of interdependence focus on the relationship between states, with little attention devoted to the internal forces influencing trade policies. As in the case of assessing costs and benefits, it would be useful to consider how the realization of costs and benefits among different domestic political and economic coalitions influences trading relationships, which may then influence the expected utility of trade and conflict (Brawley 1993; Rosecrance and Stein 1993). The applicability of two-level games to the trade-conflict relationship remains the most unexplored avenue for future research (Putnam 1988).

While I sought to answer several questions about the trade-conflict relationship, it should be quite obvious that interdependence—both as a concept and a relationship—is more complex than generally thought. It is also clear that economic ties have a significant influence on conflict. Most observers realize that economic relationships matter; my analyses have specified how they matter. Although my findings indicate that the impact of interdependence on conflict is not akin to the vision espoused by liberals, the tendency for conflict researchers to exclude this important relationship can no longer be justified. We see that economic interdependence does affect interstate relations—and not in the ways predicted by those who believe trade promotes peace.

As in any vibrant field, there will be disagreements, struggles, and eventually advancement. I do not view what I have written here as the last word. Rather it is a very modest start—it is an attempt to rethink conventional thinking in a way that will in the long run advance the field. Social science is a messy process, but when the dust settles we usually see progress. My fondest hope is that what I have written will prompt others to take pen in hand and modify and improve the ideas and claims advanced in these pages. It is only through such back-and-forth progress that we can begin to understand more fully the complicated workings of trade on the international system.