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Challenging the Democratic Peace Theory: The Role of the U.S.-China Relationship

by

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Abstract

The democratic peace theory proposes that democratic states are less likely to go to war with each other, but will go to war with nondemocratic states, and usually win. This is a theory that has generated much controversy. There is no denial that peace exists between democracies, but the controversies arise over why.

The twenty-first century has seen a rise in China (an autocratic state) and its struggle to obtain a presence on the world stage and equality with the United States (a democratic state). There has not been a militarized dispute between them and they report billions of dollars in trade each year. Which begs the question, how has the United States-China trade relationship challenged the democratic peace theory?

To answer this question a thorough review of the democratic peace theory becomes necessary as an aim to introducing the theory and reviewing the literature advanced by democratic peace theorists. A discussion of the theory's origins, central features, limits and its critics is presented. The opening of China and its economy in relationship with the United States is analyzed to show how trade interdependence has meant closer and increased trade.

I argue that the United States-China relationship, which addresses the peaceful constraints of economic interdependence, can reveal important limits of the democratic peace theory. The method chosen to examine the argument is based on a case study of the peaceful relationship between the United States and China. The selected cases provide trade data to assess the magnitude of trade interdependence between them. Concluding that the theory is

limited in that it fails to address the influence of trade interdependence as a better explanation for peace, and not democratic processes.

Chapter One

Introduction

Problem

What is peace? Is it simply the absence of war? Many theories have been born from this question. One of the most prominent is the “democratic peace theory”, which holds that stable democracies are less likely to fight wars against each other. In the contemporary era, “democracy” denotes a country where nearly everyone can vote, elections are freely contested, the chief executive is chosen by popular vote or by an elected parliament, and civil rights and liberties are substantially guaranteed.

In keeping with the contemporary era definition of democracy and the more widely accepted dyadic version of the theory, the twenty-first century brought us a larger global dynamic, the relationship between the United States and China. Both states are each others’ top trading partners with billions in trade reported each year. Even though both took adversarial sides in the Korean War and supplied the warring North and South with troops and supplies, the conflict was classified as a collective United Nations security action, and not a war between China and the United States (U.S.).

Over the years, the two’s economies have become increasingly interdependent, despite the recent increase in military tensions in the South China Sea. The problem with democratic peace theory, then, is that it places too much emphasis on politics as a negative driver of conflict; and less, if any significant emphasis, on the peace inducements or incentives of economic

interdependence. The result is that democratic peace theory fails to explain why the United States and China are less likely to go to war because of their economic interdependence.

Question and Argument

Again, the theory claims that democratic states are less likely to go to war with other democratic states, than with a nondemocratic state. The democratic peace theory (DPT) also hypothesizes that democracies are more likely to go to war with nondemocracies than democracies. But this second hypothesis is not borne from the relationship between China, an autocratic state, and the United States a democracy. There is for instance (and using the DPT's statistical definition of war) no record of a conflict between the two with at least 1,000 battle deaths, despite some military tensions in the South China Sea.

The reason that such tensions are not likely to amount to anything serious or tangible, I claim, is that the two countries have become too economically interdependent. If the two of them have never been, and I propose, not likely to war with each other, then the theory should explain the peaceful relationship between them, but, I contend, the problem is that the theory does not and can not explain the peaceful relationship between the two insofar as their economic interdependence creates strong disincentives to go to war (in relation to the political incentives to war). In short, the democratic peace theory has difficulties in addressing the influence of trade interdependence. So the question then becomes, how has the United States – China trade relationship challenged the democratic peace theory?

It has been argued that the absence of war between democratic states comes as close as anything we have to an empirical law in international relations. Although statistically the probability of war between any two states is considerably low, the absence of war across a wide range of different historical, economic, and political factors suggests that there is a strong

predisposition against the use of military violence between democratic states. But an important countervailing factor with this first hypothesis of DPT are the economic constraints associated with economic interdependence, or more concretely, the shared desire to maintain and promote free trade. The idea of free trade reflects what Immanuel Kant – whose ideas on peace among Republican states constitutes the normative dimension of DPT – referred to as hospitality or remaining friendly to those with whom you are expecting goods.

I argue then the United States-China relationship, which addresses the peaceful constraints of economic interdependence, can reveal important limits of the democratic peace theory. The observation that the likelihood of conflict between any two states with high levels of bilateral trade suggests that states will greatly benefit from upholding a free and open international economic system. Because maintaining a liberal international trade relationship rests on the assumption that market forces, rather than spurring competition that leads to violence and coercion, will impose important political constraints on nations via current and future economic transactions and an accompanying sense of mutual dependence that can and will often act as a restraint on military force.

Literature Review

With interdependence, states have other channels for settling disputes and wealth is gained from trade, not conquest (Burchill 66). Thus, interdependence reduces incentives for military conquest. Rosecrance's 1986, work *The Rise of the Trading State*, argues that "the growth of economic interdependence has been matched by a corresponding decline in the value of territorial conquest for states." (66). As security concerns diminish and as multiple channels of contact begin to connect societies, it becomes increasingly difficult for traditional power politics to function. This model appears to have been the Nixon administration's policy toward

the Soviet Union. Henry Kissinger argued with regard to Moscow, ‘By acquiring a stake in this network of relationships with the West, the Soviet Union may become more conscious of what it would lose by a return to confrontation.’ (120). By analogy, Beijing will become more prudent if the United States can link China’s economy to the international economy and promote China’s integration into regional security regimes and other structures.

But does trade interdependence increase or decrease the probability of war among states? Is it a better explanatory power than the democratic peace theory? With the Cold War over, this question is taking on importance as trade levels between established powers such as the United States and Russia and emerging powers such as Japan, China, and Western Europe grow to new heights. Trade interdependence is a better explanatory power for peace than the democratic peace theory. It challenges DPT by addressing some of the limits of the methods used.

The origins of the theory and the methods scholars use to try and understand the theory range widely and are many. It begins with a look at Immanuel Kant and then Michael Doyle whose work provided the normative basis and methodological foundation of the theory. Two of the major strands of the theory are the causal logic are norms/cultures and institutional/structural constraints. Democratic norms and cultures are predicated on shared values and commitments to the peaceful resolution of political disputes. As such they tend to compel those sharing these norms to respect one another’s political system. By comparison, institutional/structural constraints, are the restraining effects of public opinion, or of the checks and balances embedded in a democratic state’s domestic political structure. A third strand, which I stress, holds that the normative causes and institutional constraints also interact with the economic forces of trade interdependence, which in turn helps explain peace.

The first strand, as mentioned above, began with Immanuel Kant over 200 years ago in his essay *To Perpetual Peace, A Philosophical Project* (1795), and its three tenets of perpetual peace namely, republican states, cosmopolitan rights, and a confederation of republican states (Kant 1991). DPT scholars argue that the concept of the democratic peace theory has existed over two hundred years and continues to evolve. In fact, Daniel Archibugi argues that Kant, A...is considered the ancestor... of the democratic peace theory (429) .”

Kant=s thesis specifies that states should not enter into secret peace treaties; armies should be disbanded, and sovereignty should be respected, and states should not permit acts of hostility in a time of peace. Most importantly, once states were able to achieve Republican status (that codified freedoms and equality for the citizen populace) and abide by the terms of cosmopolitan right, they could enter into a confederation of free states with republican constitutions which valued universal hospitality or Acosmopolitan law@ (Archibugi 445).

Kant=s essay in some ways resembles, yet differs significantly from modern theorists who call for a democratic society. Kant clearly speaks of a republican and not democratic state, AThe Civil Construction in every State shall be Republican@ (Kant 13). Kant also claims that, A...the Republican Constitution is the only one which perfectly corresponds to the rights of man....@ (Kant 29). He also defines a democratic government as one with a legislature that is separated from the executive branch. Republican governments are more pacific than other forms of governments in general because the citizens are in control and will decide if a nation goes to war or not (Kant 14). As Archibugi puts it, A....Kant did not believe that a peaceful and >democratic= international society could be developed just by democracy being achieved within individual countries....= but that institutions and the development of a body of law are necessary. (430)

Doyle's article, "Kant, Liberal Legacies, and Foreign Affairs" appears to be the most generally accepted work about the existence of the democratic peace and seems to expand on Kant's liberalism (Ray 30). Doyle's work, however, has probably stimulated more interest in the idea of a democratic peace than the others.

Doyle, agreeing with Kant, identified liberalism as the necessary and essential principle of freedom. It is the belief of moral freedom, of the right to be treated fairly, and a duty to treat others as ethical subjects, and not as objects. It is this principle that has generated rights and institutions. According to Doyle, there exist four essential institutions: citizens= possession of judicial equality together with fundamental civic rights, sovereigns through their electorate exercise constraint, economic recognition of the rights of private property and economic decisions are shaped by supply and demand, both domestically and internationally. (5)

While it may have taken Michael Doyle's work to renew current interest in the theory, Bruce Russett and John Oneal (1997) have provided the most prolific research programs in international relations in recent years. It is Russett and Oneal who provided a simple definition of the democratic peace and then asked if the democratic peace theory can replace those realist ideals and then presents two theories of the democratic peace theory: the cultural/normative and structural/institutional model; and then ultimately triangulated interdependence as another underpinning to the theory (Maoz and Russett 1992, 1993; Oneal et al. 1996; Oneal and Russett 1997, 1999, 2000; Russett, Oneal, and Davis 1998: 8).

Democratic states resolve their conflict without war by way of compromise and nonviolence. A democratic state, when dealing with another democratic state, expects the other to follow the same norms. Within the structural/institutional model, violent conflicts between democracies are infrequent because the institution of democracy itself, with its checks and

balances, restrains leaders from conflict with the processes of democracy. But, political freedom also reflects the centrality of the voting public, congress and rules.

Institutional constraints such as the elected official versus his constituent can have an impact on whether or not a state will ally or go to war. While an event can bring the patriotism out in people and they will “rally around the flag”, interest will wane and the general public will eventually develop a bad taste over the loss of life and the monetary expenses incurred. Even Roland Paris in, *ABringing the Leviathan Back In@* agrees that for democratic peace to exist there needs to be effective limited institutional constraints.

Russett does acknowledge that while each model is distinct from each other, both models help explain the normative incentives of peace. In a series of studies, Russett and his colleagues demonstrated the pacifying influences of democracy (Maoz and Russett 1992, 1993), trade interdependency(Oneal et al. 1996; Oneal and Russett 1997), and membership in international organizations(Russett, Oneal, and Davis 1998) as a cause for peace. The authors argue that it takes all three: democracy, inter-dependence, and international organizations to cause peace, and soundly reject Samuel Huntington’s *Clash of Civilizations* (1996).

R. J. Rummel (1983) concurs with Russett’s idea that culture or institutional structures preclude conflict between pairs of democracies. Along these lines, Sebastian Rosato argues that DPT is flawed, but that peace is caused by democratic norms (accountability and public constraint), since such norms help to produce trust and respect. What this underscores is that Democratic leaders will use the “norm” of diplomacy and peaceful conflict negotiation, but only if they trust that the other state, whether democratic or not, will respond more peacefully.

All these normative studies find that regime type and other factors have important impacts. This underscores the other dimension of DPT: the 1, 000 battle deaths quantitative

threshold of war. The threshold is based on Correlates of War (COW) project, the brain child of J. David Singer and later joined by Melvin Small, which provides a data set on the incidence and extent of inter-state and extrasystemic wars in the post-Napoleonic period. It is here that we get a definition of the term war and the 1,000 battle death threshold that became the standard of measurement for most authors on the subject of the democratic peace. While it may be infamous, COW is not without its detractors (Gat 86).

Realists and the Neoidealists, for example, claim that peace is merely the suspension of war and that power politics and the distrust it involves ultimately undermines any mutual trust or bonds among nations. In fact, they insist that such bonds and normative causes of peace are illusory. For example, Christopher Layne, in his article “Kant or Cant: The Myth of the Democratic Peace”, and Steve Chan in his study, “Mirror, Mirror on the Wall...Are the Freer Countries More Pacific?” conclude that it is the structural constraint of fear that reduces or avoids war. Moreover, Zeev Maoz in his study, “The Controversy Over the Democratic Peace”, claims that DPT is limited to the nuclear age, and factors such as military competition and interests, rather than democracy, as the main determinants to war and peace between states (164).

A further puzzle arises from the contention that, whereas stable democracies do not go to war with each other, states in transition from an autocracy to democracy are more war prone. If true, this would raise serious doubts about whether, at least in the short term, creating more democratic states in the world would make the world more peaceful. The accuracy of this observation is hotly contested (Oneal and Russett 1997, 287; Russett and Oneal, 2001, 122; Ward and Gleditsch, 1998 52). Nonetheless, Mansfield and Snyder in “Democratization and the Danger of War” agree with contemporary social science (Doyle, 1983 and Russett, 1993) that

democratic nations are more peaceful, however, they argue that transitioning states, whether to or from democracy, are more likely to be involved in war (Brown 301).

The authors argue that it is the inner workings of domestic turmoil or more specifically the rise of the threatened elite and institutional weaknesses are the triggers for conflict. They carefully discuss the role that nationalists ideology and coalition politics in newly democratizing states play in producing a heightened danger of conflict with their neighbors (Brown 325).

Notably, Andrew Moravcsik (1997) argues that if you meld together economic liberalism with ideational liberalism and republic liberalism it explains a variety of international phenomena. Moravcsik attempts to make liberalism a worthy method of inquiry. He attempts to remove the normative mess that is often confounded with liberalism to highlight parts of the theory that make it useful to IR scholars. Moravcsik would have us believe that preferences are the most important when considering the constraints and incentives of democratic institutions.

In sum, many DPT scholars underemphasize the dimension of economic interdependence; and instead focus on or stress the primacy of normative causes and institutional constraints as measured by statistical models. Yes, as countries become democratic and industrialized they also may enter into important economic relationships that greatly constrain the political incentives to war or eclipse in some ways, the normative causes and institutional constraints present. They may in fact develop the same world views and be less likely to engage in conflict to avoid disruption to important trade pacts (Gartzke 9). Under economic norms theory, trade and economic interdependence take an important role. Michael Mousseau, for instance, argues that it is market capitalism that determines the most pressing constraints on war. For him, wealth serves as a common preference between states (186). If this is the case, then how does this apply to China and its economic relationship with the United States.

China, of course is an autocratic state, while the United States is a democracy. Yet neither have been involved in conflict with each other and the democratic peace theory cannot explain this. As a matter of fact, in all of the literature surrounding the democratic peace theory, there is little, if any assessment of this countervailing example of the U.S.- China relationship.

While the number of battle deaths would certainly entitle the Korean War to be labeled as a war, it still remains technically a United Nations collective security action. China and the United States have never been to war against each other. War was never formally declared by either state.

Since Deng Xiaoping and his reforms started in 1976, China has become an economic power house seeking to take its position on the global stage as an equal. Ezra Vogel's work, *Deng Xiaoping and the Transformation of China*, provided an in depth look at China's reform. The power of interdependence may have a larger role in the answer to what causes peace than the democratic peace theory. China and the United States have each become their own top trading partners.

The offices of the United States Trade Representative and Treasury Department conveniently provided a wealth of data that goes directly to the heart of the dynamic of that relationship. China is now the United States' third largest trading partner with a level of trade and investment higher than that of the U.S.. Increased capital flows since the Deng Reforms have provided advantages to both states. China receives foreign direct investment (FDI) to expand its industry, while the United States gains investment in a growing market. Also, the United States receives funding for its public debt, while China enjoys the benefit of guaranteed returns on loans to the world's largest economy (World Bank 2).

In all of these studies democracy was shown to have a significant negative impact on conflict. And the majority of scholars agree that the incidences of war has been greatly reduced and they all try to explain why.

Structure

Chapter one provides an introduction to the democratic peace theory. In Chapter two, we begin by examining the origin of the theory, its differing strands and limits, and ultimately the critics. Chapter three examines Trade Interdependence, China and the United States . And finally Chapter four, the concluding chapter, considers the evidence and the failure of the democratic peace theory to explain the peaceful relationship between China and the United States and the pacifying effects of trade interdependence as a better indicator of peace.

Chapter Two

The Limits of the Democratic Peace Theory

Liberalism emerged from the European Enlightenment and is an approach to government which emphasizes individual rights, constitutionalism, democracy, and limitation on the powers of the state. Classical idealism focuses on institutional constraints such as public opinion, economic-freedom (free trade), social freedom, the rule of international law, the prominent role of intentional institutions, the proliferation of democratic states as the actors encouraging interstate cooperation, and global stability. There are many strands of liberal thought which influence the study of international relations and from that liberal thought emerged the democratic peace theory. This chapter aims to review that literature and to analyze the origins and central features of DPT, both qualitative and quantitative, including the critics and other potential influences on the theory.

There are, as we shall see, differing versions of DPT. Some argue that even though democratic states do not, or “never” go to war with other democratic states, they are still war-prone and become involved in numerous wars with nonliberal states (Doyle 10). Other versions suggest that democracies “rarely” fight each other (Russett 4). Nonetheless, there is a clear divide over what causes peace and explanations range from the logical to the bizarre.

The Sources of Democratic Peace Theory

Is DPT just a phenomenon or the next best thing to international law? Whatever it is, it all seems to have begun with Kant whose work *Perpetual Peace*, many claim, remains a central component of the theory (Archibugi 429). Perpetual peace would be based upon a confederation

of free states with republican constitutions and universal hospitality or *Acosmopolitan law* (Archibugi 445).

Kant's essay clearly speaks of a republican and not democratic state. Kant defines democratic governments as a government wherein the legislature is clearly separated from the executive branch. The Republican Constitution is not to be confounded with the Democratic Constitution (14). Republicanism is regarded as the *Aconstitutive principle* of a state, there is no separation of the executive from the legislative. There does not exist an executive branch that is higher than the legislative branch. With a democratic government, the executive branch, can and often does issue executive orders to circumvent congress. Kant was no admirer of democracy because he believed that the executive branch was not controlled by the people.

Nonetheless, he claims that republic governments are more pacific than other forms of government in general because the citizens are in control and will decide if a nation goes to war or not (Kant 14). It is the people who will have to fight a war, pay for it and clean it up. While this may sound like a democracy it is not. Kant advocated a republican form of government, not a democracy.

However, in the contemporary era, it is "democracy" that is the basic foundation of what is now commonly known as a liberal state. It is a state where everyone can vote, elections are freely contested, the chief executive is chosen by popular vote or by an elected parliament, and civil rights and liberties are substantially guaranteed. Internationally, it is those values of compromise and nonviolence that are the most important.

Michael Doyle highlighted the Kantian basis for the democratic peace proposition and articulated its dyadic form. As he states, "Constitutionally secure liberal states have yet to engage in war with one another" (Doyle 1983a, 213). These two papers had an important long

range effect. In addition Doyle, like Rummel, performed a systematic analysis of data regarding the validity of the democratic peace proposition. That is, both authors analyzed authoritative data on interstate wars. They both used data from the Correlates of War project, the brain child of Singer and Small in 1972, and systematically attempted to classify by regime type all the states involved in those wars. Doyle, following Kant, identified liberalism with the essential principle of the freedom of the individual and concluded that the conduct of foreign affairs of liberal states is grounded upon liberal principles and institutions. Doyle's article highlights the differences between the liberal practice toward other liberal societies and liberal practice toward nonliberal societies. There exist four essential democratic features of liberal states: 1) citizens= possession of judicial equality together with fundamental civic rights, 2) sovereigns through their electorate exercise constraint, 3) economic recognition of the rights of private property and 4) economic decisions are shaped by supply and demand, both domestically and internationally (Doyle 5).

Apparently, the more libertarian the two states, the less their mutual violence, or the more libertarian a state, the less its foreign violence (Rummel 1983:29). Rummel's hypothesis, like Doyle, claims that democratic states will not fight one another, but will still have conflicts of one type or another and will have less violence with nondemocratic states. Further, it is usually the nondemocratic state that initiates the violence and not the democratic state. Institutional constraints such as the elected official versus his constituent can have an impact on whether or not a state will ally or go to war.

As already mentioned, democratic peace is caused by democratic norms and institutions two strands to the theory's causal logic. Bruce Russett claims that the normative/cultural and institutional/structural are what restrain states and maintain the peace. Within the

cultural/normative model, decision maker will try to follow the same norms of conflict resolution that have been developed within their domestic political processes and they will expect other decision makers in other states to likewise follow. As Brown stated, “The basic norm is that disputes can be resolved through democratic political processes that in some balance ensure both majority rule and minority rights” (92). By contrast, democracies do not expect authoritarian leaders to follow such norms, but instead often act aggressively and use force. Russett declares that violence will be more frequent because nondemocratic states are not predicated on the norm of conflict resolution inherent in democracies.

Political institutions, then, impose constraints on democracies’ decisions to go to war. Democratic leaders, when they are sure that they will win, are inclined to shift resources toward the war effort. (Bueno de Mesquita 791). Maoz and Russett state: “Due to the complexity of the democratic process and the requirement of securing a broad base of support for risky policies, democratic leaders are reluctant to wage wars, except in cases where war seems a necessity or when the war aims are seen as justifying the mobilization costs.” (626). They argue that any two democracies in a conflict can expect sufficient time for conflict resolution processes to be effective. Moreover, the general population frequently stands to gain fewer spoils of war and pay more in costs than does the leadership (Gartzke 9). Democracies (an institutional explanation), provide the populace with the ability to hold the leadership accountable at election times provides a strong incentive for leaders not to engage in wars, particularly costly ones. Leaders are motivated to keep their jobs and will carefully decide when to go to war or not. (Bueno de Mesquita 804) The greater the scale, cost and risk the more effort must be made to win the approval of the public.

Even Roland Paris in, *Bringing the Leviathan Back In* argues that for democratic peace to exist there needs to be effective institutional constraints and that Hobbes' Leviathan must be reincorporated but in a tamer manner. Paris also argues that state building is mandatory because without it there will only be autocracy. Limited institutions are the answer but it begs the question, who gets to choose those institutions?

Both explanations are distinct from each other, but are not neatly separable. Institutions depend on norms and procedures (Brown 103). But Dictators are better able to resist being deposed from office and so are less restrained by fear of popular reprisal (Bueno de Mequita 800). If they win, they can retain the spoils of war. If they lose, they need do nothing more than retain the support of the elite and the military. Democracies are constrained from going to war by the need to ensure broad public support which is manifested in various institutions of government. Popular support can be built upon rhetoric and exhortation, but cannot be readily compelled and it will take democracies longer to gear up for war. Finally, democratic institutions may give their leaders a superior ability to signal threats and commitments credibly during international negotiations. The free press may improve transparency of intention when two democracies enter into negotiations.

Democratic leaders generally consider other democracies to be reluctant and slow to fight because of institutional constraints. However, those institutional constraints can be used against a democracy. A nondemocracy will use the opportunity to exploit a democracy for concessions.

In short, democracy is a strong indicator for peace, but it also needs to take account of interdependence. In 2001, Russett and Oneal *triangulated* interdependence and democracy with the pacific benefits of trade and found that it takes these three pillars to create peace (Russett and Oneal 2001; 155). They decided that commercial relations create a high degree of

interdependence and maybe what are democratic institutions and cultures are really the result of interdependence from open markets (Russett and Oneal 2001; 125). Almost all democracies have some sort of economic system in place, and consequently democracies have a tendency to trade heavily with each other. The pacific benefits of trade, both total and dyadic, have not been sufficiently appreciated. These authors go on to state, "... the classical liberals were right: democracy and trade do reduce the likelihood of military conflict, at least in the post-World War III era." (Oneal and Russett 1997, 268).

In sum, the basic norm of democratic theory is that disputes can be resolved without force through the democratic political processes. It is argued that the normative model is stronger than the structural (Maoz and Russett, 636). In the end, these two influences serve to reinforce one another. Where normative constraints are weak, democratic institutions may provide the necessary additional constraints on the use of violence against other democratic states. For example, stability, which is treated as a measure of normative acceptance of democratic processes, is also an institutional constraint. While both are distinctive in their own way, both are complementary and overlapping and there cannot be one without the other. Yet there is still disagreement among scholars as to which influences are strongest. However, in the end, democratic peace theorists counter this with the fact that democracies have rarely fought one another. The very idea of processing a theory itself becomes a vital object of inquiry and its strengths and weaknesses become more and more obvious. Classical liberalists believe that limited government is the answer. It is institutions that enforce the rules and procedures that makes democracy work.

The Quantitative Side

Much of the research on the democratic peace has relied on certain statistical tests and data bases that determine that democracies become involved in wars about as frequently as other states, but by reason of restrictive definitions, have fought each other (Brown 304). Scientists use differing definitions, differing decision rules for identifying international actors and different variables and time periods that can all cause confusion. Different data collection can make a significant difference in empirical results.

Even identifying regimes possessing the political structures of a democracy is no trivial task. The Correlates of War Project, as mentioned earlier, was founded in 1963, by J. David Singer. The goal of the project has been the accumulation of scientific knowledge about war. Joined by Melvin Small, the project took on more accurate data on the incidence and extent of inter-state and extra state systemic war. In 1972, they published, *The Wages of War*, a work that established a standard definition of war that has since guided research. Singer and Small (1982), hypothesize that to be defined as an interstate war, there must exist at least one thousand battle deaths.

Yet despite its wide influence, problems with the Small and Singer research design made it a poor foundation of where to begin to build consensus. Not only were Small and Singer's statistical tests simplistic (difference between means) and their measure of democracy very rough (a dichotomous indicator), their analysis also suffered a fatal design flaw that makes it irrelevant to the democratic peace issue. They sampled selected wars rather than regimes with the potential for war as the theory would suggest. In other words, the probability of war, given regime type, is central to the democratic peace question, whereas Small and Singer instead

estimated the probability of regime type given war involvement. The two are statistically nonequivalent.

Rummel made a significant attempt in dealing with this problem. He examined associations between regime type and conflict from 1976 to 1950, and discovered evidence that freer regimes did indeed commit less acts of official violence. Although it stands as a lonely voice of dissent, Rummel's study did not validate democratic peace theory because it suffered from a narrow time period. Rummel's measures of both conflict and democracy were nonstandard, relying on media reports and a measure that included economic freedom.

Different periods from which data was collected muddied the waters further. Rummel confined his research to a five (5) year term, from 1976 to 1980, and all interstate wars since 1816, and claimed that there was an overabundance of evidence. Although political freedom erects a natural barrier to violence between democracies, it does not apparently have the same restraining effect on the democracies when dealing with nondemocracies (Rummel 25).

Christopher Layne disagreed with Rummel's sampling set of wars in that several important cases of wars between democratic states are not counted for reasons that are not persuasive. This coincides with Steve Chan's research who, in his article, "Mirror, Mirror on the Wall... Are the Freer Countries More Pacific?" criticized both Singer and Small and Rummel, and their quantitative analyses (38). According to Chan, "The relationship between freedom and war is quite different, depending on whether the analyst examines the empirical proposition in its dyadic or monadic form." (641). He argues that testing the proposition in a monadic form or cross-sectionally, "the evidence does not tend to support it." (642). Singer and Small came to the same conclusion that, while although democracies do not fight each other; they are likely to go to war with nondemocracies.

The time period chosen by researchers to investigate the problem can make a significant difference in the empirical results. Chan argues that Rummel's study was restricted to the 1970s, and that if you include extrinsic wars and wars from a post-1973 period that discrepancies surface in literature (642). In the end Chan does admit that some countries have become freer over time and have at the same time undertaken more intense foreign violence, but this may simply be due to technological advances in weaponry. It is also possible that the theory is limited to the nuclear age, and factors such as power and interests, rather than democracy, are the main determinants of war and peace between countries (Maoz 164).

Most of the current efforts to categorize regimes for the purpose of evaluating the democratic peace proposition are based on data generated by Ted Gurr and his colleagues (Ray 32). Drawing on this data, Mansfield and Snyder argue that there is no coincidence in this contemporary connection, that statistically democratizing states are more war prone (303).

After consideration of measures and length of time (a ten year period of stability), on average, democratizing states are about "two-thirds" more likely to go to war than states that did not experience a regime change (308). This statement is clear that the mechanism for conflict is a regime change in itself; and not just from autocratic to democratic. The authors also acknowledge that while autocratizing states are also likely to go to war, statistically, it is less so than democratizing states. (314)

Gurr's most current form of the dataset is referred to as Polity III. Although valuable, these data bases are not without their limitations as a basis for resolving the debate about whether, or how often, there have been wars between democratic states (Gleditsch & Ward 2). Gurr applies an 11-point ordinal scale of democracy to almost every state in the world for every year from 1800 to the 1900s. Those democracy scores are themselves sums of scores on various

dimensions reflecting, for example, the selection of government executives by election, the openness of executive recruitment, and the parity between the executive and legislative branches of government. These separate dimensions are themselves complex, and when their scores are added, the resulting overall democracy score consists of compounded layers of complexity. Arguments that a particular state at a given time cannot be categorized as democratic because it does not rate a score of seven on the Polity III democracy index are not likely to be persuasive to skeptics because of the threshold of seven, or of any other score on the Polity III index, is unclear because it is difficult to sort states into two categories, democratic and not democratic.

The Critics -The Realists

Despite these many data sets, many realists have declared the democratic peace a fantasy. Permanent peace between mutually recognized liberal democracies, they argue, is not possible. Liberal states, like all others, must base foreign policy on the imperatives of power politics. Some realists argue that there is no theoretically compelling causal mechanism that could explain democratic peace. If neither democratic structures nor norms alone can explain the democratic peace, then there is no democratic peace (Layne 11). If there was a democratic peace, then liberal states would not make threats against each other. Christopher Layne, for instance, argues that in the case of the Union and the Confederacy, the characteristics at the heart of the democratic peace theory- remain suspect. If a democracy is tightly knit politically, economically and culturally, as the United States was in 1861, and could still split into two waning successor states, we should have little confidence that democracy will prevent great power conflicts in international politics (41).

Nonetheless, realism seeks to explain power politics. It is an approach that is centered upon four propositions: anarchic international system, sovereignty, states are rational and the most

important actors. States pursue their own self interest and groups strive to attain as many resources as possible with a primary concern of survival.

While there are no universal principles with which all states may guide their actions, a state must instead always be aware of the actions of the states around it and must use a pragmatic approach to resolve problems as they arise. As Machiavelli put it in *Discourses on Livy* "... it is necessary for anyone who organizes a republic and establishes laws in it to take for granted that all men are evil and that they will always act according to the wickedness of their nature whenever they have the opportunity...." (28).

Moreover, Hobbes' *Leviathan* (1651), provides three very simple assumptions: men are equal, they interact in anarchy and they are motivated by competition, diffidence and glory (88). Hobbes's emphasis on anarchy, or what he called "a war of all against all", only focused on the domestic level.

The international context would be developed by Edward Carr in his book, *The Twenty Years' Crisis* (1939), which addressed the dichotomies of realism and utopianism (idealism). Carr, in short, felt strongly that the problems of war could be avoided if states exercised the proper restraint or responded to the relative constraints of the international system.

In Steve Chan's research, constraints play an important role in assessing when one will or not attack another. Chan questions Rummel in his choice of conflicts with battles that had to have battle deaths exceeding 1,000. Here he defines a conflict with the appropriate measure being by the total amount of casualty and property destruction, not just by the number of soldiers killed (624). Chan further questions the exclusion of imperialist and colonial wars (625). He also argues that a foreign attack will move the officials of a free country to a state of war. The attack can present a unifying cause that change, at least initially, the normally

fragmented and contending nature of politics. Also, it would be expected that an attack against an ally of a democracy would have the same effect (Dec. 1984:637).

Further, Layne, asks whether the democratic peace theory or realism is a better predictor of international outcomes” (157). In the end he concludes that it is realist factors that reduce or avoid war (159). He, like Chan, also disagrees with Rummel’s sampling set of wars in that “...several important cases of wars between democratic states are not counted for reasons that are not very persuasive” and this coincides with Chan’s research (38). He argues that the case of the Union and the Confederacy, the characteristics at the heart of the democratic peace theory failed conspicuously. If a democracy, such as the United States in 1861, could split into two warring successor states, we would have little confidence, he asserts, that democracy will prevent great power conflicts in international politics (Layne, 41).

In supporting this point, Errol Henderson (1999) in “Neoidealism and the Democratic Peace”, argues that it is his neoidealists perception that it is “... a combination of factors, including bi-polarity, nuclear deterrence, alliance aggregation, and trade links...” which allowed for the formation of an international security regime (204). Henderson maintains that it is this formation, and not joint democracy, that allowed for post war joint democracy.

Neoidealists argue that the actions between states with problems of market failure leads to the construction of international regimes to facilitate agreements, institutionalize rules, and provide norms for interstate reaction in a specific issue area (211). Henderson’s core tenet of neoidealism is that norms emerge from international regimes that are external to states and not beholden to political regime type.

While this notion of neoidealism suggests, is that although democracies rarely fight each other they are more frequently allied in war-more than four times as frequently as the average

pair of democracies, according to Nils Peters Gleditsch and Havard Hegre (1997). For example, many wars have been initiated by democracies engaged in colonial conquest. In the post-World War II period there appear to have been many more military interventions abroad conducted by democratic (Western) states than by the Soviet Union and its allies. Some interventions appear to have been justified with reference to stopping domestic violence or promoting democracy, but others are more commonly interpreted as power politics.

Zeev Maoz is clear in his statement that in the real world peace exists. As he states, “Overall, there is little to support the proposition that democracies’ international relations are especially peaceful, but only that their relations with each other are relatively very peaceful” (78).

This conclusion is also supported by Sebastian Rosato, who in his work *The Flawed Logic of Democratic Peace Theory* finds that the logics underpinning the democratic peace theory are flawed. He claims that peace is not caused by the democratic nature of states. But, causal logic or democratic norms (accountability and public constraint) combined with trust and respect is what stops conflict between democratic states, which falls in line with Russett and Oneal’s position on norms and culture. Democratic leaders will use the “norm” of diplomacy and peaceful conflict negotiation, but only if they trust and respect the other state because the other state, whether democratic or not, will respond more peacefully.

It is Rosato’s position that the causal logics that underpin democratic peace theory cannot explain why democracies remain at peace with one another because the mechanisms that make up these logics do not operate as stipulated (593). In the case of normative logic, liberal democracies do not reliably externalize their domestic norms of conflict resolution and do not treat one another with trust and respect when their interests clash. With institutional logic,

democracies are not especially accountable to peaceful loving publics or pacific interest groups. Democracies are not slow to mobilize or incapable of surprise attacks, and open political competition does not guarantee that a democracy will reveal information about its levels of “resolve”.

Democratic peace theorists, then, fail to take stock of the underlying forces of conflict that can undermine the stability of democratic norms. Samuel Huntington, in his book, *The Clash of Civilizations and the Remaking of World Order* (1996) claims “clashes of civilizations are the greatest threat to world peace” (321). He theorizes that the clash between civilizations will dominate global politics and describes the geo-political shift in conflict and international relations in the post-Cold War era. In this New Order, the sovereign countries of the world from East and West are assembling into regional blocs based on shared cultures and values. According to Huntington, the next major cause of conflict will not be entwined with either any particular ideology (i.e. capitalism or communism) but from differences and competitions between cultures of civilizations.

Summarizing: The realist criticism of the normative and structural models of the democratic peace is two-fold: First, it questions the validity of the normative and structural explanations. Second, it argues that the factors that prevent wars between states in general, including wars between democracies, are realist in nature, particularly with respect to power balances and interests.

States in Transition

A further puzzle arises from the contention that, whereas stable democracies do not go to war with each other, states in transition from an autocracy to democracy are more war prone. If true, this would raise serious doubts about whether, at least in the short term, creating more

democratic states in the world would make the world more peaceful. Nonetheless, the accuracy of this observation remains contested (Oneal and Russett 1997, 287; Russett and Oneal, 2001, 122; Ward and Gleditsch, 1998 52).

A number of studies have shown that democratic transitions which occur when a country's political institutions are particularly weak, or when the elites within that country are threatened by the democratization process itself. Mansfield and Snyder agree with contemporary social science (Doyle, 1983 and Russett, 1993) that democratic nations are more peaceful, however, they present their argument that transitioning states, whether to or from democracy, are more likely to be involved in war (Brown 301). They also argue that it is the inner workings of domestic turmoil, or more specifically the rise of the threatened elite and institutional weaknesses, that is the trigger for conflict. They carefully discuss the role nationalists ideology and coalition politics, in newly democratizing states, might play in producing a heightened danger of conflict with their neighbors (Brown 325).

Apparently, in their view, it is quite common to fight democracy if you are going to lose everything; however, the outbreak of violence can be avoided by providing some of the basics that democracy demands. In addressing this, Mansfield and Snyder suggest a free press (transparency) and a "golden parachute" be provided to the elite and the military. Give them a place in the new government, "create a niche for them" (333). Moreover, many of the advantages of the democratic peace accrue from mature democracies, not from new democracies or from states that are making the transition to democracy. (Mansfield 5-38) Unstable democracies are particularly likely to use violence. To divert hostilities from domestic problems, leaders may try to produce a "rally round the flag" effect by focusing hostility on foreigners. Russett further argues that unstable governments are less likely to develop the norms of peaceful

resolution of differences that stable democracies produce over time (Brown 82). Partial democratization often leads to aggressive nationalism, and eventually war. Indeed, almost every great power has gone to war as mass politics spread in it. In partial or transitioning democracies, elites can exploit their positions to dominate political agendas or shape the spread of information in a way that promotes militancy or allows warlike interest groups to dominate the agenda. Such states initially lack strong political parties, an independent judiciary, free media, and honest elections, all of which make democratic peace stronger.

Finally, the ruling coalition that emerges depends on what the international community can also provide. Free trade and democracy are the incentives necessary. Without those incentives, liberal coalitions can collapse. The authors cite the case of contemporary China, whose democratization may occur through strengthening economic ties with the West (in Brown 334). Promoting free press is one of the best things the West can do in spreading democracy.

Russett and Oneal modify their basic analysis by adding two new variables: states that have undergone a change over a five year span and whether a member dyad has changed its position on a autocracy-democracy scale over the same time frame (2001, 119). They report results that "... neither a transition to democracy nor a turn toward greater autocracy makes much difference..." (2001, 122). Along these lines, Gleditsch and Ward argue that the process of democratization is accompanied by a decrease in the probability of a state going to war. In a way they agree with Mansfield and Snyder and change can have an effect. However, it is a rapid transition or reversal that is usually associated with the risk of war (59). What is common in the literature is that change can cause conflict and that democracy requires a stable government and until that happens, a transition is dangerous.

Other Influences

But what about the role of international organizations in preventing conflict and maintaining peace? States can be bound by common ties in a network of institutions crossing national borders. Democracies often share many common institutions (Russett 1993, 25). The more international organizations states belong to, the less the likelihood they resort to force against each other. Organizations like the United Nations, through mediation, arbitration, etc., help states to overcome differences and promote peace. However, if forced to share values, these institutions can exacerbate conflict by failing to offer neutral arbitration of disputes (Russett 1993, 26).

The alliances makes peace model suggests alliances form among democracies with prosperous market economies. This means that alliance links are intervening rather than confounding factors in any examination of market democracy on international behavior. Statistical control for this variable is thus not appropriate, as it may obscure the impact of developed democracy on conflict. If a developed democracy is found to have a negative impact on conflict, however, it is plausible that this pattern may be explained by common interests among the allied wealthy democracies during the cold war (Farber and Gowa 1995).

Farber and Gowa offer additional criticism of the idea that democracy is an important pacifying force, arguing that the bulk of the evidence in its favor comes from the Cold War era. Democracies avoided serious conflicts with each other because of the common interests generated by their confrontation with communism, and it is political stability that causes peace. The majority of democratic states that have ever existed emerged during the Cold War era, and it is possible that that historical epoch may prove idiosyncratic with respect to relationships among democratic states (Brown 261). Only time will tell whether the larger number of democratic

states that have emerged will fight wars against each other in the absence of a serious threat from the Soviet Union or, perhaps, any other undemocratic state (Ray 38).

Preferences, Another Explanation?

Another explanation for the democratic peace can be explained by the similarity of national preferences between democratic states. Conflicts arise between nations that have greater differences in world views than between nations that see the world similarly. The relationship between China and the United States is explained by each state's preference for wealth.

The basic proposition of liberal international relations (IR) theory is "that the relationship between states and the surrounding domestic and transnational society in which they are embedded critically shapes state behavior by influencing the social purposes underlying state preferences..." (Moravcsik 516).

Erik Gartzke (1998) argues that democratic countries do not fight one another because of current constraint based models of the democratic peace and to ignore the national "preferences" or the "willingness" of nations to engage in costly conflicts could be disastrous (9). Liberals, in his view, have generally failed to construct liberalism in a social-scientifically rigorous manner.

But Andrew Moravcsik seeks to rectify this by devising three core theoretical assumptions and deriving therefrom the foundations for three schools of liberal thought and he makes three important assumptions.

Assumption 1: the fundamental actors are private entities who seek to maximize their own welfare in a mostly rational, risk-averse way.

Assumption 2: domestic political institutions act on behalf of some subset of the domestic citizenry.

Assumption 3: “the configuration of interdependent state preferences determines state behavior.” (520)

These assumptions together build a paradigm wherein “variation in ends, not means, matters most” (522). Liberalism is still a systemic theory because states must consider their interdependence when formulating preferences upon which they can act. As formulated by these assumptions, liberal theory has three mainstream types:

Ideational liberalism considers the domestic arrangement of identities, whether national, political or socioeconomic, to be the primary factor in determining state preferences. Commercial liberalism holds that state preferences are largely controlled by market incentives. Republic liberalism views domestic political institutions, the mechanisms by which individual preferences are aggregated, as the source of state preferences.

This construction of the liberal paradigm explains the assumptions of realism and institutionalism, but the converse is not true; hence liberalism “enjoys causal priority.” (543) This has been overlooked in the past because liberalism was often construed as being an ideology instead of a theory.

Moravcsik wants to meld these various strands into one paradigm that can parsimoniously explain a variety of international phenomena. For example, it models both foreign policy and the international system as a gestalt, and it explains both statics and dynamics. This reformulation also provides additional coherence (by excluding) theories such as functional regime theory, and salience (by making dismissal of a liberal paradigm more difficult) to liberalism, and facilitates the combination of liberalism with alternative theories into multicausal analyses.

Maybe what appear to be the effects of new strands of liberalism in reality the result of trade between states with open economies. Almost all democracies have capitalist economic systems that involve extensive competition in free markets among economic agents, including those in other states. Consequently, democracies have a tendency to trade extensively among themselves. Because of the correlation between democracy and open markets, it is important to look at the influence of interdependence and its pacific effects versus States the democratic peace theory. Is it commercial relations that create a large degree of economic interdependence? (Russett and Oneal 2001: 125).

Economic Norms Theory

Since democracies are often wealthy, it can be hard to separate their effects. Wealth makes peace is closely related to transnational interests of trade and investment, and has been cited as the cause of peace. All of the challenging issues that have been raised so far in the literature have focused on the democratic peace theory as the primary causation of peace; however, in recent years and similar to trade interdependence, a new factor has surfaced in the democratic peace research program: economic norms theory. Economic norms theory links the economic conditions of clientelism, which prevail in many lower income societies, and contract intense societies, with divergent political interests and habits (Mousseau 2002 and 2009).

Michael Mousseau (2000), one of the most prolific of writers on the subject of economics as a cause for peace, is referred to as the father of economic norms theory. Beginning in 2000, he began with the novel claim that if democratic values are derived from market norms and these values are at least one cause for peace, then the democratic peace may be a pattern limited to or more robust among those democracies with developed economies (497).

Economic norms translate into social and political values and show how contract forms of economic cooperation endemic in prosperous market economies may generate the social values of the democratic social contract (Mousseau 2013, 187). Specifically, he shows that if cultural materialism is true, then individuals in developed market economies tend toward value exchange-based cooperation, individual choice and free will, negotiation and compromise, equity among individuals, and universal trust in the sanctity of contract.

Mousseau (2013) argues that there have been numerous studies that corroborate the democratic peace, however, most of these employed almost similar statistical tests, models, and indicators, not a single one controlled for contract-intensive economy. (195) He argues that neither institutional-structural (Bueno de Mesquita 1999), institutional-cultural, or classical liberal (Oneal and Russett 1997) explanations for the democratic peace make such an empirical claim. (482).

He also compares economic norms theory against most of the theories of democratic peace and finds the economics variation provides a larger explanatory value and predictive success. He argues that the democratic peace correlation appears spurious and that a contract-intensive economy is more likely the cause of both democracy and the peace (195), and declares that the era of the democratic peace is at an end.

Focus has been placed on the fact that democracies are easier to sustain in a peaceful environment. When states are involved in conflicts, military expenditures go up, freedom of expression is limited and public access to government activities is restricted. It is not hard to conclude that there is a relationship between democracy and peace. There is a correlation between democratic liberal institutions and consolidated norms. It is interesting that critics are more concerned with the American South, Wilhelmine Germany and/or the Soviet successor

states. This begs the question of not whether democracy is conducive to peace, but under what circumstances it is reasonable to expect democracy to develop, and what instruments states have for promoting it?

In summary: all of these studies of democracy reveal a significant negative impact of democracy on conflict. The United States is an electoral democracy with a multiparty system, very much unlike China with its one party system of Communism. The majority of the literature and research centers around dyads. As a pair, China and the United States could be coded as a dyad-one a democracy and the other communist. With respect to this dyad, there is no record of a militarized dispute between the two with at least 1,000 battle deaths. The premise of the democratic peace theory is that democratic states will not go to war with other democratic states. Yet, China and the United States have not been directly involved in conflict (war) with each other and there is no literature within the democratic peace theory discipline to explain this phenomenon.

Chapter Three

China, the United States, and the Powerful Influence of Trade Interdependence

There exists a relationship between the United States (a democracy) and China (an autocratic state) that goes back to the Treaty of Wanghia in 1844 (Encyclopedia Britannica). Among other issues, the treaty fixed trade tariffs, granted United States nationals the right to build churches and hospitals in specific Chinese cities and stipulated that United States nationals cannot be tried in Chinese courts. Since then the relationship has fluctuated coming closest to open conflict during the Korean War. The opening of the Chinese economy has meant closer and increased trade relationships between both countries, and this chapter ultimately aims to analyze the relationship between China and the United States and the dynamic of trade interdependence as an explanation for peace, and not democratic processes.

In the late 1960s, and at the height of the Cold War, both countries had a reason to start negotiating in hopes of a rapprochement. For China, the border clashes with the Soviet Union in 1969, meant that a closer relationship with the United States might provide China with a good counterbalance to the Soviets. The same effect was important for the United States as it looked for ways to increase its alignments against the Soviet Union in the Cold War. The rapprochement is symbolized by the historic visits by Nixon and Kissinger to China.

Nonetheless, with the disintegration of the Soviet Union, both countries lost a common enemy and the United States became the undisputed global hegemon. But China's rise as a global economic power and the expansion of its influence to resource rich areas such as Africa, has not led to a cold war. My aim in this chapter is to examine the countervailing, pacifying

effects of economic (complex) interdependence. Complex interdependence refers to a power relationship between two or more countries that need each other for one or more goods or services. It is not the same thing as globalization. Currently, China holds over \$1 trillion in U.S. treasury bonds, while U.S. based company Wal-Mart accounts for 1% of China's total annual economic output (U.S. Treasury.gov)

Interdependence

With interdependence, states have other channels for settling disputes; and wealth is gained from trade, not conquest (Burchill 66). Thus, interdependence reduces incentives for military conquest. Rosecrance's 1986, work *The Rise of the Trading State*, argues that "the growth of economic interdependence has been matched by a correspondence decline in the value of territorial conquest for states." (66). As security concerns diminish and as multiple channels of contact begin to connect societies, it becomes increasingly difficult for traditional power politics to function. This model appears to have been the Nixon administration's policy toward the Soviet Union. Henry Kissinger argued that, "By acquiring a stake in this network of relationships with the West, the Soviet Union may become more conscious of what it would lose by a return to confrontation" (120). By analogy, Beijing will become more prudent if the United States can link China's economy to the international economy, and promote China's integration into regional security regimes and other structures.

The classical liberals advocated policies that increased liberty and prosperity. They sought to empower the commercial class politically and to abolish royal charters, monopolies, and the protectionist policies of mercantilism to encourage trade. It was also expected that democracy and free market trade would reduce the frequency of war. From Kant and his *spirit of commerce* to Adam Smith, and Thomas Paine, much emphasis has been placed the role of

economics in promoting peace. For Smith (1937) free trade would create transnational ties that encouraged accommodation rather than conflict. The benefits of trade may not always be symmetrical and may favor the side with the stronger economic power in the market, but trade is always to some degree a mutually beneficial interaction otherwise it would not be undertaken. Each party would then have a stake in the economic well being of the other and thus, avoid militarized disputes. It is hardly a state's interest to fight another if its citizens sell their goods, obtain imports, or have financial investments there.

Relying on economic interdependence to preserve peace can also be a risky strategy. As even its advocates acknowledge, the existence of interdependence alone does not correlate directly with an absence of war. Europe before the First World War, for example, had a high level of interdependence, but this did not prevent four years of unprecedented slaughter (Perisco 21). Similarly, the most aggressive states in the interwar period, Germany and Japan, were also the most dependent on others despite their attempts at autarchy (Copeland 6). Security regimes in particular are uncertain in their effects as they are more likely to succeed when great powers are satisfied with the status quo. China, however, is open in its desire to change the status quo in Asia and to increase its influence.

Interdependence is particularly dangerous when trade might be disrupted. As long as states expect trade levels to remain high, they are more likely to pursue peaceful solutions to problems. Domke believed that "countries with high levels of total exports relative to the size of their economies were less likely to initiate wars than countries that were relatively self-sufficient" (8). But, if they expect future trade to be low, they are more likely to initiate war for fear of losing their wealth, which is the basis for their security (Copeland 7). This problem is particularly acute for states that require access to the international market for important military

technologies, because a rival can manipulate or block market access. By threatening to cut off trade, many of the security benefits of a trade relationship can be jeopardized or even reversed. China suffered just such a problem when the Soviet Union cut off aid in the 1960s. But the countervailing effect of China's trading power, as Mansfield suggests, reflects "a high level of world trade reduced the number of wars initiated" (12). Countries that are more open to the global economy tend to be more peaceful than democratic states that are not.

China's participation in international regimes and the international system offers several benefits in theory. First, it increases iteration. China has an incentive to engage in good behavior and develop a positive reputation because it knows it will benefit from reciprocal cooperation in the future. Thus, even though bullying or aggression might be in China's short term interest, it will temper its bellicose nature in order to stay in the good graces of its partners in the region. Second, enmeshing China in international regimes reduces the chances of misperception and miscalculation. Third, Chinese participation in international regimes reduces the likelihood of unresolved conflict between China and other nations, as it will now have a forum to settle differences and procedures for interacting with other states.

Relying on interdependence may not be the most prudent of positions. Interdependence may not function well with states that are unsatisfied with their position in the international system, and China shows little inclination that it has modified its long term ambitions of equality in response to interdependence. In the end, however, the processes of democracy do not generally prevent war; it is about the "level" of democracy that prevents it (Russett and Oneal 276).

Unfortunately, China's own behavior offers a strong indication that interdependence has only a limited impact. Taiwan is one of the top investors in and exporters to China, yet Beijing

has not hesitated to threaten it with force. Despite China's growing interest in maritime trade, the Chinese Navy has interfered with the free passage of merchant ships in the South China Sea in order to bolster Beijing's claim to sovereignty. China often chooses to enter regimes that lack a consensus about their norms, apparently in order to maintain its freedom of action, an approach that suggest that many supposed regime benefits such as increased predictability will not apply. China's behavior during the recent presidential election in Taiwan demonstrates that its leaders have learned some lessons, if only the hard way. They have found that China can have a greater impact on Taiwanese voters through trade and making people feel richer than by threats. Democracy, however, is difficult to impose from outside and its advocacy often strains relations between governments. This is particularly the case with China, whose attempts at reform reflects particular sensitivity towards international interference, but also the will to participate in the shaping of the world economy.

China's Reform Economy

Let me explain some of the underlying events of this sensitivity. In 1976, Mao Zedong died and Deng Xiaoping came to power. Xiaoping, a fervent Communist and reformist leader of the Communist Party of China, led China away from Mao's policies of isolationism towards a market economy. He was instrumental in China's economic reconstruction and considered the architect of a new way of thinking having developed "socialism with Chinese characteristics". He led Chinese economic reform through a series of theories that became known as the "socialist market economy" (Kissinger 321).

By 1980, the Peoples Republic of China had joined the International Monetary Fund (IMF) and the World Bank. Foreign loans were beginning to flow into the country, systematic decentralization followed and the agricultural commune was deemed archaic. Private enterprise

was encouraged and China joined the World Trade Organization (WTO). However, ownership would remain in the hands of the state. The results of these changes were spectacular. China's Gross Domestic Product grew at an average rate of over nine percent annually throughout the 1980s (Kissinger 401). Xiaoping has been credited with developing China into one of the fastest growing economies in the world over the last 30 years and raising the standard of living of hundreds of millions of Chinese

The People's Republic of China assumed the China seat at the United Nations in 1971, replacing Taiwan, and is a permanent member of the UN Security Council. Over the years, China has become increasingly active in multilateral organizations, particularly the United Nations. China and the United States work closely with the international community to address threats to global security, including North Korea and Iran's nuclear program.

The United States and Its Dynamic Relationship with China

In the middle of the twentieth century the United States emerged as a world power, and since World War II it has remained one of the preeminent powers. The United States' approach to its economic relations with China has two main elements: the United States seeks to fully integrate China into the global, rules-based economic and trading system, and seeks to expand U.S. exporters' and investors' access to the Chinese market. Two-way trade between China and the U.S. has grown from \$33 billion in 1992, to over \$536 billion in goods in 2012. China is currently the third largest export market for U.S. goods (after Canada and Mexico), and the United States is China's largest export market. The stock of United States foreign direct investment (FDI) in China was \$54.2 billion in 2011, down from \$58.5 billion in 2010, and remained primarily in the manufacturing sector. During the economic track of July 2013, the two countries announced measures to strengthen macroeconomic cooperation, promote open trade

and investment, enhance global cooperation and international rules, and foster financial stability and reform (U.S. Treasury.gov).

The United States has avoided isolating China by maintaining full economic relations and encouraging official dialogue at virtually all levels. Washington, however, can and does deviate from the norm by occasionally using sanctions, or the threat of, against China because of its behavior in the area of human rights. Fearful of a protest movement inspired by events in the Middle East and North Africa, Chinese authorities have unleashed one of the harshest crackdowns on political activists, human rights defenders and online activists since the 1989, Tiananmen Square demonstrations.

While United States public pronouncements regarding China are almost invariably warm, the United States maintains a sizable military presence in Asia and has used this presence to send signals to China. After China tested missiles near Taiwan, the United States sent aircraft carriers to the area. The United States has also made some efforts to promote changes in China's political system and threatened economic sanctions to achieve the objective of human rights.

This balancing act reflects the competing views about appropriate United States policy toward China. There is a lack of unity in this respect. Some human rights and religious groups as well as members of congress, have advocated revoking China's 'most favored nation' trade status or otherwise restricting China's trade access to the United States. Congress has, at times, pushed and urged upgrading the United States' relationship with Taiwan which would seriously threaten China. Criticism also arises when the United States tries to get tough with China over human rights issues and most United States businesses strongly oppose linking China's trade status to security concerns or human rights and would prefer a less confrontational approach.

But there are a number of trade indices that suggest that the growing economic interdependence between these two countries has counteracted these tensions. The Office of the United States Trade Representative offers a wealth of information and statistics that go right to the heart of the dynamic between the two states. It is reported that China is currently the United States' largest goods trading partner with \$503 billion in total (two ways) goods trade during 2011. Goods exports totaled \$104 billion and imports totaled \$399 billion. The United States goods trade deficit with China was \$295 billion in 2011. Trade in services with China (exports and imports) totaled \$36 billion in 2011 (preliminary data). Services exports were \$25 billion; Services imports were \$11 billion. The United States' services trade surplus with China was \$13 billion in 2011.

China was the United States' third largest goods export market in 2011. United States goods exports to China in 2011, were \$103.9 billion, up 13.1% (\$12.0 billion) from 2010, and up 539% from 2000. It is up 442% since 2001, (when China entered the WTO). United States exports to China accounted for 7.0% of overall U.S. exports in 2011. United States exports of agricultural products to China totaled \$18.9 billion in 2011, the second largest U.S. Agricultural export market.

By comparison, U.S. exports of private commercial services (i.e., excluding military and government) to China were \$24.7 billion in 2011, (preliminary data), 17% (\$3.6 billion) more than 2010, and 393% greater than 2000. It is up 357% since 2001. Other private services (business, professional and technical services and education services), travel, and the royalties and license fees categories accounted for most of U.S. services exports to China.

Perhaps most important, China was the United States' largest supplier of goods imports in 2011. United States goods imports from China totaled \$399.3 billion in 2011, a 9.4 %

increase (\$34.4 billion) from 2010, and up 299% since 2000. It is up 290% since 2001. U.S. imports from China accounted for 18.1% of overall U.S. imports in 2010.

United States foreign direct investment in China (stock) was \$60.5 billion in 2010 (latest data available), a 21.4% increase from 2009. United States' direct investment in China is led by the manufacturing and banking sectors. China's FDI in the United States (stock) was \$3.2 billion in 2010 (latest data available), up 171.6% from 2009. China's direct investment in the United States is led by the wholesale trade sector.

In 2010, the Department of Treasury released its Report on Foreign Portfolio Holdings of U. S. Securities and found that \$1,464 billion total holdings are attributed to mainland China. Long-term U.S. Treasury securities held by China amounted to \$757 billion. In addition, almost all, \$159 billion, of the short-term securities held by China were U.S. Treasury bills and certificates, bringing China's total holdings of U.S. Treasury securities to \$916 billion. Japan was the second largest holder of U.S. Treasury securities, with total holdings of \$708 billion, of which \$646 billion were long-term Treasury securities and \$62 billion were short term securities.

During the past 10 years alone Chinese currency, which stood steady at 8.27 (RMB) per dollar at the beginning of the decade, appreciated to 6.83 RMB (17.41%) during the period of July 2005, to July 2008. However, while it stood steady for a couple of years, it did appreciate again during the past seven months. Since June 2010, the RMB has appreciated only 3%, from 6.83 to 6.63 RMB. That's what currency manipulation is: An effort by other countries to artificially strengthen the dollar in order to make their currency, and thus their exports, comparatively cheaper. But, conversely by this method, if China wanted to weaken the U.S. dollar, they could.

For example, when a consumer in the U.S. buys a Chinese product, the Chinese manufacturers are paid in U.S. dollars. These dollars are then deposited into a U.S. bank account. Now, the Chinese exporter needs to convert the dollars into yuan. Through its commercial bank the U.S. dollars are sold to the Chinese central bank, the People's Bank of China. Since the trade between the U.S. and China does not balance, there is a shortage of yuan and a surplus of U.S. dollars in the Chinese central bank (therefore the Yuan must be 'created'). The normal remedy to this situation used in international trade would be for the Chinese central bank to sell its dollars on international currency markets and buy yuan in exchange. This results in a self-correcting system: wherein the U.S. dollar weakens and the Chinese yuan strengthens, until equilibrium is restored and the trade gap closes.

However, the Chinese central bank does it differently. It slows the appreciation of the yuan, or sometimes pegs it against the U.S. dollar. The central bank then buys the U. S. dollar, and then use it to purchase dollar-denominated assets such as U. S. treasuries. This has the effect of keeping the excess dollars out of the currency exchange markets, where they would cause a correction in the exchange rates. Thus, the Chinese central bank manipulates the exchange rates by creating yuan and buying U.S. debt. This "printing" of Chinese Yuan by the central bank is not without consequence. Excess yuan (if yuan are created faster than domestic economic output) would eventually lead to inflation, causing consumer prices to rise. By keeping its currency artificially weak China generates a dollar surplus (U.S. Treasury.gov).

In short, China is now the United States' third largest trading partner with a level of trade and investment higher than that of the United States. Increased capital flows since the Deng Reforms have provided advantages to both states. China receives FDI to expand its industry, while the United States gains investment in a growing market. Also, the United States receives

funding for its public debt, while China enjoys the benefit of guaranteed returns on loans to the world's largest economy. All of these factors suggest that growing economic interdependence will continue to play a countervailing effect on militaristic tensions or the desire to war.

Chapter Four

Conclusion

Democratic peace theory claims that democratic states are less likely to go to war with other democracies, however, they are likely to go to war with nondemocracies. In all of the literature and data bases there is little if no discussion of the U.S.-China relationship. The United States is a democracy, and China is an autocratic state and they have never been to war with each other. DPT, as we saw, is limited because it cannot explain this relationship and downplays the influence of trade interdependence. I argued that in the absence of mutual democratic constraints, the peaceful relationship between China and the United States is primarily the result of economic interdependence.

The near absolute isolation of China before the 1970s is clearly over and China seeks its place in the world as an equal with the United States. Participation has led Beijing to develop more expertise on issues such as arms control and moderating some of its practices for fear of jeopardizing its image. Clearly, China has reformed its economy from a command economy to a state development/laissez faire model. By adapting to capitalist practices, embracing international organizations and standards, China appears to have made a commitment to reform.

The Office of the United States Trade Representative reported that in 2011, that United States goods and services traded with China totaled \$539 billion, exports totaled \$129 billion; and imports totaled \$411 billions. Post World War II, the United States emerged as the preeminent trading partner, however, the United States Department of Commerce reported in

2011, that China sat at the number three position in all United States trade for total exports and imports.

Strategic decisions made by both countries are greatly affected by their economic connection, particularly the United States. The close interconnectivity amongst the two nations means that they must take into account the other nation when making key strategy decisions. The connection also means that one nation could not launch a cyber-attack on the other, without damaging its own economy.

The uncertain benefits of a democratic peace, and the strong possibility that a transition to democracy might cause instability also suggests that democratization may not eliminate security concerns about China. History demonstrates that the democratization process can easily turn violent and is often reversed.

What are the future implications of all of this? Can China be democratic? Will the transformation lead to civil war? The Tiananmen Square incident of June, 1989, is a good example of domestic violence. Party leaders, military officers, and other bastions of the old guard may find themselves threatened by new entrepreneurs and populist leaders. A war, or the threat of war, may enhance the prestige of traditional elites or allow them to achieve domestic goals, but may also disrupt trade. Further, issues such as relations with Japan, irredentism over Taiwan, and other concerns are the subject of considerable chauvinism among the Chinese people.

There are future implications to all of this, namely strategic interests. China's territorial stance with regard to Taiwan and the potential for occupation of Taiwan by China. The United States has taken two different stances with regard to Taiwan. First, the United States has supported Taiwan and its quest for independence and secondly, the United States support of

China's chair at the United Nations. These two different stances by the United States pose a conflict of interest and if China were to make a move to occupy Taiwan what would the United States do?

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