

## ABSTRACT

Title of Document: FROM ANARCHY TO CONFEDERACY: A THEORY OF INTERNATIONAL POLITICS

Quddus Z. Snyder, Doctor of Philosophy, 2010

Directed By: Professor Ken Conca, Department of Government and Politics

This dissertation advances a novel systemic theory of international politics. Today, the most salient feature of the international system is not the presence of multiple opposing great power poles, but rather, an enduring leading power commercial confederacy. The Western order develops out of a US led hegemonic subsystem following World War II and steadily deepens and expands. Chapter 2 of the dissertation argues that this Western order is a great deal more enduring than previously thought, precisely because cohesion rests on the interactive combination of multiple unifying bonds. This order is now a semi-permanent, path-dependent, and remarkably resilient feature of the international political landscape. The commercial confederacy is a leading power configuration that now conditions the behavior, to varying degrees, of every state in the system. Bonding, or commercial and institutional integration, is now the dominant behavior induced by the system. To be competitive, states are led to pursue distinct politico-economic strategies of integration. Chapter 3 develops a novel systemic theory of international politics. Chapter 4 discusses how systemic theory should be tested and outlines a preliminary research program. Chapter 5 is plausibility probe of China's grand-strategic behavior in the reform era. As an outsider, China has responded to the prevailing systemic pressures by pursuing a bonding strategy. That is, China has pursued political and economic strategies of integration.

FROM ANARCHY TO CONFEDERACY: A THEORY OF INTERNATIONAL  
POLITICS

By

Quddus Z. Snyder

Dissertation submitted to the Faculty of the Graduate School of the  
University of Maryland, College Park, in partial fulfillment  
of the requirements for the degree of  
Doctor of Philosophy  
2010

Advisory Committee:  
Professor Ken Conca, Chair  
Professor Paul Huth  
Professor George Quester  
Professor George Ritzer  
Professor Karol Soltan

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# I.

## **Introduction**

The history of international politics is a drama whose leading characters, the great powers and imperial states, have always occupied center stage. The varying plots and themes emerge from the actions and interactions of these players. Where autonomous political units have interacted, the stage has been set by the strongest among them. Whether through coercion or cooption, they often determine the fates of lesser states. Even where peripheral regions appear to have exercised some degree of agency at the cost of leading powers, most notably in the era of decolonization, these developments cannot be fully appreciated without reference to important causes flowing from the core: the world wars that left imperial metropolises in ruin, the new international norms propounded by emerging hegemonic states, and so on. The point is simply this: inquiry into the nature of international politics must be informed by an understanding of the system's leading actors, and in particular, the relations among them.

Systemic theory is premised on a single powerful insight: the leading powers in the international system create a strategic environment in which they, as well as others, must operate. As the architects of international society, they have written the rules and established the norms around which expectations have converged. Periods of relative stability—the decades following the Napoleonic wars—or times of systemic

convulsion—the world wars of the twentieth century—are chapters in this political drama, whose effects have reached far beyond the confines of the great power arena.

Today, systemic theorizing in International Relations is embattled, some would say moribund. Many realists have moved away from the systemic level and focused greater attention on unit-level variables. Liberals have by and large rejected systemic thinking, instead gravitating toward unit-level or bottom-up modes of theorizing. This overall rejection of Waltzian systemic theorizing is understandable: It is both limited in what it claims to explain and unsuccessful in explaining those things it does claim to explain. However, despite our greatest efforts to move beyond systemic thinking, we are continually drawn back because it is necessary to a complete understanding of international politics. Bottom-up accounts paint an incomplete picture.

The distinction is not completely dissimilar to that between micro and macro economics. The focus of systemic theory is on the whole, and not the individual parts that comprise it. It is tempting, but ultimately wrong, to think that the whole can be understood simply by aggregating actor preferences at a lower level. This is essentially what liberal approaches to IR attempt to do.<sup>1</sup> The fundamental premise of systemic theory is that the whole has properties that are different from the sum total of the parts. If this is true, reducing the system to its component parts cannot give us insight into the nature of the system as a whole.

Consider a simple illustration drawn from Hardin's "Tragedy of the Commons."<sup>2</sup> Supposing there is a small pastoral community that shares a common grazing area. Each

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<sup>1</sup> Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics" *International Organization* Vol. 5, No. 4 (1997)

<sup>2</sup> Hardin, "The Tragedy of the Commons" *Science* 162 (1968)

member of the community has an interest in feeding their flock but also in ensuring that the pasture will be sustainable into the future. The community and common pasture form a kind of simple system. Let's assume for the moment that each has the same preference set—to use the pasture and ensure its continued viability. A preference aggregation model would predict the following outcome: because everyone has the same preferences the members will find ways to share the pasture and ensure its continued health. But what happens in a system of multiple actors is often quite different from what their individual preferences might suggest. Snyder sees that Jones has increased his flock. As it happens, Snyder is pleased with his current yield of wool and meat. In the interest of keeping things manageable he decides to limit the size of his flock until he realizes that both Jones and Daniels have substantially increased theirs. Snyder decides to increase the size of his flock reasoning that if he doesn't others are likely to do so at his expense. The result, of course, is that individually rational decisions have led to a collectively suboptimal outcome—namely, over-grazing and erosion of the land. Once these actors find themselves in a system of multiple players, individual behaviors and collective outcomes are brought about that were not a part of anyone's original intent. In this illustration, a systemic approach gives us vital insight into the behavior of rational actors and the collective outcomes that follow.

Examples in international relations abound as well. Consider the familiar example of a security dilemma.<sup>3</sup> Again, let's assume that each state has the same overall preference. They all wish to maximize their safety and security. These states are not revisionist, nor are they bent on aggression, but merely maintaining the "status quo."

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<sup>3</sup> John Herz, "Idealist Internationalism and the Security Dilemma," *World Politics*, Vol. 12, No. 2 (1950); Jervis, "Cooperation Under the Security Dilemma," *World Politics* Vol. 30 (1978)

Once multiple players with this preference form a system, behaviors and outcomes may be vastly different from what a simple preference aggregation model might lead us to believe. The security dilemma explains how one state's effort to increase its security often decreases the security of another, or may at least appear threatening. This leads others to respond to state A's initial increase in its security capacity by increasing theirs, in turn alarming state A. In this situation, efforts to increase security can lead to a spiral that leaves everyone less secure. In the worst case scenario, status-quo security seekers may launch a strike in order to avoid what they fear is an imminent attack on them. Here again, a systemic approach yields insight unachievable through mere preference aggregation.

At its most basic level, systemic theory in IR involves multiple big players interacting in a strategic situation. General explanations about actor behavior are derived from an understanding of the nature of the strategic situation. There are many ways to conceive of this strategic situation. For Neorealists this conceptualization involves a specific understanding of anarchy and the distribution of capability among the Great Powers. But as we will find, there are other ways to conceive of the overall strategic environment created by leading power interaction.

Though liberals have not produced a systemic theory many leading scholars do understand its value. Keohane has argued (in agreement with Waltz) that "theories of world politics that fail to incorporate a sophisticated understanding of the operation of the system—that is how systemic attributes affect behavior—are bad theories."<sup>4</sup> Ruggie also

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<sup>4</sup> Keohane "Theory of World Politics: Structural Realism and Beyond" in Keohane ed. *Neorealism and its Critics* ( New York: Columbia University Press, 1986), p. 193

sees value in structural thinking:

...a clear understanding of the structure of any social totality, including the international polity, is an essential ingredient in the study of its continuity or transformation.<sup>5</sup>

Systemic theory is valuable for three broad reasons: it is a way for us to conceptualize the international strategic environment and how this conditions state behavior; because the focus is on the whole, systemic theory gives us the “big picture,” and therefore it yields a contextual understanding of actor behavior; and finally, it offers explanatory power, general in character.

Before turning to systemic theory itself, a definition of “theory” must be provided. The act of theorizing is less a science and more an art. Unlike the photograph, which captures the intricate details of the landscape, the impressionistic painting seeks to capture its essence.<sup>6</sup> Here, much of what we see must be ignored focusing attention on those elements that are most essential. The goal: to isolate the most pertinent causal mechanisms. This implies that reality must be simplified. To simplify, one must abstract from reality so as to construct a caricature of it. Simplicity is a virtue of course, but one which poses a danger. Like infinite complexity, oversimplification will not lead to valued progress in the sciences. This implies a delicate balancing act. Fat is to be shaved off while leaving as much meat on the bone. While fat makes for a delicious dish, it will ultimately clog the arteries and disrupt the efficient operation of the machine. But there is a notable difference between the two vices of complexity and oversimplification. Where a theory is oversimplified it will quickly run amok with reality. Rich description, on the

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<sup>5</sup> Ruggie, *Constructing the World Polity: Essays on International Institutionalization* (New York: Routledge, 1998), p. 139

<sup>6</sup> The point is made by Raymond Aron, *Peace and War: A Theory of International Relations* (New York: Anchor Books, 1973), p. 3

other hand, is more pernicious. While seductive, one is always left to wonder: could the same be accomplished with less? This vice implies that the true or most important causes have not been isolated. Much like the ‘trashcan’ strategy, every plausible variable is thrown at a puzzle until the false appearance of causal explanation is achieved.

Much of what passes in the literature for theory, upon closer inspection, does not live up to the title. Of course, “theory” is a large tent. Here we are concerned with empirical theory, most often confused with what is best classified as an “approach.” The distinction is simple: an approach may offer a conceptual taxonomy, useful distinctions, and variables that might be important. A theory tells us a causal story about how they interact in a given area so as to yield expected behaviors and outcomes. In international relations, we’re interested in classes of behavior and outcomes. In other words, a theory of international relations accounts for behavior and outcomes by explaining how the relevant elements and variables interact to produce them. It must include both theoretical form—a logic specifying the operation of causes—and a substantive content. The statement, *rational actors behave in ways that further their interests*, is not a theory. Without additional content—that is, without prior knowledge of interests and how they form—one cannot predict how actors are likely to behave. Rational choice, like constructivism, has theoretical form but is substantively empty until actors and preferences, for instance, are specified. Where either form or content are missing, one is not operating in the realm of empirical theory.

Systemic theory is premised on a basic insight: state actors must respond to a strategic environment. The strategic environment arises out of the interaction of the system’s principal units. That actors must take into account others with possibly differing

preferences is not a controversial proposition in the social sciences. Systemic theory is not a synonym for ‘strategic interaction.’ As we noted above, the interconnections that form among the parts produce a whole that has its own characteristics and which cannot be reduced to them. As Durkheim explains,

Whenever certain elements combine and thereby produce, by the fact of their combination, new phenomena, it is plain that these new phenomena reside not in the original elements but in the totality formed by their union.<sup>7</sup>

Once this insight is appreciated, one quickly sees how particular unit level actions are often a reaction to system level forces. And if this is true, deriving explanations of unit behavior from internal characteristics and processes will yield an incomplete picture at best.

Systemic theory is a way for us to get at the “big picture.” The big picture is indispensable because in many respects it guides and informs more focused and technical empirical research. Waltz’s *Theory of International Politics* is almost entirely lacking in empirical content yet spawned an important research program that continues to influence new scholarship, including my own, nearly thirty years after its initial publication. Big and small picture scholarship both have their own value, each has its place. Both tasks can rarely be accomplished at once. Big idea work implies that a lot of ground is covered. Theorizing allows the scholar to cover ground while not getting bogged down in the comprehensive empirical defense of every assertion and premise along the way. In covering large tracts of land the precise contours of the landscape and the shapes of the trees are not given full attention. Overall, it is similar to observing the globe using a satellite. Zooming in brings objects on the ground into clearer focus but the viewing range correspondingly shrinks; similarly, as one zooms out the range broadens, but

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<sup>7</sup> *Rules of Sociological Method* (Glencoe: Free Press, 1984), p. xlvii

objects on the ground become more blurred. While objects on the ground become blurred, some of which disappear from sight, the larger image reveals a picture which cannot be seen when focused closely on a smaller area. If the field of IR focuses solely on the content of those small, albeit very clear, images, we run the unacceptable risk of entirely ignoring the larger picture which can be seen only by zooming out and expanding the viewing range. To avoid this, the field must make space for big picture scholarship even though it strikes one as unacceptable when judged from the vantage point of more empirically sophisticated smaller image studies.

If properly crafted, systemic theory can offer a broad yet useful conceptualization of the system: broad because the focus is on the whole; useful because it directs our attention at important elements. It is also a way for us to understand behavior within a broader context. As Keohane puts it, “systemic theory is important because we must understand the context of action before we can understand the action itself.”<sup>8</sup> The drama of international politics does not unfold in a political vacuum. Actors must respond to the incentives and constraints they face; some of these are domestic while some are international.

Finally, systemic theory promises explanatory power, general in character. Structure influences outcomes because it conditions state behavior. It does so by causing certain strategies to dominate over others. Some of the most important social science contributions employ this theoretical form. Consider for instance the game of Prisoner’s Dilemma or the collective action problem. In each case, the nature of the situation causes certain strategies to dominate over others. We know from these ideas that structure does not determine behavior—large groups regularly overcome the collective action problem

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<sup>8</sup> “Theory of World Politics,” p.193

even where no enforcement mechanisms are present—but instead it “pushes” and “pulls” actors in different directions. Structural theory explains regularities and patterns and as such it wields an impressive amount of explanatory power, general in character.

### **The state of systemic theory in IR—‘a patient on life-support’**

Systemic theorizing in IR is mainly a realist enterprise. Systemic and structural thinking has a long pedigree.<sup>9</sup> The seminal contemporary piece, and our starting point, is Kenneth Waltz’s *Theory of International Politics*. According to Neorealism and indeed most variants of Realism, the international system is an ungoverned anarchy. The international system is conceived of as a Hobbesian “state of war” characterized by fear, uncertainty, and ongoing security competition. Most behavioral propositions derive from the logic of self-preservation. It is assumed that states do the things they do because these strategies promise to maximize security and the prospects for survival.<sup>10</sup>

For realists, the most important variable is the distribution of power. The system’s structure refers to a given distribution of power. With these two master variables: anarchy—or an ungoverned realm characterized by ubiquitous fear and uncertainty—and the distribution of capability—multi, bi, or unipolarity—realists have generated a number of important propositions relating to actor behavior and systemic outcomes. According to Neorealists, states will pursue relative over absolute gains;<sup>11</sup> the system will push states

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<sup>9</sup> Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*. (New York: Alfred A. Knopf, 1985); Morton Kaplan, *System and Process in International Politics* (New York, 1957); Aron, *Peace and War*

<sup>10</sup> Waltz, *Theory of International Politics*; Mearsheimer, *Tragedy of Great Power Politics* (New York: W.W. Norton, 2001)

<sup>11</sup> Waltz, *Theory*; Grieco, “Anarchy and the limits of cooperation: a realist critique of the newest liberal institutionalism” *International Organization* Vol. 42, No. 3 (1988); Mearsheimer, “The False Promise of International Institutions,” *International Security*, Vol. 19, No. 3 (Winter 1994/95)

toward autarky;<sup>12</sup> states may balance against greater powers or threats<sup>13</sup>; great powers may pursue aggression so as to maximize security;<sup>14</sup> bipolarity is more stable than multipolarity.<sup>15</sup>

Liberal theorizing in IR mainly develops in response to Realist theory.<sup>16</sup> Adopting realist premises and assumptions, this liberal project set out to demonstrate that contrary to Realist expectations, states can overcome the debilitating effects of anarchy and achieve cooperative outcomes and avoid conflict.<sup>17</sup> Liberals were mainly concerned with explaining “cooperation under anarchy.”<sup>18</sup> This influential strand of liberal theory did not offer a new framework for systemic thinking, but rather, merely sought to modify Neorealism by focusing on international institutions and interdependence. Neoliberals do not seek to destroy structural realism but simply modify it, accepting its assumptions and premises but ultimately reaching different conclusions regarding cooperation and conflict.

John Gerard Ruggie mounted the most influential critique of Waltz yet. His central argument was that Waltz’s model could not explain change. That the model had no generative logic capable of explaining the formation of the anarchic system of states with which the theory is concerned; that is, it contains only a reproductive logic but none that is generative or transformative. Ruggie insists that the defects present in Waltz’s

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<sup>12</sup> Waltz, *Theory*

<sup>13</sup> Waltz, *Theory*; Walt, *Origins of Alliances* (Ithaca: Cornell Press, 1987)

<sup>14</sup> Mearsheimer, *Tragedy*

<sup>15</sup> Waltz, *Theory*; Mearsheimer, *Tragedy*

<sup>16</sup> Keohane and Nye, *Power and Interdependence* 3<sup>rd</sup> Ed. (New York: Longman, 2001[1977])

<sup>17</sup> Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984)

<sup>18</sup> Oye, ed., *Cooperation Under Anarchy* (Princeton: Princeton University Press, 1986); Axelrod and Keohane, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” *World Politics* 8 (Oct 1985); Stein, “Coordination and Collaboration: Regimes in an Anarchic World,” *International Organization* Vol. 36 (Spring 1982)

theory can be fixed by reintroducing the differentiation of units to account for differences in the medieval and modern systems and Durkheim's concept of *dynamic density* as a source of change. Dynamic density, as we know, is the primary source of structural change in Durkheim's work and could be used, according to Ruggie, to account for change if grafted onto Waltzian structural realism.<sup>19</sup> His analysis did not offer an alternative to Neorealism but suggests that it should be modified, and in fact did spawn important efforts to do so.<sup>20</sup>

In the mid-1980s Richard Rosecrance observed the following:

Since 1945 the world has been paralyzed between trading and territorial imperatives. One group of states has largely focused on trade, keeping their military expenditures limited; another group, particularly the superpowers and certain Middle Eastern states, has engaged in arms races, military interventions, and occasional war.<sup>21</sup>

By the end of the century, Rosecrance was arguing that the post-war trading states—states such as Japan and Germany—were evolving into a new form of “virtual state,” epitomized by the likes of Hong Kong.<sup>22</sup> According to the author, the rise of the virtual state has ushered in a new era of peaceful forms of international politics; it has been marked by the overall replacement of security politics with forms of peaceful competition among an important, powerful, and growing cluster of states.

These new forms of political intercourse, Rosecrance theorizes, are related to a single causal mechanism: the reduced importance of land and territorial resources as determinants of state power. In short, “Mastery of flows is more important than

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<sup>19</sup> Ruggie, *Constructing the World Polity*, ch.5

<sup>20</sup> Buzan, Little and Jones, *The Logic of Anarchy: Neorealism to Structural Realism* (Columbia: Columbia University Press, 1993)

<sup>21</sup> Rosecrance, *The Rise of the Trading State* (New York: Basic Books, 1986), p. 162

<sup>22</sup> Rosecrance, *The Rise of the Virtual State* (New York: Basic Books, 1999), p. 4

possession of large fixed territorial stocks of resources.”<sup>23</sup> Underlying Rosecrance’s theoretical apparatus lies a simple premise: the primary causes of war relate to the state’s obsession with territorial aggrandizement. Change the incentive structure and interstate conflict makes less sense. In *The Rise of the Trading State*, a state’s political orientation—conceptualized in terms of the military and territorial pole on the one hand and the trading pole on the other—largely depends upon the individual state’s choice.<sup>24</sup> While Rosecrance’s conclusions have potential implications for systemic thinking—as a large number of trading state’s occupy a place in the international system—he is not in the business of systemic theorizing because causes are located at the level of the unit.

Other notable liberal approaches have drawn attention away from the system level—these are the so called bottom-up, unit-level, or dyadic liberals.<sup>25</sup> Most prominently, these scholars have focused on democracy, commerce, or both, as sources of international peace.<sup>26</sup> This empirically robust body of literature challenges the realist view that individual regime characteristics can safely be ignored while damning the assumption that international anarchy is inevitably an environment of “relentless security competition.” With some degree of success, others have developed various domestic politics explanations for state behavior in the international sphere.<sup>27</sup> This scholarship is significant because it challenges the dominant view that domestic politics explanations are hopelessly descriptive and cannot be developed in a parsimonious way. But perhaps

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<sup>23</sup> Ibid., p. 21

<sup>24</sup> Rosecrance, *Rise of the Trading State*, p. 22

<sup>25</sup> Moravcsik, “Taking Preferences Seriously”

<sup>26</sup> Doyle, “Kant, Liberal Legacies, and Foreign Affairs” *Philosophy and Public Affairs* (Summer 1983); Russett and Oneal, *Triangulating Peace* (New York: W.W. Norton, 2001); Gartzke, “The Capitalist Peace,” *American Journal of Political Science* Vol. 51, No. 1 (2007); Huth and Allee, *Democratic Peace and Territorial Conflict in the Twentieth Century* (Cambridge: Cambridge University Press, 2003)

<sup>27</sup> Putnam, “Diplomacy and Domestic Politics: The Logic of Two-Level Games” *International Organization* (Summer 1988); Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton: Princeton Press, 1997)

the most damaging blow to systemic theorizing comes not from the liberal side of the isle, but from rank and file, self-identified realists.

In recent times Realists have been moving away from the systemic level, leading some to ask whether “anyone is still a Realist?”<sup>28</sup> In the 1990s a growing number of Realists began to incorporate unit-level variables, traditionally thought to be the domain of liberalism, into their analyses.<sup>29</sup> In much contemporary realist thinking, the system and structure are doing less work than before. Alexander Wendt’s seminal *Social Theory of International Politics* and John Mearsheimer’s *Tragedy of Great Power Politics* notwithstanding, the overall popularity of systemic thinking has seen a dramatic decline. In this respect, systemic theory, even among realists, has been in retreat. This book is partly an effort to revive systemic theory in IR.

### **The argument in brief**

Structural realism has been on the defensive because of two glaring empirical problems. Because structural realism *is* systemic theory, the latter has been thrown into disarray as a result. The first problem stems from the theory’s inability to anticipate the peaceful end to the Cold War.<sup>30</sup> The second problem results from the theory’s inability to

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<sup>28</sup> Legro and Moravcsik, “Is Anybody Still a Realist?” *International Security*, Vol. 24, No. 2 (Fall 1999)

<sup>29</sup> J. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell Press, 1991); Zakaria, *From Wealth to Power: The Unusual Origins of America’s World Role*. (Princeton: Princeton Press, 1998); Wohlforth, “Realism and the End of the Cold War,” *International Security*, Vol. 19, No. 3 (Winter 1994-95); Schweller, *Deadly Imbalances: Tripolarity and Hitler’s Strategy of World Conquest* (New York: Columbia University Press, 1998); Rose, “Neoclassical Realism and Theories of Foreign Policy” *World Politics* Vol.51,No.1 (1998); Lobell et.al. Eds., *Neoclassical Realism, the State, and Foreign Policy* (Cambridge: Cambridge University Press, 2008) ; Schweller, “The Progressiveness of Neoclassical Realism” in Colin Elman and Miriam Fendius Elman, ed. *Progress in International Relations Theory: Appraising the Field*. (Cambridge: MIT Press, 2003)

<sup>30</sup> Lebow and Risse Kappen, eds. *International Relations Theory and the End of the Cold War*, (New York: Columbia University Press, 1995) Chaps. 1 and 2

explain stability and the absence of security competition in the post-Cold War era.<sup>31</sup> In tackling the second, realists developed new accounts of hegemonic stability.<sup>32</sup>

Accordingly the post-Cold War world represents a unipolar structure in which US power has been the primary source of stability. Most believe that unipolarity will not last indefinitely, and because of this, security competition and balance of power behavior can be expected to return as US hegemony declines.<sup>33</sup>

Scholars generally agree that the nature of great power politics in the 21<sup>st</sup> century to a large degree hinges upon what the system's rising powers will do—the “BRIC” states of Brazil, Russia, India and China. Realists predict that as the US declines while these states rise, security competition will likely follow. While liberals make strong predictions about relations among Western democracies, because these states are non-Western and some of them non-democratic, liberals and constructivists are largely silent on what their rise will mean. While peace is said to prevail among democracies, many liberals argue that conflict between democracies and non-democracies is more likely.<sup>34</sup> Constructivist scholarship, that emphasizes shared identity, is silent as these powers do not, or only partly, share in the “Western” Kantian culture founded on liberal values and human rights.<sup>35</sup> Meanwhile, liberal institutionalism will have difficulty explaining the behavior of states that are not fully integrated into the Western institutional order. While China is partly integrated, Russia is not. Understanding the likely behavior of the BRICs

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<sup>31</sup> Ikenberry, *After Victory* (Princeton: Princeton Press, 2001)

<sup>32</sup> Wohlforth, “Stability of a Unipolar World”

<sup>33</sup> Layne, “Unipolar Illusion Revisited”

<sup>34</sup> Doyle, “Kant, Liberal Legacies and Foreign Affairs”

<sup>35</sup> Adler and Barnett, eds. *Security Communities* (Cambridge: Cambridge University Press, 1998), Chaps. 1 and 2

is of the utmost importance. Unfortunately, non-realist theories are either ambiguous or silent on this question.

To date, liberals have made partial, or no predictions about the likely behavior of these states. But if power-centered realist theories are wrong about systemic stability in a “post-American” world, how is this result to be interpreted? The systemic theory that is developed in the pages that follow claims to account for the behavior of these states and overall predicts a continuation of systemic stability even as US relative power inevitably declines.

The starting premise is that the system is no longer dominated by antagonistic great power poles but by a cohesive cluster of liberal states—the commercial confederacy. This grouping evolves out of a US led hegemonic subsystem following World War II. Its initial formation was influenced by a variety of contingent historical circumstances though it quickly developed a strong path-dependent, expansive, logic. At the core of this grouping are the US, Britain, France, Germany and Japan, though scores of junior partners can be included—collectively the OECD. This cluster is characterized by a unique form of social cohesion that has allowed it to escape the logic of anarchy—or the fear and uncertainty inherent in international politics. Chapter 2 sets out to explain why the Western order, or confederacy, is much more enduring than most have thought. It explains how various cohesive bonds operate in mutually reaffirming ways to maintain group unity. The Confederacy has developed a strong path-dependent, reproductive logic, able to withstand crises and changes in the underlying distributions of power among constituent units.

The Confederacy is the dominant, leading power configuration. Since the end of World War II it has solidified and expanded. The most impressive feature of this configuration is the extent of commercial interaction. This interaction brings in to being a gravitational sphere that conditions the behavior of every actor in the system. Chapter 3 develops a power-centered systemic theory of international politics based upon two premises: (1) the system is not anarchic but confederate because the leading power configuration is a cohesive commercial cluster of states; and (2) in this new environment competition is driven by a strong prosperity motive. The structure conditions behavior because to be competitive states must find ways to integrate themselves into the order. Realists strategies of autarky, balancing, and aggression have become self-defeating. Rather, *bonding* has become the dominant strategy induced by the system. That is, states are led to pursue internal and external strategies designed to forge enduring institutional and commercial links for the purpose of creating prosperity and enhancing competitiveness. Those who fail to integrate find themselves at a decided competitive disadvantage. The structure both rewards and punishes.

The project makes two distinct but related contributions. The first is a general approach to the study of group cohesion in IR. The more immediate task is to explain how the commercial confederacy came into being. It is important to note that there are numerous theoretical paths to the same result, though the theory of group cohesion has many advantages over rival accounts. Theories of Kantian culture, democratic zones of peace, Western security communities, and institutional theories all predict very similar outcomes. The task of getting leverage on their theoretical claims is complicated by their number, but not rendered impossible. I will try to make some headway in this direction

though my efforts will ultimately fall short. In the end, the task of sorting out competing theoretical accounts requires wide and sustained empirical examination. The broader goal is to advance a general theoretical framework for studying cohesion that is applicable to many different kinds of groups.

The second is a systemic theory of international politics that begins from the premise that the system is dominated by a cohesive league of leading players. Perhaps the greatest contribution of this theory is that it predicts outcomes and behaviors with regard to large, rising, non-western, illiberal countries that are not adequately covered by extant non-realist theories. This renders the task of getting leverage over competing claims more manageable since, as I argue, the alternatives are few and strikingly different. The two theoretical projects are related but distinct. Each demands scrutiny independent of the other. Finally, the entirety of the project need not be accepted to find utility in one of the two parts. The dissertation does not push the reader to make an up or down vote on the work as whole.

The theory challenges each of the major paradigms in important ways. It challenges liberals to consider systemic thinking by explaining how systemic forces can induce states to integrate and cooperate. It challenges realists to consider the possibility that antagonistic poles are not the only kind of great power configuration imaginable. Second, if it is granted that states also have a strong prosperity motive, systemic theory yields vastly different expectations under some conditions. The arguments that unfold in the pages that follow are both an effort at theory building and synthesis. Much of what the reader will encounter is, on its face, paradigmatically neutral. While special emphasis is placed on different variables variously privileged by each of the schools, one quickly

notices that the concepts contained therein—social cohesion for example—have the potential to form the basis of much needed inter-paradigmatic debate. The dissertation is not an effort to defend any particular school, but rather, to move beyond all of them by incorporating many of their variables and insights into a novel theory.

### **Agency, structure, and theory testing**

The intended contribution of this book is mainly theoretical. It offers a general systemic theory with special application to the post-Cold War world. But systemic theories, as all theories of international relations, have limits. The international structure confronts actors as a set of distinct incentives and disincentives. However, that there is a dominant strategy available does not necessarily mean that the strategy will be pursued. Oftentimes there are multiple ways to achieve the same goal. Structures push and pull, shape and shove, reward and punish. They do not determine behavior.

Structural causes are confirmed to the extent that actors respond to systemic incentives in predictable ways over an extended period of time. That is, a single historical snapshot can neither confirm nor disconfirm a systemic theory. Trends in great power grand-strategies can. A systemic theory makes claims of the form: *Given a particular systemic structure, actors are likely to pursue a family of strategies consisting of X, Y and Z.* In a confederate system, for example, states have strong incentives to engage in commercial integration. They face strong incentives to join trade agreements, attract foreign investment, and join multilateral institutions. While the theory predicts that states are likely to pursue a family of strategies it cannot tell us precisely how this will be done. That is, the same goals are often multiply realizable. China did not liberalize its economy all at once, as Russia attempted to do. But rather, proceeded incrementally by creating

special economic zones. Systemic theory is at its strongest when explaining and predicting grand-strategies and macro trends. The theory is less able to deliver expectations of a more specific kind. Similarly, Neorealism predicts balancing behavior. But it cannot tell us precisely what states will do. Will they form an alliance or build up their own military capacity, or both? When will they balance? In building their own military capacity are they likely to focus on air or sea power? Systemic theory cannot answer these more specific questions because causes are found at a lower level of analysis. This is a major concession and it points toward a synthetic, or what I call “complementary” approach to the study of international relations.

Following Giddens, Wendt and others, it is intuitively attractive and empirically correct to think of agents and structures as co-constituted.<sup>36</sup> That is, agents create structures and structures in turn condition agents. While true, this insight cannot form the basis of a useful theory. That is, for analytic purposes these levels must be separated. If we insist on unifying these levels into a single theory the project will fail. Instead of simplifying, infinite complexity will be introduced. At best, we could only arrive at a framework for descriptive history. Imperfect as it is, these levels must be isolated and theorized separately. However, this does not imply that they need be mutually exclusive or always in conflict with each other. After all, this is the basic intuition driving the emerging school of Neoclassical Realism. Chapter 4 develops the *complementary approach* in which both bottom-up and top-down theories occupy a place in a single research program. The idea behind the approach is that each method compensates for

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<sup>36</sup> Giddens, *The Constitution of Society* (Berkeley: University of California Press, 1984); Wendt, *Social Theory of International Politics* (Cambridge: Cambridge Press, 1999)

weaknesses inherent in the other. However, we must avoid combining levels in an ad hoc manner. The approach outlines a clear division of labor.

To help illustrate the theory's logic and render the theory amenable to critical evaluation, in Chapter 5 I explore China's grand-strategy in the reform era. China is at the center of many important theoretical debates in the field. It is both an important case and a hard case. This illustrative case is offered as a plausibility probe. Significantly, it challenges the dominant view among China scholars that the PRC's foreign policy is best explained by virtue of its domestic politics; it challenges dominant realist interpretation that China is a revisionist power. It does not present definitive empirical "findings" but represents a preliminary analysis using a new theoretical lens. The exercise is important for several reasons. First, through an encounter with reality theories develop and are refined—their strengths and limits brought to light. Second, a plausibility probe lends the theory some preliminary credibility. This dissertation does not purport to be a final theoretical statement and comprehensive empirical defense. As such, it is but a preface to a much larger theoretical and empirical exploration. The dissertation can be criticized for being "incomplete." This misses the point. Science is a collective enterprise and should seek to exploit the talents and knowledge of many. Some of the best theories are those that leave something for others to do. Attempting to "exhaust" a topic is a poor strategy. Seldom is the theorist best suited to test his own theory, and seldom is an idea best served by having a single mind engage it. This philosophy will be fleshed out explicitly later, though the reader will become cognizant of intentional and unintentional gaps along the way. This is both an admission of my own limits and an invitation to engage and critique.

## II.

The Western Way—or, why the Western Order is stronger than most believe

There's just something about the West. The story of international relations is mainly a Western story, both in terms of the content of that story and the scholars that have told it. International relations theorizing has been, with few exceptions, a Western enterprise. From the pens of Machiavelli, Hobbes, and Rousseau, to Carr, Morgenthau, and Waltz, modern theorizing about international relations has focused on the Western experience, and in particular, the continent of Europe. "The theory, like the story" writes Waltz, "of international politics is written in terms of the great powers of an era."<sup>37</sup> The theory and story of international politics, it seems, is also written in terms of the Western powers.<sup>38</sup>

Curiously, while the Western experience gave rise to Realism, it has also led many to question the paradigm's continued relevance. The West remains a persistent thorn in the side of the Realist canon. Defying the laws and dominant tendencies of the system, it is the Western states that have escaped anarchy and the security dilemma. It is the Western states, and the strongest among them, that were the architects of post WWII

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<sup>37</sup> Waltz, *Theory of International Politics*, pp. 72

<sup>38</sup> Consider for instance several recent theoretical works, almost certainly destined to become classics in the field, each focusing to lesser or greater degrees on the Western experience: Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (Princeton Press 2001); John Mearsheimer, *The Tragedy of Great Power Politics*; Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999); Daniel Deudney, *Bounding Power: Republican Security Theory from the Polis to the Global Village* (Princeton: Princeton Press, 2007).

international order. It is the Western powers that together have forged a Kantian confederation of democratic republics. As it continues to define international politics, so too does the Western order continue to define theoretical debates in the field.

This confederal Western order emerges out of a US dominated hegemonic subsystem following WWII.<sup>39</sup> The core powers within this arrangement are the US, Britain, France, Germany and Japan. While this confederal league centers around these leading states, scores of junior partners can be included: collectively the OECD. This arrangement has been stable. It has also been enduring. The league has weathered numerous political and economic convulsions—the Suez Crisis, the fall of Bretton Woods I, the economic turmoil of the 1970s and early 80s, the fall of the Soviet Union, the era of US unilateralism, and most recently, the Great Recession.<sup>40</sup> Inspired by the realist baseline, several generations of pessimists have predicted its demise.<sup>41</sup> With each new transatlantic tiff the thesis resurfaces, and so it persists, but so does the Western order. But what makes this political amalgam, the confederation, so resilient and enduring?

Whether directly or indirectly, the above question has inspired an impressive body of scholarship; so much so, that one wonders whether anything new can be said. Each of the main paradigms has offered explanations to account for Western unity. Realist

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<sup>39</sup> Arthur Stein, “The hegemon’s dilemma: Great Britain, the United States, and the international economic order,” *International Organization* Vol. 38, No. 2 (Spring 1984); Ikenberry, *After Victory* (Princeton: Princeton Press, 2001); Daniel Deudney and G. John Ikenberry, “The nature and sources of liberal international order,” *Review of International Studies*, 24 (1999)

<sup>40</sup> For a useful survey and analysis of some of these crises see Anderson et.al. *The End of the West? Crisis and Change in the Atlantic Order* (Ithaca: Cornell Press, 2008)

<sup>41</sup> For a sampling of this literature see Mearsheimer, “Back to the Future: Instability of Europe after the Cold War” *International Security* (Spring 1990); Waltz, “The Emerging Structure of International Politics” *International Security* (Fall 1993); Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (New York: Knopf, 2003); Charles Kupchan, “The End of the West,” *Atlantic Monthly*, Nov. 2002; Stephen Walt, “The Ties that Fray: Why Europe and America are Drifting Apart,” *National Interest*, No. 54 (Winter 1998/99); Christopher Layne, “Superpower Disengagement,” *Foreign Policy*, No. 78 (Spring 1990)

literature explains how states unite in the face of greater power or a menacing threat.<sup>42</sup> Liberals emphasize democracy, commercial interaction and interdependence, and international institutions.<sup>43</sup> Constructivists talk about a shared liberal identity and Kantian culture of peace.<sup>44</sup> So long as the confederation persists, it seems hopelessly over-determined. Because it is unprecedented in the annals of history, little comparative leverage can be gained. We are left with numerous variables and many theoretical accounts. In the final analysis it is likely that many variables matter. But if numerous variables matter, it is difficult to assign causal weight. This, then, is the state of the most momentous question in IR theory: numerous possible sources of cohesion with no way to determine their relative importance.

To compound the problem, some variables are material, distributions of power and economic interdependence, while others are ideational, liberal values and identity. Still others are institutional. Some pertain to ‘structure’ while others to ‘process.’ Measuring each variable is one thing, comparing the relative weight of measures fundamentally different in kind is quite another. It is highly unlikely that these questions can be sorted out in a satisfactory way. But again, we may be asking the wrong questions. What makes for a consolidated, stable, and cohesive republic, like the US or Finland? Most would agree that the answer would not involve any single master variable but the

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<sup>42</sup> See for example, Waltz, *Theory of International Politics* (Boston: McGraw Hill, 1979); Walt, *Origins of Alliances* (Ithaca: Cornell Press, 1987); Jervis, “From Balance to Concert” in Oye, ed. *Cooperation Under Anarchy* (Princeton: Princeton University Press, 1996); John Lewis Gaddis, *The Long Peace: Inquiries into the History of the Cold War* (Oxford: Oxford University Press, 1987)

<sup>43</sup> Keohane, *After Hegemony* (Princeton: Princeton Press, 1984) ; Oye, ed. *Cooperation Under Anarchy*; Michael Doyle, *Ways of War and Peace*; Russett and Oneal, *Triangulating Peace*;

<sup>44</sup> Wendt, *Social Theory of International Politics* (Cambridge: Cambridge Press, 1999); Adler and Barnett, eds. *Security Communities* (Cambridge: Cambridge Press, 1998); Thomas Risse, “US Power in a Liberal Security Community,” in Ikenberry, ed. *America Unrivaled*

operation of many. Perhaps more importantly, we might say that there are many variables that interact with each other to produce a greater combined effect.

Presently, we are looking at an informal confederal union that lies somewhere right of center on a continuum which ranges from anarchy on the one end to a cohesive, consolidate republic on the other. The literature identifies numerous sources of order—or unifying bonds. The literature is divided in its treatment of variables but is united by a common tendency of privileging a narrow set of paradigmatic variables while perhaps acknowledging the relevance of others, bringing them in on an ad hoc basis, or ignoring them entirely. With the possible exception of the most zealous partisans, most would perhaps agree that some combination of realist, liberal and constructivist variables are central to the explanation. Intuition is a useful starting point but to date, synthetic efforts have been hamstrung by the over-determined nature of the puzzle and difficulties associated with assigning causal weight. This essay will not resolve these difficulties.

I argue, however, that the confederal Western order is a great deal more durable and stable than most have believed. The analysis is theoretical and begins from several basic assumptions: First, I assume that there is truth in each of the most important paradigmatic variables. That is to say, each of these variables exerts an independent effect on cohesion or unity. I will not specifically try to answer the question of which variables are most important. Second, I will assume that each of the variables works to create and maintain cohesion. That is to say, each works in the same overall direction, understanding fully that variables often work in multiple directions—trade wars arising from interdependence can be a significant source of conflict for example. The reason why the West may be more enduring and stable than most expect, is that theoretically there is

strong reason to believe that each of these variables has not only an independent effect, but also a strong interactive effect. These variables do not combine to produce something different, but something that is stronger.

This article unfolds as follows. The first section reviews literature and defines the conceptual framework. Part II of the paper is devoted to a theoretical exploration of the interactive effects of each of the variables. The conclusion discusses the significance of the analysis and its implications for IR theory.

### *The West, Order, and Cohesion*

The West, most obviously, can be thought of in terms of geography. The problem with this is that some states that we typically associate as being part of the Western Order lie outside of the West, like Japan, Australia, and New Zealand. The West can be thought of in terms of its historical origins in Ancient Greek and Roman civilizations. This seems more appropriate given that Western ideas can be traced back through the modern enlightenment project to their ancient origins. The West, and Western Order, for purposes of this paper is conceived of in terms of a particular historical project. The project is founded on a specific understanding of the most desirable form of political organization and the most appropriate modes of interstate interaction. The Western project is built on democracy and limited self-government, individual political liberty, and individual economic rights. The project claims that free-markets and relatively unfettered interstate commerce will lead to shared prosperity and pacific relations. Finally, the project maintains that a world populated by democratic republics is most conducive to peace. The West, and Western Order, is a project. It is a project animated by distinct principles and ideals. Ideas that have their origins in a particular civilization that developed in a

certain geographic region comprised of certain racial and ethnic groups to be sure. But these ideas are also universal in so far as the project has universal aspirations. When speaking of Western Order we are referring to a project with Western origins but one that is not exclusive, but rather, seeks universality.

Western Order, most obviously, means order constructed with the building blocks of the Western project. Order is typically, and not inappropriately, thought of in terms of rules and norms. Political order leads to predictable and stable patterns of interaction. Stable patterns of interaction usually imply institutional, or rule based order.<sup>45</sup> But order implies two distinct conditions: rules, but also, stable patterns of interaction that follow. However, the latter does not always follow from the former. Stable patterns imply that rules are actually being followed. This is why order implies much more than simply a rule based arrangement. History furnishes a rich array of examples demonstrating, as did the failed League of Nations, that rule based arrangements do not always lead to desired patterns of behavior. Order depends on the way in which political relationships are constituted, some of this necessarily being rule based, but much depending on features of the relationship that have little to do with rules. The study of order then becomes the study of political community which has elements that are rule based and institutional, but also dimensions that are economic and social.

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<sup>45</sup> Political order, according to one leading theorist “refers to the governing arrangements among a group of states, including its fundamental rules, principles, and institutions.” Ikenberry, *After Victory*, p. 23. Similarly, Bull conceives of a society of states, or international order, as existing when “a group of states, conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in their relations with one another, and share in the working of common institutions.” *The Anarchical Society* (New York: Columbia University Press, 1977)

Cohesion can be thought of as a bond or glue.<sup>46</sup> Ultimately, the bonds or ties refer to the various “sources” of Western Order.<sup>47</sup> Or, in the now familiar phrase of John Ruggie, “what makes it hang together?”<sup>48</sup> So, why not simply speak of the sources of Western order? Why propose the concept of cohesion? Aside from the fact that the latter sounds better, the term “cohesion” implies something that the term “sources” does not. “Sources of order” suggests that there are multiple but distinct causes of unity. Cohesion implies that the combination of the parts creates a whole which is greater than the operation of the parts individually. The whole is greater than the parts not because it produces something separate and new, but merely something that is stronger. Like the strands of a rope woven together, their combination is stronger than the force that the unwoven strands could together withstand. Or, translated into social science parlance, cohesion captures the ‘interactive effects’ of different variables. What we call it ultimately does not matter, what does matter is that the chosen term succeeds in capturing both the independent and interactive effects of each unifying link, or bond.

The Western Order, resting as it does on a particular combination of cohesive bonds, can be thought of as a type of political confederation. The present Western Order emerges as a US led hegemonic subsystem following WWII and has since steadily deepened and expanded. This league is best thought of as a type of confederation. Unlike a federation, in which member states cede sovereignty to a formal political body, this is

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<sup>46</sup> I am aware of a large body of literature on “social cohesion” mainly in sociology and social psychology. After reflecting on this literature I do not feel it serves as a particularly useful vehicle for thinking about Western Order. For a sampling of this literature see: Simmel, “The Sociology of Sociability,” *American Journal of Sociology*, Vol. 55, No. 3 (Nov. 1949); Libo, *Measuring Group Cohesiveness* (Ann Arbor: Institute for Social Research, 1953); Lott and Lott, “Group cohesiveness as interpersonal attraction,” *Psychological Bulletin* 64 (1965); Cartwright and Zander, eds. *Group Dynamics: Research and Theory* (London: Tavistock, 1968); Friedkin, “Social Cohesion,” *Annual Review of Sociology* 30 (2004); Hogg, *The Social Psychology of Group Cohesiveness* (New York: New York University Press, 1992)

<sup>47</sup> Deudney and Ikenberry, “The nature and sources of liberal international order”

<sup>48</sup> *Constructing the World Polity* (New York: Routledge, 1998) Introduction

an informal league in which states retain formal sovereignty. The league is less supranational in that institutions have little autonomy and authority independent of member states. To be sure, a layer-cake of institutions has reduced state autonomy, and though the EU has many properties of a federal government, these institutions are still primarily intergovernmental in that authority still mostly resides in member governments. Western Order is not a *compound federal republic* but a loose confederal league.<sup>49</sup>

Western Order is not easily understood as a single entity. Rather, it consists of a web of institutionalized relationships. To add yet another layer of confusion, membership often varies. As a useful starting point, we might think of Western Order as consisting of a “core”—the transatlantic alliance or NATO.<sup>50</sup> If we include the scores of extra-regional leading powers and junior partners we might consider the OECD. But as one begins to consider other important layers in the politico-institutional web—WTO, IMF, World Bank, G-7—one begins to realize that certain important states that we think of as being part of the Western Order are in fact not members of some of these other institutions. For instance, though Japan has strong security ties with the US it is not a member of NATO. Moreover, Western Order exhibits a strong expansive tendency. Membership in institutions has grown to include, in many instances, states that were formerly in the eastern Soviet Bloc. To further complicate things, there is the question of regional institutional arrangements, most notably the EU and NAFTA, which are clearly part of

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<sup>49</sup> On federations and confederations see Vincent Ostrom, *The Political Theory of a Compound Federal Republic: Designing the American Experiment*, 3<sup>rd</sup> ed. (Lexington Book, 2007); Murray Forsyth, *Unions of States: The Theory and Practice of Confederation* (Holmes and Meier, 1981); Daniel Elazar, *Exploring Federalism* (University of Alabama Press, 1987)

<sup>50</sup> Ikenberry, “Explaining Crisis and Change in Atlantic Relations,” in Anderson, et.al. *End of the West?*, p. 9

the Western project but limited in their geographic reach. Western Order is medieval in many respects, consisting as it does of multiple overlapping institutional spheres.

Ikenberry captures this complexity when he notes that “Postwar institutions came in many guises—regional, global, economic, security, multilateral, and bilateral.”<sup>51</sup>

Western Order is a patchwork quilt. With the possible exception of European integration—Monet’s ‘United States of Europe’—order building did not take place pursuant to a grand design aimed at building political community. Rather, order building to a large degree was problem driven. NATO was formed to ‘keep the Americans in, the Germans down, and the Soviets out.’ The IMF was formed to create stability in the global economy by providing aid to states experiencing balance of payments difficulties. The GATT was designed to promote freer trade. Thus, order building proceeded with an eye toward specific problems and particular areas of governance. Western Order is a quilt comprised of these many diverse, overlapping, patches.

There is a discernible tension in that Western Order must be defined, and its membership identified, without creating overly restrictive categories because of the overlapping nature of the order and because it continues to develop and expand. With these caveats in mind, the Western Order might be summarized according to the following schematic:

**Table I. The contours of Western Order**

<b>Membership (“the Core + Junior Partners”)</b>	<b>OECD Countries</b>
<b>Regional bodies</b>	<b>EU, NAFTA</b>
<b>International bodies</b>	<b>NATO, WTO, World Bank, IMF, G-7, OECD</b>

<sup>51</sup> Ikenberry, *After Victory*, p. 9

How resilient and enduring the order is, the question with which we began, depends upon the level of cohesion. In the table below I have identified six prominent hypotheses drawn from the literature which fit under three broad rubrics: *interests*, *values*, and *institutions*. One can certainly think of other unifying bonds that deserve consideration. My objective is not to exhaust the subject but to select the most important variables and theoretically explore how these might exhibit interactive effects:

**Table II. Six propositions regarding cohesion within the Western Order**

<b>Interest I.</b>	<b>Commerce</b>	<b>Shared commercial interests contribute to peace and lead to the stable reproduction of Western Order.</b>
<b>Interest II.</b>	<b>Threat</b>	<b>External security threats, like the Cold War, solidify Western Order by encouraging cooperation.</b>
<b>Values I.</b>	<b>Identity</b>	<b>A liberal identity reduces fear and suspicion within the order, creating stable expectations of peaceful change.</b>
<b>Values II.</b>	<b>Liberalism</b>	<b>Shared liberal values form the normative basis for cooperation within the Western Order, contributing to overall stability.</b>
<b>Institutions I.</b>	<b>Democracy</b>	<b>Transparency and the externalization of democratic norms contribute to peace and stability within the Western Order.</b>
<b>Institutions II.</b>	<b>Multilateralism</b>	<b>Multilateral institutions create predictable patterns of behavior by facilitating cooperation and reducing the returns to power.</b>
<b>15 Interactive Combinations</b>		<b>Commerce-Threat, Commerce-Identity, Commerce-Liberalism, Commerce-Democracy, Commerce-Multilateralism, Threat-Identity, Threat-Liberalism, Threat-Democracy, Threat-Multilateralism, Identity-Liberalism, Identity-Democracy, Identity-Multilateralism, Liberalism-Democracy, Liberalism-Multilateralism, Democracy-Multilateralism</b>

Part II of this paper is devoted to a theoretical exploration of these fifteen interactive combinations in the context of the Western Order.

## *Cohesion and Interactive Effects*

### *Threat-Commerce*

In general, states will lay their differences aside when faced with a common threat.<sup>52</sup> A spirit of unity is easily forged in the face of dire circumstance—the *We* is quickly found when confronted with a menacing *Them*. Within an alliance, common threat is the unifying bond.<sup>53</sup> The Soviet threat directly contributed to the creation of NATO and overall US engagement of Europe. To contain the spread of communism a united Western front was necessary. The security imperative quickly spilled over into the commercial realm.

Commerce refers to the primary forms of interstate economic interaction: trade, capital, and monetary flows. While its forms have changed, commercial interaction, like war, has been a feature of international politics throughout the ages. Historically, war and commerce have been closely linked.<sup>54</sup> The complex historical record notwithstanding, an important strand of liberal theory claims that commerce creates peace.<sup>55</sup> How did commerce work to create cohesion within the confederacy? Immediately following World War II, peace within the Western bloc is not particularly surprising. Numerous factors, most notably US hegemony and Cold War bipolarity, converged to keep the

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<sup>52</sup> For an excellent review of the ‘conflict in-group thesis’ see Arthur Stein, “Conflict and Cohesion” *Journal of Conflict Resolution* 20 (1979)

<sup>53</sup> Stephen Walt, *Origins of Alliances* (Ithaca: Cornell Press, 1987)

<sup>54</sup> See for example, Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage, 1989); Ronald Findlay and Kevin O’Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millenium* (Princeton: Princeton University Press, 2007)

<sup>55</sup> See Erik Gartzke, Quan Li and Charles Boehmer, “Investing in the Peace: Economic Interdependence and International Conflict,” *International Organization*, 55 (2001); Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence and International Organizations* (New York: W.W. Norton, 2001); Stephen Brooks, *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict* (Princeton: Princeton University Press, 2005); Richard Rosecrance, *The Rise of the Trading State* (New York: Basic Books, 1986)

Western bloc united. In the West, peace is hopelessly over-determined.<sup>56</sup> What is more interesting is how the commercial confederacy has steadily grown, expanded, and withstood a number of convulsions. The question is not peace, but rather, how cohesion has been maintained and cooperation sustained. It is conceivable that states can be at peace, but not engaged in the kinds of cooperative relations we associate with liberal international orders. Peace is the absence of armed conflict; cooperation implies positive interaction. The latter does not necessarily follow from the former. This was the case during the years leading up to World War II. A number of democratic republics existed; they were at peace, but relations were nevertheless characterized by isolationism and competitive protectionism. The point is simply that a non-violent status-quo, even among democracies, does not necessarily involve stable institutionalized cooperation and interstate commerce.

Economic self-interest, and the prospect of making gains, has the effect of drawing states into commercial arrangements. As interstate economic intercourse grows in volume and density and expands beyond trade into areas of investment, finance, labor and production, cohesion among states is solidified. Where this type of interdependence grows states become more sensitive to changes taking place in other countries—today, nothing better illustrates this than how financial markets react to changes across the globe. Sensitivity is itself not a measure of cohesion but it does highlight the extent to which states are tied to each other. Put another way, their economic fates are intertwined one with the other. It is difficult to calculate one's own interest without considering the predicament of one's rival. The longer the confederacy persists, the greater the degree to

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<sup>56</sup> Realists talk about bipolarity, nuclear deterrence, and hegemonic stability; liberals prefer democracy, interdependence, and institutions; constructivists a Kantian culture and security community.

which the interest of the part is tied to the continued viability of the whole. If the commercial confederacy sinks, its core members will sink.

The Cold War threat and commercial interest contributed to cohesion independently but also interacted in important ways. Reconstruction and European integration were primarily driven by the need to rebuild and create a buffer against possible Soviet aggression. For President Truman, the Marshall Plan and the Truman Doctrine were ‘two halves of the same walnut.’ At Harvard University in 1947, George Marshall outlined the main objectives of the US plan for European reconstruction. One of the central themes was to create European unity through economic and political cooperation so as to counter communism and Soviet expansionism. Aid was made conditional upon cooperation on the continent. The European’s preferred a more national approach to recovery; the Marshall Plan insisted that they develop a comprehensive, cooperative plan.<sup>57</sup> Aid recipients formed the Organization for European Economic Cooperation in 1948. The more important organization turned out to be the European Coal and Steel Community, designed to manage vital strategic resources along the Franco-German border. Threat led to deeper forms of economic interaction and political cooperation across the Atlantic, as institutions took hold and the US permitted trade on an asymmetrical basis. Regardless of original intent, the Bretton Woods system became an important instrument in solidifying Western cohesion, bringing about recovery and the German and Japanese economic miracles, and in general, raising a capitalist bulwark against communism.

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<sup>57</sup> For a useful account of early European integration see Walter Lipgens, *A History of European Integration* (Oxford: Clarendon, 1982)

The commercial order was an integral part of the security strategy. Not only was an open commercial order believed necessary to prevent the recurrence of the economic nationalism and competitive protectionism that exacerbated the great depression and were believed to have contributed to the rise of fascism, but also, economic cooperation was understood to be one important means by which Western allies would be rebuilt economically, newly democratic countries like Japan and West Germany would be consolidated and integrated, and overall, a strong barrier to the spread of communism would be raised. Threat perception encouraged economic cooperation, while capitalism accentuated the differences between East and West and contributed to a heightening of mutual suspicion.

East-West competition during the Cold War amounted to a massive race; each side responding and trying to outpace the other. The Soviet Union was not simply facing the US, it was contending with an open bloc and global production network. This gave the West a significant advantage.<sup>58</sup> To the extent that the West's power and dynamism was linked to open commerce, it exacerbated the threat, at least as seen from the Soviet side. The Soviet response in turn exacerbated the level of threat as seen from the West. Second, as the Soviets squared off against a commercial bloc and military alliance, how this group was faring as a whole mattered. During the Bretton Woods years the secondary powers—an integrated and rearmed West Germany for example—were soaring ahead. Third, the prospect of economic aid, foreign investment, and market access are the primary means by which outsiders have been drawn in and integrated into the Western

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<sup>58</sup> For more on this see Stephen Brooks and William Wohlforth, "Power, Globalization and the End of the Cold War: Reevaluating a Landmark Case for Ideas," *International Security* Vol. 25, No. 3 (Winter 2000/2001),

commercial order. The spread of capitalism was inimical to the socialist project just as communism was incompatible with free market capitalism.

*Identity-Commerce/Liberalism*

In the tradition of Kant and Wilson, the commercial confederacy can be thought of as a league of liberal republics. Totalitarianism had been defeated in two great wars; freedom and democracy, it was believed, could deliver peace. John Owen offers a persuasive account about how liberalism should be seen as underlying the democratic peace. States must perceive each other as liberal in order for them to trust and respect fellow democracies.<sup>59</sup> In this regard, liberalism has the effect of creating a certain ideological solidarity among states and societies. This leads to a more robust and durable relationship. Indeed, there are strong theoretical reasons for this: With regard to virtually any human relationship, longevity and stability are most often secured when the edifice is built on a shared ideational foundation. Workers are more productive when they believe in the company and product; lawmakers are better public servants when they believe in the legislative tradition and the public good; homegrown soldiers make for a better defense than do mercenaries, and so on. Where cooperative relationships are premised on self-interest alone, the resulting relationship is less stable. To the extent that there might be a *thin* “Kantian” identity, it is premised on liberalism.<sup>60</sup>

This thin layer of identity is a unifying force. But by itself it is weak, altogether prone to disruption. While identity may be a source of cohesion because it facilitates

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<sup>59</sup> “How Liberalism Produces Democratic Peace” *International Security* (Fall 1994); see also, “Transnational Liberalism and American Primacy; or, Benignity Is in the Eye of the Beholder” in Ikenberry, ed. *America Unrivaled*

<sup>60</sup> In *Social Theory*, initially it appears that collective identity rests on pro-social behavior and friendship. Later though, homogeneity is raised to the level of a necessary condition: “Even if in theory one can imagine a community of infinite diversity, in practice communities require *some* consensus on values and institutions.” p 357.

agreement and mutual understanding, the greatest conflicts are often fought out among kin and compatriot. If cultural or ideological affinity were all that is needed, the problem of international politics would have been solved long ago. This notion is contradicted by millennia of political experience. The case of the Greek city-states is instructive. The Greeks prayed to the same Gods. The Amphictyonic Council, a primitive IGO, was created to effectuate common religious traditions and secure the shrine at Delphi. The Greeks fended off a mutual enemy in the Persians. They participated in the same games and shared numerous cultural traits. Plato refused to label violence among the Greeks “war” but preferred the term “civil strife,” suggesting that Greeks should treat each other not as foreign enemies but “men who will some day be reconciled.”<sup>61</sup> By all accounts, there was something like a pan-Greek identity. Tragically, these sources of cohesion notwithstanding, the city-states were continually mired in conflict. From the ancient Greeks to the Arab world today, history furnishes a rich array of evidence in defense of this general proposition.

But while generally weak, ideological compatibility and identity are nevertheless significant, especially when they combine with other mechanisms. In terms of great power relations, this variable helps to account for cohesion within other important historical arrangements. For example, cohesion among the Spanish and Austrian Hapsburgs, a dynasty which threatened to dominate Europe for a century and half, was maintained not only by mutual political-military interests but family ties, Catholicism and the counter-reformation as well. The 19<sup>th</sup> century Concert of Europe was a league of monarchs whose aim was not only to keep imperial France from reasserting itself, but more generally, it sought to keep the people down. Popular revolution was feared, the

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<sup>61</sup> *Republic*. Translated by Francis Cornford. (Oxford: MacDonald Oxford Press, 1945), p. 173

Concert could keep these conflagrations from spreading across Europe. The monarchic creed was an important source of cohesion. After World War II, the cohesion within the coalition of the victors was short-lived precisely because two hegemonic powers espoused ideologies which were the very antithesis of each other. A purely power centered analysis misses these important ideological dimensions.

Commercial intercourse reinforces a liberal ideology and works to constitute and reproduce a thin liberal identity. The simple fact is that ideas are popular when they work, or appear to work. The orthodoxy usually prevails and is reinforced as long as it delivers. For example, Jeffrey Legro argues that collective ideas are usually replaced by a new orthodoxy only after they experience a shock and collapse.<sup>62</sup> It cannot be the case that ideas exist independently of material conditions. It's hard not to be a liberal when you're getting rich. Similarly, it's hard to remain a commie when you're standing in a breadline. To the extent that communist countries had a communist identity, this never prevented its demise once confronted with a blitzkrieg of material reality. Ideas and identity are intimately connected to the material world.

Constructivists acknowledge that commercial interaction and interest contributes to the formation of a shared identity. For Wendt, commercial interdependence is a "master variable" while for Adler and Barnett, commerce is a precipitating factor leading to the formation of a security community.<sup>63</sup> The problem is that once an identity or culture is formed, it is supposed to supersede other factors like economic interdependence. This is a mistake. Commercial interest and interaction helps reproduce and sustain a shared identity once formed. Social constructivism, with its strictly

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<sup>62</sup> *Rethinking the World* (Ithaca: Cornell Press, 2005)

<sup>63</sup> Adler and Barnett, *Security Communities*, pp.27-40; Wendt, *Social Theory*, pp. 243-349

ideational ontology, has difficulty appreciating the role that material forces play in the construction and reproduction of identity.<sup>64</sup> Identities are not only constructed through intersubjective interaction but also through various material activities that actors are engaged in. In this way, commerce reinforces identity.

Commercial relationships create mutual dependencies. Realists have long argued that dependency and losses in autonomy endanger security.<sup>65</sup> Because identity and ideational solidarity can contribute to ‘stable expectations of peaceful change’ states are more likely to accept mutually dependent relationships. European institutional deepening has proceeded, even after the Cold War, partly because leading states like France and Germany no longer fear one another. While French are French and Germans still Germans, European politics seems to be animated by a “Kantian culture” of friendship.<sup>66</sup> This is not to say that politics is harmonious, but that states are willing to operate peaceably and cooperatively within a shared regional political system. Shared identity contributes to each state’s willingness to accept losses in autonomy and the attendant risks that accompany economic integration. Second, identities are tied to the “roles” that actors play.<sup>67</sup> These roles are defined intersubjectively. To be a “trading state,” part of a trading order, is to be engaged commercial interaction with others. Or put differently, a state’s liberal identity is tied to the very act and process of engaging others in commerce. Hence, shared identity and commerce tend to operate in mutually reaffirming ways.

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<sup>64</sup> For more on this see Latha Varadarajan, “Constructivism, identity and neoliberal (in)security,” *Review of International Studies* 30 (2004)

<sup>65</sup> Waltz, *Theory of International Politics*

<sup>66</sup> Wendt, *Social Theory*

<sup>67</sup> Jeffrey Checkel, “International Institutions and Socialization in Europe” *International Organization* (2005)

## *Liberalism-Commerce*

Liberalism is an ideology, or a system of ideas. It is often associated with things like individual rights and liberties, limited self-government, and free markets. Liberalism makes strong normative claims about what is right and just. It provides prescriptions for action. And finally, and perhaps most importantly, it promises particular outcomes (i.e. justice, peace and plenty). It would be unhelpful to produce a detailed account of the content and evolution of the liberal tradition. Here, we will confine our analysis to the role liberalism plays in the commercial confederacy.

Independently, liberalism contributes to cohesion most obviously because it forms the ideological foundation of the group. Among these states, agreement on values and first principles has contributed to overall group cohesion. Liberalism therefore relates most directly to the values dimension of cohesion although it also implicates the ‘interest’ dimension as well. Throughout the ages—from Athens to America—leading powers have shown a striking propensity to spread their ideas and values. Not surprisingly, the US and its allies shared an important interest in promoting the ‘liberal model.’ Authoritarian states, it was believed, were more inclined toward aggression. Democracy and open commercial cooperation were the answer. For liberal internationalists like Wilson and Roosevelt, liberalism not only served US interests but was to form the basis of a new world order conducive to general peace and prosperity. Liberalism contributes to cohesion because of agreement on basic values and a thin identity, but also, it forms the basis of an important common interest: spreading liberal values and ideas. Cohesion is enhanced to the extent that actors share the conviction that their values are universal and should be universalized.

Economic liberalism prescribes specific means and ends. Ricardo's attack on Mercantalism established a strong theoretical foundation for free market economics. According to this school, the best way to increase national wealth is to exploit comparative advantage and encourage divisions of labor by imposing as few restrictions on trade as possible. This openness, liberals assert, does not only lead to prosperity but peace as well. According to the liberal normative view, the appropriate form of interstate rivalry is open economic competition. After World War II, the US and its allies seemed ripe for this new experiment. The isolationism of the 1920s and 30s combined with strong protectionist policies failed to deliver neither peace nor prosperity. The US was founded a commercial republic, and after World War II it had the relative power and will to rebuild the world in its own image. Not surprisingly, the American vision of post-war order features two liberal pillars: commercialism and constitutionalism.

The commercial confederacy is partly premised on a mutually reinforcing congruence between the logics of appropriateness and consequence.<sup>68</sup> That is, the instrumental and normative are in substantial harmony. Liberalism does not manifest itself because of selfless adherence to a system of normative ideas. Much like the "protestant ethic" it encourages behavior which is very much in the instrumental interest of actors. To the extent that actors reap benefits, liberalism is reinforced. For instance, after World War II, West Germany's turn to democracy and overall integration into the Western bloc was reinforced by the economic miracle brought on by these developments, just as China's turn to market reform today has been reinforced by several decades of stunning growth. While the post-war boom among the countries of, what would become,

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<sup>68</sup> For a discussion of these logics see March and Olsen, "The Institutional Dynamics of International Political Orders," *International Organization*, Vol. 52, No. 4 (1998)

the OECD was dramatic across the board, nowhere was this truer than in Japan where output grew eightfold in twenty five years!

### *Democracy-Commerce*

Democracy is limited self-government. In general, democratic countries are those in which the executive and legislature are chosen through contested elections.<sup>69</sup> A substantial body of literature supports the conclusion that democracies do not, or only rarely, fight wars against other democracies.<sup>70</sup> Through mechanisms of institutional restraint and externalization of democratic norms, democracies have succeeded in forging a zone of peace. Hence, democracy has been a fundamental source of stability within the Western order.

Democracy does not automatically lead to interdependent commercial ties. During the interwar years democratic states found themselves participants in a vicious cycle of competitive protectionism as trade decline precipitously. But democracy does facilitate commercial ties once states make the decision to enter into such relations with each other. As Russett argues, "...democratic states presumably feel their security less threatened by other democratic states, and hence can enter into relationships of economic interdependence for absolute gain without worrying as much about the relative gains that

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<sup>69</sup> Adam Przeworski, et.al. *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990* (Cambridge: Cambridge Press, 2000) Chap. 1

<sup>70</sup> Russett and Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W.W. Norton, 2001); Huth and Allee, *The Democratic Peace and Territorial Conflict in the Twentieth Century* (Cambridge: Cambridge Press, 2003); Michael Doyle, *Ways of War and Peace* (New York: W.W. Norton, 1997) Chap. 8; John Owen, *Liberal Peace, Liberal War: American Politics and International Security* (Ithaca: Cornell Press, 2000)

so centrally impact the realist model of relationships.”<sup>71</sup> Not surprisingly then, greater levels of trade are found between democratic states.<sup>72</sup>

Democracy also facilitates economic linkages by allowing democratic states to make more credible commitments.<sup>73</sup> Democracies are better able to make credible commitments because of transparency and, in general, it is institutionally more difficult for democracies to abruptly change policy.<sup>74</sup> Where commitments are greater, the “shadow of the future” can be expected to operate with greater effect. Cooperation in present rounds is more likely when actors anticipate relations to continue long into the future.<sup>75</sup>

The democracy-commerce nexus is important in understanding the ways in which the Western order operated in practice, but it is also crucial to understanding the very process of order building itself. In the tradition of Woodrow Wilson, post-World War II order building proceeded according to a liberal blue-print, first outlined in the Atlantic Charter, in which democratic states together formed a commercial league. Promoting free trade was critical to avoiding the economic turmoil of the 1930s, but development and trade were also important for ensuring the success of democracy and its consolidation in West Germany and Japan.

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<sup>71</sup> “A Neo-Kantian Perspective,” in Adler and Barnett, *Security Communities*, p. 375

<sup>72</sup> Bliss and Russett, “Democratic Trading Partners: The Liberal Connection,” *Journal of Politics*, Vol. 58, No. 4 (1998)

<sup>73</sup> On democracies and commitment see Kurt Taylor Gaubatz, “Democratic States and Commitment in International Relations,” *International Organization*, Vol. 50, No. 1 (Winter 1996)

<sup>74</sup> Lisa Martin, *Democratic Commitments: Legislatures and International Cooperation* (Princeton: Princeton Press, 2000)

<sup>75</sup> Keohane and Axelrod, “Achieving Cooperation under Anarchy: Strategies and Institutions,” *World Politics* 38 (1985)

### *Multilateralism-Commerce*

Institutions are sets of rules and procedures that govern behavior. In recent history, international institutions and organizations have been a regular and important feature of international life. Unfortunately, major institutions and organizations have too often failed to deliver lasting order among the system's leading powers. The Concert of Europe faded after some decades; the League of Nations faltered. Though the UN persists, its record is mixed. After World War II, as many have argued, systemic stability probably rested on bipolarity and nuclear deterrence.<sup>76</sup> The Security Council can hardly be credited for maintaining great power peace in the Cold War era. Quite logically, this historical record has led many realists to marginalize the importance of international institutions.<sup>77</sup> Yet this wholesale dismissal has been altogether too hasty.

When they work well, institutions regulate interaction and produce predictable and stable outcomes. We are specifically concerned with the 'layer-cake' of multilateral institutions which include, or center around, the system's core commercial powers; specifically, the 'Bretton Woods Sisters' (IMF, World Bank, GATT/WTO), the Organization for Economic Cooperation and Development (OECD), the European Union, NATO and to a lesser degree regional organizations like NAFTA and APEC. Multilateralism, as Ruggie has defined it, is an arrangement that "coordinates behavior among three or more states on the basis of generalized principles of conduct."<sup>78</sup> Multilateral institutions are general in character; they govern conduct by specifying rules over classes of actions; they do this on a non-arbitrary basis.

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<sup>76</sup> See for example John Lewis Gaddis, "The Long Peace: Elements of Stability in the Postwar International System," *International Security*, Vol. 10, No. 4 (Spring 1986)

<sup>77</sup> See for instance Mearsheimer, "The False Promise of International Institutions," *International Security*, Vol. 19, No. 2 (Winter 1994/95)

<sup>78</sup> Ruggie, *Multilateralism Matters*, p. 14

Scholars first began to give serious attention to rules and procedures in the context of regime theory.<sup>79</sup> Liberal institutionalism, which grows out of regime theory, has developed into an important paradigm and research program. Liberal institutionalism is a functionalist perspective; states seek out institutional solutions because these provide functional benefits. Institutions reduce uncertainty, provide information, reduce transaction costs, increase transparency and allow actors to signal intentions, provide enforcement mechanisms and create incentives for future cooperation through sunk costs and the “shadow of the future”.<sup>80</sup> Liberal institutionalism developed in response to realism’s pessimism about the prospects for cooperation. The central task of institutional theory was to demonstrate how cooperation was possible in anarchy and even after the decline of a hegemon. Scholars have focused a great deal of attention on how the collective action problem is solved and the suboptimal outcomes of a Prisoner’s Dilemma avoided.<sup>81</sup> In so doing they have produced an impressive arsenal of theoretical ideas that show why self-interested state actors will gravitate toward institutional solutions so as to more efficiently reap cooperative gains. Institutions and institutionalized relations are not only path-dependent and “sticky,” they tend to gather momentum.<sup>82</sup> For those on the outside, it may be difficult to be economically competitive if you remain excluded.<sup>83</sup> For

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<sup>79</sup> Stephen Krasner ed. *International Regimes* (Ithaca: Cornell University Press, 1983)

<sup>80</sup> Arthur Stein, “Coordination and Collaboration: Regimes in an Anarchic World,” *International Organization*, 36 (Spring 1982); Robert Keohane and Robert Axelrod, “Achieving Cooperation Under Anarchy: Strategies and Institutions,” *World Politics* 38 (October 1985); Robert Keohane, *After Hegemony*; Kenneth Oye, ed., *Cooperation Under Anarchy*; Robert Axelrod, *The Evolution of Cooperation* (Basic Books, 1984)

<sup>81</sup> Oye, ed. *Cooperation Under Anarchy*

<sup>82</sup> For an excellent discussion on logics of path-dependence see Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton: Princeton University Press, 2004)

<sup>83</sup> Lloyd Gruber, *Ruling the World: Power Politics, and the Rise of Supranational Institutions* (Princeton: Princeton University Press, 2000)

those on the inside, “As the cost of leaving a group rises, so does the net benefit of remaining in it.”<sup>84</sup>

Stability is enhanced to the extent that the commercial confederacy is able to resist undesirable changes that may threaten to dissolve it. There are several notable ways in which multilateral institutions accomplish this. First, multilateralism is characterized by “diffuse reciprocity”—a loss today may be cancelled out by tomorrow’s gains.<sup>85</sup> While benefits are more diffuse they are not distributed evenly. It may not even be the case that actors have an equal voice. For instance, IMF voting is weighted according to the amount each state contributes. What multilateralism does mean is that the rules of the game are not arbitrarily stacked in favor of one or the few. It does not promise equality of results, but it does promise a fair process.

The principle of multilateralism has intrinsic normative appeal but it also represents an order in which both the strong and weak remain relatively content. It does not preclude the powerful from getting theirs, nor are the weak subject to arbitrary domination. Multilateral institutions have the effect of “reducing the returns to power” by decreasing state autonomy. Put simply, institutions can help prevent domination by strong states over weaker partners.<sup>86</sup> This insight flows from the general character of multilateral rules which limit the arbitrary use of power. In restraining their power, through institutional mechanisms, strong states abandon an imperial posture. Finally, the multilateral order accommodates rising powers by integrating them. The unlikely

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<sup>84</sup> Hechter, *Principles of Group Solidarity*, p. 48-9

<sup>85</sup> Ruggie, *Multilateralism Matters*

<sup>86</sup> Ikenberry, *After Victory*; Daniel Deudney, *Bounding Power: Republican Security Theory from the Polis to the Global Village* (Princeton: Princeton Press, 2007); Joseph Grieco, “State Interests and Institutional Rule Trajectories: A Neorealist Interpretation of the Maastricht Treaty and European Economic and Monetary Union” in Benjamin Frankel, ed. *Realism: Restatements and Renewal* (London: Frank Cass, 1996)

brilliance of the principle of multilateralism enables the strong to reap due benefits while allowing the weak to retain formal equality and autonomy. The multilateral order assigns to each according to capability. To a limited extent it reflects the advantages of greater strength. Granted, multilateralism can never quench the thirst of the truly ambitious, but again, never are their mouths so dry as to motivate aggression.

Stability is created because power is restrained and the behavior of the strong is rendered more predictable; it is also created because institutions limit the sources of possible contention. We have already noted how institutions can produce a convergence of interest, but interests will not always converge. Ideological affinity and identity may also limit dissension. But regardless, disputes are a part of any 'normal' politics. If disputes and wrangling prevail in domestic politics, how can we expect the international realm to be any more harmonious? It is not the presence of disputes, but how they are dealt with which is of greatest concern. Where there is order, rules govern relations. In theory, rules should preempt many sources of disagreement, or change the nature of disagreement. Institutions also limit disputes by creating transparency and providing reliable information. They can offer a forum in which dialogue and diplomacy might be pursued. Some institutions are even equipped with mechanisms to manage disputes once they have erupted. The reason why the WTO is perhaps the most important international institution is because it is armed with a powerful dispute settlement mechanism which adjudicates trade disputes and in certain cases legitimizes retaliatory measures where violations occur. What is important is that disputes are channeled through a rule governed institutional process. In general, enforcement and dispute settlement mechanisms facilitate cooperation. Information can help identify defectors and reduces the likelihood

of miscalculation. State commitments are all the more reliable and credible where neutral monitoring and enforcement mechanisms raise the risks and costs of defection and cheating.

Finally, any system is vulnerable to a sudden shock. Often these shocks are difficult to foresee and they may threaten to derail cooperation. Shocks cannot always be prevented but institutions can help the system absorb or weather them. The commercial confederacy is unique in that states are highly interdependent. Economic shock or collapse in one state or region will have far reaching reverberations—recall the “Asian contagion” of the late 90s and the more recent “American contagion” of 2008 which has affected virtually every market in the world. Indeed, the IMF was created for the very purpose of bailing out troubled economies so that heavy weather in one country would not threaten the viability of the whole. Today’s ongoing crisis, as it began in the most powerful state, and has spread to every other, is clearly of a vastly different magnitude. Regardless, the point is, institutions can work to manage both diplomatic crises as well as economic shocks.

The institutional dimension interacts directly with the commercial. After World War II, economic cooperation and integration was to be pursued through institutional means. The Bretton Woods ‘sisters’ were specifically designed to effectuate these goals. Just as commerce has encouraged institutional development, institutions have in turn led to an impressive expansion of the global economy. Indeed, it is difficult to imagine the level of economic openness in the absence of multilateral institutions like the GATT/WTO, or in Europe, the EU.

### *Threat-Identity/Liberalism*

Threat and identity interact in several important ways. Many constructivists agree with the proposition that a common enemy or threat contributes to collective identity formation.<sup>87</sup> That is, the “We” is more easily found when confronted with a menacing “Them.” Group identities often develop around shared characteristics and interests, but also, identities are defined by the “other.” Groups are identified by what they are not. Members of the Western order shared common characteristics: the “Western” states were democratic and shared a liberal value commitment. They also had important group interests, commerce and development. But these shared liberal characteristics and interests were all the more significant because they stood in such stark contrast to those embodied by the Soviet Bloc.

The Soviet threat solidified Western cohesion around a shared commitment to liberalism, democracy, and capitalism, thus leading to identity formation. But by bringing East-West differences into such sharp focus, the liberal-identity had the effect of exacerbating the Cold War conflict itself. Like nationalist fervor, rallying around the democratic-capitalist flag had the effect of enflaming Cold War fears. In this way, threat helped solidify a liberal identity while the development of a liberal identity in turn worsened threat perception. Heightened threat perception further contributed to Western cohesion.

### *Threat-Democracy/Multilateralism*

The need to contain Soviet aggression drove important post-WWII developments. Franco-German reconciliation and German rearmament proceeded from the increasingly

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<sup>87</sup> For example, see Wendt’s discussion of “common fate”. *Social Theory*, pp. 347-353

urgent need to forge a stable and strong Western European front. America's proactive involvement was itself a necessary condition of success. In 1919 Britain and the US refused to give France a security promise in the event of another German attack. In 1947, the Dunkirk Treaty not only created a self-defense pact, but more importantly, provided France with security assurance that proved vital to integration and German rearmament. US security guarantees and leadership were driven by an interest in countering and containing the Soviet Union.

Most directly, the Soviet threat led to US support of the Marshall Plan and European Integration. Between 1947 and 1951, the US spent about \$12.5 billion on the European Recovery Program. Most significantly, it led to the creation of NATO, a formal treaty alliance, embodying the policy of the "double containment" of Germany and the Soviet Union. The Soviet threat was an important reason, and political justification, for costly US commitments. The threat was symbolized in Churchill's 1946 speech which warned that a great Iron Curtain lay across Europe. In 1947, Truman introduced the doctrine whereby the US would assume leadership of the "free world" and assist countries like Greece and Turkey in their efforts to resist communism. After the 1948 blockade of Berlin, the North Atlantic Treaty was signed in 1949 indicating that the US was not merely willing to use economic aid but military might as well.

Threat and democracy interacted insofar as democracy was important to the success of multilateral security cooperation while the success of fledgling democracies in the Western block critically hinged on US security guarantees. Democracy enabled the US to make binding commitments and to render these commitments less threatening.<sup>88</sup> Meanwhile, the US security guarantee was a necessary condition for the European Coal

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<sup>88</sup> Ikenberry, *After Victory*, pp. 75-79

and Steel Community to take hold; in guaranteeing German security and assuaging French fears, democracy was consolidated in West Germany.

*Identity-Liberalism/Democracy*

Identities emerge and evolve through a process of intersubjective interaction.<sup>89</sup> During repeated rounds self and other cast each other and in so doing develop understandings of self and other. Shared identity involves in-group *We* feelings that create group cohesion among actors and may lead to altruistic behavior—the interest of the individual becomes tied to the collective well-being of the group as a whole. In this way, identities can influence the way actors conceive of themselves and their interests in relation to others.

Identity involves how actors understand self and other. It is partly about a subjective feeling: do I understand myself to be a part of a particular group? But group identity also involves certain objective features. Groups are often defined by language, shared experience, race, and so on. Identity not only rests on mutual trust and feelings of attraction, but also objective features, commonalities, or interests that actors share. Within the Western order, shared identity primarily rests on liberal values and democracy. As Adler and Barnett note, “At the present moment if scholars of international politics are likely to identify one set of political ideas and meanings that are related to a security community it is liberalism and democracy.”<sup>90</sup> These were the defining features of in-group identification in the West. In his 1947 address to Congress,

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<sup>89</sup> Ruggie, “What Makes the World Hang Together? Neo-utilitarianism and the Social Constructivist Challenge,” *International Organization*, Vol. 52, No. 2 (1998)

<sup>90</sup> Adler and Barnett, *Security Communities*, p. 40

Truman explained that:

At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is too often not a free one. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio; fixed elections, and the suppression of personal freedoms.<sup>91</sup>

Those committed to the first way of life are good, part of the *We*; those committed to the second way of life are bad, part of the *Them*. Identity was not only based upon *We* feelings but perhaps more importantly on the objective fact that members of the Western bloc were committed to liberalism and democracy, defining features of group membership.

#### *Identity-Multilateralism*

Constructivists have claimed that institutions are sites of social learning and identity formation. Constructivist international theory has produced a growing body of literature on the role of institutions in the construction of state identities and by extension state interests.<sup>92</sup> There is a common pattern of thinking among constructivists on the question of identity formation. Identity evolves through stages where initially actors are motivated by instrumental concerns or logics of consequences but through continued institutionally directed interaction and socialization, identities change such that interests no longer rest on self-interest alone.<sup>93</sup> Recently, scholars have claimed large-*N* support for the constructivist thesis by establishing a relationship between policy convergence

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<sup>91</sup> Full speech available at [http://avalon.law.yale.edu/20th\\_century/trudoc.asp](http://avalon.law.yale.edu/20th_century/trudoc.asp)

<sup>92</sup> See for example Alistair Iain Johnston, "Treating International Institutions as Social Environments," *International Studies Quarterly* (2001); Jeffrey Checkel, "International Institutions and Socialization in Europe" *International Organization* (2005)

<sup>93</sup> Checkel, "International Institutions and Socialization in Europe"; March and Olson, "The Institutional Dynamics of International Political Orders"

and IGO membership.<sup>94</sup> However, it is unclear why policy convergence is *prima facie* evidence for the constructivist thesis when rationalist models predict it as well.<sup>95</sup>

Constructivists are correct, however, in highlighting the importance of institutions in socializing members and building identities. Institutions help constitute members as participants of good standing in a liberal order. Even if actors are not fully socialized, institutions may cause actors to “role play” or behave as if they were.<sup>96</sup> Overall, there is strong theoretical reason to believe that interaction within institutional contexts has some effect on the way states understand themselves, and their interests, in relation to others.

#### *Liberalism-Multilateralism/Democracy*

As was discussed above, the Cold War security imperative was a major force driving the US policy of engagement, assistance, and cooperation with its allies on the continent and in Asia. While acknowledging the importance of this security imperative we are here interested in the internal dynamic of the Western subsystem. As David Lake has suggested, states must choose among a number of possible relations lying on a continuum.<sup>97</sup> However, his contracting theory seems to ignore an obvious possibility: great powers tend to create the world in their own image.<sup>98</sup> After World War II, order building flowed from a liberal system of ideas. It would certainly be odd if the Soviet

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<sup>94</sup> David Bearce and Stacy Bondanella, “Intergovernmental Organizations, Socialization, and Member-State Interest Convergence” *International Organization* (Fall 2007)

<sup>95</sup> Lisa Martin and Beth Simmons, “Theories and Empirical Studies of International Institutions” in Peter Katzenstein, Robert Keohane and Stephen Krasner eds. *Explorations and Contestation in the Study of World Politics* (Cambridge: MIT Press, 1999)

<sup>96</sup> Checkel, “International Institutions and Socialization in Europe”

<sup>97</sup> “Anarchy, Hierarchy, and the Variety of International Relations” *International Organization* (Winter 1996)

<sup>98</sup> In *After Victory*, Ikenberry argues that constitutional bargains become more attractive where large asymmetries of power exist and the leading state is a democracy (Chap. 3). These variables are important. But if we’re interested in the evolution of post-war settlements, the emergence of liberal-republican ideas seems to be central. For more see Hudson Meadwell, “The long nineteenth century in Europe,” in Michael Cox, Tim Dunne and Ken Booth, eds. *Empires, Systems and States: Great Transformations in International Politics* (Cambridge: Cambridge University Press, 2001).

Union had pursued a policy of multilateral engagement with junior partners in its eastern sphere of influence.

Realists often assume that the content and character of a liberal international order flows directly from the overwhelming concentration of power in a single actor.<sup>99</sup>

However, it is difficult to infer from the presence of power, exactly how that power will be used. It is reasonable to suppose that great powers will take on ambitious tasks. But the nature and content of these undertakings cannot be explained by power alone. As Ruggie points out,

...to say anything sensible about the *content* of international economic orders and about the regimes that serve them, it is necessary to look at how power and legitimate social purpose become fused to project political authority into the international system.<sup>100</sup>

In the case of the commercial confederacy, legitimate social purpose flows from liberalism.

The post-war institutional order is manifestly liberal. It was not enough that the Western order was to be animated by a set of liberal aspirations; they had to be effectuated by a range of new international institutions. The ends were to be liberal and so the means as well. The multilateral order exhibits a number of important liberal features. States are recognized as *de jure* equals, that is, none is formally superior. Second, constitutionalism is a 'reign check.' The institutional order not only respects the inviolability of state sovereignty, it is designed to reduce domination and the arbitrary exercise of power through a system of rules. Non-domination has been a corner stone of liberal republican political theory from Machiavelli on. After the war, a large part of the

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<sup>99</sup> Stephen Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (1976)

<sup>100</sup> John Gerard Ruggie, "International regimes, transactions, and change: embedded liberalism in the postwar economic order" in Krasner, ed. *International Regimes*, (Ithaca: Cornell Press, 1982), p. 198

institutional strategy was designed to reduce the likelihood of domination. As Ikenberry explains:

...the array of institutions and practices of the order serve to reduce the returns to power—or more precisely, to regularize that power and extend the returns on power further into the future—which lowers the risks of participation by strong and weak states alike.<sup>101</sup>

Third, multilateral rules are general in character, applying equally to all parties involved.<sup>102</sup> That is, the rules are not overtly stacked in favor of one or a few. This conception of multilateral rules mirrors the liberal conception of the rule of law. Laws should be both general in character and non-arbitrary; the similarly situated should be treated in a like manner. To be non-arbitrary, outcomes must flow from an objective rule guided process and not free discretion. The principles embodied in the multilateral liberal international order were a generalized adaptation of the animating principles of most member governments. The democratic form of government finds its origins in liberal modern thought; success of the liberal project in many countries, most notably the US, paved the way for its application to the international realm. It is no coincidence that building of liberal international order was led by liberal democratic states, and in particular, the strongest among them.

Conclusions: virtues and vices of holistic thinking

Mono-causal explanations have the virtue of being parsimonious. They are also more amenable to empirical testing. The problem with mono-causal explanations is that they're usually incomplete. More often than not, mono-causal predictions prove to be wrong. The Western order was supposed to fade along with the Cold War. In the 1980s,

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<sup>101</sup> *After Victory*, p. 269

<sup>102</sup> John Gerard Ruggie ed., *Multilateralism Matters* (Columbia: Columbia University Press, 1993)

the waning of US hegemony was thought to spell the end of the West. The end of Bretton Woods in the early 1970s and more recently the tumult surrounding the great recession were believed to mark the beginning of the end. Nor is identity a sufficient condition for cohesion: in the early years of the Cold War, before Franco-German reconciliation had taken place, order was maintained by US hegemonic power and the Cold War threat. Similarly, it is unclear how much of an independent role institutions played early on. The World Bank was eclipsed by the Marshall Plan while the resources of the IMF were not impressive. Institutions take time to develop.

The main virtue of thinking in terms of interactive effects is that it overcomes many of the pitfalls associated with oversimplification. Above, I have tried to demonstrate that there is strong theoretical reason to believe that many paradigmatic variables interact with each other and in so doing produce greater combined effects. It is also likely to be true that variables operate differently in different contexts. During Détente, the Soviet threat was relaxed; after 1991 it had vanished. During the Bretton Woods years the Western bloc was making astonishing economic gains; the 1970s and 80s were marked by economic turmoil. The effect of shared identity may also go through cycles; during the era of US unilateralism and the Bush Doctrine, transatlantic relations were heavily strained. Senior American officials began to talk about a “New Europe” and an “Old Europe” while European public opinion of the US was low. Because of interactive effects cohesion may be maintained even if one of the dimensions becomes strained. This, in part, helps to explain the impressive resilience of the Western order.

The problem with complexity is complexity. Given the complexity of the picture I have painted, it seems nearly impossible to determine the relative weight of each of the

variables and their interactive combinations. If everything is important, is anything important? Of course, not everything has been included, but much has. The challenge is to introduce enough complexity so that an accurate explanatory picture emerges without introducing too much. This requires sustained empirical scrutiny. There is value in exploring complexity.<sup>103</sup> I have assumed that each of the paradigmatic variables is important. The exercise is not intended to offer a comprehensive theoretical account of cohesion within the Western order, but rather, to explore new theoretical possibilities. By focusing on interactive effects the analysis yields a range of novel propositions while surveying and bringing together many existing propositions found in the literature. It is my hope that many who conduct empirical research in this area will find some of these propositions worth examining.

The paradigmatic debates that have taken place in the field seem to have taken place pursuant to the assumption that one paradigm can in fact be judged superior to another. The tendency is to privilege a narrow set of paradigmatic variables while perhaps bringing in others on an ad hoc basis to mop up remaining explanatory messes. But in thinking, for instance, about the question of why groups of states cohere or ‘hang together’ it becomes evident that no single variable is in fact sufficient. During the early Cold War years in the West, unity existed despite the fact that a common identity had yet to develop, exemplified by strong mutual suspicions between the French and Germans. Common threat cannot be a sufficient condition seeing as the Western order endures even after the Cold War comes to an end. Institutions cannot be sufficient, epitomized by the fact that the League of Nations never prevented World War II while the United Nations was ineffective in preventing or managing East-West conflict during the Cold War.

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<sup>103</sup> Jervis, *System Effects: Complexity in Political and Social Life* (Princeton: Princeton Press, 1997)

Commercial interdependence is not sufficient as manifest in the fact that Globalization I never did prevent World War I. While democracy may be sufficient to prevent armed conflict, it failed to prevent deterioration in relations during the 1930s, characterized by competitive protectionism and the like.

A ‘holistic approach’ begins not from the premise that empirical scholarship should not set out to confirm the superiority of a given paradigm, but rather, accepts the possibility that certain paradigmatic variables and propositions are necessary parts of a larger puzzle. Often, empiricists zoom in on particular empirical questions, discover things, and then proceed to draw general conclusions about the superiority of a given theoretical paradigm. But as I have endeavored to show, the superiority of a given paradigm often depends on the specific historic context—Realism may be superior in explaining the early Cold War years but less useful in explaining the early post-Cold War years.<sup>104</sup> Empirical work should still focus on specific pieces of the jigsaw puzzle, keeping in mind that these pieces are connected to the larger image. Thinking about interactive effects is a useful way to study the ways in which each of the pieces to the jigsaw puzzle is connected. Researchers should therefore strive to be cognizant of how their specific research fits together in a larger puzzle.

Now, it may in fact be the case that some of the above theoretical propositions are wrong. Thinking holistically does not mean that anything that is logical or theoretically attractive is right. It does suggest that we should not begin from the premise that a given paradigm is superior, though it may be more useful depending upon the question and context. In this respect, this article is inter-paradigmatic, but in other important respects,

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<sup>104</sup> Norrin Ripsmann, “Two Stages of Transition from a Region of War to a Region of Peace: Realist Transition and Liberal Endurance”. *International Studies Quarterly*, 49 (2005)

it is post-paradigmatic. A post-paradigmatic science does not aim to defeat competing paradigms but to discover the circumstances and contexts in which different explanations are more appropriate and useful. In the process, some propositions and explanations will be defeated, others marginalized. Finally, and perhaps most importantly, it aims to discover the ways in which different variables interact so as to produce combined effects.

# III

## A Systemic Theory of International Relations

International relations theory aspires to explain political events, but as is often the case, theories adjust and develop in response to events as they unfold. In the early years of the Cold War it was believed that multipolar structures were generally more stable than those that were bipolar,<sup>105</sup> but as years passed, and the Cold War failed to turn hot, new accounts of bipolar stability developed.<sup>106</sup> After the Cold War ended, and the system entered a new phase of “unipolar stability,” systemic theory evolved to account for the new political reality.<sup>107</sup> Developments have now unfolded such that power-centered systemic theory must confront two momentous questions: (1) is US hegemony declining, and (2) how are rising powers—China and India most prominently—likely to behave in a “post-American” world? Or put differently, what do waning US preeminence and the rise of non-Western great powers mean for systemic stability, defined as the absence of conflict and security competition?

Up until quite recently, the dominant view among IR scholars was that the US was indeed an unrivaled superpower, or unipole.<sup>108</sup> Scholarly debate largely centered on

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<sup>105</sup> Raymond Aron, *Peace and War: A Theory of International Relations* (New York: Anchor Books, 1979)

<sup>106</sup> Kenneth Waltz, “The Stability of a Bipolar World” *Daedalus* 93 (Summer 1964); see also, John Lewis Gaddis, “The Long Peace: Elements of Stability in the Postwar International System” *International Security*, Vol. 10, No. 4 (1986)

<sup>107</sup> William Wohlforth, “The Stability of a Unipolar World,” *International Security*, 1999

<sup>108</sup> Brooks and Wohlforth, *World Out of Balance*; Ikenberry et. al. “Introduction: Unipolarity, State Behavior and Systemic Consequences” *World Politics* Vol. 61, No. 1 (January 2009); Ikenberry et. al. *America Unrivaled: The Future of the Balance of Power* (Ithaca: Cornell University Press, 2002); Joseph Nye, *The Paradox of American Power: Why the World’s Only Superpower Can’t Go It Alone* (New York: Oxford University Press, 2002); Stephen Walt, *Taming American Power: The Global Response to US Primacy* (New York: W.W. Norton, 2005)

how enduring and stable the unipolar system is<sup>109</sup>; whether secondary powers are hard-balancing, soft-balancing, or not balancing at all against the US<sup>110</sup>; and whether or not a coming multipolarity can be stable.<sup>111</sup> But even as the nature of the unipolar system was being debated, many were already anticipating the decline of US hegemony as power was increasingly shifting east.<sup>112</sup> In the wake of the economic collapse that began in 2008, the case for American decline seems to have gained added momentum.<sup>113</sup> US decline is a hotly debated question, the answers to which are not at all clear.<sup>114</sup> However, even the most vocal proponents of the unipolar stability theory believe that unipolarity cannot endure indefinitely.<sup>115</sup> What this means is that sooner or later, perhaps sooner, systemic theories of IR will be put to a critical test. As the leading power drama unfolds, the discipline should focus on two central, related, tasks. First, there is the empirical question

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<sup>109</sup> For a sampling of this debate see Wohlforth, “Stability of a Unipolar World”; Layne, “The Unipolar Illusion: Why New Great Powers Will Rise,” *International Security*, Vol. 17, No. 4 (Spring 1993); Kenneth Waltz, “The Emerging Structure of International Politics,” *International Security*, Vol. 18, No. 2 (Fall 1993); John Mearsheimer, “Back to the Future”; Michael Mastanduno, “Preserving the Unipolar Moment: Realist Theories and US Grand Strategy After the Cold War” *International Security*, Vol. 21, No.4 (Spring 1997); John Ikenberry, “Liberalism and Empire: Logics of Order in the American Unipolar Age” *Review of International Studies* Vol. 30, No. 4 (2004)

<sup>110</sup> Robert Pape, “Soft-Balancing Against the United States,” *International Security*, Vol. 30, No.1 (Summer 2005); Stephen Brooks and William Wohlforth, “Hard Times for Soft Balancing,” *International Security*, Vol. 30, No.1 (Summer 2005); Stephen Walt, “Taming American Power” *Foreign Affairs* (Sept/Oct 2005); Michael Mastanduno, “Preserving the Unipolar Moment”; T.V. Paul, “Soft Balancing in the Age of US Primacy,” *International Security*, Vol. 30, No.1 (Summer 2005)

<sup>111</sup> Kupchan, “After Pax Americana: Benign Power, Regional Integration, and the Sources of a Stable Multipolarity” *International Security*, Vol. 23, No. 2 (Fall 1998)

<sup>112</sup> Layne, “The Unipolar Illusion Revisited: The Coming End of the United States’ Unipolar Moment,” *International Security*, Vol. 31, No.2 (Fall 2006); Fareed Zakaria, *Post-American World* (W.W. Norton, 2008); Kishore Mahbubani, *The New Asian Hemisphere* (Public Affairs, 2009); Parag Khanna, “The Second World: Empires and Influence in the New Global Order (New York: Random House, 2008)

<sup>113</sup> Paul Kennedy, “American Power Is on the Wane,” *The Wall Street Journal* (January 14, 2009) p. A13; Robert Pape, “Empire Falls,” *National Interest* (Jan/Feb 2009); Roger Altman, “The Great Crash, 2008: A Geopolitical Setback for the West,” *Foreign Affairs*, Vol. 88 No. 1 (Jan/Feb 2009); Layne, “The Waning of US Hegemony—Myth or Reality?” *International Security*, Vol. 34, No. 1 (Summer 2009); Leslie Gelb, “Necessity, Choice, and Common Sense” *Foreign Affairs* (May/June 2009)

<sup>114</sup> The most recent iteration of the decline thesis has not gone undisputed. See for example, Josef Joffe, “The Default Power,” *Foreign Affairs*, Vol. 88 Issue.5 (Sep/Oct 2009); Minxin Pei, “Asia’s Rise,” *Foreign Policy*, Issue 173 (Jul/Aug 2009)

<sup>115</sup> For example, in 1999 Wohlforth estimated that US unipolar preeminence could last as long as 20 years. See “Stability of a Unipolar World.”

of whether or not and how fast the US is declining. And second, in the interest of properly determining the significance of the empirical record, and in avoiding *ad hoc* adjustments to extant theories, it would serve us well to line up existing systemic theories and review the competing predictions generated from them. This chapter focuses on the latter.

In the debate taking place among power-centered systemic theorists, attention is mainly focused on two possibilities: In the first, the US succeeds in arresting its relative decline and maintaining primacy for some time. Systemic stability can be expected to continue.<sup>116</sup> In the second, the US declines relative to its rivals and systemic instability follows.<sup>117</sup> For theorists of unipolar stability, declining hegemony is likely to bring with it increased security competition among the system's leading players. But a third scenario exists which power-centered systemic theory, to date, has largely ignored: stability prevails at the system's core, even as the US declines relative to its rivals, while rising secondary states continue to pursue strategies of integration and cooperation. As now formulated, power-centered systemic theories could not explain this (not unlikely) outcome.

In the early 90s, Japan and Germany's rise to great power status was being debated.<sup>118</sup> Today, the future of great power relations may crucially hinge on the behavior of rising powers—most importantly, that of China.<sup>119</sup> In the field at large, great controversy surrounds, and less theoretical leverage is available, when discussion turns to

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<sup>116</sup> The case for this scenario is most forcefully made by Brooks and Wohlforth, *World Out of Balance: International Relations and the Challenge of American Primacy* (Princeton: Princeton Press, 2008).

<sup>117</sup> Layne, "The Unipolar Illusion Revisited"

<sup>118</sup> Waltz, "The Emerging Structure"; Layne, "The Unipolar Illusion"; Mearsheimer, "Back to the Future"

<sup>119</sup> Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs* (Jan/Feb 2008); Thomas Christensen, "Fostering Stability or Creating a Monster? The Rise of China and US Policy toward East Asia," *International Security*, Vol. 31, No. 1 (Summer 2006)

the system's rising, or secondary, powers—Brazil, Russia, India and China (BRIC), for instance.<sup>120</sup> For example, identity based theories find less traction as some of these players do not, or only partially share in the “Western,” or Kantian identity, founded on ideas of popular self-government, human rights, and free-market capitalism. Similarly, theories of democratic peace are not helpful in explaining the behavior of China and Russia. While liberals are mostly silent, power centered systemic theories almost universally predict trouble. However, similar realist predictions, made in the early 90s, of impending security competition and conflict were disconfirmed by two decades of stability at the core of the system.<sup>121</sup> But what if extant power-centered systemic theories are again wrong about stability and the behavior of secondary, or rising, powers? What if stability again prevails in a post-American world? This is precisely the result predicted by a variant of power-centered systemic theory developed below.

Systemic theory is premised on the idea that competitive dynamics are largely conditioned by the prevailing configuration of great, or leading, powers.<sup>122</sup> Today, at the core of the system, we find a commercial league of leading states. Many gloomy prognostications to the contrary, relations among the core Western powers, plus Japan, have endured and remain remarkably stable. A theory of systemic *confederacy* explains stability by virtue of the overwhelming concentration of power in a cohesive commercial league centered around the strongest Western powers plus Japan. This league is a major power configuration that has altered competitive dynamics such that commercial

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<sup>120</sup> Andrew Hurrell, “Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?” *International Affairs*, Vol. 82, No. 1 (January 2006)

<sup>121</sup> For various predictions see Layne, “Unipolar Illusion”; Waltz, “Emerging Structure”; Mearsheimer, “Back to the Future”

<sup>122</sup> Waltz, *Theory of International Politics*

integration, or *bonding*, not military opposition and revision, has become the dominant competitive strategy for outsiders like China and India.

The theory of confederacy gains confidence to the extent that its main rival, hegemonic theory, appears less and less persuasive. Both unipolar stability and the theory of confederacy gain traction in the post-Cold War world. Each theory explains the absence of security competition and balancing behavior. Each predicts similar results, but for vastly different reasons. The crux: how can we get leverage on these divergent claims? The difference is that the logic of unipolarity will cease to operate if the distribution of power becomes multipolar, which seems inevitable in the long run; or, if the US ceases to perform hegemonic functions, a likely outcome in the short-run. Were either of these two scenarios to materialize, hegemonic theory predicts trouble. The theory of confederacy expects that the basic systemic trajectory will continue, as its logic does not rest on US power alone but the combined interaction of a core of leading states. According to this theory, it will persist, much as it has since the end of the Cold War because the international system is but a generalized version of the US dominated Western subsystem that has evolved along a steady path since the end of World War II. It has a strong reproductive logic that will continue to operate despite underlying shifts in the distribution of power among constituent units. In short, an exciting political experiment of epic proportions is unfolding.

This chapter sets out to accomplish two ambitious goals. First, it will review the unipolar stability theory in order to clarify the underlying logic and the expectations generated. The more important, and original, goal is to fill a large gap in the literature. Section three will lay out the logic and behavioral propositions of a novel systemic theory

which accounts for both systemic stability and the behavior of rising (non-Western) powers.

## Unipolarity and Hegemonic Stability Theory

Neorealist theory predicts that weaker states will flock to each other in the face of stronger actors.<sup>123</sup> This has not happened. Why? The strongest realist argument derives from the logic of unipolarity. The ‘puzzle of the missing balance’ is apparently resolved if a unipolar distribution of power precludes the emergence of an effective balancing coalition. Unipolarity also leads to stability because no combination of secondary powers is able to effectively challenge it. And second, rivalry among the secondary powers themselves is muted because once a world hegemon takes sides, the game is over. Further, the hegemon maintains stabilizing regional security arrangements and institutions.<sup>124</sup> The US may simply be so strong that balancing is rendered futile. Clearly US military and economic might is impressive, but is the US so dominant that no combination of powers could reasonably balance it? This raises an apparent dilemma for the unipolar thesis: clearly one can conceive of a combination of states whose aggregate force could balance US power. Wohlforth argues that a balancing coalition, while perhaps imaginable, is highly unlikely because the US is an offshore power, it is difficult to coordinate counter-hegemonic alliances, and finally, challengers must contend with an

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<sup>123</sup> Waltz, *Theory of International Politics*

<sup>124</sup> For the authoritative articulation of these arguments see, Wohlforth, “The Stability of a Unipolar World”

extant hegemonic bandwagon.<sup>125</sup> There is theoretical reason to believe that unipolarity is stable, and potentially enduring.<sup>126</sup>

As with stability in the security realm, at first glance, hegemonic theory seems to resolve questions about the persistence of economic cooperation. Hegemonic stability theory posits that cooperative, liberal trading orders are created and maintained by a preponderant power—Great Britain in the 19<sup>th</sup> century and the US in the 20<sup>th</sup>.<sup>127</sup> The hegemon does not eliminate the logic of self-preservation but temporarily creates an environment in which its effects are subdued. Because secondary powers can make gains under an arrangement managed by a superpower, the hegemon solves collective action and enforcement problems that plague cooperation under anarchy, and in any event, no one is capable of challenging the order, states are inclined to pursue economic cooperation. Unipolarity changes the relative gains logic. Because the hegemon feels invincible it is less concerned about relative loss; only when second tier powers appear to be overtaking it does it grow nervous. For their part, secondary great powers go along because they are gaining at the expense of the hegemon. And in any event, the hegemon's game is likely to be the only one in town.

Crucial to hegemonic stability theory is that the hegemon provides benefits. For example, Keohane has argued that after World War II the US provided three major sets of benefits in the area of international political economy: First, it provided a stable

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<sup>125</sup> Ibid. pp. 28-30

<sup>126</sup> Charles Kupchan agrees that unipolarity is stable but is less optimistic about how long it will last. See "After Pax Americana: Benign Power, Regional Integration, and the Sources of a Stable Multipolarity," *International Security*, Vol. 23, No. 2 (Fall 1998)

<sup>127</sup> Charles Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1973); Stephen Krasner, "State Power and the Structure of International Trade," *World Politics*, Vol. 28, No. 3 (April 1976); Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), esp. Chap. 3; Robert Keohane, *After Hegemony* (Princeton: Princeton University Press, 1984). Chap. 3

international monetary system that facilitated trade and payments; second, it provided a market for goods and permitted trade on an asymmetrical basis; and third, the US helped its allies gain access to Middle Eastern oil at stable prices.<sup>128</sup> Sadly, all good things must come to an end. Central to the theory of hegemonic stability is that the arrangement is ultimately unsustainable. The hegemon cannot maintain its dominance in the face of mounting costs, losses in relative power, and inevitable overextension. Challengers will rise. The hegemonic cycle usually ends in war, and thereafter begins anew: “The conclusion of one hegemonic war is the beginning of another cycle of growth, expansion, and eventual decline.”<sup>129</sup> Virtually no realist believes that hegemony can persist indefinitely.

Whether system-wide economic cooperation rests on US preeminence raises two important questions for hegemonic theory: First, how much hegemony is required to maintain cooperation? In the 1970s it indeed appeared that the US led economic order was crumbling—the symbolic event occurred when Nixon dismantled gold convertibility in 1971. The shrinking of the economic gap between the US and its allies was partly a function of post-war recovery; it was also brought on by the asymmetric nature of the Bretton Woods system.<sup>130</sup> Of course, an energy crisis and a stagnating US economy made matters worse. During the 1970s and early 80s protectionist pressures were mounting at a time when US hegemonic leadership was not forthcoming. As the hegemon was seen to be declining and protectionist pressures were mounting, many thought the global

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<sup>128</sup> *After Hegemony*, Chap. 8

<sup>129</sup> Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), p. 210. For full analysis see Chaps. 4-5.

<sup>130</sup> Arthur Stein, “The Hegemon’s Dilemma” *International Organization* Vol. 38, No. 2 (Spring 1984)

commercial order was on the verge of collapse.<sup>131</sup> Since then, while the US has been the leading player—with a GDP that dwarfs every competitor— within the international economic order, cooperation has been less hegemonic and increasingly multilateral and symmetric. While America’s role as system maintainer and underwriter has become less pronounced, cooperation has accelerated, expanded and deepened. Curiously, even as the US’ role has changed from system underwriter to participant; even as it became increasingly intolerant of asymmetric trade and free riding, nevertheless, the order persists. These developments seem peculiar when approached from a hegemonic stability perspective.

Second, the functioning of a world market implies that at its center sits a powerful hegemon.<sup>132</sup> Today, the US is not the only center of economic cooperation. Granted, the US is the biggest player, but multilateral cooperation is most pronounced at the regional level.<sup>133</sup> Institutionalization, integration, and economic cooperation in Europe have

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<sup>131</sup> For a range of views on the debate that took place, much of which centered on the question of US hegemony and the future of economic cooperation, see, Robert Keohane, *After Hegemony*; Charles Kindleberger, “Dominance and Leadership in the International Economy,” *International Studies Quarterly* 25 (June 1981); Stephen Krasner, “State Power and the Structure of International Trade”; Duncan Snidal, “The Limits of Hegemonic Stability Theory,” *International Organization* 39 (Autumn 1985); Beth Yarbrough and Robert Yarbrough, “Cooperation in the liberalization of international trade: after hegemony, what?” *International Organization* Vol. 41, No. 1 (Winter 1987); Paul Kennedy, *The Rise and Fall of Great Powers*

<sup>132</sup> Gilpin, *War and Change*, p. 151

<sup>133</sup> Since the early 90s there has been an explosion of free trade agreements (FTAs). For example, in the 90s there were virtually no FTAs in the Asia Pacific region. In January of 2007, the Asian Development Bank reported a total of 192 FTAs. Richard Baldwin, “The Spoke Trap: Hub-and-Spoke Bilateralism in East Asia” in Eichengreen et.al. Eds. *China, Asia, and the New World Economy* (Oxford: Oxford University Press, 2008) p. 51. For a sampling of literature on regionalism and FTAs see Bhagwati et.al. Eds, *Trading Blocs: Alternative Approaches to Analyzing Preferential Trade Agreements* (Cambridge: MIT Press, 1999); Frankel, *Regional Trading Blocs in the World Economic System* (Washington: Institute for International Economics, 1997); Mansfield and Milner, “The New Wave of Regionalism,” *International Organization*, Vol. 53, No. 3 (1999); Edward Mansfield, “The Proliferation of Preferential Trading Arrangements,” *Journal of Conflict Resolution* Vol. 42, No. 5 (1998).

steadily expanded.<sup>134</sup> While less institutionalized, economic cooperation in Asia has also accelerated<sup>135</sup>; at times the US has played a role, at times it has observed from the sideline.<sup>136</sup> Regional hegemony may explain NAFTA. But since the end of the Cold War, the role US hegemony has played in the evolution of regional economic cooperation elsewhere is not exactly clear.<sup>137</sup> That cooperation has been most pronounced at the regional level challenges the view that US power is the driver of these developments. In economic affairs, the US is not the epicenter of action, but behaves like a giant among lesser equals. It does not outright dominate the economic game.

What the above suggests is that hegemony in the military-security context has been rather different from US hegemony in the context of the world economic system. In the former, the US has maintained important security ties with Europe and Japan; US involvement has probably worked to manage regional security dilemmas. For instance, US security guarantees have played an important role in German and Japanese decisions not to build military capability befitting of a great power, developments that would certainly change regional security dynamics. In security affairs, the US has tolerated free riders and shown a willingness to foot the bill.<sup>138</sup> But in the economic realm, since the 1970s, the US has become increasingly intolerant of asymmetry and unwilling to

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<sup>134</sup> For a useful history see John Gillingham, *European Integration, 1950-2003: Superstate or New Market Economy* (Cambridge: Cambridge University Press 2003); also, Roy Ginsberg, *Demystifying the European Union: The Enduring Logic of Regional Integration* (Rowman and Littlefield, 2007)

<sup>135</sup> See Eichengreen et. al. Eds, *China, Asia, and the New World Economy* (Oxford: Oxford University Press, 2008); Fujita et. al. Eds, *Economic Integration in East Asia: Perspectives from Spatial and Neoclassical Economics* (Edward Elgar Publishing, 2008).

<sup>136</sup> It has even been suggested that cooperation in Asia is an example of a certain type of “institutional balancing” against the US and Western economic institution: “For the ASEAN states, APT cooperation aims at helping balance the economic domination of the US and Western financial institutions, like the IMF and the World Bank.” Kai He, “Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia,” *European Journal of International Politics*, Vol. 14, No. 3 (2008) p. 509.

<sup>137</sup> Of course, following World War II, US hegemony and involvement was absolutely instrumental in giving rise to and nurturing nascent forms of integration on the European continent.

<sup>138</sup> Wohlforth, “Stability of a Unipolar World”

underwrite the system.<sup>139</sup> This became evident when Nixon ended the gold standard and instituted an import surcharge. US impatience with its allies was also apparent in the trade conflicts between the US and Japan throughout the 1980s and into the 90s. Since the 1970s the economic order appears much less hegemonic when viewed from the lens of political economy than it does when viewed with an eye toward security.

At the turn of the century it appeared as if we were living through a ‘hegemonic age.’<sup>140</sup> But recent developments might justify a reevaluation of this conclusion.<sup>141</sup> With its armed forces over-extended, and resources stretched, the US appears much weaker today than it did five years ago.<sup>142</sup> The classic Gilpinian dilemma provides insight into the present predicament the US finds itself in:

This three-way struggle over priorities (protection, consumption, and investment) produces a profound dilemma for society. If it suppresses consumption, the consequence can be severe internal social tensions and class conflict...If the society neglects to pay the costs of defense, external weakness will inevitably lead to its defeat by rising powers. If the society fails to save and reinvest a sufficient fraction of its surplus wealth in industry and agriculture, the economic basis of the society and its capacity to sustain either consumption or protection will decline.<sup>143</sup>

Thus far the US has maintained a massive defense budget while consumption and investment have been sustained by deficit spending. It is unclear how long this formula will work.<sup>144</sup>

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<sup>139</sup> Stein, “The Hegemon’s Dilemma”

<sup>140</sup> John Ikenberry, “Liberalism and Empire: Logics of Order in the American Unipolar Age” *Review of International Studies* 30, 4 (2004)

<sup>141</sup> Layne, “The Waning of US Hegemony—Myth or Reality?”

<sup>142</sup> Pape, “Empire Falls”; Paul Kennedy, “American Power Is on the Wane,” *The Wall Street Journal* (January 14, 2009)

<sup>143</sup> Gilpin, *War and Change*, p. 167

<sup>144</sup> Niall Ferguson and Laurence Kotlikoff warn of a “fiscal overstretch”. See “Going Critical: American Power and the Consequences of Fiscal Overstretch,” *The National Interest*, No. 73 (Fall 2003). The budget and deficit crisis seems to be even more alarming today. Jackie Calmes, “US Budget Gap is Revised to Surpass \$1.8 Trillion,” *New York Times* (May 11, 2009).

The problem does not only stem from fact that the US is bogged down in two wars, it is also in the throes of a serious economic downturn. Of course, everyone is getting hit. Because all are suffering, the US is still a giant in terms of relative power differentials.<sup>145</sup> Relative power is important, but so is the hegemon's ability to actually do things. It is unlikely that the US will have either the political will or capability to take on major international undertakings. It is unclear when the US will fully withdraw from Iraq and Afghanistan; however, these projects will gobble up massive amounts of resources and treasure at a time when America's own recovery is being partly bankrolled by foreign powers like China.<sup>146</sup> For the time being, the dollar is still the main reserve currency though there are signs that this may be changing.<sup>147</sup> The broader point is that America's hegemonic assertiveness on the international scene is changing.<sup>148</sup> US security guarantees may prove less credible than they once were, leading allies to enhance their own military

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<sup>145</sup> Though some have argued that the crisis will leave rising powers, like China, in a relatively stronger position. Altman, "The Great Crash, 2008"; At the height of the crisis China was still growing at a substantial pace, though not nearing the double-digit levels of years past. In the first quarter of 2009 China's output did grow 6.1%. Keith Bradsher, "China's Economic Growth Slows in First Quarter" *New York Times* (April 16, 2009). China's economic strength can also be seen in the fact that China economic tide has lifted many boats in the region. See, Nelson Schwartz, "Asia's Recovery Highlights China's Ascendance" *New York Times* (August 23, 2009)

<sup>146</sup> Estimates of long-term costs vary between \$1 and \$4 trillion. See David Herszenhorn, "Estimates of Iraq War Cost Were Not Close to Ballpark," *New York Times* (March 19, 2008); Bilmes and Stiglitz estimate the cost at \$3 trillion. See, *The Three Trillion Dollar War* (W.W. Norton, 2008). For a summary analysis of how war costs have impacted the US economy see Lee Hudson Teslik, "Iraq, Afghanistan, and the US Economy," Backgrounders: Council on Foreign Relations (March 11, 2008);

<sup>147</sup> Though there are signs that this may be changing. Recently, China called for the creation of a new reserve currency while Gulf states are exploring the possibility of replacing the dollar with a basket of currencies for trading of oil. See, "Dollar falls on oil plan report," *BBC* (October 6, 2009); David Barboza, "China Urges New Money Reserve to Replace Dollar," *New York Times* (March 23, 2009)

<sup>148</sup> From Europe to the Mideast, the Obama administration has employed a more conciliatory, diplomatic and pragmatic tone. See for example, Michael Shear and Scott Wilson, "On European Trip, President Tries to Set a New, Pragmatic Tone" *Washington Post* (Sunday, April 5, 2009) p. A10; In his June 4, 2009 Cairo speech, Obama spoke: "I have come here to seek a new beginning between the United States and Muslims around the world; one based upon mutual interest and mutual respect; and one based upon the truth that America and Islam are not exclusive, and need not be in competition. Instead, they overlap, and share common principles – principles of justice and progress; tolerance and the dignity of all human beings." See "Text: Obama's Speech in Cairo" *New York Times* (online); See also, Paul Reynolds, "US foreign policy: 'No we can't'?" *BBC News* (September 15, 2009); Peter Baker and Nichols Kulish, "White House to Scrap Bush's Approach to Missile Shield," *New York Times* (September 17, 2009)

capabilities. The US may still be a giant, but one that, for now at least, seems more bound.

From the perspective of realist hegemonic theory, declining US power or its inability to act like a hegemon does not bode well for international stability and economic cooperation. As Wohlforth argues, “If...the United States fails to translate its potential into the capabilities necessary to provide order, then great power struggles for power and security will reappear sooner.”<sup>149</sup> Challengers may emerge while regional security competition may be heightened. Absent US influence, and the stabilizing role it plays, institutionalized multilateral economic cooperation will face hard-times. The rise of economic nationalism and the dissolution of the liberal economic order, one might expect, will be accelerated by the ongoing global economic meltdown. Security competition can be expected to follow. These pessimistic predictions assume that there is latent distrust, uncertainty, and fear that US power has only temporarily subdued. It assumes that the security imperative is the primary motivation and that the distribution of power is the primary systemic variable of importance. But what if these premises are inaccurate or incomplete? As we shall discover below, if these basic assumptions are relaxed, power-centered systemic theory yields vastly different explanations and behavioral expectations.

### The Logic of Confederacy—or, a liberal systemic theory

Systemic theory is leading, or great power, theory. It is top-down theory that explains how a strategic environment arises out of the coactions of the system’s principal

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<sup>149</sup> “The Stability of a Unipolar World”, p. 39

actors that in turn conditions the behavior of all states in the system.<sup>150</sup> To date, liberals have not produced a systemic theory. In their response to realist systemic theorizing, liberals adopted two different approaches. Neoliberals accepted many of neorealism's foundational assumptions but arrived at different conclusions regarding the nature of anarchy and the prospects for cooperation.<sup>151</sup> In this respect, they did not seek to replace realist systemic theory but merely modify it.<sup>152</sup> A second group of liberals, the so called bottom-up or dyadic theorists, rejected realist systemic theorizing entirely. According to many of these liberal theorists, the very definition of "liberal theory" excluded systemic thinking.<sup>153</sup> Whether by rejecting systemic thinking or merely seeking to modify it, a survey of the literature reveals that liberals have failed to produce a top-down systemic theory of their own.

A liberal systemic theory begins from the premise that the system is not dominated by a multitude of antagonistic and opposing great power poles, but rather, a relatively cohesive Western order that includes most of the system's leading powers. This order evolves out of a US led hegemonic subsystem following World War II. This subsystem was formed by a number of leading commercial states: the US, Britain, France, Germany and Japan. Scores of junior partners can be included in this expanding cluster, collectively the OECD for the sake of simplicity. The 'core' of the Western order

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<sup>150</sup> Kenneth Waltz, *Theory of International Politics*

<sup>151</sup> Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Kenneth Oye, ed. *Cooperation Under Anarchy* (Princeton: Princeton University Press, 1986)

<sup>152</sup> Keohane, "Theory of World Politics: Structural Realism and Beyond" in Keohane ed. *Neorealism and its Critic* (New York: Columbia University Press, 1986)

<sup>153</sup> Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organization*, Vol. 5, No. 4 (1997)

does not include all states in the system but it does include most of the major players and many important secondary powers.

This Western order is a kind of security community in so far as war among this group of states is unthinkable.<sup>154</sup> Cohesion within this community is sustained by multiple different bonds. Firstly, it is sustained by a web of institutions that effectuate cooperation and bind actors, reducing the returns to power and lessening the security dilemma.<sup>155</sup> Secondly, cohesion is sustained by commercial ties and economic interdependence.<sup>156</sup> Thirdly, unity is created through a collective identity based on shared liberal values and political culture.<sup>157</sup> Fourth, it is sustained by democracy.<sup>158</sup> Additional sources of stability include US hegemonic power and nuclear arms.<sup>159</sup> Finally, during the Cold War years, unity among the Western allies (plus Japan) was also fostered through the security imperative and the communist threat. There is substantial debate regarding which of the above sources of cohesion is most important. What is less controversial is that the Western order has been remarkably enduring. It has survived numerous political

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<sup>154</sup> *Political Community and the North Atlantic Area: International Organizations in Light of Historical Experience* (Princeton: Princeton University Press, 1957); Emanuel Adler and Michael Barnett, *Security Communities* (Cambridge: Cambridge University Press, 1998); Jervis, "Theories of War in an Era of Leading-Power Peace: Presidential Address, American Political Science Association, 2001". *APSR*. Vol. 96, No. 1 (2002)

<sup>155</sup> Ikenberry, *After Victory* (Princeton: Princeton Press, 2001); Daniel Deudney and G. John Ikenberry, "The nature and sources of liberal international order," *Review of International Studies*, 24 (1999)

<sup>156</sup> For literature on commercial peace see, Erik Gartzke, Quan Li and Charles Boehmer, "Investing in the Peace: Economic Interdependence and International Conflict," *International Organization*, 55 (2001); Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence and International Organizations* (New York: W.W. Norton, 2001); Stephen Brooks, *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict* (Princeton: Princeton University Press, 2005); Richard Rosecrance, *The Rise of the Trading State* (New York: Basic Books, 1986); Jonathan Kirshner, *Appeasing Bankers: Financial Caution on the Road to War* (Princeton: Princeton Press, 2007)

<sup>157</sup> Thomas Risse, "US Power in a Liberal Security Community," in Ikenberry, ed. *America Unrivaled: The Future of the Balance of Power* (Ithaca: Cornell Press, 2002)

<sup>158</sup> Russett, Bruce and John Oneal, *Triangulating Peace* (New York: W.W. Norton, 2001); Bruce Russett, *Grasping the Democratic Peace: Principles for a post Cold War World* (Princeton: Princeton University Press, 1993); Michael Doyle, "Kant, Liberal Legacies, and Foreign Affairs," *Philosophy and Public Affairs* (Summer 1983).

<sup>159</sup> Jervis, "Theories of War in an Era of Leading-Power Peace"

and economic crises—the end of gold convertibility and the Bretton Woods system, the economic turmoil of the 70s and early 80s, the fall of the Soviet Union, the era of US unilateralism, and most recently the ‘Great Recession—and despite the steady stream of pessimistic predictions the order continues to persist.<sup>160</sup> A detailed review and examination of these debates is beyond the scope of this article. Two separate questions are central: First, how is order maintained? And second, if anarchy is escaped, what does this mean for our understanding of systemic theory? In this article I will bracket the first question while exploring the second.

A liberal systemic theory begins from the assumption that the system is not anarchic but confederate. I will make this claim by standing on the shoulders of giants—or, roughly half a century of liberal international theory. The assumption of confederacy implies several important things. First, the most salient feature of the present international system is not the presence of antagonistic great power poles, but rather, a singular liberal confederacy of leading powers, or what Ikenberry and others refer to as the “Western Order”.<sup>161</sup> It assumes that this leading power order is semi-permanent, that is to say, it is a stable and enduring feature of the international strategic environment. I have chosen the term “confederacy” because while the order consists of an overlapping web of institutions, and relations are highly interdependent, it is still an intergovernmental configuration in which each state retains formal sovereignty. Further, it is an informal

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<sup>160</sup> For a sampling of these predictions see Mearsheimer, “Back to the Future: Instability of Europe after the Cold War” *International Security* (Spring 1990); Waltz, “The Emerging Structure of International Politics” *International Security* (Fall 1993); Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (New York: Knopf, 2003); Charles Kupchan, “The End of the West,” *Atlantic Monthly*, Nov. 2002; Stephen Walt, “The Ties that Fray: Why Europe and America are Drifting Apart,” *National Interest*, No. 54 (Winter 1998/99); Christopher Layne, “Superpower Disengagement,” *Foreign Policy*, No. 78 (Spring 1990)

<sup>161</sup> Ikenberry, *After Victory*

political entity. While there is no ‘government over governments,’ there is governance without government. While states are not bound by law, they are subject to binding institutional commitments. While there is no complete division of labor there is a great deal of specialization. While there is nothing approaching a national identity, there is a thinner shared ‘liberal’ identity. In short, the confederacy falls somewhere in the middle on a continuum ranging from anarchy to a consolidated federal republic.

For those inside of the informal league, the logic of self-preservation and structural realist theory more generally is rendered obsolete. If the deep structure of anarchy does not operate, the system no longer conditions state behavior in the way Neorealist theory expects. If these states no longer fear each other, and greater certainty exists about future relations, there is no reason for states to balance one another or pursue aggression so as to enhance security. Second, the security imperative will relax the relative gains logic and cause states to become less jealous of their autonomy. As the logic of self-preservation is gutted, security competition has been replaced by economic rivalry and the rise of a “trading world.”<sup>162</sup> Among these actors, the low politics have replaced the high politics. If a cohesive confederacy of leading powers exists, how does this change the way we think about systemic theory and its main propositions? Put slightly differently, what becomes of systemic theory if the system is not dominated by a multiplicity of opposing great powers, but rather, the dominant configuration happens to be a core cluster of major powers locked into a tightly woven, cohesive, commercial league?

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<sup>162</sup> Rosecrance, *The Rise of the Trading State* (New York: Basic Books, 1986)

To briefly summarize and anticipate the broader argument that follows: at the center of the system sits a cluster of liberal states engaged in vigorous commercial rivalry. The most impressive feature of this cluster is not its membership, per se, but the magnitude of their commercial interaction. The size of this cluster, and the magnitude of commercial interaction, brings into being a gravitational sphere that conditions the competitive behavior of both these actors and outsiders as well. Since WWII, those states that successfully integrated themselves into the liberal economic order have soared. Consider Japan, a country that in 1950 was poorer than Peru, whose post-WWII economic output grew eightfold in 25 years. In 1948 Western Europe, North America, Australia, New Zealand and Japan produced \$3.7 trillion. The combined output of these countries grew to \$12.1 trillion by 1973.<sup>163</sup> Prosperity was in no small measure tied to the US led liberal commercial order. Since the Bretton Woods era, the commercial order has only deepened and expanded. Because economic strength to a large degree hinges on a state's ability to integrate itself into the dominant order, the system leads states to pursue distinct politico-economic strategies toward that end. Thus follows the central theoretical proposition: In the current system, the most powerful driver of competitive behavior relates not to survival but prosperity and commerce. Because the system is competitive, outsiders face a stark choice: either find a way to play or fall behind.

If the above propositions are accurate, the way we think about systemic theory and structure must be revised. First, the system can no longer be thought of in terms of antagonistic great power poles. In Neorealist thinking, the distribution of capability allows us to identify the system's dominant configuration. This is a positional picture. But how is the commercial confederacy, or western order, to be understood? Is it a

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<sup>163</sup> See Frieden, *Global Capitalism*, pp. 278-81

separate actor or an entity that exists only by virtue of unconstrained state agency? It is neither. While it is not a political amalgamation in the way a federal union is, neither is it an ephemeral configuration like an alliance. It is not a kind of hierarchy nor is it accurately described as an ungoverned anarchy. To get an accurate distributional picture, the singularity of this cluster must be recognized while still understanding that it is comprised of semi-autonomous agents. But doesn't this move violate a basic principle of structural theory? Poles are represented by great powers; polarity is determined by counting the number of poles. The answer is no. Counting poles makes sense only if the nature of their interaction is assumed to be one of opposition and conflict. Institutionalized cooperation and social cohesion change the game. It matters less whether there are one, two, or five trucks on the freeway if they're all moving in the same direction. If each is charting its own course it makes sense to count them separately; if they're all on the same road it makes more sense to focus on the 'highway.' The aggregate force resides not only in its individual members and their actions, but more significantly, the combination of their interaction. The magnitude of commercial intercourse is immense. This totality is big—according to the World Bank, in 2007 the countries of the OECD accounted for 71 percent of the world's GDP.<sup>164</sup>

Up until quite recently, international trade has overwhelmingly revolved around the world's developed economies. In 1970 these states accounted for 75 percent of world exports; in 1996 70 percent.<sup>165</sup> *Table I* reveals the stratified nature of world trade:

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<sup>164</sup> David Jolly, "OECD Sees Bumpy Path to Recovery," *NYT* (November 19, 2009)

<sup>165</sup> Held, et. al. *Global Transformations: Politics, Economics and Culture* (Stanford: Stanford University Press, 1999) p. 171

**Table III: Direction of world exports, 1965-1995 (percentage of world total)**

	<b>Between developed economies</b>	<b>Developed-developing</b>	<b>Between developing economies</b>
<b>1965</b>	59.0	32.5	3.8
<b>1970</b>	62.1	30.6	3.3
<b>1975</b>	46.6	38.4	7.2
<b>1980</b>	44.8	39.0	9.0
<b>1985</b>	50.8	35.3	9.0
<b>1990</b>	55.3	33.4	9.6
<b>1995</b>	47.0	37.7	14.1

*Source: Held, et.al. Global Transformations, p.172; Calculated from IMF, Direction of Trade Statistics Yearbook, various years.*

Data on FDI flows reveals a similar pattern. For example, between the years of 1983 and 1988 average annual FDI outflows among the developed countries was over \$88.2 billion whereas the average annual outflow among developing countries was about \$5.4 billion.<sup>166</sup>

**Table IV. Developed economy FDI inflow/outflows 1989-2004 (percentage of world total)**

	<b>1989</b>	<b>1994</b>	<b>1999</b>	<b>2004</b>
<b>FDI inflows</b>	85.5	59.8	73.5	58.6
<b>FDI outflows</b>	92.8	85.1	91.4	87.2

*Source: Calculated from UNCTAD, World Investment Report, years 1995, 2000 and 2005.*

<sup>166</sup> UNCTAD, *World Investment Report* (New York: United Nations, 1995)

The globalized economic system develops out of a US led hegemonic subsystem following World War II.<sup>167</sup> This order centered around a core league of leading powers (the G-5) and their junior partners (collectively the OECD). When this cluster is examined as a whole, it becomes apparent that it is big with quite striking levels of interdependence. For example, in 1990 the level of trade in goods and services as a percentage of GDP among the OECD was 32 percent.<sup>168</sup> Between 1991 and 2004, trade-to-GDP ratios for the OECD increased by 11 percent.<sup>169</sup> As Table II shows, a vast majority of the world's FDI outflows come from developed countries and most foreign investment still flows from developed countries into other developed countries.<sup>170</sup> Despite the growing salience of a number of emerging economies, economic globalization was a game created, and one that is still led, by the world's developed economies, and in particular, the strongest among them.

The extent of commercial interaction brings into being a gravitational sphere that conditions the behavior, to varying degrees, of every actor in the system. It is not any particular political entity that attracts, but rather, the desired benefits derived from membership and inclusion in the commercial order writ large. Commerce is the central arena; economic competition is the dominant game. If the balance has shifted from guns to butter, one quickly sees how the survival assumption is no longer very useful in explaining relations among the system's leading actors.<sup>171</sup> First, the survival assumption operates only if states fear one another. By definition, a security community deflates the

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<sup>167</sup> Arthur Stein, "The hegemon's dilemma: Great Britain, the United States, and the international economic order," *International Organization* Vol. 38, No. 2 (Spring 1984); Ikenberry, *After Victory*

<sup>168</sup> OECD, *OECD Factbook 2005: Economic, Environmental and Social Statistics*, p. 52-54

<sup>169</sup> OECD, *Factbook 2006*

<sup>170</sup> In 2008, the developed countries accounted for 68% of the world's FDI inflows. See UNCTAD, *World Investment Report* (New York: United Nations, 2009).

<sup>171</sup> For versions of this assumption see, Waltz, *Theory*, p. 118; Mearsheimer, *Tragedy*, p. 31

logic of self-preservation. But even those who might arguably have justifiable reason to fear one another—as the US might be wary of China’s rise—none can actually afford to act on these fears in the ways Neorealism expects.<sup>172</sup> The curious reality is that among most of the key players the logic of self-preservation no longer applies, while for the rest, the logic of self-preservation is rendered moot because there is a new overriding structural imperative: to be competitive, states must prioritize prosperity over security competition. By and large, and other concerns notwithstanding, these states must find ways to integrate themselves into the dominant liberal economic order, or suffer.

The reason why a liberal systemic perspective, as opposed to a dyadic logic, is necessary is that systems of multiple actors create powerful network externalities.<sup>173</sup> Network externalities are incentives and disincentives produced, at times unintentionally, as a byproduct of the interactions of multiple actors. Consider for instance a scenario in which a multitude of PC users creates a network community that disadvantages the lone MAC user, assuming relative incompatibility of the two operating systems. Because strategies are conditioned by social environments, what the majority of major powers do collectively often disciplines the competitive strategies each can entertain individually. Once a critical mass or even a few large players adopt a certain course, network externalities may be triggered. In a system where most pursue autarky and mercantalism, a strategy of liberalization is dangerous. No pure cases of such behavior can really be found, although Great Britain in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries pursued a policy of

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<sup>172</sup> For instance, in its strategic dealings with China, the US must consider the fact that China holds over \$1 trillion in US Treasuries and dollar denominated bonds. Similarly, China is loath to lose its number one debtor and export market.

<sup>173</sup> Consider for instance how Britain and Germany’s decisions to adopt the Gold Standard led a host of other countries to follow suit in the 1870s. Even when Gold’s deflationary bias became known, countries did not revert back to bimetallism because such moves were dangerous if not undertaken by many countries simultaneously. Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton Press, 2008) Chap. 2

freer trade while tolerating rivals' discriminatory barriers. Similarly, during post-WWII reconstruction the US permitted trade on an asymmetrical basis. Both were hegemonic states. Both paid a price as rivals were rapidly gaining ground in terms of relative power. Under these conditions losses in relative gains and competitiveness are unsustainable in the long-term even if the state is reaping benefits in absolute terms. In the twenty year period leading up to WWI, Germany's economy grew by 90 percent, whereas Britain's grew by 56 percent.<sup>174</sup> Even though Cobdenite free traders held power in Britain, it was unclear how long she could go on in the face of growing protectionist opposition at home.<sup>175</sup> Similarly, the US was growing increasingly frustrated with the asymmetrical trading order as its commercial rivals were quickly catching up during the Bretton Woods years.<sup>176</sup>

Conversely, in a system where most pursue liberalization and open trade, a strategy of isolation and autonomy is likely to be self-defeating as well.<sup>177</sup> The absolute gains from open multilateral cooperation are likely to exceed whatever economic progress a state is able to achieve in isolation.<sup>178</sup> Put differently, a closed state in an open world will experience losses in both absolute and relative gains. In short, the opportunity

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<sup>174</sup> Figure taken from Stephen Brooks and William Wohlforth, "Power, Globalization, and the End of the Cold War: Reevaluation a Landmark Case for Ideas," *International Security*, Vol. 25, No. 3 (Winter 2000/01), p. 19

<sup>175</sup> For various historical accounts see Frieden, *Global Capitalism*; T.G. Williams, T.G. *The History of Commerce* (London: Pitman and Sons, 1926); and Aaron Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895-1905* (Princeton: Princeton University Press, 1987).

<sup>176</sup> Stein, "The Hegemon's Dilemma"

<sup>177</sup> Interestingly, using iterated Prisoner's Dilemma to study the competitiveness of different strategies in a population of multiple players, Axelrod found that even small clusters of cooperators, employing a strategy of reciprocity (or Tit-for-Tat), could outperform and ultimately "invade" an entire population of actors that employ an unconditional strategy of defect. *The Evolution of Cooperation* (Basic Books, 1984), Ch. 3

<sup>178</sup> As Duncan Snidal explains, "...cooperation with relative gains adversaries can be the best choice in a multilateral world, especially as the number of states increases. States that do not cooperate fall behind other relative gains maximizers that cooperate among themselves. This makes cooperation the best defense (as well as the best offense) when your rivals are cooperating in a multilateral relative gains world." "Relative Gains and the Pattern of International Cooperation," in Baldwin, ed. *Neorealism and Neoliberalism*, p. 201

costs of opting out, whether measured in absolute or relative gains, are substantial in most cases, decisively high in others. Deng Xiaoping seems to have been aware of this when he remarked: “Reviewing our history, we have concluded that one of the most important reasons for China’s long years of stagnation and backwardness was its policy of closing the country to outside contact.”<sup>179</sup> The crucial point here is that these systemic pressures arise out of the interactions of the leading commercial powers. A dyadic approach simply fails to capture these dynamics.

As Waltz explains, states under anarchy will strive for autonomy through “imperial thrusts,” to control those they depend upon, or “autarkic strivings,” in order to enhance their self-sufficiency.<sup>180</sup> But today, few states are striving for autarky and it is not difficult to see why. To opt out of the global commercial order is to forgo a number of obvious benefits. Closed states do not benefit from foreign investment and accompanying transfers in technology and know-how. Looking around China’s neighborhood, Deng Xiaoping was keenly aware of this:

Profound changes have taken place and new leaps have been made in almost all areas... we must be clear-sighted and recognize that there is still an enormous gap between the level of our science and technology and that of the most advanced countries...One must learn from those who are more advanced before he can catch up with and surpass them.<sup>181</sup>

Autarkic states forgo market access and limit their ability to specialize and exploit comparative advantage. Overall, in an effort to achieve self-sufficiency and homegrown development by shielding domestic industries from potentially harmful outside competition, states stultify long-term innovation, sacrifice economic efficiency, and settle

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<sup>179</sup> Excerpt from an October 1984 interview with delegates to a symposium on economic cooperation with foreign countries. *Selected Works of Deng Xiaoping, Volume III (1982-1992)* (Beijing: Foreign Language Press, 1994) p. 86

<sup>180</sup> *Theory*, p. 106

<sup>181</sup> Deng Xiaoping, *Selected Works, 1975-1982* (Beijing: Foreign Language Press, 1984) pp. 102, 106

for inferior goods at higher prices.<sup>182</sup> Furthermore, for many companies, competitiveness hinges on their ability to exploit global production networks. The assumption that given time and some degree of protection infant industries would become more efficient simply proved to be wrong in most cases. Consider two auto companies created in the same year, Toyota and Hindustan Motors. After fifty years of over regulation and overprotection by the Indian government, Hindustan was rolling a scant 18,000 cars off of the production line while Toyota was manufacturing over 5 million. Hindustan Motors was still producing only one model, the very same model it had been manufacturing since the beginning: the classic Ambassador!<sup>183</sup>

Most states are pulled by the gravitational sphere—the network externalities created by the core—and the prospect of making gains while others are pushed by the possibility of being punished and falling behind. We have known since Lindblom’s classic essay that markets constrain and punish states.<sup>184</sup> In the international context, where markets become wary of the policies and strategic course of a particular country, capital exits and investment flows are disrupted. In a globalized economy, as Friedman has argued, the “electronic herd” can quickly wreak havoc on individual countries.<sup>185</sup> Capital follows opportunity, but it also seeks out political stability and a friendly environment. China experienced an economic disruption after Tiananmen as growth dropped to 4% from 11.3% the year before.<sup>186</sup> Russia saw a capital flight in the wake of

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<sup>182</sup> For a critique of development economics see Ian Little, *Economic Development: Theory, Policy, and International Relations* (New York: Basic Books, 1982)

<sup>183</sup> See *Commanding Heights: The Battle for the World Economy*. Public Broadcasting System (PBS) series based on the book by Daniel Yergin and Joseph Stanislaw.

<sup>184</sup> Charles Lindblom, “The Market as Prison,” *Journal of Politics*, 44 (1982)

<sup>185</sup> Thomas Friedman, *The Lexus and the Olive Tree*

<sup>186</sup> Joffe, “The Default Power”. Not only was there a post-Tiananmen economic fallout but the question of human rights, much to the annoyance of the PRC, was linked to WTO accession and economic cooperation during the Clinton years.

its brief military adventure in Georgia.<sup>187</sup> Second, states punish other states. Systemic pariahs are isolated states. They may be sanctioned or excluded from institutions—as Russia’s behavior has complicated G-8 membership and its WTO bid.<sup>188</sup> In a globalized world, you’re less competitive if excluded from the international economic order.

Today, while few are balancing, most major powers are engaging and integrating, or *bonding*. Because weaker actors often gravitate toward strength, bonding is easily confused with *bandwagoning*. Bandwagoning behavior is motivated by one of two reasons: a weaker state’s desire to avoid the wrath of a stronger state through appeasement, or profit from another’s aggression by sharing the spoils.<sup>189</sup> Bandwagoning was originally theorized as the opposite of balancing behavior.<sup>190</sup> The concepts were intended to apply in the security-military context. But like the balance of power, bandwagoning too has fallen victim to a deleterious theoretical dilution.<sup>191</sup> It has come to describe numerous different behaviors, unrelated to a security imperative or military conflict, in which weaker states gravitate toward stronger ones.<sup>192</sup> Theoretical punch in no small measure derives from conceptual clarity. Balancing and bandwagoning are

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<sup>187</sup> The economic fallout from Russia’s August occupation of Georgia was quick and precipitous: Moscow’s foreign reserves fell \$16 billion in a week. Stock values fell by 15% in August while the ruble declined 5% against the dollar. Meanwhile, Russia’s energy giant and largest corporation Gazprom lost \$16 billion in a single day. See, Andrew Schneider, “Market Forces Will Limit Russian Expansionism,” *Kiplinger* (September 3, 2008); According to Russian Finance Minister Aleksei Kudrin, over \$7 billion left the country during the Georgia campaign. See, “Times Topics: A Capital Flight From Russia,” *New York Times* (April 19, 2008); Also see, Philip Hanson, “The August 2008 Conflict: Economic Consequences for Russia,” *Chatham House* (September 2008)

<sup>188</sup> Doug Palmer, “Russia WTO bid still faces big US obstacles,” *Reuters* (April 1, 2009)

<sup>189</sup> Walt, *The Origins of Alliances*, p. 21; Randall Schweller introduces four different types of bandwagoning: jackal bandwagoning, piling on, wave of the future, and the domino effect. See “Bandwagoning for Profit: Bringing the Revisionist State Back In,” *International Security* Vol. 19, No. 1 (1994)

<sup>190</sup> Waltz, *Theory*, p. 126

<sup>191</sup> As Brooks and Wohlforth ably argue, balancing has been broadened to include numerous behaviors unrelated to a security motive. See, “Hard times for soft balancing”

<sup>192</sup> For example, Lloyd Gruber talks about a “free trade bandwagon.” See, *Ruling the World: Power Politics and the Rise of Supranational Institutions* (Princeton: Princeton University Press, 2007), Ch. 6; Simon Collard-Wexler talks of European integration as a form of bandwagoning. See “Integration Under Anarchy: Neorealism and the European Union” *European Journal of International Relations* vol. 12, No. 3 (2006)

concepts that refer to a military-security phenomenon and a corresponding set of motives. For theorists, coining new terms is a favorite pastime; for the rest, it's a necessary nuisance. The appropriateness of a new term must be judged by its utility.<sup>193</sup> In this case, it is harmful to stretch the bandwagoning concept to include institutional and commercial integration and engagement outside a security-military context because we're dealing with different behaviors and motivations. Bonding can be defined as *the deliberate forging of enduring economic and institutional linkages for the purpose of creating prosperity and enhancing economic competitiveness*. At bottom, bonding behavior is not driven by ephemeral security imperatives or the desire to profit from another's aggression.

In general, bonding strategies fall into one of two categories. Internally, states undertake policies to make themselves more attractive to foreign investment and capital—usually by creating an amiable regulatory environment, building infrastructure, and offering protections and incentives to foreign companies. China's *Special Economic Zones* are a case in point. Drawing lessons from China's successful neighbors, Deng clearly understood the value of attracting foreign economic forces:

A special economic zone is a medium for introducing technology, management and knowledge. It is also a window for our foreign policy. Through special economic zones we can import foreign technology, obtain knowledge, and learn management, which is also a kind of knowledge. As the base for our open policy, these zones will not only benefit our economy and train people but enhance our nation's influence in the world.<sup>194</sup>

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<sup>193</sup> In general, new terms are created in order to describe something not adequately captured by an existing concept. If a term exists, we must ask: what happens to the term if used to describe this new thing? Will the integrity and analytic power of the concept be compromised? There is often a tradeoff between keeping the language as simple and user friendly as possible, on the one hand, and maintaining conceptual integrity on the other.

<sup>194</sup> See *Selected Works of Deng Xiaoping, Volume III* (Beijing: Foreign Language Press, 1994) pp. 61-62

For China this strategy seems to have paid off: roughly 80 percent of the world's top 500 companies had invested in China by 2004.<sup>195</sup> Foreign-owned firms accounted for 58 percent of China's exports in 2005.<sup>196</sup> Externally, states bond by locking each other into long-term cooperative commitments through institutions and policy coordination. China's involvement in multilateral institutions is well documented.<sup>197</sup> Recently, China has assumed an active role in the ongoing G20 process, increased institutional cooperation with ASEAN, and entered into "enhanced engagement" with the OECD, all of which suggests that China is continuing its policy of institutional integration.<sup>198</sup> External bonding has both an institutional dimension and an economic dimension, referring mainly to trade, finance and capital flows. China currently holds the world's largest stockpile of foreign reserves, amounting to well over \$2 trillion.<sup>199</sup> These figures highlight the extent to which China has been willing to tie itself to the global market—striking for a country whose combined imports and exports were less than \$15 billion in 1975.

Bonding behavior is driven by multiple, related motives. First and foremost, it is driven by the prosperity motive. It is also driven by competitive pressure. Where

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<sup>195</sup> Gregory Chow, *China's Economic Transformation*, 2<sup>nd</sup> ed. (Oxford: Blackwell Publishing, 2007) pp. 329-30

<sup>196</sup> "China and the Multilateral Trading System," in Eichengreen et al. eds, *China, Asia and the New World Economy*, p. 145.

<sup>197</sup> For a sampling of this literature see Yong Deng and Thomas Moore, "China Views Globalization: Toward a New Great-Power Politics?" *The Washington Quarterly* (2004); Alistair Iain Johnston, "Is China a Status Quo Power," *International Security*, Vol. 27, No. 4 (2003); Jianwei Wang, "China's Multilateral Diplomacy in the New Millennium," in Yong Deng and Fei-Ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2005); Margaret Pearson, "China in Geneva: Lessons from China's Early Years in the World Trade Organization," in Alastair Iain Johnston and Robert Ross, eds. *New Directions in the Study of China's Foreign Policy*, (Stanford: Stanford University Press, 2006); Marc Lanteigne, *China and International Institutions: Alternate Paths to Global Power*, (London: Routledge, 2005)

<sup>198</sup> "China and the G20: Taking the summit by strategy," *The Economist* (April 8, 2009); "China, ASEAN sign trade agreement on investment," *The China Post* (August 16, 2009); "Enhanced Engagement" status was extended to China pursuant to the *OECD Council Resolution on Enlargement and Enhanced Engagement*, adopted May 2007. For a general discussion see, Jianwei Wang, "China's Multilateral Diplomacy in the New Millennium," in Yong Deng and Fei-Ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2005).

<sup>199</sup> "Influence of Speculation on Chinese Foreign Reserves is Downplayed," Reuters (January 19, 2010)

conditions of free trade do not exist, or exist only marginally, relative competitiveness hinges on a state's ability to mobilize and develop its economy in relative isolation. Under conditions of open trade, a state's relative competitiveness not only derives from domestic policy but also hinges on its ability to access foreign markets, attract foreign investment, specialize in areas in which it enjoys a comparative advantage, participate in policy coordination conducive to commercial interaction, and assure neighbors and partners of benign and cooperative intentions. In an open world, certain types of actors are disposed to become more successful than others. The international system is a competitive one, though competitive strategies are always conditioned by the environment in which they are pursued. Today, it is difficult to be competitive unless you evolve into a trading state. Autarkic garrison states are simply not competitive. In today's world, Realpolitik strategies driven by a structural condition of anarchy, such as balancing and autarky, are self-defeating.

While hard balancing and autarky make little sense, because the system is competitive, every state still prefers to make gains relative to rivals.<sup>200</sup> "Firms [like states] are constrained to strike a compromise" says Waltz, "between maximizing their profits and minimizing the danger of their demise."<sup>201</sup> As with balancing, states are driven by the survival imperative. This point is the source of much confusion and so bears repeating: structural realist cooperation theory derives from the logic of self-preservation. Structural realism must not only produce instances of relative gains behavior but demonstrate that these flow from a security imperative. In studying US-

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<sup>200</sup> For competing perspectives on the relative v. absolute gains debate see Baldwin, ed. *Neorealism and Neoliberalism: The Contemporary Debate* (Cambridge: Cambridge Press, 1993).

<sup>201</sup> Waltz, *Theory*, p. 106

Japanese trade relations in the 1980s, Mastanduno found that while relative gains concerns were important, these were not motivated by security interests.<sup>202</sup> Krasner found that even in a policy area as mundane as global communications, powerful states were able to secure more favorable distributions of benefits.<sup>203</sup> These findings are not inconsistent with our theory. Because it is better to approach politics from a position of strength rather than weakness, relative gains matter. Relative power enhances the state's ability to make greater gains, now and in the future. Powerful actors can coerce, offer payoffs, or create incentives through issue linkages. Powerful states often succeed in writing the rules in a way that affords them greater advantage. Consider for instance how the first world has succeeded in exempting the agriculture sector from the WTO while creating a strong intellectual property rights regime that has disadvantaged the world's poorer countries. Because states operate in a world of scarcity, getting the best deal for themselves and their people requires them to outpace rivals. The crucial distinction hinges on whether this behavior is driven by a security or prosperity motive. Like security, the prosperity motive is also a powerful driver of relative gains behavior. States will routinely employ a variety of strategies to enhance competitiveness at the cost of rivals—non-tariff barriers, currency devaluation, dumping, export subsidies, and so on.

Because of competition and relative gains behavior, the system does not add up to a “harmonious world.” Among the leading powers, what has changed is that competition has primarily shifted from guns to butter. This is not to say that geopolitical and territorial disputes are a thing of the past, but merely that the balance has shifted. To varying

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<sup>202</sup> Michael Mastanduno, “Do Relative Gains Matter? America’s Response to Japanese Industrial Policy” *International Security*, 16 (Summer 1991)

<sup>203</sup> Krasner, “Global Communications and National Power: Life on the Pareto Frontier,” *World Politics*, Vol. 43 (April 1991)

degrees, each major power has an interest in the overall viability of the global commercial order, and will act to preserve it when threatened.<sup>204</sup> At the end of the day, each state has a strong incentive to avoid collective ruin. Barry Eichengreen, for example, has described the US-China relationship as a kind of mutually assured economic destruction.<sup>205</sup> The mere fact that each is vested in the other and the system, though, does not preclude strategic and competitive behavior. For example, the US has been frustrated for some time with China's strategy of devaluing its currency relative to the dollar in order to enhance the competitiveness of Chinese exports.<sup>206</sup> While none has an interest in a general trade war or a collapse of the system, each is interested in maximizing gain. While the general political climate is cooperative, there's always room for strategic maneuvering on the margins. Because different arrangements have different distributional consequences disagreement is common. Disagreements have the potential to lead to more intense conflict. Trade conflicts can resemble security spirals in which each actor reciprocally retaliates for moves made by others during a previous round. Relations can be quite tense as actors may be tempted to play commercial 'brinkmanship'—that is, how far can things be pushed before a commercial war is sparked?

Though disputes are a regular feature of relations, commercial conflict is less likely to spiral out of control for at least three reasons. First, disputes are channeled

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<sup>204</sup> In April 2009 the G-20 met in London and pledged to work together to bring the world out of the dire recession. Promises are worth little, however, if not followed by concrete action. While the pledges were by no means completely met, many of them were at least partly if not fully fulfilled. For example, IMF lending capacity was increased by over \$500 billion; while the G20 countries' pledged \$5 trillion in stimulus spending was not met, countries did spend a significant amount; IMF voting powers have been reformed. For a full breakdown see BBC News, "G20: Pledge by Pledge," (September 27, 2009)

<sup>205</sup> "The Dollar Dilemma," *Foreign Affairs* (Sept/Oct 2009)

<sup>206</sup> Jackie Calmes, "U.S. talks tough with China on currency," *New York Times* (January 23, 2009); As Kirshner notes, this issue is likely to remain a persistent source of tension in US-China relations. See "The Consequences of China's Economic Rise for Sino-U.S. Relations: Rivalry, Political Conflict, and (Not) War," in Ross and Feng, *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca: Cornell Press, 2008)

through a rule governed process—the WTO’s dispute resolution panel for instance. Second, the danger associated with fear and miscalculation is less severe because information is more readily available and disputes usually do not involve an existential threat. For instance, a dispute over chickens, tires, or a devalued currency is quite different from one involving nuclear arms. One party may suspect another of engaging in unfair trading practices, but this is a far more manageable kind of fear. Third, interdependence, diffuse reciprocity, reputational concerns, and the “shadow of the future” encourage states to show restraint. States do not simply have negative incentives in avoiding harm caused by a general trade conflict, but they also have a positive incentive in keeping the overall relationship afloat.

The more narrow point is that a commercial or ‘normal’ politics is not harmonious. It is messy, though disputes are far less severe than one’s in the military-security realm. The broader point is that the system is increasingly pushing states to become status-quo participants in a trading world. Indeed, China appears to be behaving much like a “status-quo” state. To a remarkable extent, China has been willing to tie itself to the global commercial order:

**Table V: Average contribution of exports and investment in tradable sectors to total GDP growth during the years 2001-2008**

<b>Country or Bloc</b>	<b>Exports + Investment in Tradable Sectors as a percentage of GDP growth</b>
<b>China</b>	<b>60%</b>
<b>G-7</b>	<b>16%</b>
<b>Euro Zone</b>	<b>30%</b>

*Source:* Kai Guo and Papa N’Diaye, “Is China’s Export-Oriented Growth Sustainable,” International Monetary Fund (August 2009)

Between the years 1990-2000 the average contribution of exports and investment in tradable sectors accounted for 40% of China's GDP growth. As the above table shows, during the years 2001-2008 this figure had risen to a dramatic 60% of GDP growth. China's success has been due to its willingness to become the 'workshop of the world.'

In general, a confederate structure produces similarity because the system pressures states to become more like specialized trading states. Specialization implies functional differentiation, a dimension that drops out of Neorealist theory because 'like-units' are said to perform similar tasks.<sup>207</sup> An anarchic structure pushes states toward autarky. An open system pushes the state to specialize. There is no formal assignment of functions, but specialization has led to dissimilarity.<sup>208</sup> States are still like-units because each performs similar functions internally, but when the system is examined as a whole, one quickly notices that states are doing different things. Some, like the US, do many things. Others, like Britain, specialize in banking and finance. China has specialized in low-tech manufacturing while India in services. Still others export commodities and natural resources. Waltz saw a world of like-units because his focus is mainly political: each state has some governing entity, a military, and various regulatory organs. When viewed from the lens of political-economy, the picture is much different. Even though there is a general convergence in terms of productivity levels among advanced countries, there is still a great deal of specialization if one examines particular industries.<sup>209</sup> In an open world states must find ways to participate, and then they must specialize.

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<sup>207</sup> Waltz, *Theory*, pp. 93-97

<sup>208</sup> Similarly, Rosecrance argued that the 'trading world' "is composed of nations differentiated in terms of function. Each may seek to improve its position, but because nations supply different services and products, in defense as well as economics, they come to depend upon each other." *Rise of the Trading State*, p. 24

<sup>209</sup> David Dollar and Edward Wolff, *Competitiveness, Convergence, and International Specialization* (MIT Press, 1993)

At first glance, my argument seems to parallel familiar liberal arguments claiming that states have chosen to become more like trading states because they wish to make greater absolute gains. In the mid-1980s Richard Rosecrance observed the following:

Since 1945 the world has been paralyzed between trading and territorial imperatives. One group of states has largely focused on trade, keeping their military expenditures limited; another group, particularly the superpowers and certain Middle Eastern states, has engaged in arms races, military interventions, and occasional war.<sup>210</sup>

By the end of the century, Rosecrance was arguing that the post-war trading states—states such as Japan and Germany—were evolving into a new form of “virtual state,” epitomized by the likes of Hong Kong.<sup>211</sup> According to the author, the rise of the virtual state has ushered in a new era of peaceful forms of international politics; it has been marked by the overall replacement of security politics with forms of peaceful competition among an important, powerful, and growing cluster of states. In *The Rise of the Trading State*, a state’s political orientation—conceptualized in terms of the military and territorial pole on the one hand and the trading pole on the other—largely depends upon the individual state’s choice.<sup>212</sup> What is missing from Rosecrance’s account is precisely that which is provided by a systemic perspective. It is not simply the case that states value prosperity and the gains that can be achieved through institutionalized cooperation; most importantly, states are moved by competitive pressure. A systemic perspective incorporates important insights not adequately captured by extant liberal theories, namely, that there is a competitive structural logic at play. The value added of a liberal systemic theory is in explaining how the leading power western order has created

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<sup>210</sup> Rosecrance 1986, 162

<sup>211</sup> Rosecrance 1999, 4

<sup>212</sup> Rosecrance 1986, 22

powerful systemic incentives, network externalities that condition the strategic behavior of states.

A bonding strategy implies both a commercial as well as an institutional side. To be a successful trading state, admission must be gained into key multilateral institutions—WTO, IMF, World Bank, OECD.<sup>213</sup> To be integrated is to become a full-fledged member of these institutions. States that are left out find themselves at a decided competitive disadvantage. Lloyd Gruber has argued persuasively that when supranational institutions are initially created, others are forced to participate, even though they often prefer the (non-institutionalized) status quo, because leading states are able to go ahead without them.<sup>214</sup> Not surprisingly, outsiders work hard to gain membership. States are willing to make costly domestic adjustments toward this end. The institutional core exercises power over outsiders by threatening to exclude. Power is exercised through a process of ‘conditionality.’<sup>215</sup> Membership, loans and grants come with strings attached. Many times, these conditions are quite intrusive. Surprisingly, smaller states are often eager to accept and implement them; sometimes they go above and beyond the stipulated demands. Much like freshmen seeking membership in a fraternity of upperclassmen, weaker players are *rushing* for inclusion in core institutions. To rush for inclusion is to prove oneself to be an exceptional candidate. States seeking membership frequently sacrifice autonomy and implement “recommendations” and “advice” in exchange for membership and other benefits.<sup>216</sup>

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<sup>213</sup> A similar logic applies with regard to regional institutions like the EU.

<sup>214</sup> Lloyd Gruber, *Ruling the World: Power Politics and the Rise of Supranational Institutions* (Princeton: Princeton University Press, 2007).

<sup>215</sup> Manuel Guitián, “Conditionality: Past, Present, Future,” *Staff Papers-International Monetary Fund*, Vol. 42, No. 4 (Dec 1995).

<sup>216</sup> Heather Grabbe, “European Union Conditionality and the “Acquis Communautaire”” *International Political Science Review*, Vol. 23, No. 3 (July 2002);

How does a systemic perspective differ from functional institutional arguments?

The first thing to note is that Neoliberals have never claimed to offer an alternative systemic theory to that of Neorealism. However, it is certainly true, as Neoliberals claim, that states find institutions attractive because of the benefits they provide.<sup>217</sup> It is also true that states value institutions because they tame power by binding actors.<sup>218</sup> What is missing from liberal institutional arguments is the idea that those who opt out of the Western institutional order place themselves at a great competitive disadvantage by excluding themselves from the ‘network.’ Institutional bonding is a vital strategy if a state wishes to remain competitive. The Western order is not simply easy to join and hard to defeat,<sup>219</sup> it is impossible not to join if you want to avoid self-defeat through isolation. Lee Kuan Yew, Singapore’s first Prime Minister, said it well: “Countries that make themselves relevant [to the world] become better off, those who opt out, they suffer.”<sup>220</sup> To avoid North Korea’s predicament you must pursue strategies adopted by South Korea. This is why outsiders—states like China who are extremely jealous of their sovereignty and harbor suspicions of the outside world—have been willing to make major sacrifices in state autonomy in order to gain inclusion into the order.

For states, the single most important cost of bonding is loss of autonomy.

Whether by subjecting itself to global market forces, increasing interdependence with rivals, or by institutionally limiting the range of choices available, bonding has the

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<sup>217</sup> Keohane, *After Hegemony* (Princeton: Princeton Press, 1984) ; Oye, ed. *Cooperation Under Anarchy*

<sup>218</sup> Ikenberry, *After Victory*

<sup>219</sup> Ikenberry, “The Rise of China and the Future of the West: Can the Liberal System Survive?” *Foreign Affairs* (Jan/Feb 2008)

<sup>220</sup> See *Commanding Heights: The Battle for the World Economy*. Public Broadcasting System (PBS) series based on the book by Daniel Yergin and Joseph Stanislaw.

overall effect of reducing a state's autonomy.<sup>221</sup> King John signed, and his successors reissued, the Magna Carta to preserve the throne. In so doing, the kings relinquished some of their sovereignty. In the long run it allowed them to stay in business. This is the *King's Dilemma*. To maintain the foundations of power, sovereigns are forced to let go of their autonomy.<sup>222</sup> Sooner or later, states realize that competitiveness hinges on their willingness to relinquish control. According to Waltz, "States do not willingly place themselves in situations of increased dependence."<sup>223</sup> He is correct. But in an open system the state is stuck between a rock and a hard place: bond and be competitive or cling to your autonomy and 'fall by the wayside.' Indeed, nowhere is the King's Dilemma more pronounced than in China where the Communist Party's legitimacy is tied to economic growth.<sup>224</sup> The Communist Party wants to stay in power. To maintain its power it must deliver growth. To deliver growth it must be willing to sacrifice autonomy by continuing its policy of "Reform and Openness." For these reasons the PRC was

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<sup>221</sup> For similar arguments see Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996); Thomas Friedman, *The Lexus and the Olive Tree*; That states are losing autonomy, however, does not justify the conclusion that the state is disappearing entirely. Many over enthused sociologists rather hastily predicted the state's demise. See for example, Albrow, *The Global Age* (Stanford: Stanford University Press, 1997, and, Appadurai, *Modernity at Large: Cultural Dimensions of Globalization* (Minneapolis: University of Minnesota Press, 1996).

<sup>222</sup> Krasner has suggested that sovereignty should be understood as a form of organized hypocrisy: absolute in theory but rarely so in practice. In his model, states often contract away their sovereignty. See *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999). The presumption is that states retain their sovereignty because in theory they can always remove themselves from contractual obligations. My argument is that (a) states face strong external pressures to relinquish autonomy, and (b) once autonomy is lost it is extremely difficult to recover.

<sup>223</sup> Waltz, *Theory*, p. 107

<sup>224</sup> Fei-Ling Wang, "Beijing's Incentive Structure: The Pursuit of Preservation, Prosperity and Power" in Yong Deng and Fei-Ling Wang, *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2005); In 1992, on his famous Southern Tour, Deng gave a telling warning to his comrades, "If we don't continue to improve people's living standard, if we don't continue to build the economy, there will only be a dead-end road for our Party." Quoted in Robert Kuhn, *The Man Who Changed China: The Life and Legacy of Jiang Zemin* (New York: Crown Publishers, 2004) pp. 212-13

willing to endure fifteen years of negotiations, making concessions, adjusting policy and sacrificing autonomy, all of which culminated in its 2001 accession to the WTO.<sup>225</sup>

Systemic pressures, incentives and disincentives, have emerged as a byproduct of the coactions of the system's leading commercial powers. Those inside of the Western commercial order face strong incentives to stay in; those on the outside face strong incentives to get in. This is so because the system has created powerful network externalities. These forces go a long way in explaining China's foreign policy behavior in the reform era. As Moore and Yang argue,

Once economic development was identified as the overriding national priority—a decision that itself arguably originated in part from an assessment of China's external environment—the parameters of successful and unsuccessful development strategies were largely set. For China the only effective option was to pursue modernizations through reform and opening. As regards foreign policy, the necessary corollary was cooperative foreign relations that would allow China to achieve the economic revitalization necessary to ensure its long-term national security (or, alternatively, regime survival).<sup>226</sup>

If the prosperity motive and competitive pressure have led China to pursue a strategy of bonding, is the PRC likely to abandon this strategy merely because US relative power is declining?—or, why bite the hands that feed you?

The system induces bonding behavior which tends toward its own reproduction and expansion. Bonding behavior has the effect of increasingly tying individual state prosperity interests to the continued viability of the commercial order as a whole.

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<sup>225</sup> For example, because China was a developing country it was in principle entitled to special treatment under the 'enabling clause.' Existing members however succeeded in insisting that China enter under 'commercial terms,' thus greatly increasing obligations. For literature on China's accession see Margaret Pearson, "The Case of China's Accession" in David Lampton, ed. *The Making of Chinese Foreign and Security Policy in the Era of Reform* (Stanford: Stanford University Press, 2001); Marc Lanteigne, *China and International Institutions: Alternate Paths to Global Power* (London: Routledge, 2005); Gregory Chow, *China's Economic Transformation*, 2<sup>nd</sup> ed. (Oxford: Blackwell Publishing, 2007)

<sup>226</sup> See, "Empowered and Restrained: Chinese Foreign Policy in the Age of Economic Interdependence" in David Lampton, ed. *The Making of China's Foreign and Security Policy*, (Stanford: Stanford Press, 2001) pp. 200-201

Prosperity interests and competitive pressures have led states like China and India to join. While bonding—foreign investment and export led growth more specifically—has enabled them to transform into commercial juggernauts, integration has also converted them into important stakeholders in the commercial order itself. Balancing and revisionist strategies are self-defeating, indeed irrational, if the foundation of state power itself—economic strength—is critically linked to the likely targets of balancing and the very order to be revised.<sup>227</sup> For the leading states, regardless of whether they might be plausibly included within a cohesive security community or not, the commercial order is simply too big and too important. If this is true, China has much incentive to uphold the system and little incentive to revise it.<sup>228</sup>

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<sup>227</sup> “Chimerica” is the term Niall Ferguson uses to describe the unique symbiotic relationship between the US and China. See, *The Ascent of Money* (New York: Penquin Press, 2008), Ch. 6; Not only is China’s relationship with the US of critical importance, but it is worth keeping in mind that China’s rise has been driven by export led growth and foreign direct investment. As Robert Lawrence notes, “Between 2001 and 2005...the dollar value of Chinese exports and imports increased at annual rates of 29.3 and 25.3 percent respectively, and in 2005 58 percent of Chinese exports originated from foreign-owned firms.” See, “China and the Multilateral Trading System,” in Eichengreen et.al. eds, *China, Asia and the New World Economy*, p. 145. One must therefore ask: why bite the hand that feeds you? Not only does China need foreign investment and export markets, it needs massive amounts of resources to fuel growth.

<sup>228</sup> Coming from an institutional perspective, Ikenberry reaches a similar conclusion: the western institutional order is easy to join and harder to overthrow. See, “The Rise of China: Power, Institutions, and the Western Order,” in Ross and Feng, eds. *China’s Ascent*

# IV

## Levels, Causes, and Theory Testing

Systemic theory is theory of state action. It is a theory that explains how the system's principal actors together form a structure which confronts actors with certain opportunities and constraints. These opportunities and constraints are a function of the strategic environment formed through the coactions of the system's principal actors. Systemic theory gives general reasons that lead the observer to expect that states will respond to this strategic environment in similar ways. Because systemic theory explains why states are likely to pursue certain strategies in response to external conditions, it must be a theory of foreign policy.

Much of the recent debate among Waltz and his realist competitors seems to be riding on an unhelpful distinction between theories of "international politics" and theories of "foreign policy." Waltz himself has placed a great deal of emphasis on this distinction.<sup>229</sup> Christensen and Snyder see systemic theory as concerning itself with systems and their properties while foreign policy theories focusing on the behavior of specific states.<sup>230</sup> Fareed Zakaria sees foreign policy theory as concerning itself with the motives, intentions, goals and preferences of states toward the outside world at various historical moments.<sup>231</sup> For his part, Waltz asserts that he is in the business of systemic

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<sup>229</sup> Waltz, *Theory of International Politics*, 72

<sup>230</sup> Christensen and Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity" *International Organization* Vol. 44, No. 2 (1990); More on this distinction and the debate see Shibley Telhami, "Kenneth Waltz, Neorealism, and Foreign Policy" *Security Studies* Vol.11, No. 3 (2002); Colin Elman, "Horses for Courses: Why *Not* Neorealist Theories of Foreign Policy?" *Security Studies* Vol. 6, No. 1 (1996)

<sup>231</sup> Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton:Princeton Press 1998), p.14

theory and charges that scholars like Stephen Walt have not produced new theories but are engaged in “a description of how makers of foreign policy think when making alliance decisions.”<sup>232</sup>

The cottage industry of modified neorealist approaches are all driven by a single concern: these individuals aim to explain specific cases of state behavior. Neorealism is not particularly helpful in this regard because it yields indeterminate expectations of behavior. Christensen and Snyder, for instance, argue that two opposite behaviors (chain-ganging and buck-passing) can be derived from Waltz’s theory under the same circumstances.<sup>233</sup> To resolve this problem they cross-fertilize Neorealism with Robert Jervis’ theoretical work on the security dilemma.<sup>234</sup> While Christensen and Snyder attempt to preserve the theoretical integrity of Neorealism by resting their analysis on the international politics/foreign policy distinction, there is a deeper problem which this move cannot veil.

This move, and the distinction upon which it rests, is pernicious on two counts. First, what is being said, in effect, is that systemic theory should not be understood as theory of state action—it is only concerned with “properties of systems.” But systemic theory is and must be a theory of state action. If balances recur from time to time, they recur because states act—either through internal buildups or external alignments—so as to form balances. Systemic theory is premised on the understanding that structure conditions actor behavior by causing some strategies to dominate over others. It aims to explain behavior of the part through an understanding of the system as a whole. Systemic

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<sup>232</sup> Waltz, “Evaluating Theories” *APSR* Vol. 91, No. 4 (1997)

<sup>233</sup> Christensen and Snyder (1990) set out to explain why states “chain-ganged” in the multipolar pre-1914 European system while a similarly configured system led to “buck-passing” behavior prior to 1939.

<sup>234</sup> see Jervis, “Cooperation Under the Security Dilemma” *World Politics* 30 (1978)

theory can only gain support to the extent that states are found to behave in a way consistent with the expectations of the theory. As Randall Schweller correctly observes,

...even systems theories must investigate historical cases of state behavior and foreign policy to see if the actors spoke and acted in the manner predicted by the explanation, the case unfolded and events occurred in the order predicted, and the details of the case conform to the explanation's predictions.<sup>235</sup>

Second, the distinction renders systemic theory, an otherwise powerful tool, utterly impotent. If it cannot say anything about the behavior of particular great powers, what can it do? At a minimum, a useful theory must explain how under some conditions patterned behavior will emerge while under other conditions it will not. What then can we expect systemic theory to accomplish? On this score, Waltz is slippery:

A theory of international politics bears on the foreign policies of nations while claiming to explain only certain aspects of them. It can tell us what international conditions national policies have to cope with. To think that a theory of international politics can in itself say how the coping is likely to be done is the opposite of the reductionist error.<sup>236</sup>

But structural realism does say something about how states are likely to cope: "A self-help system is one in which those who do not help themselves, or who do so less effectively than others, will fail to prosper, will lay themselves open to dangers, will suffer...balancing, not bandwagoning, is the behavior induced by the system."<sup>237</sup>

Balances occur because some states will balance against power and survive while others will fall by the wayside. Either systemic theory can explain state action or it cannot, but it cannot both explain state behavior and at the same time not explain it. Waltz correctly believes that systemic theory can capture patterns of behavior. If it claims to do this, it

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<sup>235</sup> Schweller, "The Progressiveness of Neoclassical Realism" in Colin Elman and Miriam Fendius Elman, ed. *Progress in International Relations Theory: Appraising the Field* (Cambridge: MIT Press, 2003)

<sup>236</sup> Waltz, *Theory*, p. 72

<sup>237</sup> Waltz, *Theory*, pp. 118, 126

must be a theory of state action.<sup>238</sup> If it is a theory of state action it must be a theory of foreign policy because state actions are manifest in the policies they make.

The entire debate is a response to an inherent problem in the study of international politics. Systemic theory explains how possibly dissimilar states are likely to respond to the same systemic signals in a similar way. But like dissimilar individuals responding to the same social milieu, dissimilar states will often react differently to the same signals. The basic fact is that there will be variation in the foreign policies of states. A major source of this variation is to be found in the domestic politics of dissimilar actors while other forces may be operating at the international level as well. Systemic theory must make a major concession: unit-level forces matter a great deal. The so-called “Neoclassical Realist” school has already arrived at this intuitively attractive conclusion: “systemic pressures must be translated through intervening variables at the unit-level.”<sup>239</sup> The conclusion points to the important possibility that systemic and unit-level analyses can complement each other.

Common ground, like calls for bipartisanship, arouses feelings of warmth and fuzziness. Because most scholars privilege a certain method or level, the spirit of synthesis is likely to be short-lived unless we succeed in elaborating a definitive method for establishing the complementary analytic operation of each level. But first, why not simply collapse the levels, agents and structures, into a single unified theory of international politics?

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<sup>238</sup> In my estimation, the tenuous distinction between foreign policy and international political theories has inappropriately shielded Neorealism from damaging empirical evidence.

<sup>239</sup> Rose, “Neoclassical Realism and Theories of Foreign Policy” *World Politics* Vol.51, No.1 (1998) p. 153

## A Unified Theory of International Politics?

Following Anthony Giddens and others, it is attractive to think of agents and structures as co-constituted.<sup>240</sup> The ‘duality of structure’ captures the insight that agents produce and reproduce structures at the same time that their behavior is conditioned by social structure:

The constitution of agents and structures are not two independently given sets of phenomenon, a dualism, but represent a duality. According to the notion of the duality of structure, the structural properties of social systems are both medium and outcome of the practices they recursively organize.<sup>241</sup>

Though Waltz pushes all agency out of his theory, he does not in fact deny the importance of agency. Instead, the idea is to isolate a realm—in this case the system and its structure—so as to understand it independent of other potentially important causes. A careful reading of Waltz also reveals that his theory is in fact based on an understanding of the duality of structure—after all, the anarchic structure arises from the interactions of the system’s principal actors. In the end, this duality means very little because the anarchic structure has existed since time immemorial and will continue to exert the same pressures so long as the system is not transformed into a formal hierarchy, a rather unlikely possibility. The point is simply that the ‘duality of structure’ is a fundamental premise of systemic thinking—agents produce and reproduce structures, structures condition the behavior of agents. There is continuity revealed in patterned behavior because structure leads dissimilar actors to act in similar ways.

Admitting the duality of structure is the easy part; what one does with this insight is likely to be much more controversial. In the interest of producing a general theory,

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<sup>240</sup> For a statement of structuration theory see *The Constitution of Society* (Berkeley: University of California Press, 1984); Wendt, *Social Theory*

<sup>241</sup> Giddens, *The Constitution of Society*, p. 25

Waltz in effect denies any role for agency. As a practical matter, he's little concerned with how agents produce and reproduce the anarchic structure. So long as there is no hierarchy, there is anarchy. So long as there is anarchy, it will condition behavior in ways predicted by Neorealist theory. Ultimately, Waltz's is a theory of how structures influence agents. This move has been the target of an important line of critique. The theory only has a reproductive logic and none that is generative. It explains continuity but not change.<sup>242</sup> This is the case precisely because Waltz never does focus on agents and how they might in fact produce or change social structures.

Taking seriously Giddens' insight about the duality of structure, Alexander Wendt among other things, sets out to correct this deficiency in Waltzian systemic thinking. Wendt's is mainly a theory about how agents intersubjectively produce structures (or cultures) that in turn work to condition relations among actors. Cultures, while having path-dependent qualities—that is, they tend to be 'self-fulfilling prophecies—can nevertheless change. Because 'anarchy is what states make of it' they are perfectly capable of creating alternative identities and cultures during repeated rounds of interaction. To admit the possibility that actors *can* change collective identity and culture does not help us answer the question of whether they will and in what circumstances. Wendt offers an elaborate account of how this change might happen, but offers no concrete propositions relating to the circumstances under which particular changes can be expected to take place. This is not a failure on Wendt's part, but rather, reflects the nature of the subject matter itself.

Admitting the appeal and accuracy of the 'duality of structure' does not solve our quandary. There is a practical tradeoff: a theory built on this insight *cannot* yield

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<sup>242</sup> Ruggie

generalized explanatory propositions and theoretical expectations. That is, we can unify agents and structures but this will come at the cost of theory. Such an effort cannot yield explanatory expectations independent of a deep description of the subject of interest. It cannot abstract away from the specific actors and the context of their interaction and produce expectations about how they will behave. In short, it can only serve as a framework for descriptive history. Giddens' acknowledges as much when he distances his work from theories that produce "explanatory propositions of a generalizing type."<sup>243</sup>

The basic dilemma is this: taking the duality of structure seriously gives us greater descriptive accuracy but it comes at the cost of generalized theoretical power. Now, why is this so? Agency is by definition something that is quite contingent and unpredictable. It is a subject that is not amenable to general theorizing. The problem is compounded because social structures are produced and reproduced by multiple such unwieldy agents. It is certainly true that agents can have a large impact. Napoleon successfully mobilized the French by essentially inventing nationalism. This changed the social milieu as other states were forced to follow suit and adopt this innovation. The innovation itself was a development that was quite historically contingent. Structural theory yields explanatory expectations of behavior because it gives us reason to believe that actors will behave in a similar way when confronted with similar circumstances; the study of agency cannot do so because actors do things for any number of historically contingent reasons which are difficult, or indeed impossible, to specify *a priori*.

Historians are quite suspicious of general theorizing of the kind fashionable in political science, though some historians do find value in general propositions.<sup>244</sup> By and

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<sup>243</sup> Giddens, *The Constitution of Society*, pp.xvii-xx

<sup>244</sup> A good example is Paul Kennedy's *The Rise and Fall of Great Powers*

large, historians feel much more comfortable closer to the ground—on the lower rungs of the ladder of abstraction—while the political scientist is more willing to climb higher in the hopes of finding generalized knowledge. The greater primacy of place one gives to agency and contingency, the more one is gravitating toward the descriptive history end of the continuum. In principle, one can theoretically explore the relationship between agents and structures—the ways in which each might operate upon the other—but this can only add up to a conceptual scheme or framework. An explanatory theory it is not. In the end, one can have a unified scheme or an explanatory theory, but not both.

If general theorizing is not to be abandoned, then structure must be isolated and theorized independently of agency and the interaction of each upon the other, understanding fully that this move is both descriptively inaccurate, misleading, and theoretically imperfect. Structural theorizing has limits. Its strength lies in its ability to yield general explanatory expectations; it is limited in its ability to explain change and account for anomalous behavior. The agent-structure question is a persistent problem in social theorizing. Giddens offers a way to solve it but with a price. In my estimation, the cost is not worth the benefit. Unified schemes cannot and should not replace general structural theories—lest we concede that general social theorizing is impossible. Nor does this imply that unified frameworks be abandoned either. They may serve as a useful way to study change, this being, necessarily, a more descriptive enterprise.

## Synthesis and Theory Testing

If not done properly, synthetic approaches often lead to confusion, frustration, and alas, an entrenching of loyalties. At the risk of unjustly pigeonholing a number of

scholars, it is generally the case that realists privilege the systemic level while liberals gravitate toward bottom-up explanations. Each often uses the other as its foil. In this clash of paradigms, in recent times, Realism has found itself on the defensive. In the decades following World War II everyone was a Realist; more recently some have asked “Is Anyone Still a Realist?” The most pronounced trend among Realist scholars is their newfound attention to non-systemic variables.<sup>245</sup> Oddly, the only thing that unites these scholars is their continued commitment to power and the systemic level and their willingness to move beyond it. Beyond this, there is little agreement on what variables should be included and how systemic signals are filtered through domestic processes. In short, Neoclassical Realism lacks a clear content—that is, common assumptions, variables and hypotheses—and a shared method. If systemic and unit-level variables matter, how can they be synthesized while still preserving the analytic integrity and explanatory power of each? The pragmatic impulse to expand and enrich Realism runs the risk of setting us back in terms of theory development. The danger is that theory will be reduced to a descriptive approach. If we’re not prepared to abandon the possibility of general theorizing in international politics, a great deal of theoretical work remains to be done. If a synthesis is needed, the way in which it is done is of the utmost importance.

Systemic and unit-level explanations are often thought of as competing. This is partly true, and should remain so. While it is important to pose them in opposition it is

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<sup>245</sup> J. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell Press, 1991); Zakaria, *From Wealth to Power: The Unusual Origins of America’s World Role*. (Princeton: Princeton Press, 1998); Wohlforth, “Realism and the End of the Cold War,” *International Security*, Vol. 19, No. 3 (Winter 1994-95); Schweller, *Deadly Imbalances: Tripolarity and Hitler’s Strategy of World Conquest* (New York: Columbia University Press, 1998); Rose, “Neoclassical Realism and Theories of Foreign Policy” *World Politics* Vol.51, No.1 (1998); Lobell et.al. Eds., *Neoclassical Realism, the State, and Foreign Policy* (Cambridge: Cambridge University Press, 2008) ; Schweller, “The Progressiveness of Neoclassical Realism” in Colin Elman and Miriam Fendius Elman, ed. *Progress in International Relations Theory: Appraising the Field*. (Cambridge: MIT Press, 2003)

also useful to consider the ways in which they might complement each other. To say that two things complement each other suggests that they succeed in compensating for each other's weaknesses while exploiting their strengths. Logically, in order to discover ways in which they might complement each other requires us to understand the nature of each.

Unit-level approaches are a bottom up mode of theorizing. Explanations of international behavior are arrived at through an analysis internal to the state itself. Here, scholars may focus on interest groups, bureaucracy, the structure of government, individual leaders, ideas and identity, and so on. While scholars have developed more general and parsimonious bottom-up theories,<sup>246</sup> it is generally the case that the bottom-up method yields a greater diversity of more descriptive scholarship. One suspects this fact can be traced to scholarly disposition but also the nature of the subject matter. Domestic politics is a rich arena. Once the billiard ball has been cracked it's hard to decide what to focus on and what to ignore. Ultimately, bottom-up explanations have a strong tendency to dissolve into rather thick description. As with many vices, this too has a virtuous side. A bottom-up approach can better capture variation and contingency. Domestic politics is in constant flux. Certain groups hold sway one day; the next they are marginalized. One party is in power today; tomorrow they're out. One regime exists for now; a different constitution is adopted shortly thereafter. These changes are often quite important. Bottom-up approaches are able to capture them.

By contrast, systemic theory is a top-down method of thinking. It explains how the interaction of multiple big actors conditions the behavior of each individually. Unlike bottom-up approaches which are highly specific and contingent, systemic explanations

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<sup>246</sup> The democratic peace literature is perhaps the single most important example. See also, Helen Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations*

wield explanatory power which is more parsimonious and general. Whereas domestic political analysis is biased toward factors internal to the state, systemic theory is directed toward external causes. External pressures and opportunities are ill captured by an approach that focuses solely on domestic dynamics, just as a systemic theory is not equipped to capture internal causes.

Before exploring the ways in which unit-level approaches can compliment systemic theory, we must be clear about what it is that systemic theory can deliver. We have noted that systemic theory operates at a certain level of generality. The system's structure sends general signals; pushes, pulls, rewards and punishes actors. In short, the structure causes certain strategies to dominate over others. Indeed, many of the most important social science contributions employ this theoretical form. Consider the game of Prisoner's Dilemma, Hardin's 'tragedy of the commons' or Olson's collective action problem. In each, the nature of the situation leads some strategies to be more attractive than others. Structural logics have been falsely accused of being deterministic, or precluding the possibility of actor agency. But notice how, for example, large groups regularly overcome the collective action problem even in the absence of enforcement mechanisms. Nor are structural logics inherently indeterminate, or incapable of yielding clear expectations of actor behavior. This charge is misguided as overwhelming patterns of behavior should emerge.

The first point is that systemic theory operates at a certain level of generality. It yields predictions but not of the form *actor A will do X at time T*. It does make predictions of the form *actor A will employ a family of strategies (XYZ) over the course of a longer period of time*. What this means is that actors will gravitate toward a

particular family of strategies, say, economic and institutional integration, multilateral cooperation, openness and liberalization, for instance. Strategies can be thought of as belonging to a family where they share a common object: to boost prosperity and enhance economic competitiveness. A family of strategies will have multiple members and each member multiple variants. Systemic theory predicts that states will overwhelmingly gravitate toward a certain family of strategies given the extant structure. Because structures operate by rewarding and punishing actors, specific historical snapshots and events can neither confirm nor disconfirm the theory. Rather, systemic theory must be evaluated by studying long-term trends in state behavior. Although specific historical events may be of great interest, systemic theory must be judged by a sequence of such events.

Systemic theory does not purport to explain everything, but it does claim to explain a number of big patterns. To be useful, the claims of the theory must be clearly articulated and the standards for judging them known. A useful theory is one that can be defeated. Testing systemic theory requires us to seek out patterns of behavior, each consisting of a series of actions and events. Since there are a variety of different kinds of evidence, the relative importance of these must be known. The theory claims that actors confront strong systemic signals; the logic predicts that actors will by and large pursue dominant strategies. *Category I* evidence consists of behavioral expectations that flow directly from the logic of the theory—states will pursue membership in core economic institutions at great cost, they will work to attract FDI, they will pursue policies designed to integrate themselves into the commercial confederacy, they will make costly domestic adjustments to effectuate integration, they will try to create regional and global stability

conducive to open economic rivalry. Confidence in the theory is reduced to the extent that category I evidence contradicts the expectations of the theory.

Processes such as economic cooperation and integration, institutionalization, are distinctly liberal. International politics, however, is colored with illiberal events and trends which appear to contradict the overall spirit of the theory. The theory does not purport to explain everything but neither is it satisfying to dismiss all else as noise.

*Category II* evidence includes everything not captured in category I. It includes evidence, potentially relevant to evaluating the theory, but not directly derived from it. The salience of this evidence is established by drawing clear linkages to Category I imperatives. Thus, China's violent suppression of the Tiananmen demonstration (a Category II event) had a strong bearing on its international reputation and valued economic relationships with leading commercial powers (a Category I link). Or, Russia's recent military adventure in Georgia (a Category II event) led to a disruption of diplomatic relations with the US and leading European powers, jeopardized G8 membership and its WTO bid, and led to large capital flights (Category I elements). Because there are spill-over effects and issues are at times linked, structural imperatives will influence behavior in other non-economic arenas. Or, actions taken in another policy domain may impact a state's lot in the commercial arena. The theory gains added confirmation whenever states show restraint motivated by a desire to avoid disrupting Category I processes (economic integration, etc.). If it is not costly from the vantage point of Category I imperatives and interests, the evidence can neither confirm nor disconfirm the theory. The costliness of these actions must ultimately be determined on a case by case basis. If actions are unlikely to trigger structural pressures, structural imperatives are less of a factor in a state's decision to pursue a

particular action. If this is the case, illiberal behavior has little bearing on the overall validity of the theory.

The nature of international politics is such that the major players cannot for long remain on the sideline. While they must act, states will often do so foolishly. Most decision making is done under conditions of imperfect information. Decision makers will often misjudge the conditions they face, miscalculate the costs, and err in their assessments of the likely impact of their actions. Systemic theory predicts that foolish states will pay a price. Some are resolved to resist while some are more capable of bearing the cost. Either way, the course may be unsustainable in the long run because isolated, unilaterally assertive, and revisionist states will experience heavy losses in terms of relative competitiveness. In recent years, Russia and the US have been traveling down this road. Russia's windfall oil revenues hardly mask the country's dire economic reality; meanwhile, its aggressive foreign policy has resulted in political isolation and set-backs in its integration into the commercial order. For Russia's Cold War rival, two presidential terms of unilateralism and overreach have made it abundantly clear that US power has limits. States whose competitiveness is in rapid decline are likely to make serious policy adjustments more in line with systemic imperatives.

Our discussion points to three kinds of evidence: First, evidence showing that states pursued long-term strategies consistent with the expectations of the theory. This evidence becomes stronger where shown that these actions are costly and burdensome. China's GATT/WTO accession process was long and tortuous, large concessions and costly adjustments were made. Second, we should look for evidence showing that states either acted or showed costly restraint in other areas so as to facilitate or not disrupt

integration into the confederacy. China's participation in the nuclear nonproliferation regime, six party talks with North Korea, China's courting of ASEAN, the restraint it showed in not devaluing its currency during the Asian financial crisis, or the relative restraint it has shown over Taiwan may all suggest that China's desire to integrate has had strong spill-over effects. President Clinton's failed effort to link human rights to trade might suggest that these have limits. And third, by now it is known that structures operate by rewarding some actors and punishing those that fail to adjust to systemic imperatives. Systemic theory is confirmed wherever states make costly adjustments after realizing that their chosen policies were leading to dramatic losses in competitiveness. The collapse of the Soviet Union and China's embrace of reform and openness are dramatic instances. These are big and important cases but less visible examples abound. After Tiananmen, China found itself increasingly isolated, integration into the commercial confederacy had suffered a setback. Instead of assuming a confrontational posture toward what it perceived as an openly hostile international community, the PRC recommitted itself to reform and opening up while for the first time embracing multilateralism in a big way. The mishandling of Tiananmen was a costly mistake; the Party had to work hard to make up lost ground.

In general, the utility of systemic theory rests on the presence or absence of overwhelming trends. A trend is a sequence of actions and events that falls into a discernible pattern; an overwhelming trend is the dominant pattern in the universe of actions and events during a given period of time. We know that those patterns are composed of a sequence of strategic actions taken by individual states. Systemic theory says something about the types of strategies these states are likely to employ. In studying

particular actors, overwhelming patterns in strategic behavior should emerge when these actors are studied over a longer period of time. When the time horizon is longer and the dependent variable more general, systemic theory is at its strongest. It explains, for instance, why there is a striking continuity in Chinese foreign policy strategy over the last three decades—captured by the phrase “reform and opening up to the world.” The PRC has pursued a strategy of institutional and economic integration, openness and liberalization because these strategies promise success in the prevailing confederate international system.

As one narrows the focus in time and demands greater specificity in content, the explanatory power of systemic theory begins to break down. If one wishes to know why China began opening up after 1978 but not two years prior, or why China proceeded incrementally by, for instance, creating *Special Economic Zones* as opposed to wholesale market reform and opening, then systemic theory is insufficient. China’s actions are captured by our concept of a ‘family of strategies’ but the specific policies and reforms are variants of the family’s different members. When greater specificity is demanded, both in timing and content, answers must be sought elsewhere. One obvious place is the domestic realm. As Peter Gourevitch explains,

The international system, be it in an economic or politico-military form, is underdetermining. The environment may exert strong pulls but short of actual occupation, some leeway in the response to that environment remains...A purely international system argument relies on functional necessity to explain domestic outcomes; this is unsatisfactory, because functional requisites may not be fulfilled. Some variance in response to external environment is possible. The explanation of choice among the possibilities therefore requires some examination of domestic politics.<sup>247</sup>

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<sup>247</sup> “Second Image Reversed,” p. 900

This is a point that Waltz himself understands: “Structurally we can describe and understand the pressures states are subject to. We cannot predict how they will react to the pressures without knowledge of their internal dispositions.”<sup>248</sup> Put in no uncertain terms, systemic theory must be complemented by domestic political analysis if it is to answer certain questions of interest.

Systemic theory is weakest when asked to account more specifically for the content and timing of actions and events. Incidentally, bottom-up approaches are strongest precisely in this regard. In its form and method, domestic political analysis is better equipped to account for contingency and variation. Bottom-up approaches complement systemic theory precisely because they compensate for its greatest weakness. If bottom-up analysis can be put to the service of systemic theory, is the reverse true as well? Because domestic politics is a realm of contingency and flux, bottom-up scholarship has difficulty rising above the noise. The problem with descriptive accounts is not that they arrive at the wrong answers; they often arrive at the right answers and a whole lot more. Because there’s a lot going on, it must all be very important. Systemic theory doesn’t solve the problem entirely but it does direct attention at certain aspects of strategic decision making. Once the spotlight is cast on these objects, a more lucid picture may emerge. Systemic theory draws attention to continuities in strategic behavior—bi-polarity and the Cold War imperative go a long way toward explaining four decades of American foreign policy behavior. Furthermore, once a single action or event is considered as a piece of a larger whole, it may appear in a new light. Jigsaw puzzle enthusiasts know that the partial images and colors of an individual piece are often meaningless until incorporated into a larger puzzle. The discussion thus far has

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<sup>248</sup> *Theory of International Politics*, p. 71

left an important question untouched: if different levels can complement each other, how might this to be done?

### The Research Program: A preliminary sketch

Synthesis should never lead to a mindless mixing of variables—this being the most unhelpful manifestation of *ad hocery*. The complementary approach is not a blender drink—which tastes great and makes us feel good, but because the mixture is something greater than the individual ingredients therein, it is difficult to discern which ingredients cause what sensations. To complement is to be analytically distinct but work together in the service of the same goal. The overall research program must be guided by a clear method of study. First, we must be clear about the nature of both unit- and system-level theories, a question addressed above. If used to complement each other, our research program must be guided by a clear understanding of the nature of each and the particular virtues brought to bear. This is not a profound philosophical insight, but derives from common sense—different lenses are appropriate for different kinds of observations.

Different lenses are put the service of the same project for the purpose of building a coherent body of knowledge. The edifice under construction is at once diverse and unified. It is unified because the program is geared toward understanding the operation of the system and the patterned behavior of individual states therein; diverse because in accounting for variance and anomaly, a vast array of differences will be brought to light. This is a consequence of our stated premise: there will be variation in the way dissimilar states respond to similar structural imperatives.

Our research program is an ambitious enterprise that seeks to bridge various levels of analysis in a coherent way. Waltz's seminal *Man, the State and War* was both helpful and unhelpful. Helpful because it led us to think more clearly by isolating causes operating at different levels; unhelpful because it, when combined with his later works, isolated the levels and discouraged cross-level inquiry. To this day, much IR scholarship is imprisoned by a levels construct introduced in 1950s. It is increasingly clear, though, that isolating the levels is theoretically untenable and practically undesirable. Our program is guided by the object of inquiry and the utility of different theoretical tools available—it is a pragmatic venture. Inspired by the general principles reached thus far it is tempting to jump right in, but progress will not be forthcoming if our program is not conducted pursuant to some sensible design. Approaching the matter pragmatically, it makes sense to think of the program in terms of three *phases*. This is not to imply that any one phase is more important or must be completed before the next can begin, but it does suggest that sequence matters. Each phase has a different dependent variable, takes place at a different level of analysis, and varies in scope:

*Phase I: The System.* If systemic theory wields no explanatory power it makes little sense to proceed any further. The first task is to establish that there are indeed important systemic forces at work. The dependent variable at this stage is the system as a whole. Naturally, this is the province of systemic theory. If systemic theory is not useful at this level it should be abandoned outright. This phase must precede the others because conclusions arrived at will decide whether systemic theory is a device worth taking seriously. Work at other phases may proceed if preliminary findings and the intuitions of scholars suggest that systemic forces are probably at work. This phase is characterized by

the broadest scope, both in the number of actors included and the time horizon studied. The expectations have been outlined in more detail elsewhere but overall we should expect to find overwhelming trends in state behavior. The major power confederacy becomes consolidated roughly in the 1970s when it transforms from a hegemonic order to a multilateral cluster. Beginning roughly at this time we expect to find that states begin to respond to the commercial confederacy by adjusting their strategies so as to become integrated into and better compete in the system's dominant commercial arrangement. We should find that states overwhelmingly begin to flock to the institutional core of the confederacy and pursue policies of liberalization and openness. Evidence unearthed at Phase I does not prove that systemic forces are at work, it merely establishes that macro trends are consistent with the expectations of the theory.

*Phase II. The State.* If sufficient plausibility is established for the operation of systemic forces, Phase II zooms in, taking a closer look at particular state actors. The unit of analysis shifts from the system to the grand-strategies of particular states. The goal at this phase is to identify specific actions and policies which appear to fall into a more general pattern. The unitary actor assumption is retained because the object of inquiry does not require us to explain their exact origin and content, but merely to establish that actions and policies can be captured by a larger family of strategies. Overall, the goal is to identify patterns and similarities in the ways individual states have responded to systemic signals over a longer period of time. While we expect to find patterns and similarities, a great deal of variation will be unearthed as well. This variation demands explanation.

*Phase III. The Domestic Sphere.* The unitary actor assumption must be relaxed if we are to account for the specific origins, timing and content of policies and actions identified at

Phase II. Put differently, Phase III seeks to account for variation. Much of this variation can be captured by a bottom-up domestic politics approach. The domestic sphere is what gives each states response to the same external signals their unique character. The object of investigation shifts from a grand-strategy, or a sequence of similar actions and events, to specific policies and actions. A systemic theory is not able to account for this variation. It accounts for similarity across actors but not differences among their various responses.

### Prime Movers, Intervening Variables and Anomalies

If conclusions arrived at during Phase II study suggest that particular states are gravitating toward strategies consistent with the expectations of systemic theory, we can presume that systemic forces are the prime movers of those particular units. A prime mover is the initial cause that sets things in motion toward an expected outcome. Structure, as a cause, can be thought of as a prime mover only if systemic trends and the grand-strategies of important players are consistent with the theoretical account. Assuming this to be the case, the prime mover is the initial impetus and driving force behind strategic action.

Because there is variation in the way states respond, prime movers do not determine behavior. Rather, other variables intervene to shape the overall outcome. Because there is similarity in outcomes, prime movers are implied; because there is variation, intervening variables are also at work. Because states are vastly dissimilar, their internal characteristics and operations diverse, intervening variables will be many in number. While certain generalizations may be possible, the study of these intervening variables is likely to be historically contingent, broad ranging and more descriptive.

The discussion has proceeded as if all intervening variables are to be found at the domestic level. This is hardly the case. Intervening variables operate at the domestic and international levels. Our theory by no means has a monopoly on causes at the international level! Second, intervening variables may operate in multiple ways. Some may impede the prime mover while others may enable it. For example, in the case of China, conservative domestic political factions and industry resisted reform early on; over time, China's integration has given rise to an ideological sea change and a whole range of new stakeholders and interests who both enable further reform and integration and resist retrogression. When China embarked on reform and opening-up it faced a threatening regional strategic environment: the Soviets to the north, India to the south, as well as Japan, South Korea and the US to its west. One suspects that this complex security environment might have complicated China's decision to pursue integration and deepen interdependence with these regional rivals. As years passed, China's engagement of regional players has altered this security environment in important ways, thus enabling further integration. These various dynamics are extremely important to understand. In the abstract, prime movers trump intervening variables. When a boulder is trundled off the side of a mountain it moves downward at increasing speed; its precise trajectory is influenced by objects which it encounters on the way. Other variables—like trees, shrubs, soft-sand, stones etc.—are likely to influence the location of the boulder's final resting spot. Intervening variables shape the direction but the primer mover is the main driving force of the outcome observed. Of course, it is not at all true that structure always trumps other intervening variable. The status of a prime mover is affirmed if most actors, most of the time, behave in ways consistent with the theory. If this is true, cases that contradict

the expectations of the theory are said to be anomalies. In the case of an anomaly, other variables overwhelmed structural causes. Put differently, the intervening variables became new prime movers, while the prime mover, perhaps, an intervening variable.

## Continuity and Change

Structural realism has been persistently criticized for its inability to account for change.<sup>249</sup> Anarchy, it has been said, has a reproductive logic but not one that is generative. Structural differences, between multi- and bi-polarity, assume centrality while explanations for shifts from one structure to the next are not offered. Anarchy, as opposed to the distributions of power which may vary, is a constant feature of international life. Self-help and the logic of self-preservation are said to prevail in the absence of a formal government over governments.

To entertain a structure of confederacy is to admit that systemic transformation has occurred. Not simply structural shifts in the distribution of power but a basic transformation of the system's deep structure. Informal social structures arise spontaneously from the interaction of the system's big players. Structures condition the behavior of agents. Patterned behavior emerges because behavior is conditioned by structure. Structures endure because agents reproduce them in predictable ways. Structures then, are inherently resistant to change. Structural change occurs because agents are able to overcome structural pressures and alter the basic nature of multi-player

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<sup>249</sup> For Ruggie's insightful and elegant critique see *Constructing the World Polity: Essays on International Institutionalization* (New York: Routledge, 1998) Ch. 5; also Alexander Wendt, *Social Theory*; Buzan, Little and Jones, *The Logic of Anarchy*

interaction. One quickly sees why systemic theory has difficulty explaining structural transformation. Systemic theory explains patterned behavior. It explains why structures are reproduced in predictable ways. In brief, it explains continuity. Transformation occurs because forces outside of the theory's logic and machinery succeed in replacing it.

Structural transformation occurs when one deep structure is replaced by another—confederacy replaces anarchy, for example. Neorealism assumes this can happen only by the creation of a world state. The assumption is wrong. Transformation has occurred through the emergence of great power social cohesion. A structure of confederacy is not static. Its reproductive logic contains an evolutionary tendency. As the structure is steadily reproduced it solidifies and expands. As the gravitational sphere of core interaction grows, greater numbers of players are brought into its orb. As structure conditioned relations persist, they become more entrenched. Material, ideational and institutional linkages have a strong path-dependent quality. Systemic theory generates predictions about structural evolution but not structural transformation.

# V

## China's Foreign Policy: A Plausibility Probe

In the literature there is a consensus, based on the overwhelming factual record, that in the late 1970s China dramatically shifted its posture toward the outside world. The record clearly demonstrates that post-Maoist foreign policy grand-strategy has primarily focused on economic development through domestic reform and integration into the world economy. Beyond that, scholarly consensus erodes. China scholars disagree on the fundamental causes or sources of China's behavior, its overall significance to world politics, and its future trajectory.

On the sources of China's behavior scholars advance two types of explanations, and combinations thereof: internal sources like bureaucratic politics<sup>250</sup> and those emphasizing external causes like the anarchic structure and globalization.<sup>251</sup> In studying China's behavior most scholars draw attention to both internal forces and external influences, although the literature predominately favors internal causes.<sup>252</sup> Reasonably, these multi-level explanations emphasize for instance how, after the failures of the 'Cultural Revolution,' the Communist Party has sought to secure the foundations of its

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<sup>250</sup> Susan Shirk, *How China Opened Its Door: The Political Success of the PRC's Foreign Trade and Investment Reforms* (Washington, D.C.: The Brookings Institution, 1994); Kenneth Lieberthal and David Lampton, eds. *Bureaucracy, Politics, and Decision Making in Post-Mao China* (Berkeley: University of California Press, 1992); Jude Howell, *China Opens Its Doors: The Politics of Economic Transition* (Boulder: Lynne Rienner, 1993)

<sup>251</sup> Mearsheimer, *Tragedy of Great Power Politics*; Thomas Moore, *China in the World Market: Chinese Industry and International Sources of Reform in the Post-Mao Era* (Cambridge: Cambridge University Press, 2002)

<sup>252</sup> See for example David Lampton, ed. *The Making of Chinese Foreign and Security Policy in the Era of Reform* (Stanford: Stanford University Press, 2001); Yong Deng and Fei-Ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman and Littlefield, 2005)

power by delivering prosperity and stability domestically; meanwhile the PRC's policy has been influenced by external forces like international institutions, economic interdependence and various security dynamics, for example.

On the second and third question, scholars disagree over what China's behavior actually means. Realists remain skeptical about China's intentions.<sup>253</sup> For them, China is opportunistic and potentially revisionist. The government is seeking to modernize its military and grow its power. China's cooperative and benign posture is likely to be temporary. As China enters the ranks of the great powers, hegemonic ambitions are sure to arise.<sup>254</sup> For the pessimists, it is nearly inevitable that the PRC will begin to throw its weight around in the region. Optimists, while remaining cautious, see the potential for the unfolding of another scenario.<sup>255</sup> Many see China as developing a strong vested interest in the global market system. They point to China's compliance with rules<sup>256</sup> and its socialization within international institutions.<sup>257</sup> While realists and power transition theorists predict conflict, others see the potential for China's peaceful integration into the international (or 'Western') society of states.

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<sup>253</sup> See for example Richard Bernstein and Ross Munro, *The Coming Conflict with China* (New York: Knopf, 1997); Robert Kagan, *The Return of History and the End of Dreams* (New York: Alfred A. Knopf, 2008); Robert Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War* (Lanham: Rowman & Littlefield, 2008)

<sup>254</sup> Mearsheimer, *Tragedy of Great Power Politics*

<sup>255</sup> For more optimistic assessments see Alastair Iain Johnston and Robert Ross, eds. *Engaging China: The Management of an Emerging Power* (New York: Routledge, 1999); Sujian Guo and Jean-Marc Blanchard, eds. *"Harmonious World" and China's New Foreign Policy* (Lanham: Lexington Books, 2008); Yong Deng and Fei-Ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2005); also, Lampton, ed. *The Making of Chinese Foreign Policy*

<sup>256</sup> Yong Deng and Thomas Moore, "China Views Globalization: Toward a New Great-Power Politics?" *The Washington Quarterly* (2004); Margaret Pearson, "China in Geneva: Lessons from China's Early Years in the World Trade Organization," in Alastair Iain Johnston and Robert Ross, eds. *New Directions in the Study of China's Foreign Policy*, (Stanford: Stanford University Press, 2006)

<sup>257</sup> Ann Kent, "China's International Socialization: The Role of International Organizations," *Global Governance* 8 (2002); Alastair Iain Johnston, *Social States*

Where does a systemic explanation fit and what can it contribute to this important debate?

## The China Puzzle

China has a long tradition of *Realpolitik* strategic culture.<sup>258</sup> Thomas Christensen refers to China as the “high church” of *Realpolitik* thinking.<sup>259</sup> Since the founding of the People’s Republic in 1949, China has been a heavy-handed autocratic regime that has isolated itself from the world community. Suffering repeated instances national humiliation, starting with the Opium Wars, at the hands of imperial powers, China has always viewed the outside world with suspicion. Historically, the state has been extremely jealous of, and uncompromising in its preservation of national autonomy.

Meanwhile, China’s development strategy under Mao closely paralleled that of the Soviet Union. The PRC employed price control mechanisms to lower the costs of capital, raw materials and labor, and subsidized heavy industries so as to make them viable. The key to development under this model was to upgrade heavy industries—the commanding heights—since these set the advanced economies of the world apart from the rest. Meanwhile, import substitution and high tariffs were key features of China’s foreign economic policy. In 1978 China had virtually no foreign investment. The PRC was inward looking and largely closed. Meanwhile, the Great Leap Forward and the Cultural Revolution seriously damaged China’s capacity for innovation in technology and

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<sup>258</sup> Alistair Iain Johnston, “Cultural Realism and Strategy in Maoist China” in Peter Katzenstein, ed. *The Culture of National Security*; see also *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995)

<sup>259</sup> Thomas Christensen, “Chinese Realpolitik: Reading Beijing’s World-view,” *Foreign Affairs*, (Sept/ Oct 1996)

productive capacity—intellectuals and specialists were brutally targeted by these purgatory campaigns.

In the absence of a large convulsion or crisis, one expects grand-strategy to follow a linear path.<sup>260</sup> By the 1970s China had developed an entrenched communist political culture and identity. It was thoroughly embedded in institutional structures. Leaders had a vested interest in the perpetuation of the order. Meanwhile, because of its strategy of favoring heavy-industry, these became exceedingly powerful. Domestically, there was a strong coalition of government and industry groups who benefited from the closed command economy. The combination of ideology, institutions and industrial sectors all worked to reproduce the PRCs overall tendency toward centralized rule, national autonomy, and planned economic activity. While the 1966-69 Cultural Revolution was a failure, by the late 70s the country had stabilized. As Susan Shirk notes,

...there was nothing inevitable about Chinese leaders' move to launch an economic reform drive in late 1978. China was not experiencing an economic crisis, and indeed the economy was operating more efficiently than the Soviet economy.<sup>261</sup>

In 1977 China's growth rate was 7.8 percent; increasing to 11.7 percent in 1978.<sup>262</sup>

In light of its history, institutional milieu, and political culture, any reform seems odd; given the state of the economy at the time, dramatic reform seems peculiar; considering the nature of the reform path taken, one is justly puzzled. 'Realist' China's strategic trajectory has been increasingly market oriented, open, and multilateral. Instead

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<sup>260</sup> Jeffrey Legro argues, for instance, that "national changes will occur to the degree to which the expectations of particular dominant ideas are defied by events, negative consequences result, and some socially viable alternative exists." *Rethinking the World*, pp. 16-17. Large scale shifts in grand-strategy are brought about, in large part, by the failures evident in the dominant orthodoxy.

<sup>261</sup> Shirk, *How China Opened Its Door*, p.10

<sup>262</sup> *China Statistical Yearbook, 1992*. (Beijing: State Statistical Bureau).

of blocking foreign economic forces it has worked hard to attract them. While China's military has grown; China has not militarized, transforming itself into a garrison state. By most accounts, China has pursued a policy of 'peaceful integration.' In addition to its renewed commitment in the UN, China has helped create, sought membership in, or engaged a whole array of global and regional, economic as well as security organizations—the WTO, IMF, APEC, ASEAN (+3), the ASEAN Regional Forum, the Shanghai Cooperation Organization (SCO), G-8, G-20 and the OECD. But what explains China's emergence as a "status-quo" member of the international community?

The success and pace of reform was largely due to the political skill of one man: Deng Xiaoping. For historians, his exact motives are unclear. What is known is that the Cultural Revolution was unpopular and Deng himself viewed it as a failure. After Mao's death, Deng cautiously assigned blame to Mao for 'gross mistakes' made during the Cultural Revolution. During 1967 and 68 the revolution did lead to some economic turmoil as industry was disrupted, although industrial and agricultural output was much higher in 1969 than 1966. Regardless, 1978-79 seems to be a pivotal time. In charge of foreign affairs, Deng gained popularity abroad. In 1978 he visited a number of countries including Thailand, Malaysia, Singapore and Korea. In January of 1979 he spent a week in the US; later that year he visited Japan.<sup>263</sup> Deng was already committed to reform but his tours reinforced the urgent need for change.

Throughout the reform period Deng repeated the Party's commitment to socialism. But there was a growing disjuncture between Dengist reforms and Mao's vision of Chinese socialism. 'Seek truth from facts' led to a fundamental reevaluation of

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<sup>263</sup> Richard Evans, *Deng Xiaoping and the Making of Modern China* (London: Penguin Books, 1997), pp. 246-47

basic socialist principles. In China, it would have been political suicide for any leader to openly denounce socialism and embrace the pillars of free market capitalism. But again, actions always speak louder than words; and words do not always convey their intended meaning. Deng paid lip-service to Mao while dismantling his economic system, starting with its greatest achievement: the collectivized system of agriculture. In 1982 Deng, speaking before the 12<sup>th</sup> National Congress, called for “socialist modernization” to be achieved through “policies of reform and opening up to the outside world.” He introduced a new national objective, “socialism with Chinese characteristics,” a phrase which translates to something like free market capitalism with Taiwanese, Japanese, Singaporean, and in general, Western characteristics. This was the political genius of Deng Xiaoping and his allies. From 1979 on, the PRC’s reforms proceeded incrementally but precipitously.

A number of important causes led to the PRC’s strategic policy shift. Gregory Chow identifies four:

First, the Cultural Revolution was very unpopular, and the Party and the government had to distance themselves from the old regime and make changes to get the support of the people. Second, after years of experience in economic planning, government officials understood the shortcomings of the planning system and the need for change. Third, successful economic development in other parts of Asia—including Taiwan, Hong Kong, Singapore and South Korea, known as the “Four Tigers”—demonstrated to Chinese government officials and the Chinese people that a market economy works better than a planned economy...Fourth...the Chinese people were ready for and would support economic reform.<sup>264</sup>

The PRC may have launched some reforms absent systemic signals, but the nature of that reform would have been markedly different. Systemic theory claims to explain the international dimensions of China’s foreign policy. Basically, China realized that in order

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<sup>264</sup> *China’s Economic Transformation*, 2<sup>nd</sup> ed. (Oxford: Blackwell Publishing, 2007) pp. 47-48

to compete it had to integrate itself into the expanding core of the commercial order led by the US, Germany, Britain, France and Japan. Logically, China's stated goal of "modernization" only makes sense when coupled with some understanding of what it means to be modern. To be modern, in short, is to be more like the leading powers in the system. What the PRC came to realize was that the miraculous success of Japan, Taiwan, Singapore, and South Korea was not only due to market reforms but their overall integration into the global commercial order. For these countries, economic growth and modernization were driven by foreign investment and exports. China wanted in on the action; this required that it open its doors and attract investment, and gain access to key markets in Asia, Europe and North America. These objectives were best accomplished, China learned, through a policy of liberal reform, openness, engagement and integration.<sup>265</sup> As a practical matter, China sought to emulate successful states, adopting reforms that worked for others, mainly Asian neighbors. Many of China's reforms closely resembled those undertaken years earlier in Taiwan, such as China's agricultural reforms and the creation of Special Zones.<sup>266</sup>

Scholars have argued that the Communist Party's reform agenda is driven by its desire to maintain power.<sup>267</sup> Indeed, few governments have exhibited a similar level of existential paranoia. Deng was quite successful in exploiting this fear. In 1992 he

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<sup>265</sup> As Moore and Yang argue, "Once economic development was identified as the overriding national priority—a decision that itself arguably originated in part from an assessment of China's external environment—the parameters of successful and unsuccessful development strategies were largely set. For China the only effective option was to pursue modernizations through reform and opening. As regards foreign policy, the necessary corollary was cooperative foreign relations that would allow China to achieve the economic revitalization necessary to ensure its long-term national security (or, alternatively, regime survival)." in Lampton, ed. *The Making of China's Foreign and Security Policy*, pp. 200-201

<sup>266</sup> For a discussion of the similarities between Taiwan's and China's reforms see Chow, *China's Economic Transformation*, pp. 57-60. In each case, the state proceeded by reducing government intervention and creating incentives for private initiative. In each, the agricultural sector was the first to be reformed. And third, exports were a cornerstone of the economic strategy.

<sup>267</sup> Fei-Ling Wang, "Beijing's Incentive Structure: The Pursuit of Preservation, Prosperity and Power" in Yong Deng and Fei-Ling Wang, *China Rising*

admonished his comrades, “If we don’t continue to improve people’s living standard, if we don’t continue to build the economy, there will only be a dead-end road for our Party.”<sup>268</sup> The extent to which the Party’s fear is grounded in objective political reality is unclear; after all, between 1948 and 78 the Party seemed to maintain control despite its command economy, closed society and numerous political convulsions. Conservatives in the Party have argued—quite reasonably—that reform and opening up had undermined the Party’s rule by eroding ideology and social cohesion. The Tiananmen demonstrations seem to support their overall conclusions. Nonetheless, it is evident that there is a perceived link between reform and the Party’s political viability. This after all is the *King’s Dilemma*; to maintain the foundations of power, leaders feel forced to relinquish control and autonomy. Even more significant than the Party’s insecurity, however, was its realization that the PRC was quickly losing ground relative to its rivals internationally.

For Deng and his allies, the writing was on the wall. Our theory suggests that China’s grand-strategy has been conditioned by the external strategic environment: the PRC confronted a core of commercial powers and their junior partners who were soaring ahead. Whatever socialism had delivered it had not succeeded in closing the gap. Deng was keenly aware of this:

Profound changes have taken place and new leaps have been made in almost all areas... we must be clear-sighted and recognize that there is still an enormous gap between the level of our science and technology and that of the most advanced countries...Backwardness must be recognized before it can be changed. One must learn from those who are more advanced before he can catch up with and surpass them.<sup>269</sup>

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<sup>268</sup> Quoted in Robert Kuhn, *The Man Who Changed China: The Life and Legacy of Jiang Zemin* (New York: Crown Publishers, 2004) pp. 212-13

<sup>269</sup> Deng Xiaoping, *Selected Works, 1975-1982* (Beijing: Foreign Language Press, 1984) pp. 102, 106

After visiting a Nissan plant in Japan in 1978, Deng remarked, “today I have learnt what modernization is like.”<sup>270</sup> Deng’s foreign visits only confirmed what he already knew to be true: the PRC was not only backward, but falling by the wayside as well. In 1950 China’s GDP was twice as large as Japan’s; by 1980 Japan’s GDP was substantially higher than that of China.<sup>271</sup> By the 1980s Taiwan’s per capita income was twenty times higher than the mainland’s.<sup>272</sup> Other Asian countries like South Korea and Singapore were leaving the Dragon in the dust as well, to say nothing of the leading Western powers. Meanwhile, China could point to few socialist success stories; even the Soviet Union was in trouble. In a 1984 interview, Hu Yaobang, General Secretary of the Chinese Communist Party, opined: “since the October Revolution [of 1917], more than 60 years have passed. How is it that many socialist countries have not been able to overtake capitalist ones in terms of development? What was it that did not work?”<sup>273</sup> As Deng saw it, the success of others was in great part due to their ability to benefit from a global production and trading system. China was lagging because it found itself on the outside:

Reviewing our history, we have concluded that one of the most important reasons for China’s long years of stagnation and backwardness was its policy of closing the country to outside contact. Our experience shows that China cannot rebuild itself behind closed doors and that it cannot develop in isolation from the rest of the world.<sup>274</sup>

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<sup>270</sup> Quoted in Barry Naughton, “Deng Xiaoping: The Economist” in David Shambaugh, ed. *Deng Xiaoping: Portrait of a Chinese Statesman* (Oxford: Oxford University Press, 1995), p. 101

<sup>271</sup> Angus Maddison, *Monitoring the World Economy, 1820-1992*, (Paris: OECD, 1995) pp. 182, 191. See also Justin Yifu Lin, Fang Cai and Zhou Li, *The China Miracle: Development Strategy and Economic Reform* (Hong Kong: The Chinese University of Hong Kong, 2003) p. 2

<sup>272</sup> Richard Evans, *Deng Xiaoping and the Making of Modern China* (London: Penguin Books, 1997), pp. 265

<sup>273</sup> Quoted in George Church, “Deng Xiaoping: Person of the Year” *Time* (Jan. 6, 1986)

<sup>274</sup> Excerpt from an October 1984 interview with delegates to a symposium on economic cooperation with foreign countries. *Selected Works of Deng Xiaoping, Volume III (1982-1992)* (Beijing: Foreign Language Press, 1994) p. 86

Internally, the Maoist course was largely sustainable; externally however, China's lack of competitiveness was simply unacceptable.

After Mao's death in 1976 there were three conceivable directions in which the country could have moved. First, the PRC might have simply continued on the course set by Mao himself. Indeed, powerful conservatives including Chairman Hua Guofeng and the 'Gang of Four' showed a strong propensity toward continuity. Second, the PRC might have pursued internal reforms while remaining closed to the outside world. As a result of the failures associated with the Cultural Revolution, elements within the party had fallen into some popular disfavor while many believed that the agricultural and industrial systems had fallen into disrepair. Third, the course actually chosen, internal reform combined with an 'open door' policy. Internal causes, like bureaucratic politics and the fallout from the Cultural Revolution are insufficient to account for the international dimensions of China's reform policy. The Cultural Revolution, after all, was an internal affair. Internal reforms, which would have preserved the party's power and the PRC's autonomy, would have sufficed to erase the legacy of the Revolution. The question for bottom up theorists: Why, if not necessary, did the PRC pursue such a radically different foreign policy?

Our theory assumes that states, like China, are prosperity seekers—they seek to grow wealth and enhance security. Deng's reform agenda had two pillars: development through reform and opening up to the world. A bottom up preference aggregation model doesn't get us very far. In principle, systemic and domestic explanations should arrive at a similar account because foreign policy ultimately emerges out of domestic political processes. The difference is that bottom-up accounts explain foreign policy solely by

reference to internal dynamics, whereas systemic theory contends that leaders, to a large degree, respond to external signals. Leaders still have a choice, but the attractiveness of different choices is a function of expected consequences. In an open system, the consequence of isolation is a severe loss in competitiveness. Bottom-up scholarship can offer an explanatory account by describing how power struggles unfolded and ultimately led to the outcomes seen.<sup>275</sup> These descriptive accounts are valuable, and indeed indispensable. But here, they run into a problem: if one is to explain the precise nature of reform, a bottom-up model doesn't help us understand why China embraced strategies which its neighbors and the Western world had pursued for years and decades. Why open up and liberalize? Why invite foreign capital? Why embrace international institutions? Even agricultural reforms seemed to result from China's emulation of the success of Taiwanese reform policies in this sector. Describing domestic politics tells us, rather precisely, what happened, but fails to explain why. If leaders, to at least some degree, respond to external signals then a model which focuses exclusively on bureaucratic and domestic politics will be misleading and incomplete.<sup>276</sup>

In the 1990s something remarkable takes place. The PRC takes a hard turn toward multilateralism. During these years China becomes a key founding member and active participant in a number of important multilateral institutions including ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF), Shanghai Cooperation Organization (SCO), and the East Asia Summit. The extent to which these institutions matter is unclear, but their symbolic significance is undeniable. All the while, China becomes increasingly active in APEC and the UN while pursuing membership in the GATT/WTO.

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<sup>275</sup> See Shirk

<sup>276</sup> This insight is the basis of the *complementary approach* developed in the next chapter which explains how systemic and domestic approaches must be combined.

To the surprise of many, China took a leadership role in the Six Party Talks on the North Korea nuclear issue. Bottom-up theory has a difficult time explaining why. For systemic theory, the answer is relatively straight-forward. China was keenly aware that its prosperity gains flowed from its continued integration into the commercial order. China's success was driven by foreign investment and exports. After the Tiananmen debacle, China became isolated by the international community. Leading commercial powers saw China as an oppressive, backward, and threatening regime. China was being punished and pariah status threatened to derail modernization. Unlike Russia, China could not fall back on its natural resource endowments. The PRC's greatest concern: China's bid for the GATT/WTO was moribund. To regain the ground lost, China had to prove itself a cooperative member of the international community. Being a status-quo state was not sufficient; China had to prove itself an exceptional team-player.

This is the essence of a *rushing* strategy. When you rush for inclusion, you go above and beyond what is expected of extant members. Those pledging must overcome a strong presumption. To enhance prosperity and be competitive, China had to integrate into the commercial order. China had its sights on the biggest prize of all, a seat at the GATT/WTO table. To get there the PRC had to defeat the 'China threat' theory and establish itself as a cooperative member in good standing. Multilateralism proved the ideal vehicle. The PRC's strategy of regional engagement enabled it to demonstrate a willingness and ability to embrace multilateralism and international norms. While having certain advantages, engagement in Asia was not China's end, but a means by which China could pursue integration into the system's core. China's ultimate goal is to join the ranks of the leading commercial powers.

Since Deng first outlined its contours in the late 70s and early 80s, China's foreign policy grand-strategy has been remarkably stable. While there have been a number of bumps in the road, China has not backpedaled on its policy of 'opening up to the world.' Rather, China's engagement of the outside world has only accelerated. This is perhaps somewhat surprising since the world has not always embraced China. After Tiananmen, foreign tourism and foreign investment declined, aid programs were suspended and diplomatic contacts disrupted. Many conservatives within the Party believed that Western influences and media played a large role in fueling the subversive student movement. The Party was worried about its very survival. Deng's successor, Jiang Zemin explained how some students were "misled by foreign media, misunderstood what happened in the country during the turmoil...and engaged in some extremist acts." Despite this, the PRC's policy of sending students abroad would continue.<sup>277</sup>

The PRC has always been suspicious of the outside world; in the early 90s these fears were especially acute. Communist regimes, both large and small, were falling one after another. Socialism and autocracy, as models for growth and governance, were under sustained fire. Meanwhile the West had imposed sanctions and become highly critical of China on questions of human rights. Foreign pressure increased, most notably in the way President Clinton tried to link trade to human rights. In April of 1990 Deng remarked, "Everyone should be very clear that, in the present international situation, all attention of the enemy will be concentrated on China. It will use every pretext to cause trouble, to create difficulties and pressures for us."<sup>278</sup> Still Deng urged patience and cautioned against a hard-line posture. Many though were running out of patience. In April 1993,

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<sup>277</sup>Robert Kuhn, *The Man Who Changed China: The Life and Legacy of Jiang Zemin* (New York: Crown Publishers, 2004) pp.189-191

<sup>278</sup> Quoted in Evans, *Deng Xiaoping*, p. 304

116 officers officially complained that China's concessions to the US had "impaired the dignity of the Chinese people, damaged the image of the Chinese nation, undermined the glorious tradition of the People's Liberation Army, and dampened the army's morale and combat effectiveness."<sup>279</sup>

Meanwhile, conservatives were expressing opposition to further reform of the planned economy. Given the domestic and international climate, one might have expected China to pull back on its reform and open door policy. The fact remained: the opportunity costs of opting out of the world capitalist system were simply too great. Deng and his allies understood the stakes, working hard to contain hard-line impulses. In 1992, sensing that reform had become bogged down, the aging Paramount Leader set off on his Southern Tour and was holding no punches: "We must not act like women with bound feet" he told an audience; "Anyone who is against reform" Deng warned, "will be put out of his office."<sup>280</sup> Before this, Jiang Zemin, a reform minded leader, was responsive to conservative elements within the party. Those days had come to an end. Deng and his allies had succeeded in marginalizing conservative elements in the Party. Reform proceeded—for the first time the term "market socialism" entered the reform dialogue. Five years after the Tiananmen incident, Jiang opined that "a bad thing has been turned into a good thing" as "our reform and opening program has gorged ahead with steadier, better, and even quicker steps."<sup>281</sup>

Curiously, by 1996 a major shift in Chinese public opinion had taken place. The people, it seemed, were now questioning the wisdom of reform and the 'opening up' policy. An immensely popular book, *China Can Say No*, epitomized the sea change that

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<sup>279</sup> Quoted in Evans, p. 310

<sup>280</sup> Quoted in Robert Kuhn, *The Man Who Changed China*, pp. 212-13

<sup>281</sup> Quoted in Kuhn, *The Man Who Changed China*, p.246

had taken place. The central thesis of the book: a nefarious Western plot, masterminded by the US, was unfolding, designed to contain China by attacking it on human rights, copyright laws and Taiwan. The Communist Party, the authors suggested, were overly accommodating of the corrupting and oppressive Western forces. In the early 90s pressure was mounting from within the Party; by the mid-90s it was being felt from the general public. Still the PRC forged ahead with its policy of market socialism and opening up to the outside world.

Several notable confrontations must be accounted for. Most important of these is the 1996 Taiwan crisis. Disapproving of the direction in which its politics were moving, the PRC moved to intimidate Taiwan. Leading up to March elections in Taiwan, the PRC began to conduct military exercises, transferring troops to Fujian province (across the Strait) and launching ground-to-ground missiles. In response, US aircraft carriers and battleships were sent to patrol the North end of the Straits. While tensions ran high, the crisis soon receded. Henry Kissinger met with Jiang during the period and later recalled,

I [Kissinger] said to him that when I saw Chairman Mao, he said that China can afford to wait a hundred more years to resolve the Taiwan situation. I asked President Jiang, 'Well, is that still true?' The President answered, 'No, it's no longer true. That was twenty-four years ago; now we can only wait seventy-six more years...'<sup>282</sup>

Before year's end, Jiang and Clinton were planning state visits during the coming year or two. China had made it clear that it would not tolerate an independent Taiwan; it was also clear though, that China would continue its policy of opening up to the world. A compromise was arrived at, in principle tenuous, but in practice quite enduring: Sino-American cooperation would accelerate as long as the US did not support Taiwan's

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<sup>282</sup> Quoted in Kuhn, *The Man Who Changed China*, p.280

independence and China did not use force. Over a decade later, this vague and unresolved status-quo still prevails. Of course, the status-quo also depends on Taiwan not pushing the envelope; here again, the US has played a moderating role in restraining the island's political impulses.

For realists, China's behavior is puzzling. From a Waltzian perspective, it is unclear why China has been increasingly willing to sacrifice autonomy and increase dependence on foreign powers. Further, there is no hard-balancing to be found—no one is balancing anyone. Instead, China has been pursuing a strategy of bonding. In China, realists find a country that has pursued a continuous strategy variously labeled “peaceful rise,” “peaceful development” and now “harmonious world.” Realists are left to speculate about the possibility of “deceptive revisionist tactics”<sup>283</sup> and matters inevitably taking a turn for the worse in due time.<sup>284</sup> These accounts find support within their own theoretical constructs but very little confirmation in actual events. Sensing this problem, others fall back on theoretically tenuous and underdeveloped institutional ‘soft-balancing’ explanations.<sup>285</sup>

Constructivists, for their part, are fond of arguing how institutions and interaction shape identities and interests. Assuming this to be the case, what leads states to engage each other and embrace institutions in the first place? China has a history of autarky and a communist identity; it is a nation with deeply rooted suspicions of the great powers. Why has China embraced the outside world? Frankly, constructivists don't have an answer.

The work of one author, Alastair Iain Johnston, epitomizes the problem. He has written

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<sup>283</sup> Robert Sutter, *China's Rise in Asia: Promises and Perils* (New York: Rowman & Littlefield, 2005)

<sup>284</sup> Mearsheimer, *Tragedy of Great Power Politics*, Chap. 10

<sup>285</sup> See, Kai He “China's Peaceful Rise and Multilateral Institutions: In Search of a Harmonious World,” in Sujian Guo and Jean-Marc Blanchard, eds. “*Harmonious World*” and *China's New Foreign Policy* (Lanham: Lexington Books, 2008)

two extraordinary books. In the first, he argues that China has a culturally rooted tradition of realpolitik.<sup>286</sup> The purpose of this book is to demonstrate that China's realist disposition is rooted in a domestic political culture and not caused by the material international structure. In a second book, *Social States*, Johnston explores how socialization micro-processes, within institutional contexts, change the normative dispositions and identities of actors.<sup>287</sup> One is left to wonder, why did China with its realpolitik political culture and identity embrace multilateral institutions to begin with? Johnston's project jumps from autarkic realist China to China as embedded in an institutional milieu. If identity evolves through institutionalized interaction, how and why did China's behavior change prior to that interaction? The answer is not found in identity.

### Some Evidence

The theory maintains that states are prosperity seekers. The theory is not concerned with all state behaviors but only those with an international dimension. States must pursue goals within a system occupied by other states. Systemic theory claims that prosperity seeking strategies are conditioned by great or major power relations. The system's dominant configuration is a major power commercial order. To be competitive, minor powers must pursue a strategy of integration. Over time, states that fail to adjust to the dominant game will fall behind. A desire to better their lot combined with losses in relative power and overall competitiveness will lead them to adjust their strategic course. As the commercial confederacy solidifies and expands, outsiders will find it ever more difficult to resist its gravitational pull.

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<sup>286</sup> *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995)

<sup>287</sup> Johnston, *Social States*

It is tempting to conclude that China's behavior can be captured by sole reference to market reforms and the forces of capitalism. Globalization theorists have focused too narrowly on markets without appreciating important political dimensions. At bottom, the commercial confederacy is both a political and an economic arrangement. The major powers and their junior partners have created a political and economic order which has allowed for the emergence and continued operation of a global marketplace. Economic globalization presupposes that active major powers create and participate in institutions, manage the global economy and work to create a stable environment conducive to open economic rivalry. When speaking of China's integration we cannot simply focus on internal reforms and external economic ties, but its behavior and participation in the politico-institutional realms as well.

The theory is a work in political economy in so far as it suggests that international politics and economics interact in important ways. Policies and reforms that may appear to be strictly economic sometimes have a political dimension just as actions which may appear to be political often have an economic dimension. When speaking of 'integration' and 'engagement' I am not solely referring to economic processes and behaviors. Integration into the commercial confederacy cannot simply be reduced to trade flows and FDI, although this is a big part of it. To be integrated is to be a member of the institutional core; to behave like a responsible stakeholder; to accept and internalize dominant norms. Thus, we must keep in mind that the commercial confederacy is a major power configuration that is characterized by important economic and political dynamics that interact in important ways.

While singling out China for special consideration, we should not avoid losing sight of the broader theoretical claim: the commercial confederacy has altered the nature of international politics, not just for China. The structure reproduces a climate of peaceful commercial rivalry because it disposes states to act in ways that perpetuate the system's dominant logic. Below I will endeavor to show that aspects of China's behavior can be interpreted as being consistent with the expectations of the theory.

### *Internal bonding*

An internal bonding strategy refers to measures taken internally to draw in external economic actors. The strategy is peculiar since it implies losses in the host state's autonomy; it may lead to domestic dislocations, often imperils domestic business and sometimes represents an affront to national pride, as when foreign companies purchase landmarks and properties which carry special symbolic significance. Nevertheless, internal bonding is an important strategy to enhance international competitiveness. China's internal bonding strategy took the form of *Special Economic Zones (SEZs)*. Initially, four such zones were established. Later, in 1984, fourteen cities were opened. The purpose of these zones is to boost development and international competitiveness by attracting outside investment and increasing exports.

When Shenzhen was first designated a special economic zone in the late 70s it was little more than a fishing village. After billions of dollars in foreign investment poured in, it was transformed into a booming metropolis. SEZs offer business friendly infrastructure and are usually located in coastal areas conducive to export. The government lures foreign companies with the promise of cheap labor, generous tax incentives, and special

business laws, working where possible to encourage joint ventures between Chinese and foreign companies. From the beginning, SEZs were a cornerstone of China's policy of reform and opening up:

A special economic zone is a medium for introducing technology, management and knowledge. It is also a window for our foreign policy. Through special economic zones we can import foreign technology, obtain knowledge, and learn management, which is also a kind of knowledge. As the base for our open policy, these zones will not only benefit our economy and train people but enhance our nation's influence in the world.<sup>288</sup>

China has experimented with free trade zones, characterized by lower tariffs and other zones are specifically designed to attract particular industries, most notably those specializing in high-tech products for export.

Since these zones were first created, foreign investment has flooded into China. In 1984, five years after the Law on Chinese-Foreign Equity Joint Ventures was announced, foreign direct investment (FDI) amounted to just over a billion dollars. In 1994 the figure had risen to just under \$34 billion and by 2004 FDI rocketed to an astonishing \$60 billion. As Gregory Chow notes, roughly 80 percent of the world's top 500 companies had invested in China by 2004.<sup>289</sup>

China's experiment with SEZs was designed to attract capital and facilitate transfers of technology. But more broadly, China aimed to get on board a growing trend in the globalization of production and industrial relocation. The idea of a special zone was of course not hatched in China. For years, other Asian countries had developed special *Export Processing Zones* (EPZs) designed to attract foreign investment for export manufacturing. Like China's zones, the EPZs enjoyed preferential treatment. In creating

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<sup>288</sup> Deng speaking to leading members of the Central Committee in February of 1984 after returning from his tour of several SEZs. *Selected Works, Volume III*, pp. 61-62

<sup>289</sup> Chow, pp. 329-30

these zones China was adopting a concept pioneered by South Korea, Taiwan and Malaysia.<sup>290</sup> For purposes of systemic analysis, several important conclusions must be drawn. In creating *Special Zones* China was emulating more competitive neighbors. These neighbors were in turn responding to a growing trend in globalized production. Globalized production of course, was led by the major powers of the commercial confederacy. In 1980, the US, Japan, West Germany, France and Britain accounted for 74 percent of the world's FDI stock.<sup>291</sup> During the 80s, more than 90 percent of interfirm alliances were located in the economies of North America, Western Europe and Japan.<sup>292</sup> Until recently, globalization has overwhelmingly been a 'North-North' phenomenon. Put differently, it's a game created by the leading commercial powers; a game which China was intent on playing.

China's strategy is not simply about development, it is about being competitive. Competitive states are plugged into the global production grid. Foreign investment not only brings with it jobs but technology and superior management techniques. For states like China, foreign investment has helped them become leading export countries. But for the ruling party, a strategy of internal bonding can be costly and dangerous. The state has undertaken fundamental internal reforms the exact consequences of which are hard to predict. Faced with the King's Dilemma, the Communist Party has steadily relinquished autonomy so as to make gains in prosperity and competitiveness, thus, they hope, securing the foundations of power in the long run. Reform has involved risks though, as when Jiang called for the People's Liberation Army to rid itself of all business interests in

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<sup>290</sup> For a discussion see Weiping Wu, *Pioneering Economic Reform in China's Special Economic Zones: The promotion of foreign investment and technology transfer in Shenzhen* (Aldershot: Ashgate Publishing, 1999)

<sup>291</sup> Geoffrey Jones, *The Evolution of International Business* (London: Routledge, 1996) p. 47

<sup>292</sup> See Brooks and Wohlforth, "Power, Globalization and the End of the Cold War," p. 36

1998. Most significantly, perhaps, the ruling party has loosened its grip on the Chinese economy and society. While Mao's 1966 Cultural Revolution was designed to brutally eliminate communist political opposition—"intellectuals" and "capitalist roaders" as they were called—in his 2001 speech commemorating the 80<sup>th</sup> anniversary of the CCP, Jiang Zemin announced that businesspeople and private entrepreneurs were now welcome in the Communist Party. Politics in China had changed.

### *External bonding*

Today, China is one of the world's leading trading states. During the Mao era, China was a closed society; the volume of trade it conducted with the outside world was negligible. In 1975 the country's total imports and exports amounted to less than \$15 billion. After a decade of Deng's 'open door' it was over \$100 billion; by 2002 it was well over \$600 billion and just two years later it stood at a whopping 1.1 trillion dollars.<sup>293</sup> In 2006, the volume of trade was well over \$1.5 trillion while the country held the world's largest foreign exchange reserves, amounting to over \$1 trillion.<sup>294</sup> These figures highlight the extent to which China has been willing to tie itself to the global market. China has not only sought integration into the global market but deepened its commercial ties with states that it has had historically rocky relations with, including South Korea, Japan and the US—recently surpassing Mexico as America's second largest partner after Canada.

After being severed for decades from the institutional order of the core, in the late 70s China began the recovery of its membership. In 1980 it was admitted into the World Bank and International Monetary Fund. Membership in the GATT/WTO would prove

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<sup>293</sup> Chow, pp. 300-301

<sup>294</sup> Robert Sutter, *Chinese Foreign Relations*, p. 92

much more elusive. After fifteen years of protracted negotiations in which China made significant concessions, she was finally admitted in late 2001. Before it had even gained formal admission into the WTO, China was demonstrating its commitment to liberal reform. According to World Bank data, in a period of five years China sliced its mean tariff rates in half. In 1992 they were more than 40 percent; by 1997 they had been reduced to less than 20 percent.<sup>295</sup> At the APEC's Osaka summit China took the world by surprise when it unveiled plans to develop a convertible currency, cut tariffs by 30 percent, eliminate quotas on 170 products, and reform taxation codes so as to better accommodate foreign investment.<sup>296</sup> Later, China used the forum to announce further tariff reductions and its intention to address copyright laws, reflecting its willingness to comply with WTO mandates.<sup>297</sup> WTO membership has had a significant effect on internal reform and foreign direct investment. Membership has resulted in China opening up new sectors to foreign investment, including telecommunications, banking and finance, and service industries. China has also agreed to eliminate export quotas and legal limits on domestic sales, measures which attract further investment.<sup>298</sup>

Rushing behavior implies that actors work hard to prove themselves capable and worthy members of the club. China's accession to the GATT/WTO was long and tortuous. Often, the perception from Beijing was that the leading commercial powers, especially the US, were making excessive demands of the PRC. The view was not unreasonable seeing as numerous Eastern European countries were admitted in the 1970s

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<sup>295</sup> World Bank Indicators, 1998.

<sup>296</sup> Marc Lanteigne, *China and International Institutions: Alternate Paths to Global Power*, (London: Routledge, 2005) pp. 68-69; and Margaret Pearson, "The Case of China's Accession to GATT/WTO" in David Lampton, ed. *The Making of Chinese Foreign and Security Policy in the Era of Reform* (Stanford: Stanford University Press) p. 343

<sup>297</sup> Marc Lanteigne, *China and International Institutions: Alternate Paths to Global Power*, (London: Routledge, 2005) pp. 68-69

<sup>298</sup> Chow, pp. 339-40

under much less imposing conditions. Further, negotiations were rocked by political events such as Tiananmen, cross-Straight tension, and the 1999 bombing of a Chinese embassy in Belgrade. Nonetheless, negotiators returned to the table time and again. Margaret Pearson notes how even during periods of strained Sino-American relations, over the question of Taiwan for instance, “China made policy changes and agreements designed in part to facilitate its WTO entry.”<sup>299</sup> Evidence suggests that China was working hard to gain admission. Just prior to Zemin’s Washington visit in 1997, the PRC announced further tariff reductions; as the Asian financial crisis swept through the region China refrained from devaluing its currency even as neighbors including Japan did so; in 1999 Zhu Rongji arrived in Washington with a package which caught negotiators off guard because it essentially made concessions on virtually every item the US gave priority.

Two months prior to its formal entry into the WTO, President Zemin assured attendees at the APEC meeting in Shanghai that “once inside the WTO, China will strictly comply with the universally acknowledged market rules, implement open, transparent and equality-based policies of trade and investment and endeavor to promote a multi-directional and multi-level opening-up in a wide range of areas.”<sup>300</sup> By and large, China has kept its word. With the possible exception of sovereignty related issues and the question of Taiwan, China has upheld the organization’s rules and norms, and has not

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<sup>299</sup> Pearson, “The Case of China’s Accession” p. 343

<sup>300</sup> Quoted in Kent 2002; for text of the speech see *People’s Daily*, October 21, 2001

behaved differently than any other similarly situated state in its strategic attempts to manipulate the regime to its advantage.<sup>301</sup>

The economic institutions of the commercial confederacy, most notably the WTO, have given rise to a peculiar phenomenon. In realist theory, international institutions are epiphenomenal, instruments of the great powers. The argument is that institutions help the extant great powers effectuate their interests and maintain their power position within the system. But in the case of China and other rising powers, these institutions, which they neither created nor control, are primary vehicles by which these states acquire the power and prestige necessary to enter the core of great powers in the first place. Instead of seeking to control and redefine these regimes, secondary powers are showing a surprising willingness to redefine their own interests and reform domestic systems so as to better comply with their mandates. Much like a freshman rushing for admission into a fraternity of more established upper-classmen, China is trying to integrate itself into a cohesive great power core through a strategy of economic engagement and participation in multilateral institutions.

China's turn toward multilateralism is also evinced in the government's activism in its own neighborhood. In 1991 China became a 'consultative partner' of ASEAN. By 1999 government officials were entertaining the idea of a China-ASEAN Free Trade Area (CAFTA). In 2001 leaders agreed to create a free trade area within ten years. China has already taken concrete steps to engage certain ASEAN states by unilaterally moving to offer preferential trade conditions. At China's leadership, the ASEAN + 1 (China) has morphed into the ASEAN + 3, now involving South Korea and Japan. China's

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<sup>301</sup> Margaret Pearson, "China in Geneva: Lessons from China's Early Years in the World Trade Organization," in Alastair Iain Johnston and Robert Ross, eds. *New Directions in the Study of China's Foreign Policy*, (Stanford: Stanford University Press, 2006)

involvement with APEC has also evolved. While initially opposed to further institutionalization of the forum, China has become increasingly amenable to its increased salience in regional affairs.<sup>302</sup>

Ever since international setbacks suffered after the Tiananmen debacle, China has worked hard to restore its reputation internationally. Per Machiavelli, it is advantageous for the Prince to be feared. This is one lesson in political theory China has patently ignored. The government has gone to great lengths to defeat the “China threat theory” and assuage international unease over its growing economic and military power. This assessment is not only based in official statements of the government but concrete actions as well. Roughly around the mid-90s China begins to embrace multilateralism in a big way. In 1996, Beijing declares that it will join the Comprehensive Test Ban Treaty and two years later condemns India and Pakistan for violating the international norm. While some suspected China of colluding with North Korea, the government moved to take a more active role, participating in multiparty talks over the nuclear issue. In 2001, the Shanghai Cooperation Organization was established between Russia, China and a number of other former Soviet republics. In 2003 China entered a non-aggression pact, the Treaty of Amity and Cooperation, under the auspices of ASEAN. China has also stepped up its involvement in the UN and the ASEAN Regional Forum (ARF), moves which mark a clear departure from its past inactivity in these arenas.<sup>303</sup>

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<sup>302</sup> Jianwei Wang, “China’s Multilateral Diplomacy in the New Millenium,” in Yong Deng and Fei-Ling Wang, eds. *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2005).

<sup>303</sup> See for instance Yong Deng and Thomas Moore, “China Views Globalization: Toward a New Great-Power Politics?” *The Washington Quarterly* (2004); Avery Goldstein, *Rising to the Challenge: China’s Grand Strategy and International Security* (Stanford: Stanford University Press, 2005)

To counter lingering international fears over China's growing power, in 2003 Chinese strategists proposed the concept of "peaceful rise" which was soon adopted by government officials. Mysteriously, the phrase disappears from the official discourse just five months after its adoption, replaced by an even more benign set of objectives: "peace and development" and "harmonious world."<sup>304</sup> These measures, which collectively amount to a sweeping global public relations campaign, are specifically aimed at reassuring the international community of the country's peaceful intentions. Far from the harm predicted by offensive realists, China recently unleashed a highly coordinated, premeditated national "charm offensive" intended to win over a skeptical international community whose eyes were keenly fixated on the Beijing games. The record supports the conclusion that China has behaved much like a "status-quo power."<sup>305</sup>

If China is not Machiavellian, many fear it is following Sun-Tzu and Maoist strategies of deceiving the world, building strength only to turn aggressive later in the game. While plausible, the theory finds little support in the empirical record. It also fails to account for the possibility that China will become fully integrated into the major power core of the commercial confederacy. Indeed, there is evidence to suggest that China is becoming socialized as a result of its integration.<sup>306</sup> Whether China has internalized international norms is questionable.<sup>307</sup> What is fairly certain, however, is that China's

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<sup>304</sup> Catherine Keyser and Su Lin, "Conceptualizing Foreign Policy: The "Peaceful Rise" Debate Among China's Scholars" in Sujian Guo and Shiping Hua, eds. *New Dimensions of Chinese Foreign Policy* (Lanham: Rowman & Littlefield, 2007).

<sup>305</sup> Alistair Iain Johnston, "Is China a Status Quo Power," *International Security*, Vol. 27, No. 4 (2003)

<sup>306</sup> Ann Kent, "China's International Socialization"; Alistair Iain Johnston, *Social States*

<sup>307</sup> China's approach to international regimes is indicative. Scholars generally agree that China's participation in international regimes has been driven primarily by utilitarian considerations. In general, is seen as suspicious of and ambivalent toward regimes. Samuel Kim refers to it as China's "maxi-mini principle" which seeks to maximize rights while minimizing responsibilities. See "International Organizations in Chinese Foreign Policy," *Annals*, No. 519 (January 1992); for a review of this literature see Elizabeth Economy, "The Impact of International Regimes on Chinese Foreign Policy-Making:

elite increasingly believe in markets and liberalization. As a result of experience and learning, China has changed. As Pearson notes in the context of GATT/WTO, “Learning [has] occurred directly through channels of influence, such as the need for China to adopt GATT/WTO standards in order to join the organization, and indirectly as more and more Chinese officials became convinced that deeper economic integration was both beneficial and necessary.”<sup>308</sup> In the case of China’s economic policy, material consequence and normative appropriateness are not in conflict. In the end, China may have no reason to revise the order because her prosperity and security are tied to its continued viability. While there is little reason to believe that China’s motives are sinister, there is some evidence suggesting that the journey may be changing the traveler.

### China’s Grand Strategy Trajectory: “One central task, two basic points”

The above analysis raises interesting questions for IR theory. The early 1980s mark a dramatic shift in China’s posture toward the world. But what factors explain the timing and nature of the shift? Our theory claims that a large part of the answer is found at the systemic level. In short, China was forced to confront Lee Kuan Yew’s question: Make yourself relevant to the world or suffer? If China wished to prosper, let alone compete on the world stage as a relevant power, the government had one viable choice: integrate. In its neighbors China found countries whose fortunes had been greatly improved by export led growth. There was only one attractive game in town, and China has proven to be one of the more adept and wily students in the class.

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Broadening Perspectives and Policies...But Only to a Point,” in Lampton, ed. *The Making of Chinese Foreign and Security Policy*;

<sup>308</sup> Pearson, “The Case of China’s Accession” in Lampton, ed. *The Making of Chinese Foreign and Security Policy*, p. 367-68

For all of the bends in the road, China's foreign policy has been remarkably stable. From Deng to Zemin to Hu Jintao, China's leaders have steadily pursued a policy of opening up and engaging the world. This is not only evinced in official statements but concrete policies as well. If anything, engagement and integration have only accelerated and deepened. Over the course of a few decades China has emerged as one of the world's leading trading states. At the same time, China's preference for bi-lateral engagement has been replaced by a strong commitment to multilateralism. It is hard to deny that China has come to accept international norms of economic openness and multilateral cooperation. Hard-line conservatives, suspicious of and intent on derailing reform, have been steadily replaced by a new generation of Dengist acolytes—technocratic, pragmatic and committed to reform.<sup>309</sup> Meanwhile, the party has tied its very legitimacy to the success of its reform and integration policy; a policy whose successes are driven by foreign investment and exports. Frankly, the major commercial powers and their junior partners can be credited for the China miracle. The Communist Party understands this:

In today's world, a country can hardly develop in isolation. The Chinese Government will unswervingly implement the opening up policy. It will more vigorously promote all directional, multi-tiered and wide range opening up and take part in international economic cooperation and competition at greater width and depth.<sup>310</sup>

Systemic theory advances a two stage model. In the first, states like China are pulled into the commercial confederacy by the prospect of making material gains and enhancing their competitiveness. They are also pushed by the prospect of falling behind. Because the major powers have created an institutionalized trading order, the opportunity costs of

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<sup>309</sup> For a discussion of China's 'Third Generation' elite see H. Lyman Miller and Liu Xiaohong, "The Foreign Policy Outlook of China's 'Third Generation' Elite" in Lampton, ed. *The Making of Chinese Foreign and Security Policy*

<sup>310</sup> Jiang Zemin, "Speech to Fortune Global Forum 2001," Hong Kong, May 8, 2001.

opting out are high. In the second phase, states become locked in. Changes have occurred along three dimensions. First, there has been a process of material integration as China has tied itself to the commercial confederacy. In just two years, from 2002 through 2004, China's trade volume expanded by an annual rate of 30 percent. By the end of 2004, trade volume was nearing 70 percent of China's GDP!<sup>311</sup> Second, there has been a process of institutional bonding. China now has a stake in the core institutions of the commercial confederacy, most notably the WTO. And third, there is an ideational lock-in. Reforms have fundamentally changed Chinese society and the government has begun to internalize international norms, particularly those relating to economic integration. They believe in economic liberalization because it has worked for them. The ideological transformation is quite striking: China has embraced an entirely new developmental and economic model focused not on centralized command, heavy industry, import substitution and autarky, but markets, light industry, export led growth and economic openness. Liberal reform and openness are now the ideological cornerstones of the Communist Party's current platform. Ideology is not ironclad but it is sticky. When added up, there is reason to believe that China will continue on its trajectory of reform and integration.<sup>312</sup>

In 1987, the Thirteenth National Congress elaborated the principle of "one central task, two basic points." The central task: economic development. The two basic points:

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<sup>311</sup> Chow, *China's Economic Transformation*, p. 316

<sup>312</sup> Interestingly, in a 1984 interview Deng remarked that, "Invigorating our domestic economy and opening to the outside world are long-term, not short-term, policies that will remain unchanged for at least 50 to 70 years. Why? Because quadrupling the GNP, which will take 20 years, is only our first step and will be followed by a second, approaching the level of developed countries, which will take 30 or 50, let's say 50, years...By then it will be even less likely that the policies will change. If anything, we shall open up still more." *Selected Works, Volume II*, pp. 86-87

overall adherence to the Four Cardinal Principles<sup>313</sup> and the policy of reform and opening up. Reform has amounted to an embrace of markets while rejecting bourgeois liberalization. “When we say we are opposed to bourgeois liberalization” Deng remarked, “we mean we are opposed to wholesale Westernization of China, to abandoning Party leadership and the socialist system.”<sup>314</sup> The new essence of socialism is “liberation and development of the productive forces, elimination of exploitation and polarization, and the ultimate achievement of prosperity for all.”<sup>315</sup> To achieve modernization, however, the Party has tolerated increasing levels of economic inequality.<sup>316</sup> If markets are consistent with socialism and inequalities tolerated, all that is substantively left of the Four Principles is Communist Party rule. If the official definition of “one central task, two basic points” is viewed in light of the actual policy course pursued, the definition can be redefined: China is pursuing economic development and modernization through reform and the opening policy, implemented by a CCP controlled government. Once we see through the Marxist rhetorical flourishes, a task not difficult, it becomes clear that the PRC has stayed quite true to its overarching grand strategy. Much of China’s foreign policy behavior is captured by the economic lens. Political and economic strategies of integration and openness emerge as the obvious choice as soon as prosperity seeking

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<sup>313</sup> To keep to the socialist road and to uphold the people’s democratic dictatorship, leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought.

<sup>314</sup> Deng, *Selected Works, Volume II* p. 233

<sup>315</sup> Ibid. p361

<sup>316</sup> In 1992, Deng remarked on the subject: “Our plan is as follows: where conditions permit, some areas may develop faster than others; those that develop faster can help promote the progress of those that lag behind, until all become prosperous. If the rich keep getting richer and the poor poorer, polarization will emerge. The socialist system must and can avoid polarization. One way is for the areas that become prosperous first to support the poor ones by paying more taxes or turning in more profits to the state. Of course, this should not be done too soon. At present, we don’t want to dampen the vitality of the developed areas or encourage the practice of having everyone “eat from the same big pot”. Ibid. p 362 In other words, for now its capitalism, socialism can wait.

states accurately assess the opportunities and constraints that the international environment presents.

History teaches the scholar humility and advises caution when making predictions. Many learned observers draw different conclusions from the same evidence. Ultimately, facts are theory laden. We shouldn't be afraid of going out on a limb—where's the sport in being rigidly cautious?—but neither should we be overconfident in the soundness of our intellectual constructs. So far, what I have done is to draw out logical conclusions from our theoretical machine. It goes without saying, but must be said anyways, that theories are caricatures of reality. They must be subjected to sustained scrutiny.

### For Further Research

This chapter has not, and does not claim to have established any empirical truths. It is best thought of as a plausibility probe.<sup>317</sup> China, it seems, is a hard case for the theory. The country has a manifestly illiberal history and political culture; its historical experience with the system's great powers has been painful; during the reform era the regional security environment—relations with the US, India, the Soviet Union and Japan—were by no means benign; internally, there was strong political, institutional and inertial opposition to market reform and opening up. For most liberal democracies, economic integration simply requires that these states externalize policies and values which already prevail internally; in the case of China, political and economic integration has required deep ideological, legal, regulatory and economic shifts. Whether *China can*

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<sup>317</sup> According to George and Bennett, “*Plausibility probes* are preliminary studies on relatively untested theories and hypotheses to determine whether more intensive and laborious testing is warranted.” *Case Studies and Theory Development in the Social Sciences* (Cambridge: MIT Press, 2005) p. 75

*say no* is a question worth asking.<sup>318</sup> It has certainly had numerous reasons to do so, but the fact remains: the PRC has not said no to the world. A plausibility probe aims to draw empirical attention to a new and potentially attractive theory. The probe's findings are preliminary and incomplete. The surface has barely been scratched.

For us to gain confidence in the theory, two things must be accomplished. First, we must demonstrate that China's motivations correspond to those outlined in our theoretical account, a challenging task.<sup>319</sup> The crux is to establish clear links between the prosperity motive, competitive pressure, and the international dimensions of China's chosen grand-strategy. Our theory claims that China's strategic course has been conditioned by the confederate structure. That is, China has pursued strategies of internal and external bonding because these produce the desired result given the extant strategic environment. A confederate structure leads certain strategies to dominate over others. States compete with each other to make gains. States will gravitate toward dominant strategies; if they fail to do so they will fall behind. In short, this requires us to demonstrate that China's foreign policy strategy is, to a large degree, driven by these competitive structural dynamics. And furthermore, that China is aware of them. Because the internal workings of the Communist Party are murky, and leaders can rarely be relied upon to say what they actually mean, it is difficult to find the smoking gun. The following kinds of evidence would seem to be the most compelling: more evidence

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<sup>318</sup> The *China Can Say No* title was inspired by a similar 1989 book written by Akio Morita and Shintaro Ishihara titled *The Japan That Can Say No*. It is perhaps worth asking: why has Japan not said no?

<sup>319</sup> Waltz famously asserted that systemic theory says nothing about actor intentions: "Balance-of-power theory claims to explain a result (the recurrent formation of balances of power), which may not accord with the intentions of any of the units whose actions combine to produce the result." *Theory of International Politics*, p. 119 On this point, I depart company with Waltz. Actors intentionally and consciously pursue strategies of external and internal bonding. They do so, furthermore, for the reasons outlined in the theory. This is an important point. The theory of structural confederacy can be nailed down and defeated. It can be defeated in one of two ways: either by finding a disjuncture between our expectations of actor behavior and their actual behavior, or a disjuncture between the posited intentions of actors and their actual intentions.

suggesting that leaders were highly concerned about the development and technology gap; further evidence demonstrating a belief, on the part of leaders, that to be competitive internationally required internal reforms and opening up to the outside world; findings demonstrating a belief on the part of leaders that to succeed China could not oppose the commercial confederacy but had to join it; findings demonstrating a fear of ‘falling by the wayside’ if economic integration and membership in multilateral institutions were not pursued; findings demonstrating that Chinese leaders were concerned about losing autonomy but proceeded nonetheless fearing a decline in prosperity and losses in international competitiveness; and finally, more evidence showing that China intentionally emulated the strategies of other successful commercial states.

This chapter has endeavored to show that China has pursued strategies of internal and external bonding.<sup>320</sup> Our theory leads us to expect that China’s engagement of the world will be most intense in the economic arena. However, China realizes that to be a core commercial power requires it to move beyond an exclusive focus on economic cooperation. This implies that China is being socialized by the system—it is looking less and less like a realist autarkic power and more and more like a liberal trading state. This is a kind of macro-socialization in which China increasingly fits the major commercial power mold, assuming a certain role and coming to resemble leading powers like Japan, Germany and the US. This implies that economic effects have spilled over into other important realms. If this is the case, how might these effects be discerned?

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<sup>320</sup> Indeed, the evidence I have produced is not new. I have relied primarily on secondary sources. The contribution is novel because it presents existing evidence in a new light. The value added of examining existing findings through the lens of a new theoretical paradigm is likely to be large. A systemic lens leads us to focus on certain aspects of China’s behavior, in so doing it may lead to a reevaluation of existing findings and the discovery of new ones as well.

Systemic theory claims to explain China’s overall strategy of liberalization, openness, institutional integration and economic engagement—issue areas and behavioral expectations which are directly derived from the theory’s logic (Category I). In Chapter V a second category was identified: separate issue areas and behaviors that may be linked to Category I imperatives. For conceptual clarity we will attempt to place various issue areas into separate categories; in all likelihood, they will be more interdependent than the schema suggests. The following is one possible way to conceive of some of these issues and domains:

Category I	IMF, World Bank, GATT/WTO, G-8, G-20, OECD, ASEAN, APEC, FDI, SEZs, (externally driven) market reform and liberalization.
Category II	Taiwan, nuclear weapons and proliferation, Russia-China relations and the SCO, Sino-Japanese relations, Sino-US relations, Sino-India relations, Sino-European relations, China and North Korea, China in the UN, China and the ASEAN/ ARF, China-Iran, China-Sudan.

Category II findings are relevant to the evaluation of the theory if clear linkages can be established:

- *Do actions and developments in a Category II domain have clear implications for China's interests in a Category I domain?*

Does China's strategy of integration become manifest in these other domains? There are several ways in which this spill-over effect might be observed. Systemic signals may induce China to take affirmative measures in another domain, for instance, by engaging smaller neighbors within the ASEAN forum—to open markets, assuage fears and build its reputation. Or alternatively, is China's leadership role in the multiparty nuclear talks with N. Korea at least partly motivated by a similar objective? Second, structural pressures may lead China to refrain from taking certain actions that might disrupt more pressing Category I goals. For example, might it be that China's patience over the question of Taiwan or the restraint it has shown as a UN veto player is partly motivated by an overriding commercial interest in becoming further integrated into the core? Why has China not balanced anyone? Is political neutrality motivated by a similar imperative?

- *If China's policies proved costly, did the government make adjustments or try to repair damage done?*

Systemic theory claims that actors will by and large respond to systemic signals over a longer period of time. Because there is agency, and structure is not the only causal mechanism in operation, states will invariably act in ways contrary to the theory's logic. The theory holds that some actions will trigger negative feedbacks—ignoring the dominant strategy can be costly. The theory gains confirmation wherever states adjust their policies in response to these negative feedback effects. For example, China's cooperative and multilateral posture in the 1990s might be understood as an effort designed to repair the damage done by Tiananmen and revive its GATT/WTO bid.

Bonding behavior has a distinctly liberal character. It is manifest in multilateralism and institutionalization, policy coordination and cooperation, economic engagement and during times of crisis, even mutual aid. In contrast to a realist systemic theory, the spirit of our theory is more optimistic. It is tempting to conclude that illiberal, uncooperative, obstructionist, or *Realpolitik* behavior is *prima facie* evidence against the theory. There are two responses to these challenges. First, systemic theory makes claims about broader patterns and not isolated cases. It is confirmed or disconfirmed on the basis of overwhelming patterns of behavior—it is concerned with an ocean of events and not any particular swell or whitecap. Second, much goes on in international politics unrelated to the logic of the theory. Systemic theory says nothing about such cases because they are beyond the scope of the theory. This point is the source of much unhelpful confusion and so bears repeating: Category II findings which are either unrelated or not costly in terms of a Category I imperative, however illiberal, are not germane to the evaluation of the theory. To defeat the theory, one must produce evidence of patterned behavior that is costly and contrary to the expectations of the theory. The longer these patterns persist, the more damaging the evidence becomes. Over the last several years, Russia's behavior appears to fit such a pattern; while this trend is potentially important it is too short a period to draw definitive conclusions.

This chapter represents a plausibility probe because it fails to deliver adequate answers to the questions raised. This is so for the following reasons. First, the job cannot be accomplished in the space of a single chapter, and perhaps not even in a single book. This fact, of course, is rather unsatisfying. Fundamentally, the questions are not only beyond the scope of this chapter but the empirical aptitude and specialized knowledge of

the author. The intended contribution of this work is theoretical. Theory requires a certain disposition and skill set, empirical work another. Mastery of each is a truly rare talent. Third, there is a basic reality theorists are reluctant to admit. Most often, to be a theorist is to be a partisan for a particular theory—it is common for a theorist to revise his construct but rarely does one abandon it. At bottom, the theorist is rarely best suited to test the theory. Not simply because of a particular skill set but a biased disposition as well. In building a large abstract intellectual construct one often becomes its prisoner. This is rarely true for mid-range hypotheses or modifications of larger theories.<sup>321</sup> It takes courage to concede, but I fear my lens is irredeemably tainted by my own paradigm.

This reality points toward a welcomed division of labor in the social sciences. There is always a risk that we'll find that which we set out to look for, discounting or ignoring evidence that does not fit our preferred account. If science is to be objective, it must control this unhelpful tendency to the extent possible. In the physical sciences, the problem is not as acute. In the social sciences it is more prevalent. A division of labor is helpful because the investigator may not have as great a vested interest in the final outcome.<sup>322</sup> Second, broader participation allows us to exploit the unique talents and specialized knowledge of a greater number of scholars. Each of us has our limits, but these limits can be overcome through collaboration. We know that scientific advancement is a collective enterprise. Ultimately, our work is judged by a community of scholars. Good ideas have staying power, but great ideas succeed in getting others to engage them. That a theory persuades its author is hardly impressive. That it succeeds in

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<sup>321</sup> By no means do I intend to imply that those engaging in mid-range theorizing or testing of auxiliary hypotheses are biased. These scholars are primarily empiricists who dabble in theory. Every empiricist must know theory because it is theory that guides the empirical investigation.

<sup>322</sup> The fact is, the theorist's whole career rides on the theory. The incentive structure is hardly conducive to impartiality.

persuading the scholarly community is. It is my aim to raise big possibilities, defend their plausibility, and hope others find them worthy of consideration.

# VII

## **By way of conclusion**

The dissertation set out to accomplish a number of ambitious goals. Embarking on this journey my primary aim was to advance a novel systemic theory of international politics. I soon came to realize that the project contained two separate but related theoretical enterprises: First, I found it necessary to explain how a leading power configuration with distinctly liberal features came into existence, and how its overall cohesion was sustained. As many liberals have argued, anarchy—understood as a Hobbesian ‘state of war’—is a grossly inadequate empirical description of international relations today. In my encounter with liberal IR theory I found much insight, much to use, but ultimately no framework that I believed to be wholly adequate to the task. Hence I found it necessary to develop a novel theoretical account of social cohesion in IR.

In the second part, I set out to build a novel systemic theory based upon the premise that the system was no longer dominated by opposing great power poles, but rather, a cohesive confederacy of leading powers. The commercial confederacy evolves out of a US dominated western subsystem following WWII. After the Cold War comes to an end in 1989, the configuration suddenly consists of the world’s leading commercial powers.

For the leading powers and their junior partners, collectively the OECD, unity is maintained by a relatively *thick* social cohesion—based as it is on the mutually reaffirming interaction of commercial interest, liberal values, and robust institutions. The

confederacy is characterized by two impressive features: its overall success and sheer size. This has brought into being a gravitational sphere that conditions the behavior of both those inside and outside of this political entity. To be competitive in the confederate system, states are led to pursue a distinct set of politico-economic bonding strategies.

The “next generation” of theorists always faces an annoying hurdle: new theories must always demonstrate their superiority vis-à-vis existing theories. This tendency naturally flows from the Lakatosian premise that theories should be accepted until replaced by better theories. But supposing two separate theories, explaining the same phenomenon, are found. The burden of demonstrating superiority almost always falls on the newer of the two. That is, to be accepted, novel theories must demonstrate that they explain cases better than do existing theories, or alternatively, that they explain existing cases and new cases as well. My own marketing strategy employs the latter.

Early on I ran into a big problem: the behavior of liberal, democratic, capitalist countries (that initially drew my interest) was vastly over-determined. Peace among these states was over-determined. Cooperation among these states was over-determined. Variants of liberal institutionalism including that of Robert Keohane and John Ikenberry, constructivist identity theory of Alexander Wendt, the security communities approach advanced by Emanuel Adler and Michael Barnett, not to mention the large body of democratic peace literature with its many variants, all account for peace and cooperation among these states. And though my theoretical explanation is different, though also similar to many of these accounts in important ways, and though it contributes something new, I found it rather impossible to get any empirical leverage. There were simply too many explanations and the predictions generated were too similar.

Fortunately, I discovered that my theory's greatest strength was in explaining the behavior of big, non-Western, non-democratic, and illiberal states. The obvious and most important candidate is China, though Russia, and large emerging democracies like India and Brazil merit consideration as well. Most of these liberal theories either do not generate predictions regarding their behavior, or, predict the very opposite of what my own theory leads us to expect. Following Michael Doyle, for example, democracies can be expected to remain at peace, though democracies are more likely to war against non-democracies. Kantian identity theory does not gain much traction because many of these states do not, or only partially, share the liberal Western identity founded on democracy, free markets, and human rights. Institutional theory gains some traction but it is less helpful in explaining the behavior of states that are not a part of the institutional core. China joins the WTO in 2001 but its dramatic shift in grand strategy began in the late 70s and early 80s. Institutional explanations help us explain the behavior of states once they become a part of the institutions but find less traction in explaining the behavior of states formally outside of them.

Commercial liberals, most notably Richard Rosecrance, emphasize trade and economic interdependence. The systemic theory of confederacy shares much in common with these, as primary emphasis is placed on commerce and the prosperity motive. The theory of confederacy differs from these in important respects. First, it is a systemic theory that explains how the behavior of the part is conditioned by the configuration of the whole. Second, commercial liberals do not have a general explanation for why states either decide to pursue "trading state" strategies or not. Many see markets and democracy as closely linked, yet one of the most interesting recent developments involves the

emergence of politically illiberal free-market states, most prominently in Asia. These developments support the overall conclusion that the behavior of these states is not driven by liberal political reform, or Hegelian ideational dialectics, but more by a prosperity motive, and most of all, competitive pressure.

Having succeeded in distinguishing myself from my intellectual kin, the task of identifying a foil proved much easier; though here too I ran into difficulties. Realist theories generate clear predictions regarding the behavior of these rising, non-western powers. They almost universally predict trouble. But one important variant of Realist theory, hegemonic theory, predicts stability so long as a preponderant power reigns. Many realists see stability and cooperative behavior as evidence of a *bandwagoning* propensity. Because the US is so much more powerful than the rest, others are left with only one choice: join it. But hegemonic stability theory suffers from a number of easily identifiable difficulties. For example, it is unclear why integration and cooperation is most pronounced at the regional level—most notably in Asia and Europe—if stability and cooperation are supposed to revolve around the US. Second, in the area of political-economy the US has become less active since the 1970s. The US has provided less hegemonic benefits and performed fewer functions in the commercial arena than it has in the security realm.

Most interestingly, I believe we are witnessing a political experiment of epic proportions. If the US declines relative to other major powers—that is, if there is a return to a multipolar distribution of power—then hegemonic theory, like all Realist variants, predicts trouble. Or, if the US ceases to perform hegemonic functions, the theory also predicts trouble. It now appears that the US is less willing to play the role of ‘Globo-

Cop.’ In other words, what has been happening in the economic sphere for decades is now taking place in the security realm as well. Not only is the US doing less, it appears that global power and influence are becoming more evenly distributed with the rise of China and India. In the event that these important trends continue, according to hegemonic realists, security competition will ensue, economic cooperation will breakdown, and multilateral institutions will be strained. Realists foresee various rather dire “Back to the Future” scenarios.

On all fronts the stage is set for an interesting and worthwhile empirical exploration.

### **Significance of the project—or, the “so what” question**

Having been to a few dissertation defenses, I know that one question recurs over and over again, so allow me to anticipate it here. Despite the project’s many (present) shortcomings, the one thing it cannot be criticized for is irrelevance. The subject matter and the ideas contained in the preceding pages are big and important.

First, the project is theoretically ambitious. I have not set out to refine an existing theory but build an entirely new one. I’ve been influenced by a wide range of thinkers to be sure, but the project itself is quite novel. At a time when systemic thinking in IR is virtually moribund, I have tried to revive it by offering a new theory. The project is theoretically unique in that it incorporates many liberal variables into a systemic analysis, usually thought to be the exclusive domain of realism, and in so doing it challenges the prevailing conventional wisdom.

In addition to advancing a novel systemic theory, the project introduces an innovative framework for studying social cohesion in international politics. This framework represents a paradigmatically neutral effort to account for group cohesion. It draws on the field's dominant paradigms while at the same time challenging them while synthesizing key insights. This framework, after further theoretical development, may emerge as foundation for research in its own right with general application to a wide variety of cases. Presently, Chapter II lays the groundwork for later work though it has the potential to become much more.

This is a parsimonious theory that generates clear expectations of actor behavior amenable to empirical investigation and falsification. It tells us how important actors are likely to behave, the strategies they are likely to pursue, and offers theoretical explanation to account for observed behavioral patterns. It's a theory of state action. Or put slightly differently, I have tried to construct a theory that can be defeated, and therefore one that is scientifically useful. In order to satisfy this requirement I have tried to overcome a prominent difficulty in Waltzian systemic thinking. In Chapter V I have begun to sketch out a methodology for the testing of systemic theory, one that innovatively combines systemic and unit-level analysis in a single research program. Systemic theory, I have argued, is a powerful tool but its empirical application poses special challenges. Waltz constructed a theory which was virtually impossible to defeat; many of his intuitions were correct, though the international politics/ foreign policy distinction inappropriately shielded the theory from damaging evidence.

Third, this is a general theory whose propositions can be applied to a wide array of actors. The theory claims to explain the behavior of a number of big and important

states. One of the most important theoretical and empirical debates ongoing in the field today concerns the strategic behavior of China. To many, China's rise is worrisome because it has the potential to destabilize the international system with devastating consequences for us all. It is not immediately obvious how the US and others should respond to China's ascent; depending upon who you ask, prescriptions range from balancing and preemption to constructive engagement. Assessing China's grand-strategy and its likely future trajectory is of the utmost importance.

While it is clearly significant, the dissertation is vulnerable to the general criticism that it is incomplete. This is true. There is a fine line between being ambitious, and falling short as a result of over-ambition. I think this criticism is short-sighted on several grounds. First, in a sense the whole construct rests on each of the parts that make up the whole. Because my end goal was to develop an entire theoretical system, I simply could not ignore any of the parts that together comprise it. Initially I wanted to focus on theory to the exclusion of empirics and methodology. I soon realized that in order to build theory I also had to be thinking about methodology and empirical application. My goal was to produce a novel systemic theory but in order to be persuasive I had to explain how the system came to be dominated by a core cluster of commercial powers; unlike realists, who simply assume anarchy, I was saddled with the necessary task of explaining cohesion among these states. Some chapters are more developed than others. Chapter IV ("A Systemic Theory of International Relations") is closest to completion, with Chapter II ("Social Cohesion and International Politics") is also getting there. Others need more work.

## **From Dissertation to Book—the road ahead**

As I see it, I'm about five years into a ten year project. Much of the work has been done. Much work is yet to be done. Some of the yet to be accomplished tasks are obvious, some will become evident with the passage of time.

My stated aim in the dissertation was to deliver a novel theory. I think I have largely accomplished this, at least to my own satisfaction at this time. Though much refinement, and perhaps some development, is yet to be done, I feel I have reached the limits of what I can hope to accomplish in the context of a dissertation project. The logical next step is to deliver these ideas to the field in the form of stand-alone articles. Development and refinement is likely to be spurred by this critical encounter. It is difficult to foresee what will emerge at the other end of this process. What is almost certain is that things will look at least slightly different from the way they are now. This process, I have come to believe, is fundamental to good scholarship.

The empirics are preliminary and tentative. The dissertation includes a chapter length plausibility probe that lends the theory support in one critical case. This has been a highly useful and important exercise. Though I initially resisted empirics, I have come to realize that good theoretical work absolutely requires that the theorist also be engaged in some level of empirical investigation.

Yet I also believe it to be true that the social sciences are inherently more susceptible to the corrupting influence of researcher bias. Partisans of given theories almost always find that which they set out to look for. Though I try to remain cognizant of this, and control for my own predispositions and prejudices, I fear I am perhaps irredeemably a prisoner of my own paradigm. I may be alone in admitting this, but I'm

almost certainly not alone in having this unhelpful disposition. But what I initially believed to be a flaw I have come to see as a possible asset.

Science, I believe, is a collective enterprise. The best way to advance this science is to have many acute minds engaged in this common pursuit. Good scholarship must leave something for others to do, whether theoretical development or empirical investigation. To exhaust a subject is just bad strategy. Second, I believe in a scientific division of labor for two reasons. Theorists and empiricists often have different skill sets. It is rarely the case that the same individual can at once produce original and creative theories while at the same time run objective and sophisticated empirical tests. This can result in a variety of unhelpful outcomes. For example, some hamstring theoretical constructs in order to satisfy methodological requirements and preferences. Or conversely, theories are cobbled together in order to fit the data—in other words, trying invent an ad hoc theory to confirm the data as opposed to letting the data confirm or disconfirm an established theory. Oddly, the field has come to expect that the “good” scholar is both a creative theorist and sophisticated empiricist. At the end of the day, in most cases, it is an unreasonable expectation and does more to impede scientific progress than it does to advance it. Not only does a single individual often lack the necessary skill sets to do both tasks well, but such scholarship is also more prone to the problems of researcher bias that we’re trying to control.

An important caveat is in order. Here I have in mind the big paradigmatic debates, and not so much the mid-range theorizing typical of most empirical studies. To refine paradigmatic theories so as to make them more amenable to empirical investigation is helpful and often necessary. Every empirical study has a theory chapter, and this should

always be the case. But work that aims to contribute empirical knowledge, and in the process refines a theory, is quite different from work whose primary goal is to develop novel theoretical machinery. Just as every theorist must dabble in empirics so every empiricist must also dabble in theory.

To reconcile these two considerations—the need to engage empirics on the one hand but avoid bias and account for my own limited skill set on the other—the “plausibility probe” proved the ideal vehicle. The plausibility probe is a preliminary investigation. Its main goal is to lend a new theory initial credibility and to attract broader interest. It does not purport to formally “test” a theory. It does not aim to produce definitive “findings.” The probe may, and is likely to, serve as a springboard for more in depth and sophisticated study. It also functions to refine and develop the theory’s propositions.

This is precisely what I’ve tried to do in Chapter VI. First, I am not a “China specialist.” I do not speak mandarin. I’ve never been to China. I’ve relied exclusively on secondary literature written in the English language, most of it written by American scholars or non-American scholars based in universities within the US. To the extent that I have engaged Chinese China scholars, I have done so through reviews of their scholarship written by China scholars in the US. These admissions should not destroy the credibility of my argument, but rather, confirm that the work is far from finished. The plausibility probe aims to lend plausibility to the theory, draw interest, and engage the scholarly community. Finally, I hoped to demonstrate that, though not a China expert, I can nevertheless be a useful participant in this dialogue. I believe I have accomplished some of these more modest goals.

In the book project I intend to include two additional probes, one exploring Russia's and another India's foreign policy grand-strategies. Much like China, these two important states embark on dramatic reform paths at roughly the same time. In India, reform got underway in earnest under the leadership of Prime Minister Narasimha Rao and his Finance Minister Manmohan Singh in the early 1990s. India's turn to liberalization and openness, like China's, is all the more striking given the country's economic and political history. For decades leading up to reform, India pursued a closed door economic policy combined with Soviet style industrialization programs—that is to say, it had many features of a centralized command economy. This economic strategy was inspired by the Gandhi's ideals of economic self-sufficiency which became a corner stone of first Prime Minister, Jawarhalal Nehru's plan for India. Given its colonial past, the prevailing political culture was one of great suspicion of the Western world. Since the reform era began, India has become impressively integrated into the global commercial order.

Likewise, Soviet reform began in the mid to late 1980s after Gorbachev assumed power and the unsustainable nature of the country's economic course began to set in. A number of factors precipitated the fall of the Soviet Union—the country's failing agriculture sector, inefficient industry, falling oil prices, and the global arms race—but perhaps most significant among them was the realization that the Soviet model could simply not compete with the dynamism of Western global capitalism and the advantages derived from global production networks. If the West could not be beaten, like China, the remaining alternative was to join it.

Russia is in many respects an interesting and hard case for the theory. Economic reform and integration occur rapidly under Boris Yeltsin and Yegor Gaidar, the architect of Soviet “shock therapy.” But unlike in China, economic reforms failed to produce the desired results. Throughout most of the 90s, Russia’s economic predicament was dire. While China’s process of reform and integration has steadily grown, Russia’s road has been more tortuous. Russia’s relations with the core commercial powers of the West have been characterized by periods of thawing and cooperation but also times of suspicion, conflict, and retrenchment. The reasons for this are not exactly clear though I have become increasingly impressed by the so called “resource curse” thesis. The importance of oil and gas to Russia’s economy and the Kremlin’s budget have influenced politics in important ways, while at the same time windfall profits from high oil prices have given Russia the freedom to defy international norms and West. Resource endowments have both shielded Russia from international pressure—Western Europe’s dependence on Russian energy—while making it more immune from the consequences of an aggressive foreign policy, like capital flight for instance. Though Russia strikes one as a bit of a “rogue state,” the country has nonetheless pursued bonding strategies in many important respects, albeit not nearly as aggressively as China and India to be sure. I think my exploration of Russia’s foreign policy grand-strategy is likely to reveal important strengths in my theory but critical weaknesses as well.

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