

## Free Trade and International Security

By Meicen Sun

Contrary to the claim that international economic relations do not differ fundamentally from international security relations, I maintain that the two differ in three fundamental ways. First, that states continue to monopolize the legitimate use of force means they behave much more like unitary actors in international security relations than in international economic relations. Whereas only state actors have the capacity to provide international security through the monopoly of military force, there are other entities such as transnational firms and interest groups that directly partake in creating free trade. Second, in international security issues, “relations of strength” still prevail (Waltz 1979) and the need for self-sufficiency forces states to prioritize relative gain over absolute gain. Rather than striving to expand the “pie” as they often do with regard to cooperation in trade, states place much greater emphasis on gaining a military and/or strategic advantage over their rivals (Mearsheimer 1995; also Grieco in Baldwin ed.). Lastly, these two factors – the greater opportunity for free trade afforded by a greater number of potential actors, and the greater motivation to pursue absolute rather than relative gain, explain why free trade has occurred more frequently than international security. At the same time, since free trade often results from the spontaneous interaction among self-interested actors, it makes more sense to consider free trade as a product of the global market’s “invisible hand” rather than as a “public good” provided by any particular actors.

*Interdependence, multiplicity of actors and the opportunity for free trade*

The first and foremost distinction between international economic relations and international security relations is the role of state in each case. Though as the sole legitimate

users of force, state governments maintain considerable autonomy in security decision-making (Waltz 1979), in international economic relations they do not enjoy the same level of autonomy and are much more prone to being influenced by non-state actors with vested interests. Even states that are considered to be relatively insulated from interest groups, such as France in the 1970s and China today, have remained susceptible to manipulation by interest groups both domestic and abroad. For instance, during the severe economic crises in the 1970s, economic decision-making in France was characterized by constant bargaining between state and industries, little coherence on part of the government, and the French industries' ample access to the policy process (Milner 1987). This often produced policy outcomes that favored powerful businesses with vested interests in free trade, rather than the French government bureaucrats who preferred protectionism. Likewise, the overwhelming effect of market economy following China's open-up policy in 1978 has forced the central government to play with rather than against the burgeoning demands of private businesses and foreign investors, even when such demands run counter to the government's plan (Dickson 2003). To further add to this likelihood of free trade, the demand for international economic cooperation comes not only from domestic interest groups, but also from cross-national collaboration between domestic interest groups and their foreign counterparts. Robert Putnam's two-level game model depicts, for example, how negotiators on trade and environment-related issues often find "silent allies at his opponent's domestic table" (Putnam 1988), which makes it possible to strike deals which may otherwise be opposed by the protectionist groups and state bureaucrats at home.

These examples illustrate the increased likelihood of economic interdependence as the result of a growing number of non-state actors involved, and perhaps *vice versa*. As this network of trade-related interests becomes more enmeshed, governments are less able to single-handedly

block trade agreements at their own will without inviting resistance from multiple interest groups domestically and internationally. By contrast, because the state is still by and large a unitary actor in its use of force against other states (Waltz 1979), the need for unified military command and control translates into the need to speak in “one single voice” in foreign policy especially with regard to security issues (Waltz 1959). The only actors that are directly involved in security relations besides the state governments are the armed forces. If we are to accept the premise that sovereign states can never be totally certain of each other’s intention (Mearsheimer 1995), even armies of close military allies, like those of the U.S. and of the U.K., can never share the same degree of interdependence as do close trading partners from the U.S. and from Iran, for example. Should an interstate armed conflict erupt, there is no other actor to directly prevent the state actors from escalating it, whereas transnational firms and interest groups often effectively prevent state actors from single-handedly blocking free trade and economic cooperation.

In sum, the multiplicity of potential pushers for free trade explains the greater *opportunity* for it to occur compared to international security: The greater incidence of shared interests among non-state actors such as transnational firms and investors calls for more mutually beneficial exchanges through trade liberalization (Keohane 1984), of which these non-state actors are both consumers and providers.

*Anarchic system, military capabilities and the lack of motivation to provide international security*

The second reason why free trade tends to occur more frequently than international security lies in the existence of greater *motivation* for the states to promote such, or rather, the *lack of motivation* for states to promote international security. More generally, as Kenneth Waltz

points out, the need to take care of one's own defense in a self-help anarchic international system generates inherent tension in the notion of "international security" (Waltz 179). When international security is provided through an institutionalized structure such as collective security or peacekeeping, the mechanisms by which such security is provided are often seen as tenuous. For the collective security system to directly promote peace by avoiding wars, it not only requires a sufficiently high level of trust between states (which is often infeasible), but also poses the dilemma of mutual disarmament on the one hand and armament for the purpose of enforcing collective security on the other (Mearsheimer 1995). Ultimately, these two weaknesses in the logic of collective security are reflective of the broader tension in international security relations, which stems from the lack of total certainty of the rival state's intention. To boot, such suspicions are often fueled by cognitive biases which only serve to escalate conflicts and further forestall any meaningful cooperation on international security issues (Jervis 1976).

But what about the existing examples of international security that we have so far observed, such as the democratic peace and the bipolar stability during the Cold War? In fact, neither democratic peace nor stability resulting from the balance of power should be considered as a "public good" in a strict sense – namely a good that is non-excludable and non-rival in its consumption. While democratic states do not easily go to war with one another, they are much more belligerent toward non-democratic states. In fact, democratic-autocratic dyads were the most conflict-prone type of dyad during the Cold War (Oneal and Russett 1999). From the perspective of those in autocratic states, therefore, democratic peace is clearly not an international public good from which they are often excluded. By the same token, the scarcity of major interstate wars during the Cold War as a byproduct of U.S.-USSR rivalry is not a prime example of a public good either. The scarcity of conflict during the Cold War followed more

from a *higher cost* of conflict than from a *reduced motivation* for conflict. Most importantly, for both the U.S. and the USSR, the pursuit of their own bloc's security hinged on their relative superiority over the other, on themselves being more secure than their rival bloc (Grieco in Baldwin ed.). Though no major conflict erupted during the Cold War, had such occurred, the potential consequence would have been catastrophic given the scale of buildup by each side. Incidents like the Cuban Missile Crisis serve to remind us that the apparent "security" during that time was more probabilistic than deterministic. The logic behind the Cold War international security therefore involves a *potential rivalry* in its consumption, and runs contrary to the concept of a public good. Both democratic peace and security resulting from the balance of power are therefore highly limited examples of international security – the former limited in a geographic sense (benefiting only democracies), and the latter limited in a probabilistic sense. Without a reliable mechanism for its provision, international security as a public good has indeed been undersupplied so far.

The situation is much different with regard to international economic relations. Even those who dismiss international institutions as having any independent effect on security and military relations affirm the positive role they play in international trade and economic affairs. Without the same degree of urgency in security decision-making, states can better afford to take "one step backward, two steps forward" while negotiating trade-related issues (Mearsheimer 1995), and to focus more on absolute gain than on relative gain in many situations (Snidal in Baldwin ed.). The "shadow of future" created by repeated interactions which characterizes international economic relations helps overcome both the mutual distrust and the collective action problem that are prevalent in international security relations. A generally longer time horizon in economic negotiations than in security negotiations allows states to value future

interaction more when making decisions at the present moment (Keohane 1984). Another important way in which international economic regimes like the WTO promote trade liberalization is through a robust dispute settlement mechanism, which relies on a variety of actor including firms, political parties, foreign counterparts and the media to monitor the government's behavior in trade (Mansfield and Milner 2012). Both reputational cost and the cost of future retaliation create strong disincentive for states to unilaterally impose trade barriers and helps sustain free trade as a result. On the other hand, because states are usually unwilling to prioritize international security over their own security, international institutions are much less effective in arbitrating security-related disputes. Rather, in these cases, international institutions tend to reflect the existing distribution of military capabilities among states (Mearsheimer 1995). International institutions therefore generally do better on absolute-gain-related issues such as trade and environment, than on relative-gain-related issues such as arms control, disarmament and non-proliferation.

*Free trade and international security as “public goods”? Possibly a misconception*

To conclude, the very last part of my rebuttal to the original statement challenges the comparison of free trade and international security as two types of public good. I will start by first empirically questioning the claim that free trade is likely to be undersupplied. To make such a claim begs the question of what should be the baseline against which the current level of free trade can be considered to be “inadequate.” There has not been any major fluctuation in the amount of international trade in the past century, measured in terms of bilateral trade as a proportion of GDP (Oneal and Russett 1999). In fact, international trade seems to have increased much more<sup>i</sup> relative to international security (as measured in the number of wars).<sup>ii</sup>

Therefore, at least in the recent decades, international free trade has generally been better supplied than international security.

The most common obstacle to the provision of a public good has to do with collective action and free-riding. These problems also seem to have been better resolved in international economic relations than in international security relations. Scholars, from Charles Kindleberger to Stephen Krasner to Robert Keohane, have associated the occurrence of free trade with the presence of a hegemon (Mansfield lecture, October 1, 2013). Some see the U.S. as a benign hegemon that helped entrench a series of international regimes for economic cooperation, which have since been sustained by self-interested states even after U.S. hegemony started to decline (Keohane 1984). However, a closer look at what the hegemon does in these institutions shows that it is not the hegemon that is providing free trade, but rather that the hegemon helps create an environment conducive to cooperation by way of facilitating information provision, lowering transaction cost and establishing a legal framework (Keohane 1984). In other words, rather than the hegemon itself doing the provision, it is the self-interested economic actors, often non-state actors such as firms, that helps create and deepen free trade for their own benefit. Collective action and free-riding are therefore less of a problem here, and states driven by economic interests have often willingly opted for free trade over protectionism (Milner 1987). This also explains why a parallel mechanism in the security realm, whether in the form of collective security, international peacekeeping, or concerts, has proven relatively ineffective (Mearsheimer 1995): All these institutions rely on state actors to give up a known proportion of their own security, however small it may be, for collective or “public” security that cannot be guaranteed. Therefore, indiscriminately treating free trade and international security as two of the same kind overlooks their different incentive structures. Where free trade should be considered as an

“occurrence” that follows from self-interested interaction among states, international security is a “public good” that has to be consciously provided and for that reason, has so far been undersupplied. (2,311 words)

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<sup>i</sup> For example, see all the graphs showing world exports and/or inward FDI stocks, whether or not as a percentage of world GDP. Data from the World Trade Organization and the International Monetary Fund:

<http://2012books.lardbucket.org/books/policy-and-theory-of-international-trade/s04-introductory-trade-issues-hist.html> (accessed July 5, 2014).

<sup>ii</sup> Especially if we were to include civil wars in our measurement of international security. Although there has been a slight decline in interstate wars in the recent two to three decades, the overall picture is at best ambiguous compared to international trade. See “Figures from the Human Security Report 2009/2010,” *Human Security Research Group*, [http://hsrgroup.org/docs/Publications/HSR20092010/Figures/20092010Report\\_Fig1\\_1\\_AverageNumberInternationalConflicts.pdf](http://hsrgroup.org/docs/Publications/HSR20092010/Figures/20092010Report_Fig1_1_AverageNumberInternationalConflicts.pdf) (accessed July 5, 2014).