Liberal Pessimism: International Relations Theory and the Emerging Powers

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Abstract

The triumphalism of the immediate post-Cold War period in the United States has faded, and concern about decline has returned. In the field of international relations, the return of power transition models is exemplary of the new mood. This article argues that realist models misjudge the source of foreign policy risks for the United States and its allies. Rather, the standard canon of liberal international relations theory also suggests sources of pessimism. These include the enduring nature of authoritarian rule, the difficulty of coordinating emerging actors through existing international institutions, and the ambiguous effects of increased interdependence on the foreign policy behaviour and leverage of emerging powers.

Key words: international relations theory, liberalism, international institutions, democratic peace, interdependence

1. Introduction

Following the end of the Cold War, realists predicted that the end of bipolarity would trigger new conflicts. Multipolarity carried intrinsic uncertainties, and balancing against US dominance was inevitable. Both Europe and Asia were vulnerable. But analysts who had long focused on the trans-Atlantic system and the balance of power in central Europe pivoted to the Pacific, which was deemed ‘ripe for rivalry’ (Friedberg 1993–1994).

These predictions did not pan out. To the contrary, the immediate post-Cold War period proved a ‘unipolar moment’ (Krauthammer 1990/1991) during which the United States dramatically extended its geostrategic reach. Of particular significance in this regard was not only the collapse of America’s most significant rival but successive rounds of the North Atlantic Treaty Organization expansion, an enlarged US presence in Central Asia after the shock of 9/11, the changed political configuration in the Persian Gulf following the invasion of Iraq, and an under-appreciated rapprochement with India. Far from balancing against the United States—as realists should have predicted—countries bandwagoned towards it. Ideological triumphalism also played a role, as the only coherent alternative to liberal democratic capitalism—state socialism—rapidly deflated in appeal (Fukuyama 1989).

The self-congratulatory debate in the United States turned to the durability of American
dominance. One highly influential account argued that the unipolar distribution of capabilities was virtually immune from challenge (Brooks & Wohlfforth 2008). Most liberal internationalists (Ikenberry 2002) and moderate, defensive realists like Steve Walt (2005) were more cautious. They focused on how policy choices rather than power per se would be determinative of the new world order, and chided the George W. Bush administration for squandering American advantage. But even apparently declinist accounts, such as Fareed Zakaria’s (2008) *The Post-American World*, saw the long peace of the post-war era as sustainable if the United States responded judiciously. Standard elements of the liberal toolkit—military restraint, multilateralism, encouraging the growth of interdependence and democracy—could provide the foundation for an extension, perhaps indefinite, of the Pax Americana.

Even with the fillip provided by America’s recent economic performance vis-à-vis Europe, attention in the United States has once again focused on relative decline and its challenges. The causes of the new pessimism are multiple, but the root source of concern is economic. The decade of the 2000s saw unprecedented growth in emerging markets. Although China received most attention, the phenomenon was much broader, and included gains in Russia, Latin America and South Asia as well. The global financial crisis, including its European variant, laid bare an unpleasant economic arithmetic: we are increasingly living in a two-track growth world, with emerging powers growing very much faster than the United States, Europe and Japan. In contrast with earlier periods of economic convergence, some of the countries catching up are not only large—the major European countries and Japan were also significant economies—but potentially dissatisfied with the political status quo.

The problems of measuring national capabilities are well known (Chan 2008, ch. 2), but two sets of projections provide some sense of the shifts in power that are in train. Goldman Sachs (2009)—which first identified the BRICs (Brazil, Russia, India, China) as a distinctive group—has long-run growth projections that are not simply linear but also take into account the likelihood that growth accelerations are likely to slow. China has already surpassed Japan and is predicted to become the largest economy in the world by the mid-2020s; using purchasing power parity exchange rates, the transition will come sooner. India and Russia will overtake Japan by 2027 and 2037, respectively, and Brazil could overtake Germany by 2029. Overall, the BRICs economies taken together had the potential to be larger than the G6 by 2031.

The most recent issue of the US National Intelligence Council’s (2012) *Global Trends 2030* rolls out a new global power index that incorporates a broader array of indicators of national power, including governance, education and health, as well as the more traditional measures. Using this metric, the capabilities of China and India grow more slowly; for example, China does not overtake the United States until the 2040s, and India is just coming within striking distance of the European Union (EU) by 2050. But the picture shifts dramatically when we consider whole groups of countries and possibilities for shifting alliances as new poles of power emerge. For example, the National Intelligence Council’s predicts that non-Organisation for Economic Co-operation and Development (OECD) countries will outweigh the OECD countries by 2030.

As a result of these developments, power transition models of conflict are back in vogue and have breathed new life into realist analyses of international politics. These theories, which predict conflicts between status-quo incumbent powers and rising, revisionist challengers, have a long pedigree in international relations theory (Organski 1958; Organski & Kugler 1980; Gilpin 1981; Modelski 1987; Thompson 1988; Chan 2008 for an overview). But they have recently broken out of their academic confines and influenced the public debate. John Mearsheimer (2001) remains the most wide-ranging proponent of the pessimistic view that changes in the distribution of power are destabilising. Aaron Friedberg’s (2012) *A Contest for Supremacy: China, America, and the Struggle for Mastery in
Asia¹ and Hugh White’s (2012) *The China Choice: Why America Should Share Power* are influential exemplars of the China variant, but examples can be found with respect to Russia (Lucas 2009) and the challenges associated with a more general decline in American centrality.

Liberal theorists of international politics argue that the single-minded focus on power overlooks countervailing forces in world politics that tend to moderate the behaviour of rising powers. These include the long-run tendency towards more liberal if not fully democratic rule, the growing role of international institutions and the constraining effects of economic interdependence. In this essay, I argue that the standard arguments in the liberal canon do not necessarily offer the solace that they once did; there is an analytic case for liberal pessimism, and on three distinct grounds.

The first stems precisely from the findings of the democratic peace literature. Although democracies may not fight one another, the world is far from uniformly democratic; in fact, the ‘third wave’ of democratisation that began in the 1970s has peaked (Diamond 2008; Kurlantzick 2013). The United States faces challenges from an array of authoritarian and semi-authoritarian regimes that are characterised by lack of checks on leaders’ foreign policy discretion, lack of transparency, political coalitions that are hostile towards globalisation and nationalist strategies of legitimisation. Nor should the findings of the democratic peace literature lead one to think that democracy alone is a guarantor of foreign support for American and Western objectives. New democracies are also breeding grounds for strongly nationalist tropes, some of them explicitly rooted in resentment at American hegemony.

The second component of the liberal toolkit is institutionalist. Since the publication of Robert Keohane’s (1984) *After Hegemony: Cooperation and Discord in the World Political Economy*, this strand of thinking has been particularly influential in the American academy. Responding to an earlier wave of realist pessimism about American standing in the world, Keohane argued that international institutions could forestall the effects of hegemonic decline by coordinating allies. We could enjoy the benefits of multilateral cooperation ‘after hegemony’. However, this benign view of the power of international institutions was accompanied by a number of caveats about the limits of multilateralism, including collective action problems in the provision of leadership, and the difficulty of coordinating large numbers and accommodating diverse preferences. That global governance is currently stressed is beyond challenge. It is far from clear that new forums, such as the G20, will be agile or coherent enough to substitute for the gridlock now visible on a range of issues areas, from trade to climate change.

A final source of liberal hopefulness is economic. This strand of thinking can be traced from nineteenth-century British liberal anti-imperialists like Cobden and Bright, through Angell and Schumpeter, to the present. The core argument is that capitalism is fundamentally pacific in nature because making money requires a stable international order. This should be even more true as economic interdependence becomes not only more substantial but also more intricate, for example, encompassing complex global production networks and supply chains. But this hope may be misguided as well. The problem is not only that some notable pariahs like North Korea are content with autarchy, or that others like Russia, Iran and Venezuela can finesse the restraining effects of interdependence through their power in commodity markets. The growth of demand from emerging markets is also creating patterns of South–South trade that are outside the reach of the advanced industrial core. Particularly nettlesome examples include Russia’s relations with Syria and Iran, and China’s support for North Korea. But the problem is broader, extending from China’s growing influence in Latin America and Africa, to Russia’s role in Central Asia, and Iran’s and Saudi Arabia’s ability to use oil

1. Were the title not portentous enough, it draws explicitly on A.J.P. Taylor’s classic *The Struggle for Mastery in Europe 1848–1918*. 

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money to finance the radical revival—both Shia and Sunni—in the Middle East and North Africa.

The larger analytic point is that liberal-institutional theories of world politics—long associated with hopeful and even idealistic prognoses for the post-Cold War era—in fact can be turned to more cautious and even pessimistic conclusions. The evolution of the international order will be driven by the choices of the United States and its allies, to be sure. But much depends on political developments in the emerging markets themselves, developments over which the United States and its allies exercise surprisingly limited influence.

2. Sources of Liberal Pessimism I: A Democratic Peace?

The core tenets of the democratic peace arguments are so well known that they can be restated briefly (for example, Russet & Oneal 2001). In one of the more empirically robust literatures in international relations, it has been shown that democracies are not only less likely to fight one another—a probabilistic claim—but that there are surprisingly few cases of wars between democracies in the entirety of recorded human history (Weart 1998). Two important extensions of the model go beyond issues of peace and war, to the peaceful resolution of disputes and risks of civil conflict. When democracies do face conflicts, they are more likely than other pairs of countries to resolve them through peaceful means; the democratic peace is not just a theory of war. Democracies are also less likely to experience debilitating domestic violence and civil conflict, which have been the major source of challenges to international peace and security since the end of the Cold War.

However, it is also well known that the democratic peace argument has an underside. Democratic states are by no means immune from security competition and wars with non-democracies. If the prospects for peace are at least partly a function of the scope of democratic rule, where do we stand?

Unfortunately, the picture is increasingly clouded. The Polity IV dataset provides a useful overview of global trends; Polity IV divides regimes into three categories: outright democracies, outright autocracies and intermediate ‘anocracies’, regimes that have some limited forms of political contestation and liberties but fall short of full democratic rule. As Figure 1 shows, the post-war period saw a steady increase in the number of democracies. But for the most part, the wave of decolonisation was associated not with an expansion of democracy but of authoritarian rule. This development was aided and abetted by the competitive realist logic of the Cold War, which produced acquiescence to authoritarian regimes on geostrategic grounds.

In the mid-1970s, however, the number of autocracies peaked as the so-called third wave of democratic transitions gained momentum. Particularly following the collapse of the Soviet Union and successful transitions in Eastern Europe, the number of democracies increased dramatically and the number of outright autocracies fell. Political liberalism was on the march.

Yet the early optimism about the prospects for democratisation has now dimmed somewhat (Kurlantzick 2013); Figure 1 suggests at least three reasons why the outlook is less hopeful. The first is that while the number of democracies did indeed rise and the number of autocracies fell, the number of intermediate regimes also increased quite sharply and has held roughly constant. We are now learning that ‘competitive authoritarianism’ (Levitsky & Way 2010) is not a transitional form but rather a distinctive type of political system that is surprisingly durable. Second, and more recently, the long democratic wave that began in the 1970s and crested following the end of the Cold War has stalled and might even be reversing. Nor are the cases at risk politically trivial. Among the countries that have experienced full or partial retreat from democracy in the post-Cold War era are Thailand, the Philippines, Sri Lanka, Pakistan, Russia, Nigeria, Kenya and Venezuela.

Finally, the mirror of a plateauing number of democracies and a steady share of
intermediate regimes is that the decline in the number of autocracies may also have hit limits. Among the remaining autocracies, two types are particularly troubling: those that have proven most durable, and are thus less likely to fade away; and those in which authoritarian rule masks deep weaknesses, even state failure, that are also not likely to reverse any time soon. Among the first groups are dominant party systems, including China and North Korea, that have surprisingly strong institutional foundations, states with theocratic elements such as Iran and Saudi Arabia, and a plethora of stable semi-authoritarian regimes such as Russia. Among the latter are the perennially problematic failed states: Afghanistan, Yemen, the Central African Republic, and perhaps even larger more significant regional powers such as Pakistan, Iraq and Nigeria.

In sum, the advanced industrial states do not face a world in which the march of democracy is ineluctable. To the contrary, the political environment remains politically heterogeneous, with a substantial number of authoritarian and semi-authoritarian regimes. Realist claims to the contrary, the challenges to American foreign policy arise not only from rising major powers, but from medium-sized and even small and declining authoritarian regimes.

What do we know about the sources of conflict between democracies and authoritarian regimes? The answers are by no means one-sided. Democratic countries may bear responsibility because they believe that ‘regime change’ of authoritarian systems would be in their material interests. Alternatively, they may believe that intervention can turn around perennially fragile states. Partly as a result of these twin risks, both defensive realists (Walt 2005) and liberal institutionalists (Ikenberry 2002) place particular emphasis on the importance of restraint in US foreign policy.

However, the risks of conflict between democratic and authoritarian regimes are also spawned by the foreign policies of autocrats. Jessica Weeks (2012) argues that personalist leaders and authoritarian regimes headed by military leaders are particularly conflict-prone; the former because they are unchecked, the latter because they bring military views of the world to the table.

But the sources of bellicose behaviour are not limited to the composition of ruling coali-
tions; as Solingen (1998) points out, strategies of legitimation also matter.

Democratic and authoritarian rulers both use nationalist appeals to political effect. But authoritarian regimes may be particularly prone to augment purely instrumental, material bases of legitimacy with nationalist appeals. China demonstrates clearly that these risks are not simply a result of top-down strategies that can be turned on and off, but involve complex interactions among authoritarian leaders, mobilised publics and emergent civil societies that are imperfectly under state control. Important research by Peter Gries (2004), Zheng Wang (2008), Susan Shirk (2007, 2010) and Jessica Weiss (2013) demonstrate how these political forces manifest themselves in foreign policy.

Gries and Wang show that beginning in the early 1990s, the Communist Party made a concerted effort to refashion state ideology through a wide-ranging ‘Patriotic Education Campaign’ targeting youth that included not only curriculum reform but memorials and media campaigns as well. A curious feature of the new ideological turn was to focus not on China’s more recent ascent, but on the ‘one hundred years of humiliation’ from the mid-1800s to the mid-1900s when China was bullied, attacked and ultimately torn asunder by imperialist interventions. ‘Rejuvenating China’ (zhengxing zhonghua) became a dominant political slogan during the Zeng Zemin era, but was defined in terms of resistance to foreign political influences rather than through reference to the country’s material successes. These state efforts merged with an increasingly aggressive commercial journalism that sold copy based on nationalist appeals (Shirk 2010).

These new political forces ultimately pose dilemmas for the leadership, including in the conduct of its foreign policy (Weiss 2013). On the one hand, the mobilisation of nationalist forces—including in the form of anti-foreign protests—allows authoritarian regimes to send costly signals of resolve, and thus generates a commitment to stand firm in any given conflict. On the other hand, such dynamics only send credible signals if they are genuine and place the government or even regime at some risk; as Weiss puts it, ‘rent a mobs’ are not credible. Yet precisely because such nationalist protest is risky for the regime, it of necessity creates constraints on state behaviour that are potentially destabilising, as conflicts over the Senkaku/Diaoyu Islands and the South China Sea demonstrate.

There are good theoretical reasons to believe that authoritarian regimes may be particularly prone to nationalist appeals given the absence of legitimation strategies involving citizen participation and representation. However, in one of the more interesting and subtle challenges to the democratic peace literature, Mansfield and Snyder (2005) suggest that liberalising polities and even new democracies may also share these vulnerabilities; Russia, Pakistan and now Egypt are crucial cases in this regard.

At the other end of the spectrum from well-institutionalised authoritarian and semi-authoritarian states are a plethora of failed states. These are typically coded as authoritarian not because of strong central government institutions but because of the fragmentation of authority among competing centres of power, typically a weak central government, regionally based warlords and/or rebel contenders. The humanitarian challenges of failed states were first noted in the 1990s (Helman & Ratner 1992), and they continued to motivate interventions in the post-Cold War period in Northern Iraq, Somalia, the Balkans and East Timor. But in the aftermath of 9/11, an altogether different set of concerns arose: that these weakly governed environments were potential sources of terrorism, other forms of violence and asymmetric challenges to major powers. Systematic empirical work now suggests that these concerns are legitimate. For example, Piazza (2008)—drawing on a dataset mostly from the 1990s—finds that failed states are statistically more likely to host terrorist groups that commit transnational attacks, have their nationals commit transnational attacks and are also more likely to be targeted by transnational terrorists themselves. Choi (2010) finds that more robust rule of law dampens terrorism. Summarising recent research, Erica Chenoweth (2013) extends the argument to
the post-9/11 period and suggests that non-democratic governments are more likely to experience terrorism.

These concerns, in turn, have fuelled interventions that constituted long-running policy challenges for the Western states, most notably in Iraq and Afghanistan; similar questions now loom large with respect to Syria. As the democratic peace literature predicts, democracies do not necessarily abstain from conflict with authoritarian regimes. One source of this finding is clearly the propensity to intervene in failed states that are seen to pose security externalities, either in their neighbourhoods or through staging areas and safe havens for more extensive terrorist networks targeting the advanced industrial states.

The main points to be made here are simple. The end of the Cold War appeared to promise a gradual, but nonetheless steady, march towards greater democratisation. And indeed, progress has been substantial; among the middle income countries in the G20, most are democratic (Korea, Indonesia, India, South Africa, Turkey, Mexico, Brazil and Argentina) and only three authoritarian (China, Russia and Saudi Arabia).

Nonetheless, the march of democracy has slowed. Competitive authoritarianism has revealed itself as a more enduring form than we thought, and the remaining autocracies may be precisely the most durable ones. Conflicts between democracies and autocracies involve political dynamics on both sides, but a number of features of these systems, including the greater weight of the military, high executive discretion in the conduct of foreign affairs and the complex politics of nationalism, are likely to pose ongoing foreign policy challenges. Moreover, these challenges are not posed only by rising powers, as power transition models presuppose. Rather, they can arise from countries with relatively limited but focused capabilities—Iraq prior to the American invasion, Iran and Syria prior to the civil war—and even from countries, such as North Korea, that are declining.

The category of persistent authoritarian regimes encompasses not only the durable, but also the highly fragile. Some of the more difficult foreign policy challenges of the post-Cold War period have centred not on rising powers or even more institutionalised authoritarian regimes, but precisely on weak states. Moreover, there is little evidence that the state-failure phenomenon is on the wane (Foreign Policy 2012); indeed, the analysis of the persistence of authoritarian rule reveals that a substantial share of these cases fall in the weak or failed state category.

3. Sources of Liberal Pessimism II:

Challenges to Multilateralism

The second component of the liberal model of international relations is the promise of institutionalised cooperation. If realists are interested in the conditions that give rise to conflict, and particularly overt militarised conflict, the liberal intellectual tradition places greater emphasis on prospects for cooperation. Not only do international institutions promise mutual gains in particular issues areas, but membership is postulated to restrain and socialise state behaviour more broadly; ceteris paribus, increased joint membership in international institutions reduces the propensity for outright conflict among the members (Russet & Oneal 2001).

Reducing the prospects for war is no mean feat, and we should applaud it. But this may be setting a low—if important—bar for what institutions can achieve. Moreover, liberals are not naïve about the conditions under which cooperation arises. Although cooperation yields joint gains and the provision of international public goods—almost by definition—membership in international institutions also entails sovereignty costs, as countries are expected to adjust policies in line with common objectives. An obvious postulate follows: institutionalised cooperation is more likely to occur among countries that have broadly similar domestic structures and preferences to begin with; put differently, cooperation is endogenous.

We, therefore, need to ask what effect the rise of new powers will have on the ability of international institutions to achieve cooperative outcomes. The challenges can be seen by looking
both at global institutions and the prospects for regional cooperation. The short answer is that the rise of new powers poses substantial challenges; relying on existing institutions to integrate and socialise new entrants into the status quo may reflect wishful thinking.

To demonstrate the problem, we begin at the global level with a crude but nonetheless interesting proxy: the extent to which BRICs have voted with the United States in the UN General Assembly over the post-war period. The theoretical range for any country is from −1 (never voting with the United States) to +1 (always voting with the United States). The results are shown in Figures 2–5. The patterns differ across the countries, but they suggest strongly that shared democracy is hardly an antidote to conflict within international institutions.

In India, a nearly continuous democracy, we see substantial volatility in the first half of the post-war period, but with a mean score that shows neither close alignment with nor opposition to US positions in the General Assembly. However, we then see a steady decline starting in the late 1970s, followed by a more consistently oppositional stance towards the United States from the 1980s forward. In the case of Brazil, affinity scores are reasonably high at the
outset of the post-war period, but fall steadily during the military dictatorship (1964–1985). Following democratisation they initially rise, but then retreat again starting in the late 1990s. This shift reflects in part the country’s—and the region’s—shift to the left during the first decade of the twenty-first century.

Russia also exhibits interesting dynamics associated with democratisation and the retreat from it. During the Cold War period, affinity scores were low, if volatile. Following the democratic transition, Russia showed greater affinity for the United States, but disaffection followed during the long Putin–Medvedev–Putin era. Chinese affinity scores show greater consistency over time: they are low from the time China enters the world body, and they remain low to this day.

If global institutions face constraints associated with large numbers and highly divergent preferences, what about the possibility that regional institutions might prove more tractable? Table 1 provides a comparative analysis of Europe with two regions in which the United States has shown an interest in fostering multilateral institutions: the Asia Pacific and the Western Hemisphere. The Asia Pacific is defined in two alternate ways: by membership in the East Asia Summit—a trans-Pacific outgrowth of the Association of

Note: Values between −1.0 and 1.0, with 1.0 = perfect voting affinity.
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<th>Europe mean</th>
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<td>GDP per capita</td>
<td>31,190</td>
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<td>Polity IV</td>
<td>9.6</td>
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<td>Economic freedom: overall index</td>
<td>67.70</td>
<td>6.33</td>
<td>63.45</td>
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<td>Trade and investment freedom</td>
<td>81.91</td>
<td>5.87</td>
<td>60.38</td>
<td>14.04</td>
<td>66.62</td>
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<td>UNGA voting with United States</td>
<td>0.23</td>
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<td>−0.39</td>
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**Notes:** EU countries: Germany, France, United Kingdom, Italy, Spain, Poland, Romania, Netherlands, Greece, Portugal, Belgium, Czech Republic, Hungary, Sweden, Austria, Bulgaria, Denmark, Slovakia, Finland, Ireland, Lithuania, Latvia, Slovenia, Estonia, Cyprus, Luxembourg, Malta. EAS countries (after 2010): Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand, Vietnam, United States, Russia. APEC countries: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Mexico, Malaysia, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, United States, Vietnam. Western Hemisphere countries: Argentina, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, El Salvador, Suriname, Uruguay, United States, Venezuela. APEC, Asia-Pacific Economic Cooperation; EAS, East Asia Summit; GDP, gross domestic product; UNGA, United Nations General Assembly.
Southeast Asian Nation process—and by membership in Asia-Pacific Economic Cooperation (APEC), which includes not only Asian and North American countries but a handful of Latin American ones as well. The Western Hemisphere is defined as the countries of North, Central and South America, omitting for the purpose of the exercise the smaller Caribbean countries. The table compares the Europe of the EU with the two Asian and Western Hemisphere groupings using indicators designed to capture levels of economic and political development, economic policy, and international alignments. The table reports mean values on the indicators and their standard deviation as an indicator of heterogeneity.

The table suggests strongly why the European experience of a tightly integrated security and economic community—despite its current stresses—is unlikely to be reproduced elsewhere. Europe is very much richer on average than the Asian and Western Hemisphere groupings, although the incorporation of the Southern and Eastern European countries has resulted in a more economically diverse union encompassing advanced and middle income countries. However, the differences between developed and developing countries are even more evident in the Western Hemisphere and the two Asia-Pacific groupings. If we look at domestic political structures—the topic of the previous section—we see evidence that Europe rests on a solid democratic foundation. The EU is made up entirely of democracies; indeed, it is a prerequisite for membership. Latin America has become more democratic, but political heterogeneity in the Asia Pacific remains substantial. APEC has a mean score on regime type that is just below the standard threshold for democratic rule (6 on the Polity scale from −10 to +10), but the standard deviation of regime type in APEC is roughly equal to the mean. For the East Asia Summit grouping, average democracy scores are lower and the standard deviation is even higher.

These structural differences are mirrored in more direct measures of policy preferences that are likely to be germane for understanding the prospects for cooperation in these two regions. An aggregate measure of ‘economic freedom’ constructed by the Heritage Foundation and Wall Street Journal has a strong libertarian foundation, capturing property rights, freedom of movement for labour, capital and goods—including trade and investment—as well as measures of the fiscal burden and price stability. Surprisingly, the mean value of this indicator (although not the standard deviation) for the pan-Pacific APEC grouping is not that much different than Europe, where larger governments and labour market policies depress scores.

However, when we isolate two dimensions of the index dealing with economic openness—trade and investment freedom—we see that Europe has a much higher mean score and with much lower variance than the Asian and Western Hemisphere groupings. Although economic reforms have dramatically shifted the political economy of the Asia Pacific and Latin America over the last several decades, differences in both level of development and openness to foreign trade and investment place well-known limits on the ability to reach overarching economic agreements; American ambitions to construct either a Free Trade Areas of the Asia Pacific or a Free Trade Area of the Americas remain distant prospects.

Finally, these differences extend to the high political level as can be seen by revisiting the UN General Assembly affinity scores. Trans-Atlantic affinities are visible in the fact that Europeans vote more consistently with the United States—although hardly in lockstep—than the Asian or Latin American groupings. In both the Asia Pacific and Latin America, however, we see a reprise of the findings with respect to the BRICs: the affinity score with the United States is on average negative, although with high variance.

What do these findings suggest about the prospects for multilateral cooperation looking forward? A first point to make concerns the problem of large numbers. The dispersion of power in the system has not only been associated with the rise of new poles of power but a more general growth in the membership of a number of core international institutions. The inclusion of developing countries has obvious

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advantages; for example, the Uruguay Round and the founding of the World Trade Organization constituted the broadest multilateral trade agreement in history, with developing countries playing a crucial role. Recent negotiations over the allocation of quota in the International Monetary Fund (IMF) have shown a willingness to accommodate rising powers at least at the margin. In return, a number of these countries—including China, Russia, Brazil, Korea and India—reciprocated by making important material contributions to the IMF’s resources.

However, the fact that the Doha Round and negotiations on climate change have recently stalled is not coincidental to the entry of these new players; it reflects both the downside of large memberships and the increasing difficulty of accommodating highly divergent preferences in global negotiations. As David Victor (2011) has shown convincingly with respect to climate change, the presumption that countries with highly diverse regulatory regimes could negotiate and enforce caps on greenhouse gas emissions is increasingly in doubt. The outcome of the Copenhagen summit also showed in dramatic form that these differences are not easily finessed through small group meetings among the major actors if they do not see eye to eye on fundamentals. These difficulties are reproduced at the regional level. In both the Western Hemisphere, and particularly in Asia, a complex web of overlapping regional institutions have emerged (Haggard 2013). Nonetheless, the large numbers and divergent preferences in these bodies have pushed them in the direction of lowest-common-denominator agreements.

We should not be alarmist; these difficulties do not presage the collapse of multilateral institutions, which continue to demonstrate their utility and durability. But politics within these institutions will become more difficult. As the major multilateral institutions become more diverse, the deepening of cooperation is likely to occur among smaller groups of like-minded countries rather than through global agreements or broad regional ones incorporating many members. This fragmentation, in turn, raises additional challenges of institutional design. How do we reconcile diverse trade agreements? How do incentives to participate in global agreements—including, for example, environmental ones—shift as major players withdraw into more narrow ones and the gains from participation fall as a result? Can we assume that alternative forms of organisation on the part of rising powers—some of which explicitly exclude the United States—will necessarily redound to American benefit? Before considering those questions, it is important to consider more briefly the third leg of the liberal-institutionalist tripod: the promise of interdependence.

4. Sources of Liberal Pessimism III: New Sources of Demand, New Sources of Influence

The reasons for the commercial peace began with the simple observation of the opportunity costs of war. At a deeper, sociological level, the important work of Etel Solingen (1998) showed that interdependence moderates foreign policy behaviour because it is ultimately rooted in underlying political coalitions with stakes in existing political–economic relationships. Whatever the underlying source of the finding, most—although not all (Barbieri 1996)—empirical studies have found an inverse relationship between interdependence and overt conflict (Russet & Oneal 2001).

Just like arguments about the democratic peace and the benefits of multilateral institutions, these economic accounts need to be approached with appropriate scepticism. A quite different strand of work on economic interdependence—beginning with Hirschman’s classic statement—started with the premise that it was a potential source of power and dependence (Hirschman 1980). Indeed, strategies of engagement—drawing emerging powers into networks of interdependence—seemed to assume myopia on the part of the target: that it would not notice that greater interdependence might expose the country to greater vulnerability over time. Yet, even if economic ties are not directly manipulated to political ends, we have to ask what global patterns of economic integration look like. Who is integrating with whom and with what effect?
Figure 6 looks at patterns of final import demand since the end of the Cold War. The major trends to be observed are in the mutually exclusive high income and middle and low income categories; these are subsequently disaggregated into the EU (treated as a group), the United States and Japan—the three major legs of the advanced industrial state triad—and the BRICs, clearly dominated by China.

Several patterns emerge. First, the advanced industrial states still account for a substantial share of total demand; moreover, this would no doubt rise if we considered only final demand, as some share of imports into the middle and low income countries is in the form of parts and components destined for re-export. Nonetheless, the share of low and middle income countries in final demand has risen by 10 percentage points in the last decade, reflecting in part growing South–South as well as North–South trade.

The political implications of these patterns are by no means straightforward. Developing countries—including China—are still heavily dependent on advanced industrial state markets as the engine of their growth. Moreover, as they are integrated more tightly into international production networks, asset specificity rises and dependence on final demand becomes more not less important. Financial ties also pose constraints. Although there is ongoing debate about the leverage that China’s surpluses might pose to the United States, the consensus is that China is as constrained by the sheer magnitude of its Treasury holdings as the United States is. There is precious little way that China could manipulate or even extricate itself from its co-dependence on US financial markets without catastrophic losses of its own (Drezner 2009). As Edward Steinfeld (2010) puts it, China—and emerging markets more generally—are ‘playing our game’.

However, just as China might be constrained with respect to its broader dependence on the United States and advanced industrial states, quite similar arguments have surfaced around the tremendous pull exerted by the China market in its regional domain. We cannot have the argument both ways: we cannot claim that China is ultimately constrained by its ties with the United States while simultaneously neglecting the way in which growing interdependence with China may have similar effects on the foreign policies of smaller countries.
Growing intra-Asian integration and a new centre of economic gravity in China could produce the dreaded bandwagoning that realists so fear, as weaker, dependent trading partners accommodate not only Chinese economic but also strategic interests. Such developments could even culminate in a regional economy and institutions from which the United States and other countries outside the region would be excluded altogether.

Yet, even if these more pessimistic assumptions do not materialise, deepening economic integration with China and other emerging markets could nonetheless provide the basis for three unwanted developments, the first of which goes to domestic political economy questions. Western firms with strong stakes in emerging markets also become vested interests in not rocking the political boat, including with respect to policies that may be designed to check or restrain the military and other capabilities of rising powers. The most obvious example of these dynamics is in the politics of export controls on China, but the issue can be replicated in any emerging market where firms have stakes that may not comport with the strategic interests of their home governments.

The growing weight of emerging markets also complicates diplomacy by reducing leverage. The ability to coordinate sanctions on countries such as North Korea, Iran and Syria constitutes an example of the dilemma. As North Korea has been sanctioned by the United States, Japan and South Korea, the pattern of its trade has shifted ineluctably towards China. This shift gives China greater leverage in theory, but it has to date chosen not to exercise it, in effect enabling North Korean belligerence. Similar patterns are in play with Russian support for Iran and Syria.

In sum, arguments for the commercial peace are highly plausible, but they constitute a kind of two-edged sword. On the one hand, the advanced industrial states do remain a substantial, but declining source of final demand in the world economy. Although South–South trade has grown, the emerging markets still depend heavily on a world economy dominated by the North. Yet, at the same time, it is undeniable that a shift in patterns of final demand is taking place, and new lines of commercial influence are developing among emerging markets. These commercial ties not only provide the foundation for influence, but they weaken the capacity of the advanced industrial states to sanction, constrain or even engage adversaries operating in ‘parallel universes’ of international trade. These problems of influence are particularly visible in states that largely eschew interdependence with the world economy or enjoy the immunities granted by endowments of valued natural resources: North Korea, Iran, Syria and Venezuela provide examples from the headlines, but they by no means exhaust the list.

5. Conclusions: Structure and the Limits to Strategy

Post-Cold War triumphalism has given way to a more sober view of the foreign policy challenges associated with a more multipolar world characterised by rising middle income countries. Realists argue that it is impossible to divine intentions, that intentions can change, and that the prudent policy is to balance against rising power rather than to accommodate it. In this view of the world, serious conflicts of interest are unavoidable, and neither international institutions nor economic interdependence provide much solace.

Against these arguments, liberals have countered that clever strategy can prolong the Pax Americana—the world shaped by the United States and its European and Asian allies—perhaps into the indefinite future. International institutions provide one tool for incorporating and socialising rising actors; indeed, they might even be convinced to share the burdens of providing public goods through collective leadership. Moreover, the collapse of state socialism has left few ideological alternatives to the market. Try as they might, the successful emerging markets have little choice but to engage in the world economy.

I have argued that while liberal theories of international relations are certainly plausible, the liberal canon by no means drives towards a sanguine view of the current international order. There are at least three sources of liberal
caution if not outright pessimism. The first and most fundamental has to do with the nature of domestic politics in the developing world. There is ample evidence that democracies pose fewer risks than authoritarian regimes, and as a result there are fewer risks in accommodating them; US accommodation of Indian nuclear ambitions provides a virtual textbook case of how domestic political institutions influenced grand strategy. The problem is that a number of emerging powers—most notably China and Russia—are not democratic. Nor are rising autocracies the only source of the foreign policy challenges the United States and its allies face; indeed, some of our worst policy headaches emanate not from rising powers but from static or even declining autocracies that nonetheless appear politically stable: Iran and North Korea are examples. In addition to these problems, even larger challenges have been posed by interventions in failed states that appeared to pose asymmetric threats but ended up as conventional quagmires.

Cutting across regime type is the problem of conflicts that arise out of nationalist strategies of legitimation. These strategies have emerged in both transitional democracies and in authoritarian regimes, fearful that instrumental appeals will ultimately be used against them. However, just as authoritarian leaders are concerned about delivering on material promises, so can they be pinned down by publics over nationalist promises as well.

Second, the political payoffs from institutions should not be oversold either. Institutions facilitate cooperation, but as social scientists have noted, there is selection into international institutions; its fine to say that cooperation is good, but the conditions for effective cooperation are bounded. Emerging markets bring quite different domestic structures, institutions and preferences to the table, all of which complicate bargaining over new rules and enforcement of existing ones. The politics of international institutions have become more contentious, with the largest risk being not collapse but simply deadlock; this risk is most evident in the areas of trade and climate change.

Finally, interdependence offers an important source of moderation, particularly as the division of labour becomes more intricate through the growth of international production networks. But as with our discussion of democracy, many of our adversaries are weakly integrated into world markets or are integrated with countries—including the emerging markets—that do not share our policy preoccupations. Others are capable of finessing the constraints of interdependence on policy through their power in particular commodity markets; it is perhaps not coincidental that a number of our most thorny policy problems arise from oil exporters, including not only the usual suspects—Russia, Venezuela and Iran—but Saudi Arabia as well.

The policy implications of this cautionary tale are by no means straightforward, but it may nonetheless support a liberal foreign policy agenda. First, we need to worry less about balancing power and more about a diplomacy that will help shape domestic political change in a more open and less nationalistic direction. As the United States withdraws from Iraq and Afghanistan, it hopefully walks away with some painful lessons about the risks of regime change in countries with few of the prerequisites for robust democratic rule. But in those countries where endogenous processes of democratisation are at work—however messy—we should be aggressively supporting them; the Middle East remains the central theatre in this regard. With respect to more durable authoritarian regimes, the findings here suggest that the greatest risk of containment strategies is not in the short-run spiral responses they may generate. The greatest danger of standing firm may lie in shaping the domestic political arena in ways that are adverse to our long-term interests, particularly in generating nationalist enmity.

With respect to multilateral cooperation, a strategy of engagement is certainly better than the costly unilateral posture that the United States struck in the wake of 9/11. But we need to be modest about what can be achieved through broad multilateral ventures; the era of the grand bargain, such as achieved in the Uruguay Round trade negotiations or held out as a promise with respect to climate change, may be over. As a result, it will be imperative
to adjust expectations of what can be achieved through broad groupings, such as the G20 and the East Asia Summit, and look to smaller groupings of like-minded states that can generate more demonstrable gains from cooperation. The Trans-Pacific Partnership will be a critical test of the ‘cascade’ theory of institutionalisation, under which membership in high-yielding agreements serves to attract new members.

Finally, continued economic absorption of new entrants probably poses the greatest policy challenge looking forward. The moderating gains from greater economic integration are real but so are the costs. After see-sawing for several decades, evidence once again appears to be mounting that the economic integration of newcomers, and particularly China, can in fact have deleterious effects on employment and wages in the advanced industrial states. As on so many other fronts, the ultimate liberal warning is that domestic politics and political economy in the United States—the capacity to resolve fiscal fights, invest in needed public goods, including human capital and return to robust growth—will be a more important determinant of international politics than grand strategy as typically conceived.

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References


