

Globalisation promotes peace

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This column claims that bilateral trade interdependence reduces the probability of inter-state military conflict. Moreover, global trade openness lowers the probability of conflict with the bilateral trade partner by a larger magnitude than bilateral trade does alone.

"Since Adam and Eve were expelled from the Garden of Eden, the Four Horsemen of the Apocalypse have wrecked their havoc on mankind." Thus did the late Herschel Grossman begin his 2003 [Timlin lecture](#); he was referring to the biblical ravages – famine, disease, natural disaster, and war. In modern times, science and technology have helped mitigate the worst of the first three.

War, which is caused by humankind itself, remains the most difficult to deal with, despite all the achievements of science and our most profound humanistic thinking.

How can the world achieve "perpetual peace"? Smooth diplomatic and political relationships have traditionally emanated as much from ties brought on by economic interdependence as they have from kinship. The "liberal peace" view — traced back to Kant, Angell, and Schumpeter — stresses that mutual economic interdependence can indeed be a conduit of peace. Greater bilateral economic interdependence limits the military incentive for interstate belligerency. A state that is more trade-dependent is less likely to fight a partner when a larger trade-derived gain is at stake. Business elites — who benefit most from increased economic interdependence — also lobby for restraint when the state opts to consider military force against an important trading partner.

Arguments against "liberal peace" are many. Dependency theorists and neo-Marxists, for example, argue that asymmetric interdependence can lead to the exploitation of national resources by the senior trading partner, threatening the national autonomy of the junior partner. The litany of history's wars that evolved out of trade disputes bears witness to this unfortunate fact.

Bilateral trade deters military conflicts

In a recent paper (Lee and Pyun 2008), we assess the impact of trade integration on military conflict based on a large panel data set of 290,040 country-pair observations from 1950 to 2000. Results show that an increase in bilateral trade interdependence reduces the probability of inter-state military conflict between the two partners. If bilateral trade volume increases 10% from the world mean value, the probability of military conflict between the two trading partners decreases by about 0.1% from its predicted mean probability, other variables remaining constant. The peace-promotion effect of bilateral trade integration is significantly higher for contiguous countries that are likely to experience more conflicts. For example, an increase of 10% in bilateral trade volume lowers the probability of military conflict between two contiguous states by about 1.9%.

Global trade openness promotes peace

More importantly, our study finds that global trade openness also significantly promotes peace. An increase in global trade openness would reduce the probability of military conflict as it leads to an increase in bilateral trade interdependence. However, when the level of bilateral trade interdependence is held constant, the effect of increased *multilateral* trade openness on the probability of bilateral conflict is not clear. Countries more open to global trade may have a higher probability of dyadic conflict if multilateral trade openness reduces bilateral dependence on any given country, thus lowering the opportunity-cost of military conflict. In a recent paper, Martin, Mayer, and Thoenig (2008) find that an increase in multilateral trade raises the chance of conflict between states (see their [Vox column](#)). In contrast to their findings, however, our study finds that *multilateral* trade openness in fact lowers the probability of dyadic conflict with the bilateral trade partner, and by a larger magnitude than bilateral trade does alone. An increase in global trade openness by 10% from the world mean value decreases the probability of the dyad's military conflict by about 2.6% from its predicted mean.

The results may derive from the fact that an open global trading system will prevent a state from initiating a war against any trading partner because other trading partners in global markets prefer to do business with a "peaceful" player. Hence, global trade openness of the dyad can reduce the incentive to provoke a bilateral conflict. We also think that open states can be more peaceful because they become more susceptible to political freedom and democracy. They apply international law better and employ good governance. Trade openness can also lead to an "expansion of bureaucratic structure," which concerns itself with economic interests in addition to security interests — and is thus less likely to support military action.

Therefore, globalisation promotes peace through two channels: one from the increased advantage peace holds for bilateral trade interdependence and the other from a country's integration into the global market, regardless of the size of trade with each trading partner. "Globalisation" has been one of the most salient features of the world economy over the past century. Emerging markets and developing countries continue to integrate into the global trading system. World trade has increased rapidly, particularly since World War II — from 18% of world GDP in 1950 to 52% in 2007. At the same time, the number of countries involved in world trade has also increased significantly. However, despite the increase in the number of country pairs between which conflict is possible, the probability of dyadic military conflicts has decreased.

Our findings suggest that trade integration not only results in economic gain but can bring about significant political gain as well — such as a significant "peace dividend" between trading partners. It also explains why regional or global economic integration is often initiated to satisfy political and security motives. For example, the *raison d'être* behind the formation of the EU following World War II was the desire for peace — particularly between France and Germany.

In response to the current financial crisis and economic recession, some countries have resorted to trade-restricting measures to try to protect national businesses and jobs. The world should remember that protectionism in the interwar period provoked a wave of retaliatory actions that not only plunged the world deeper into the Great Depression but also put international relations at greater risk.

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References

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