

Choosing Sides: Economic Interdependence and Interstate Disputes

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Abstract: Recent work on economic interdependence and conflict has focused largely on explaining whether trading states fight each other while ignoring the possibility that trade has broader political implications on state behavior. In this study, I claim that states' trade interests affect their decisions to militarily assist their partners in armed conflicts and their choice of sides. The empirical analysis offers evidence that economics shapes the expansion of conflicts to third-party states. When third-parties have important trade interests in a conflict participant, they join with their partners to protect their economic stakes against the potential externalities of armed confrontations. Yet, in cases where an outside state has interests in opposing sides of the conflict, it does not support one trade partner against another and abstain from joining on either side.

What are the factors that make states join an ongoing armed conflict? Why do states perceive some conflicts as threats to their interests and others not? The Haitian raid of the Dominican Embassy in Port-au-Prince in April 1963 was the beginning of a conflict between Haiti and the Dominican Republic which terminated a month later with the successful diplomatic attempts of OAS (Organization of American States). Though the Caribbean strife did not lead to any human loss, there was a dramatic decrease in the production of sugar and bauxite – the raw material from which aluminum is made, and the conflict became a major problem for foreign investors and traders (Rutter 1963). The US, Canada and Britain joined on the side of the Dominicans and issued threats to use force against Haiti. All three joiners were powerful states seeking to expand their influence in a region that they had historical ties. The US and Canada were also geographically close to the conflict parties increasing the conflict's importance to the joiners. Besides, the joiners had significant economic interests in the region. The US was the most important trade partner of the Dominican Republic: in 1962, 81.9% of Dominican exports including coffee, cacao, tobacco and sugar were going to the US (Hall 2000). The most profitable agricultural activity, sugar, was largely controlled by British and American firms whereas the extractive industries such as bauxite and nickel were dominated by Canadian and American conglomerates (Harbron 1970; Litvak and Maule 1980).

Instances of joining ongoing interstate conflicts in which third-party states had economic as well as political interests in the conflict parties abound. However, the extent to which economic considerations may drive third-party states' decisions is an interesting question that has animated little attention in previous research. Most studies of conflict expansion hinge largely on examining the role of borders and alliances in states' joining behavior (e.g., Gartner and Siverson 1996; Siverson and Starr 1990; Smith 1996). While states considered a broad range

of factors before entering an ongoing interstate conflict in the real world, conflict expansion studies failed to develop models that more closely approximate the reality. The study of conflict expansion also remained a peripheral area of conflict studies. Research on democratic peace has only slightly touched the link between regime type and states' incentives to join conflicts (e.g., Reiter and Stam 2002). Studies of interdependence and conflict mostly focused on the initiation stage and rarely investigated whether economic motives also have a role to play in other conflict processes (Barbieri 1996, 2002; Oneal and Russett 1997, 1999a, 1999b; Polachek 1980).¹

Borrowing from the findings in the interdependence and conflict studies, this article claims that economic interdependence in the form of bilateral trade is a critical factor in understanding whether an ongoing conflict will be joined by third-party states and on whose side it will be joined. I argue that states that are interdependent with the conflict participants have a strong incentive to enter these conflicts on the side of their trade partners while avoid supporting the opposite side. I base my argument on a common assumption in the interdependence and conflict debate that conflicts present additional opportunity costs to trading states in the form of lost or reduced trade which lead them to keep peaceful relations with each other. This, I claim, is a limited interpretation of the trade externalities of conflicts: such externalities are not limited to belligerents but might also adversely affect the third-party states that have trade ties with them. Leading to an unstable and risky market, interstate aggression can affect the performance of national economies and the trust of investors and traders. Third-party states that are interdependent with conflict participants fear disruption of trade and are prone to enter conflicts to head off such externalities and protect their economic stake. In this respect, economically minded third-parties would join on the same side with their partners in conflicts and militarily assist them.

I begin in the next section by explaining the logic underlying this argument. I test the implications of this framework against militarized interstate dispute cases from the 1870-2001 period. The results suggest that economic interdependence has a strong and robust effect on the decision to join and choice of sides: third-party states are significantly more likely to take sides with their trade partners in disputes that they are involved in and are less likely to support the opposing side. Yet, when they are interdependent with both sides of the conflict, states abstain from joining on either side. In the final section, I discuss the implications of this framework.

Explaining the Decision to Join with an Integrated Framework

“We know very little about the decision-making process that leads some nations to remain neutral while others join ongoing wars” (1979, 87). Altfeld and Bueno de Mesquita made this observation about the state of the field more than two decades ago. Except for a few studies on the expansion of armed conflicts to third-party states, not much has changed. The research strategies in the study of states’ joining behavior often considered limited explanations and tested for the individual effect of alliances, geographical proximity, major power status and power rather than simultaneous models that include a wide variety of influences on state behavior. This study builds a multicausal model of joining and choice of sides in conflicts on existing research and benefits from trade and conflict studies for a broader approach to conflict expansion.

Except for a few studies in the democratic peace and extended deterrence literatures (e.g., Huth and Russett 1984; Reiter and Stam 2002), scholars have not examined the relationship between economic interests and third-party states’ decisions to join ongoing conflicts.² The study of interdependence and conflict put heavy emphasis on understanding conflict initiation and has not adequately explored interdependent states’ behavior if one of them engages in an armed

confrontation with another state (e.g., Gartzke 2007; Oneal and Russett 1997, 1999a, 1999b; Polachek 1980).³

Central to most empirically based views in the trade-conflict debate is the assumption that trading states bear not only the costs of conflicts but also the costs of lost trade in conflict times and would, therefore, avoid aggression as a solution to their disagreements. The framework here also works from the opportunity costs assumption which is a limited interpretation of the trade externalities of conflicts.⁴ Armed conflicts are not isolated events that affect only the economic well-being of the adversaries. The economic fate of nations is closely intertwined and armed hostilities have the potential to disrupt the relationship of conflict states with their trading partners. Oneal and Russett's (1997) argument reflects this point; "...trade is a mutually beneficial interaction, *giving each party a stake in the economic well-being of the other*" (270, italics added).

Hence, conflicts do not only hurt the participants but have broader economic implications that also harm third-parties' interests. States are concerned with the political and economic stability of their partners and have an incentive to produce policies to protect their important economic interests. Third-party states to an ongoing conflict anticipate the loss of trade for several reasons which give them an incentive to enter the ongoing conflict to protect their economic partners. Armed conflicts have the potential to destroy efficient trade routes, infrastructure and productive resources as they escalate to higher intensity levels. The chaotic conflict environment leads to political instability and difficulty with implementing contracts, and increase transportation and insurance costs. Increasing costs and disruption of economic exchange have serious political and economic implications especially for third-party states.

Real life examples support this point. In low-key interstate aggression, the possibility of escalation and uncertainty of conflict outcomes increase the risk to interdependent third-party states. In the late 1970s, hostilities between the African states frequently resulted in the blockage of trade routes that linked several countries. The costs of these blockages amounted to millions of dollars and especially affected the third-party states “whose shipments were held up by the disagreements between their neighbors” (Kaufman 1977). In intense conflicts, trade disruption is an inevitable consequence of fighting as recognized by many scholars. In 1969, the Soccer War between Honduras and El Salvador undermined the Central American Common Market which was in its infancy. The air raids of Honduras on the Salvadoran territory targeted the Shell and Standard Oil facilities which jeopardized the potential foreign investment in the area (Maidenberg 1969). Keynes had similar observations from his analysis of the economic readjustment in the post-World War I period; “...in the long run, losers laid waste by economic ills would contaminate their partners in trade and bring chaos to the entire system” (quoted in Organski and Kugler 1977, 1358).

Armed conflicts also transform national economies. Threats from abroad lead to militarization efforts which might lead to the reallocation of resources and change in production patterns. Increasing hostility and intense fighting force states to mobilize critical resources and restructure the economy so that they can manage industrial organization, capital, manpower and agriculture for military preparedness (Milward 1977). Conflicts also cause collateral damage and destroy productive assets within the conflict zone which further restrict production through material shortages, and loss or flight of manpower. Though most hostilities start and terminate as low-intensity conflicts, each contains in it the seeds of escalation. To protect their economic

stakes, third-party states formulate policies that avoid the conflict from having serious economic and social consequences on the domestic economy of their partners.

Aside from the destruction and instability that conflicts can lead to, they may result in unfavorable outcomes for a third-party state if the adversary of its trade partner succeeds in altering the status quo. In this case, the winner can force the loser to make concessions that can economically hurt the joiner. Also, the winner can attempt to exploit the trade dependency of third-parties to extract political and economic concessions (Huth 1988). In this respect, not only the adverse effects of the conflict but also the possibility of undesirable outcomes drives interdependent states' decisions to join.

Together, these considerations point to the economic implications that trade partners of the states experiencing a conflict would want to avoid. Therefore, economic stakes might have a fundamental impact on states' decision to join ongoing conflicts and their choice of sides. To avoid the costly economic consequences of a militarized confrontation, third-parties band with their partners to protect economic exchange against potential disruptions and secure a stable environment for trade. Joining against its trade partner would complicate a joiner's economic relationship with its partner. Most importantly, this would further aggravate the economic consequences of the conflict on its partner's economy given that it would now have to confront two states willing to fight on the same side. It follows from this discussion that states join in with their trade partners in armed conflicts to maintain the efficient level of trade.

H1: A potential third-party joiner that is economically interdependent with the state in conflict is more likely to join the conflict and take sides with its trading partner.

Third-party states' decisions of joining take into account a much broader and complex environment. Joiners simultaneously consider their economic ties to both sides of the conflict. If they are engaged in economically important trade with both parties, their willingness to intervene in the conflict disappears. In other words, economic ties between the potential joiner and the state in conflict will not lead to military support to its trade partner if the joiner also has important economic ties to the other side of the conflict. For instance, Papayoanou's (1999) work shows that balancing against the threatening state(s) is more likely to succeed when there are strong economic ties between status quo powers that make up the balancing coalition. In cases where states in a balancing alliance also have important economic ties to the revisionist state(s), the deterrent effects of the balancing coalition are limited. As such, if the status quo powers are also economically interdependent with the revisionist states, they cannot fulfill their commitments. Societal interests favor minimizing interstate hostilities and accommodating the 'enemy' to sustain trade. In this situation, domestic economic interests in the status quo states do not converge with international promises.

The same logic can be fruitfully applied to the framework suggested here. The expected behavior of the joiner is a matter of its interest in both sides of the ongoing conflict. It cannot be realistically assumed that the joiner is considering its economic relation with the conflict participants one at a time. In this regard, if the third-party joiner is also economically interdependent with the other side, then, it is disinclined to intervene and become embroiled in a conflict with a trade partner to protect another trade partner. While the joiner's trade ties with a state in conflict are positively related to joining, its trade ties to both sides would offset the impact of its trade relationship with just one side. The following hypothesis reflects this argument:

H2: *A potential third-party joiner that is economically interdependent with both sides of the conflict is less likely to join the ongoing conflict.*

Previous Research on Conflict Expansion

Contiguity. Previous research on conflict expansion showed that spatially proximate countries are more likely to join an ongoing conflict (Most and Starr 1980; O’Loughlin 1986; Siverson and Starr 1990). Geographically proximate states share the same security environment and are directly exposed to the security externalities of armed conflicts in the neighboring countries. Neighboring states are also more able to influence the course of events in each other’s conflict as proximity facilitates the efficient use of military capabilities (Siverson and Starr 1990). For these reasons, geographical contiguity is positively related to joining: an outside actor (B) would be more likely to join an ongoing conflict (on either side) if it is contiguous with the conflict state (A). I measured contiguity as a dichotomous variable that takes on a value of 1 if A and B are land contiguous or are separated by up to 150 miles of open water (Stinnett et al. 2002).

Alliances. In the conflict expansion literature, alliances are also hypothesized to increase the likelihood of conflict joining though the evidence is mixed (Siverson and Starr 1990). Smith (1996) reports that an allied nation is only 25% more likely to join an ongoing war compared to a non-allied nation whereas Leeds et al. (2000) show that alliances are reliable when the specific conditions of military assistance in alliance treaties are taken into account. A commitment to provide military assistance in conflict times as a formal defense pact would give stronger incentives to policymakers to formulate joining policies.⁵ Thus, a potential joiner that is

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committed to provide defensive support to the state in conflict is more likely to join and take sides with its ally. Alliance is measured as a dichotomous indicator marking whether A (conflict state) and B (potential joiner) are linked by a mutual defense pact (Gibler and Sarkees 2004).

Major Power Status. Research in the conflict expansion literature has suggested that major powers are more likely to join ongoing armed conflicts (Altfeld and Bueno de Mesquita 1979). Most studies approach major power status as an indicator of a third-party joiner's military capabilities. Major powers can also join conflicts to preempt the influence attempts of another powerful actor on conflict participants. Therefore, this factor may further indicate a state's incentives to police world events for ideological, economic and military-diplomatic reasons. In this respect, a major power is more likely to join an ongoing conflict than a minor power. Major power status of the potential joiner (B) is a dichotomous variable marking whether it qualifies as a major power according to the Correlates of War (COW) classification (Small and Singer 1982).

National capacity. Powerful countries have more economic and military capabilities to finance military adventures abroad and to mobilize for the joining effort. They are also more likely to have a substantial influence on conflict outcomes which would give them greater incentives to enter an ongoing conflict. Therefore, joining will be a positive function of national capabilities. National capacity is measured as B's (potential joiner) national material capability (CINC) scores from the COW Project (Singer et al. 1972). I have introduced the natural logarithm of B's CINC scores into the analysis to avoid a potential bias due to the discrepancies of power between joiners.

Joint Democracy. A fairly limited literature that studies the decision to join based on political institutions can be found in the democratic peace studies. These studies examine third-party involvement in ongoing interstate conflicts as an extension of the pacific relationship

between democratic states (e.g., Chan 1984; Doyle 1986). However, empirical evidence for the democratic diffusion proposition is mixed. For instance, Reiter and Stam (2002) show that democratic states are not especially likely to protect a democratic target or support a democratic belligerent. On the other hand, Doyle (1986) suggests that democratic states bandwagon with other democracies in interstate conflicts “...when states are forced to decide on which side of an impending world war they will fight” (1156). Huth (1998) and Raknerud and Hegre (1997) also provide empirical evidence that supports the democratic diffusion hypothesis. In this study, I control for the effect of joint democracy on joining behavior. I measure joint democracy as a dichotomous variable. First, I have rescaled each state’s democracy-autocracy scores from Polity III by adding 10 and dividing by 2 which gives a 0-10 range (Jagers and Gurr 1995). The ‘joint democracy’ variable takes on a value of 1 if both the conflict state (A) and potential joiner score at least 7 on this index and 0 otherwise (Gartzke 2007).

For a more appropriate test of the logic behind the joint democracy factor, I have also accounted for the possibility that the potential joiner considers the regime type of both sides to the conflict. This is especially important if the joiner, the conflict state and its adversary are concurrently democratic. To test for this argument, I have created a “jointly democratic with both sides” variable which takes on a value of 1 if the potential joiner is jointly democratic with states on opposing sides of an ongoing conflict.⁶

Research Design

To test the hypotheses of third-party joining, the data are drawn from the COW Militarized Interstate Disputes (v3.02) (MID) dataset (Jones et al. 1996). The temporal domain of the empirical test is limited to 1870-2001 because the trade and GDP data necessary for the

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construction of the key independent variable do not go back to the pre-1870 period. The operationalization of ‘conflict’ adopted in the theoretical framework is therefore any militarized dispute that has taken place within this temporal domain.

Ideally, the joining model should be tested separately for disputes at different hostility levels. The intensity of a dispute can be suspected to affect a state’s decision to join or not. Economically minded joiners might be more concerned with the loss of trade in intense disputes including wars and can be especially inclined to intervene and protect their interests. On the other hand, it is also possible that joiners are deterred by the costs and risks of intervention in this conflict environment. In addition, the escalation of the dispute might further diminish the utility of joining to disputants’ trade partners which would doubt the efficacy of the military effort in restoring previous trade levels.

Yet, the properties of the MID data do not allow for an appropriate test of this argument. Since the COW Project only codes the overall hostility of disputes, the analyst does not know the hostility level at the time that a potential joiner is trying to make its decision which is the information needed to test the appropriate hypotheses. Despite such problems, I have tested the model for fatal disputes. The results must be viewed with caution because it is not clear from the data whether states join disputes of certain hostility level or disputes reach that hostility because of joining (Jones et al. 1996).⁷

I adopt a directed-dyads design and the unit of analysis is the directed dyad-year. This data design facilitates representing all original dispute participants as State A and all potential and actual joiners as State B. Using Bennett and Stam’s (2000) EUGene, I match each original participant (State A) with every state in the international system (State B) as the potential joiner in the year that the dispute was ongoing and for each year the analysis covers.⁸ In an ‘AB’ dyad,

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‘State A’ is the original participant (target or attacker) of an ongoing dispute and ‘State B’ is the potential joiner. Unlike studies on MID initiation, I have included ongoing dispute years in the data. This makes sense because joining can take place at any time as long as the dispute does not terminate.

Dependent Variable and Estimator Choice

The outcome of interest is a third-party state’s (B) decision to join an ongoing dispute and its choice of sides. Considering its interests in each belligerent, B chooses among three alternatives; to join with dispute state A, join against A or abstain. Joining refers to cases in which State B threatens, displays, or uses military force short of war after the first day of the dispute against one of the original dispute participants engaged in the dispute on the first day (Bennett and Stam 2000; Jones et al. 1996). This definition follows the COW criterion and includes MIDs at all hostility levels. I have also analyzed the joining model for fatal MIDs where the dependent variable equals 1 if A is involved in a dispute that has generated at least one battle-related fatality and 0 otherwise.

It is possible that a joiner might be one of the original participants but is coded as such in the MID data. Besides, the definition of joiner in the COW framework is problematic because joiners might actually be forced to join rather than entering the dispute on a voluntary basis. To check for the robustness of the results regarding participant roles, I have adopted Maoz’s MID data which correct for some errors in the COW Project (Gochman and Maoz 1984).⁹ Since substantive results are very similar, findings using the COW MID data will be reported in this study.

The dependent variable includes 1199 cases of joining with State A and 851 cases of joining against A. There is not an equal number of cases in these two categories because bandwagoning is more common than balancing in dispute joining. In other words, states join the side with multiple participants rather than balancing against a group of states fighting together. To illustrate this point, consider a dispute with one initiator A and three targets, C, D, E. If State B decides to join, it usually joins the coalition of states rather than the state fighting alone. In this case, there are three dyads in the dependent variable that fall within the “join against A” category; CB, DB, EB. There is only one dyad that is in the “join with A” category; AB.

I construct an unordered categorical dependent variable representing B’s choices. The dependent variable ranges from 0 to 2: 0 represents the ‘abstain’ category; 1, ‘join with A’; and, 2, ‘join against A’ categories. These categories are also mutually exclusive; if State B chooses, for instance, to join in with A, then, it cannot choose to join against A in the same year. The appropriate way to examine State B’s choice from three foreign policy acts as an outside actor to State A’s dispute is to use a multinomial choice model (Clark and Reed 2005).¹⁰ This analytical technique estimates j logit equations for $j+1$ outcomes. The ‘abstain’ outcome is the base category and two logit equations for the B’s choice of sides will be estimated simultaneously. The predicted probability that a certain outcome will be observed is;

$$P(y = j) = \frac{e^{x_i\beta_j}}{\sum_{k=1}^j e^{x_i\beta_k}} \text{ (Equation 1)}$$

where j indexes the three alternatives that State B can choose from; k represents the covariates explaining B’s choice, and β_j indexes the three vectors representing the varying effects of $k \times 1$ covariates across the alternatives (King et al. 2000).

The multinomial logit model will produce two parameters for each explanatory factor; one for joining with A and the other, joining against A.¹¹ The effect of each covariate on a

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certain outcome will be estimated relative to the excluded category ‘abstain’. To facilitate the interpretation of the substantive effects, I use the software CLARIFY by King et al. (2000) and simulate the predicted probability of B’s choice among three alternatives given interesting values of the explanatory factors.

Key Independent Variable: Economic Interdependence

Economic interdependence is a continuous variable that measures the volume of trade between A and B using the trade and GDP data adopted from Long (2004).¹² I have employed Oneal and Russett’s (1999a, 1999b) trade-to-GDP ratio which is a commonly adopted measure in the interdependence and conflict studies;

$$Interdependence = \ln \left[\left(\frac{(trade_{AB} + 0.2)}{GDP_B} \right) \right] \quad (\text{Equation 2})$$

where $trade_{AB}$ indexes bilateral trade flows between State A (state in dispute) and B (potential joiner); GDP_B index the economic size of B.¹³

To test whether the third-party joiner’s economic interdependence with both sides of the dispute reduce the willingness to join, I have included the variable “interdependence with the other side” in the model. This variable follows the same measurement rules with the “interdependence with State A” variable and measures the degree to which the third-party joiner B is also interdependent with the belligerent opposing State A. If there are multiple states on the opposite side, then, this variable takes into account the opposing state that has the most trade with the joiner.

To construct a measure that assumes that the potential joiner is concurrently economically interdependent with opposing sides, I have created a dichotomous variable that

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equals 1 for cases in which the potential joiner's dependence on the dispute state A is at least $\frac{1}{2}$ standard deviation over its mean and 0 otherwise.¹⁴ I interacted this variable with the trade-to-GDP scores that measure the joiner's interdependence with the state opposing A. Therefore, 'interdependence with the other side' variable is the interdependence of the joiner with A's adversary given that it is highly dependent on A.

Empirical Analysis

The results provide strong evidence that joining decisions are driven by economic interests as well as security considerations. There is consistent support for factors such as geography and power confirming previous studies. The results also suggest that there is not a tendency for bandwagoning operating through shared democratic institutions: democracies stay away from other democracies' conflicts. The key implication of the framework, economic interdependence, has a strong effect in line with the expectations which suggests that states prioritize economic considerations in the decision to join and the choice of sides in ongoing disputes. Importantly, if joiners are interdependent with both sides of the dispute, they are less likely to provide support to their partners.

Table 1 summarizes the results whereas Table 2 reports the predicted probabilities using the estimates from Model I. The reader will notice that these probabilities are small. This is expected because diffusion is a rare phenomenon: militarized disputes usually remain small with only 103 of 1547 disputes in the post-WWII period expanding to third-party states. Therefore, base probabilities reflect the mean probability of dispute joining given that it is a rare incident in world politics.

Table 1

Table 2

With respect to the key argument in the theoretical setup, economic interdependence plays a critical role in explaining and understanding states' decision to join disputes. The consistent and strong effect of trade on joining behavior suggests the broad implications of economic interests in foreign policymaking. Compared to the decision to abstain from joining, third-parties that are economically interdependent with a dispute participant are significantly more likely to militarily support their partner and are less likely to join against it. Increasing the level of interdependence by one standard deviation from its mean level leads to 74% increase in the probability of joining on the side of a trading partner and 27% decrease in joining against it. As such, economic interdependence seems to affect not only the decision to join but also the choice of sides and points to the broad implications of economic ties that explain much more than whether interdependent states fight each other.

If third-party joiners are economically interdependent with both sides of the conflict, how does this affect a joiner's decision-making? The results of the analysis show that states are less likely to enter disputes to support their trade partners if they have strong economic ties with both sides (State A and its opponent). Interdependence with both sides reduces the likelihood of joining for dispute state A (10% decrease with one standard deviation above its mean, Table 2). This is an important finding suggesting that third-party joiners do not fight to protect a trade partner against another one. Such complex interdependence neutralizes the role of economic activity in dispute joining. However, interdependence with the other side does not have a statistically significant impact on joining against A. Since the excluded category on the dependent variable is abstain, the null finding illustrates that the joiner is indifferent between abstaining and joining against A in complex interdependence cases. This is an intuitive finding because given that the joiner is concurrently interdependent with both sides of an ongoing

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dispute does not mean that it will turn against its trade partners and pick a fight; it only means that an economically minded joiner will stay away from this particular conflict.

When the model is analyzed for fatal disputes, the ‘interdependence with A’ variable retains the same direction and substantive impact whereas the ‘interdependence with the other side’ variable is not significant (Model 2). The robust finding on the interdependence variable across disputes at different hostility levels might suggest that joiners intervene not only to head off potential disruption of trade in low-key disputes but also to contain intense disputes to avoid further disruption. On the other hand, a possible explanation for the null finding on complex interdependence is that interdependent third-party states perceive fatal disputes as imminent threats to their economic interests and act to contain their potential trade externalities. In these cases, joiners may be less likely to consider the political implications of complex interdependence when it comes to protecting important trade partners against open threats as in fatal disputes.

The results are also consistent with earlier findings in the conflict expansion literature. With respect to contiguity, disputes in the neighborhood seem to be more relevant to third-parties and present risks and opportunities that alter the decision calculus of policymakers. The results suggest that dispute joining is much more likely if the state in conflict is a bordering nation. If a dispute is taking place across its borders, a potential joiner is more inclined than a distant state to take action.

The major power status of the potential joiner also increases the likelihood of dispute joining which is in line with the findings in the literature and the theoretical expectations of the present study (e.g., Regan 1996). Competition for influence seems to be a plausible explanation of this finding given that the relationship of major power status and joining behavior is

controlled with the national capacity of the third-party joiner in the model and is still a robust indicator of dispute joining. This robustness indicates that major powers consider ongoing disputes as windows of opportunity to expand their influence or to preempt another powerful state's influence on disputants.

The results show that states are not likely to provide military assistance to their allies in conflict times (Model I). Yet, when its ally is involved in a fatal dispute (Model 2), a potential joiner is more likely to join suggesting that as the intensity level increases, so does the likelihood that a defensive ally will militarily assist the dispute state. The null relationship of joining with A and the presence of a formal defense pact in Model I is contrary to some findings in the literature (e.g., Leeds et al. 2000). However, it presents support to the selection effects arguments that scholars have suggested for alliances (Gartner and Siverson 1996; Smith 1996). Alliances reduce uncertainty about outside intervention and allow the attacker to avoid a multilateral conflict. Expecting that the dispute will expand to external actors, states might be hesitant to fight against allied states. As a consequence, states that will support their allies in conflict times hardly find an opportunity to keep their promises. Based on the same logic, we can argue that alliances are irrelevant factors in joining decisions because states with reliable allies do not experience a dispute in the first place due to the strategic behavior of their opponent.

Also fundamental to joining decisions are the resources that a third-party state can mobilize to influence the course of events in an ongoing dispute. The findings suggest that strong states are more likely to be involved in disputes as third-party joiners. An external actor's power can give an idea about the amount of costs that it can absorb and the level of influence that it has over the adversaries. As suggested by Regan (1996), "larger countries have a greater degree of latitude when it comes to organizing an intervention strategy" and have greater resources "to

bear in a foreign policy role” (348). Hence, weak states anticipate that their efforts are largely irrelevant to the outcome and stay out of military adventures abroad.

The null finding on the joint democracy factor indicates that democracies stay away from each other’s disputes and are not especially likely to militarily assist their regime counterparts. Yet, the finding on joining against a disputant indicates that two democratic regimes are significantly less likely to fight on opposite sides in militarized disputes. For instance, a jointly democratic dyad is 85% less likely to join each other’s dispute on opposite sides than mixed or jointly autocratic dyads. The findings on the joint democracy factor is in line with Reiter and Stam’s (2002) conclusion; “While democracies do not shed blood *against* each other, they also seem quite unwilling to shed blood *for* each other” (105, italics original). This result can be explained with the “complexity of paths” that gives democratic states the incentive to join. As Doyle (1986) suggests, democracies consider several factors before using force abroad. When critical factors such as domestic support, national security considerations, and threats to economic interests that prompt such behavior among democracies are taken into account, regime type is no longer significantly associated with the decision to join.

Another theoretical possibility is that disputes involving democracies might be less likely to escalate to violent conflicts than disputes involving other regime types. Third-parties know that disputes between two democracies will be settled without resorting to violence since the past experience of democracies shows that escalation to war is the least likely outcome. If the opponent is not a democratic state, then, third-parties might think that the opponent is less likely to escalate the conflict to fighting anticipating that other democracies will force the aggressor to fight on multiple fronts. Therefore, disputes involving at least one democracy are not relevant

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events given that they are less likely to jeopardize other democracies' political and economic interests.

Finally, if the potential joiner is jointly democratic with both sides of the conflict, it is more likely to get involved in the ongoing dispute. Though this finding might seem counterintuitive at first glance, it suggests an interesting theoretical possibility on how joiners choose sides in complex situations. Democracies have a greater incentive to join and manage disputes in which two democracies oppose each other. If democracies form security communities where each state has an interest in the security and well-being of the other, they would want to ensure that disagreements are solved through nonviolent means. In cases that they engage in militarized disputes with each other, other democracies would have greater willingness to step into the fray before the community gets divided against itself or non-democratic third-parties take advantage of the situation.

Conclusions

How do states choose the conflicts that they seek to influence? What factors affect outside actors' choice of sides in conflicts? Drawing from the economic interdependence and international conflict debate, I built a model of conflict expansion and integrated disparate results from the previous empirically based research. This framework offers far-reaching implications for international security and political economy studies. First, it brings conflict expansion which has been a peripheral area of study in the literature back into the study of international conflict. Despite the importance of third-party states in the conflict process, inadequate attention has been paid to understand the dynamics of joining in ongoing interstate conflicts. Previous research in this area has also tended to focus mostly on limited explanations such as geography and alliance

ties and investigated their individual impact. My approach provides a much more accurate picture of the broad array of political and economic motives behind states' decision to enter armed conflicts as third-party states as well as their relative impact on such decisions. Drawing attention to the multination environment of conflicts, this framework points to outside states, including those with economic stakes in the belligerents that would seek to influence the course of events in international conflicts.

Second, there has been little exchange between the interdependence and conflict literature and different areas of international conflict studies. Researchers have limited their analysis of the political implications of trade to the conflict initiation stage while omitting other possible theoretical linkages between economics and conflict. In this study, I have explored the role of economic interests in the conflict expansion stage. Linking security concerns, regime type and trade to conflict expansion, the empirical analysis showed that economic interdependence is a potent factor in explaining third-party states' decisions to enter ongoing conflicts and their choice of sides. Building the framework on the main assumptions of the interdependence and conflict debate, this approach facilitates a comparison of the effect of trade interests on states' preferences in different stages of the conflict process. Together with the main findings in the trade-conflict debate, it illustrates the broad range of foreign policy tools that states draw upon in order to protect their economic interests against the externalities of armed conflicts.

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Table 1. Multinomial Choice Model, Choosing Sides in Militarized Interstate Disputes

	Model I. All MIDs		Model II. Fatal MIDs	
	Join With A	Join Against A	Join with A	Join Against A
Contiguity	.901*	1.794*	1.200*	1.736*
	(.256)	(.167)	(.298)	(.188)
Major Power Status	.919*	1.042*	1.085*	.986*
	(.166)	(.232)	(.216)	(.256)
Alliance	.141	.408	.521*	.332
	(.191)	(.236)	(.220)	(.274)
National Capacity	.340*	.290*	.361*	.287*
	(.022)	(.052)	(.036)	(.057)
Joint Democracy	.280	-1.971*	.109	-2.214*
	(.180)	(.409)	(.216)	(.521)
Jointly Democratic with Both Sides	.502*	1.471*	.079	1.832*
	(.223)	(.434)	(.288)	(.546)
Economic Interdependence	.219*	-.127*	.211*	-.124*
	(.043)	(.039)	(.048)	(.044)
Interdependence with the other side	-.050*	-.029	.008	-.032
	(.022)	(.023)	(.026)	(.024)
Constant	-2.923*	-5.668*	-2.333*	-5.183*
	(.436)	(.607)	(.551)	(.693)
N		386556		214013
Log-likelihood		-12383.47		-8987.9678
Wald Chi-Square(16)		2333.71*		1739.44*

Note: • Robust standard errors reported in parentheses, • * indicates significance at .05 level,

Table 2. Predicted Probabilities from the Multinomial Choice Model, Choosing Sides in Militarized Interstate Disputes

	Value	Join with A?		Join Against A?	
		Predicted Probability	% Change from Mean	Predicted Probability	% Change from Mean
Contiguity	1	.00253	+155	.00861	+496
Major Power Status	1	.00252	+155	.00410	+184
National Capacity	Weak State	.00009	-90	.00020	-86
	+1 s.d.	.00214	+116	.00283	+96
	Strong State	.00700	+606	.00810	+461
Joint Democracy	1	.00133	+34	.00021	-85
Jointly Democratic with Both Sides	1	.00164	+66	.00687	+375
Economic Interdependence	Low	.00015	-85	.00479	+232
	+1 s.d.	.00173	+74	.00105	-27
	High	.00985	+895	.00042	-71
Interdependence with the Other Side	Low	.00216	+117	.00232	+61
	High	.00089	-10	.00136	-6

- The estimates used here to generate predicted probabilities come from Model I in Table 1.
- To calculate the mean probabilities, I have set major power status, contiguity, joint democracy, and jointly democratic with both sides to 0; national capacity, economic interdependence and interdependence with the other side variables to their respective mean.
- ‘Weak state’, and ‘low economic interdependence’ labels use the minimum values observed in the range of the related variables whereas ‘strong state’ and ‘high economic interdependence’ labels use the maximum values of the related factors. Predicted probability for one standard deviation over the mean of the ‘interdependence with the other side’ variable has not been reported because such a value does not exist in the actual range of this variable.
- Since the ‘alliance’ variable is not statistically significant, it has been excluded from this table.

¹ Papayoanou's (1999) work on balancing behavior and interdependence is an exception.

² For a related argument, also see Krasner's (1978) excellent study of the US military interventions in Latin America to protect raw materials investments by American firms.

³ Whereas Barbieri (1996, 2002) challenged the 'trade has pacific effects' argument, other scholars have examined the direction of causality between trade and conflict. Gowa and Mansfield (1993) and Pollins (1989) argue that political relations affect states' choice of trading partners which in turn reduces the risk of armed conflict between interdependent states. Keshk, Pollins and Reuveny's (2004) analysis of simultaneity bias shows that the relation between trade and conflict is indeed a two-way street.

⁴ Barbieri and Levy (1999) have shown that there are many instances in which conflicts do not necessarily lead to trade disruption. Besides, it is possible that arms build-up in conflict times triggers economic growth rather than depression. There are also supporting assumptions in the trade-conflict literature such as the symmetric distribution of trade benefits, and non-substitutability of trade partners. If the assumptions do not hold, the relationship between trade and conflict becomes indeterminate or suggests a positive association. I thank an anonymous reviewer for making me think deeper about this point.

⁵ See Gartner and Siverson (1996) for a selection effects argument about alliances and conflict expansion to third-party states.

⁶ I want to thank an anonymous reviewer for his/her advice on the measurement.

⁷ The joining model is tested for interstate wars and results can be viewed in the web appendix. More detailed discussion on the role of dispute intensity in the joining decisions of economically minded third-party states can also be found in the appendix.

⁸ As an alternative operationalization, I have matched previous joiners with potential joiners in addition to the original participant-potential joiner dyads adopted in this analysis. The results and related discussion can be found in web appendix.

⁹ Results can be viewed in the web appendix.

¹⁰ I estimate robust standard errors clustering within each dispute year and the state in dispute. This procedure accounts for the interdependency between the decisions of potential joiners given a certain dispute state and the year of the dispute.

¹¹ To relax the assumption that error terms are independently and identically distributed (I.I.D) in multinomial choice models, the joining model has been tested with a bivariate probit model. These results can be viewed in the web appendix.

¹² As a robustness check, I have adopted Gleditsch's (2002) trade and GDP data. The results (web appendix) do not suggest a significant change in the key relationships.

¹³ I have added 0.2 to the volume of trade between A and B measured in constant US dollars. I assume that if there is zero trade reported for A and B, this is identical to 200,000 US dollars of trade. I take the natural log of trade-to-GDP index to normalize discrepancies between the scores of different dyads that can bias the results.

¹⁴ Alternative cutpoints have been adopted to examine the sensitivity of results and are discussed in the web appendix.