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Taking Interests and International Conflict More Seriously

by

Chong-Han Wu

Bachelor of Arts
National Cheng-Chi University 2002
Master of Arts
New York University 2007

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Accepted by:

Harvey Starr, Major Professor

John Fuh-Sheng Hsieh, Committee Member

Kirk Randazzo, Committee Member

Steve Chan, External Member

Lacy Ford, Vice Provost and Dean of Graduate Studies

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Abstract

Democratic peace theory provides theoretical and empirical arguments of the importance about democratic institutions in shaping and promoting the global order. Yet critics propose that it is the similarity of policy interests that prevent conflict between the joint democracies instead of the effects of regime types (Gartzke 1998; Oneal and Russet 1999*c*; Russett, Oneal and Davis 1998; Gartzke 2000). Scholars mainly question whether interests directly cause peace or interests are indirectly caused by liberal variables, such as trade or international organizations. This debate has no obvious conclusion, but it encourages students of conflict studies to pay more attention to the study of states' interests. This project does not attempt to replace the existing results of democratic peace theories; rather, the author tries to focus on the importance of policy interests while discussing the causes of militarized disputes.

The first argument emphasizes that states with similar policy interests are less likely to experience conflict onset because interest similarity brings a concept of in-group idea and this idea will decrease possibility of militarized interstate disputes. Additionally, interest similarity needs to be considered as a critical explanatory component for the study of conflict escalation. Similar interests reduce the possibility of escalation because severe disputes will harm both parties in terms of their shared interests. Also, a high degree of interest similarity limits escalation if a conflict should occur. Nonetheless, previous research lacks strong support for a causal relationship between conflict escalation and interests. The author provides an empirical improvement by examining the effects of interest similarity on the issue of escalation.

This dissertation contains several methodological approaches, including large-N

empirical analysis in order to test the maximum likelihood estimation models on how different national interests will influence states' conflict behavior. At the beginning, I carefully discuss the core value of the conceptualization of national interests and operationalize this main independent variable as dyadic interest similarity with a latent variables framework. Then, applying the generated data on relative hypothesis testing, I argue that states with similar regimes may bring peace, but national interests should create a pacifying order for the international society as well. Democratic peace theory partially explains the peace scenario in the world. A more thorough research project should bring interest similarity into discussion, which helps to explain how states with different regime types conduct their conflict behavior.

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Introduction

Where does peace come from? Democratic peace theory provides theoretical and empirical arguments of the importance of democratic institutions in shaping and promoting the global order. Gartzke (2000) issued the research question which challenged the traditional concepts of democratic peace theory. He believes that it is the similarity of policy interests that prevent conflict between the joint democracies instead of the effects of regime types. A debate exists over whether the democratic peace is explained by joint democracy or by a lack of motives for conflict between states that happen to be democratic (Gartzke 1998; Oneal and Russet 1999*c*; Russett, Oneal and Davis 1998; Gartzke 2000). This debate does not lead to a conclusion between the two sides, but it does encourage students of conflict studies to pay more attention to the studies of state's policy interests. In spite of the theoretical and empirical development in the study of state's policy interests, there are no clear-cut answers to the following questions about states' interests and conflict study. Should we have the same focus on common interests and regime types for the study of peace? Or should we separate them as neorealists and neoliberals have proposed before? I intend to investigate the causal relationships between interest similarity and international conflict in a more integrated picture. I also intend to answer some issues that were not well-inspected before: "Are states with similar policy interests less likely to fight?" "Are states with different regime types but sharing similar policy interests less likely to have conflict?" "What really accounts for similar interests from an international relations perspective?" This dissertation attempts to bring a more comprehensive discussion on the concept and measurements of states' interests, and also discover

the causal relationship between states' interest similarity and militarized interstate disputes.[1]

Scholars of international relations claim that interest similarity is an important subject that needs to be studied for the origin of peace (Gartzke 1998; 2000). Theoretical works have shown that interests may influence the occurrence of international disputes. Liberals agree that interests are an important determinant of conflict severity. Moravcsik (1997) argues, "Intense conflict requires that an aggressor or revisionist state advance demands to which other states are unwilling to submit." A high degree of interest similarity implies that two states agree on most major issues in the international system. Thus, similar interests may reduce the likelihood of a dispute or put a brake on the severity of any conflict that do occur. Policy interests may provide disputants incentives to find a peaceful solution.

Studying states' interests and regime types together offers some advantages to improve previous studies of states' conflict behavior. Previous research has taught us that the relationship between democratic and non-democratic countries is not that peaceful (Oneal and Ray 1997; Oneal and Russet 1997). The mixed dyad (a dyad composed of a democracy and a non-democracy) is more likely to have militarized interstate disputes than the democratic dyad. One of the reasons comes from the argument of ideological disagreement (Holsti 1991). Historians of international conflict note that ideological issues have become a growing source of international conflict. Differences in ideology contribute to conflict because ideological disagreement is about

[1]Interests are central to the study of international politics. To understand relations among countries we must take account their interests. In the dissertation, the author uses "interests" to represent the idea of states' policy "preferences." Scholars of international politics use "interests" or "preferences" to represent the idea from time to time. But there are slightly some differences between the term "interests" and "preferences." Interests mean how states perceive their "ideas" about their policy choices, but preferences mean that states prefer some outcomes to others and pursues a strategy to achieve its most preferred possible outcome (Frieden 1999). Preferences are the way how actors order the possible outcomes of an interaction, which may show up in most of the game-theoretical literatures. Thus, in order to clearly demonstrate the author's ideas, the term "interests" will be used in this dissertation.

different beliefs, and this difference will lead to a higher potential outcome of outcome of militarized disputes (Souva 2004). This argument tells us that dyads with similar regime types create more peace among them while mixed dyads are more conflict prone. However, the theoretical argument above cannot explain why mixed dyads prefer more peaceful outcomes rather than fight if they encounter some issues. Regime type does not adequately explain why mixed dyads give up violent behavior and head to the negotiation table. The major contribution provided by this dissertation is to provide scholars a broader picture about how mixed dyads solve their militarized disputes under certain conditions.

As Senese (1997) points out, the onset and escalation of militarized conflict between dyadic democracies are the areas where the most convincing evidence has been found.[2] Mixed dyads still deserve more attention in the international relations arena. Since democratic peace theory has been produced and examined, there is a shortage of theoretical and empirical discussions about mixed-dyad peace scenarios among studies of international conflict. What we have understood so far is the "cats and dogs" effect between democracies and autocracies (Oneal and Ray 1997; Oneal and Russet 1997; Russett and Starr 2000). The farther apart two states are in political distance on a democratic to autocratic spectrum, the greater is the probability of violence (Oneal and Ray 1997; Oneal and Russet 1997; Russett and Starr 2000). One of the most influential explanations is based on the strategic thinking under the international interaction game provided by Bueno de Mesquita and Lalman (Bueno de Mesquita 1992). They propose that under the strategic logic of the international interaction game, democracies are as inclined to violence as nondemocracies. Autocracies are unconstrained by domestic politics, and this characteristic makes the

[2]It leads us to the question if once mixed dyads enter into lower level conflict with each other, will they necessarily escalate the level of conflict? Senese's empirical results only tell us that jointly democratic dyads are more likely to escalate their disputes under some conditions. Besides, Rousseau et al. (1996) finds that joint democracy has a weak pacifying effect on escalation. Few empirical works have been focused on the study of conflict escalation between different types of regimes.

autocracies believe they can force a constrained democratic rival to capitulate. For the democratic side, it will prefer to defend itself when it is attacked. The reason is that the cost of losing the military initiative and the domestic costs of capitulating to the autocracies are high. The domestic constraints may make democracies launch preemptive attacks against presumed aggressors. This condition can help explain why democracies often fight against autocracies. However, is it possible for mixed dyads to create peace? If so, under which circumstances are they more likely to prefer peace to war? As I propose in the previous paragraph, it is possible to apply the same logic to the mixed dyads scenario. I will focus on the effects created by similar policy interests on the conflict behavior of mixed dyads. This procedure helps us combine the studies of interests and regimes at the same time.

It is crucial to discuss and conceptualize the "interests of the states" before moving to the model specification and empirical discussion. Several methods have been provided for measuring this concept. How to conceptualize and operationalize the definition of state (policy) interests is still questionable. The most difficult part of measuring interests is that we cannot observe this concept. We must rely on certain assumptions or some other indirect indicators to represent them. Gartzke (2000) makes a clear argument about the measurement issue:

> The trick, then, is to construct an indicator that is likely to be minimally affected by sources of bias, but which possesses other desirable properties of an index (such as spatial and temporal coverage, etc.). We cannot measure preferences directly, but we can evaluate the degree to which actors coincide or diverge in their expressions of representative behavior (2000, 196).

Gartzke proposes that we can measure states' interests through their behavior.[3] Dif-

[3]It will bring some issues if we only observe states' behavior and then define their policy interests.

ferent theories in International Relations adopt different indicators for this concept. Realist scholars view alliances as an indicator reflecting common strategic interests (Farber and Gowa 1997). Liberals perceive trading partners as revealed economic interests. Institutionalist's view joint IGO membership as indicators of a shared vision of collective management (Keohane and Martin 1995). Additionally, cultural trait provides an identity. There are numerous ways to measure interests for the international situation but no consensus exists. In fact, what really accounts for the so-called interests? Can we provide a more comprehensive and explicit method of measurement? Political scientists have struggled for a long time finding out a representative indicator.[4] I follow the same track but adopt a different method in this dissertation, and hope to contribute some efforts to identify this measurement.

The theoretical discussion is able to offer a useful explanation on different indicators of national interests(ex: security alliance, trade portfolio, or IGO membership). I examine different indicators representing diversified states' foreign policy decisions, and describe how they perform under the three vital dimensions, including security, economic, and community interest concerns. In the following empirical examination, I attempt to generate latent factors which can represent a set of variables used for measuring this important concept. From theoretical discussions between neorealists

Actually, the observation the behavior of states only gives us partial understanding of national interests because those behavior might be affected by uncertainty, institutions, and other feature for the strategic setting. It cannot bring the true motivations of the states.

[4]The concept of interests is extremely abstract. The way scholars measure the idea of national interests is based on how they explain and define this variable. One theoretical argument from social theories comment on the origin of interests. Finnemore argues that "Interests do not just exist out there. Interest derives from the social structure of the state. Not from external behavior, states' interests are socially constructed within the states"(Finnemore 1996). Interest is mostly a function of their ideas belonging to the internal inspiration which leads to external behavior. The final outcome of states' interests is mostly relied on social interaction. However, this internal-external explanation about the origin of interests not only comes from Constructivist's theoretical framework, but Allison's early promotion on his organization process and the governmental politics model. Based on Allison's idea, foreign policy (or what we call the behavior of states) is not just an "outcome" of the quasi-mechanical process (the second model) but a normal process of political bargaining among players within the government (the third model) (Russett, Starr and Kinsella 2010).

and neoliberals, states do not only have security or political interests but they also pay attention to economic processes and relations which may bring strong interdependence effects on each state. Both neorealists and neoliberals agree that national security and economic welfare are important for states (Ashley 1984; Gilpin 2001), and the primary goal of states are diversified in relative emphasis on their focus on security and economic domain (Baldwin 1993).[5] In addition to these two major domains, there is the third type of interest concern called "community interests," which originated from Karl Deutsch's work (Deutsch 1957). Deutsch and his colleagues believe that institutions and people's sense of community can reinforce and strengthen each other, and this mutual identification can make their interests become not "just instrumentally relevant but integral to one's own purpose"(Russett and Oneal 2001, 166). In short, it is easier for the states to generate similar interests when they join similar organizations or share identical world views. Recent theoretical works have picked up this theme and reminds us to pay attention to this type of interest concern (Wendt and Duvall 1989; Wendt 1994).

Theories and hypotheses in this project argue that states fight because of different interests. I do not focus on a specific dispute or contest for certain geographic spots or resources which are viewed as incompatible interests. The causal inference between conflict and interests articulates that the ingroup/outgroup dynamic increases animosity and contributes to militarized conflict. States will trust each other because they are 'ingroup.' 'Outgroup' states are possibly less trusted. Then, trust brings more peaceful situations for states, but distrust may increase the possibility of disputes. Interest similarity in this project means a more general representation of ideological and institutional similarity, which is different from what we recognize

[5]In Baldwin's article, he summarized some discussions about states' security and economic interests. For instance, he mentioned Lipson's idea (1984) that international cooperation is more likely in economic issue than in military issue. Beside, Powell (1991) constructs a model to bridge the gap between neoliberal emphasis on economic welfare and neorealist emphasis of security. Arguments above all show there are two distinct domains for national interests.

as the ordinary incompatible interests. The basic idea in this project is to elaborate the effect of ingroup and outgroup ideas. States with similar global views will be more likely to stay with each other and attempt to resolve disputes peacefully. The dissertation proceeds as follows.

In the first chapter, I establish a framework explaining how I combine the study of interest similarity and regime types into peace studies. I start this project with an investigation of the theoretical literatures which have been portrayed that there might need more discussions of how states' interests influence peace. I also illustrate why democracies seldom fight each other in the literature review. Regime types may offer a certain buffer for interstate conflict; however, states must need underlying incentives to conduct their foreign policy. Interest similarity, as Russett and Oneal mentioned in their book, are also significant in the statistical analysis of interstate conflict (Russett and Oneal 2001, 232). Therefore, it is necessary to include the discussion of interest and seriously think about its independent effects on states' conflict behavior.

In the second chapter, I illustrate a clear concept. What is an interest? Where do they come from? And how can we generate a comprehensive indicator representing states' interests? The method I attempt to employ is the confirmatory factor analysis (CFA) which helps scholars to specify a latent framework model representing this abstract concept. I begin by reviewing literature on national interests, and acquiring several symbolic indicators. I then operationalize national interests in a dyadic framework, effectively making the measure a gauge of relative interest similarity through the function provided by CFA.

I develop the third and fourth chapter discussing the arguments connecting interest similarity to a reduction in interstate conflict. Countries may not agree with each other all the time and militarized disputes are still possible in the world. Besides, countries with different regime types do not necessarily get into disputes simply because they have different ideology or structure. These two phenomena above need

more theoretical discussions and hypothesis testings if we can consider the condition of interest similarity between two states. With the path diagrams and other features of path analysis provided in the second chapter, it helps scholars generate relevant hypotheses and find out empirical evidence with maximum likelihood estimations procedure.

Economic similarity may help states with a more peaceful international society. This leads to the core of this dissertation emphasizing states' economic interests occupy such an important status in the conflict studies. Chapter five will investigate cross-Strait relations, including the applications of different models of the capitalist peace theory when we study the China-Taiwan dyad.

Chapter six concludes by reiterating the main results from chapters three, four, and five. This not only serves as the summary of findings, but will also let us compare results across the chapters. It reminds scholars of relative interests that democratic peace theory has already helped IR scholars build up a solid theoretical framework. However, using regime as the main explanatory variable seems to narrow down the overall explanatory capability. The final part of this dissertation places the dyadic theory of conflict within the debates between democratic peace theorists and neorealists, examines how additional insights from the "interests" theory may be used to improve the arguments made by Kantian peace. It may also highlight some interesting avenues for future research.

Chapter 1

Interests and Regime in World Politics

> We used to wonder where war lived , what it was that made it so vile.
> And now we realize that we know where it lives, that it is inside ourselves.
> –Albert Camus

As I noted in the introduction, scholars have constantly questioned whether it is interests or the predicted value of interests from democracy that brings peace among states. This chapter reviews this question, and highlights a number of problems with the current theoretical and empirical literature. I develop a model, which not only posits an answer to the interests-regime question, but also develops an answer to the question of how interest similarity is related to interstate conflict.

This chapter is organized as follows. Section 1.1 illustrates the main question about the relationship between interests and peace, which puts more emphasis on the relative theoretical literature on interests causing peace issues. In this section, I also explore some previous studies on the democratic peace theory, and examine the literature that has sought to test it empirically. It is here that I establish that there is a good deal of theoretical and empirical ambiguity on this question. We need to reinvestigate the relationship between conflict and other exogenous variables, such as interests. Section 1.2 attempts to show that the reason for this ambiguity is that scholars sometimes neglect a theoretically and empirically coherent discussion of states' interests. I argue that adopting only one single variable representing the whole concept may only partially capture the idea of states' interests. Thus, a new framework describing interests is so crucial, and a multivariate latent framework offers

a useful tool for constructing the new model.

Another ambiguity exists on the issue related to interests and democracy on interstate conflict. In fact, when we include states' interests in the equation with democracy, it provides significant effects on state's conflict behavior. In section 1.3, I attempt to offer an alternative model specification which brings more correct relationship and parameters in the model that is of interest to the researcher. Both interests and democracy have critical effects on conflict behavior, and the model yields two central hypotheses (section 1.4) that will be tested in the subsequent chapters. There is a brief conclusion for chapter one in section 1.5.

1.1 Interests and Peace Question

One of the influential developments established in the democratic peace literature is the discussion of the Kantian Triad. The Kantian Triad talks about the notion that peace is the result of multiple and overlapping liberal behaviors, including democracy, interdependence, and intergovernmental organizations (Russett and Oneal 2001). Russett and Oneal clearly illustrate how these three elements integrate together to sharply reduce the likelihood of militarized disputes as well as to increase the prospects for peaceful interstate relations. We can conclude this "triangulating peace" as one broader theory, arguing "interdependence" promotes more peace among states in the international society. As neoliberals propose, commercial dependence advocates peaceful foreign policies by deepening political, social, and cultural contacts as well (Keohane and Nye 1977). Economic or institutional interdependence guide states' decision making with peaceful conflict resolutions. Deutsch et al.(1957) offered a similar view. Complex interdependence helps mitigate violent conflict by fostering a sense of community or shared identity. Indeed, interdependence will strengthen friendship by enabling governments to more actively identify mutual interests. These mutual interests will alleviate any intense and sensitive issues to help create a more

cooperative outcome.

The Kantian Triad has provided the study of international conflict a very detailed and coherent feedback-loop theory. However, it is reasonable to doubt whether there are other critical elements left behind the scenes. This doubt comes from the previous debate between neorealism and neoliberalism. Neorealism primarily refutes the claims of a democratic peace (Layne 1994; Gowa 1999). Its understanding of international politics is all about power and interests, and the causal inferences for states' conflict behavior derive from national interests.[1] Hence, the discussion of states' interests catches scholars' attention. Conflicts are more likely between nations that have greater differences in world views than between those that see the world similarly. The notion of state interests needs to be considered when we focus on the theory of international conflict (Layne 1994; Gartzke 1998; 2000; Farber and Gowa 1995; 1997; Lemke and Reed 1996). The reasonable explanation for democratic peace theory is that a variety of cultural, social, ethnic, demographic, and political factors encourage the Western industrial democracies to view the world in similar ways. They do not fight each other due to those similarities. Scholars of international conflict have long accepted that nations differ in their objectives in global relations and that these differences are an important contributor to conflict behaviors (Bueno de Mesquita 1983; 1992; Gartzke 1998).

[1]Classical realist mainly focuses on the issue of interests and conflict. In Hans Morgenthau's six principles of political realism, he argues a balance of power will only ensure peace when those involved in it have a common interest in its maintenance. He states that "...It is this consensus-both child and father, as it were, of common moral standards and a common civilization as well as of common interests-that kept in check the limitless desire for power, potentially inherent, as we know, in all imperialisms, and prevented it from becoming a political activities"(Morgenthau 1985, 239). For Morgenthau, the concepts of power and interests are intertwined. Balance of power will only be useful when the states in question share an interest in maintaining the status-quo, and will be conflictual when the revision state is seeking to overthrow it. Then, about the discussion of interests, neorealism starts from the assumption that state behavior derives from the anarchic nature of the international system (Waltz 1979). Because anarchy implies the absence of the central control of using power, states must pursue power as a mean for their survival. States basically seek military superior than other states or allies among them to secure interests. Besides, it also generates conflict because of the relative nature power: the gains of one state must come at the expense of others (Gilpin 1983; Grieco 1988).

Concerning the issue of interests, Layne (1994) provides several critical cases showing that the reason why democracies will not declare war against each other is based on national interests rather than regime types.[2] Layne expands the norms and cultural explanations and argues that democracies develop positive perceptions of other democracies, which means there is a mutual respect because democracies perceive each other as equally peaceful. This perception is based on a form of learning. Democracies benefit from each other and wish to establish a sense of positive cooperation. In turn, this consensus will urge democracies to respond to the needs of other democracies and eventually, create a community of interests. Democracies will bring more peace among them because once they move towards community, they prefer renouncing the option for using force in their interaction. This explanation reminds us that interest similarity can be another explanatory choice for democratic peace.

Farber and Gowa (1995; 1997) adhere to the argument that interest similarity brings more peace. Their realistic approach attempts to connect democratic peace with the Cold War scenario, and they argue that the onset of the Cold War precipitated strong common interests among the large number of democracies. Alliance patterns reflect that most democracies join defense pacts with each other. Peace during the Cold War era becomes the product of security interests. They conclude that it is the common interests rather than common regimes that explain the low incidence of disputes between democracies. Their arguments did offer different thought on democratic peace studies, however. Only a few researchers follow Farber and Gowa's though.[3] Gartzke is one of these scholars. He goes one step further and asks whether

[2]Russett mentioned in his work, "the culture, perceptions, and practices that permit compromise and the peaceful resolution of conflict without the threat of violence within countries come to apply across national boundaries toward other democratic countries"(Russett 1993).

[3]Farber and Gowa's idea about using alliance as a proxy for common interests has some problematic issues. As Russett and Starr mentioned, there might be a complex endogenous issue since shared interests of democracies may influence preferences for alliance partnerships, which will indi-

interest similarity and international conflict are related statistically.[4] He argues that democratic states may still fight because they have different opinion against each other. The empirical evidence also supports that adding his affinity scores leads most coefficients, including democracy, to become insignificant. Therefore, he attempts to conclude that affinity, his way of measuring interest similarity, is significant enough to displace or reduce the importance of indicators of democracy as an explanation for democratic peace theory.

Oneal and Russett (1999*b*; 1999*c*; 2001) respond to Gartzke's question and claim that democratic peace can be explained by the similarity of states' interests or world views. However, they strongly believe it is democracy rather than interest similarity that directly influences peace among democratic dyads. They conclude that "because preferences cause peace and democracy causes preferences, the effect of preferences on peace is indirectly attributable to democracy"(Oneal and Russet 1999*b*; Gartzke 2000). From their view, democracy, economic interdependence, and share of IGO membership can better explain the likelihood of conflict, but not only from the single concept of national interests.

The debate between Oneal and Russett and Gartzke questions whether interest itself directly causes conflict or the causal inference on conflict is indirectly attributable to democracy (Gartzke 2000, 169). In fact, the two studies both have shown a similar claim that states' interests do matter, and the relationship between interests and the probability of disputes is causal.[5] Both works have shown that the causal linkage

rectly reduce conflict between democracies. They believe alliance cannot be treated as a privileged indicator of interests (Russett and Starr 2000, 107). Besides, their suggestions cannot handle the militarized hostilities between Greece and Turkey, which were both NATO allies during the Cold War era.

[4]In the author's knowledge, there are Gartzke (1998; 2000) and Sweeney (2003; 2005) who have proclaimed that it is common interests that create more peace among states.

[5]What the author mentions about "states' interests" is related to the state units, not for governments or individual decision makers. Based on the debate between Oneal and Russett and Gartzke, their main argument attempts to reveal whether states' interests are independent from regime types, which have direct influence on interstate conflict. The analytical framework in this dissertation relies

between interests and conflict is real, and we should not ignore seeking out a broader theoretical and empirical explanation about this causal linkage. Democracy matters in accounting for democratic peace, but there should be more variables accountable for private domain of joint democracy. As Gartzke proposes: "we must ask ourselves at some point whether other variables deserve greater attention given the relatively modest portion of conflict behavior that can be accounted for by pairing republics" (Gartzke 2000, 210). States' interests should not be merely an artifact of democracy (or other liberal variables) as Oneal and Russett promote, and their effects on disputes need to be studied with a more complex model revealing their direct effects on conflict.

In order to investigate the debate between Oneal and Russett and Gartzke, we have to carefully parse the definition of interests before all the empirical examination. Only through a thorough discussion of the definition of interests can scholars identify the causal linkage between interests and conflict because it should be clear about the theoretical interpretation of the role that policy interests play in motivating states to use force. Some questions should be asked prior to further examination. Could it really be the case that regime has more influence on peace than interests? Or do interests and regime types hold equal explanatory power for peace studies? It has been over twenty years since the question was first posed, and there is still an ambiguity. In this project, I argue that a great deal of light can be shed on the question by including the effects of an extra independent variable which is often treated with less attention from the empirical studies: interest. Scholars should not ignore the functions of states' interests in peace studies, or even treat this variable as the by-product of liberal variables. In the empirical examination parts of this dissertation, I will demonstrate the direct effects provided by states' interests on peace by regressing

on the state level and may not have a strong link with individual decision makers and governmental constraints by democratic institutions. More discussions are in section 1.3.1.

regime type and interests altogether. In order to connect the issues of regime types and peace question, we still need relevant literature review of democratic peace theory before the model and following hypothesis testings.

Regime and Peace Question

For the past decade, the "joint democracy produces peace" theory has received substantial attention. The main stream of the evidence has confirmed that democracies rarely if ever engage in large-scale conflict with each other.[6] The research has revealed the importance of the relationship between regime type and international conflict. Democratic peace theory highlights the critical impact domestic institutions and norms can have on the management of existing disputes (Russett 1993).

There were some doubts on the effect created by regime type on international conflict. One of the major criticisms of utopianism or idealism, using the cause of World War II as a case, was that regime type is insignificant. Realists believe that we need not to focus on what type of political regimes the states have for understanding the foreign policy of states. The onset of World War II has already taught us that power and interests are more important than focusing on regime type. From realism, for the understanding the foreign policies of states, one needs not to focus on what type of political regimes that states have. The initial attack on liberalism and utopianism was launched by E.H. Carr. Carr criticized "Wilsonians" and the tendency of "English-speaking peoples" that they identify what is in their own national interest with "universal right" (Carr 1964; Ray 1995). Carr believes that for the past hundreds years, the dominant group in the world and current main theories of

[6]For the dyadic democratic peace literature, please see (Doyle 1983; 1986; Maoz and Abdolali 1989; Bueno de Mesquita 1992; Bremer 1993; Maoz and Russett 1993; Russett 1993; Rousseau et al. 1996; Huth and Allee 2002; Russett and Oneal 2001; Dixon and Senese 2002; Peceny, Beer and Sanchez-Terry 2004; Rasler and Thompson. 2001; Bennett and Stam 2004; Bueno de Mesquita et al. 2003).

international morality have been controlled by those few "democratic powers," which identify themselves with the community as a whole. Realists did abandon liberalists' belief on the studies of regime type and its function.

Another influential critique against the idea that regime type matters appeared in Kenneth Waltz's structural theory (Waltz 1979). Waltz asserts that differences in regime types do not have systematically important impacts on international politics. Structural effects or the interaction between unit and structures create some constraints on state's cooperative behavior. In an anarchical international society, states mainly attempt to survive with self-help mechanisms. Cooperation between states is possible, but it is hard to achieve. Thus, international politics pays more attention to international structure, than to domestic or internal aspects of states. In general, structural realists assert that it is environment rather than domestic effects that put constraints on states' behavior.

Liberals, in contrast, have different points of view from realists about state behavior and international politics. Kant's "Perpetual Peace" is an important symbolic, as well as substantive, source of inspiration for advocates of democratic peace theory. He may well deserve credit for the shape of contemporary thought regarding the relationship between regime types and international conflict. He believes that the public and its opinion in democratic states is peaceful, and the citizenry in a republic will be against war because they must pay the costs of war from their own resources (Kant 1795; Doyle 1983). Liberals, in his belief, tend to be pacifists, and liberal governments prefer negotiation to war when they face each other. However, there is one critical discussion that we all need to be aware of. The basic idea of democratic peace, which is composed of democratic dyads, has been theoretically and empirically examined through numerous works. The critiques of the relationship between regime types and conflict are not necessarily translatable into critiques of the democratic peace. There is a clear distinction between the monadic and dyadic effects of democracy. We should

note that democracies are not less war prone in general than non-democracies. They just keep peaceful relationships with one another. The dyadic effects of democratic peace have been much more widely accepted, but the monadic effects of democracies still "contains too many holes, and are "accompanied by too many exceptions, to be usable as a major theoretical building block" (Russett 1993, 30-31).[7]

Explaining Democratic Peace Theory: Structural, Normative, and Strategic Arguments

There has been such a long debate about whether institutional or normative arguments are more appropriate when it comes to the discussion of democratic peace theory. Sometimes this type of debate delays scholarly investigation into how these two arguments related and how they interacted to generate peace among states (Russett and Starr 2000). It will be necessary to combine these two types of arguments together and view them as contextual theories, which consider conditions existing within democracies to constrain and enable behavior outcome (Russett and Starr 2000). If we could combine and integrate these two broad theories together and see how they affect the opportunity and willingness of decision maker's preferences on conflict or cooperation behavior, the study can contribute to the field of the democratic peace theories with a more integrated theory.[8]

Institutional explanations start the argument about the political structures and

[7]Doyle (1983) has several points that can be addressed between regime types and international conflict. One involves the relationship between democratic and non-democratic states. Doyle (1986) claimed "The very constitutional restraint, shared commercial interests, and international respect for individual rights that promote pace among liberal societies can exacerbate conflict in relations between liberal and non-liberal societies . . . Liberalism does appear to exacerbate intervention against weak nonliberals and hostility against powerful nonliberal societies."

[8]Maoz and Russett (1993) proposed that the two models are extremely difficult to distinguish conceptually, thus "enhancing the difficulties of testing them as alternative hypotheses." Indeed, both explanations are conceptually similar in that it is difficult to identify one without noticing the other. It is difficult for us to investigate the real cause of democratic by separating these two critical concepts.

the domestic political costs of using force (Morgan and Campbell 1991; Morgan and Schwebach 1992; Bueno de Mesquita 1992; Schultz 1999; Bueno de Mesquita et al. 1999; Rousseau 2005). Scholars who believe in structural constraints argue that due to the higher probability of imposition and higher cost for failure in foreign decision making, democratic leaders are less likely to initiate or escalate conflict.[9] Democratic leaders have a higher expected cost for failure because they have a higher probability to be imposed. If failure is more costly in the democratic countries, decision makers in these regimes will be less likely to initiate or escalate conflict. Additional structural explanations suggest that institutional constraints, which are shown as the regular election, division of powers within government, and checks and balances in democratic countries, make it harder for them to declare war against one another. Democratic leaders need to persuade domestic politicians, the congress, and private interest groups that it is national interests to adopt military activities. It then takes a long process for democratic leaders to persuade domestic institutions and also mobilize public opinion. In a crisis between democracies, leaders understand the other side will have to engage in a difficult and lengthy process to reach the final war decision, and this will provide expectations for both sides that there is an opportunity to reach a peaceful settlement.

Lake (1992) adds another argument about why democracies seldom declare war against each other. He believes that it is because democracies are more likely than other regimes to win the war (Lake 1992; Bueno de Mesquita, Siverson and Woller 1992; Bennett and Stam 1996). He opened the discussion with the hypothesis that

[9]Morgan and Campbell (1991) argue that the decisions to use military force are choices made by political leaders based on domestic and international cost-benefit calculations. Any foreign policy decisions will result in domestic repercussion. It includes the expenditure of resources and loss of human life which can mobilize opposition groups or affect the ruling coalition. Domestic constraints become the critical element in the structural explanations of democratic peace theory. Rousseau (2005) provide other four assumptions arguing that the more open the system, the more likely it is that opposition groups have the power to inflict coasts on the executive for making unpopular foreign policies.

democracies would be better able to generate wealth and military capability for security issues. Democracies enjoy greater social support for their policies and therefore a greater extractive capacity. Therefore, understanding that democracies are more likely to win their wars can make us realize why democratic leaders are less willing to declare war against each other.An alternative explanation for democratic peace comes from the normative explanation which relies heavily on the work of Kant. Starr (1992) clearly illustrates Kant's idea about the 'norms' fostered by a democratic culture. It is the central explanation for the zone of peace among democracies. Starr mentions in his article:

> "...because democratic states require the consent of its citizens to go to war, war will be less likely as the citizens themselves will have to bear its costs. In addition, the republican civil constitution of a state signifies that a political society has solved the problem of combining moral autonomy, individualism and social order" (Starr 1992).

It mainly informs us that democratic political leaders are socialized within a system that emphasizes compromises and non-violence. Leaders typically resolve political conflict in democracies through non-violent behavior (Maoz and Russett 1993; Starr 1992; Rousseau 2005). Democratic leaders are committed to the norms they adopt in the international arena. This means democracies both realize and respect one another when a conflict of interest arises between them. Norm externalization and mutual understanding represent the normative logic of why two democratic states rarely fight against each other (Russett 1993; Weart 1998; Rosato 2003).

This logic also informs us why democracies have often been prepared to fight against non-democracies. From a dyadic viewpoint, democratic leaders externalize their domestic norms only if they expect their opponent is democratic. It is because democratic decision makers will expect their opponents to adopt a nonviolent behav-

ior instead of a violent one (Bueno de Mesquita 1992; Starr 1992). If democratic opponents are tempted to try and extract concessions from them by attacking or threatening to use force during a crisis, the democracies may either have to defend themselves from attack or launch preemptive strikes for security reasons.

In addition to normative and institutional arguments, researcher provides strategic arguments for explaining democratic peace theory (Bueno de Mesquita 1992; Starr 1992; Russett and Starr 2000). Bueno de Mesquita and Lalman (1992) designed an international interaction game to take domestic decision maker's calculations of expected utility into account. The high political costs in democratic countries make the use of force less attractive for the democratic decision makers. Hence, when two democracies face potential militarized disputes, all of their movement will be known because of the information in liberal democracies, the influence created by opposition parties, and their knowledge of internal politics. It is known as the effect of democratic transparency (Russett and Starr 2000). However, democratic transparency creates a double-edged sword for democratic countries. It helps to create a peaceful outcome for democratic pairs while pushing mixed dyads to the edge of war. Since an autocracy is relatively unconstrained by domestic politics, it is more likely for the autocracy to force the constrained democratic rival to capitulate. Hence, democracies become vulnerable to threats of war and possibly prefer launching preemptive attacks against the aggressors (Bueno de Mesquita 1992, 159). This helps to explain why some democracies would fight against non-democracies.

Bueno de Mesquita and Siverson (1997) develop the "selectorate model" to explain how leaders satisfy their selectorate and maintain a domestic winning coalition. They outlined that democratic leaders, because they depend on large winning coalitions, need to pay particular attention to the overall expected utility of getting involved in conflict than autocrats, who only need support from a small coalition to stay in office (Bueno de Mesquita and Siverson 1997). Russett and Starr point out that democratic

decision makers are "more careful on war decisions because all the decisions are based on the overall set of relationships between leaders and rent-seeking, the provision of public goods, the creation and maintenance of legitimacy, the care and feeding of the selectorate and the domestic winning coalition"(Russett and Starr 2000, 103). Democratic reselection pressures cause democratic leaders to mobilize considerable resources for the war effort and to be more selective in choosing targets, because defeat is more likely to lead to domestic replacement. Democratic leaders would be more careful in selecting their targets and attempt to find a shorter war against a weak target. Democracies find it hard to defeat other democracies because they can expect the democratic opponent will also try hard to win the war. This leads to the main reason why dyadic democracy is more peaceful.

Strategic and selectorate explanations provide a useful framework complementing normative and institutional constraints in democratic peace discussions. Normative or structural arguments can only see partial views of democratic peace theory. In order to have more integrated explanations for democratic peace literature, we need to take domestic factors into account within a general agent-structure notion of decision makers (Russett and Starr 2000). Internal politics affects the likelihood of military conflict because political structures have different situations for determining costs of war. The high domestic considerations on war put more constraints on democratic leaders which make the use of force less attractive to them. War participation needs a careful calculation of expected utility, and decision makers always pay attention to their preferred strategy which can result in higher interests for them. Thus, strategic and selectorate explanations let us realize that understanding leaders' preferences is crucial while we study democratic peace theory.

1.2 Theoretical and Empirical Issues of Interests

The concept of interests has been studied constantly in the field of international studies. Two schools of studies based on the Realist approach, the theory that balancing or preponderance of power causes peace, add interests to the equation in their research. Balance of power theory basically tells us that the expectation of conflict is affected by the distribution of power conditional on whether states have similar interests (Morgenthau 1985). Conflict will arise when one state is seeking to overthrow the status-quo while another one attempts to maintain it.[10] From the preponderance leads to peace argument, Organski illustrates that any dyadic preponderances of power will be peaceful because since the weak sees no possibility of victory, it will not fight and then, the strong side has no intention to fight. The risk of war will be greatest when there is a power transition between two great powers.[11] Thus, what is more important is not how power distribution causes peace but the focus on states' interests on the international system. If states are satisfied with the status-quo, there will not be military conflict even if they reach power parity with the dominant power. Military conflict exists only when the challenging states have such intentions to overthrow the existing system. The intention comes from states' interests, and without the studies of interest similarity, power preponderance only provides partial explana-

[10] Another Realists' example illustrating the importance of interests is from Henry Kissinger's work on peace in the Concert of Europe. Kissinger holds the cause of peace was not the fact that in the wake of the Napoleonic wars most European Great Powers were of equal military capability, it was the similarity of interests between them. Kissinger believes that "Stability was possible because it was the common conviction of all statesmen" (Kissinger 1964, 319).

[11] However, not all power transition will lead to fighting because states may have different interests and that difference can prevent potential interstate conflict. As Organski (1968, 364) puts it, "Peace is possible only when those possessing preponderant power are in firm control and are satisfied with the status-quo or with the way in which it promises to develop in a peaceful context. Peace is threatened whenever a powerful nation is dissatisfied with the status-quo and is powerful enough to attempt to change things in the face of opposition from those who control the existing international order. Degree of power and degree of satisfaction, then, become important national characteristics to be considered when trying to locate the nations that are most likely to disturb world peace."

tions for military conflict.[12]

Theoretical Issues of Interests

Because interests are not directly observable, it is not so easy to "assign" interests to particular entities. Therefore, the first goal of this project is to determine the units of action I focus. I use state as the level of analysis, which is commonly adopted in the international relations literature. Realists view states as unified rational actors, and states have their own interests revealed from their policy decisions. Besides, using the state as a single and unified actor provides a simple and straightforward model for further theoretical and empirical analysis. By aggregating relevant information from countries all over the world, we can understand how states behave, react, and even proclaim their own preferences. In addition, using the state as unified actor also can simplify some strategic situations when we focus on complex decision models. Although some scholars do not believe that states have interests because only "individuals joined together into various types of coalitions can be said to have interests," there are still other arguments that use states as unified actors and contend that they do have their own preferences (Gilpin 1983, 18).[13] Walt (1987) proposes a revision of balance of power that he calls "balance of threat." By this, he means countries do not only react to the power ratio, but also to the perceived threat posed by other

[12]Several relative tests have already included a measure of interest similarity between states in the system, which clearly inform us that not only preponderance or balance of power creates peace, but also states' interests play a key role. Other related works on power transition theory also prove that interests should be included as the critical variable. Lemke (2002, 100) argues that power transition theory identifies "status-quo dissatisfaction as an important variable increases the possibility of conflict." However, he also mentions that original research neglects the important empirical evaluation of status-quo. The following research conducted by other scholars include a measure of interest similarity between states for the power transition model, which illustrates that even power preponderance leads to peace, it is not power alone that determines conflict expectations, but power plus interest similarity.

[13]Gilpin proposed that states do not have interests, but "may be conceived as a coalition of coalitions whose objectives and interests result from the powers and bargaining among the several coalitions composing the larger society and political elite" (Gilpin 1983, 19).

countries. In his words, countries will react to the "conflict of interest." This idea thus blends states' interests and environment into a single factor which illustrates not only how powerful the actor is, but how it reacts to the environment and proposes to get what the state wants.

The interaction between states and the environment informs us a critical question about the origin of national interests. Where do national interests come from? What are the real causes that have states make certain policy decisions? Thinking carefully about the origins of national interests shows another critical issue in this study. One argument informs us that these interests are determined by enduring subnational interests that dominate the formation of national interests. As Frieden (1999, 59) proposes, "This typically involves 'inducing' not the nation's preferences, but those of powerful actors, who then, it is argued, determined national goals." Instead of looking at the revealed interests solely from national perspectives, scholars should look at interest groups, political parties, and bureaucracies which form the national interests. According to Frieden, scholars can derive national motives from the interests of bureaucrats or individual actors. National interests are often traced or influenced, more narrowly, to the ideological perspectives of governmental elites. Each individual player has its own personal interests and role, and these interests and role will influence the final decision outcomes. Thus, we can say that the revealed national policy interests are the compositions of those groups that engage in political interaction over different economic, political, or social "interests."[14]

Based on the argument above, the meaning of states' interests basically represents a type of "desire" or "intention" sought by a state to achieve certain objectives which induce a change in state behavior. Although the concept of interest is imprecise and

[14] Allison's second and third models, which explain how standard operating procedures and governmental politics work together to produce national interests (Russett, Starr and Kinsella 2010). Governmental decision making models have clearly articulated the relationship between national and individual interests and the interaction between these two levels.

complex, it still can tell us how states react when relative costs of security objectives and welfare objectives change, and this change will result in a corresponding reaction in the foreign policy of the state. Interests are motivations which push states to search for different objectives in international politics, such as conquest of territory, influence over the behavior of other states, or control over the international economy (Gilpin 1983).

Another question needs to be asked before empirical examination: "How can we identify states' interests?" Or "How can we connect states' behavior with the original intention?" Studying the content of interests might be useful for observing the outcome of states' behavior. However, this analytical approach has certain constraints. For instance, when a state is interested in a certain policy choice, it usually means this option will be chosen from other alternative options when considering all the constraints. Therefore, it will be risky to judge states' interests through their behavior because acting on interests does not mean that states always pursue their first choice, nor does it mean they will end up with their last choice.[15] States will choose the policy which can bring positive expected utility for them. One example is the outcome of the war in Vietnam. It does not imply that the United States prefers losing the war to winning it. It was under careful calculation by Nixon that the results of accepting defeat were considered better than continuing to pursue victory. Nobody will argue that defeat in Vietnam was Nixon's true preference, but winning his second term by promising peace brought more benefits (Bueno de Mesquita 2003). So we need to be careful about the concept of interests based only on the observable outcome.

Social theories often refer to ideas that cannot be observed directly, and interests are the typical case.[16] There are many central social science concepts which can-

[15]Bueno de Mesquita (2003) believes that outcomes do not always reveal true interests for the states because sometimes the outcome does not really reflect states' intentions. The outcome of foreign policy may be the second best strategy for the state due to the calculation of expected utility.

[16]Several examples can be discussed here to prove this argument. First, states can be divided

not be measured easily, including the measurement of democracy (Bollen 1990; 1993; Coppedge, Alvarez and Maldonado 2008; Treier and Jackman 2008), foreign policy attitudes (Hurwitz and Peffley 1987), and national identity issues in the studies of political involvement (Huddy and Khatib 2007). The term "interests" in this dissertation can be viewed as one type of the latent variable issues as above because they are not directly observable. Scholars of international relations have long disagreed about how to characterize the concept with appropriate theoretical and empirical methods. It is quite common for scholars to use "interests" in ambiguous and conflicting ways. This project attempts to dig into the true meaning by providing a more concrete framework.

Since, the concept is elusive and vague, it is difficult to conclude in one word or sentence for the whole idea. What we understand so far is that states have different types of policy preferences, including security, economic, or cultural ones. Different policy interests will produce distinct decision outcomes. Therefore, it becomes helpful if scholars can carefully focus on the issue of states' vital interests. The vital interests mean that states can ensure their survival if the requirements of national security and economy are fulfilled.[17] Realists argue that all states have a "core national interest" of assuring their physical and territorial integrity. Liberals criticized that nations do not only care about security, but also their economic interests. For instance, Lipson (1984) argues that international cooperation is more likely in economic issue areas than in security domain. The discussions between neoliberals and neorealists thus

into status-quo and revisionists based on their different interests. A status-quo state is one that has no interest in conquering other states and interests are internally constructed within the state. They may be hypothesized to have the ideas as "satisfied" with their international position, and this belief of satisfaction comes from their perceptions of the international order. This identification comes from a series of socialization and understanding about what is "satisfaction," which may help the states constitute a certain identity and relationship to the world. This, in turn, motivates states' actions in certain direction.

[17]The reason I adopt security and economic interests as vital interests is because states will struggle to secure their political or economic benefits if they can foresee the danger. Other minor interests which create no immediate harm to nation survival are not viewed as vital interests in this project.

tell us that the priority of state goals is to survive through both national security and economic welfare.

Bridging the gap between security and economic welfare offers a better structure for studying states' interests and cooperation. It is because reflection on security and economic as states' interests soon yields the conclusion that they are complementary. States' security and economic interests are intertwined with each other, and both should be recognized as the core values of states. Gilpin shows this complementary in this book *War and Change in World Politics* that international politics is not influenced by security or politics issues alone, and the change of distribution of power also influences global economic relations (Gilpin 1983). Gowa corresponds to Gilpin's argument and proposes that foreign economic policy is driven by both security and material policy while security policies have wealth externalities (Gowa 1989).[18] Keohane (2005) later provides an example about how American military power was used to build international economic arrangements consistent with American capitalism in the 1940s. This economic dependence among the United States, Western Europe, and Japan also increased the U.S. military strength in the long run. In Keohane work, the link between "power" and "wealth" of U.S. interests were consistently linked and there should be no priority for either "power" or "wealth." In general, U.S. economic interests abroad depended on establishing a political environment in which capitalism can flourish, and the U.S. political or security value depended on the economic recovery of Western Europe and Japan. This case reflects how national security and

[18]Previous theory can assist us to form an analytical framework explaining the basic concept of interests. The focus on national security corresponds to some of the realists' basic arguments about national survival, and the economic domain reflects neoliberals' counter arguments about attention to states' trade behavior. Trade might be considered a fairly common expression of national interests, but a few factors make it less than appealing. Because two states engaging in trade do not imply that they agree on everything in the foreign policy realm. Nations that trade must overcome the transaction associated with commerce, and their domestic situation must accommodate the international financial system which follows globalization. Trade brings an additional economic aspect to describe states' interests in the recent study.

economic interests are tightly linked.[19]

No indicator can be perfect, and it will be extremely difficult to demonstrate the whole idea of states' interests with one single variable. From a theoretical point of view, each interest indicator has its theoretical and empirical strength and weakness. Thus, I need to form a suitable list of variables and think about creating a latent framework. Combining the useful measures into an index of interest similarity will address the shortcomings of each particular measure with the strengths of another. The second chapter of this dissertation will turn to the construction of that index.

Empirical Issues of Interests

Theoretical literature on interests illustrates the meaning and origin of this issue; however, empirical evidence seems hardly keep up with development of theories. This section offers a brief introduction about different types of interest indicators and how international relations scholars measure national interests with these variables. Farber and Gowa (1995; 1997) contend that strategic interests can be revealed through the investigation of alliance ties. By using mutual defense pacts as an indicator of common interests, they observed that democratic countries were more eager to sign these pacts with each other than with other types of countries after World War II. However, their argument about how to measure security interests can only partially explain the story of security affinity. The problem is that two states may not have direct ties with each other, but their pattern of strategic commitment to the third party may be highly similar (Maoz et al. 2006). Even if two states have no direct alliance, their perception of friend and enemy may be still quite similar. Therefore, using alliance

[19]Economic interdependence creates peace among Asian countries. In Asia, the U.S. provided the collective goods and free access to its vast market to Asia's early industrializers. It created rapid economic growth in several Asian countries, such as Taiwan, South Korea, and Japan. These countries also represent U.S. political and democratic value in East Asia.

ties as the indicator of security choice provides a less convincing explanation of the phenomenon.[20]

There is a second type of indicator measuring states' interests in previous studies. Instead of using alliance as interest indicator, Gartzke (1998) shows an index of interest similarity which is based on United Nations General Assembly (UNGA) roll-call votes. For Gartzke's approach, he believes that even though it is hard to observe states' true foreign policy interests by UNGA voting behavior, it can tell us their sincere intentions better than other international venues. According to Gartzke, a country's votes provide valuable information about its interests on a variety of international issues because states may feel more free to express sincere interests. States may use voting behavior as one of the mechanisms signaling their national foreign policies, including security issues. Even if states vote to abstain in the UNGA, it also provides some valuable information reflecting states' concerns on the issues. In Sweeney's empirical analysis, it also shows that UN voting is sensitive to the policy shifts because for a low cost states can demonstrate their policy position on most issues. There are many constraints and critiques when viewing UN voting behavior as an appropriate indicator of states' interests. First, the low cost of voting behavior does lead to some questions about the information from the UN voting. Countries may not be as serious on certain votes since there are numerous voting chances during the United Nations General Assembly. Even Gartzke himself (1998, 15) agrees that "Since the cost a nation incurs for revealing choices in the General Assembly are modest... I argue that the affinity index is roughly indicative of the underlying preference ordering states have over the policy spectrum." This means that it would be better to combine the UN voting index with other policy interest indicators, which

[20]Scholars of international relations have already noticed that the commonly used alliance portfolios are problematic. Scholars used Kendall's Tau_b scores to represent states' alliance similarity while Signorino and Ritter offer a better measurement S to represent security similarity. For more details about different indicators, please see (Signorino and Ritter 1999; Sweeney and Keshk 2005).

contain more information. Using UNGA affinity scores may impose limitations on measuring to the true preferences of the states.[21]

The third variable representing the concept of interests is Signorino and Ritter's S algorithm (Signorino and Ritter 1999). S scores are based on Euclidean distance between states' relationships, and it provides more advantages than the Tau_b measure. Signorino and Ritter apply different concepts of interests into an individual S algorithm (UN voting, trade, disputes, and diplomatic missions). S scores have stronger explanatory power than Tau_b since alliance portfolio do not represent the common interests of states.[22] However, one theoretical issue still exists. There will be mistakes if we adopt only one indicator to show an overall interest similarity between all states in the world.[23] The S scores still demonstrate partial picture of foreign policy preferences.

The three indicators listed above tell the partial stories about states' interests.[24]

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[21]Another disadvantage using UN voting behavior as states' interests is from Oneal and Russett's investigation (Oneal and Russet 1997). They argue that the measurement used by Gartzke to assess interest similarity between states is a function of regime types. Affinity can be explained by different types of liberal indicators, which include trade and regime. They conclude that while alliance and UN voting serve as indicators of states' interests, neither provides a measure that is independent of states' regimes or their economic interdependence. Oneal and Russett (1999*c*) later show that about 40 percent of the variance in the affinity scores can be accounted for by democracy, interdependence, and other independent variables in Oneal and Russett's standard regression of the democratic peace.

[22]S scores have brought some innovations for measuring states' interests. More works managed by Sweeney and Keshk (2005) have revised the computing program which makes the S algorithm accountable for a large data set. Their research on computing and calculation of S scores does provide progressive revision.

[23]Signorino and Ritter (1999, 135) argue that "If we were to follow the standard practice of interpreting the similarity of states' alliance policies as an indication of the similarity of their interests, we would naturally conclude that in 1947, Britain, France, and the Soviet Union had very similar interests that stood quite opposed to those of the United States."

[24]However, a consensus exists that interests matter in the study of international relations and that *Affinity* is another useful indicator of interest similarity (Oneal and Russet 1999*c*; Gartzke 2000; Sweeney 2003). The term *Affinity* here indicates how close two states are and how they view this world from a more similar point of view. Affinity is different from the meaning of interests or preferences. Since I use interests and preference interchangeably in this dissertation, it would be less confusing not to use affinity as another term for states' interests. It should be aware that affinity shows the closeness of two policy positions or relationship between states. On the issue of measuring affinity, Maoz et al. (2006) have some discussions on interest similarity using social network analysis. They adopt a multiple correlation coefficient for measuring structural equivalence between different

It encourages us to go back to some theoretical arguments. For instance, why do we need to input security alliance, trade, and IGO membership into the S scores instead of other indicators? What are the criteria for deciding which variable should be included? It is very likely that a different variable may represent different dimensions of national interests. There should be a consistent and reasonable explanation for the decision of variables because no single variable can be a perfect measure for the concept of interests. Therefore, the most feasible method for discovering a representative indicator for interests needs to go deep into a more cognitive aspect. Once we can obtain the observable data for the existing action from states, we might be able to adopt a hidden framework and produce the factors representing their inside desires. Interests may have multiple dimensions, yet it probably needs only one common factor representing the interesting variables. For instance, human beings have "interests" to get food, water, and sleep to sustain their bodies. They also have "interests" to get love, self-esteem, or recognition of their standing from society (Maslow 1959; Friedman 1997). Thus, even though there are several dimensions of states' interests, we can conclude that there are two principal components covering different indications of interests. One is the "physical security" and another is the "ontological security" (Wendt 1999, 131). Then, a broad conceptualization could be narrowed down to two

nodes. Structural equivalence is a mathematical property of subsets of actors in a network. Briefly speaking, two actors are structurally equivalent if they have identical ties to and from all other actors in the network (Wasserman and Faust 1994). One of the advantages using Maoz's structural equivalence scores is that their data can reflect first-order relationships (e.g., direct alliances or direct trade relations), or it can reflect any level of indirect relationship. Tau_b and S scores can only examine the first-order relations which cannot apply to indirect relations. Indirect relations means if state A has relation with state B while state B has relation with state C, then state A has indirect relation with state C. Maoz's data has the advantage of testing this indirect relationship among states. According to Maoz (2006), the reason to focus on indirect relationship is that some indirect relationships have a profound impact on direct ones. Realism believes that the notion of "the enemy of my enemy is my friend" represents a fundamental idea of international politics (Mearsheimer 1994, p.13). In the systemic level, allies often get entangled in some unwanted third-party wars because chain-ganging process (Snyder 1990; Maoz 1990). There are different types of indirect relationships among states, such as indirect alliance, indirect trade, or indirect institutions. In Maoz et al.'s research, they examine indicators from realists and liberalists, and obtain significant results between interstate conflict and states' interests.

critical ideas about human security interests.[25]

The key contribution of this dissertation is to construct a useful framework of national interests with possible latent factors. The reason I believe there might be some hidden elements behind state behavior is because states' actions are derived from the ideas about international society. The available measurement for these "ideas" comes from the desire for obtaining the vital interests of basic need. Therefore, different types of state behavior can be viewed as a single policy indicator. There might be many observed variables representing states' diversified interests which can be aggregated by a hidden variable.

Table 1.1: Sources for the Policy Indicators

Data	**Source**
Alliance	Tau_b by EUGene
National Capability	COW v2.3
Nuclear Weapon	Jo & Gartzke (2007)
IGO Membership	COW v2.3
Development(gdppc)	Mousseau (2000)
Democracy	Polity IV
International Trade	Gleditsch (2002)
The Market Openness	IMF
FDI	IMF

In the empirical chapters that follow, interest similarity is the score generated from the factor analysis which includes useful variables. I include different variables to produce factor structures. In order to cover multiple interest fields, I include security

[25]This explanation can be applied to different classification of interests. Some people are interested in reading, opera, musical, or artistic activities, which can be viewed as a more "sedentary activities." Some people love sports, outdoor activities, or dancing, which can be categorized as "activities."

alliance, national capability, the possession of nuclear weapons, IGO membership, national development, democratic development, trade, the market openness, and FDI. Table 1.1 lists the indicators used for the latent framework.[26]

Another critical issue is the type of factor analysis to be adopted. There are two types of factor analysis. One is *exploratory factor analysis* (EFA) and the other is *confirmatory factor analysis* (CFA). EFA is used for exploring which observed variables related to factors, and there are no determined latent variables before the statistical analysis. Thus, EFA can be viewed as a variable reduction approach, which does not need theoretical arguments in advance (Bollen 1989; Schumacker and Lomax 2004). In contrast, in CFA a model is constructed in advance, the number of latent variables is specified by the analyst, which factors are correlated, and which observed variables measure each factor.[27] For this project, since it has been admitted that there are basically two major categories of national interests, security and economy, and each factor has its own corresponding observed variables, I just concern myself with confirmatory factor models. The next section will bring out more details about CFA when I discuss the Structural Equation Models (SEM) because the empirical examination will produce given confirmatory factors for model specification.

[26]Security alliance has been recognized as one of the popular indicators of national interests in the security realm. I adopt Tau_b scores for alliance security. The most recent version of alliance data can be found in the Correlate of War project. Raw data for alliance variable can be generated from EUGene Version 3.2 (Bennett and Stam 2000). Trade is probably a more costly signal. It can provide more information in the economic aspects which can supplement some missing information for alliance or IGO membership. I use Gleditsch's (Gleditsch 2002) data since Russett, Oneal, and Berbaum (2003) advocates these data contain fewer missing observations. IGO membership may provide more relative information than the bilateral diplomatic recognition because states may need to sacrifice more rights or benefits to join the international organizations while diplomatic missions need not. I obtain the IGO data from the Correlates of War project (Version 2.3)(Pevehouse, Nordstrom and Warnke 2004).

[27]The researcher has an a priori specified theoretical model when conducting CFA, which needs further hypothesis testing to confirm the factor model.

1.3 Interests and Regime Cause Peace Argument

The question of whether interest or regime similarity brings more peace is one of the most frequently theorized and examined questions in international relations literature. It is often theorized because interest and democracy are two central concepts in international relations and understanding their relationship has been viewed as very important training for scholars. The question is also examined because both variables have seldom been considered together in the study of international conflict or conflict escalation. Few research projects ever attempt to combine these two studies. Oneal and Russett indicate that "States' preferences are closely associated with the probability of a dispute; but these preferences are in turn significantly influenced by the character of states' political regimes and their economic relations"(Oneal and Russet 1999*b*; Russett and Oneal 2001). From Oneal and Russett's idea, they believe it is democracy and other liberal variables in part that anticipate similar interests. The path analysis with causal inference for Oneal and Russett's concept shown in Figure 1.1.

I first take up this situation and switch the figure to a simple three-equations model:

$$Y_1 = \gamma_{11} X_1 + \zeta_1 \tag{1.3.1}$$

$$X_2 = \gamma_{21} X_1 + \zeta_2 \tag{1.3.2}$$

$$Y_1 = \gamma_{11} X_1 + \beta_{21} X_2 + \zeta_3 \tag{1.3.3}$$

From the equation 1.3.1 and 1.3.3 above, there are two effects from democracy to conflict. One is direct and the other is indirect. Oneal and Russett prove in their article that democracy (X_1) has direct and significant effects (γ_{11}) on the likelihood of interstate conflict (Y_1) while there is a second indirect effect from democracy to the likelihood of conflict through their influence on interests (X_2) (Oneal and Russet 1999*b*, 233). According to Oneal and Russett, interests (X_2) is an intervening variable

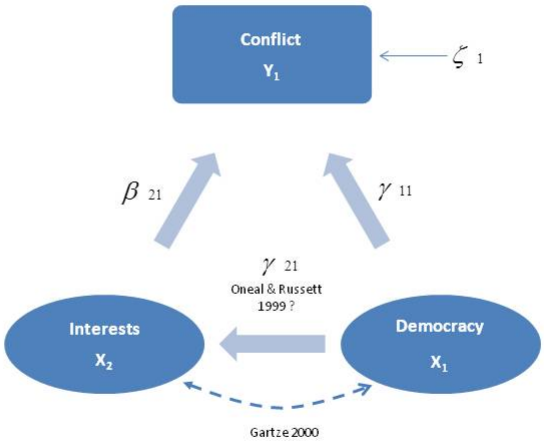

Figure 1.1: Oneal and Russett's Model

because part of X_2's influence on Y_1 is through X_1 (Oneal and Russet 1999*b*; 1997; Russett and Oneal 2001).

The basic disagreement between Gartzke and Oneal and Russett is whether the effect of interests on peace is the indirect effect from democracy (Gartzke 2000, 193). According to Gartzke, if Oneal and Russett are correct, then the predicted value of interest similarity, which stands for the proxy for the indirect effect of democracy on militarized disputes, should be significant. In contrast, the results of Gartzke's empirical evidence show that not only does the predicted value of interest similarity has no significant effects on disputes, but also a directly negative effect exists from interest similarity to disputes. This probably informs us that there exists an effect of interest similarity that is independent of democracy, and scholars should be aware of this finding.

Two serious issues need more articulation if we accept Gartzke's results and arguments. The question is about how to link interests and democracy with a more coherent analytical framework when we study international conflict. Prior to any data collection and empirical analysis, the researcher needs to complete the model specification, which means they need to decide which variables to include in the model. Since there may be some problems treating interests as endogenous variable in the model, it is necessary to rethink about the exogenous properties of interests. Based on the theoretical arguments in previous section, I establish the model with relevant path in Figure 1.2.

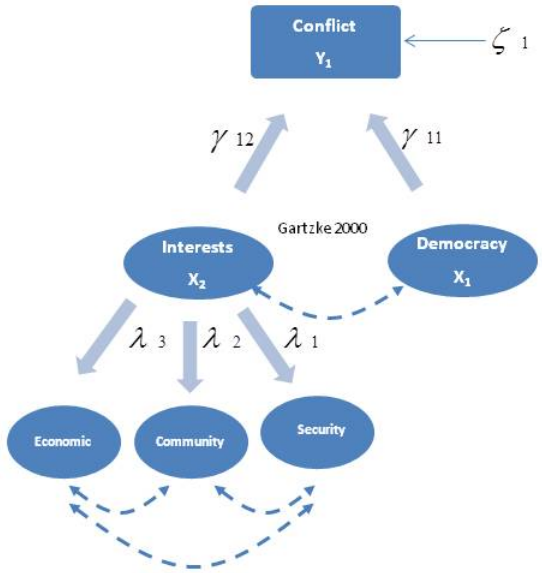

Figure 1.2: The Model for Interests, Democracy, and Conflict

Figure 1.2 gives us the model that includes three main variables (interests, democ-

racy, and interstate conflict). I assume that the result of conflict opportunity among countries is a function of interest similarity and democratic regimes (with the direction arrows). In this model, interests and democracy are two main explanatory variables which both have direct causal effects on conflict. Consider Figure 1.2 which has the equation that leads to the first step of the model:

$$Y_1 = \gamma_{00} + \gamma_{11}X_1 + \gamma_{12}X_2 + \zeta_1 \tag{1.3.4}$$

In equation 1.3.4, Y_1 represents the dependent variable, conflict. γ_{11} and γ_{12} are the parameters for two independent variable: democracy (X_1) and interests (X_2). We should be aware that cov(ζ_1, X_1)=0, cov(ζ_1, X_2)=0, and E(ζ_1)=0. In this model, interests and democracy represent two independent variables that have direct effects on the outcome.[28] We can define these two variables as cause indicators, and interstate conflict as the effect indicator.[29]

Hence, the model offered by this project becomes very clear. I believe the effects from democracy to conflict and from interests to conflict are both individual and significant. The reason why Oneal and Russett argue the effects of states' interests on conflict indirectly come from democracy is because they adopt only a single indicator of national interests.[30] If we could adopt the methodology which contains the latent

[28]Scholars view the idea of democracy as the typical latent variable framework. Please see Bollen (1989) for more discussion.

[29]Temporal priority may be one means of establishing causal priority for measurement models. Thus, although interests may cause international conflict, we do not necessarily expect conflict will make states' interests to change. Please see Bollen's explanation (Bollen 1989, 66).

[30]Russett and Oneal borrow Gartzke's indicator AFFINITY as the variable of national interests. However, they argue that even AFFINITY is certainly observable, but they doubt that in deciding for war or peace, decision makers focus on UN voting (Russett and Oneal 2001, 236). Their criticism on the single indicator does not help us construct an overall understanding of national interests, and their discussions about alternative indicators of preferences are far from clear. There might be just a weak link between AFFINITY and democracy, and this cannot lead to the final conclusion that democracy are more likely to agree with each other.

variables framework of diversified national interests, it will give us a broader picture why we should consider the individual effect of national interests in the regression.

The variable for states' interests in Figure 1.2 is composed of three latent factors, security, community and economy. The curved two-headed arrows between the three variables show variables I hypothesize to be associated. States' security, community, and economic interests are correlated and it cannot be estimated by traditional factor analysis procedure because it involves constraining some factor loadings and some correlation between factors to zero. In contrast, I use confirmatory factor analysis (CFA) to demonstrate the framework of the latent variables.

Regime provides some explanations for states' policy interests, but it does not tell us the whole story. Common regime types may bring some common interests; however, states with similar regime types may not agree with each other all the time. Democracies still have different opinions about their vital interests. For instance, Japan and South Korea have serious issues on the sovereignty over Takeshima (Tokdo in Korean) for a long time, which led to about 15 militarized disputes. The different opinion comes from the long history of caustic relationships between these two countries since World War II. In addition, these two countries have an expanding gap over different issues in international society. Tokyo worries that a unified Korea, under Seoul's rule, might see Japan as its "natural enemy." Korea then has already targeted Japan as its potential competitor in the future (Shambaugh and Yahuda 2008, 179).[31] South Korea also constantly protests against Japan's seat on the UN security council. From these standpoints, it clearly points out that regime types

[31] Japan and South Korea still have different national opinion on Japanese behavior in World War II. Scholars of East Asian politics believe there are three significant drags on Japan's role in the regional. The first one is the Takeshima issue. The second is Koizumi visited the Yasukuni Shrine where Japanese can worship for the war criminals. The third drag is former Prime Minister Abe's ill-considered comments in March 2007 on "Korean Comfort Women" issue. Michael Green (2008) believes that in order to revise the relationship between South Korea and Japan, and prevent the potential military conflict between these two democracies, Japanese politicians need to reexamine their foreign policy interests.

may not completely explain states' foreign behavior as well as their conflict decision making, and there must include discussions of national interests.

1.4 A Dyadic Theory of Conflicts

A primary purpose of this research is to develop a theory that is consistent with democratic peace theory but also generates new hypotheses for empirical tests. Democratic regimes create peace among themselves, but we should not neglect the importance of interests as another critical element in conflict studies. Only through a careful discussion of interests are we able to combine states' domestic politics with their international behavior. By adopting this approach, we can discover how domestic political institutions with a democratic regime respond to a substantial impact on crisis behavior and outcomes. In addition, the studies of policy interests can also let us extend relative research to the conflict behavior among different regimes.

If dyadic levels of interest and regime similarity are both important determinants for conflict, we should be able to specify a theory, using only these two independent variables, which predicts the levels of conflict over the two possible conditions for mixed dyads. As we have understood, while scholars agree that common interests or regime types lead to peace, they fail to study these variables together. In argument about common interests leading to peace, Gartzke and others have pointed out that interest similarity contributes to the conflict expectations (Farber and Gowa 1995; 1997; Gartzke 1998; 2000; Gartzke, Li and Boehmer 2001; Signorino and Ritter 1999; Sweeney 2003; Sweeney and Keshk 2005), and there is no further attempt to investigate any cooperation between the interests and regimes schools. It is possible, however, to use aspects of these two theories and view both variables as placing important constraints on severe conflict. In arguments about similar regimes leading to peace, as specified by Russett and Oneal and others that characterize democratic

peace as "lawlike,"[32] the majority of the research already admitted the negative effect brought by democracy on disputes, wars, and crises (Maoz and Abdolali 1989; Maoz and Russett 1993; Morgan and Campbell 1991; Morgan and Schwebach 1992; Oneal and Russet 1997; 1999*b*;*c*; Russett, Oneal and Davis 1998; Russett 1993; Russett and Oneal 2001; Russett and Starr 2000; Senese 1997; Beck, Katz and Tucker 1998; Bremer 1993; Hermann and Kegley 1995; Huth and Allee 2002; Oneal and Ray 1997). What I will do later is to illustrate the hypotheses helping researchers use these two critical variables to get conflict expectations that vary over the mixed dyads conditions.[33]

Dyadic Interest Similarity and Conflict Onset / Escalation

In this section, I include the dyadic interest-based variables into my research and consider the effect from policy interests on severe international conflict. Both realists and liberals argue that interests are an important determinant of conflict (Waltz 1979; Moravcsik 1997; Sweeney 2003). Realists have almost uniformly tended to dichotomize states by their interests. They expect the most severe interstate conflict to occur between states with different policy interests. Liberals believe regime type is the main element causing conflict or peace among states. They also view interests as another crucial determinant of conflict onset and escalation. The causal linkage between conflict onset as well as escalation and policy interests can be found in several

[32]Gartzke uses this term from Waltz's assertion "theories explain laws"(Waltz 1979, 6).

[33]To test the influence of regime types and states' interests on conflict behavior, it is necessary to understand the basic framework of opportunity and willingness (Most and Starr 1989). Most and Starr's framework clearly informs us that opportunity and willingness should be considered together for the occurrence of war. Opportunity, in some cases, considers the distance between two states or the power ratio of state capability. Willingness, which represents decision maker's calculations of advantages and disadvantages, means "the decision to choose among those alternatives and accept the costs and benefits accompanying that option"(Most and Starr 1989, 35). Any studies, according to Most and Starr, must think about the relationships between opportunity and willingness in advance. They can help order the implications and contributions of an apparently disparate literature. Additionally, the framework helps scholars have more concrete conceptualizations on what we attempt to observe and measure.

places. First, similar policy interests may provide few incentives for states to initiate their disputes. If two states have similar interests, it means they are less likely to have issues among them. Even if they have issues, they will be so minor that they will not escalate to severe levels. Sweeney (2003) provides the military dispute case between the United States and Canada over fishing rights from 1974 to 1992. He states that "...the United States and Canada had five militarized interstate disputes, but these disputes were over fishing rights and never escalated beyond the level of displays of force"(Sweeney 2003). States will show less willingness to fight for minor issues than for major issues. However, different policy interests will cause states to have different opinions on major issues, and those major issues may have intrinsic potential for escalation.[34]

The second reason that similarity may reduce conflict onset or escalation is because a high degree of interest similarity puts a break on the severity of any conflict that may occur and has a potential to escalate. When a serious dispute occurs between states with similar interests, those similar interests will help states find a peaceful solution. Severe disputes will harm both sides on their shared interests, and no countries expect this situation to arise.[35] Sweeney (2003) uses another case between Japan and Korea as an example. He argues that even though both countries have a long history of

[34]Democracies will demonstrate their determination to protect their rights by lower level of militarized disputes, but they never declare war against each other. Democratic peace theorists explain this condition through cultural or institutional constraints while realists believe war was avoided by realist factors, such as security or political factors. Relevant cases can illustrate two democracies are in a brink, but they ended in near misses rather than in war. Layne (1994) provided four cases showing that when vital interests are on the line, democracy will prefer using threat, ultimate, and big-stick diplomacy rather than democratic elements against another democracy. The Fashoda Crisis is one of the cases. It was not French real interests at Nile valley in Egypt, and some of the strongest oppositions to the war with England came out from several rich towns. It was the same for the England during that time preferred not to have a war against French for Fashoda because of national interests. Both countries concerned it was not worth a war and saw no reason to escalate the existed conflict to war. The other three cases mentioned by Layne are the first and second Anglo-American crisis and the Franco-German crisis in 1923. Please see Layne's article for more discussion (Layne 1994).

[35]Sharing interests does not equal interdependence. For example, states share similar IGO membership do not mean that they strongly depend on each other through the IGO function.

severe relations, punctuated by the brutal Japanese occupation of Korea between 1910 and 1945, there have been fewer militarized disputes involving the actual use of force. The reason is because Japan and South Korea share common interests, such as aligning with the United States, and sharing a commitment to maintaining stability on the Korean peninsula.[36]

The third reason I focus on interests relies on the series of discussions of social identity theory. One of the recommendations from this study is to adopt the idea of ingroup and outgroup dynamics (Hermann and Kegley 1995) as the central mechanism with the extension of how different types of national interests influence states' conflict behavior. We might expect, then, that states with similar policy interests will tend to view each other more as ingroup members and perceive those states with similar national interests as friends instead of enemies. The perceived affinity and affiliation within a coalescing ingroup is prone to widen to include those who subscribe to similar foreign policy and institutions. However, states are more likely to be treated as outgroup members if they share dissimilar interests.

Hence, the ingroup/outgroup dynamics represent an important mechanism because they help us to understand why dissimilarity will increase animosity and contribute to militarized conflicts. States will trust each other because they share common interests and view each other as "ingroup" members. "Outgroup" states are possibly less trusted. Trust, then, brings more peaceful situations for states, but distrust may increase the possibility of disputes. The mission in this chapter is to elaborate on the effect of "ingroup" and "outgroup" ideas, which explains why states with similar global views will be more likely to stay with each other and attempt to

[36]Here I mean if two states, A and B, both express interests similar to hegemon, we can be sure that A and B also have similar interests with respect to each other. Using the U.S.-Japan-South Korea triad as an example, it is U.S. hegemonic interest which connect the three countries; however, it is also Japan and South Korea's national interests to maintain their alliance with the United States for security or economic reasons. For Japan and South Korea, they both share similar policy interests to each other.

resolve disputes peacefully.

Then, the notion of interest needs to be considered when I focus on the theory of international conflict. A variety of cultural and political factors encourage the Western industrial democracies to cooperate. They do not fight often due to those similarities. Scholars of international conflict have long accepted that nations differ in their objectives in global relations and that these differences are an important contributor to conflict behavior. These arguments lead to the first hypothesis. The hypothesis below points out that dissimilar policy attitudes may cause few disputes to occur between countries.

H1: In a dyad, states with similar policy interests are less likely to experience onset and escalation of militarized disputes.

Mixed Dyads with Similar Interests Have Less Interstate Conflict

In the second part, I bring the issue of interests and regime similarity into consideration. The debate between realists and democratic peace theorists focuses on whether interests or regime types create peace. Any separation of these two elements will bring some incomplete results for peace research. It is relevant to combine the argument of regime types with the studies of policy interests. States with similar policy interests are less likely to get into militarized disputes. It is the same logic we apply to mixed dyads composed of one democracy and one non-democracy. If both democratic and non-democratic states share similar interests, it is more likely for them to settle their disputes peacefully. Although the regime types differ between democracies and non-democracies, sharing similar policy interests provides certain strong incentives for states to behave peacefully. Regime types may be influential, but under the mixed dyads scenario, states' interests have surpassed the importance

of regime similarity. The most noticeable example here is the political and security competition between the United States and the P.R.C. on the Taiwan issue. The Taiwan issue has consistently examined the stability between Beijing and Washington. Even though there were several diplomatic and militarized disputes that happened in the Taiwan Strait, the United States did not adopt any military actions against China in order to protect Taiwan. Both Beijing and Washington share a pretty similar regional security policy to maintain the status-quo for East Asian security. Therefore, leaders of different regimes think more carefully about their policy interests than their ideological differences. It leads to the second hypothesis.

H2: States in mixed dyads are less likely to experience conflict onset as well as escalation if they share similar policy interests.

1.5 Conclusion

I put the first two central hypotheses together in the first chapter. I expect that dyads with similar interests will be more peaceful than dyads with dissimilar interests. I also expect interests have pacifying effects on dyadic conflict for mixed dyads, which scholars nowadays need to pay more attention to the peace scenarios occurred between a democracy and a non-democracy. The second hypothesis shows that mixed dyads are peaceful when they have similar interests.

This is a substantial improvement for revising democratic peace theory. Because under democratic theorists' basic assumptions and following empirical evidence, it neglected one of the most important elements that may influence states to adopt violent behavior: interest. All leaders of the states need motivations to adopt military activities, and national interest should be considered as the first criterion. Using regime type as the only framework and arguing that all relative interests for the states are generated from the structure will make the explanation inflexible and weak.

Autocratic regimes may have similar economic interests to democratic regimes, while leaders from the democratic countries sometimes prefer establishing a network with other authoritarian regimes. Interests come from everywhere and will exist in a very diversified shape. We should separate the topic of interests without subordinating its status under existing topics, and only an independent examination can bring a much clearer train of thought to its impacts on peace.

This chapter has shown the overall structure with different hypotheses. It is an innovation attempting to discuss the impacts of interests on conflict expectations. This point is still unclear in classical scholarship. I will test the hypotheses in chapters three and four. Then, I will use cross-Strait relations in chapter five to support the arguments that security and economic interests will bring stable peace between states with different regimes. But, first I turn to the question of how to appropriately conceptualize and operationalize the key variable in the second chapter.

Chapter 2

Operationalizing the Content of Interest

> The interest is only vital in the sense that it is vital to success in war. The only and vital enough to justify war is something arising out of the prospect of war itself.
> –Ralph Hawtrey

The major process of relative research in international relations studies has been focused on the origin and definition of national interests. Scholars of liberalism propose that interest similarity comes from the Kantian variables, such as political regime, economic interdependence, or IGO membership (Russett and Oneal 2001). These policy similarities can transform foreign policy attitudes toward a community of interests with more peaceful decision making.[1] However, if it is these liberal variables that create similar interests which causes more peace, then there might be some questions which need more serious discussion.

Scholars have been working on these theoretical arguments, but there are still many holes in their empirical examinations. One of the main problems is that researchers have applied a single indicator to represent the idea of national interests, which may simplify the concept of interests.[2] We should be aware that there are

[1]Russett and Oneal 's empirical evidence tells us that states have similar interests and preferences, and will vote more likely in the UN General Assembly, if they have similar political systems and are economically interdependent. This is because "pairs of democracies are not only more peaceful, they also trade more and share ore memberships in international organizations"(Russett and Oneal 2001, 234). In short, interests and preferences have indirect effect on conflict while the Kantian variables have direct effect.

[2]For instance, Farber and Gowa adopt the alliance portfolio as interest similarity. Gartzke develops and index of national affinity based on the similarity of national roll-call voting in the United Nations General Assembly.

different dimensions for states' foreign policy interests, and using one or two indicators may have biased policy preferences in general. For instance, countries which have close trade relationship might not have similar voting behavior in the United Nations. Also, countries which have similar foreign policies in certain regions might not have similar global views. Scholars should be more careful about combining interests or preference choices into a single variable.

It is more correct to examine the basic content and structure of national interests. What are they? Where do they come from? We should be clear about the causal path between the general policy objectives (or goals) and specific ideas of individual policy choices. Hurwitz and Peffley's (1987) work has introduced the method conceptualizing the linkages between "abstract and concrete idea elements, where the former are assumed to 'constrain' the later" (Hurwitz and Peffley 1987, 1100). Each state has its own foreign policy system, and there should exist some foreign policy objectives or goals (Russett, Starr and Kinsella 2010) that states' leaders attempt to achieve. As Russett, Starr, and Kinsella propose, some objects or goals are concrete, some are quite abstract. Those objectives come from decision makers' belief systems, which need more clarification and articulation. Realists assume that states are unitary actors with a single purpose, and I believe it is useful and sufficient for this project to analyze the content of states' interests. What we should do more is to find out the paths from different states' policy objectives (the second level) to their policy choices (the first level), and also determine the linkages between the vital interests and underlying policy goals.

This chapter does not attempt to overthrow the arguments of Russett and Oneal. In contrast, by investigating the true meaning of national interests with a clear structure and a latent variable framework, scholars can start to solve the question whether interest itself creates direct effects on peace or whether this effect is indirectly caused by regime types. Therefore, I attempt to solve two main issues for the content of

national interests. First, the study shows how to conceptualize the idea with more theoretical and empirical correctness. Followed by the theoretical discussions of different categories of national interests for each country in the world, I collect data on observed variables and uses factor-analytic techniques to confirm that a particular subset of observed variables defines each factor. This study proposes that applying confirmatory factor analysis (CFA) assists students of relevant studies to have a better model fitting to the true meaning of national interests.

Second, I also try to make the idea of national interests less abstract by providing a clear interest structure. I believe countries' behavior can be explained by their specific policy objectives (concerns) with clear paths. For instance, Russett and Starr point out that one factor that can distinguish realist, liberal, and radical perspective is "the type of objectives that they believe are central in the foreign policies of a state" (Russett, Starr and Kinsella 2010, 132). Then, after my purpose to present the theoretical arguments with hypothetical linkages between different policy objectives and individual policy choices, which are solved by the first process of the confirmatory factor analysis, I also provide another technique to explore which observed variables relate to factors. The adoption of exploratory factor model (EFA) helps us seek to find a model that fits the data. By specifying different alternative models, we hope to ultimately find a model that fits the data and has theoretical support. Therefore, these two methodological techniques can help the lack of knowledge on how policy concerns play a crucial role influencing various forms of political behavior. Moreover, I am able to generate states' interests through the available policy objectives. But a comprehensive understanding of this topic should come prior to any analysis.

2.1 Discussions and Definitions of National Interests

While the question of conceptualizing and operationalizing the idea of interests has been proposed among international relations scholars, there has not been as great

focus on how best to measure national interests and distill them into a useful indicator. This is surprising because interests have long been thought to be a critical element in international conflict studies. As with the discussion of the democratic peace theory, I attempt to marry the conceptualization and operationalization of this concept with the theory scholars are seeking to test. That is, we need to measure interests over potential objectives as these will relate most explicitly to the questions of international conflict.

The process of indicator construction needs to be guided by theoretical discussion. Traditional scholars of international relations studies merely have focused on security related interests.[3] Also, modern international relation scholars have continued to focus on the issue with respect to the interests between types of states. The power transition school argues that if states are satisfied with the status-quo (they have no intention of overthrowing the existing system), then there will not be military conflict even if the two states reach power parity.[4] Scholars used to classify states into two categories with their revealed policy interests.[5]

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[3]The primarily theoretical definition about national interest comes from the work of Morgenthau. He clearly argues that in order to maintain the basic requirement of each state, leaders need to pay attention to three issues: physical, political, and cultural identity. Those three issues inform us that survival is the core value for each nation state. In addition, Morgenthau also proposes that "the concept of interest defined in terms of power" (Morgenthau 1985). The main idea of interest can be explained by the level of power owned by each state. States can reveal more national interests if they have stronger national power. Instead, less powerful states have weaker capability for securing their basic need.

[4]Their discussion reiterates the dichotomization of status-quo and revisionist powers. Walt (1987) also proposes revisionist states will not only react to the power ratio, but also to the perceived threat posed by other countries. He calls this idea as "balance of threat." Moravcsik (1997) offers a similar dichotomy when he argues in his article, "In other words, intense conflict requires that an aggressor or revisionist state advance demands to which other states are unwilling to submit."

[5]However, this dichotomy has several problems, which obscures the true definition of interests. First, there are very few purely revisionist or status-quo states in the international society. States may switch their policy attitudes from time to time, which means they probably will adopt a mix of revisionist and status-quo strategy. Second, as we combine the types of states and conflict occurrence, it provides some inconsistent results for the studies. The typology provides determinate expectations of conflict only for the pair of status-quo states, but not for the revisionist pairs. Two revisionist states may sometimes seek a common goal and attempt to avoid conflict, but they also have intentions to differ with respect to both means and ends, which will lead to final conflict. Based on these two arguments above, the type of national preferences should be investigated with more

We should be aware that the definition of national interest is a "slippery concept" (Nye 1999), which may require a more multidimensional analysis rather than just an explanation of a single dimension. National interests usually combine not only security or material concerns, but certain moral and ethical ones. For example, with the end of the Cold War, the need to find the power to serve American national security interests vanished because of the collapse of the Soviet Union. The major national interest for the U.S. was to contain the communist led by the Soviet Union during the Cold War era. There might be some other new purposes for the United States to adjust its role nowadays. Five vital interests are proposed by the Commission on America's National Interests, and it explains that what the United States needs right now is not power politics, but more moral and ethical value. Nye (1999) redefines the core value of national interests with three different lists of threats to American foreign policy.[6] He does not try to confuse us about the substance of national interests. Instead, he informs us that national interests are not revealed by the formation of power or security solely, but also include the states' economic or institutional concerns.

Another issue that needs more clarification is a general problem with this area of research, both factor and correlational analysis, which teach us that national interests are somehow interrelated. For example, states' security and economic attitudes are intertwined with each other and both should be recognized as the results of a ideology. Gilpin discusses this complementarity in his book *War and Change in World Politics*. He says international politics is not influenced by security or political issues alone, and changes in the distribution of power also influence global economic relations (Gilpin 1983). Gowa concords with Gilpin's argument and proposes that foreign

effort when we use states' satisfaction with their international status.

[6]In Nye's idea, the "C list" threat reflects an indirect influence on America's survival, but dominantly occupy U.S. foreign policy decision. In Nye's explanations, the "A list" are the threat Soviet Union presented to U.S. survival. The "B list" features the imminent threats to U.S. interests, and the "C list" includes the contingencies that indirectly affect U.S. security but do not directly threaten U.S. interest (Nye 1999).

economic policy is driven by both security and material policy while security policies have wealth externalities (Gowa 1989).[7] Keohane later provides an example on how American military power was used to build international economic arrangements consistent with American capitalism in the 1940s (Keohane 2005). This economic dependence among the United States, Western Europe, and Japan also increased the U.S. military strength in the long run. In Keohane's discussion, the link between "power" and "wealth" of U.S. interests was consistently linked and there should be no priority for either "power" or "wealth." In general, U.S. economic interests abroad depended on establishing a political environment in which capitalism can flourish, and the U.S. political or security value depended on the economic recovery of Western Europe and Japan. This case reflects how the U.S. national security and economic foreign policies are tightly linked.[8]

While there is a general consensus that foreign policies are interrelated, few authors have paid much attention to the questions of why and how they are related. And while there seems to be general agreement that national policy preferences are multidimensional, there is very little discussion about the categories for the framework. Thus, since the recent work in this area has been encouraging and has demonstrated the lack of research on the issue of interrelation, a great deal more needs to be done to determine correctly how and why specific foreign policy concerns are linked together. In order to answer this question in more detail, I begin with a basic theoretical frame-

[7]Previous theory can assist us to form an analytical framework explaining the basic concept of interests. The focus on national security corresponds to some of the realists' basic arguments about national survival, and the economic domain reflects neoliberals' counter arguments about attention to states' trade behavior. Trade might be considered a fairly common expression of national interests, but a few factors make it less than appealing. Because two states engaging in trade does not imply that they agree on everything in the foreign policy realm. Nations that trade must overcome the transaction associated with commerce, and their domestic situation must accommodate the international financial system which follows globalization. Trade brings an additional economic aspect to describe states' interests in the recent study.

[8]Economic interdependence creates peace among Asian countries. In Asia, the U.S. provided the collective goods and free access to its vast market to Asia's early industrializers. It created rapid economic growth in several Asian countries, such as Taiwan, South Korea, and Japan. These countries also represent U.S. political and democratic value in East Asia.

work by demonstrating the types of foreign policy objectives, and move to the next step, discussing a variety of linkages between abstract and concrete elements that might be missed in a more shallow analysis.

The Theoretical Model

Determining the starting point in evaluating the specific meaning of national interests is extremely difficult. Since there are numerous dimensions for conceptualizing the main idea, I will settle for the less ambitious goal of providing a precise definition of states' foreign policy interests with more theories.

I define national interests as the extent to which states attempt to maintain their basic requirements for survival, which refers to their control for vital interests.[9] Liberals criticized that nations do not only care about security issues for their vital interests, as realists argue, but also other economic or social welfare (Lipson 1984; Baldwin 1993).[10] The discussions between neoliberals and neorealists thus tell us that the priority of state goals is to survive through both national security and economic welfare.[11]

Scholars should find out the elements of policy concern, and diagnose the relationship among the latent concepts and manifest indicators we observe. As I argue above, security and economic concerns can be identified as certain latent factors. First, the concerns for security issues are typically assessed by examining characteristics of the

[9]The reason I adopt security and economic interests as vital interests is because states will struggle to secure their political or economic benefits if they can foresee the danger. Other minor interests which create no immediate harm to nation survival are not viewed as vital interests in this project.

[10]For instance, Lipson (1984) believes that international cooperation is more likely in economic issue areas than in the security domain.

[11]States will definitely fight for their core interests, such as territorial invasion, attacks by the weapons of mass destruction, or lost of financial markets or energy supply. Since this chapter is focusing on the relationship among interests and interstate conflicts, it still provides reliability if we can ignore some minor or secondary national interests.

national military or diplomatic capability of the states. States have intentions to pursue more alliance coalitions for security reasons, stronger military capabilities for national defense, the specific voting behaviors in the United Nations demonstrating their foreign policies, or even the requisition of nuclear weapons for deterrence. The higher the level of security interests in a country, the more we expect these actions to be present in the state. In fact, the desire for more security capability has been the priority for most states.

Economic concerns refer to the elements emphasized by political economists which arguably play very important roles in maintaining world order under examination. Several important elements can be put into the consideration of economic interests, such as trade, FDI, monetary policy, and market openness. States which put more emphasis on economic or social welfare will strongly stress these issues. For instance, after the economic reform in the late 1970s, China has shown an average annual rate of more than 9 percent for almost a quarter of a century. China's economic success can be attributed to its policy consideration on the huge amount of international trade, foreign direct investment, and strong market-economy. Not only China, but other newly industrialized countries will treat trade and other economic issues as their major policy concerns. One linkage connecting economic concerns with states' behavior is how economic interdependence brings more peace. Even though the majority of scholars agree that trade brings more peace (Oneal and Ray 1997; Oneal and Russet 1997; Bliss and Russett 1998; Oneal and Russet 1999*a*; Polachek 1980; 1997), there is still some ongoing debate over whether trade contributes to international conflict.[12] In addition to trade, Gartzke's empirical evidence has informed us that it

[12]Liberals argue that trade promotes peace, since the fear of losing commerce causes political decision makers to refrain from engaging in war with important trading partners. Russett and Oneal's results prove this argument (Russett and Oneal 2001). Liberal and realist theories of interdependence and conflict agree that trade between states will cease once they are engaged in serious forms of conflict with each other. Barbieri and Levy (1999), in contrast, provide a different result from their work. They argue that trade tie does not always deter war, because war does not significantly harm trading partners. Their findings are interesting and compelling while I believe more hypotheses

is the financial markets and monetary integration that altogether create more peace among states (Gartzke and Li 2003). The reason is that global investors will prevent any possible risk and seek for more stable and open local markets for investment. Therefore, it becomes state leaders' priority to provide a stable and safe environment for all participants. Gartzke's ideas offer a critical and useful theoretical background for us to integrate market openness and monetary integration into states' economic objectives.

In addition to the security and economic domains, there is the third type of major policy concern that links to the core value of national interests. It includes a more normative idea about how states in the international society construct a community of common interests.[13] As Deutsch (1957) shows, it is important to build a shared sense of values and identity among countries because states which have similar ideologies or institutions will form similar policy interests.[14] This type of concern has strong explanatory power for how states make their foreign policy decisions. One example provided by Russett and Oneal shows that when people in the European Union asked whether they saw themselves mainly as citizens of the EU, about 50 percent did, and this trend will create more benefits for future European integration (Russett and Oneal 2001).

Based on the arguments above, the third type of interests can be viewed as "community concern," which is similar to Deutsch's "security community" (Starr 1992).

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testing and data collecting can be added into the trade disruption issue.

[13]Regime theorists believe the patterns of international relations cannot be completely explained by the distribution of political and economic power. There should be alternative mechanism explaining states' cooperation behavior. According to regime theorists, for those advanced industrial countries, they will attempt to "compensate for the increasing fragmentation of power among them by building communication-facilitating institutions that are rich in information" (Keohane 1982). As the erosion of American hegemony in 1970, the incentives and necessity to acquire more international regimes for transparent mechanism have caught decision makers and scholars' eyes. This is the function offered by the high institutionalization of postwar regimes that prevent the lack of cooperation.

[14]Deutsch and his colleagues argue, "institutions and people's sense of community can reinforce and strengthen each other" (Russett and Oneal 2001, 166).

The Deutschian model primarily indicates how people obtain mutual benefits through a series of interactions based on an inter-societal transaction. Decision makers learn how to separate themselves from other types of states with their overwhelming information, such as regime types (Bueno de Mesquita 1992; Starr 1992). For example, democracies can learn from each other that none of them in the same community prefer using force or war as the conflict method. The "dove-like nature" thus will bring more peace among member states and make this community more integrated.[15] The characteristics of "feeling" and "trust" derived from similar institutions will help states look for more chances for cooperation. States in the same security community have similar policy objectives, which tie all member states together. In this project, I propose that when states make an effort to demonstrate these inherent objectives, they are more likely to generate certain types of policy choices, such as maintaining similar political ideologies (democratic or autocratic regimes), having close living standards, or joining similar IGO membership. Under this definition, states attempt to construct a concert of similar identities where units can expand interactions and eventually reach strong interdependence.

The three major types of national interest revelation are arrayed in Figure 2.1 according to the theoretical arguments. I expect national interests to conform to the latent framework model, where more abstract elements constrain more specific issues. At the most concrete level (the variables on the right column), are indicators for specific policy values. They are alliance numbers, national capability, nuclear weapon possession, the number of intergovernmental organizations, international trade, regime types, development, financial openness, and total foreign direct investment. The diversified elements are constrained by the second tier abstract objectives concerning the types of specific national interests in the decision making of

[15]Member states in this community all realize that states similar ideologies and institutions will be inclined to have close policy affiliation, and the "ingroup from outgroup" idea introduces less likelihood of interstate conflicts (Werner and Lemke 1997; Werner 2000).

foreign policy. These categories are normally refereed to see which types of policy interests the government adopts. Does the government adopt a more security oriented foreign policy? Or does the government adopt a more economic policy. These categories are the basic themes studied and defined by the factor analysis, which has not been deeply investigated yet. In general, to use a simple example to illustrate the classification, we should ask whether the individual state increases its military spending depends on whether the state prefers developing its security or economic objectives/concerns in world affairs.

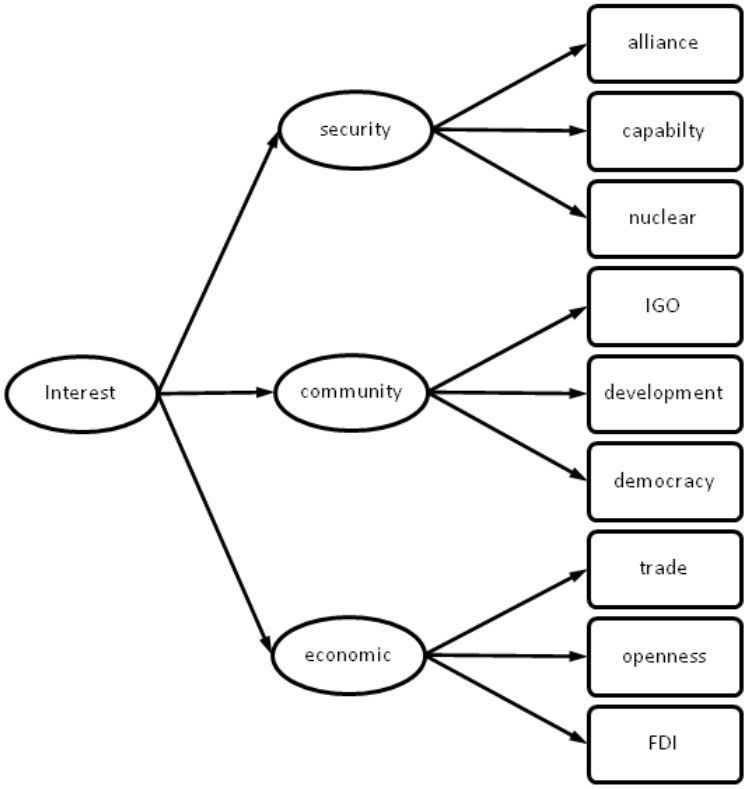

Figure 2.1: The Confirmatory Factor Model

What are the major values that contain these three categories of concerns? The first tier of the path diagram in Figure 2.1 displays what we believe to be the idea of national interests. The vital value can be viewed as the principal component that organizes and composes governmental actions or decision-making. It has strong links to individual policy concerns. For instance, states which were surrounded by strong rivalries are more likely to increase their sense of national security, which will increase their willingness and opportunity to strengthen their national defense capability or even nuclear weapon development. Besides, it is also true that higher values of economic goals will result in more opportunities on international trade or market openness. Then, if the theoretical arguments are correct, what have been left in this field is an overall picture analyzing what the structure of national policy interests looks like and the paths leading from the core cognition value to each concerns with relevant manifest variables constructing these objectives.

The fundamental values and particular states' policy attitudes will be described with more details below. What I aim to construct is an innovative framework combining factor-analytic studies with the discussion about the direct relationship between general and specific elements in a foreign policy belief system. I focus on the foreign policy concerns in order to investigate the linkages between abstract (interests) and concrete elements (policies) that might be missed in previous research. It also contributes to this field that using a multidimensional model can give us a different measurement of states' policy interests.

2.2 Methodology and Model Specification

When applying factor analysis to relevant research, there are usually two types of methodologies adopted by researchers. The first type of factor analysis is called the Exploratory Factor Analysis (EFA). This methodology is mostly used on collected

variables which does not have any existed factors fitting the observed data.[16] The second factor analysis is called the Confirmatory Factor Analysis (CFA). In CFA, researchers attempt to test the hypothetical factor model with statistically significant results, which means using the existing variables to confirm the model. One of the advantages from the CFA is to show a methodological refinement on revising the measurement error issue. In regular regression or other path analysis, the observed variables are not always perfect on measuring all phenomenon, and sometimes researchers just assume those observed factors are perfectly valid and reliable. Most of the scholars do not correct the measurement error issue, which will easily cause problems on biased parameter estimates (Kim and Mueller 1978*a*;*b*; Schumacker and Lomax 2004). Thus, adopting CFA can help researchers to general some latent variables, which will take account for the measurement error of variables.

The functions are different between EFA and CFA. In EFA, we mainly ask how many underlying dimensions there are for the given data, and we can quickly ascertain the minimum number of hypothetical factors that can account for the data. In short, EFA is used for data reduction and dimensional exploration. It is also applicable to generate one latent variable representing the whole concept of abstract variable. For example, EFA can help us generate the overall value for the ideas of national interests from the collected policy variables.

However, in order to have a more comprehensive explanation and investigate the theoretical dimensions of policy interests, it is important to consider a more heuristic device which can examine the hypothetical factors with directed path structure. Based on previous theories, we can assume that there are three focal dimensions for states' policy concerns, including security, economic, and community. CFA can

[16]Scholars explore which observed variables define each construct or factor (Kim and Mueller 1978*b*). In exploratory factor model, we seek to find a model that fits the data and has a theoretical support for it. Besides, in EFA, the researchers explores how many factors there are, and which observed variable explain the factors more than others.

help us to see if there are any model misspecification in the hypothetical model. For instance, some issues related to whether we should put state development into community or economic concerns. Here, CFA may be used as a mean of identifying the more appropriate model by comparing the model fit indices. The statistical outcomes offer a strong function telling us whether we should put development into community or economic concerns for this project. In general, CFA offers better understanding about the real meaning and dimensions for the key variables.

The mathematical functions for the factor analysis in this project are shown below. These functions of linear combinations are derived from the path diagram in Figure 2.1 which implies the assumptions of total latent factors representing the observed policy variables. We can summarize the nine equations to a more general form of equation relating to these nine indicators in equation 2.2.1.

$$\begin{aligned} X_1 &= b_{11}f_1 + b_{12}f_2 + b_{13}f_3 + U_1 \\ X_2 &= b_{21}f_1 + b_{22}f_2 + b_{23}f_3 + U_2 \\ &\vdots \\ X_9 &= b_{91}f_1 + b_{92}f_2 + b_{93}f_3 + U_9 \end{aligned}$$

$$X_i = B_{ij}F_j + \mu_i \tag{2.2.1}$$

From the equation 2.2.1, there are i policy indicators where i=1,2,. . . ,9. The total latent variables (or factors) are represented in j (j=1,2,3). I assume that the random error, μ_i, should be uncorrelated with F_j and that E(μ_i) should be zero.

The model I apply cannot be estimated by traditional factor analysis procedure. I follow the recommendation from previous research by running LISREL model (Jöreskog and Sörbom 2001). Jöreskog and Sörbom's LISREL 8.8 offers the analysis

of covariance structures to help estimate policy interests. The model I assume is that more concrete policy interests are determined by more abstract concerns at the higher level. The first order CFA provides the identifications for the relationships between abstract concerns and specific policy behavior. For example, security concerns have more influence on alliance, national capability, and nuclear weapons possessions. Economic concerns will lead to more activities on trade, foreign direct investment, and market openness. Community concerns will help states to think more about their general quality in the international society, which will be imperceptibly influenced by their policy preferences on revising their regime types, joining certain international organizations, or developing domestic living standard. The first level of CFA thus introduces a clear picture identifying the diversified states' behavior with clustered national objectives.

The second level of order reveals that each concern is assumed to be determined by the core value of national interests. Since it is extremely difficult to list out all policy concerns for each state, this approach offers an efficient and parsimonious analytical framework. I argue that national policy concerns can be categorized by three main groups, and each has direct link to the core value of national interests (This structure composes the second order of the CFA model). In short, a hierarchical ordering shows that a more abstract idea can be explained by a slightly clear concept on the next order (Figure 2.1).

2.3 Data

There are various ways in which states express or reveal their national interests. States can reveal their security interests through either costly or information-rich signals, where the signals are basically states' behavior. Previous research has shown how to represent states' security interests through the discussions of alliance composition (Bueno de Mesquita 1983; Maoz 2000; Leeds et al. 2002; Gibler and Sarkees

2004), militarized conflict (Fearon 1995), and United Nations Voting (Gartzke 1998; Voeten and Merdzanovic 2009). However, national vital interests should not be only limited to the studies of security concerns. Instead, we should attempt to include more diversified policy behavior, which will lead to relative typologies that we can synthesize as the component of states' policy interests.

Specific National Interests

To estimate the structural equation model of national interests, it is necessary to measure the policy preferences not only from specific policy items, but also from the first order of abstract policy concerns and the second order of the core value. I collect the data for countries in the world from 1950 to 1992, and list the specific policy variables in Table 1.1 in last chapter. Based on the theories, I have three indicators for the security concerns: alliance portfolio (X_1), national capability (X_2), and nuclear weapon possessions (X_3).[17] The dimension of security concerns is clearly illustrated if these three policy indicators could be included as parts of the critical variables. States put more emphasis on increasing national capability (Wright 1964; Waltz 1979), sustaining similar alliance formation (Bueno de Mesquita 1983), or even developing (or acquiring) nuclear weapons to compose their security concerns if there are any security issues in their surrounding area (Jo and Gartzke 2007; Gartzke and Kroenig 2009).

IGO membership (X_4), domestic development (X_5), and regime types (X_6) are the measurements for the community concerns.[18] As the theoretical discussions il-

[17] Alliance portfolio is designed to measure the similarity of alliance formation for different countries in the world. National capability is in index scores. CINC scores (COW capabilities index) are used for the indicator of national capability, which ranges from 0 to 1. Nuclear weapon possessions are dummy variables which demonstrate 1 if the state possesses nuclear weapons and 0 otherwise.

[18] I divide IGO memberships by 10 which makes the data range from 0 to 10. It has the same meaning that higher value means the states join more intergovernmental organizations. Economic

lustrated, Souva argues that states with similar institutions will experience less ideological disagreements because "ideologies and institutions [are] in a co-evolutionary process" (Souva 2004). Thus, it can be hypothesized that states with similar domestic qualities (situations) will be more likely to form common foreign policy concerns, such as the United States and its anti-communist countries during the Cold War era. Countries in the democratic bloc had pretty similar policy objectives, which can be used as the means to achieve particular behaviors or outcomes. In brief, countries with close identities will try to establish a more democratic and developed society, or we can call it a "dove-like" community.

The last three variables are trade (X_7), market openness (X_8), and FDI (X_9), which are used for the idea of economic concerns.[19] I also check each variable to verify they do not have the same standard deviation and mean. All variables are available between 1950 to 1992 (N=2926). However, because the techniques testing cross-sectional time-series data are underdeveloped in latent variable models, I examine specific policy choices and concerns in different periods of time (1970, 1980, and 1990) for all countries. The reason I investigate the latent factors with three different years is because it may offer some insights showing diversified policy preferences. For instance, countries may try to focus more on economic than security issues in 1990, especially as economic interdependence became such a popular policy among countries. I hope to find out if there are any identifiable diversity in these three years.

One critical issue before running LISREL is to deal with the missing variables issues. Missing data values will cause the SEM model to not converge because the system automatically inputs substitutional data for the missing values.[20] Schumacker

development is measured by GDP per capita. I adopt Polity III for the regime types (democracy). It is a dummy variable with democratic regime as 1.

[19] I adopt IMF's market openness index evaluated in previous studies (Gartzke 2007), which makes the difference between eight and the sum of eight types of government market restrictions. The higher scores of this index means more market freedom.

[20] For example, LISREL will input -999999.000 for any missing value.

and Lomax (2004, 20-22) suggest several available approaches for solving the missing data issues. They strongly recommend using imputation of missing values because "the value to be substituted for the missing value of a single case is obtained from another case having a similar response pattern over a set of matching variables" (Schumacker and Lomax 2004). Thus, I follow their suggestions to generate the imputations for the country-year data.

The second order of CFA needs more articulation to show the theoretical directions between the latent interest concerns and manifest indicators. The selection of these concerns have been motivated by previous debates about basic principles of states' survival. The idea mainly comes from the discussions between different schools of thought in international relations studies, including the attention on the topics of security, economic, and community issues. In addition, this typology is also influenced by the work of foreign policy attitudes promoted by Kegley and Wittkopf (1982) and Hurwitz and Peffley (1987). The former has clearly identified detailed a typology of foreign policy attitudes while the latter offers an advanced methodological review. These works have provided a great guideline for future students in international politics to study how to analyze an abstract topic with concrete and available dataset.

2.4 Results and Discussions

The estimated parameters between the policy indicators and the latent ideas of interest concerns are presented in Table 2.1. In general, the results appear to be fairly close to the theoretical arguments. The general idea of national interests is sufficiently explained by the three major policy concerns, security, community, and economic with statistical significance for the year 1970, 1980, and 1990 respectively. The initial model (M1) from Table 2.1 was estimated using the 1970 data and Confirmatory Factor Analysis with the maximum likelihood estimation. On the second order of

CFA, we find that economic concern offers stronger effects on vital interests than the other two categories (β=1.50). Security and community concerns are both significant with lower estimated coefficients (.53 and .59). The size and significance of the relationships between the core value and concerns provide an interesting insight for the study of foreign policy objectives during the Cold War era. The results suggest that states pay more attention to economic related policies than security or identity issues, which stands in contrast to what we have understood from the conventional knowledge about the Cold War. It tells us that although security or ideological issues were important in 1970, economic concerns started to occupy policymakers' attention, and became the major issues for each state.

Table 2.1: CFA Models

1st Order CFA	**M.1 (1970)**	**M.2 (1980)**	**M.3 (1990)**	**M.4 (Revised)**
Alliance	1.89	2.13	1.84	1.87
	(4.23)	(4.60)	(6.87)	(6.65)
Capability	**.02*** **	**.02*** **	**.02*** **	**0.02*** **
	(.00)	(.00)	(.00)	(.00)
Nuclear Weapon	**.16** **	**.15** **	**.14** **	**.14** **
	(.02)	(.02)	(.03)	(.03)
IGO	1.18	1.32	1.32	1.25
	(.98)	(1.76)	(3.02)	(2.88)
Development	**1.02* **	2.27	5.23	4.30
	(.55)	(15.60)	(8.66)	(17.54)
Democracy	**.25** **	**.18** **	**.22** **	**.15* **
	(.16)	(.21)	(.20)	(.21)
Trade	1.00	1.00	10.04	12.35
	(1.64)	(46.37)	(73.40)	(27.05)
Market Openness	**.07* **	**-.04** **	**.36* **	**.26* **
	(2.04)	(2.64)	(2.66)	(2.78)
FDI	**-1.63** **	**-.21* **	.50	.58
	(9.35)	(14.08)	(38.26)	(38.02)
2nd Order CFA				
Security	**.53* **	**.55* **	**.42* **	**.49* **
Community	**.59* **	**.57* **	**.63* **	.76
Economic	**1.50* **	8.15	**1.63* **	1.20
N	135	156	165	165

A closer inspection of the connections among policy concerns and specific items turns up a number of interesting findings. The three concerns are crucial considerations for helping states on deciding a variety of concrete issues in 1970. The effect of security concerns in M.1 corresponds to my expectations: states which have more security concerns will tend to seek stronger national capability (β=.02) in general or attempt to obtain nuclear weapons (β=.16). Though the effects are not particularly large for these two policy choices, it is still apparent that the security concerns play a significant role in increasing countries' general power as well as acquiring nuclear arms in 1970. The absence of significant linkages between security concerns and alliance portfolio is surprising. The coefficient is large without any significance. One of the reasonable explanations is that alliance portfolio presumably were influenced by the Non-Aligned Movement which was founded in Belgrade in 1961. The countries of the Non-Aligned Movement represent nearly two-thirds of the countries in the world, and this might explain why alliance formation is insignificant in states' security considerations. Besides, democracy and national development account for significant community concerns. There are very clear effects from national development (β=1.02) and democracy (β=.25) to community concerns. My findings suggest that states with similar social or economic conditions tend to generate similar policy preferences. The third type of policy posture, economic concerns, represent a significant predictor for both FDI and market openness. States favoring economic oriented policies are more likely to open their market to foreign investors (β=.07). As Gartzke proposes, financial and monetary openness are arguably most relevant as mechanisms for revealing information. Countries will prevent any harm or potential risks of losing valuable opportunities if they have strong incentives for economic integration (Gartzke 2007). My findings support this argument, showing that market openness is significant in 1970. However, the other indicator of economic concern, foreign direct investment, has significantly negative impacts (β=-1.63), which tells

us that policies of foreign direct investment has not become a popular choice among policymakers in 1970. States which preferred less net inflows of foreign investment might come out with strong protection for local business.

I also compare the estimated parameters for specific foreign-policy issues in 1980 and 1990 (Table 2.1). M.2 gives us nearly the same results as M.1. Countries in 1980 have shown similar preferences on policy choices. Market openness and FDI both have negatively significant effects on states' economic concerns in 1980. It is apparent that states in 1980 preferred a more closed economic policy rather than actively encouraging foreign investors and companies to reallocate their capital. The international financial and market system might be just loosely integrated. I thus run the third model (M.3) and examine the empirical outputs. Market openness contributes to economic concerns with positively significant results (β=.36), while the effects of FDI became less significant but positive (β=.50). It reminds us that as globalization flourishes in 1990, more and more countries open their domestic markets and attract more foreign investors. For example, not only China, but India, Vietnam, and other countries in Southeast Asia also welcome more foreign direct investment. The second order CFA provides further supporting evidence for the arguments above. Security loses slight influence on the composition of national interests but still remains positively significant. Economic concerns demonstrate strong and significant effects on the major idea of interests. Community concerns have better effects in 1990 than the year 1970 and 1980, which tells us that countries in the world behave more similarly in order to exchange more benefits with each other. In general, my findings correspond to what scholars have observed so far about the current trend of globalization and financial integration. The three policy concerns are accounted for quite well by the idea of general vital interests for each nation state, giving an alternative measurement for this abstract concept in international politics.

The Issue of Model Fit

An important step of the estimation process in analyzing the confirmatory factor models is to fit the sample variance-covariance data to the specified model. If the model fits the data, then we can confirm the specified model is supported by the sample data. If the model is not supported, then we must modify the model to achieve a better fit. In this section, I illustrate all model-fit indices for the three examined models in last section. The results are summarized in Table 2.2:

Table 2.2: Model-Fit Indices

	M.1 (1970)	M.2 (1980)	M.3 (1990)	M.4(revised path)
RMSEA	0.04	0.00	0.09	0.09
NNFI	0.98	1.00	0.88	0.81
CFI	0.99	1.00	0.93	0.88
SRMR	0.05	0.05	0.09	0.09
GFI	0.96	0.98	0.93	0.90
AGFI	0.91	0.95	0.86	0.80
Df	24	21	22	22
Chi-square	25.27	17.66	58.58	79.11
p-value	0.19	0.67	0.00	0.00

The first model-fit index is to ensure the chi-square (χ^2) fit into the model. The null hypothesis of the chi-square (χ^2) test shows that the model structure perfectly predicted the variances and covariances of observed data (Bollen 1993; Hu and Bentler 1998; Schumacker and Lomax 2004). In short, the ideal situation is when observed and implied variance-covariance matrices are identical, and the chi-square (χ^2) test should be non-significant.[21] The χ^2 degrees-of-fit in M.1 is 25.57, with 24

[21]In the structural equation model, the null hypothesis testing for the χ^2 basically indicates that there is some discrepancy between the unbiased estimator of a population covariance matrices S and the observed variable matrices Σ. A non-significant result shows that the two matrices are similar, which means that the implied theoretical model produces the same variance-covariance relationship. Thus, a better model fit means a non-significant χ^2 test. However, the χ^2 model-fit criterion is sensitive to the sample size (the lager the sample size is, the more easier to get a significant result). Therefore, scholars sometimes just discount the meaning of a χ^2 indicator (Hu and Bentler 1998; Bentler 1990; Schumacker and Lomax 2004; Heene et al. 2011).

degrees-of-freedom and p-value>.05 (.19), which indicates that the observed and implied variance-covariance matrices are identical. This gives us the first evidence of goodness-of-fit. I also list other available model-fit indices to identify whether M.1 fits the data well, including RMSEA, NNFI, CFI, SRMR, GFI, and AGFI. For this model, RMSEA (.04) shows it has a good model-fit. Standardized root mean square residual (SRMR) also offers good model-fit result (.05), which is smaller than .08. Other indices, such as AGFI (.91), CFI (.99), and NNFI (Tucker-Lewis index=.98) offers excellent fitting value for the data. In general, all the measures for M.1 are excellent.

For M.2, the χ^2 statistic is equal to 17.66 with 21 degrees of freedom, and p>.05. The χ^2 statistic is not significant, so the specified CFA model is supported by the sample variance-covariance data. Other indices, RMSEA (.00), SRMR (.05), AGFI (.95), NNFI (1.00), and CFI (1.00), are all revealing a goodness-of-fit model. M.3 has moderate model-fit indices, but still can be viewed as a fitted model. Even the χ^2 test is not what I expect (p<.05), other indicators demonstrate acceptable results. RMSEA and SRMR locate in a moderate range (.09). Besides, although AGFI(.86) and NNFI(.88) have slightly lower value, CFI and GFI are still in an acceptable range.

Modification indices in the LISREL output offer suggestions on how to further improve the model to data-fit. In order to obtain some better model which can fit the data, I try adding new path from the latent policy concerns to the observed policy variables for countries in 1990. Adding new path to observed variables should include theoretical explanations. For instance, I switch the path and create model 4 since it is reasonably to doubt state development should be under the considerations of economic concerns. The modified theoretical model with relevant information is listed in Table 2.1 (model-fit index in Table 2.2).

The LISREL output indicates that adding state development to economic concerns make no significant differences between M.3 and M.4. However, it even decreases the

significance level on the second order of CFA, which de-links the path from community and economic concerns to vital interests. In addition, if we compare the model-fit indices, M.4 has no better fitted value to the data than M.3. The minimum χ^2 fit function remains significant (χ^2=79.11, df=22, and p<.05). Other model-fit indices are all worse than the M.3 data, which offers a worse framework than what I create for the original structural equation model.

2.5 More Investigations

The detailed map of national interests in last section offers a clear illustration for the structure of interests. In general, interests can be explained by three different categories of policy objectives: security, community, and economic aspects, if the confirmatory factor analysis above is correctly specified and examined.[22]

Each objective in turn contains critical determinants of foreign policy preferences across a wide range of choices. In this section, I would like to adopt another methodology to investigate the theoretical structure of national interests above is correctly specified. The exploratory factor analysis (EFA) could help researcher explores how many factors there are, whether the factors are correlated, and which observed variables appear to be best measure each factor. Generally speaking, EFA offers strong empirical evidence supporting the theoretical structure established by the confirmatory factor analysis.

Based on the map of the structures of national interests, states have three different types of policy objectives, which contain individual interest choices. First, if countries attempt to maintain close national capability, to acquire similar amounts of nuclear

[22]This empirical study is also derived from several theoretical articulation about the system of foreign policy. Gilpin (1983) clearly points out that politics in not influenced by security or political issues alone, but also by economic factors. In addition, as Deutsch (1957) mentioned that shared sense of values and identity among countries should be counted as another type of national interests because this type of concern has strong explanatory power for how states make their foreign policy decision. My structural equation model offers strong empirical evidence with the model-fit value supporting the argument.

weapons, or to achieve identical alliance portfolios, there is a higher probability that these countries share close security ideas about world politics. Realists believe that security is mainly measured by military capability, and states focus on their survival by increasing military capability. Thus, my first hypothesis in exploratory factor analysis is that countries possessing greater levels of security similarity can be identified with higher levels of general interest similarity.

Political scientists also argued that countries with similar political or domestic institutions attempt to form close foreign policy decisions (Souva 2004), and this similarity will lead to less ideological disagreements and create an ideal community of interests (Denzau and North 1994). If countries have identical domestic conditions, such as similar scores on democratic and development scales, it is more likely for the leaders to generate cognate foreign policy decisions. My second factorial hypothesis, therefore, argues that countries with greater levels of community interests will possess higher levels of general interest similarity.

Finally, countries which have analogous economic policies may show some affinity on their foreign policy in general. Economic interests have eclipsed security interests on the scales of strategic importance to national interests. National power in this context is measured by the aggregate of a number of components such as exportable capital, percentage share of the global economy, foreign direct investment, and the will to mobilize one's economic capability for national ends. Thus, it is important to identify if countries share their economic interests with each other in order to accelerate a more integrated economic cooperation in the world. My last hypothesis examining the latent framework of national interest therefore states that countries with greater similarity on economic interests will possess higher levels of general policy affiliation.

This section uses country-year data to examine all three hypotheses above. I intend to show that the structure of overall interest similarity can be composed by

three major interest objectives.[23] I argue that a combination of factors contributes to the national interests. I employ the principal factor analysis to reduce the 9 variables in the theoretical model to a single national interest indicator.[24] There are three major interest factors (security, community, and economics) shown as policy objectives that have direct paths to individual policy variables. EFA mainly explores the collected data, and presumes that some factors which have smaller numbers than the observed variables are responsible for the shared variance-covariance among the observed variables (Everitt 2005). The basic idea for this method is to uncover the relevant factors that connect different manifest variables. In theory, the variance of variable x_i, σ_i^2, is given by

$$\sigma_i^2 = \sum_{j=1}^{k} \lambda_{ij}^2 + \psi_i$$

The factor analysis model implies that the variance of each observed variable has two parts. The first part of each variance is h_i^2:

$$h_i^2 = \sum_{j=1}^{k} \lambda_{ij}^2$$

The first part is known as the communality of the variable and represents the variance shared by other variables. The second part, ψ_i, is called the unique variance, which is not shared with other indicators.

In addition, the factor analysis model implies that the population covariance ma-

[23] I examine the policy interests for all countries in the world from 1950 to 1992. In order to have correct information for each country, I code all component variables on an annual basis. I use the same indicators used in confirmatory factor analysis, including the number of formal alliances, national capability ratio, the number of nuclear weapons, the number of IGO memberships, domestic development (GDP per capita), democratic scores, international trade, market openness scales, and foreign direct investment (FDI). I listed the detailed information for data sources and coding rules in Table 2.1. However, the missing data issue causes a serious problem for this model, and I conduct computer imputation by LISREL 8.8 to impute relevant data based on the existing information from the dataset. After the imputation, there are 2926 observations for the country-year data.

[24] Principal factor analysis is an eigenvalue and eigenvector technique similar in many respects to principal components analysis. But it primarily concerns the observed variables by means of a few common latent factors. Principal components analysis is mainly used to explain the variance of the observed variables. For a more detailed discussion, please see Kim and Mueller (1978*b*) and Schumacker and Lomax (2004).

trix, Σ, of the observed variables represents this form.

$$\Sigma = \Lambda\Lambda' + \Psi$$

Then, Σ will be estimated by the sample covariance matrix $\mathbf{S}$ where we estimate the parameters of the model in some way such as:

$$\mathbf{S} \approx \hat{\Lambda}\hat{\Lambda}' + \hat{\Psi}$$

The basic procedure is to find out $\hat{\Lambda}$ and $\hat{\Psi}$ for the equation above. EFA is designed for the model that fits the data, and explores how many factors there are. I attempt to find which of the observed variables appear to best measure each factor. Table 2.3 provides the results with factor loadings.

Table 2.3: Factor Loadings for National Interests Model

	Three Factor Model		
Variables	**Factor 1**	**Factor 2**	**Factor 3**
Alliance	0.751	0.129	-0.041
National Capability	0.827	0.142	0.042
Nuclear Weapon	0.755	0.178	0.004
IGO Membership	0.202	0.817	-0.002
Development	0.197	0.745	0.415
Democracy	0.038	0.855	0.099
International Trade	0.454	0.027	0.009
Market Openness	0.049	0.080	0.848
FDI	-0.067	0.183	0.824
Eigenvalue proportion explained	0.235	0.229	0.176
Cumulative proportion explained	0.230	0.460	0.640

Table 2.3 uses a three-factors model covering the nine different variables with almost 64% sample variance. The first hypothesis argues that security interests represent one part of latent factors for the major policy component. The first three operational measures in Table 2.3 load heavily on one communality. The underlying domain explains 75% of the variance in the number of alliance, 82% of the variance in the national capability, and also tells us 75% of the variance in nuclear weapon capability. These results suggest that the concern of security issues in world politics should be included into the study of decision making on national foreign policy.

Secondly, the community interests suggest that countries with similar domestic and international standards, including similar polity scores, development scales, and activities in the international organizations, will shape closer interests with each other. The results of the EFA support my hypothesis with strong factor loadings in the second factor. IGO has 82% of the variance for the aspects, domestic development has 75%, and democracy has 85%. This probably tells us that states which have similar democratic and living standards are more likely to form their foreign policies similarly, and construct a more similar community of mutual interests.

The third hypothesis received strong empirical support showing that the general idea of interests is strongly related to economic affairs. The third factor loading, which consists of international trade, market openness, and FDI, contains the variance of 0.01, 0.85, and 0.82, respectively. The factor loading of international trade reminds us of one critical point. It demonstrates a comparatively small loading for the third factor; however, this variable loads minimally or unproportionally for the first two factors. This probably indicates that these three components of economic activities fit into the third interest factor very well.

Thus, as noted, factor analysis encompasses both correlation and covariance matrices to show the relationships among the observed variables. It offers a convenient method to identify the relevant indicator to explain a latent framework. We have a

basic outline for recognizing a country's specific focus through this methodology.

2.6 Conclusion

This study provides the first latent framework and evidence that confirmatory factor analysis is present in widely discussed issues of national interests. In contrast to previous conceptualizations and usage of interests, I detail a method of operationalization that makes the concept more comprehensive. Only through an overall discussion about the true dimensions of national interests can we understand the full content. Focusing on a single policy indicator might give us partial vision of states' foreign behavior. It becomes always a task when we determine which elements of national interests spoke more directly to the theory and then to choose among the various index alternatives based on which elements have been operationalized. With the methodology introduced, it helps us solve the complexity by mapping out the structures of this concept.

From the empirical results, I find the core value of nation interests can be explained by three different types of policy concerns: security, community, and economic domains. These concerns in turn are important determinants of specific policy preferences across a wide range of choices, such as national capability, nuclear weapons possession, regime types, national development, market openness, and foreign direct investment. This means that there might be a hierarchical structure within the belief system of all countries when making decisions on foreign policies. This project attempts to show what the structure looks like, and provides a useful framework for further studies on the effects created by national interests.

Since this study attempts to examine some hypothetical paths among latent and manifest variables for different policy choices, critics might argue that it is difficult to list and organize all possible policy items with correct paths to their higher order of concerns. Gartzke has arguments responding to these similar critics, "The problem

again is that we cannot observe preferences; we must rely on assumptions or some indirect representation... The trick, then, is to construct an indicator that is likely to be minimally affected by sources of bias, but we can evaluate the degree to which actors coincide or diverge in their expressions of representative behavior" (Gartzke 2000, 195-196). It is true that we cannot cover all states' interests with their behavior at the same time with a parsimonious model. The best way to reveal the idea of policy interests is to construct an index with less measurement error and relevant theories. All models cannot exist without a clear and strong theoretical support. Thus, the model and methodology offered in this study sufficiently fulfill the requirements for such an abstract idea. We can see how states attempt to cope with an extraordinarily complex policy choice by structuring views about specific policy choices according to their more broad and abstract beliefs.

Another advantage from this study is to give comparisons among different policy choices. It helps us to identify how and under which conditions states will focus on specific behavior. For instance, some policy items have better understanding than others, such as capability, nuclear weapons, or market openness. The speculation reveals that the reason why some interests are salient is because countries' focus on special concerns will promote these specified choices. Political leaders who pay more attention to security related issues will at least fulfill their basic need on security capability or nuclear arms. The orientation is probably still obscure if we only investigate one indicator. However, as more items added into the latent framework, we are able to categorize each policy group and have a much clearer picture for each dimension of the overall national interests.

Finally, there are several limitations on the current study that needs mention. First, the significance levels for each of the interest choices and their paths to the first order are still moderate. In order to have better empirical results in this case, it needs more work finding other sources of data. Second, after investigating the

major content of states' interests and understand the basic cognitive framework of policy orientation, then we can move to next the step; constructing a dyadic index that was made up of the multiple interest choices, and study its relationship with interstate conflicts. In future study, I will examine the true validity of this critical independent variable and ensure it has enough variation for statistical estimation. A clear discussion about the concept is necessary and important before we generate an artificial indicator for national interests.

Chapter 3

The Effects of Interest Similarity on the Onset of Militarized Disputes

> A realist theory of international politics. . . will guard against two popular fallacies: the concern with motives and the concern with ideological preferences.
> –Hans Morgenthau

Scholars of international relations claim that national interest is an important subject that needs to be studied. Previous research tells us that a high degree of interest similarity implies that two states agree on most major issues in the international system, and this similarity can reduce the likelihood of a dispute or mitigate the severity of any conflicts that do occur (Gartzke 1998; 2000). However, other research proposes that it is democracy or other liberal factors indirectly introduce the pacifying effects of interest similarity, and the pacifying effects are not directly caused by interests themselves (Oneal and Russet 1999*b*).

The key issue related to the dyadic conflict literature is that the explanatory variables in these studies lack careful consideration. In fact, it is crucial to discuss and conceptualize the "interests of the states" before any relevant empirical test is possible. The field offers several methods for measuring preferences.[1] However, how to conceptualize and operationalize the definition of national interests is still unclear.

[1]In this chapter, I use "interests" to represent the idea of states' policy "preferences." Scholars of international relations use "interests" or "preferences" to represent the idea. But there are slight differences between the term "interests" and "preferences." I use these two terms interchangeably, but focus is on the meaning of interests.

The most difficult part of measuring national interests is that researchers cannot observe them directly: scholars have long struggled to find both theoretically and empirically correct indicators of interests, and they must rely on certain assumptions or some other indirect indicators to represent preferences.[2]

I propose that states' interests can be explained by their specific policy objectives (concerns), while these objectives can be aggregated to an overall idea of vital interests. In this chapter, I adopt a data set generated by exploratory factor analysis (EFA) with the major values for three principal policy objectives: security, community, and economic behavior. I argue that specific interests, represented by alliance portfolio, IGO membership, or trade preferences are constrained by abstract objectives concerning the types of specific national interests in the decision making aspect of foreign policy.

The first section of this chapter illustrates the critical components of national interests and introduces the theoretical implications of why and how dyadic interest similarity is important to determining the occurrence of conflict between two states. The major contribution is to discover under which conditions of interest similarity states will prefer more peaceful behavior toward other countries. I also introduce some crucial control variables that might influence conflict occurrence, using a maximum likelihood estimation that solves the issue of the dependent variable. I then test whether mixed dyads with more similar policy choices are less likely to engage in bilateral militarized disputes.

[2]Gartzke (2000, 196) provides a solution to this problem. He argues that "The trick, then, is to construct an indicator that is likely to be minimally affected by sources of bias, but which possesses other desirable properties of an index (such as spatial and temporal coverage, etc.). We cannot measure preferences directly, but we can evaluate the degree to which actors coincide or diverge in their expressions of representative behavior." Gartzke suggests that the most efficient method to measure states' preferences is through their behavior. Realist scholars view alliances as an indicator reflecting common strategic interests (Farber and Gowa 1997). Liberals perceive trading behavior as revealed economic preferences. Institutionalists view joint IGO membership as indicators of shared vision of collective management (Keohane and Martin 1995).

3.1 Interest Similarity and Its Impact on Militarized Disputes

There is a great debate between Neorealists and Kantian peace theorists about the importance of interest similarity and international conflict.[3] Neorealists, focusing on power and interests in the study of international relations, primarily refute the claims of a democratic peace (Layne 1994; Gowa 1999).[4] States generate conflict because they have different opinions and ideas about world politics. We are more likely to observe conflicts between nations that have greater differences in world views than those nations that see the world similarly. Hence, the notion of state interests is crucial to the theory of international conflict (Gartzke 1998; 2000; Farber and Gowa 1995; 1997; Lemke and Reed 1996) because a variety of cultural, social, ethnic, demographic, and political factors encourage the Western industrial democracies to view the world in similar ways. We probably can conclude that democratic countries do not fight against each other not because they are democracies, but due to their similar policies. Neorealists have long accepted that states differ in their objectives in global relations, and these differences are important contributors to conflict behavior.

Theories in this chapter argue that states fight because of their opposing opin-

[3]Classical Realists, who can be grouped with Morgenthau, and the Power Transition Theorists, who can be grouped with Organski, have argued that distinguishing between states in terms of their interests is essential to understanding dyadic conflict. In fact, both IR theories marry national interests with national power and apply them to the discussions of the occurrence of conflict. Under a Classical Realist's point of view, conflict will not exist where common interest prevails. Morgenthau (1967, 10-2) argues a balance of power will only ensure peace when those involved have common interests in their maintenance. In addition, Organski, the power transition theorist, also combined the discussions of national interest similarity with dyadic power preponderances (Organski 1968). He argued that the other Major Powers from the second tier in the international hierarchical distribution of power, which benefit from the status-quo international order, have no intention to challenge the dominant power. These states share an overriding common interest with the dominant state in maintaining the international order. Thus, a potential challenger who is satisfied with the status-quo will not declare military conflict against the dominant power even if it reaches power parity with the dominant power. Military conflict ensues only when a challenging state has interests that are counter to the dominant state in the system.

[4]Democratic peace theorists proposed that national interests should be viewed as a secondary factor in the study of conflict. However, based on Neorealists' idea, states basically seek military superiority over other states or allies to secure interests. States generate conflict because of the relative nature power: the gains of one state must come at the expense of others (Gilpin 1983; Grieco 1988).

ions and ideas on international issues. One thing should be mentioned prior to the following discussions: I do not focus on a specific dispute or contest over a certain geographic location or resources; these are viewed as incompatible interests because states (or leaders) will definitely fight for those incompatible interests. Incompatible interests have strong linkage with leaders' survival, and no leaders will sacrifice these incompatible interests to other countries if they value their survival. Interest similarity in this chapter, therefore, means a more overall representation of ideological and policy closeness, which is different from what we recognize as ordinary incompatible interests.

Concerning the empirical issue of interests, Gartzke provides a challenging question of whether interests and international conflict are related statistically. He argues that democratic states may still fight because they do not agree with each other. He claims that if we combine Most and Starr's (1989) opportunity and willingness framework and Bueno de Mesquita's (1983) expected utility theory to international relations, we see the importance of states' preferences. Gartzke's empirical evidence also informs us that adding his affinity scores leads most coefficients, including those of democracy, to become insignificant (Gartzke 2000). Thus, he concludes that affinity, his way to measure similarity, is significant enough to displace or reduce the importance of indicators of democracy as an explanation for the democratic peace theory.

Gartzke's studies thus introduced a series of debates. The basic question is whether interests themselves directly cause peace or if liberal variables indirectly cause interests. In fact, the two studies similarly claim that states' interests do matter, and the relationship between interests and the probability of disputes is causal (Gartzke 2000; Oneal and Russet 1999*b*). The bulk of this discussion is limited in two important ways. First, the debate does not carefully define "interest similarity." There is a limitation to simply observe states' voting behavior in international orga-

nizations and then assume that their foreign policies are identical. Indeed, we should adopt a more advanced approach, deconstructing the whole structure of national interests, to find the latent factors influencing states' foreign behavior. Studies have shown states' interests as either preserving the status-quo or seeking to revise the international system (Wolfers 1965). It is far better to adopt a latent variable analysis to represent states' preferences in foreign policy since most states pursue a mix of stasis and change, varying with respect to the issues involved. Interest similarity is not binary; instead, interest can be measured on a scale with varying degrees of dissimilarity and similarity. This issue will be discussed with care later.

The second issue that Russett and Gartzke do not clearly address is the explanation of why interest similarity will bring less conflict onset between pairs of states. In order to advance our understanding of the cause of world peace through common interests, the preferences argument analyzes the expectations from the most important theories of conflict onset and escalation (Werner and Lemke 1997; Lektzian and Souva 2009). The preferences argument contends that institutions and the policy influenced by the regime structures usefully delineate friends from foes in the international arena, and in this manner they influence foreign policy preferences and the likelihood of international conflicts. Actually, the logic of preferences argument follows Hermann and Kegley's social identity theory, in which they believe that "those in the ingroups can be trusted because they are similar; those in the outgroups are distrusted because they are different and hostile" (Hermann and Kegley 1995). Hermann and Kegley offer a psychological explanation of democratic peace which assumes that the composition of one's ingroup/outgroup dynamics will influence perceptions of other states.

One of the recommendations here is to adopt the idea of ingroup and outgroup dynamics as the central mechanism with the extension of how different types of national interests influence states' conflict behavior. We might expect, then, that

states with similar policy interests will tend to view each other more as ingroup members and perceive those states with similar national interests as friends instead of enemies. The perceived affinity and affiliation within a coalescing ingroup is prone to include those who subscribe to similar foreign policy and institutions. However, states are more likely to be treated as outgroup members if they share different interests.[5]

The reason why ingroup/outgroup dynamics increase the possibility of conflict is because this clear social identification will increase animosity between states, which will lead to interstate conflict. This distinction leads to the separation of different states, and animosity will easily increase among the states with different ideologies once these separated actors have miscommunication or misunderstandings. High levels of animosity will decrease trust, making it more difficult for two parties to resolve any dispute. This gives us a strong basis for why the psychological effects of ingroup/outgroup dynamics will bring more conflicts between states.[6] Based on the theoretical arguments above, I introduce the first hypothesis below:

H1: In a dyad, states with similar policy interests are less likely to have militarized disputes.

In essence, then, the next task here is to investigate security similarity, one of the major categories of national interests, and discuss why it brings more peace

[5]The basic assumption from social identity theory clearly points out that ingroup/outgroup dynamics have an influential identity framework. People are more accepting of those who are familiar and similar, but they distance themselves from those who are dissimilar and less familiar.

[6]The ingroup/outgroup dynamics represent an important mechanism because they help us to understand why dissimilarity will increase animosity and contribute to militarized conflicts. States will trust each other because they share common interests and view each other as "ingroup" members. "Outgroup" states are possibly less trusted. Trust, then, brings more peaceful situations for states, but distrust may increase the possibility of disputes. The mission in this research is to elaborate on the effect of "ingroup" and "outgroup" ideas, which explains why states with similar global views will be more likely to stay with each other and attempt to resolve disputes peacefully.

among states. Scholars from diverse intellectual traditions have agreed that states' security interests vary and that variation in these interests is a major determinant of interstate conflict. Theoretical arguments connecting security interest and severe interstate conflict suggest that interests are key to the explanation but are limited in an important way. This limitation has been to characterize states as either status quo or revisionist, and these two types of states based on their interests and then deriving conflict expectation from this dichotomy is famous on the Realist literature.[7]

In fact, the major concept in social identity theory reveals the impact of states' images and beliefs about the enemy and considerations of social identity. Political-physiological research seeks to explain why people engage in conflict, and the research suggests images of the enemy cause states to insulate themselves from the adversary and create negative attributes to such a group or nation. As Hermann and Kegley argue "These 'others' can do no right and are motivated to make 'our' lives more difficult" (Hermann and Kegley 1995, 516). Social identity theorists provide us with information about how people begin to expand their definitions of who belongs in "their groups" (or "ingroup" members) and to readjust the nature of the enemy (or "outgroup" members).

This study thus adopts a novel argument connecting realists' ideas on status-quo power and revisionists with social identity theory. When combining these two traditional theories, we are able to discover some useful linkages between these traditional

[7]Realists argue that two types of states in the international system illustrate states' basic security interests. Morgenthau called them imperialistic and status-quo powers (Morgenthau 1967, 20). Schweller (1998) defines national interests by positing several types of states based on the degree to which they desire to change or preserve the status quo and their military capability to do so. Moravcsik (1997) also offers a similar dichotomy on these two types of states, including revisionist or status-quo states. The clear dichotomy can also be seen in realist literature. As Schweller (1998, 20) points out "...[Classical] Realists invariably distinguished between two types of states: Morgenthau called them imperialistic and status-quo powers; Kissinger referred to revolutionary and status-quo states; Carr distinguished satisfied from dissatisfied powers; Johannes Mattern, among other geopoliticians, divided the world into 'have' and 'have-nots,' Wolfers referred to status quo and revisionist states; and Aaron saw eternal opposition between the forces of revision and conservation." From the definitions above, we are able to discover states' security interests played an influential role in realists' literature.

arguments. Countries seen as revisionists mainly seek to overthrow the current stable system and try to alter the existing order; however, status-quo powers basically seek to maintain the current distribution of power in the international system. Thus, these two types of states are almost exclusive to each other, and realists expect the most severe interstate conflict to occur between two groups. Status-quo states, which are viewed as having similar security interests for peace, are more likely to stay together and unite a close group. Within the group, members unanimously accept the framework of international order, and these satisfactions help maintain stability between group members. Revisionists share dissimilar security interests with status-quo powers, and will be insulated as more outside members.

Kissinger's study of the Concert of Europe offers an appropriate case for the argument. Kissinger (1964) holds the cause of peace was not that in the wake of the Napoleonic wars most of European great powers had similar national capability; it was the similar security interests in maintaining status quo in Europe. The idea of similar security in maintaining status-quo successfully organized most European great powers and created alliances to counterbalance Napoleon (Kissinger 1964, 1). It was Europe's great fortune that no such revolutionary powers existed in Europe after the defeat of Napoleonic France. Stability was possible because those ingroup members had common security conviction. The case of counterbalancing Napoleon and the arguments above lead to the second hypothesis:

H2: In a dyad, states are less likely to have militarized disputes if they share similar security interests.

Until the end of the Cold War, "national interests" always focused on the military defense of the state. The two major international relations paradigms, realism and liberalism, both go on to explain international interactions as the result of relevant

actors using their power to pursue their interests. The rise of comprehensive interests, however, represents one major shift away from the centrality of security aspects to two other directions: a shift toward the larger community of interests, and the shift to concern about the forces of global economic interests. As Keohane and Nye (1977) have addressed at an earlier date, national survival does not only depend on the nation's ability to sustain its military capability, but more importantly, on the globalization of the world economy beyond the stage of complex interdependence.

As neoliberals argue, researchers should not only focus on military power as we discuss national interest, but should switch our focus to wealth. Keohane provides an example showing how American military power was used to build international economy arrangements consistent with American capitalism in 1940 (Keohane 2005). This economic dependence among the United States, Western Europe, and Japan also increased the U.S. military strength and regional security interests in the long run. In Keohane's discussion, there should be a strong link between "power" and "wealth" of U.S. interests, which were consistently linked, and there should be no priority for either "power" or "wealth." The fact is that U.S. economic interests overseas, and the U.S. political or security value heavily depended on the economic recovery of Western Europe and Japan after World War II. This is a typical case showing how states' security and economic interests are tightly linked, and there should be a clear distinction between security and economic interests for each state in the world.[8]

States rely on trade and economic activities in international society. Theoretical arguments inform us that trade influences states' peaceful foreign policy because military conflicts will generate huge opportunity costs. Oneal and Russett write,

[8]We need to pay more attention to the interrelation of states' security and economic interests. Gilpin showed this complementarity in his book *War and Change in World Politics* and argued that international relations are not influenced by security or political issues alone. Change in the distribution of power also influences global economic relations (Gilpin 1983). Gowa (1989) agreed with Gilpin's ideas and argued that foreign economic policy is driven by both security and material policy. They all clearly point out that there should be clear difference between state security and economic preferences when we discuss the major interest objectives here.

"policymakers avoid the use of force against states with which they engage in economically important trade" (Oneal and Russet 1999*c*, 4-5). Countries that rely more heavily on international trade will suffer more losses if they engage in violent disputes with their trading partners. The cost of conflict will be so high that policymakers will hesitate to initiate military activities. This phenomenon exists not only among democratic countries. Peace exists among any types of government once they have strong economic relations. Increased economic involvement between states leads to more peaceful international order by increasing the opportunity costs of conflict, which deters nations with different regime types from military expansion (Souva and Prins 2006).

Economic interest is far more complex than we might imagine. It reflects not only the amount of imports or exports between two countries, but also the regulations of market openness and monetary policy. A more open financial market and integrated monetary structure will promote more peace among states (Gartzke 2007). Indeed, commercial interests can strengthen collective ideas about mutual interests and group security. States with economic interest similarity will have a more identical sense of stable global order and mutual economic benefits. It is difficult for states to harm their economy by violating trade patterns and mutual commercial benefits with those economic partners. Thus, the idea of common economic interests creates a reasonable explanation for peaceful foreign policy among different types of states.

H3: In a dyad, states are less likely to have militarized disputes if they share similar economic interests.

States in international society construct a community of common interest. Deutsch et al (1957) propose that institutions and people's sense of community can reinforce and strengthen each other, and states with similar ideology will establish a close soci-

ety with shared interests. Starr (1992) reiterates Deutsch's idea and points out that the Deutschian model primarily indicates how people obtain mutual benefits through a series of interactions based on inter-societal transactions. Decision makers in the same security community learn how to separate themselves from other states with their overwhelming information, such as regime types. For instance, democracies can learn from each other that none of them in the same community prefer using force or war as the conflict method. This "dove-like nature" will bring more peace among member states with similar ideas and make the community more integrated and peaceful. This argument has a strong link with social identity theory and the idea of "ingroup/outgroup." The characteristics of "feeling" and "trust" derived from similar ingroup members in the same community help states look for more chances of cooperation and less disputes. Therefore, in addition to the security and economic domains, community interest represents the third policy concern that links to the core value of national interests, and leads to a more peaceful international society.

Under this argument, it is important to build a shared sense of values and identity among countries in the same regional or functional community. States with similar ideologies, domestic institutions, or joint IGO membership will form close policy decisions, influencing a country's conflict behavior. The fourth hypothesis will examine this type of effect.

H4: In a dyad, states are less likely to have militarized disputes if they share similar community interests.

We can apply the same logic to mixed dyads composed of one democracy and one non-democracy. Even though the political structures may be different between democracies and non-democracies, sharing similar policy interests provides certain strong incentives for states to behave peacefully. Regime types may be influential,

but under the mixed dyads scenario, states' vital interests have surpassed the importance of regime similarity. The most noticeable example here is the political and security competition between the United States and the P.R.C. on the Taiwan issue. The Taiwan issue has been consistently framed in terms of the stability between Beijing and Washington. Even though there were several diplomatic and militarized disputes in the Taiwan Strait, the United States did not adopt any military actions against China in order to protect Taiwan. Both Beijing and Washington share complex and interrelated policy interests with each other: to maintain regional security and stability for East Asian order. Therefore, leaders of different regimes think more carefully about their policy interests than their ideological differences. The last hypothesis follows:

H5: States in mixed dyads are less likely to have militarized disputes if they have interest similarity.

3.2 Model Specification

In order to generate an appropriate variable for interest similarity, I predict the value for each interest indicator individually right after exploratory factor analysis (EFA), and take the logarithm of the interest ratio from state A to state B. The dyadic ratio of security interest ranges from -26.2 (indicating less similar in bilateral security interests) to 14.3 (indicating more similar in bilateral security interests). Community and economic interests have the same measure.[9] Alternatively, I generate one major variable by reducing these three policy factors into one final interest indicator.[10] In

[9]In order to fit the data with large value of the variable indicating the similarity of policy affiliation, I also transform these three indicators by multiplying them by -1.

[10]By running the EFA again for these three different policy interests, the result gives us one final latent factor that can successfully explain these three different objectives. The theoretical and

fact, interest similarity signifies the similarity of revealed preferences between the two states in the dyad. This latent factor covering three different policy objectives gives us a more robust measure of states' general policy affiliation. The score ranges from -7.4 (weak affinity) to 5.4 (strong affinity). In general, higher values indicate that two states in one pair have more similarities in their policy choices, which endows these two states with more "ingroup" characteristics. On the other hand, lower scores of interest similarity index represent a more "outgroup" phenomenon between these two states in a dyad.

I use the undirected dyad-year for the conflict study. The dependent variable, militarized interstate dispute (MID), is derived from the Correlates of War data set. A MID is defined as a conflict between members in the international system that involved the threat, display, or use of force (Jones, Bremer and Singer 1996). From the data, 1 indicates that there is a new militarized interstate dispute, while 0 means no MID during a given year.[11]

I employ the data set from the Composite National Capability (CINC) in the Correlates of War project. In order to demonstrate the difference in national capability between two nations, I follow convention and take the logarithm of the ratio of the stronger states' capability index to that of the weaker state (Russett and Oneal 2001). The results tell us how much two nations' capabilities differ from each other. The higher value represents a bigger capability gap, while the lower value suggests a balance of capability.

In order to reveal the effect of proximity, I include the variables *log distance* and *contiguous*. If two states cannot interact, there is very little opportunity for both to fight. Most countries in the world do not have the capability to project military power over distances. The distance is the natural log of the great circle distance between

empirical work can be obtained from the author.

[11] I also ran analysis on Maoz's militarized disputes data using a similar examination. The results are basically identical.

capital cities.[12] Except for distance, scholars believe that geographical contiguity is also statistically significant for all interstate conflict. I control the variable for territorial contiguity because it creates more possibility of interaction for different countries. In addition, in terms of the force projection and global interests, not all states have the same social status. Major powers may have stronger networks with other countries than small or weak states. In order to control for the influence of major power dynamics, we should include the variable *major power*, which equals 1 if at least one state in the dyad is a major power and 0 otherwise.

I adopt the other three major Kantian variables from Oneal and Russett's model (Oneal and Russet 1999*c*). The democratic peace literature offers a robust and appropriate baseline model, which allows for ready comparison of results and diminishes the danger of incorrect coding or model specification. I adopt Oneal and Russett's $Democracy_L$ to represent the least democratic state in the dyad. This variable has long been associated with the lower probability of interstate conflict. It represents the key idea of how democracy generates more peace for countries in the world.[13] Second, in order to reveal how economic interdependence impacts states' conflict behavior, I adopt $Dependence_L$ as the measure from Oneal and Russett's model (Oneal and Russet 1999*c*). They divide a country's total trade with its dyadic partner by its gross domestic product (GDP). In general, we expect that this variable has negative effects on conflict onset. Third, I also include the measure of the total number of joint IGO memberships. This data is also generated from Oneal and Russett's study and has long been considered as a pacifying indicator on states' conflict behavior.

Last but not least, in order to test and correct for time dependence issues generated by conflict onset, I follow the propositions of Beck, Katz, and Tucker (1998) on

[12]In order to examine whether interest similarity influences conflict onset, I attempt to replicate Russett and Oneal's model of dispute likelihood. I chose their work because it is the most replicated and complete model. Russett and Oneal argue that using the shortest distance around the surface of the globe between the capitals can reveal the constraints imposed by geography.

[13]I also include $Democracy_H$. in the test

controlling for the years of peace a dyad has experienced. I also control for the cubic splines of order 1 to 3.

3.3 Empirical Results

I run a multivariate probit regression as indicated in Table 3.1 with five regressions. The first model (M1) demonstrates the baseline model for the study. In agreement with previous scholars' research, both $Democracy_L$ and $Democracy_H$ are negative and significant on conflict onset. Economic interdependence has a negative influence on conflict onset as well. These three variables are consistent with Oneal and Russett's results. However, the outcome for IGOs differs from the Kantian triad. This is probably because of different MID data, or the different time period.[14] The statistical results of capability ratio, contiguity, distance, and major power status are all consistent with previous studies in the international relations literature. As expected, greater opportunity in terms of contiguity, distance, or presence of major power status enhances the likelihood of conflict.

In M2 to M4 (Table 3.1), I sequentially add individual interest variables into the equation to fully test the hypotheses about how interest similarity impacts conflict onset. At first, I examine the impacts of three major policy objectives on conflict onset, and then add the general indicator of interest similarity into the fifth model (M5). Security and economic interest are statistically significant at the 0.05 and 0.01 level, respectively, and in the expected direction (the higher similarity value will decrease the possibility of interstate conflicts). Community interest, however, has no effects on conflict onset, which is the opposite of my fourth hypothesis.

Based on the empirical results, dyads with close security interests are less likely to experience conflict. This probably informs us that states focusing on relevant

[14]The results of IGO on dispute severity differ from Oneal and Russett's argument. In fact, the impact of IGO on conflict is still controversial. The relationship still needs more empirical examination.

Table 3.1: Probit Model of Interest Similarity on MID Onset (All Dyads, 1950-1992)

	M1	M2	M3	M4	M5
Democracy(Low)	-0.026***	-0.027***	-0.028***	-0.029***	-0.027***
	(0.004)	(0.006)	(0.006)	(0.006)	(0.006)
Democracy(High)	0.009***	0.009**	0.011***	0.011***	0.009**
	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Interdependence	-22.975***	-14.866***	-14.761***	-15.058***	-14.945***
	(5.403)	(4.982)	(4.921)	(4.994)	(4.970)
Joint IGO	0.007***	0.008***	0.008***	0.008***	0.008***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Capability	-0.236**	-0.239*	-0.239*	-0.230*	-0.243*
	(0.097)	(0.135)	(0.135)	(0.134)	(0.135)
Contiguity	0.892***	0.910***	0.903***	0.904***	0.911***
	(0.048)	(0.070)	(0.070)	(0.070)	(0.071)
Distance	-0.197***	-0.170***	-0.170***	-0.172***	-0.169***
	(0.021)	(0.030)	(0.030)	(0.030)	(0.030)
Major power	0.602***	0.471***	0.461***	0.453***	0.465***
	(0.046)	(0.076)	(0.075)	(0.076)	(0.076)
Security interest		-0.022**			
		(0.010)			
Community interest			-0.009		
			(0.011)		
Economic interest				-0.017*	
				(0.009)	
INTEREST					-0.057**
					(0.028)
Constant	-1.154***	-1.270***	-1.289***	-1.278***	-1.301***
	(0.196)	(0.274)	(0.272)	(0.273)	(0.274)
Observations	115741	61531	61531	61531	61531
Log lik.	-2579.509	-1258.721	-1259.985	-1259.163	-1258.515
Chi-squared	1984.140	886.519	898.647	883.670	891.004

Standard errors in parentheses
* p<0.1, ** p<0.05, *** p<0.01

national security issues, such as a similar alliance portfolio or power balancing, are more likely to prevent large scale militarized disputes. The second hypothesis related to security interest peace is supported by the results in Table 3.1. In addition, the pacifying effects of interests may not be limited to security issues only. Perhaps more importantly, this chapter finds that similar interest in economic aspects reduces the

likelihood of experiencing a militarized dispute. This recalls some relevant research, such as Souva (2004) and Werner and Lemke (1997), who also agree with the pacifying impact of economic institutions on conflict onset. Recently, scholars of international political economy and conflict studies even connect economic institutions statistically with a lower likelihood of conflict, especially on the capitalist peace theory. The results here build a close connection with the capitalist peace literature, arguing that states with strong economic interests in adopting capitalism as their main economic policy are more likely to maintain peace and less likely to use military force against each other.[15]

The findings suggest that similarity in dyadic national interests creates pacifying effects on conflict occurring between two states. The results in M5 use a general interest similarity as the explanatory variable can be seen in the last column. This coefficient associated with the variable INTEREST directly tests the first hypothesis, linking higher levels of national interest to a heightened risk of military conflict between states. The negative and statistically significant coefficient indicates that the likelihood of peace between two states in a dyad grows as the mutual identity and interest similarity within the dyad grows. This framework of decision making encourages two states to formulate the sense of "ingroup" identity, leading both states to a more peaceful bilateral relationship. As can be seen, the statistical results show a strong significance at the 0.05 level.

The inclusion of interest variables from M2 to M5 reveals useful findings for further discussion in Table 3.1. In contrast to Gartzke's statistical results, adding interest

[15]As Gartzke (2007; 2010) mentioned in his earlier study, it is the dyadic open market, not democracy, which creates more peace among states. Mousseau (2009; 2010), then, followed the same logic but used his measurement to challenge the Kantian peace study in a social economic base on this emerging literature. Both of them believe that capitalism causes more peace in the world. McDonald (2009) stakes a more modest claim than Gartzke and claims that capitalism has a greater effect than democracy on peace, but does not "wash democracy out"(Russett 2010). All three studies above have reminded us again of the important topic of the relationship between capitalism and peace.

similarity in the model does not lead the coefficients of dyadic democracy to become insignificant. The results are different from what Gartzke has illustrated in his previous critique on Oneal and Russett's work (Oneal and Russet 1999*b*). In Gartzke's study, adding AFFINITY into the equation makes the coefficients of democracy become insignificant. Gartzke believes that states' preferences do influence the likelihood of conflict independent of the character of their regime, level of interdependence, etc. He even offers a challenging question later on the effect of democracy on peace if other variables, such as wealth or affinity, are included in the equation . Researchers continue to search for more evidence to examine whether democratic peace is spurious (Dafoe 2011). My results here stake a more modest claim than Gartzke's research (Gartzke 2000; 2007). Revealed in M5, the interest indicator and democracy are both negatively significant, which proposes that both interest and democracy are crucial for predicting peace.[16] In short, we may conclude that the notion of preferences remains robust as well as democracy on the issue of interstate conflicts.

Other control variables, such as capability, distance, contiguity, and major power status all have significant effects when we include individual and general similarity scores respectively. Major power status tells us that if one of the states in the dyad is a major power, it is more likely for the dyads to have conflict onset than dyads without any major powers. Dyads with contiguous borders are more likely to encounter disputes than dyads that have no geographic contiguity. Besides, distance still remains a critical constraint on the use of military force.

In order to have a better understanding for the controversy related to interest and democracy on peace, I present alternative robust tests after the first statistical examination. Table A.1 (shown in the Appendix) presents the results of the comparisons

[16]Gartzke contends that democracy's status in the democratic peace is certainly far from dead, but there appears to be a gradual withering away of democracy's preeminence. He believes other variables, such as wealth or development, should deserve greater attention since they may account for much of what was thought to be the private domain of democracy (Gartzke 2000).

among different interest models. Model 1a incorporates the three similarity scores of individual interests at the same time with Russett and Oneal's liberal variables. All preference variables retain the same directions and effects as in Table 3.1. Security and economic interest are still statistically significant, while community interest loses its impact. Alternatively, I incorporate two individual interest indicators respectively in one regression. All explanatory variables keep the same significant levels with expected directions for each model in the robust test. In Model 5a, I take out the controlled liberal variables and regress with the general interest indicator. The result here informs us that even if democracy is deleted from the equation, interest similarity still remains statistically significant. Based on the results in 5a, we probably can conclude that the effect from interest to peace is not indirectly caused by other liberal variables.[17] Interest has its own direct impact on international peace.

To provide an indicator of the substantive influence, I calculate changes in the predicted probabilities of initiating militarized conflicts.[18] Importantly, the variable of general interest is statistically significant for the all-dyads model while controlling for several alternative explanations. Values for each key variable represent probabilities of MID, shown in the table constructed below.

The baseline model is set for all continuous variables at their sample means and all dichotomous variables to their sample modes.[19] Table 3.2 examines the likelihood of conflict change by adjusting each explanatory variable between low and high value

[17]I also examine the model with all three individual interest indicators without any liberal variables, and the results remain the same as Model 1a. Security and economic interest are statistically significant while community interest is not.

[18]In order to calculate the predicted probability for the models, I use Gary King's software "CLARIFY 2.1" (Tomz, Wittenberg and King 2003).

[19]The baseline-predicted probability indicates that a dyad has a 0.0011 probability of having a military dispute in a given year. The reason this value is relatively small is because the unit of analysis is a dyad year. This dyadic statistic counts a state's participation in a dispute relative to only one other state in the international system in a given year. The frequency of conflict for pairs of states in a given year is rather small, and this will result a lower predicted probability of dyadic conflict.

Table 3.2: Predicted Probability in Expected Onset of Militarized Disputes

Variables	All-Dyads Model (Table 3)	(10/90) percentile
Security Interest (M2)	-35.7%	(-2.220/3.183)
Economic Interest (M4)	-26.9%	(-1.909/3.429)
Interest Similarity	-36.1%	(-1.201/1.141)
Democracy	-80.1%	(-9/9)
Economic Interdependent	-8.1%	(0/0.002)
Joint IGO	79.4%	(18/47)
Distance	-67.2%	(6.958/8.956)
Capability Ratio	-28.9%	(-0.530/-0.011)

Note: Predicted probabilities are based on the low (10 percentile) and high (90 percentile) values for explanatory variables. Baseline predicted probability of conflict is 0.0011 from baseline model (Model 5 of Table 3.1)

(from 10 percentile to 90 percentile). These low and high values are set by the distribution of values within the sample for a given variable. As indicated in Table 3.2, changing from the lower (-2.220) to the higher (3.183) value of similarity of security interest decreases the incidence of MID by more than 35 % for all dyads. It clearly informs us that if states have identical considerations about their security goals, which makes both countries in a pair have the same security concerns, these two countries are less likely to have violent conflicts. The statistical results support my second hypothesis.

The second explanatory variable that needs examination on the relative magnitude of the relationship with conflict is economic interest listed in Model 4. The second row of values in Table 3.2 corresponds to shifts in the level of economic interest in the dyad. As the least constrained member of the dyad changes the difference of economic interests from less similar value of -1.909 to more similar value of 3.429, the likelihood

of military conflict declines by nearly 30 %. Since the measurements of economic interests are composed of trade, market openness, and foreign direct investment as the indicators, states are more likely to avoid military conflict in contemporary system if countries prefer more capitalist economy.

The third row of values in Table 3.2 shows how the predicted probability of military conflict changes as both states within the dyad possess relatively similar policies on international issues. It initially sets the level of interest similarity to -1.201 with the value at 10 percentile. When holding all other variables constant at either their respective means or modes, this similarity level predicts that the annual likelihood of military conflict within the dyad will be 0.00143. A shift in this similarity value to the 90 percentile (1.141) will decrease the likelihood of military conflict by nearly 40 % to 0.00091.

The magnitude of these shifting likelihoods of conflict generated by changes in interest similarity levels compares with the rest of liberal and realist variables in the model. For instance, a change from low democracy value (-9) to high democracy value (9) decreases the likelihood of conflict by nearly 80 %. The other two liberal variables, economic interdependence and joint IGO, demonstrate the pacifying effects on military conflict, respectively. When changing from the low value of economic interdependence to the high value, there is nearly 8 % likelihood that states will decrease military conflict. In addition, joint IGO offers around 80 % probability for decreasing the chance of military conflict. A movement from a shorter distance (6.958 miles) to a longer distance (8.596 miles) will decrease the probability of military conflict by 67.2 %. A comparable shift in the balance of national capability within the dyad reduces the likelihood of military conflict by approximately 30 %. In short, the influence of interest similarity on the outbreak of conflict within a dyad is both statistically and substantively important.

While analysis of interest peace literature has started to catch our attention, there

are still some weak applications to the study of how similarity reduces conflict in mixed dyads. We already know from previous research that the relationship between democratic and non-democratic countries is not as peaceful as democratic dyads (Oneal and Ray 1997; Oneal and Russet 1997). Mixed dyads are more likely to have militarized disputes or war than democratic or autocratic dyads because states in mixed dyads are more likely to disagree with each other.

Table 3.3 presents the same variables but in different subgroups (M6 to M10). I sequentially add individual interest variables from M7 to M10. Security interest (in M7) still provides negatively significant effects for dyadic conflict onset, but economic interest loses its statistical impact (M8). This means that common ideas of security interest mitigate violent conflict behavior between democratic and non-democratic countries when holding other variables constant. Importantly, the general interest variable provides a statistically significant support for my last hypothesis in this research design. It informs us that mixed dyads with an overall interest similarity are less likely to experience the onset of militarized disputes, especially when they put more emphasis on the issues of national survival or the safeguarding of certain interests to be of overriding importance to its security.

Joint IGO, geographic distance, contiguity, and major power status are statistically significant in mixed dyads. Statistical results reveal that mixed dyads are less likely to have military conflict if the two state capitals are further apart. Also, states without geographic contiguity are less likely to experience conflict onset. Major power status provides another negative effect on conflict onset as well. If one of the states in mixed dyads is major power, that dyad is more likely to have militarized conflicts.

As the final evaluation of the relevance and strength of these alternative explanations for interest similarity, I also consider the impacts for democratic and autocratic dyads as robust tests. In particular, the psychological and interest-based explanations suggest that institutional elements are only important because they affect lead-

Table 3.3: Probit Model of Interest Similarity on MID Onset (Mixed Dyads, 1950-1992)

	M6	M7	M8	M9	M10
Democracy(Low)	0.001	-0.004	-0.007	-0.008	-0.005
	(0.007)	(0.011)	(0.011)	(0.011)	(0.011)
Democracy(High)	0.039**	0.042	0.041	0.043	0.038
	(0.018)	(0.029)	(0.029)	(0.028)	(0.029)
Interdependence	-4.926	-2.437	-3.269	-2.961	-3.025
	(4.879)	(4.348)	(4.355)	(4.249)	(4.383)
Joint IGO	0.017***	0.017***	0.017***	0.017***	0.017***
	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)
Capability	-0.361**	-0.272	-0.288	-0.293	-0.281
	(0.142)	(0.202)	(0.200)	(0.199)	(0.202)
Contiguity	0.791***	0.590***	0.572***	0.564***	0.591***
	(0.067)	(0.111)	(0.109)	(0.107)	(0.111)
Distance	-0.189***	-0.258***	-0.258***	-0.259***	-0.255***
	(0.032)	(0.048)	(0.046)	(0.046)	(0.047)
Major Power	0.721***	0.640***	0.615***	0.623***	0.626***
	(0.059)	(0.091)	(0.089)	(0.090)	(0.090)
Security Interest		-0.037***			
		(0.012)			
Community Interest			-0.008		
			(0.013)		
Economic Interest				0.009	
				(0.012)	
INTEREST					-0.084***
					(0.032)
Constant	-1.533***	-0.922*	-0.913*	-0.935*	-0.935*
	(0.353)	(0.546)	(0.529)	(0.528)	(0.541)
Observations	58841	31610	31610	31610	31610
Log lik.	-1297.715	-592.631	-595.442	-595.425	-593.484
Chi-squared	1291.665	571.854	564.630	567.417	569.148

Standard errors in parentheses
* p<0.1, ** p<0.05, *** p<0.01

ers' perception of the threat posed by other states in the system. As what I have illustrated above, two states with opposite regime types still can maintain peaceful bilateral relationships if they have close policy preferences. However, states which already have "ingroup" ideology, such as democratic or autocratic dyads, are more

likely to strengthen their cooperation and maintain the order in the system if they share similar policy preferences. Thus, it is reasonable to expect that the relevance of the interest variables might have influenced across democratic and autocratic dyads as well.

As a preliminary check to determine whether the relevance of the interest variables to militarized disputes varies among the all-dyads model to the mixed-dyads model, I code the data into another two different subgroups-democratic and autocratic dyads. As Table B.1 and C.1 reveal (shown in the Appendix), there are some variations in the significance of these particular interest variables in both democratic and autocratic dyads. In democratic dyads (Table B.1), differences in three individual interest and general interest similarity are not very important to militarized disputes. In autocratic dyads (Table C.1), surprisingly, only similarity in economic interest decreases the possibility of military conflict. Except for economic interest, other interest variables lose their statistical impacts on conflict.

3.4 Conclusion

This chapter offers a theoretical and empirical study employing data in a factor analysis style. It examines the effects of different conceptions of interests on dyadic conflict in international society. Several findings emerge from this study. First, security and economic similarity are statistically significant for all states on conflict initiation. It reminds us that if states have close policy preferences covering security and economic issues, it is less likely for these states to experience militarized conflict. The previous preferences argument posits the correct direction of theoretical discussions; however, this work attempts to contribute representations of interest similarity with a latent variable framework. We probably need to consider not only the observable indicator of similarity, such as UN voting behavior or the alliance portfolio between states, but also the unobservable variables that connect states with each other in their policy

preferences.

Second, this research offers additional analysis revising democratic peace theory. Regime types may create peace; however, statistical results inform us that common interests may create peace in a more indirect paradigm. As the empirical evidence shown in the robustness test, even if democracy is deleted from the equation, interest still remains a statistically significant variable. This results remind us that the effect from interest to peace is not indirectly caused by other liberal elements. In short, interest has direct causal impact on peace.

Moreover, with the present dataset, the effects of security interests on conflict receive significant support not only in the all-dyads model, but in the mixed-dyads model as well. This means if a democracy and a nondemocracy put similar emphasis on the issues of national security or national survival, they are less likely to experience the onset of militarized disputes. We can apply these results to the state of current affairs. States with different regime types seem to encounter fewer struggles if they have any similar policy decisions or share international activities. The United States and China recently have experienced several island disputes on the East and South China seas. Even though both countries have different regime types and domestic structures, their tied relationships on several aspects, such as security or international organizations, have tightly connected these two great powers without any conflicts. Any high opportunity costs caused by violent military disputes will harm their shared national interests. This chapter reemphasizes the conceptions of interest similarity that are based on associations between dyad members and that also have a significant predictive power with regard to the probability of militarized disputes.

Chapter 4

Testing the Dyadic Theory of Conflict-A Dynamic Model of Conflict Escalation

> Identifying the factors that increase the probability of a crisis escalating to war is the most fruitful avenue for understanding why war occurs.
> –Senese & Vasquez

Why do countries step to war? This theoretical question has been studied with the bulk of recent empirical evidence. As scholars modeled in previous studies (Gartzke 1998; 2000), countries will initiate disputes if they do not agree with each other. However, will countries engage in repeated disputes and expand disputes due to interest dissimilarity? Or will they attempt to solve the current disagreement and alleviate the escalatory disputes? I argue that those seeking to answer these questions must account for the degree of interest similarity between states because states' interests can bring effects, such as easing tension between two rivals and mitigating disputes. States need both capability and intention to step to war, and I attempt to illustrate the importance of interests in the procedure of escalation here.

Another contribution from this chapter is to discuss the relationship between conflict onset and escalation. From previous research, it is reasonable to suspect that the factors that influence conflict onset may also affect escalation in some direct or indirect ways. Therefore, we should not forget the selection effects when we study conflict escalation. It is necessary to combine onset and escalation together as we focus on escalation. A statistical unified model offers a clear explanation for modeling the process of conflict. First, if two states have similar interests about their foreign policy,

this means they are less likely to have contradictory issues among them. Even if they have different opinion upon these issues, they may be so minor that both sides will not seriously escalate disputes to a more severe level. In short, similarity brings more common characteristics among states, and these characteristics cause less militarized disputes. Severe disputes will harm both sides on their shared interests, and no two countries with strong mutual interests will put their security and economic interests in jeopardy. The concept of how similarity mitigates military tension or stops conflict escalation is quite intuitive. It can be viewed as the factor that influences onset and escalation.

In addition, I focus on the onset and escalation scenario among mixed dyads. I attempt to argue that if both democracy and nondemocracy share close interest similarity in a dyad, which means they share close opinion on their policy choices, it is less likely for them to escalate the existing militarized dispute to a higher level. I adopt the same independent variables generated by the exploratory factor analysis from chapter three, and hope to illustrate the important aspects of the relationship between interest similarity and dyadic conflict escalation.

4.1 Interest Similarity and Conflict Escalation

One of the main topics in conflict studies was to move away from studying the systemic factors associated with the onset of war to discussing what distinguishes the militarized interstate disputes that escalate to war while others do not. Conflict escalation means the militarized dispute will go from light to heavy and small to large (Pruitt and Kim 2003). It means the level of hostility gets more intensive, the method of hurting gets more severe, and the results of conflict get more brutal. It also depicts the whole process of dispute as dynamic, not just as a static condition with serious effects. In general, the study of conflict escalation covers different theoretical

frameworks and variables of interest.[1]

A necessary description of the escalatory process is to measure the relationship between the patterns of escalation for the contending parties. Two outstanding models are mentioned here. The first model is called the "Contender-Defender Model," which illustrates a more asymmetrical reciprocity (Pruitt and Kim 2003; Leng 2000). The contender starts with mild contentious tactics, with the other responding at a lower magnitude of coercion. The original goal from the contender is probably to take something from the defender, or to stop the defender's annoying behavior. In contrast, the defender's reasons for escalation are more passive or defensive.[2] The second model is known as the conflict spiral model, or Rapoport's (1960) "Fight." One of the participants in conflict is using heavier tactics than before, which stimulates its adversary to respond with heavier tactics. This comes with a conflict spiral, and increases the possibility of more intensive violent behavior.[3] These two models above both provide a analytic framework for the study of escalation.

Scholars attempt to find out why some factors more progressively increase the probability of a crisis escalating to war. Recent research focuses on several hypotheses that cause conflict escalation. It is hypothesized that crises have a higher probability of escalating to war if they struggle for territorial disputes, one or both sides have outside allies, both have been engaged in an enduring rivalry, and an ongoing arm

[1]There are three major dimensions related to escalation by each participant: rate, magnitude, and intensity (Leng 2000). By increasing the levels of hostility in these three dimensions together will automatically result in an overall conflict escalation. In addition, the notion of distance and direction influences the levels of escalation as well. The contending parties should maintain small distance of hostility scores throughout the escalation process, and both parties should move in the same direction at the same time. Leng clearly points out that "A high degree of reciprocity would require that the hostility exhibited by the two parties be of roughly the same magnitude at each time interval and that the parties move toward greater or lesser hostility at the same time" (Leng 2000, 240). Thus, it can be concluded that the three dimensions as well as the two qualifications (distance and direction) are the principle components for the escalation process.

[2]This pattern has also been described as an "Aggressor-Defender" model.

[3]Pruitt and Kim (2003) elaborate in their book that "conflict escalation will go through certain incremental transformations, and under these transformation the conflict is intensified in ways that are sometimes exceedingly difficult to undo.

races (Senese 1997; Senese and Vasquez 2010). These four factors have received plentiful examinations, and it gives strong implications that contending actors which experienced these disputes adopt power politics.[4]

Differences may cause disputes to occur or make the situation even more severe. From the idea of social psychology, conflict is an *inevitable* and *inescapable* feature of intergroup and interstate relations (Mercer 1995). Social identity theory has clearly informed us that self-categorization will create impacts on objective conflict, and this argument is close to neorealists' proclaims about group egoism. In the international relations arena, Werner and Lemke (1997) have pointed out the importance of identity and its influence on states' behavior. They suggest that identity influences national preferences in their foreign policy because "similar domestic institutions more generally will lead all states to favor those with more rather than less similar domestic institutions" (Werner and Lemke 1997, 532).[5] In sum, the distinguished identity about "in-group" and "out-group" indeed attributes to the final results of foreign policy decision making and conflict behavior.

Countries construct their sense of identify through foreign policy or domestic interests. In other words, the sense of "in-group" and "out-group," or simply "they" and "us," comes from the objective differences of interests. Members with similar interests or habits are more likely to form close groups and trust each other than those members with dissimilar interests. "In-group" members are more likely to trust each other while "out-group" members are less trusted. The image of "in-group" brings more opportunity for peaceful resolutions between group members in severe

[4]One thing we should be aware is that these four factors do not come together coincidentally, but increase the probability of conflict escalation progressively. For instance, countries which have both territorial disputes and outside allies will have more opportunity to escalate current disputes than countries have only territorial issues. For relevant testings, please see Vazquez and Senese's book (2010) for more details.

[5]Werner and Lemke (1997) basically argue that similarity in domestic institutions reduces the likelihood of interest conflict by distinguishing "in-group from out-group." This argument was supported by Souva (2004) later in his article.

disputes. This is one of the explanations for why states with interest similarity are less likely to experience escalation.

Second, in-group members intend to mitigate any intensive situation if there are any minor issues with little escalatory potential. In international society, because a serious dispute emerging between states with similar interests will jeopardize their mutual benefits, states prefer stepping back from the edge of war.[6] For instance, interest dissimilarity leads to concerns of rapid escalation of almost every incident if we investigate the minor disputes between the United States and the Soviet Union during the Cold War era. The Cold War cases between these two superpowers illustrate how dissimilar security interests and foreign policy sparked dramatic fears of rapid escalation, and reminds us how similarity will put a brake on the severity of disputes that could rapidly escalate. In order to emphasize this phenomenon and introduce my hypotheses afterward, I provide two other cases with different dyads depicting the impacts of interest similarity on dispute severity in the next section. The first case shows the pacific benefits of interest similarity in the China-United States relationship. For the second case, the negative effects of dissimilarity can be seen by considering the dyadic relation between Israel and Syria.

My goal in this chapter is to provide a link between the escalation and similarity literature. I believe that there are strong theoretical expectations for a relationship between these two variables. My concern is that states with similar world views will attempt to lower the conflict intensity between them. Yet, it is valid to expect that a closer national affinity between the dyads within different types of regimes may create some peaceful relationships as well. Finally, this study of interest similarity, if successful, can also offer a framework for the systematic study of relationships among different individuals, groups, organizations, and states that is eminently suitable for

[6]This explanation is similar to the argument about how interdependence creates more peace among states (Russett and Oneal 2001; Oneal and Russet 1999*a*;*c*).

international relations.

4.2 Assessing the Validity of Dyadic Interest Similarity

It is difficult to confirm the validity of the operationalizations of dyadic interest similarity because the concept is so abstract that scholars fail to obtain concrete measurement. Before the discussion of dyadic conflict escalation and relevant tests, I plan to show this face validity with two 'high profile' dyads, for which scholars can prove the variation with a more intuitive sense of how this variable changes over temporal and spatial domain. In particular, it is important to select dyads with different qualifications, which can show how policy similarity prevents conflict escalating to war. I have selected two dyads for this demonstration: The China-United States (1949-1992), and Israel-Syria (1949-1992). The most effort will be spent on the first dyad because of its overwhelming diplomatic and political importance. The other dyad will show the correspondence of my theoretical arguments with events for non-Great Power dyads.

The China-United States Dyad: Interest Similarity

The Sino-U.S. bilateral relationship has improved tremendously since the 1960s with strong interest affinity between both sides. It gives us a successful case of how interest similarity can decrease conflict escalation. Figure 4.1 describes the time series of the level of interest similarity between China and the United States from 1949 to 1992. The higher scores on this variable represent perfect interest similarity while lower scores indicate perfect interests dissimilarity. For example, we can notice that most of the higher levels of the variable are generally after Kissinger visited Beijing in 1972, at the time when Nixon decided to normalize America's relation with China. The lower values of interest similarity locate at the era when the Chiang Kai-shek administration just withdrew from mainland China to Taiwan with U.S.

military assistance. A more detailed discussion later offers even stronger support for the validity of this variable.

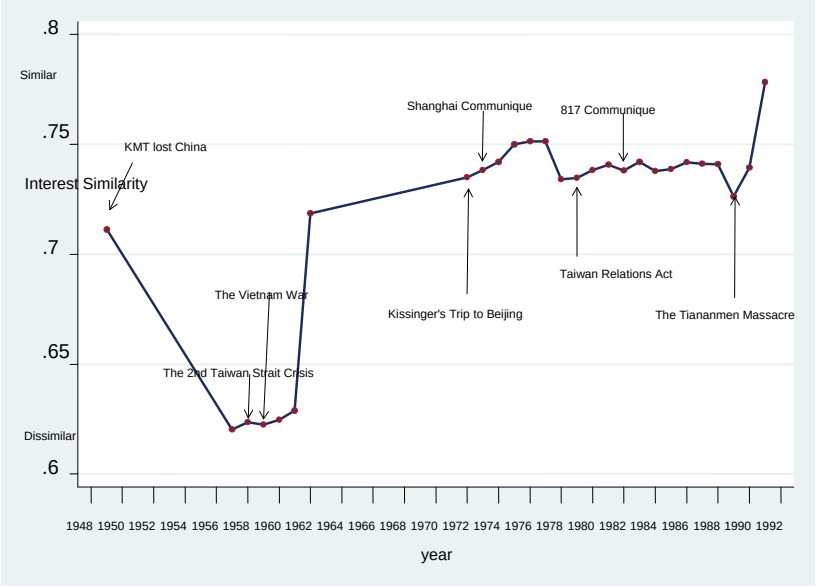

Figure 4.1: China-U.S. Interest Similarity 1949-1992

The People's Republic of China (PRC) was founded in the Cold War era. Two camps were in sharp contention at that era, with China aligned initially with the Soviet Union against the United States.[7] From Figure 4.1 we can find out that the policy similarity drops dramatically after 1949. Antagonism thus served the purposes of leaders in China and the U.S. better than conciliation. The CCP leader Mao, who focuses on eradicating American imperialism and pro-American sentiment,

[7]In 1960, the "opposition to imperialism, revisionism and reactionaries" became the principal guideline for Chinese foreign policy. China opposed the Soviet Union's revisionism as well as American imperialism. In 1970, Beijing started to gather a great deal of power, and tried to divide international politics into three worlds. Different from the super powers and developed countries, China defined itself as a developing country, and tried to play the leading role among the so called "third world."

attempted to realize international communist solidarity. He also adopted a more pro-Soviet Union foreign policy, which eventually resulted in the bloody Korean war in 1950. Actually, both China and the U.S. adopted hostile images against each other and their overall interests of foreign policies were in sharp contrast. Meanwhile, more militarized conflicts (or war) occurred after the Korean War. Three Taiwan Strait crises, which were related to sovereignty claims after an incomplete Chinese civil war, triggered the violent clashes between 1954 to 1962. Chiang Kai-shek's military forces obtained the U.S. security help and successfully resisted the harassment and attack from Chinese communists. Even though there was no direct militarized confrontation between the PRC and the U.S. at that time, several studies have already recognized the militarized disputes fought between Chiang Kai-shek's Kuomintang and Mao's CCP belong to a war between the PRC and the U.S.[8]

The Vietnam War starting from 1959 also elevated anxiety and hostility between China and the United States. Washington recognized that China was offering valuable resources to Ho chi Minh, but in order to prevent a reprise of the bloody confrontation in Korea, the U.S. just minimized the attack on Chinese soldiers for crossing the border. China, at that time, mainly provided military supplies to support its frontier, to strengthen an ideological fortress, and to establish its international credential as the leader of the "third world" (Sutter 2012). The dyadic index of interest similarity still maintains a low level during the late 1950s era.

The Sino-U.S. relations improved somewhat through the early 1960s. This is probably because of the Cuban missile crisis which actualized the danger of conflict to both the Soviet Union and the United States. Besides, the bilateral relations between the Soviet Union and China started to deteriorate in the late 1950s, and this trend subtly changed the triangular relationship of the U.S., China, and the Soviet Union. Washington sought to use the common opposition with Beijing against

[8]COW data set has included the United States into the war between KMT and CCP.

Moscow rather than continuing containing China. Both China and the U.S. believed that normalization of bilateral relations would benefit each other geopolitically and strategically. China anticipated the end of U.S. support for the Chiang Kai-shek's administration and its entrance into the United Nations.[9] Mao also wanted the U.S. on China's side as the Sino-Soviet rift becomes bigger, and Moscow would not dare attack China. The U.S. also expected a strong China will serve U.S. interests- a prosperous and stable society in East Asia. Washington, in addition, hoped that normalization would help to end the Vietnam War and strengthen the U.S. position in Asia. This is the reason why the bilateral interest similarity marks the beginning of a general increase in Figure 4.1.

Kissinger's trip to Beijing in 1971 and the signing of the Shanghai Communique in 1972 explicitly explains the high scores of dyadic interest similarity since 1949. Nixon's major concern for normalizing the relations with Beijing was to end the Vietnam War and to stabilize the East Asia security order. The U.S. seemed determined to withdraw from its past policy of containing China in Asia and thereby end a perceived threat to China's national security (Sutter 2012). This process was also complemented by strong Chinese national interests, under the post-Mao period in pragmatic economic modernization, which emphasized the importance of financial and technique support from the West.

The election of Jimmy Carter in 1976 marked a change in America's foreign policy toward China, particularly with Zbigniew Brzezinski taking over as National Security Adviser. Several foreign policy stances of the Carter Administration proved this shift in policy. Brzezinski intended to play the "China card" against the Soviet Union in Africa, the Middle East, and on arms control (Tucker 2013). In fact, Brzezinski

[9]In the 1950s and 1960s, China rejected nominal multilateralism because of national security concerns and fear of imperialism. However, in 1970 the third world theory allowed for China's involvement in international organizations. The substitution of the PRC for ROC in the UN was the main reason for the PRC to take part in international organizations. But it was only in nominal, not quantitative, multilateralism.

did not look for a simple diplomatic accommodation, but he wanted military ties. According to Tucker:

> The Carter administration sold Beijing weapons technology and wherever the U.S. could not make a sale, Brzezinski proved willing to find a European supplier. The administration also provided the Chinese with intelligence regarding Soviet troop deployments and military facilities and sought China's agreement to host a monitoring station in Xinjiang to replace facilities lost to the Iranian revolution (2013, 36).

The statement above reveals that a strong and cooperative Sino-U.S. relation would promote U.S. security and national interests. Also, a high degree of interest similarity offers low possibility of severe disputes between these two countries.

The Sino-U.S. relation did not always maintain a high level of harmony and similarity between the 1970s and the 1980s. The U.S. congress passed the Taiwan Relations Act in 1979, which seemed to compensate for the losses of formal diplomatic relations between the U.S. and the Taiwanese government. The informal Taiwan-U.S. interaction, according to the Taiwan Relations Act, provided the mechanisms for sustained defensive weapons sales and potential U.S. security aid in the event of an attack. This did not serve as an ideal national interest for the Deng Xiaoping administration and dropped the Sino-U.S. similarity scores. Thus, Beijing searched for all opportunities to resolve the troubling Taiwan issue, including the signing of the Joint Communique in August 17, 1982 (817 Communique). In this communique, the U.S. government literally agreed to reduce and to ultimately eliminate U.S. arms sales to Taiwan.[10] However, President Reagan ultimately gave Taiwan "Six Assurances" after he signed the Joint Communique with Beijing. These six assurances declared

[10]Reagan was more sympathetic to Taiwan, and talked about restoring diplomatic relations with Taiwan during his campaign.

that Washington had not set a date for ending arms sales and would not consult Beijing prior to sales. Generally speaking, although the 817 Communique was signed between China and the U.S., it did not successfully depict a concord policy similarity as shown in Figure 4.1.

Beijing and Washington have maintained a stable and harmonious relationship since the early 1970s with only minor disagreement on some foreign policy decisions. In general, the two powers have not experienced any major diplomatic nor militarized confrontation. The Tienanmen Massacre in 1989 shattered the U.S. national consensus on the merits and importance of ties with China. The image of brutal massacre offered strong contradiction for China's reputation. American belief in a liberalizing and democratizing China decreased suddenly. Meanwhile, with Sino-Soviet reconciliation, the strategic rationale for a U.S.-China rapprochement crumbled and revealed the huge differences over cultural, political, and security interests. This is the reason we can see a huge drop on their interest similarity scores in Figure 4.1. Because of rapid economic interdependence and close trade network, American and European investors returned to China attracted by breakneck growth stimulated by Deng Xiaoping's 1992 "southern journey." Economic incentives once again caught politician's eyes and pulled back the bilateral relations to the normal standard.

This section demonstrated that the operational measures of the key independent variable validly reflect the underlying concepts of dyadic interest similarity for the China-U.S. dyad. The measure rises and falls in response to national interests change in either state that should affect its policy preferences. In particular, the measure is more responsive to our intuition of important expressions of national security interests. Not only does the measure clearly indicate the low points in China-Soviet cooperation (the Korean War, the 2nd Taiwan Strait Crisis, and the Vietnam War), but it seems responsive to even slight preference shifts that other indicators could not fully cover. In addition, the measure offers a clear picture illustrating the basic bi-

lateral relation between policy similarity and war scenario for the two major powers. As policy similarity increases, the chances of intensive rivalries or conflict escalation decrease as the figure shows. After China and the U.S. normalized their relationship, both sides attempted to mitigate intense situation, and even prevented potential conflict escalating to a large scale of war. The next section will, more briefly, investigate the measure in other dyads (non-Great Power) to establish the indicator which can be applied to more than just the China-U.S. dyad, before I move to the hypothesis testing.

The Israel-Syria Dyad: Interest Similarity

As the previous case shows, the closer the policy similarity is, the less conflict might escalate for the China-U.S. dyad. In this section, I use a non-Great Power dyad to support this theoretical argument. Figure 4.2 displays the time series for the Interest Similarity variable in the two Middle East Dyads, and this variable fits to the theory well. It is not necessary to list all the description of events here, but a few points can help us to understand this phenomenon. First, the Israel-Syria dyad was never really peaceful in history. These two countries have struggled for territorial as well as political issues for several decades. The Israelis spent most of the time attempting to maintain their security interests and isolating the Arab minority within their borders. As Figure 4.2 shows, the situation of dyadic interest similarity for these two countries went from bad to worse (a downturn slope). Two violent incidents are famous for the case here. First, during the Six Days War in 1967, the Israeli military took over the West Bank of Jordan River from Jordan and the Golan Heights from Syria after several escalating series of border clashes. This militarized conflict and interest confrontation between the Israeli and Syrian governments deteriorated the bilateral relations. It led to the 1973 Yom Kippur War. During the war, Syria and

Egypt launched a coordinated attack and temporarily recovered areas lost in the Six Days War. However, Israel adopted a strong counterattack and retook the earlier losses, and a temporary peace was created by the United States and the Soviet Union. The diverse preferences for the Israel-Syria dyad created violent and bloody disputes in the region.

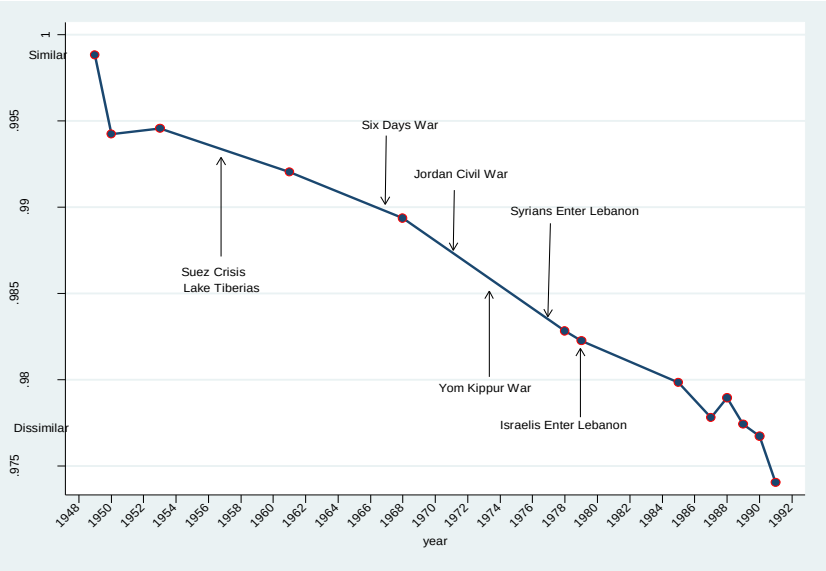

Figure 4.2: Israel-Syria Interest Similarity 1949-1992

The second issue that needs to be mentioned here is the Israeli and Syrian confrontation in the 1970 Jordan Civil War. According to Huth (1988), it is a typical case of policy dissimilarity between the Israeli and Syrian government, which encouraged both countries to prepare for escalating disputes. In fact, Syria backed the Palestinian rebels, the *fedayeen*, while the United States and Israel backed the King of Jordan. According to Israeli Prime Minister Allon " . . . Israel would follow developments there

[in Jordan] very closely in order to protect Israel's legitimate security interests"(Huth 1988). It was an Israel ideal interest to ensure the moderate King Hussein would not be replaced by a more militant regime, for instance, the leaders of *fedayeen* (Huth 1988, 89). In contrast, the Syrian regime, headed by President Nureddin al-Atasi, was a strong supporter for the rebels and opposed King Hussein. The threat of Israeli intervention eventually played a critical role in the Syrian decision to withdraw from northern Jordan in the same year.

The most prominent point in this dyad should include the discussions about both parties' struggle in Lebanon. Syria entered the Lebanese Civil War in 1976 to assist the side of the Palestinians, and the Christians in Lebanon later on obtained the support from the Israeli military force. The militarized disputes have waxed and waned since then, which has made this region filled with horror. Both Syrians and Israelis have constantly supported different factors in order to maintain their national interests there and have prevented each other from gaining control. Even the 1979 Camp David Accords did not provide any pacifying effects on the dyadic conflict situation. In sum, the Israel-Syria dyad provides a contrast to the Sino-U.S. dyad: a dyad with dissimilar interests in which even minor disputes raise the possibility of dramatic escalation. From the two cases illustrated above, this measure of dyadic interest similarity gives us face validity in a wide range of interstate dyads.

4.3 Research Design

The literature covering discussions about national interests and their effects on conflict severity are within the realist tradition. Waltz and other realists argue that international anarchy forces all states to converge as undifferentiated units seeking only survival. Under this circumstance, states only pay attention to relative gain rather than absolute gain, which causes inevitable conflict. Realists expect the most severe interstate conflicts to occur between states with different ideas about national

interests. As Schweller (1998) points out, classic realists, such as Hans Morgenthau and E.H. Carr all believe dissimilar interests will lead to the severe interstate dispute.

Instead of using a country-level of analysis on the studies of national interests, most of current research on national interests focus on a dyadic study. Scholars conceptualize the idea of interests in a continuum ranging within the dyad, from similar to dissimilar. We can confirm that states will check other states' preferences before conducting their foreign policy. If the states share more common interests with each other, we probably can say that those states are more similar in some perspectives. For example, before 1994, China and the rest of Asia did not have close relationships and policy preferences in multilateral organizations. China was very suspicious of these international organizations, especially regional ones, because China worried about being blamed by other countries as the sole Communist country in the region. However, for the past decade, China has shifted from the periphery to become an active organizer in the multilateral arenas. Now, China and other Asian countries would score similarly in a dyadic scale for their IGOs interests. For instance, as the organizer of the northeast Asia Cooperation Dialogue, China has successfully played an important role in the Six Party Talks, and its diplomats now have the opportunity to practice diplomacy on the world political stage. We can access China's interests in IGOs using its variation to generate a continuous measure that accounts for whether China and other Asia countries have similar IGO interests.[11]

The causal linkage between interest similarity and conflict escalation can be found in several places. The basic assumption comes from the preferences argument which contends that institutions and preferences usefully distinguish friends from foes in

[11] Another reason we focus on the similarity level relies on the series of discussions of national affinity. Maoz et al. (2006) discuss national affinity using social network analysis. Structural equivalence scores reflect first-order relationships (e.g. direct alliances or direct trade relations), or they can reflect any level of indirect relationship. Maoz et al. (2006) adopt a multiple correlation coefficient for measuring structural equivalence between nodes i and j on a relationship r. Briefly speaking, two actors are structurally equivalent if they have identical ties to and from all other actors in the network (Wasserman and Faust 1994).

the international arena (Lektzian and Souva 2009). For instance, in a democracy, not only the government officials who can make the final decisions on the policy, but the people at large have a significant influence on governmental policy as well. Thus, as two democratic states in a dyad share more identical world views and foreign policy objects, this probably means their governments and people may have similar policy preferences and we can argue that they become more "similar" to each other in the process and goals of policy decisions. Then, these two states will become close "ingroup" members.[12]

This leads to the explanation why high degree of interest similarity has the capability of mitigating the severity of any conflict that may occur and has a potential to escalate. Interest similarity has strong function decreasing animosity and contributing to ingroup harmony. Herman and Kegley argues that "those in the in-group can be trusted because they are similar; those in the out-group are distrusted because they are different and hostile" (Hermann and Kegley 1995). In fact, states with similar preferences, norms, and values will attempt to stay together and organize a community of trust. When a serious issue occurs between states in the community, the mutual trust will help these states mitigate animosity, and signal conciliatory message toward group members. Furthermore, distrusted members will receive high levels of animosity, making it more difficult for two actors to resolve a dispute.

As far as we know, national interests have demonstrated a multidimensional aspect, which contains several latent categories of available objectives. We should notice that a more advanced discussion for the whole structure of national interests and their causal impacts on peace is desirable. Relative studies have shown states' interests as either preserving the status-quo or seeking to revise the international

[12]This type of argument can be applied to different regime structures. In monarchies, the royal family guides the policy. In a military dictatorship, it is the single dictator or his close advisers who make the policies. Because of the different people who make the final decisions, this will lead to ingroup/outgroup classification.

system (Morgenthau 1967). Security interest, therefore, indicate critical impacts on conflict escalation when we focus on the study of national interests. In addition, there were other two major domains which contain vital shift away from the centrality of security aspects: a shift to concern about the increasing important forces of global economic interests (Gilpin 1983), and a shift toward the larger community of interest (Deutsch 1957). As Keohane and Nye (1977) have addressed at an earlier date, national survival does not only depend on the nation's capability to sustain its military power, but more importantly, on the globalization of the world economy beyond the stage of complex interdependence. This is because severe disputes will harm both sides' shared economic interests, and no countries expect this situation to arise. Even if they start the military movement, their interrelated interests will prevent disputes escalating to war. Based the idea offered by Maoz et al. (2006) about the concept of structural equivalence and network analysis, once countries face strong structural linkage due to interest similarity or shared economic benefits, both states in a dyad are more sensitive to cooperation issues. Such states will be unable to insist on their own policy choices or even input vulnerable coercion because any inflexible national policies will hurt mutual interests. If both states get involved in series of disputes, the consequences of affinity are assumed to be more effective in lowering the damage to the minimum levels.

Countries in the world which share similar ideologies and norms will easily formulate close groups. Institutions and people's sense of community can reinforce and strengthen each other for strong affinity. Thus, states with similar norms or values will establish a close society with shared interests. Within the society, states are more likely to "trust" each other, and this type of "trust" derived from ingroup members help states look for more chances of cooperation and also mitigate militarized disputes. In fact, states which share similar ideologies, domestic institutions, and IGO memberships, are more likely to make similar foreign policy decisions. This will

provide pacifying impacts on the conflict behavior. Based on all arguments above, it leads to the first three hypotheses:

H1a: In a dyad, states with similar security interests are less likely to escalate disputes to war.
H1b: In a dyad, states with similar community interests are less likely to escalate disputes to war.
H1c: In a dyad, states with similar economic interests are less likely to escalate disputes to war.

Previous research has shed much light on substantial observations that disputes between democracies are rare and democracies largely do not fight. In contrast to focusing only on joint democratic dyads, I also explore some unobserved research questions about how interests from mixed dyads (democracy v.s. non-democracy dyad) influence conflict escalation. I hypothesize that once a mixed dyad experience militarized disputes, it is more likely for the states to escalate the conflicts under certain conditions, such as dissimilarity of interests. The "cats and dogs effect" between democracies and non-democracies leads to dangerous situations for this dyadic relationship, and policy dissimilarity may even cause more serious problems for the dangerous dyads.[13]

Based on the first three hypotheses, we are able to see that states with similar policy interests, including security, community, and economic interests, are less likely to escalate their militarized disputes. The same logic applies to the mixed dyads composed of one democracy and one non-democracy. It is relevant to combine the

[13]The Sino-China case from the previous section provides a useful example. Similar preferences mitigated the Sino-U.S. relationship since the 1970s. Between 1972 and 1992, the Sino-U.S. dyad experienced some disputes, but none of these disputes escalated to a violent confrontation between these two powers. Even though those disputes in the Cold War were minor compared with interstate disputes in general, they did not spark dramatic fears of rapid escalation.

argument of domestic political structure with the studies of policy interests. If both democratic and non-democratic states share similar interests in the three interest domains, they are more likely to settle their disputes peacefully. Even though the political structures are totally different between democracies and non-democracies, sharing similar policy interests provides certain strong incentives for states to behave peacefully. Regime types may be influential, but under the mixed dyads scenario, states' preferences are more influential than regime similarity on dispute severity. Leaders of different regimes think more carefully about their policy interests than their ideological differences. This leads to the other three hypotheses:

H2a: States in mixed dyads are less likely to escalate to war if they share similar security interests.
H2b: States in mixed dyads are less likely to escalate to war if they share similar community interests.
H2c: States in mixed dyads are less likely to escalate to war if they share similar economic interests.

Model Specification

The empirical domain here is the population of non-directed dyads of international disputes given in the MID data set from 1975 to 1992. Previous studies focus on the disputes that have different levels of escalation (hostility) by the MID data set which codes the highest action taken by each side in a dispute into 22 categories, and then aggregated them into five general categories: 1) no military action, 2) a threat to use military force, 3) a display of military force, 4) the actual use of force, and 5) interstate war. However, since large actions fall within each of these ordinal categories, scholars propose that we should switch our focus to using a more interval

data scale that covers more information (Kinsella and Russett 2003, 1053).[14] Besides, the traditional level of hostility has limited observations. In my sample, only 5 cases out of 39000 observations ended with war, which can be coded as the main outcome variable "escalation." This will lead to the second stage of the selection equation with too few observations if we adopt the hostility level from the MID dataset.

I follow the suggestion of using the baseline rivalry level (BRL) (Diehl and Goertz 2001), which provides more detailed and reliable information about dispute severity and outcome. The BRL combines the level of hostility and fatalities into one measure, and the scale ranges from 8 to 214. The higher value implies that the dyadic conflict is more severe than those dyads with a lower BRL value. Previous research has proven that this measure has good validity for representing dyadic hostility level (Diehl and Goertz 2001; Sweeney 2003).

It is not perfect if we solely consider the voting behavior at the United Nations as the major component of national interests. The reason is because voting probably tells only partial story about national policy interests. The appropriate method to investigate the assuredly multidimensional concept should be using a latent variable framework covering different relevant variables. Explanatory factor analysis (EFA) offers a useful tool for generating variables which can represent different dimensions of policy interests.

From the empirical results in the second chapter, the core value of nation interests can be explained by three different types of policy concerns: security, community, and economic aspects. These concerns in turn are important determinants of specific policy preferences across a wide range of choices, such as national capability, nuclear weapons possession, regime types, national development, market openness, and

[14]There is a disagreement in the literature on how to measure conflict escalation. Reed (2000) argues that we should consider the outbreak of war as escalation. Peavehouse and Russett (2006) measure escalation as the occurrence of a fatal dispute. Schultz (1999) and Prins (2003) measure conflict escalation as reciprocation. All of these measurements are still in the shape of categorical data format.

foreign direct investment. This means that there might be a latent variable framework within the belief system of all countries when making decisions on their policy choices. By adopting these three specific interest objects, we are able to delineate a more concrete picture about states' interests. Furthermore, these three different interest indicators assist us to identify whether two states in a dyad have similar policy preferences for the major issues in world politics.

In addition to dyadic interest similarity, I control for another covariates in both of my selection and outcome equations. These controlled variables are derived from Oneal and Russett's work directly (Oneal and Russet 1999*c*). To indicate dyads characterized by power difference, I include the capability ratio as the first controlled variable.[15] In order to demonstrate the difference in national capability between two nations, I draw on the Correlates of War Composite Capabilities Index to measure each states' power (Singer, Bremert and Stuckey 1972) and take the logarithm of the ratio of the stronger states' capability index to that of the weaker state. The results tell us how far two nations' capabilities differ from each other. The higher value represents a bigger capability gap. In addition, in order to reveal the effect of proximity, I include *distance*. Scholars believe that geographical proximity is statistically significant for all conflict escalation, especially on territorial issues.

$Democracy_L$ is the democracy level of the least democratic state in the dyad (Oneal and Russet 1999*c*). This variable has long been discussed in democratic peace theory literature due to its effects on conflict onset. However, scholars offer some controversial evidence about whether democratic dyads are more prone to escalate disputes to war.[16] Other empirical works provide mixed results on this issue. Senese's empirical analysis shows that joint democracy is more likely to escalate their disputes

[15]This variable is the military capability of the stronger state divided by the total capability of the dyad.

[16]Normative explanations imply that joint democratic dyads are less likely to escalate to war. It has a statistically insignificant effect on escalation (Fearon 1994).

to the "use of force" level while Rousseau et al. (1996) do not think joint democracy has any pacifying effects on escalation. From the arguments above, I decided to use a lower democratic level in the Heckman selection model and present a test of its influence on both conflict onset and escalation.

I include the measure of economic interdependence used by Oneal and Russett (1999*c*). This is a useful indicator demonstrating how states in each pair depend on the dyadic trade affiliations. We expect this variable *Interdependence* to be negatively related to both dispute onset and escalation in this model. I also control a dummy variable of major power status. If both states in the dyad are major powers, the dummy will be equal to 1; otherwise, it will be zero.

The Heckman-type selection model is only appropriate when at least "one" extra explanatory factor influences selection but not the subsequent outcome of interests. This means that for a censored sample to be statistically manageable, there should be one (or more) independent variable(s) appearing in the selection equation but not entered in the outcome equation (Achen 1986). It will cause some problems when we have identical explanatory variables for estimating onset and escalation in the regular Heckman model.[17] I include allies, territorial disputes, and time dependence issues generated by conflict onset. I follow the propositions of Beck, Katz, and Tucker (1998) about controlling for the years of peace a dyad has experienced. I also control for the cubic splines of order 1 to 3 in the selection equation.[18]

Much of the formal literature on escalation argues that there might be different elements influencing onset and escalation. If we neglect these unobserved variables, it probably will cause some selection issues on the model. A unified model for onset and escalation thus should be seriously considered (Reed 2000; Clark and Reed 2003;

[17] Achen (1986) has a clear discussion about why we need an extra variable for estimating selection as well as equation of interest. Please see Achen 1986, p.99.

[18] Peace year and splines were omitted from the tables to save space. Peace year and splines have significant effects on the onset level.

Sartori 2003). Several researchers have illustrated that if we neglect the selection bias created by conflict onset when we study escalation, the empirical results will provide inconsistent coefficient estimations.[19] The Heckman model (Heckman 1979) is efficient to obtain a consistent estimate of the coefficients. I follow the existent methodological instructions to investigate an appropriate unified model combining onset and escalation.

There is a temporal issue within the cross section if we use logit model as the first stage to analyze the cross-section time-series data. Beck, Katz, and Tucker (1998), therefore, suggest that we should include Huber-White standard errors to correct the heteroskedasticity in the panels. I adopt a peace years variable and three splines for the cross-section time-series data. For all analysis, all independent variables are lagged one year.

4.4 Empirical Results

In order to test the hypotheses about how close interests impact conflict escalation, I analyze a multivariate, unified model of conflict onset and escalation. The results of these analyses are presented in Table 4.1 and Table 4.2. I separate the types of dyads into two categories, the all-dyads model and the mixed-dyads model. Model 1 to 3 (in Table 4.1) contain details of three different interest scores and their impacts on conflict escalation for the all-dyads model. Model 4 to 6 (Table 4.2), on the other hand, contain relevant information for the mixed-dyads format. We all know that interstate conflict is a function of many variables, and it may be that other variables reduce the likelihood of conflict once we include other factors in a multivariate analysis. Thus, it is necessary to test the hypotheses with a multivariate model of conflict onset and escalation. Moreover, it should be noticed that for most of the models in

[19] Reed (2000) points out a separate probit or logit model for onset and escalation that will explicitly assume they are independent. This will produce the statistical link ρ to 0.

the analyses, the selection parameter, ρ, is statistically significant.[20] This indicates that it is necessary to take the first stage censoring into account while evaluating escalation. In the absence of a prior estimation of dispute onset, it creates selection bias once we estimate the impacts brought by states' interests on conflict escalation.

Results from Table 4.1 give us useful findings on how dyadic interest similarity influences conflict escalation. In order to draw more clear details on the types of interests and the impacts on conflict escalation, I separate states' interests into three different categories, and attempt to discover their individual effects on dispute severity. The leftmost column in the block of Table 4.1 reports the first model that reflects the effects of the control variables on the probability of MIDs onset and escalation. Similarity in security interest (M1) has negatively significant impacts on the probability of conflict severity, which means that the closer national interests in security subjects, such as military capability, alliance portfolio, and nuclear weapon possession, the less likely the pairs of states will promote dispute escalation. Thus, the hypothesis of how security interest similarity causes peace is supported by the empirical results. In order to certify the other theoretical arguments of interest peace, I compare Model 1 with the other two models in Table 4.1 (M2 and M3), using alternative indicators of interest similarity generated by exploratory factor analysis. Model 1 provides both significant impacts on onset as well as escalation.

In M2 and M3, the values for the interest variables (community and economic interests) represent states' interests ranging from dissimilar to similar. The causal effect from community interest to escalation in M2 is statistically insignificant. As what is shown in Table 4.1, similarity in community interest offers pacifying effects on conflict onset, but not on escalation. It is because the selection model controls for the indirect effect of community interest on conflict escalation through its direct

[20]The models that has no significant ρ are community interest for the all-dyad and mixed-dyad models (M2 and M5).

effect on conflict onset (Reed 2000). The coefficient of community interest in the escalation phase picks up some of the effect of community interest through conflict onset. Once I control for onset, the escalation effect disappears. This result probably informs us that states which share similar preferences on social norms or values avoid war because they rarely become involved in militarized disputes.

Table 4.1: The Selection Models of Dyadic Dispute Onset and Escalation (All Dyads, 1975-1992)

	M1	M2	M3
	Security Interest	Community Interest	Economic Interest
Escalation			
Capability	37.400	12.261	46.414
	(24.264)	(25.883)	(29.673)
Distance	0.353	-2.665	0.849
	(5.713)	(6.262)	(6.108)
Democracy	-0.339	-0.809	-0.799
	(0.777)	(0.780)	(0.855)
Interdependence	-1155.341*	-952.507*	-1270.745**
	(655.724)	(531.807)	(548.938)
Major power	9.913	14.420	13.495
	(11.028)	(11.061)	(11.657)
Security Interest	-7.977*		
	(4.827)		
Community Interest		-2.563	
		(5.454)	
Economic Interest			11.410**

Continued...

	M1	M2	M3
			(4.834)
Constant	105.685***	106.253***	98.855***
	(34.316)	(35.713)	(37.406)
MIDs Onset			
Capability	0.040	-0.304	-0.306
	(0.273)	(0.257)	(0.266)
Distance	-0.426***	-0.397***	-0.435***
	(0.049)	(0.051)	(0.048)
Democracy	-0.010	0.003	-0.010
	(0.009)	(0.008)	(0.009)
Interdependence	-4.182	-7.930	-5.475
	(7.509)	(7.047)	(7.388)
Major power	0.566***	0.521***	0.540***
	(0.111)	(0.112)	(0.123)
Allies	-0.056	-0.050	0.028
	(0.102)	(0.104)	(0.109)
Territory	7.099***	7.136***	7.170***
	(0.325)	(0.227)	(0.316)
Security Interest	-0.097*		
	(0.058)		
Community Interest		-0.100***	
		(0.039)	
Economic Interest			0.026
			(0.042)

Continued...

	M1	M2	M3
Constant	1.656***	1.347***	1.631***
	(0.430)	(0.454)	(0.429)
Observations	18180	17513	16438
Log likelihood	-787.468	-754.219	-736.401
χ^2	12.549	13.585	20.106

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Standard errors in parentheses

In addition, if the hypothesis is accurate, then we should find empirical evidence that dyads with similar economic interest are less likely to escalate militarized disputes. However, once we control for onset in the selection model, we do not observe any statistical significance on onset of militarized disputes for the dyads with economic similarity. Instead, the effect of economic similarity on escalation (M3) is positively significant. This result suggests that states which share similar ideas on free trade, foreign direct investment, and open market may not initiate militarized dispute. However, states are more likely to wage wars to seek for immediate resolutions if they do not agree on trade related issues.

Next, I briefly discuss the control variables before moving to the model of mixed-dyads with the same variables. From M1 to M3, I find that capability ratio has no effects on both conflict onset and escalation. Besides, the distance variable tells us that states separated by larger distances are less likely to be involved in conflict onset but not in escalation. This informs us that states with closer capital distances are more likely to initiate disputes, but the dispute is less likely to escalate into a conventional war. In addition, I also investigate the controlled democracy variable. Democracy_L is not significant on the onset and escalation level though interest variables remain significant for both levels of militarized conflicts. This indicates that

interest similarity does not only impact on conflict onset, but also on escalation. The empirical results appear to support an ongoing debate related to the democratic peace. Counter to the arguments in Oneal and Russett (1997; 1999*b*), interest is not merely an artifact of liberal variables. Since similar results are also produced from the study on conflict onset (Gartzke 2000), there would seem to be no theoretical or empirical support for the position offered by Oneal and Russett (1999*b*; 2001) that the effect from interest on peace is indirectly caused by democracy.

Moreover, consistent with Lektzian and Souva's empirical results (Lektzian and Souva 2009), I generally find that a higher level of economic interdependence will decrease the probability of conflict escalation.[21] Major power status creates positive impacts on conflict onset but not on escalation in Table 4.1.

Table 4.2: The Selection Models of Dyadic Dispute Onset and Escalation (Mixed Dyads, 1975-1992)

	M4	M5	M6
	Security Interest	Community Interest	Economic Interest
Escalation			
Capability	91.750***	92.909***	125.158***
	(27.920)	(33.106)	(29.167)
Distance	5.404	0.605	17.151**
	(8.952)	(9.319)	(8.543)
Democracy	2.710	4.629**	2.411*
	(1.795)	(1.996)	(1.443)
Interdependence	-1746.393	-286.601	-2818.482

Continued...

[21] In Lektzian and Souva's article, their statistics evidence shows that trade interdependence tend to reduce the probability of conflict escalation, but not conflict onset. They analyzed ICB crises instead MIDs, and the results for interdependence variable become insignificant.

	M4	M5	M6
	(1833.787)	(1319.829)	(2240.585)
Major power	17.795	39.514**	9.654
	(15.638)	(15.835)	(17.629)
Security Interest	-11.346**		
	(4.421)		
Community Interest		0.684	
		(3.130)	
Economic Interest			14.314***
			(4.722)
Constant	93.373	110.934*	21.345
	(58.095)	(59.704)	(54.872)
MIDs Onset			
Capability	-0.254	-0.736*	-0.453
	(0.365)	(0.385)	(0.360)
Distance	-0.430***	-0.388***	-0.452***
	(0.060)	(0.066)	(0.062)
Democracy	0.004	0.028	0.003
	(0.016)	(0.017)	(0.017)
Interdependence	8.515	4.711	4.429
	(5.861)	(6.288)	(5.880)
Major power	0.799***	0.818***	0.740***
	(0.143)	(0.166)	(0.144)
Allies	0.086	-0.093	0.105
	(0.155)	(0.195)	(0.157)

Continued...

	M4	M5	M6
Territory	7.364***	6.734***	7.641***
	(0.387)	(0.357)	(0.467)
Security Interest	-0.166**		
	(0.074)		
Community Interest		-0.054	
		(0.064)	
Economic Interest			0.002
			(0.057)
Constant	1.848***	1.389**	1.959***
	(0.541)	(0.616)	(0.559)
Observations	9263	7169	8379
Log lik.	-449.330	-321.050	-414.556
Chi-squared	36.791	54.385	57.376

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Standard errors in parentheses

Moving to the mixed-dyad model in Table 4.2, I primarily investigate if higher dyadic interest similarity will reduce the probability of escalation between democratic and non-democratic countries. M4 to M6 use the same explanatory and controlled variables as the first three models, and they give us similar outcomes on the three interest variables. The result in M4 shows that security interest has significant impacts on onset and escalation with expected direction. The negative coefficient of security similarity suggests that the closer the security preferences shared by two states, the less likely escalation will occur. The findings in M4 support my hypothesis 2a.

The other two columns of Table 4.2 show the rest types of interest similarity on conflict escalation. M5 demonstrates that for the mixed dyads, similarity in com-

munity interest has no influence on both conflict onset and escalation. In addition, economic similarity has no pacifying impact on conflict onset, but still maintain positive effects on escalation for the mixed-dyads model.

Table 4.3: Changes in Marginal Effects of Militarized Disputes

	All Dyads		Mixed Dyads	
	Security	Economic	Security	Economic
Capability	-	-	3.5%	2.7%
Distance	-	-	-	-8.6%
Democracy	-	-	-	0.3%
Interdependence	-168.0%	-209.0%	-	-
Major powers	-	-	-	-
Interest Similarity	-2.1%	1.5%	-2.9%	1.5%
	MID onset			
Capability	-	-	-	-
Distance	-0.1%	-0.1%	-0.1%	-0.2%
Democracy	-	-	-	-
Interdependence	-	-	-	-
Major powers	1.7%	0.2%	0.2%	0.2%
Territory	99.9%	99.9%	99.9%	-
Interest Similarity	-0.03%	-	-0.04%	-

When coefficients from the selection process cannot be interpreted directly, we need to conduct marginal effects or elasticities at the mean of the independent variables by using the prediction option associated with the previous estimation method. Table 4.3 presents changes in the probability of onset and escalation when the variables of interest move from its minimum to its maximum. The first two columns in Table 4.3 illustrate the marginal effects for the all-dyads model.[22] Several variables have statistically significant effects on escalation in the all-dyads model, including security and economic similarity. The indicator of *Interest Similarity* (generated by EFA) for security preferences provides evidence supporting my hypothesis 1a. It

[22]Only variables with significant parameters are shown with marginal effects. Since community interest has no significant effects on escalation, I just list the marginal effects for the other two interest indicators.

shows that two countries will be less prone to escalate their disputes to war by 2.1% if they share similar security preferences. The results confirm that interest similarity, especially focusing on security issues, is a helpful indicator when we study how to decrease the possibility of conflict escalation: a change from its minimum to maximum of security concern appears to be a compelling factor in this regard. However, states with similar economic preferences are more prone to escalate their disputes to war by 1.5%.

I calculate marginal effects for the mixed-dyads model. The results show that within mixed dyads, security interest decreases conflict escalation by 2.9%. This marginal effect shows close number to the other marginal effects of control variables in the test, such as capability ratio (3.5%). The evidence thus indicates that, separately, neither democracy nor other variables (major powers or distance) have critical impacts on conflict escalation. Rather, we are able to conclude that mixed dyads are more likely to de-escalate existing militarized disputes if they place the same emphasis on security issues. More importantly, democracy received no impacts on conflict escalation for both all-dyads and mixed-dyads models, which implies that once shared preferences are taken into account, the causation from democracy to conflict severity disappears.

The last column contributes one essential information. Once a crisis between states with different political institutions occurs, states with similar economic interests are more likely to escalate their crises by 1.5%. Even though this result contradicts to my hypothesis 2c, indicators of interest similarity still offer more consistent effects on escalation than any other controlled variables. For instance, economic interdependence creates strong effects on conflict escalation for the all-dyads model, but it has no such effects for the mixed-dyad one. Capital distance has only effects on the mixed-dyads model when they share similar economic preferences, but has no impacts on the other models. The lack of a negative relationship between join democracy and

conflict escalation is troublesome for the normative and preferences theory, but consistent with the logic of the information arguments in democratic peace literature (Lektzian and Souva 2009). Overall, the selection effects with controlled indicators of interest similarity provide more consistent results than any other variables in this chapter.

Of the remaining variables in the onset stage, several variables have statistically discernible results. For the all-dyads model with security similarity scores, the variable of my focus, similarity in security interest, decreases the onset of conflict by 0.03%. The result informs us that similar security interest will decrease the onset of international conflict by 0.03%. Moreover, the probability of onset is decreased by 0.1% if dyads share longer capital distance. Dyads characterized by power parity are 1.7% more likely to become involved in disputes than dyads characterized by a disparate distribution of power. Territorial issues increase the probability of conflict onset about 99% in this case. This chapter again proves two important factors. First, interest is one of the powerful nontrivial variables in international conflict that most scholars fail to consider in their research. Second, this chapter also reminds us that interest similarity will influence not only conflict onset, but the level of severity once the militarized dispute passes a certain threshold.

4.5 Conclusion

The empirical evidence advanced in this chapter suggests that a relationship not only exists between similarity and onset, but on conflict expansion as well. Previous studies have included relevant elements for empirical examinations, but there are still some puzzles that need more adjustment and clarifications. For instance, interstate conflict is not only a simple behavior with a binary outcome. It constrains several levels of hostility and information that needs to be modeled. This chapter thus joins a small subset of the literature that explicitly models the escalation with heterogeneous

outcomes. In other words, escalation can be modeled with not only binary but interval scales.

In addition, I examine the impacts caused by interest similarity on escalation with different data. Scholars have provided several measurements of similar interests in previous studies; however, there are still many problems and questions about the indicators. I argue that since interest is a type of latent factor, we probably need to consider using a factor analysis and generate relevant data as our main explanatory variables. The relevant similarity scores also inform us a deeper understanding about which types of national interest could bring more pacifying effects on conflict escalation. Future work needs to put more efforts into developing relevant ideas and concepts measuring similarity, and re-examining their effects on conflict onset as well as escalation.

Previous research has informed us that states which are farther apart in political distance have a greater probability of violence. Hence, it seems the situation between democratic and non-democratic regimes is always dangerous and unstable. I provide an additional way to consider how similar interests among two different types of countries reduce their potential conflict scenario. Political distance may be a critical element influencing states' war decision; however, policy similarity may be a key element in promoting peace between politically different countries. Although the data generated by exploratory factor analysis offer different results on escalation, we still can have a basic idea that security interest offers at least higher level of pacifying effects on conflict escalation. In sum, democracies and non-democracies do not always fight like cats and dogs particularly if they share similar opinion in security issues with each other.

We need to pay more attention to the relevant issues of interest similarity when mixed dyads are on the edge of war. Based on the unified model of onset and escalation, there are strong reasons to believe that policy interests and conflict escalation

are related to each other under certain conditions. The results of this chapter suggest that the hypothesized relationships are empirical regularities, and scholars of international conflicts should be aware of these critical issues. I believe that future work on dispute severity should continue to assess the impacts created by different types of dyadic interest similarity, and explore the specific influences created by different policy interests, such as economic or strategic ties.

Chapter 5

Does Interest Similarity Contribute to Peace? The Case of Cross-Strait Relations

> Both sides of the Taiwan Strait ought to squarely face up to this reality, seek common ground while respecting differences, and establish a consensus regarding "mutual non-recognition of sovereignty and mutual non-denial of authority to govern."
> –President Ma Ying-Jeou

Based on the test conducted in the third chapter, the level of dyadic interest similarity needs to be considered as a critical explanatory component for the study of conflict. The findings also support previous studies which proclaim that interest indicators from realists and liberalists receive statistically significant impacts on interstate conflict (Gartzke 1998; 2000; Sweeney 2003; Maoz et al. 2006). By investigating cross-Strait relations in this chapter, I suggest that deepening security and economic similarity boosts the political will to implement peace agreements for the China-Taiwan dyad. Obstacles in the establishment of a comprehensive cross-Strait dialogue include the increasing Taiwanese identity and China's unwillingness of democratization. However, two critical principles, notably security and economic issues, provide useful solutions for opening up the dialogue. Moreover, I also organize the discussions in the capitalist peace literature, and apply the arguments to the explanation of peace across the Taiwan Strait.

5.1 Security Concerns on Cross-Strait Relations

In this section, I discuss similarity as a major category of national interest, and why similarity brings peace for cross-Strait relations. Realists argue that two types of states in the international system clearly explain states' basic security concerns. This typology characterizes states as either status quo or revisionist, with these definitions basing their interests on international security and then deriving conflict expectation from this dichotomy.[1] I apply realists' definitions and investigate the results of security similarity through the discussion of maintaining the status-quo scenario. As Taiwan transitioned to democracy, advocacy for Taiwan independence became more vocal. Conversely, China views de jure independence for Taiwan as unacceptable, and warns Taiwan repeatedly that a declaration of independence will leave China no choice but to attack Taiwan. China even passed an anti-secession law to show its determination against any move by Taiwan in that direction. Therefore, the evidence above shows that de jure independence may lead to an unavoidable war.

On the island, public opinion on political association between Taiwan and China is much more complicated: some advocate Taiwan independence; some believe that Taiwan and the mainland should be reunified sooner or later; and there are others (often a majority or close to a majority in the polls) who feel that the status quo (or de facto independence) which is neither de jure independence nor unification, may be the best option for Taiwan under the current circumstances.

[1] Morgenthau called them imperialistic and status-quo powers (Morgenthau 1967, 20). Schweller (1998) defines national interests by positing several types of states based on the degree to which they desire to change or preserve the status quo and their military capability to do so. Moravcsik (1997) also offers a similar dichotomy on these two types of states, including revisionist or status-quo states. The clear dichotomy can also be seen in realist literature. As Schweller (1998, 20) points out "...[Classical] Realists invariably distinguished between two types of states: Morgenthau called them imperialistic and status-quo powers; Kissinger referred to revolutionary and status-quo states; Carr distinguished satisfied from dissatisfied powers; Johannes Mattern, among other geopoliticians, divided the world into 'have' and 'have-nots,' Wolfers referred to status quo and revisionist states; and Aaron saw eternal opposition between the forces of revision and conservation." From the definitions above, we are able to discover states' security interests played an influential role in realists' literature.

Strictly speaking, both unification and independence represent change from the status quo. However, as far as China is concerned, unification is a desirable goal and it will definitely not take military action against Taiwan if the latter so desires. It is de jure independence that will prompt China to take drastic actions against the island. However, previous Chinese leaders could not adopt any provocative or active movement to reunite Taiwan, since the U.S. still provides security support for Taiwan. Even though the mainland's policy relative to Taiwan is often viewed as separate from its broader foreign-policy orientation, there is still some evidence showing preferences for restraint and the status quo are beginning to shape cross-Strait relations. Chinese leader, Hu Jintao, realized that the chance of unification between China and Taiwan was slim during his term, and he downplayed the traditional strategy toward cross-Strait relations while increasing the maintenance of status quo and economic cooperation with Taiwan. Cross-Strait economic relations have by and large developed on the basis of "economics first, politics later" since May 2008. Hu Jintao's proposal after the "Economic Cooperation Framework Agreement" (ECFA) is the willingness to sign the Comprehensive Economic Cooperation Agreement (CECA) with Taipei and seek ways to link cross-Strait common development with Asia-Pacific economic integration.[2] In general, as long as Taiwan does not force China to use coercive power by declaring independence, leaders in Beijing prefer a more peaceful strategy that leaves open the possibility of unification at some indefinite point in the future (Chu 2004). The major security preference for the current cross-Strait relations still stays on the track of status quo.

In order to examine the argument of security similarity on peace, I analyze two major cases. The first case is the 1995-96 Taiwan missile crisis, and the second one is President Ma Ying-jeou's mainland policy and how he attempts to manipulate

[2]Please see Xinhua News Agency, "Six Proposals Offered for Cross-Strait Relations," China Daily, December 31, 2008, http://*www.chinadaily.com.cn/china*/2008 − 12/31/*content*$_7$357490.*htm*.

a more pro-status quo mainland policy. The Taiwan missile crisis offers a negative case showing that opposite interests on security concerns may initiate an imminent militarized dispute, while the second case about Ma's mainland policy examines the positive effect from security similarity on peace.

The Taiwan missile crisis started with President Lee's visit to Cornell University in June 1995. China was irritated by the Clinton administration's decision to grant a visa to Lee as well as Lee's speech at Cornell. But China was also concerned about the first presidential election in Taiwan, which was scheduled for March of the following year. China was suspicious of Lee's real intention on the independence-unification issue, and was worried about the prospect of Lee's reelection.

Under the pressure of hawkish elements in the Chinese party-state, including, in particular, the People's Liberation Army, Chinese leader Jiang Zemin decided to take tough actions. Thus, in July, China announced that it would test its surface-to-surface missile program, and it indeed fired missiles targeted at an area less than one hundred miles from Taiwan's coast. In additional, China also amassed large numbers of troops in Fujian province right across the Taiwan Strait from Taiwan. China's goal was to assert its sovereignty and territorial integrity, and to show its determination.

The 1995 Taiwan missile crisis clearly informs us once China and Taiwan shift away from a mutual consensus on the maintenance of the status quo, there is a huge probability that both sides may engage in a serious militarized dispute. Both China and Taiwan have clearly recognized this issue, and it is the reason during the presidential election campaign during 2007-2008, the KMT candidate Ma Ying-jeou proposed a "modus vivendi" approach to cross-Strait relations. This approach included "mutual non-denial" and the "three-no's," including no unification, no independence, and no use of force. The "three-no's" policy could be viewed as the principle choice for maintaining the status quo for both sides because as long as Taiwan does not declare a de jure independence, any use of force by China against Taiwan will be viewed as

unnecessary and unjust. Beijing has already recognized how mutual consensus on the security preferences, and encourages both sides to go back to the normal track of cross-Strait relations.

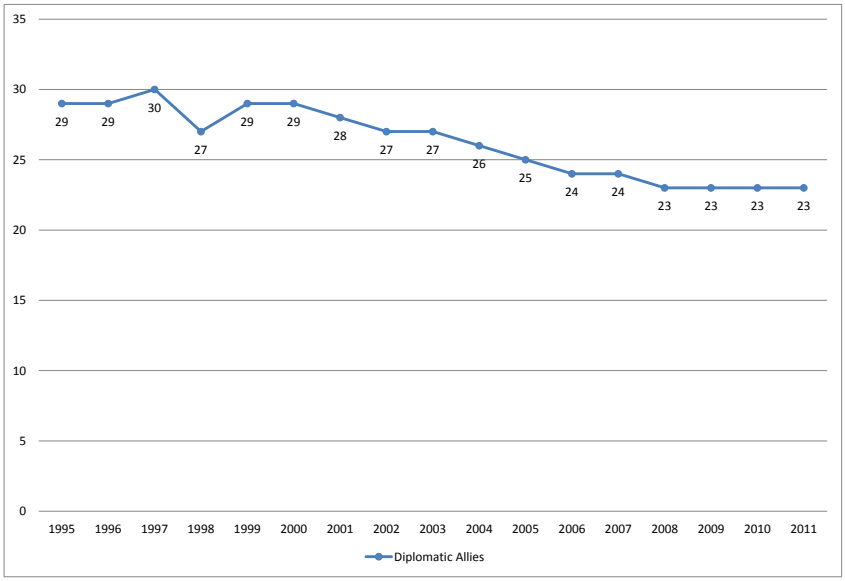

Figure 5.1: Number of Countries Recognizing ROC

One of the successful achievements from President Ma is his foreign policy on a "diplomatic truce," which represents a symbol of peaceful development across the Strait. It has been a diplomatic task for the Taiwanese government to expand its international space, especially in former president Lee Tung-hui and Chen Shui-bians' eras. During Lee and Chen's administration, the Taiwanese government used increasing the number of diplomatic allies to represent a successful foreign policy (see Figure 5.1). However, after President Ma was elected in 2008, China has become the single most significant factor determining the number of Taiwan's diplomatic allies.

Several of Taiwan's allies attempted to establish diplomatic relationship with China since May 2008, yet China refused establishing relations with Taiwan's allies. In the meantime, Taiwan turned down at least one of China's diplomatic allies in Africa, which requested to reestablish formal relationship with Taipei.

From the discussion above, we are able to discover an intriguing fact. President Ma's diplomatic truce has won some positive response from Beijing, and it is clear that the truce also has benefits for China. In Figure 5.1, we can see that before May 2008, China launched several diplomatic attacks against Taiwan, and Taiwan suffered dramatically from this highly expensive diplomatic warfare on the maintenance of the alliance balance. However, both Beijing and Taipei use the benefits introduced by the security consensus to repair the dangerous dyadic relationship since May 2008. In fact, after Ma's "modus vivendi" approach, none of the 23 states that have formal diplomatic ties with Taipei have defected to Beijing. China even rejected pleas from Panama and Paraguay to establish diplomatic relationships with Beijing in order to honor this special moment of good feelings across the Taiwan Strait. In short, President's Ma's diplomatic truce, combined with a stable mainland policy, has successfully eased the tensions between China and Taiwan. The new flexible and pragmatic foreign policy, which differs entirely from the aggressive approach of the previous two presidents, has allowed President Ma to rebuild mutual trust and a stable relationship with Mainland China.

5.2 Economic Similarity and Peace: the Capitalist Peace Arguments

In addition to the discussion of how security interest similarity influences peace, scholars also find that states with similar economic interests have less severe disputes (Gartzke 2007; Maoz et al. 2006). This section reviews some linkages between economic similarity and peace, arguing if both states in a dyad pay attention to capitalist interests, they are more likely to experience peace. These capitalist peace arguments

involve debate about whether free trade, open markets, or economic development are positively related to world peace. Recent scholarly research has focused on this important issue (Gartzke 2007; Gartzke and Hewitt 2010; Mousseau 2009; 2010; 2012*b*; McDonald 2009; 2010).[3]

The basic arguments from scholars of capitalist peace against the traditional democratic peace literature exist in theoretical applications and the following empirical investigations. As Mousseau argues "the democratic peace literature lacks much meaningful, clear-cut, and non-trivial predictive power . . . it appears increasingly likely that existing explanations for how democracy causes peace may be incomplete" (Mousseau 2009, 52). The major critique of the democratic peace theory is that the impact of democracy on peace may depend on the level of economic development, which means it is not democracy alone that causes peace but that democracy with economic development prevents conflict from occurring (Mousseau, 2003). This type of argument faces few compelling challenges with strong findings so far, but more relevant research has begun to refine democratic peace and develop the capitalist peace theory.[4]

Countries have diversified policy interests, and these policy choices basically derive from their domestic structure. A more laissez-faire country will adopt open market, zero-tariff, or small government subsidy policies toward its trade partners because the state's internal value promotes the state's behavior. The internal value of the state is composed of the structural regularities that influence the formation of beliefs and preferences. More explicitly, a society with liberal values deeply embedded within

[3]Recent contributions to the democratic peace debate, or more broadly, the liberal peace debate, have sought to shift the focus away from the Kantian triad of economic interdependence, democracy, and IGO membership toward economics and institutions which are associated with capitalism as causes of peace. This is because, for the past two decades, numerous studies have identified democracy as a cause of democratic peace, but there are still some unknowns on the predictive capability of the democratic peace theory.

[4]Gartzke (2007; 2010) provides a useful empirical study revealing how an open market system may bring more peace among countries in the world. His study has been widely discussed and examined, and scholars who are interested in capitalist peace have viewed his work as a chief cornerstone.

the norms of market-oriented economic development has a complex division of labor. Most adults in a society receive their incomes and consumer goods by interacting with the norms of market competition. In order to regularize or normalize this competition, states will demonstrate their interests to enforce regulations, which also promotes a political culture that respects the rule of law, individual freedom, and mutual trust in the society. It is those domestic demands for a fair market system that urge the states to adopt a more open national trade strategy.

At least four different capitalist peace theories exist in international relations literature. The root of capitalist peace can be traced to Erich Weede's insight, built on classical economic theory, of how trade and economic relations between states create peace (Weede 1996). The other three capitalist peace models with empirical evidence concentrating on the internal attributes of states are: Gartzke's market openness, Mousseau's social contract-intensive, and McDonald's public property peace theories. First, Gartzke (2007) shifts away from the traditional Kantian triad of international trade, democracy, and international organizations towards more economic attributes associated with capitalism and potentially competing causes of peace. His findings remind us of an interesting principle: democracy may make no significant and independent contribution to peace; however, it is economic freedom associated with capital openness which encourages states to have more peace. Gartzke dismisses trade as not a proper capitalist variable; instead, he adopts development as well as market openness to represent the meaning of capitalism. Later, Gartzke and Hewitt (2010) extend the argument, rely on ICB (International Crisis Behavior) data, and reach their final result connecting not only the onset of conflict, but also the escalation of conflict. Again, the scope and meaning of Gartzke and Hewitt's results show that joint democracy does not inhibit crisis escalation.

As Gartzke's notes, several mechanisms associated with capitalism are capable of mitigating the causes of war. First, states with similar policy preferences, especially

economic incentives, have no need to fight because little can be gained from victory (Gartzke 2007, 171). It is true that states can obtain more resources and revenue through commerce and trade, so they are unable and unwilling to solve differences through military means. Except for those incompatible interests (resources or territory), states can always obtain better revenue through exchange in global commerce rather than military activities. Second, development will make war more possible since the cost of war is extremely high. Only those states with sufficient resources, power, and capability can project their powers overseas, engaging in distant disputes for territorial or resource combat. In other words, development may lead to increased willingness to pursue policy conflict (Gartzke 2007).

The second significant study that also treats democratic peace as more conditional is Mousseau's social-market capitalist peace theory. In Mousseau's early research, he argues that it is not democracy that creates peace, but rather developed or market democracies bring more peace among states (Mousseau 2000; 2003). Peace is most secure among economically advanced democracies, not for the poorer or more unstable democracies.

In a series of studies, Mousseau has shown the causal mechanism for why capitalist countries prefer more peace than countries with other economic structures (Mousseau 2009; 2012*b*). He explains that citizens who depend on a larger and wealthier market have direct interests in their governments promoting growth in the market and in sustaining the size of the market. They also prefer protecting or promoting free choice of contracting abroad. Because the investment environment and contractual commitments are anarchic, citizens also demand that their governments effectively protect the contracts and rule of law, both at home and abroad. Thus, war will not occur between capitalist nations because the conflict will only make everyone worse off, not better off. Rather than fight, capitalist countries work together to cooperate with each other, in order to promote markets. Only in a more stable

and cooperative international environment where international law or contracts are preserved completely can citizens secure their properties. Mousseau, therefore, offers several empirical support for this theory: nations with contract-intensive economies engage in less militarized disputes (Mousseau 2009; 2012*b*).[5]

The third capitalist peace thesis is introduced in McDonald's (2009; 2010) research. His work is a more modest claim against the democratic peace theory, which contends that capitalism has a stronger effect than democracy, but does not eliminate the need for democracy.[6] His argument is about how large quantities of public property aggravate commitment problems in two ways, which make interstate conflicts more possible. McDonald first integrates the logic into selectorate theory to link the possession of large quantities of public property with domestic political strength and a great willingness to initiate interstate conflict. If a government has large quantities of public property, it is more likely to provide critical resources to maintain regime security in polities with either small or large winning coalitions. Public property can be used either to increase the loyalty of members of the existing support coalition by increasing their private benefits, or weaken opposition from groups outside of the winning coalitions by increasing the supply of public goods more broadly in the polity (McDonald 2010, 152).

Another reason why large public property can cause more conflict is because of the

[5]In Mousseau's contract-intensive theory, a society which makes contracts with strangers more frequently prefers a peaceful environment. Different from the clientelist economies (individuals depend on group leaders, called "patrons," who promote loyalty by providing economic and physical security), leaders in contract-intensive economies pay more attention to the enforcement of contracts and the equal application of the rule of law. More importantly, leaders in contract-intensive economies are constrained by voters to promote economic growth and secure markets abroad, and thus have common interests in protecting and enhancing the global market by maintaining the supremacy of international law and world peace.

[6]In both McDonald's article and book, democracy exerts an independent effect with a less significant effect than capitalism. The critics of these results remind us that this outcome might stem from his inclusion of a measure of similar alliance portfolios to indicate shared interests (McDonald 2009). Russett pointed out that since alliance preferences may be endogenous to regime type, as the opposing cold war alliances each sought to defend political and economic interests shared across similar regimes, alliance similarity could obscure the effect of democracy on conflict.

high risk of being targeted in a preventive strike, especially in arms races (McDonald 2009; 2010). An adversary recognizes these resources create an internal political capacity to sustain costs associated with using military force to change international status quo. Alternatively, this domestic capacity can also sustain an arms race which shifts the balance of power between states, increases the bargaining leverage, and tempts adversaries to launch a preventive war that prevents a long term armament expansion. In short, large revenues generated from state-owned resources, which could be viewed as public property, gives states distinct advantages in the armament race and alters the balance of military power in a region. Unconstrained by the need to negotiate the basic tax contract with domestic civilians or support from private businesses, the government has the capacity to surge ahead in the arms races and neglect the pressure from domestic impact. The adversary, therefore, can foresee the expanding gap in military capability, and would prefer a preventive war because it could no longer pay the domestic costs of preserving the balance of power. Therefore, for the governments involved fighting now is far better than being defeated later.

All three arguments above contribute to the supplement of Kantian peace, and also move us beyond the polarized debate that portrays capitalism as a source of conflict or peace. In this chapter, I offer a comparison between different capitalist indicators, including the traditional liberal variable (trade) and the other two variables (openness and contract-intensive economy).[7] The discussion connecting different capitalist variables provides an overall understanding about the current debate. In the next section, I argue that it is the common economic interests in capitalism that promote peace between China and Taiwan.

[7]The empirical examination shows that the public sector model is weakly related with other capitalist variables, which indicates that it has the weakest relationship with capitalism. In addition, there are serious missing issues in McDonald's public sector model. I decide to exclude the public property model in my theoretical discussion and latent framework analysis.

5.3 The Capitalist Peace and Cross-Strait Relations

Most political economists have agreed that China is currently a quasi-capitalist state. Yasheng Huang (2008) mentioned in his book *Capitalism with Chinese Characteristics: Entrepreneurship and the State* that China follows the basic nature of capitalism, but with Chinese characteristics. His characterization is China has a "commanding-heights economy, similar to that of many of the developing economies of 1970 vintage" (Huang 2008, 239).[8] Even though China has very a small proportion of private sector, Huang pinpoints common economic structures between China and other East Asian countries. Strong national capitalism can help the economy grow, and most of the East Asian states seem to agree this rule at the beginning of their economic development.

China changed its national interest from a communist ideology promising future gains in social equality to a more open market with western values of capitalism (McDonald 2009). This change enabled China to receive more foreign direct investment, private ownership, and competitive markets, all of which propel economic expansion. Although some scholars believe China still belongs to a less "contract-intensive" economy, or the so-called clientelist economy (Mousseau 2009), more evidence has shown that China has a typical structure of capitalism (Naughton 1996). Economic reform and globalization have moved China's economic interests toward a more open-market direction. Certainly, a decreased willingness to threaten economic growth has led Beijing to embrace territorial restraint and multilateral cooperation (Carlson 2004; Pearson 2006).

[8]China can be fitted in the pattern of those NIEs economic entities that contain strong government intervention and controls. Huang (2008, 279-280) argued that Chinese capitalism today is closer to those East Asian countries. In 2002, the percentage of short-term loans to the private sector was 19 percent, and close to the static era of Taiwan in 1953. Other analysis identified China with East Asia in terms of performance. They point to the fast GDP growth, rising export competitiveness, and rapid industrialization as common features in both China and East Asia. Since the late 1990s, China has been investing a rising portion of its GDP—almost half in 2005. This is a similar phenomenon to the investments of other East Asian countries (Huang 2008, 279).

The priority of economic growth and open-market strategy carries important foreign policy implications. China reversed its communist intentions and expanded its relationship with the broader global economy. China also embraced foreign investments and technology to stimulate exports and economic growth. China has settled most of its territorial disputes and reassured regional neighbors of its peaceful intentions to stimulate even more regional and even global integration. Deng Xiaoping believed peaceful and developed society will boost the Chinese economy while China's grand strategy with the peaceful rise ideology also promotes a peaceful investment environment. The issue of China's peaceful rise was commented on by Zheng Bijian, a former principal of Chinese Communist School, who gave a speech at the Bo'au Forum in 2003. Zheng emphasized that China sought to exploit globalization and development, while discovering new solutions for several domestic problems associated with growing inequality. By continuing to implement reforms and open markets to foreign investment, China will not follow the strategy of previous rising powers, such as Germany and Japan between the two world wars. China will not seek to destabilize the international system nor pursue territorial expansion. In other words, China will mainly focus on domestic development as well as economic cooperation with other countries. Zheng believes that open global markets and capitalism will help China formulate a new security concept, which seeks to build mutual trust and mutually beneficial cooperation with other states (Zheng 2005). Therefore, if the value of capitalism reformed the Chinese security concept and also guided China's new security diplomacy, there might be a different atmosphere between China and Taiwan.

China's peaceful rise policy and Taiwan's intention to establish tight economic connections with China demonstrates an important effect created by the capitalist peace phenomenon. In order to offer a better understanding of the pacifying relationship in the China-Taiwan dyad, I discuss three different models in the capitalist

peace theory below: the trade model, the capital openness model, and the contract-intensive model.[9] I found that two free-market theories of capitalist peace can explain why China and Taiwan can maintain a peaceful bilateral relationship. The trade model (Weede 1996) and the market openness model (Gartzke 2007) clearly group the China-Taiwan dyad as a capitalist dyad, which is more likely to keep a peaceful relationship. However, social-market theory (Mousseau 2009) defines this dyad as non-capitalist, and this inevitably limits its explanatory capability for the current situation.

The trade model (Weede 1996) defines capitalism as trade dependency with high levels of interdependence, causing both nations in a dyad to refrain from using military force. Whether the China-Taiwan dyad fits into the trade model depends on whether these two countries have high levels of trade interdependence. In fact, both China and Taiwan are closely connected to each other in trade. In 2010, the total trade between Taiwan and China reached 112.88 billion (see Figure 5.2). The total Taiwanese investment in China came to 9.03 billion USD (for the first eight months in 2010).[10] The high level of economic transaction urged the Taiwanese government to consider the necessity of signing an economic cooperation framework with China. On June 29th 2010, China and Taiwan signed the Economic Cooperation Framework Agreement (ECFA) in Chongqing, which covers 12 agreements concerning trade, tourism,

[9]One thing needs to be noted here. McDonald's public sector model (McDonald 2009) has several problems that we need to exclude from the application of the China-Taiwan dyad. The public sector model in the capitalist peace theory suggests that the commitments of nations with large public sectors are less credible than others, and these nations should be in more militarized conflicts than others. On the contrary, more private sectors in domestic politics will promote more peace. Therefore, whether the China-Taiwan dyad poses a challenge to this model depends on whether both countries in the dyad possess comparatively small public sectors. In fact, China relies on some mix of tariffs, consumption taxes on alcohol and tobacco, and loans to fund most public expenditures, such as public infrastructure or railroads. China thus can be viewed as a country with large public sectors. However, I also investigate McDonald's dataset about Taiwan's public sector. Unfortunately, there is no information about Taiwan's public sector from 1960 to 2000. This creates a serious problem for me to apply the public sector model to the China-Taiwan dyad.

[10]Please see Mainland Affairs Council, "Cross-Strait Economic Statistics Monthly," no.213 (Jan 27th, 2011), http://www.mac.gov.tw.

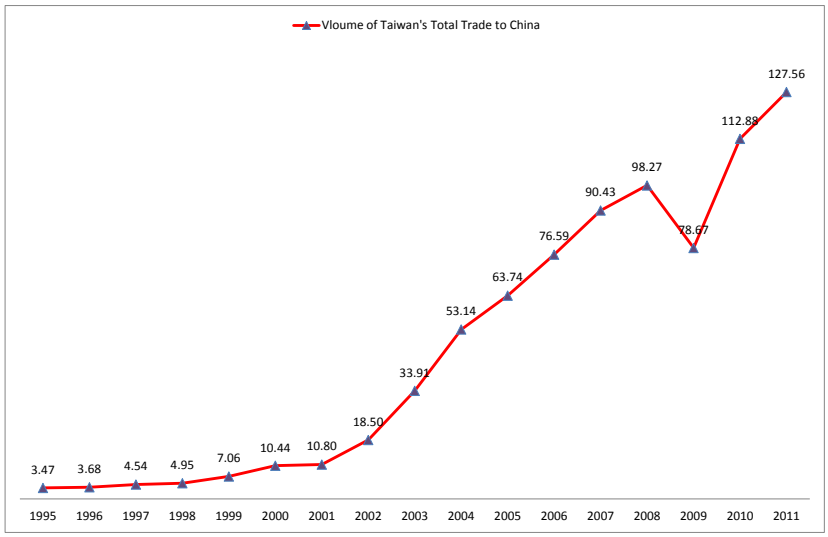

Figure 5.2: Taiwan's Total Trade to China (billions US$)

and other matters crucial to the interests of Taiwanese people to prevent a deeper isolation and deterioration of the regional economic integration.

It is clear that if "capitalist" dyads are defined as having close trade interdependence, then the China-Taiwan dyad is an appropriate case. The trade model also assumes that nations will fight only if the gains of war are much greater than its costs. If China initiates an attack once Taiwan claims de jure independence, most agree that the costs of the war for China will be much higher than the potential gain from this war because Taiwan has been ranked in the top ten of China's trading partners (McDonald 2009). Taiwanese businesses have invested an estimated $150 billion in the mainland since 1988. Therefore, there is only a small possibility of conventional war occurring in this dyad.

Second, the capital openness (Gartzke 2007) model relies on signaling facilitated by open capital markets to prevent war among capitalist nations. Whether the China-Taiwan dyad fits into the model depends on whether both countries have comparatively open markets to each other. In fact, both countries have lower trade barriers and open markets for mutual business and economic activities. One of the applicable supports is that after signing the Economic Cooperation Framework Agreement (ECFA), Beijing and Taipei reduced the regulations on trade barriers. Among the three major areas, the "early harvest" list of tariff concessions covers 539 Taiwanese products and 267 Chinese products with three stages over a period of two years. On one hand, 108 Taiwanese goods received zero tariffs immediately, including 18 agricultural products. Studies conducted by research institutions in Taiwan clearly indicate that, in general, the conclusion of an ECFA is of clear benefit to Taiwan: It will boost exports, encourage overseas Taiwanese businesses to invest in Taiwan, stimulate foreign direct investment, and create job opportunities. On the other hand, China would also receive benefits estimated at US $2.86 billion while Taiwan agreed to offer wider access in seven areas, including banking and movies. From the evidence above, Beijing and Taipei were pushing deregulatory and free-trade policies when mutual cooperation increased. The possibility of large scale military conflict has decreased sharply even after the market opening.

The third model used to explain the bilateral peace in the cross-Strait is the social-market model (Mousseau 2000; 2009; 2010) of capitalist peace. It defines capitalism as a contract-intensive economy, the condition in which many citizens normally contract in the impersonal market to obtain their incomes, goods, and services. Mousseau adopts direct data on contracting in life insurance that has been compiled by the World Bank (Beck and Webb 2003).[11] Under the definition of contract-intensive

[11]In Mousseau's explanation, high values of life insurance contracting indicates a highly institutionalized norm of contracting in a society because it requires a great deal of trust to contract life insurance with unfamiliar entities. Contractors need to trust that the third party will fulfill the

economy, Taiwan became a contract-rich nation starting from 1984 (Mousseau 2012*a*, 200), but China still remains a contract-poor nation. Leaders in China, in Mousseau's articulation, are actually guided by the "ingroup clientelist mind-set, [and]are less likely to perceive an interest in law and order than in whatever can materially benefit their domestic elites, who must be continuously enticed with state rent" (Mousseau 2009, 83). Thus, the China-Taiwan dyad becomes a non-capitalist dyad.

The notion that China lacks a capitalist economy by the contract-intensive economy model may raise the question of whether China is widely thought of as the typical case of a capitalist state. It is also questionable whether the lack of life insurance, the way Mousseau constructs and develops his data, played any role in the decision of capitalism for China. The main issue exists that the sense of purchasing life insurance probably has not been popularized within Chinese society. Mousseau's data showing that a low contract-intensive economy for China may actually come from Chinese civilians' lack of interest in purchasing life insurance. In fact, the popularity of life insurance in China still remains low, about 3.7 % of the total population has full coverage. In addition, China's life insurance industry is currently dominated by domestic insurers, with "China Life" commanding around 45% of the market share till 2003 (North 2004). We might face the issue of validity if we adopt Mousseau's data of contract-intensive economy to describe China's development on capitalist economy, because the data may underestimate China's overall capitalist capability.

More importantly, as China transformed its economic structure to a more capitalist system, the chance of militarized disputes with Taiwan decreased sharply. This decrease occurred because the similarity in capitalist ideology is helping promote peace by altering Beijing's strategy toward Taiwan at least in two ways. First, a strategy of national development oriented around economic reform and globalization has moved China's foreign-policy interests in a more cooperative direction. A decreased willing-

terms of the contract after death.

ness to threaten economic growth has led Beijing to restrain its provocative Taiwan policy. Increasing interests in capitalist economy help China adopt a more peaceful international position and look forward to a more status-quo profile with the Taiwan government. China does not want to have any possibility of destroying its economic development by solving the Taiwan issue with military activities.

Second, a deeper mutual understanding served as a stabilizing force on cross-Strait relations. This period of economic reform has promoted a more moderate foreign-policy orientation from Beijing while creating a series of mechanisms by which it believes it can influence domestic politics in Taiwan. One of the mechanisms increasing Beijing's confidence that Taiwanese leaders will not declare independence is because Taiwanese investors received strong economic incentives to shift those smaller businesses of labor-intensive manufacturing to mainland China in the late 1980s. For example, local governments in China actively invited Taiwanese investors with incentives as reduced taxes, cheap land, and less government control. The free market system has tightly bridged Taiwanese investors with local Chinese governments, and peaceful cross-Strait relations are more preferred by Taiwanese businessmen.

Furthermore, Beijing can target economic incentives at politically important constituencies, such as farmers in Taiwan, to bolster support for politicians Beijing sees as embracing policies consistent with its interests. Capitalist ideology promotes peace by shifting the view from local politicians and constituencies in Taiwan about the issue of the "China threat." Demonstrating an image of a trade partner instead of a political competitor, mainland China decreases the hazard of de jure independence which may be proclaimed. In short, declaring independence will only bring a dangerous outcome for the current status quo. The growth of Taiwanese investment on the mainland has created a powerful political lobby that benefits from the status quo.

Last but not least, as we can see, the close economic dependence between China and Taiwan and the hypothesized causal mechanisms focus on several sets of factors,

including the beneficiaries of mutual trade dependence, such as those Taiwanese local companies (private sectors), and the government (the public officials). Groups that benefit from capitalist markets, especially local consumers and business firms in Taiwan, should lobby their public officials for open commercial policies, restrained ideological claims, and peace. When a political dispute between Beijing and Taipei threatens to provoke military conflict, the economic interests of these domestic actors should lead them to publicly oppose policies and government maneuvers that heighten the risk of war. For instance, in the midst of the 1995-96 Taiwan Strait Crisis, business groups–such as technology firms or traditional manufacturers from Taiwan–attempted to lobby political officials to avert war or publicly voiced their support for peaceful compromise. Congressional officials in Taiwan who represent such interests also opposed presidential maneuvers that hindered political compromise with China. In addition, major investors in the local stock market lobbied instead for aggressive foreign and cross-Strait policies that heightened the risk of war. Importantly, politicians who built stable bases of domestic support by embracing free trade were more likely to embrace restrained policy choices. The outcome of this domestic struggle between private sectors and government officials played a critical role in the eventual decision over whether to escalate or peacefully settle international disputes.

It is true that, comparing the war-proneness of the Middle East to the avoidance of major military disputes in the Far East for the past decades, countries in East Asia focus on economic openness and interdependence, or what we call the free trade system. Even though China still remains at a low level of democratic development, economic cooperation and a free-market system provide more hope for the future than democratization for China. In fact, the more countries trade with each other, the less likely military disputes between them become (Weede 2010). If the argument of capitalist peace is robust and valid, then economic interdependence, market openness,

or social-market theory may exert some pacifying impact on the regional as well as global order. The United States and China dyad may prefer using more peaceful resolutions in the future if there was any militarized disputes between these two powers. But the qualifications of peace between great powers should put China's economic situation into consideration. Possibly, it is either cross-border investment, capital market integration, or even a commitment to economic freedom that counts for capitalism, which pacifies effectively. Future research should confirm a shift in focus away from trade to other aspects of capitalist elements as the main pacifier; then optimism about Sino-American relations might still be based on some kind of capitalist peace aspects. In contrast to China's resistance to democratization, the embrace of a real capitalist society and China's commitment to global economic integration does offer cooperation and a peaceful international society.

5.4 Conclusion

This chapter explores the state of theory and evidence on security and economic similarity and their prospects for explaining the peace on cross-Strait relations. Consensus from both sides cross the Strait on security preferences, especially in the maintenance of status quo, elaborates why both China and Taiwan have experienced a more stable relationship. President Ma's diplomatic truce has consistently won some positive responses from Beijing, and this truce corresponds with China's major security concerns.

In addition, I distinguish different models in the capitalist peace theory, which include the free-market and the social-market. Accordingly, I test three different prestigious capitalist models: trade, capital openness, and contract-intensive economy as social-market theory. Analyses of these causal mechanisms indicate that not all previous capitalist theories are viable explanations for the cross-Strait peace. The results suggest that the China-Taiwan case is an appropriate case for the trade (Weede

1995) and capital openness models (Gartzke 2007). Moreover, the contract-intensive model (Mousseau 2009) identifies China as a non-capitalist state, and suggests a strong probability of militarized disputes between China and Taiwan. Future studies need to be more aware of the model chosen for capitalist peace in cross-Strait relations.

Chapter 6

Conclusion

Based on the tests conducted in the previous three chapters, the notion of interests has been proven to be a powerful explanatory element for conflict between states. Previous studies about the priority of democracy rather than states' interests have underestimated the importance of interests on conflict studies. The goal of this dissertation is to recall our attention to states' interests. The level of dyadic interest similarity successfully plays a critical role and explains not only the onset of militarized conflict (Chapter Three), but also the escalation tendencies of those conflicts (Chapter Four). The first section of this chapter will review the degree of support for the hypotheses from each of the tests we have conducted. While this may be considered as somewhat of a formality, it will give us the opportunity to review and compare the results in this dissertation, and also provide a process that will yield interesting additional conclusions.

The second section of this chapter builds on these conclusions and returns us to various aspects of the previous 'democracy-interest' debate. I reiterate the major contribution of this dissertation in this section: the latent framework of national interests should not be ignored when we study how interest similarity impacts states' conflict behavior. In fact, interest has direct effects on militarized conflicts, and these pacifying effects are not indirectly caused by other liberal variables. Moreover, the statistical results in the analytical chapters show that democracy and interest are both statistically significant when we study international conflicts. The last section of this chapter explains how to expand the democratic peace theory beyond the discussions

of regime only. The dyadic interests in a economic issues may need more attention when we study peace.

6.1 Summary of Findings

The goal this dissertation intends to achieve is to contribute alternative operational indicators for national interests. This study provides the first latent variable framework and empirical evidence showing that a more comprehensive understanding about states' interests is required. Interest is still a fuzzy concept, and scholars of international relations lack a robust, or at least agreed upon, multidimensional measure in the discipline. Nonetheless, previous scholarly works only focus on a single policy indicator, which might give us a partial vision of states' interests. Interests may have different dimensions and aspects, and these diversified categories of states' interests may result in the misleading causal relationship on peace. For instance, it is near universal practice to rely on alliance portfolios alone, regardless of the measure of interest similarity. This is problematic because states do not always show their true preferences through alliance portfolio. Besides, alliances are a relatively rare occurrence in the contemporary international system. This causes some validity issues when we adopt alliance portfolios to represent states' interests.

This dissertation adopts a different approach from previous studies. With the confirmatory factor analysis introduced, it helps us solve the complexity by mapping out the structures of interests. The statistical results in Chapter Two offer parsimonious evidence for the core value of states' interests. Interests basically contain three types of policy concerns: security, community, and economic domains. These three types of concerns in turn are important determinants covering wide ranges of specific interests for countries in the world. The theoretical and empirical discussions in Chapter Two clearly point out that there is a hierarchical structure within the belief system of all countries when making decisions on their policy choices. One of

the advantages of using this method is that we can easily identify how and under which conditions states organize their specific policy interests.

Chapter Three, after assessing the face validity of the operationalizations of the key variable, probed the plausibility of the five central hypotheses with statistics. We cannot say whether a particular hypothesis is fully supported by these initial probes, but we can say whether the hypothesis appears more plausible on its face. This chapter investigated the occurrence of general interest similarity, including different policy concerns in security, economic, and community similarity, and their pacifying impacts on interstate conflicts. From Table 3.1, we are able to see that there was a strong support for hypothesis one with the general indicator of interest similarity. It informs us that dyads with greater levels of interest similarity had fewer MIDs onset. From Table 3.1, we also can confirm that the pacifying effects of security and economic interest similarity are supported (hypothesis two and three in Chapter Three). However, it was only hypothesis four, which showed that community interest increases peace among states, that failed to receive the possible support.

There was also strong support for hypothesis five. We already know from previous research that the relationship between democratic and non-democratic countries is not as peaceful as other dyads (Russett and Starr 2000). However, mixed dyads are still likely to maintain peace if they have similar ideas about world politics. The empirical evidence has shown that there is a general interest-to-peace phenomenon for the mixed-dyads model, especially when they encounter security relevant issues. Mixed dyads with relatively high security interest dissimilarity experienced most of the interstate conflicts.

The results from Chapter Three provided added support for the five central hypotheses as we moved to the multivariate tests of the theory. Since Chapter Three mainly tested the onset of militarized conflicts, Chapter Four discussed particular instances of conflict escalation. A selection model was used to conduct the tests in

this chapter because of the concern that selection bias would become an issue if we looked only at the dyads that had conflicts. The support for the two hypotheses in Chapter Four mirrored the support received in the empirical examinations in Chapter Three. It shows that interest not only influences conflict onset, but also escalation.

The argument that interest similarity creates pacifying impacts on conflict escalation was clearly supported in the multivariate tests in Chapter Four by the presence of statistically significant terms. The empirical result in the first model (Chapter Four) demonstrates that the degree of security interest similarity should decrease conflict severity. The statistical results in Table 4.1 confirm hypothesis 1a in this chapter. In addition, the results from Table 4.2 also lend strong support to the notion that security interest not only has effect on the all-dyad model, but also on the mixed-dyads model (hypothesis 2a).

Based on the statistical results from Chapter Three, states with similar economic interests will tend to have a lower possibility of conflict onset. Therefore, this dissertation offers a useful linkage connecting the theoretical arguments with current discussions in capitalist peace literature. Different kinds of capitalist peace models were distinguished and discussed in the last empirical chapter. I then adopted four different prestigious capitalist models in Chapter Five: trade, capital openness, size of public sector as free-trade market, and contract-intensive economy as social-market theory for the further inspections. Analyses of these causal mechanisms indicate that not all previous capitalist theories are viable explanations for world peace. The model of the public sector has the weakest relations with other capitalist idea, and also was trivially related with democracy.

Applications of the theories to the peace of cross-Strait relations yields similar results. An examination of this case study in China's economy and its relationship with Taiwan illustrates how economic interest affects both Beijing and Taipei's concerns in domestic politics and foreign policy decisions. I chose this dyad because even

though China shows no intention of initiating its democratization, and Taiwan has experienced many years of "coherent" democracy since 1992, the two countries in this dyad still have maintained a peaceful bilateral relationship for the past 40 years. From 1960 to 2000, only one militarized interstate dispute occurred between these two countries, and it did not result in fatalities. Thus, we need an examination of this case study in China's economy illustrating how economic interests might affect both Beijing and Taipei's concerns in domestic politics and foreign policy decisions. It is the presence of economic interests which have some effect in the reduction of large scale militarized disputes between these two countries.

An important lesson from this dissertation is that the ability to make such a detailed statement about how certain interest similarity within a dyad will make conflicts more, or less, likely is not possible unless we posit this question by including both the democracy variable and a variable measuring interests. This is what scholars tells us to do, and when we do it, we are rewarded with rich findings that help us to answer the valuable 'democracy-interest' question. Simply having measures of both variables with single indicator, however, is not enough. Without a clear investigation of the content and latent framework of national interest, we will reach the same results: inconclusive discussions and debate about the causal relationships between democracy and interest. This is why the results reported here differ from, and in fact improve upon, the existing literature.

6.2 Improving and Extending the Discussions of Interests

This dissertation has largely been about answering the 'democracy-interests' question. While this is a fairly narrow question, its centrality to research on international conflicts introduces the importance of examination. The Kantian triad has talked about the notion that peace is the result of multiple and overlapping liberal behaviors, and national interest is one of the products from democracy. However, neorealism

primarily refutes this type of claim and proposes that the notion of states' interests need to be considered when we focus on the theory of international conflicts (Layne 1994; Farber and Gowa 1995). The reason why Western democracies do not fight against each other is that they view the world in a similar way, and they do not declare violent war due to those similarities. By incorporating interests into a democracy based explanation for international conflicts, the dyadic theory of conflict confronts a larger theoretical and empirical debate between scholars operating within the realist paradigm and those working within the liberal paradigm. Specifically, it directly confronts a core claim of modern democratic peace theory and it offers an answer to one of the key questions that is at stake in the debate between these two paradigms.

This dissertation sheds light one of the major topics in the study of international conflicts. As I discussed in Chapter One, the debate about whether interest itself directly causes conflicts or the causal inference on conflict is indirectly attributed to democracy has not been solved yet (Oneal and Russet 1999*b*; Gartzke 2000). In my view, the causal linkage between interests and conflict is real, and we should not ignore seeking out a broader theoretical and empirical explanation about this causal linkage. In addition, states' interests should not be merely an artifact of democracy (or liberal variables) as Oneal and Russett promote, and their effects on disputes need to be studied with a more complex model and revealing their direct effects on conflicts. As I model in the dissertation, one important question that has been answered here, and I would submit it has been answered in an interesting way, is whether interest itself has a direct effect on interstate conflicts. If we take the modern liberal arguments as the major theory, we probably cannot have a comprehensive picture about the direct effects of interests on peace. The critically pacifying effects of national interests will be concealed by the discussions of regime theory. Thus, it becomes a necessary process to investigate these two variables, democracy and interests again, to help to unpack a fuller causal relationship between them. This

question is still vitally important because the two variables are central parts of many theoretical explanations of conflicts.

Through the tests conducted above we were able to establish two findings that should be critically important to all parties in the paradigmatic debate. First, democracy and interests have a larger substantive effect on conflict onset than the other control variables. These control variables include other individual Kantian Peace indicators (trade and international institutions) and power ratio. In all cases, the two key variables have a greater substantive effect and give a relatively parsimonious and powerful explanation of international conflicts. Second, and perhaps most importantly, we were able to show that the relative importance of the interest variable is direct related to conflict, even though we exclude the variable of democracy from our equation. Based on the result from model 5a (Chapter Three), we probably can conclude that the effect of interest on peace is not indirectly caused by other liberal variables. This is a finding that also squares with Gartzke's argument (Gartzke 2000). Taken as a whole, these points illustrate that the dyadic theory of conflict not only speaks to the well-known 'democratic peace theory', but also relates to one of the major ongoing debates in the field.

6.3 Future Research: Better Operational Indicators and Better Policy Implications

This dissertation attempts to offer an alternative thought and operation on the interest similarity measure. The measure employed in this dissertation is, in fact, beyond the state of the art. Scholars have shown that S is superior to the standardly used Tau_b as a measure of interest similarity (Signorino and Ritter 1999). Even though S scores have been increasingly considered as one of the most appropriate indicators of interest similarity recently, there are still some improvements need to be done. For instance, S scores still adopt a single indicator as the measure of policy similarity,

which have similar problem as we use alliance portfolios. States' interests are such an abstract concept, and we lack a true and multidimensional measure in this discipline. Thus, we need to begin to address this problem by forming a latent framework with a multidimensional indicator of interest similarity.

Sweeney and Keshk (2005) address the multidimensional issue by combining different indicators, such as trade, regime type, international governmental organization memberships, and diplomatic missions, into one single indicator to represent the concept of interest. Different from what they have done previously, this dissertation tries to use a latent variable analysis to discover the critical objectives and structures behind the abstract concept. By mapping out the structure of states' interest system, we are able to realize the details of specific interest items, and the relationship between interest objectives and items. This research still holds the promise of arriving at a multidimensional indicator of interest that does not need to combine each interest indicator but quarries the real meanings and implications for each national interest. This is a very important task because in the preceding chapters we have been able to establish that interest similarity is as important as democracy when it comes to interstate conflicts.

As the example of American wars in Afghanistan and Iraq demonstrate, policy makers have been combined the democratic peace argument with the crusading spirit in the near past (Russett 2005). It has been considered as one of the less successful methods of bringing democracy to poor or oil-export countries with autocratic regimes. Therefore, if the spread of Western democracy becomes less successful, the other type of critical values which cause peace in the world must be considered with more care. As I mentioned in the analytical chapters in this dissertation, there are different types of national interests which can make states more 'alike.' If two countries share similar interest in a free market system, such as capital market integration, protectionism, or economic freedom, they are more likely to promote peace due to these

economic similarities. They do not need to be similar in regime types, but similarity in economic systems will bring strong incentives for states in the dyad to promote peace; this is a phenomenon that is well developed in the literature on international regions–both of coordination or collaboration.

Then, if we apply these arguments above into a regional study, especially in East Asia, we will find that the Sino-American dyad or even the China-Taiwan dyad, which have demonstrated strong and growing economic ties, need not wait for regime similarity, democratization, or other political agreements to maintain dyadic peace. China's positive response to the economic development in the world market and its lack of readiness for the regime change based on Western democratic values also have shown the feasibility of economic interest similarity. Thus, democratic peace becomes a less achievable goal for China now. If this is the case, then both leaders in Taiwan and the United States should reconsider the importance of economic preferences rather than other political ideas to change the domestic and international atmosphere in East Asia.

6.4 Future Research: Relevant Issues and Future Projects

In this project, I propose alternative explanations of the democratic peace which are derived from psychological theories. These explanations explicitly incorporate states' interests, foreign policy, and images about how we can identify enemies and friends. In general, I attempt to focus on the discussion of interest when studying peace.

We need to prioritize the issue of interest and identity because they belong to two different concepts. For instance, in order to build the identity within a political group, people are more acceptant of those who are similar in their preferences and distance themselves from those who are dissimilar. In other words, interest will generate closeness and identification, which also bring fewer conflicts and more cooperation.

However, there is a different direction in the causal relations between interest

and identity. Identity may generate similar interests if members in the same groups enhance their own sense of self-worth. Self-esteem is further increased by the belief that one's own groups are "better" than another group, and members' self-identity becomes tied to the reference group and to ensuring its importance and worth compared to other groups. As a result, people learn to defend those groups which are important or similar to them, and to differentiate between those groups which are less familiar with them. If members' identification with the group is strong, they are more likely to hold similar interests or strategies with that group. In this way, group identity creates similar interests through members' shared value in one particular group.

Because of the significance of identification, another project is necessary in order to manage the endogenous issue here. Such a study could illuminate whether interest similarity generates identity or vice versa. If identity does affect states' interests, and interests affect the probability of subsequent disputes, this should be seen as reciprocal relations. Once these data are ready we can also address questions of causality. This poses difficult conceptual and methodological challenges, but possibly simultaneous equations or autoregressive techniques would clarify the interrelationships. The links connecting interests, identity, and interstate conflict need to be explored.

Second, it is possible to expand the discussions of interest and conflict beyond the current limits of state-centric analysis. Such an extension is desirable. In this study, I use state as the level of analysis because the state is viewed as a unitary actor under the basic assumption of international relations. Still, we can not preclude the considerations of domestic leaders or political elites' preferences, especially when we realize how interests of the domestic players significantly impact states' behavior. A future project needs to include those individuals joined together into various types of coalitions which have powers and interests in the decision-making process.[1] A future

[1]As Gilpin proposes that "it may be conceived as a coalition of coalitions whose objectives and

project may discuss how personal and group interests, or the interactions between these two, influence states' foreign policy or conflict behavior.

When we apply the importance of personal and group interest to the studies of cross-Strait relations, it cautiously reminds us that it is difficult to use a single-actor model to represent the complexity of states' interest in Taiwan. The ruling party, *Kuomintang*, has eagerly progressed a more pro-China strategy while the opposition party, *Democratic Progressive Party*, still plays a successful role by containing the government. The political tug-of-war increasingly polarizes the people and society in Taiwan. Therefore, we need to dedicate our efforts in the future project of the cross-Strait relations to discussing interests from the competing parties, local government officials, or the voices from political elites. Only through careful illustrations with multiple dimensions of Taiwan's interests can we realize how interest similarity creates pacifying impacts on the cross-Strait.

An important lesson from this dissertation is that the ability to make such detailed statements about when certain economic interest similarity within a dyad will make conflict more or less likely. This is what liberal theory tells us to do, and when we do it, we are rewarded with rich findings that help us to answer the longstanding "economic interdependence" question. In fact, one of the findings from this project corresponds to Russett and Oneal's arguments about economic interdependence and peace. The measurements of economic interests in this work provide alternative indicators of preferences which differ from Gartzke or Farber and Gowa's concepts. Given the empirical results, economic interest similarity is associated with peaceful relations at a level of significance. This concludes that economic interests capture the apparent effect of liberal variables on disputes, and separate peace among countries has been the result of congruent economic interests. The theoretical interpretation of the role that

interests result from the powers and bargaining among the several coalitions composing the larger society and political elite" (Gilpin 1983, 19).

preferences play in motivating states to use force receives some developed arguments. Shared interests, especially in security and economic aspects, undoubtedly reduce the incentives for interstate violence. The theoretical and statistical results here demonstrate a useful connection bridging Russett and Oneal and Gartzke's arguments and also explore their differences of opinion.

The notion of mutual interests also has a strong influence on the rising China issue. China's recent leaders have largely abandoned Marxist economics and vigorously embraced capitalism and more open markets in an attempt to modernize the nation. In China, the West confronts not an expansionist regime driven by a fundamentally different ideology but a growing power governed by a variant of Asian authoritarianism. Certainly, the Chinese have given no indication that they seek to export their particular form of government by force. Indeed, they seem prepared to learn from the West in the economic realm. In other words, politicians in China attempt to imitate and learn what the West prefers. If this is the case, both the United States and Taiwan need to adjust their policy toward Beijing. Discovering the mutual benefits of either economic or security with mainland China becomes the priority. For instance, the United States must pay careful attention to the issue of Taiwan; in particular, Taiwan is apt to become an increasingly thorny issue as the regional balance of power shifts toward China. Taiwan cannot afford to incite Beijing by a declaration of independence. Such an act might provoke an attack by the mainland and endanger the support the United States and its allies that extend to Taiwan. Deterrence by the West has a role to play in allowing this situation to be settled peacefully, but only in combination with a policy of engagement and respect for China's territorial integrity. This is the place where interest similarity could provide some functions.

China and Taiwan have consistently become more economically interdependent. To maintain these interests from investors and traders, both sides will have to retain this regional economy, with the constraining links of interdependence that entails, and

not become a military threat to each other. In fact, the more commercial benefits given by trade or other economic activities, the harder China and Taiwan will be to reverse direction. This makes it unlikely that China will choose confrontation, and Taiwan does not choose a more provoking attitude toward China. All in all, this is an area into which the interest similarity and cross-Strait relations should be pushed.

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Appendix A

Robust Test for Table 3.1

Table A.1: Probit Model of Interest Similarity on MID Onset

	1a	2a	3a	4a	5a
Security Interest	-0.022**	-0.022**		-0.023**	
	(0.010)	(0.010)		(0.010)	
Community Interest	-0.008	-0.008	-0.010		
	(0.011)	(0.011)	(0.011)		
Economic Interest	-0.018*		-0.017*	-0.017*	
	(0.009)		(0.009)	(0.009)	
INTEREST					-0.077***
	(0.027)				
Democracy(Low)	-0.027***	-0.027***	-0.029***	-0.027***	
	(0.006)	(0.006)	(0.006)	(0.006)	
Democracy(High)	0.008*	0.009**	0.011**	0.008*	
	(0.004)	(0.004)	(0.004)	(0.004)	
Interdependence	-15.345***	-14.920***	-15.158***	-15.271***	
	(5.066)	(4.981)	(4.997)	(5.065)	
Joint IGO	0.008***	0.008***	0.008***	0.008***	
	(0.002)	(0.002)	(0.002)	(0.002)	
Capability	-0.237*	-0.242*	-0.234*	-0.234*	-0.248*
	(0.134)	(0.135)	(0.134)	(0.134)	(0.130)
Contiguity	0.915***	0.912***	0.906***	0.914***	0.884***
	(0.071)	(0.071)	(0.070)	(0.071)	(0.073)
Distance	-0.170***	-0.169***	-0.171***	-0.171***	-0.163***
	(0.030)	(0.030)	(0.030)	(0.030)	(0.026)
Major Power	0.459***	0.469***	0.451***	0.461***	0.414***
	(0.076)	(0.075)	(0.076)	(0.076)	(0.073)
Constant	-1.256***	-1.269***	-1.277***	-1.257***	-0.933***
	(0.275)	(0.274)	(0.273)	(0.275)	(0.227)
Observations	61531	61531	61531	61531	61531
Log lik.	-1257.029	-1258.407	-1258.706	-1257.370	-1281.903
Chi-squared	899.894	900.406	898.377	885.166	898.968

Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

Appendix B

Robust Test for Democratic Dyads

Table B.1: Probit Model of Interest Similarity on MID Onset

	1b	2b	3b	4b	5b
Democracy(Low)	0.013	-0.086*	-0.092*	-0.091*	-0.091*
	(0.026)	(0.047)	(0.047)	(0.047)	(0.048)
Democracy(High)	-0.102*	-0.003	0.007	0.006	0.003
	(0.054)	(0.096)	(0.098)	(0.099)	(0.098)
Interdependence	-19.096*	-13.912	-14.935	-14.914	-14.676
	(10.270)	(9.625)	(9.829)	(9.827)	(9.708)
Joint IGO	-0.001	0.005	0.004	0.005	0.005
	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)
Capability	0.046	0.065	0.019	0.018	0.026
	(0.278)	(0.425)	(0.418)	(0.419)	(0.416)
Contiguity	0.517***	0.757***	0.797***	0.795***	0.791***
	(0.123)	(0.170)	(0.175)	(0.172)	(0.177)
Distance	-0.278***	-0.224**	-0.219**	-0.223**	-0.222**
	(0.069)	(0.107)	(0.110)	(0.106)	(0.110)
Major power	0.420***	0.430**	0.407**	0.404**	0.421**
	(0.114)	(0.175)	(0.177)	(0.188)	(0.175)
Security Interest		0.060			
		(0.038)			
Community Interest			-0.010		
			(0.042)		
Economic Interest				-0.007	
				(0.031)	
INTEREST					0.022
					(0.119)
Constant	0.627	0.140	0.093	0.124	0.139
	(0.773)	(1.244)	(1.261)	(1.258)	(1.275)
Observations	25190	12690	12690	12690	12690
Log lik.	-322.709	-145.717	-146.443	-146.509	-146.492
Chi-squared	262.922	130.347	135.958	135.053	134.320

Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

Appendix C

Robust Test for Autocratic Dyads, 1950-1992

Table C.1: Probit Model of Interest Similarity on MID Onset

	(1c)	(2c)	(3c)	(4c)	(5c)
Democracy(Low)	0.003	0.013	0.013	0.012	0.014
	(0.020)	(0.029)	(0.029)	(0.029)	(0.029)
Democracy(High)	0.009	-0.006	-0.005	-0.006	-0.006
	(0.010)	(0.014)	(0.014)	(0.014)	(0.014)
Interdependence	0.230	3.374	3.566	4.901	3.552
	(4.803)	(4.654)	(4.665)	(4.757)	(4.688)
Joint IGO	0.002	0.004	0.004	0.005	0.004
	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Capability	-0.114	-0.160	-0.163	-0.166	-0.166
	(0.166)	(0.226)	(0.227)	(0.227)	(0.227)
Contiguity	1.154***	1.238***	1.237***	1.230***	1.237***
	(0.093)	(0.132)	(0.133)	(0.133)	(0.133)
Distance	-0.145***	-0.061	-0.060	-0.067	-0.061
	(0.037)	(0.049)	(0.049)	(0.049)	(0.049)
Major power	0.554***	0.019	0.037	0.093	0.025
	(0.109)	(0.340)	(0.342)	(0.362)	(0.344)
Security Interest		-0.009			
		(0.026)			
Community Interest			-0.006		
			(0.017)		
Economic Interest				-0.050***	
				(0.016)	
INTEREST					-0.039
					(0.056)
Constant	-1.413***	-1.960***	-1.970***	-1.932***	-1.960***
	(0.337)	(0.471)	(0.468)	(0.465)	(0.468)
Observations	31710	17231	17231	17231	17231
Log lik.	-892.487	-477.634	-477.623	-473.417	-477.441
Chi-squared	595.562	285.260	293.416	276.293	287.461

Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01