Good Neighbors: Trade, Culture, and Institutions in the Resolution of Territorial Disputes

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Good Neighbors:
Trade, Culture, and Institutions in the Resolution of Territorial Disputes

A thesis submitted in partial fulfillment of the requirement
for the degree of Bachelor of Arts in International Relations from
The College of William & Mary

by

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Abstract:

The importance of territory is undeniable, and so it is perhaps unsurprising that throughout history territorial disputes have been the principal source of conflict leading to war. However, while wars are often linked to territorial disputes, territorial disputes often pose little risk of war. The differences between the territorial disputes that lead to conflict and those that do not are essential, for within them is the key to identifying the causes of war, predicting sites of future conflict, and preventing conflict.

This research seeks to expand understanding of how violent or peaceful resolutions to territorial disputes are linked with bilateral trade and cultural and institutional differences and similarities. Through this research, the theories of economic interdependence, the clash of civilizations, and the democratic peace are examined as they apply to the decision-making processes of challengers in territorial disputes. Through a combination of a quantitative analysis and cases studies, the results revealed that the theories of economic interdependence and democratic peace were broadly supported in their application to territorial disputes, while the theory of the clash of civilizations was not. Thus, the continued proliferation of trade and democracy shows promise in increasing the likelihood of peaceful negotiated solutions to territorial disputes around the world.
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Preface: Motivation and Acknowledgements

Michael was ready for war. I was not. I was contentedly planning to spend my first Spring Festival in China with him and his family, experiencing the customs of the Bai minority group with the first friend I had made in China. While he welcomed my visit, he warned that he would be unavailable if China went to war with Japan. In that case, he informed me that he would join the army to defend China's claim to the barren rocks in the East China Sea called the Diaoyu Islands by the Chinese and the Senkaku Islands by the Japanese.

Even if I had been unaware of the Senkaku/Diaoyu Islands dispute before the start of my year abroad, I would have been quickly disabused of my ignorance. Nationalist TV reporters and belligerent train passengers continuously explained to me the fault in Japan’s imperialist claim. This, along with the Western media’s insistence on explaining the dispute as the aggression of a rising power, engendered in me a desire to more fully understand the forces at work.

This conversation led me to choose to do a thesis on territorial disputes. It was shocking to me how impassioned my friend got over a small and uninhabited (though strategically and economically important) group of rocks thousands of miles away. Before I traveled to China the very idea of China and Japan going to war over the islands seemed ridiculous. Why jeopardize the millions upon millions of dollars’ worth of trade and investment in both countries? The passion and emotion displayed made the possibility a reality.

The next seventy-some pages are all part of my attempt to better understand these complex issues and to share that understanding with those interested. I could not have done this work without the help of Jake Douglas and Grace Perkins, both of whom helped me
transfer my thoughts onto paper. I would also like to thank Professor T.J. Cheng, who supported me even as we were hundreds of miles apart, as well as Dennis Smith, Mike Tierney, Kim Van Deusen, and Chris Payton, all of whom supported me in their own way. Also, William Camarda, Jeanne and Patrick Cumby, Betty Burgner, Maria Marinelli, and David and Mary Lynn Kolhoff all helped support my summer honors research financially; the final product would not be as good without that extra time. Finally, I would like to thank Michael for helping me see the issue more clearly.

Chapter One: Introduction

"I shall never sell the land! Bit by bit, I will dig up the fields and feed the earth itself to the children and when they die I will bury them in the land, and I and my wife and my old father, even he, we will die on the land that has given us birth."²

Wang Lung in The Good Earth by Pearl Buck

In the eyes of Wang Lung, land is life. For states facing challenges to their sovereignty through territorial disputes, land represents a similarly indispensable element of their survival. For politicians, territorial disputes represent the possibility of electoral victory or defeat; for citizens, they represent the heartlands of their ancestors as well as the strength or weakness of the nation. Politicians like Japanese Prime Minister Shinzo Abe demonstrate the importance of territorial disputes by continuing to stress that “the Senkaku islands are inherently Japanese territory” even as the dispute drives a wedge ever deeper into Sino-Japanese relations.²

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Protesters in Manila demonstrate territory’s importance to them as they march through the streets demanding the People’s Republic of China (hereinafter referred to as China) respect Philippine sovereignty in the South China Seas. In Argentina, politicians and a supportive public protest that the United Kingdom “has refused to return [las Malvinas (the Falkland Islands)] to the Argentine Republic, thus preventing it from restoring its territorial integrity.”

The existence of the modern state is inextricably linked with the ability of that state to exert sovereignty over territory. Article 1 of the 1933 Montevideo Convention on the Rights and Duties of States codified this concept into international law by explicitly laying out “a defined territory” as an essential qualification for statehood. Territory also serves as a source for raw materials, a strategic staging area, a real world target of nationalist energies, and, in a basic sense, a measure of state power.

The importance of territory is undeniable, and so it is perhaps unsurprising that “throughout history territorial disputes have been the principal source of conflict leading to war.” While territorial conquest has become looked down on as a regular functioning of the state since the end of World War II, territorial disputes remain a central feature in the international system, with over one hundred disputes since 1945, many of which have yet to be resolved. Moreover, territorial disputes have played a central or supplementary role in many

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4 Beth Simmons, "Capacity, Commitment, and Compliance: International Institutions and Territorial Disputes," Journal of Conflict Resolution, 46. no. 6 (2002), 829-856; Sumner 2004
7 Huth, Standing Your Ground, 5-7.
of the world’s most recent conflicts as well as a number of currently contentious international relationships. Consider, if you will, the Iraqi invasion of Kuwait, the Ethiopia-Eritrea war, the Palestinian-Israeli conflict, the conflict over Kashmir, and the rocky relations between China and Japan due to their dispute over the Senkaku/Diaoyu Islands. Territorial disputes played a part in them all.

However, while wars are often linked to territorial disputes, territorial disputes often pose little risk of war. The differences between the territorial disputes that lead to conflict and those that do not are essential, for within them is the key to identifying the causes of war, predicting sites of future conflict, and preventing conflict.

I undertook this research to expand understanding of how violent or peaceful resolutions to territorial disputes are linked with bilateral trade and cultural and institutional differences and similarities. Through this research, I explored the theories of economic interdependence, the clash of civilizations, and the democratic peace and how they applied in the decision-making processes of challengers in territorial disputes. Through a combination of a quantitative analysis and cases studies, the results revealed that the theories of economic interdependence and democratic peace were broadly supported in their application to territorial disputes, while the theory of the clash of civilizations was not.

I will begin by overviewing past literature on the subject of territorial disputes before examining the competing theories of trade, culture, and institutions as they apply to territorial disputes. After outlining several suspected hypotheses, I then describe the methodology used in the obtaining and analyzing of the quantitative data. I next set out the results of the

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quantitative analysis and discuss their significance. Finally, I explore the effect of trade, culture, and institutions in-depth through three case studies.

Chapter Two: Literature Review and Theory

Past research on territorial disputes fits well into realist, liberal, or constructivist views of international relations. However, it should be noted that many if not most researchers combine aspects of two or three theories in seeking to explain the differing conclusions of territorial disputes. In general, scholars tend to debate the strongest explanatory variables rather than discounting others entirely.

A Realist Approach to Territorial Disputes

Realist explanations of the violent or peaceful resolution of territorial disputes rest largely in power politics. They focus on explanatory variables such as differences in military power, the economic and strategic value of disputed land, and state credibility and their effect on the outcome of territorial disputes. Power explanations view asymmetrical military power balances as more likely to end peacefully as weaker states curb to the demands of their stronger neighbors. Explanations focused on the value of the disputed land, whether economic or strategic, see conflict more likely in highly valued land as the cost of compromise, causing each state to lose a portion of the territory, becomes greater. Researchers focused on

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10 Forsberg, "Explaining Territorial Disputes," 433-449.
12 Kacowicz, *Peaceful Territorial Change*, 669-71
state credibility, meanwhile, see peaceful settlement of disputes possible only if “promises not
to attack are credible,” making higher credibility of both states lead to more peaceful
outcomes.\textsuperscript{14} Overall, these Realist explanations seek to explain territorial disputes as if the
states involved were unitary actors, combatants of different size, strength, and reliability
fighting over prizes of varying value. Liberal explanations, meanwhile, explore the inner
workings of states and the effects of international organizations.

\textit{A Liberal Approach to Territorial Disputes}

Liberal explanations tend to focus on political regimes, economic integration, diplomatic
globalization, and domestic politics. Research on the effect of differences in political regimes on
the outcomes of territorial disputes is especially prolific, as it supports the well-known theory of
the democratic peace, which states that democracies will not go to war with each other.
Likewise, this explanation theorizes that states that are both democracies are unlikely to have
violent conclusions to territorial disputes.\textsuperscript{15}

Research examining the effect of economic globalization on territorial disputes is a
recent addition to the field, with researchers measuring whether levels of foreign direct
investment affects the resolution of disputes.\textsuperscript{16} This research views higher levels of foreign
direct investment as leading to more peaceful and conciliatory behavior in disputes.\textsuperscript{17} Other
research has examined the economic incentives involved in settling of territorial disputes,

\textsuperscript{14} Grossman, \textit{Peace and War in Territorial Disputes}, 4-18.
\textsuperscript{15} Paul K. Huth and Todd L. Allee, \textit{The Democratic Peace and Territorial Conflict in the Twentieth Century},
\textsuperscript{16} Hoon Lee, "Economic Globalization and Territorial Disputes," Economic Globalization and Territorial Disputes,
\textsuperscript{17} Ibid.
claiming that disputes stifle bilateral trade as well as economic activity around the disputed border, which thus acts as an incentive for both sides to settle disputes.\textsuperscript{18}

The diplomatic intervention explanation views intervention by a third party, whether biased toward one party or not, as leading an increased possibility of a peaceful settlement, using the Camp David Accords and the Papal intervention in South America as evidence.\textsuperscript{19} Researchers focusing on domestic politics view irredentist claims and the nationalist claims they inspire as variables making violent outcomes to territorial disputes more likely.\textsuperscript{20}

Explanations of domestic politics can be contradictory in other aspects. Some researchers claim that domestic unrest is likely to lead to peaceful outcomes as states seek to stabilize their international situation so they can focus on internal affairs, while others claim that states will seek war as a diversion from internal dissatisfaction.\textsuperscript{21} With dueling evidence of peaceful resolution by China and Nepal during the Tibetan uprising in 1959 and war between Argentina and Great Britain when the Argentine regime was unpopular, both explanations are difficult to generalize.

\textit{A Constructivist Approach to Territorial Disputes}

Constructivist explanations focus on norms of international law and morality and cultural narratives. The explanation of international law is similar to that of democratic institutions, stating that if countries share a common understanding of international law then

\begin{itemize}
  \item \textsuperscript{18} Simmons, "Capacity, Commitment, and Compliance," 829-856.
  \item \textsuperscript{19} Kacowicz, \textit{Peaceful Territorial Change}, 48-51.
  \item \textsuperscript{20} Huth, \textit{Standing Your Ground}, 80-5.
\end{itemize}
peaceful settlement is more likely.\textsuperscript{22} Cultural narratives are used by researchers to explain the popular cultural beliefs that lead people to place value on certain territory. These narratives can lead to peaceful or violent outcomes depending on their content.\textsuperscript{23}

This research will focus on the decisions of states in three distinct stages of territorial disputes as identified by Paul Huth and Todd Allee, namely the status quo stage, the negotiation state, and the escalation stage.\textsuperscript{24} Within the status quo stage, the challenger in the dispute has the option to follow the status quo, threaten the use of force, or initiate talks. In the negotiation stage, the challenger has the option to offer concessions or not, while in the escalation stage the challenger has the option to escalate to a militarized conflict or not.

This research will examine the effects of institutional similarity, cultural similarity, and economic integration on those decisions. While Paul Huth and Todd Allee have made extensive and valuable contributions to the literature in their research on the democratic peace and territorial conflict, this research will examine the variable within the context of culture and economics.\textsuperscript{25} Past research on the effect of cultural similarities in territorial disputes is almost nonexistent, so this research attempt to add this crucial dimension to the study of conflict and territorial disputes. The effect of economic integration on territorial disputes, meanwhile, has received little attention in past research. Hoon Lee has examined the effect of FDI flows on the decisions of states in the three stages of disputes, and found that increased flows reduced the chance of militarized conflict.\textsuperscript{26} This research will examine this claim in further depth, using

\textsuperscript{22} Kacowicz, \textit{Peaceful Territorial Change}, 46-8; Forsberg, "Explaining Territorial Disputes," 433-449.
\textsuperscript{24} Huth and Allee, \textit{The Democratic Peace and Territorial Conflict in the Twentieth Century}, Chapter 2.
\textsuperscript{25} Ibid.
\textsuperscript{26} Lee, "Economic Globalization and Territorial Disputes."
total trade flows to examine a variable that is especially pertinent to the disputes that are most in the news today, such as those between China and its neighbors.

Readers interested in the causes behind territorial disputes or the rationale behind states seeking third-part arbitration versus bilateral negotiations or the International Court of Justice will have to look elsewhere.²⁷

The Theory of Economic Interdependence and Peace

The theory that trade and economic interdependence are conducive for interstate peace finds its theoretical underpinnings in Immanuel Kant’s 1795 essay, “Perpetual Peace.”²⁸ From these initial ideas has sprung a large and lively academic literature on economic interdependence and peace. Outside of academia, the theory gained a large following before the First World War with Woodrow Wilson as its flag-bearer, and then lost traction following the Second World War. However, since the end of the Cold War and the rise of globalization, the theory of economic interdependence has become increasingly popular. It has, in conjunction with the theory of the democratic peace, become a key assumption at the heart of much of U.S. foreign policy. The benefits of trade for peace have become so prevalent so as to have become a part of the national mind set. This is evident in the fact that currently, people arguing that war is likely between China and Japan or China and the United States must first

²⁷ Look at Forsberg 1996 for the causes behind territorial disputes and Simmons 2002, Copeland 1999, and Sumner 2004 for the rationale behind states seeking third-part arbitration versus bilateral negotiations or going to the International Court of Justice.

prove that the idea is not as preposterous as it may seem given the spectacular levels of trade between them.\(^{29}\)

The most commonly articulated mechanism behind the theory is simple. First, it assumes that trade is beneficial for both parties. War or conflict will slow or halt trade altogether, adding an additional cost to the states in terms of the lost benefits from trade.\(^{30}\) In essence, the theory states that trade raises the opportunity cost of engaging in militarized actions.

Hoon Lee identified one mechanism through which foreign direct investment in particular (not necessary from the other disputant state) influences territorial disputes.\(^{31}\) As conflict threatens to break out in a region, investors put a significant amount of pressure on disputant governments to compromise in order to protect their investments. For example, Japanese investors threatened to cease their investment in Chechnya until the violence over the issue of Chechnyan independence was resolved in Russia.\(^{32}\) Similarly, foreign direct investment can increase the cost of pursuing territorial disputes for states as investment flees conflict-prone areas.\(^{33}\)

In the era of globalization and extensive trade, war is made so expensive that few states will choose to engage in it, and are instead much more likely to seek compromise. Thus, the


\(^{31}\) Lee, "Economic Globalization and Territorial Disputes."

\(^{32}\) Ibid.

\(^{33}\) Ibid.
policy prescription that follows from this theory would be that states should seek to promote trade not only to enjoy the benefits of trade, but also to promote peace.

*Critiques to the Theory of Economic Interdependence*

There are several possible critiques to this theory. Academics such as Kenneth Waltz argue that the term “economic interdependence” is a misnomer, as it implies equality in dependence, which is not the case. Rather, Waltz argues, there is significant inequality in dependence in trade, creating leverage over the more dependent state.\(^{34}\) Moreover, Waltz points out that great powers are largely immune to the pacifying effect of trade, since the majority of great power trade takes place within borders rather than across them.\(^{35}\) Thus, economic interdependence not only has very little pacifying effect on great power relations, but also has the potential to have the reverse effect as the less dependent state uses the economic dependence as leverage against the more dependent state.\(^{36}\)

However, Waltz fails to take into account that while states may use unequal economic dependence as leverage in international relations, it does not necessarily mean that economic interdependence is not a cause of peace. As a source of power and leverage, economic dependence could well be a force for peace by providing states with a non-violent method of coercion. Whereas in the past there were few policies available to foreign policy-makers

\(^{34}\) Kenneth N. Waltz, "Globalization and Governance," *PS: Political Science and Politics*, 32.4 (1999), 693.
\(^{35}\) Ibid.
beyond war-making, economic interdependence adds tools such as sanctions, tariffs, and export bans.

This economic leverage has been used a number of times in recent history. The West is currently taking advantage of Iran’s comparative economic dependence on the world in the form of sanctions to try to restrict Tehran’s nuclear program. In 2013, China exploited Japan’s dependence on Chinese exports of rare earth metals to force Tokyo to extradite a Chinese fishing boat captain arrested for purposely colliding with a Japanese coast guard vessel near the disputed Senkaku/Diaoyu Islands. In both of these situations, states, like Waltz suggested they would, leveraged economic dependence in order to achieve foreign policy goals. However, what Waltz does not recognize is that it is partially through that economic leveraging that economic interdependence acts as a force of peace, since it has, in both cases, been used when military options were on the table, but were not chosen partially due to the existence of economic leverage.

Waltz also points out the difference in economic interdependence between sensitivity and vulnerability. While states may by sensitive to sudden cuts in trade, meaning that they experience an immediate drop in welfare, that does not mean they are at all as vulnerable to stopping trade, meaning that their welfare returns to close to previous levels in the long-run.

Waltz argues that most talk about economic interdependence is considering sensitivity rather

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37 While multilateral sanctions may seem like they do not belong as a mechanism through which trade creates peace, consider the other possible reactions by the West to Tehran’s nuclear program—most scenarios include war. Through sanctions, states are able to coerce without violence.
39 Waltz, “Globalization and Governance.”
than vulnerability, and therefore fails to take into account both the actual possible causal mechanisms at play in trade as well as the abovementioned inequality in dependence.  

Waltz’s arguments do not consider other possible pacifying effect of trade. For example, increased trade likely means a larger amount of person-to-person exchange, increasing empathy between the cultures. 

Furthermore, trade creates a large set of business and individuals whose livelihood is tied to continued positive relations between states, creating, especially in democratic countries, a powerful lobby in favor of compromise and peace regardless of a state’s overall economic dependence on the other state.

While Waltz and other academics may argue about the extent and the comparative degree to which countries experience additional costs to conflict due to economic interdependence, they all agree that additional costs do exist. This research will examine whether economic interdependence has a pacifying effect in territorial disputes by examining its effect on the decisions of challengers at two key moments in the negotiations process, namely the decision to do nothing (not challenge the status quo), engage in negotiations, or engage in a militarized action as well as the decision to offer concessions or not once the negotiation process has begun. The possible mechanisms at work will then be examined in through several case studies.

Hypotheses on the Effect of Economic Interdependence on Territorial Disputes

41 Waltz, “Globalization and Governance.”
43 Ibid.
The large-n model will test three hypotheses regarding economic interdependence:

1. There is a positive relationship between bilateral trade as a percentage of gross domestic product and the probability a challenger will seek a resolution of a territorial dispute through negotiations.

2. There is a negative relationship between bilateral trade as a percentage of gross domestic product and the probability a challenger will escalate to higher levels in a militarized dispute.

3. There is a positive relationship between bilateral trade as a percentage of gross domestic product a challenger will offer concessions in the negotiation process.

It should be noted that there is a risk of false correlation in testing these hypotheses. First, as the gravity model of trade theory suggests, the closer states are to each other the greater their volume of trade.\textsuperscript{44} Territorial disputes are most likely to be initiated with neighbors, so territorial disputes are likely to be initiated between states that have the largest degree of economic interdependence. However, since these hypotheses test the resolution and negotiations of ongoing territorial disputes and not their initiation, this fact should not cause problems.

\textit{The Theory of Culture in Territorial Disputes}

The idea that culture matters in international relations derives its theoretical origins from the Constructivist school of thought championed by Alexander Wendt. While conceding that the international system is, as described by the Realist school of thought, anarchic, Wendt argues that “anarchy is what states make of it.” The constructivist point of view contends that states have identities that shape its behavior and, through it, the international system. A state’s identity affects its definition of its interests, and thus, its behavior.

Around the same time that Wendt first published explaining the constructivist position, Samuel Huntington published his first article on his theory of the clash of civilizations. This theory introduced the idea that, in the post-Cold War era, civilizations rather than ideologies would divide the world. The theory took from ideas presented by Hans Morgenthau and Hedley Bull that cultural differences would be problematic in international politics and expanded on them greatly. According to Huntington, the most contentious points of conflict in the future would take place between seven discrete civilizations as identified by Huntington. The article received numerous critiques for a number of issues, most centrally for Huntington’s oversimplified classifications of civilizations. However, the majority of critics still admitted to the general idea of civilizations causing conflict was important.

46 Ibid.
In the aftermath of the publishing of these influential articles and the cataclysmic change that shook international relations theory due to the peaceful disintegration of the Soviet Union, the study of culture and its effect on a number of variable in international relations became a much more common subject. However, research has yet to be done concerning the effect of culture in territorial disputes. This research attempts to fill that gap in the literature.

The theory behind the effect of similarities or differences in culture on the resolution of territorial disputes follows the general idea presented in Huntington’s article that differences in culture effect the probability for peaceful or violent outcomes to territorial disputes. This could work through a number of mechanisms.

Similar cultures could have similar views of territory and similar norms regarding the “correct” way to acquire it, and could thus be more likely to agree and more willing to compromise than states that have different cultures that view territory and territorial acquisition differently. For example, a state that views conquest as a moral and legal method of acquiring territory would be more likely to accept another state’s territorial conquest as morally and legally sound.

Similar cultures could have greater understanding and empathy for each other, decreasing some of the domestic impetus for starting militarized conflict over territorial disputes. The decision to dispute territory or to begin a militarized conflict over it is often based on appealing to nationalism within the disputant government’s domestic audience, and since

populations with similar cultures are less likely to harbor such nationalistic hatred of each other, governments will have fewer benefits from beginning a conflict (or a dispute in the first place). The reverse of this is apparent in the dispute over the Falkland Islands, where Argentina chose to initiate a militarized conflict with Great Britain, a country with different culture, in order to appeal to domestic audiences.52

Similar cultures could also have similar political institutions, which could have similar bargaining structures, making states better able to navigate the other’s institutional structure. This aspect will be examined further in the next section.

These are just a few possible mechanisms through which similarities and differences in culture could affect the resolution of territorial disputes. This research will use a large-n quantitative study to determine whether culture plays any substantive role in the resolution of disputes, and then examine possible mechanisms through case studies.

I will use two cultural measures to examine differences and similarities in culture and their effect on territorial disputes. The first measure is an amalgamation of questions from the World Values Survey put together by Ronald Ingelhart using factor analysis.53 This measure examines a society based on it being traditional or secular-legal and focused on survival or self-expression using ten key questions from the survey. Finally, I will examine a second, somewhat lighthearted measure – the number of McDonalds in a country. While this is a measure

52 This does not mean that it was the difference of culture between the two countries that led to the militarized dispute, but rather that there was, in this case, a correlation. Oakes, "Diversionary War and Argentina's Invasion of the Falkland Islands," 431-63.
admittedly fraught with issues, it has a its roots in a long history of news print and academic research from The Economist’s Big Mac Index measuring consumer prices across countries to Thomas Friedman’s famous realization that no two countries that both had McDonalds had ever fought a war. In this research it will merely serve as an additional statistic meant to add depth and meaning to the other, more formal measure of culture.

Hypotheses on the Effect of Culture in Territorial Disputes

This research will test two hypotheses in regards to culture and its effect on the resolution of territorial disputes:

1. There is an inverse relationship between the difference in scores of disputants’ on the Traditional/Secular-Rational scale and Survival/Self-Expression scale and the disputants’ probability of going to war over the territorial dispute.

2. There is an inverse relationship between the difference in number of people per McDonalds in disputant countries and the disputants’ probability of going to war over the territorial dispute.

The Theory of the Democratic Peace

The idea that political institutions are important in the study of conflict derives from the democratic peace theory which, like the theory of economic interdependence, is also found in

Immanuel Kant’s 1795 essay, *Perpetual Peace*. From this founding principle, a rich academic literature was born. This theory, like that of economic interdependence, has achieved popular prominence and has been used by policy-makers to guide foreign policy and by pundits to criticize it. The theory of democratic peace has also become a part of the national mindset, tying the image of violence and despotism to authoritarian or non-democratic regimes and the aura of peace and prosperity to democratic governments. This is evident especially in the foreign policy of President George W. Bush, where the idea that democracies are inherently more peaceful played an instrumental role in instigating the invasion of Iraq and Afghanistan.

Academics debate between two main schools of thought within the democratic peace literature. One, the “dyadic” school of thought, claims that democracies are less likely to go to war *with each other*, but are not inherently less aggressive than non-democratic states. The other, the “monadic” school of thought, claims that democracies are inherently less aggressive than their non-democratic counterparts.

There are two commonly discussed mechanisms through which the democratic peace works. The first contends that the democracies have norms that favor non-violent, negotiated approaches to conflict resolution while the second says that democratic institutions themselves favor negotiated settlements. Though scholars debate the comparative explanatory power of norms versus institutions as well as whether they apply solely to conflict between democratic

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55 Kant, *Perpetual Peace*.
58 Ibid.
states or to conflict between democratic and non-democratic states, quantitative studies have difficulty separating the two in analysis.⁵⁹

The norms argument explains that democracies are based in a system where conflict is resolved peacefully through negotiation and compromise, which builds norms in democratic societies to do so in their foreign policy as well.⁶⁰ In other terms, since in democratic societies violence is a socially inappropriate method of solving conflict between people or political parties, it follows that violence is also inappropriate when used to solve conflict between states.

The institutional explanation of the democratic peace theory centers on the greater domestic accountability in democratic institutions. The argument is that political leaders in democracies face a high possibility of domestic opposition to decisions to use force, especially when the use of force is unsuccessful or leads to substantial loss of life.⁶¹ In a democratic system, unpopular use of force offers an opportunity for the opposition political party to gain support and, in the democratic electoral process, remove the current leader from office. Thus, democratic leaders will be very hesitant to use force due to concerns over the future of their political career.⁶²

Critiques to the Theory of the Democratic Peace

⁵⁹ Ibid.
The institutional explanation of the democratic peace has been critiqued by some scholars who argue that rather than leading to less willingness to use force, domestic audience cost actually makes leaders less willing to offer concession in international disputes, and therefore leads to more conflict. The high political cost of retreating or offering concessions in international affairs can lead to domestic discontent. While non-democratic regimes can suppress this discontent and force through compromise and conciliatory measures, democratic leaders cannot, and face the possibility of electoral defeat following unpopular settlements. This high cost of backing down for democratic politicians leads to more aggressive and inflexible policies than proponents of the institutional explanation of the democratic peace contend.

Huth and Allee propose that leaders in democratic states pay close attention to the audience cost of both using force and retreating or offering concessions. Thus, democratic states can be expected to be impacted by both provocative and pacifying domestic influences when engaged in international territorial disputes.

Some scholars contend that the pacifying effect of democratic norms and institutions extends throughout any conflict involving democratic states, including conflict with non-democratic regimes. These academics argue that democracies show a penchant for peace and non-violent conflict resolution throughout their international relations, and that if violence

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64 James Fearon, 1994, Domestic Political Audiences and the Escalation of International Disputes, American Political Science Review 88, no. 3 (September), 577-592.
occurs between democratic and non-democratic states, it is the fault of the non-democratic state. 68

Other scholars put forth the opinion that the effect of these norms and institutions extend only to conflict with other democratic states, and that monadic democracy is insufficient to bring about the democratic peace. 69 According to this perspective, conflict can actually be more likely between democratic and non-democratic states because the feeling of vulnerability democratic states face due to their inability to deter timely or credibly due to their high domestic audience costs of using force. Since they know their bargaining position is weak compared to non-democratic challengers, democracies are likely to be more aggressive to make up for it. 70

Hypotheses on the Effect of Institutions on Territorial Disputes

This research will test three hypotheses regarding the dyadic understanding of the democratic peace in territorial disputes:

1. There is a positive relationship between two states in a territorial dispute being democracies and the probability the challenger will seek a resolution of a territorial dispute through negotiations.

2. There is a negative relationship between two states in a territorial dispute being democracies and the probability the challenger will escalate to higher levels in a militarized dispute.

3. There is a positive relationship between two states in a territorial dispute being democracies and the probability the challenger will offer concessions in the negotiation process.

Three hypotheses regarding the monadic explanation of the democratic peace in territorial disputes will also be tested:

1. There is a positive relationship between a challenger being a democracy and the probability the challenger will seek a resolution of a territorial dispute through negotiations.

2. There is a positive relationship between a challenger being a democracy and the probability the challenger will escalate to higher levels in a militarized dispute.

3. There is a positive relationship between a challenger being a democracy and probability the challenger will offer concessions in the negotiation process.

Territorial disputes are often some of the most salient and difficult-to-solve issues in the modern world. They involve nationalism, strategic benefits, and economic benefits, so if economic interdependence, cultural similarities, or democratic institutional similarities prove to have a pacifying effect in resolving them, this will add significant power to the theories of economic interdependence, clash of civilizations, and democratic peace having a pacifying effect on conflict.
Chapter Three: Methods

A large n case study was used to test these hypotheses quantitatively with the addition of case studies to explore possible causal mechanisms. My analysis of the effects of trade and institutions on territorial disputes took advantage of a database of coded territorial disputes created by Paul Huth and Todd Allee.\(^{71}\)

Huth and Allee’s database contains data on all territorial disputes from 1919 to 1995. The database separates the two countries in a dispute into a challenger state and a target state. The challenger state is defined as the state that is attempting to change the territorial status quo. The unit of analysis is the challenger state in a specific dispute against a particular target state at a certain time. As Huth and Allee put it, “the data is directed-dyadic, but in reference to a particular territorial dispute at a particular point in time.”\(^{72}\)

Coding Territorial Disputes

In their territorial dispute data set, Huth and Allee broadly defined disputes as “disagreements between governments over (a) the location of existing international boundaries in particular spots or along the length of their common border, (b) the refusal of one government to recognize another’s claim of sovereign rights over islands, claiming sovereignty

\(^{71}\) Huth and Allee, *The Democratic Peace and Territorial Conflict*.

\(^{72}\) Paul Huth and Todd Allee, "The Democratic Peace and Territorial Conflict in the Twentieth Century," http://hdl.handle.net/1902.1/10636 UNF:3:O0SiG1W9tqM+bF+UEGn7uA== Murray Research Archive [Distributor] V1 [Version].
for itself instead, or (c) the refusal of one government to recognize another state as a sovereign political-territorial unit, laying claim to the territory of that state.”

Following this definition, some territorial differences that would be considered by many to be territorial disputes were not coded as such by Huth and Allee. The database contains two guidelines that are essential to understanding conclusions drawn from its data: First, the only territorial disputes considered are those that take place between internationally-recognized states. The dispute between Israel and Palestine is therefore not included in the database. Conflicts between colonial powers and colonies attempting to become independent are also absent, as are disputes between existing states and groups wishing to secede from the “homeland territory” of the existing state.

Second, only land-based territorial disputes are included in the database. This system of coding is based on the theory that land-based disputes (including islands) hold substantial sway over domestic audiences and foreign policy that is absent in maritime disputes. Therefore, land-based and maritime disputes should be considered separate in academic analysis. However, comparing and contrasting the differences and similarities between the two categories could be a very fruitful study for future researchers.

Identifying Claims and Challengers

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73 Huth and Allee, The Democratic Peace and Territorial Conflict, 300.
74 Ibid., 299.
75 Huth and Allee, The Democratic Peace and Territorial Conflict, Appendix A.
Territorial disputes center on the idea of governments making territorial claims against the territorial claims of another government. Therefore, contradictory border markings by two states are insufficient for those states to be coded as having a territorial dispute. The existence of a territorial dispute relies on a government making official declarations concerning disputed territory.\textsuperscript{77} In cases where the legislative and executive branches issued contradictory announcements, then the announcement made by the executive was relied upon. If, however, a treaty ending a territorial dispute requires signing by the legislature and does not get signed, then the dispute is considered unresolved.\textsuperscript{78} There are also a small number of cases in which official declarations and official actions appear disconnected. For example, while Armenia’s government denied any territorial claim in Azerbaijan in the 1990s, their substantive support for ethnic Armenians in Azerbaijan proved otherwise. In these cases, two reliable sources revealing the actual government policy were required to consider the claim legitimate.\textsuperscript{79}

Identifying challengers in territorial disputes can be difficult, especially in cases where there is a question of which state’s status quo is being analyzed. In their analysis, Huth and Allee relied on the idea of \textit{de facto} control.\textsuperscript{80} Thus, whichever state has administrative control over the disputed territory is considered to be the target, while the state challenging that control is considered the challenger. If one state has effective control over disputed territory, it is considered the target in the dispute. If the challenger then successfully takes over the disputed territory, but the territory continues to be disputed by what was previously the target

\textsuperscript{77} Huth and Allee, \textit{The Democratic Peace and Territorial Conflict}, 303.
\textsuperscript{78} Ibid.
\textsuperscript{79} Ibid.
\textsuperscript{80} Ibid., 302.
country, then a second dispute number is created with the state with *de facto* control coded as the target.\(^{81}\)

In some cases, both states are attempting to change the status quo. In this case, two parallel disputes are coded with unique dispute numbers in order to allow analysis of both states’ decisions to challenge the status quo or not.\(^{82}\) If in the dual challenger situation both states jointly decide to initiate negotiations, then observations of decisions to initiate negotiations are coded for both dispute numbers.

*Changing the Status Quo*

In examining the challenger’s decision to change the status quo or not, three possible courses of actions are considered: (1) do nothing, (2) initiate negotiations, or (3) initiate military action. Decisions to initiate negotiations or military actions are coded as occurring on the month and year that they occurred, while decisions to do nothing are coded following the “12 month rule.”\(^{83}\) Under this coding rule, if twelve months have passed since the conclusion of the last negotiations or the end of the last military action, then the challenger is assumed to have made a decision to do nothing—to not challenge the territorial status quo. This rule continues to be applied until a new military action or new talks are initiated. It should be noted that multiple rounds of negotiations and multiple military actions can be initiated in a single year. So, if a challenger initiates a military dispute and initiates negotiations in the same year, and then

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\(^{81}\) Ibid.

\(^{82}\) Huth and Allee, *The Democratic Peace and Territorial Conflict*, Status Quo Codebook.

\(^{83}\) Ibid.
resolves the dispute through new negotiations two years later, four observations will be entered in the database: the military action, the first negotiation, the decision to do nothing twelve months after the end of the first negotiations, and the final negotiations.

Creating a Database

The Huth and Allee territorial dispute data served as the foundation for my final database. I collected several variables from their extensive database for my own analysis. Huth and Allee’s dispute identification created the framework for my own database, with dispute lengths, challengers, and targets all coming from their database. Huth and Allee’s coding for changes in the status quo, level of escalation in militarized disputes, and level of concessions in negotiations were used as my dependent variable. Several other databases were used to collect data for the independent variables.

A Methodology for Economic Analysis

Trade data was taken from the Correlates of War Project International Trade Dataset Version 3.0. This database contains dyadic trade data from 1870 to 2009 taken statistics from the International Monetary Fund’s Direction of Trade Statistics and the Republic of China’s

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Bureau of Foreign Trade, and Katherine Barbieri’s International Trade Dataset.\textsuperscript{85} The Correlates of War Dataset splits trade between exports from Country A imported by Country B and exports from Country B imported by Country A, both flow measures over a given year measured in 2010 USD.

Values for exports and imports were added together and divided by challenger GDP to create a statistic with total bilateral trade as a percentage of challenger GDP, creating a loose measure of the impact of the bilateral trade on the challenger’s economy. National GDP figures were taken from the Penn World Tables Version 8.0.\textsuperscript{86} These figures are purchasing power parity-converted and given in 2005 International Dollars.

\textit{Trade as Cause or Effect}

This method for calculating trade as a percent of GDP in a given year contains a serious potential flaw in that diminished or increased trade could be the result of decisions to initiate negotiations or militarized actions rather than an instigator in the making of the decision. While the jump from correlation to causation is a question perhaps best answered through process tracing in case studies, quantitative methodology has the potential to at least partially alleviate these concerns.

In order to test the direction of any possible relationship between trade as a percent of GDP and decisions to change the status quo, this research also calculated bilateral trade as a


\textsuperscript{86} Robert C. Feenstra, Robert Inklaar, and Marcel P. Timmer (2013), "The Next Generation of the Penn World Table" available for download at www.ggdc.net/pwt.
percent of GDP using the year prior to the decision. For example, a decision by Argentina to initiate a militarized dispute with the United Kingdom over the Falkland Islands (called Las Malvinas by Argentina) in 1982 was analyzed using the Argentina’s GDP and trade with the United Kingdom from 1981 rather than 1982 (.423 percent of GDP rather than 1982’s .125 percent). Analysis of these data returned the same general results (averages changed slightly, but overall significance remained the same) as analysis of same year trade and GDP data, so same year data were used in the results section.

A Methodology for Institutional Analysis

Data on the level of democracy in a country was added to the database using data from the Polity IV Project. The Polity IV Project contains data on “concomitant qualities of democratic and autocratic authority in governing institutions” measured along a 21-point scale from -10 to 10. Countries with scores from 6 to 10 are considered democracies, while countries with scores from -5 to 5 are considered anocracies and countries from -10 to -6 are considered autocracies. The database also contains scores of -66, -77, and -88 to represent interruption periods, interregnum periods, and transition periods respectively.

My database used two strategies for analyzing the effect of democracy on territorial disputes. The first method uses the given scores and compares them accordingly. The second

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88 Ibid.
89 Ibid.
method divides countries into those that are democracies (countries scoring 6-10 in the Polity IV Project) and those that are not (countries scoring -10 to 5). Results were then compared across methodologies in order to best understand the patterns and forces at work.

Coding Discrepancies

In the process of collating data from these sets, several issues had to be dealt with. First, figures that were given in terms of different years’ USD had to be changed into the same year. To do this, I utilized Oregon State’s Inflation Conversion Factors to inflate all amounts to 2010 USD.90

Second, a larger problem presented itself in differing methods of labeling countries. Some of these differences were easily solved through changes in spelling or wording, for instance changing the name Congo, Brazzaville to the Republic of the Congo and Malagasy to Madagascar. Others, however, were more difficult. These generally involved countries that split up or unified at some point in the observed time period that were identified by different names in different databases. For example, the contrast between the Soviet Union and Russia and East and West Germany and Germany. These issues required close examination to determine which entity the data referred to. However, there were still several that were ambiguous, such as having Yugoslavia in one database and Serbia in another. In such cases, if there was no other entry in the database that could be perceived as referring to the country, then the past or future name for the country was assumed to be referring to the country. If there were multiple

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90 Robert Sahr, "Political Science," Inflation Conversion Factors for Years 1774 to Estimated 2024, in Dollars of Recent Years, January 20, 2014.
entries on one database that could feasibly be referring to a single entry in another, and it was impossible to discern which the correct value was, neither was taken. It should be mentioned that this was very rare and only happened around a dozen times for thousands of units of analysis.

Finally, an issue presented itself in how to approach missing values, of which there were hundreds. The majority of these units of analysis lacked data for two or more of the figures needed to calculate bilateral trade as a percent of challenger GDP, in which case they were left empty. Most of these figures were empty for reasons of inadequate reporting or, more commonly, no reporting. However, in some cases the reasons are more systematic and therefore more troubling. Most worrisome for the purpose of this study is the shortage of data on bilateral trade in the case of wars between countries. Since this analysis attempts to measure differences in trade and its effect on decisions to change the territorial status quo, it is possible findings could be manipulated by this lack of trade data during wars.

There were also many cases in which only one value was missing. In the case in which the missing value was one of the two values trade figures, there were three strategies that could be used to attempt to add depth to the database. The first strategy would leave all missing values alone, and work only with values found within the databases. The second strategy would replace the missing trade value, whether import or export, with a zero, and divided that value by challenger GDP to calculate the trade as a percentage of GDP value. The third strategy would replace the missing trade value with the existing trade value, in practice doubling the existing value, following the logic that trade is likely to be roughly equivalent going
in either direction. While all of these strategies have strengths and weaknesses, the first was utilized in order to avoid any possible corruption of the data.

In analyzing the data on level of democracy in a country, an issue arose in how to approach the values of -66, -77, and -88. Since they do not represent a level of democracy in and of themselves, they had to be either disregarded or converted onto the -10 to 10 scale. The Polity IV Project converts these scores by splitting the difference between the scores that come before them and those that come after. So, if a country has a polity score of 4 before going into a three year-long interruption and returning with a polity score of 8, then the intervening years will be recoded from three scores of -66 to scores of 5, 6, and 7. While this method can certainly have issues, it allows for a greater level of analysis and gives polity scores to countries during crucial times of transformation. However, these scores should not be considered as authoritative on an individual level.

A Simpler Methodology for Cultural Analysis

Analyzing the effect of culture on territorial disputes requires a more basic and more imperfect methodology. Thus, in analyzing the effect of culture on territorial disputes, a separate, simpler dataset was used. Whereas values of trade and level of democracy are given annual measurements, values of culture are not. One of the most well-known and well-respected measures of culture, the World Values Survey, has only just finished its sixth wave of surveys.91 This means that, unlike with trade and institutions, when examining the effect of

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culture on territorial disputes, this cultural analysis cannot use the challenger state in a specific dispute against a particular target state at a certain time as unit of analysis. Since measures of culture cannot be broken down into yearly measures, disputes are coded much more simply so as to demonstrate the lack of data available on the independent variable.

For analyzing the culture variable, the unit of analysis is a particular dispute between two specific countries. Countries are not distinguished as challenger or target states. Disputes between two countries over separate areas are coded as separate disputes unless they were treated as a single issue by disputants during negotiations. This dataset for analyzing culture used Huth and Allee’s database to identify territorial disputes and to code whether the countries at any time throughout the dispute engaged in a militarized action over the disputed territory.

This data set only includes territorial disputes that have taken place from 1950 to 1995, leaving out any disputes occurring from 1919 to 1949. This is because the data available for the cultural independent variable is only available from 1981 to the present. Even in this short period of time, the cultural values of many countries have changed relatively dramatically, so the connection between the modern day values survey and pre-Cold War values is strained if not broken completely.

**Counting Culture**

Data from the World Value Survey was used as the independent variable for cultural analysis. The World Value Survey carries out representative national surveys in more than one
hundred countries on issues about religious, political, social, and economic life. My data set utilizes factor analysis of the survey developed by Ronald Inglehart and Christian Welzel that identifies two key dimensions of cultural variance.

These two dimensions are (1) traditional vs secular-rational values and (2) survival vs self-expression values. According to Inglehart and Welzel, these dimensions “explain more than 70 percent of the cross-cultural variance on scores of more specific values.” The traditional vs secular-rational dimension contrasts the differences in cultures that emphasize religion, parent-child ties, and deference to authority and those that do not. The survival vs self-expression dimension contrasts the differences between societies focused on physical and economic survival and those focused on more subjective well-being, self-expression, and quality of life.

In order to analyze the effect of cultural differences and similarities on the likelihood of military actions in territorial disputes, first the scores for the two dimensions over the five waves of surveys currently available are averaged together for each country. For some countries, such as Algeria, there is only one score available while for others, such as the United States, there are five that are averaged together. The differences between the two dimensions for the two countries are then calculated and added together, coming up with an overall “cultural differences” score where a larger score represents a great difference in overall culture between the two countries.

93 Inglehart and Welzel, Modernization, Cultural Change and Democracy.
94 Ibid.
Weaknesses in the World Value Survey

This measure undoubtedly contains weaknesses. For instance, the fact that the survey measures the religiosity of a culture but not the religion itself overlooks religious differences as an impetus for conflict. Furthermore, as the World Values Survey itself shows, values change, meaning that giving a single culture values score for a country even from 1950 to 1995 is unrealistic.95

However, given the available data, the World Values Survey data is the best measure available. It allows for comprehensive, cross-country cultural comparison in a way that few other measures allow. Should any other researcher come up with a better, more descriptive method of looking at the effect of cultural differences and similarities on the likelihood of war in territorial disputes, it would be a great addition to the literature. A method of measuring culture annually would be especially useful for this and other diverse analyses.

McDonaldization of the World

In addition to using data from the World Value Survey, this research also uses a somewhat tongue-in-cheek measure for culture similarities and differences: the presence of McDonald’s in the disputant countries. This methodology flows from such ideas as Thomas Friedman’s “Golden Arches Theory of Conflict Prevention,” which claimed that two countries that have McDonald’s in them will not go to war because “people in McDonald’s countries don’t

95 Ibid.
like to fight wars; they like to wait in line for burgers.”\textsuperscript{96} While finally proven wrong in the 2008 war between Russia and Georgia, the theory nonetheless provides a provocative rubric for cultural similarity. This methodology also follows in the footsteps of such well-respected, if lighthearted, measures as the Economist’s Big Mac Index, which makes use of the ubiquity of McDonald’s worldwide to use its trademark meal, the Big Mac, as a lighthearted gauge of purchasing power parity around the world.\textsuperscript{97}

This research will use the presence of McDonald’s as a measure of cultural similarity. Due to the imprecision inherent in such a measure, a methodology was used that took that imprecision into account in making cultural comparisons. This method compared whether disputant countries had McDonald’s or whether only one or neither did. Using this method, two countries with McDonald’s were considered to be culturally similar, while one country with McDonald’s and another without were considered culturally different. Two countries without McDonald’s were also coded as culturally different since simple lack of the restaurant does not communicate any information about a culture besides its lack of a “McDonald’s culture.”

\textit{Weaknesses in McDonald’s as a Cultural Icon}

This methodology faces similar challenges as those faced by the methodology utilizing the World Value Survey. Like the World Value Survey, data on McDonald’s is limited, and the company has not been global for long enough to have useful annualized data for the dataset. Therefore, this methodology also examines territorial disputes between two specific countries

\textsuperscript{97} “The Big Mac Index.” \textit{The Economist}. The Economist Newspaper, January 7, 2011.
as the unit of analysis like the previous method used for cultural analysis. This method presents the same issue of presenting a single, modern picture of countries’ cultures while attempting to analyze a half-century of territorial disputes.

An additional problem with this measure is that it is really a measure of Western influence in a country rather than a measure of cultural similarity. A dispute between countries like Kazakhstan and Tajikistan, both central Asian countries without McDonald’s, would be labelled as culturally different under this methodology due to the measure’s very limited scope. However, taken as exactly that, a measure of Western influence, this methodology offers an interesting look into how the spread of Western culture affects the culture of conflict resolution and territorial disputes.

Chapter Four: Results

A combination of t-tests, difference of means tests, and crosstabulations were used to analyze the data. Analysis generally supported the hypotheses about the effect of trade and institutions on territorial disputes, while the hypotheses predicting the effect of similarities and differences in culture were summarily refuted.

General Results
There were a total of 6542 observations of decisions to uphold the status quo, initiate negotiations, or initiate a militarized action within 348 territorial disputes from 1919 to 1995. Of those observations, 67 percent were decisions to uphold the status quo, 27 percent were decisions to initiate negotiations, and 6 percent were decisions to initiate militarized action.

In examining decisions by challengers engaged in negotiations to offer no concessions, limited concessions, or major concession, there were 1528 observations, of which 63 percent were decisions to offer no concession, 30 percent were decisions to offer limited concessions, and 7 percent were decisions to offer major concessions.

In examining decisions by challengers engaged in militarized disputes to follow low escalation, moderate escalation, or major escalation, there were 374 observations, of which 22 percent were low escalation, 54 percent were moderate escalation, and 24 percent were major escalation.

*Economic Interdependence in the Decision to Change the Status Quo*

There were 2910 observations to continue or change the status quo that had complete bilateral trade and challenger GDP data for the time period extending from 1950 to 1995. The average for trade as a percent of challenger GDP throughout this time period was 1.65 percent, with a minimum of 0 percent and a maximum of 36.63 percent.

At this stage of the territorial dispute, the expected correlation existed between economic interdependence and a challenger’s decisions to follow neutral, peaceful, or violent
Economic Interdependence in the Decision of How Much to Escalate

There were 174 observations of decisions to escalate to various levels that had complete bilateral trade and challenger GDP data for the time period extending from 1950 to 1995. The average for trade as a percent of challenger GDP for these observations was 0.37 percent, with a minimum of 0 percent and a maximum of 9.89 percent.

In a challenger’s decision on how much to escalate in a militarized dispute, economic interdependence again followed the expected pattern with challengers with less trade as a percentage of GDP was, as hypothesized, significantly different when countries decided to continue the status quo, initiate negotiations, or initiate militarized action, with averages of 1.62 percent, 2.00 percent, and 0.37 percent respectively (F=12.46, η²=.01, p<.01). Bilateral trade as a percentage of GDP was found to be higher when countries made the decision to initiate negotiations than when countries decided to uphold the status quo (t=-2.01, df=1274.504, p<.05). Trade over GDP was also statistically higher when countries decided to continue the status quo than when they decided to initiate militarized action (t=-2.01, df=615.176, p<.01). Trade over GDP was also found to be significantly higher when countries decided to initiate negotiations than when they decided to initiate militarized action (t=8.47, df=1013.676, p<.01).

98 The results from the one-year-lagged trade and GDP statistics had means of 1.60 percent, 1.93 percent, and 0.33 percent for status quo, negotiations, and militarized action respectively (F=11.52, η²=.01, p<.01). The difference was small enough throughout the statistical analysis that only same-year statistics will be quoted from this point forward.

99 All t-tests were 2-tailed. Equal variances was assumed unless Levene’s Test for Equality of Variances was significant, in which case the t-value, degrees of freedom, and significance are given with Equal variances not assumed.
percentage of GDP more likely to escalate more. Trade over GDP was significantly different when countries decided to escalate to low, moderate, or major levels, with averages of 0.74 percent, 0.28 percent, and 0.09 percent respectively (F=3.16, η²=.04, p<.05). However, when compared side-by-side through t-tests, only the difference between the decision to escalate to low levels and the decision to escalate to major levels was statistically significant (t=2.32, df=45.35, p<.05). The difference between decisions to escalate to low or moderate levels was not significant (t=1.57, df=54.55, p>.10), and the difference between decisions to escalate to moderate or major levels was also not significant (t=1.02, df=127, p>.10).

Economic Interdependence in the Decision to Offer Concessions

There were 757 observations of decisions to offer concessions that had complete bilateral trade and challenger GDP data for the time period extending from 1950 to 1995. The average for trade as a percent of challenger GDP for these observations was 2.18 percent, with a minimum of 0 percent and a maximum of 36.63 percent.

The decision by challengers to offer different levels of concessions does correlate significantly with the level of trade over GDP of challenger, but in the opposite direction than expected. Rather than higher trade over GDP leading to major concessions, lower trade over GDP led to major concessions. Trade over GDP of challenger was significantly different when countries decided to offer no, limited, or major concessions, with averages of 2.15 percent,
2.59 percent, and 0.43 percent respectively (F=2.78, η²=.01, p<.10). The difference in Trade over GDP between decisions to offer no concessions and offer limited concessions is statistically nonexistent (t=-0.97, df=716, p>.10). The difference between the decision to offer no concessions and the decision to offer major concessions is significant (t=6.83, df=375.25, p<.01), as is the difference between the decision to offer limited concessions and the decision to offer major concessions (t=4.67, df=218.81, p<.01).

The Democratic Peace in the Decision to Change the Status Quo

There were 6542 observations of decisions to uphold the status quo, initiate negotiations, or initiate militarized action that had complete Polity IV scores for 348 territorial disputes from 1919 to 1995. Of these observations, 23 percent of challengers were democratic (Polity IV score≥6), while 77 percent were non-democratic (Polity IV score<6). Meanwhile, 11 percent of disputant dyads in these observations were both democratic, 43 percent were both non-democratic, and 45 percent had one democratic and one non-democratic disputant.

In these observations, there was a statistically significant correlation between a challenger being democratic and that challenger initiating negotiations and negative correlation between the challenger being democratic and initiating militarized action (Cramer’s V=.09, p<.01) with a 9.4 percent greater chance of initiating negotiations than non-democratic challengers and a 2.4 percent smaller chance of initiating militarized action than non-democratic challengers.

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Note that here p=.06 and is therefore only significant at a 90% level.
There is also a statistically significant difference in decisions between democratic disputant dyads and non-democratic and mixed dyads (Cramer’s $V=.08$, $p<.01$). Challengers in democratic dyads were 9.8 percent more likely to initiate negotiations than challengers in non-democratic and mixed dyads. Challengers in democratic dyads were also 3.7 percent less likely to initiate militarized action than challengers in non-democratic and mixed dyads.

*The Democratic Peace in the Decision of How Much to Escalate*

There were 374 observations of decisions of how much to escalate that had complete Polity IV scores for disputes from 1919 to 1995. Of these observations, 15 percent of challengers were democratic and 85 percent were non-democratic. Meanwhile, 4 percent of disputant dyads in these observations were both democratic, 53 percent were both non-democratic, and 43 percent had one democratic and one non-democratic disputant.

In these observations, there was no statistically significant difference between a challenger being democratic and that challenger escalating to different levels in militarized disputes ($p>.10$).

However, there is a statistically significant difference in decisions of how much to escalate between democratic disputant dyads and non-democratic and mixed dyads (Cramer’s $V=.15$, $p<.05$). Challengers in democratic dyads were 24.9 percent less likely to escalate to major levels than challengers in non-democratic and mixed dyads. Challengers in democratic dyads were 35.0 percent more likely to escalate moderately and 10.1 percent less likely to pursue limited escalation as compared to challengers in non-democratic and mixed dyads.
The Democratic Peace in the Decision to Offer Concessions

There were 1528 observations of decisions of challengers in negotiations of whether to offer concessions and how much to offer that had complete Polity IV scores for disputes from 1919 to 1995. Of these observations, 29 percent of challengers were democratic and 71 percent were non-democratic. Meanwhile, 15 percent of disputant dyads in these observations were both democratic, 37 percent were both non-democratic, and 48 percent had one democratic and one non-democratic disputant.

There was no statistically significant difference between a challenger being democratic and that challenger offering no, limited, or major concessions in negotiations (p>.10). There was also no statistical difference in level of concessions offered by the challenger in negotiations between democratic disputant dyads and non-democratic or mixed disputant dyads (p>.10).

Cultural Similarities and Differences in Dispute Resolution

There were 179 observations of territorial disputes from 1950-1995 in the simplified database. Of those, 70 include a decision by ether the challenger or the target to initiate a militarized action at some point within the time period.

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101 There was also no numerical difference—the percentages for no, limited, and major concessions were identical for democratic and non-democratic challengers.
**World Values Survey and Territorial Disputes**

Of the 179 observations of territorial disputes, 84 contained complete data for both disputant countries in at least one iteration of the World Values Survey. Of the examined population, 32 contained militarized action as some point and 52 did not.

There was no statistically significant difference in the differences between disputant countries’ cultural values for territorial disputes in which a militarized dispute had taken place and those in which it had not (t=1.09, df=82, p>.10). The difference in traditional/secular rational scores of disputants was also statistically insignificant between territorial disputes with militarized actions and those without (t=0.88, df=82, p>.10). Similarly, the difference in survival/self-expression scores of disputants was statistically insignificant (t=0.73, df=82, p>.10).

**McDonald’s, War, and Peace**

All 179 observations of territorial disputes have data on whether they have McDonald’s in them. In the 179 observations, 87 of disputant dyads currently have McDonald’s in both countries while 92 dyads have McDonald’s in only one or neither disputant.

Territorial disputes involving countries that both currently have McDonald’s are exactly as likely to involve militarized action as disputes involving one or no country with McDonald’s,
with 39.1 percent of disputes in both categories involving militarized action and 60.9 percent not \( (p=0.995) \).\footnote{102}

**Chapter Five: Discussion**

The results seen above show the difficulty in finding a single cause in a country’s decision to initiate negotiations or a militarized dispute, as well as a country’s decision to offer concessions or escalate a militarized dispute. While both dyadic democratic institutions and higher levels of trade were shown to correlate positively with a country’s decision to negotiate, the power of these relationships are relatively weak.

\begin{table}
\centering
\caption{Overview of Results of Effect of Economic Interdependence, Institutions, and Culture on Dependent Variables\footnote{103}}
\end{table}

\footnote{102} Differences in the number of people per McDonald’s in disputant countries was also analyzed, but was also statistically insignificant \( (t=-1.47, \text{df}=81, p>.10) \).

\footnote{103} Chart shows existence of statistically significant relationships \( (\ast = \text{significant at .05 level}, \dagger = \text{significant at .01 level}, \text{and} \ddagger = \text{significant at .10 level}) \). It should be noted that statistical correlation here should not be confused with causation. While greater amounts of bilateral trade is shown here to correlate with less escalation in militarized disputes, deeper analysis is necessary to show the former led to the latter.
### Decision to challenge status quo

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Decision to challenge status quo</th>
<th>Decision to escalate military action</th>
<th>Decision to offer concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Integration</strong></td>
<td>More bilateral trade → more negotiations, fewer militarized disputes†</td>
<td>More bilateral trade → less escalation in militarized disputes*</td>
<td>More bilateral trade → fewer concessions offered‡</td>
</tr>
<tr>
<td><strong>Monadic Institutions</strong></td>
<td>Democratic challenger → more negotiations, fewer militarized disputes†</td>
<td>No Significant Results</td>
<td>No Significant Results</td>
</tr>
<tr>
<td><strong>Dyadic Institutions</strong></td>
<td>Democratic dyad → more negotiations, fewer militarized disputes†</td>
<td>Democratic dyad → less escalation in militarized disputes*</td>
<td>No Significant Results</td>
</tr>
<tr>
<td><strong>Cultural Similarities</strong></td>
<td></td>
<td></td>
<td>No Significant Results</td>
</tr>
</tbody>
</table>

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**Economic Interdependence in Territorial Disputes**

In the decision to change the status quo, the results followed the expected pattern in more trade leading to fewer militarized disputes and more negotiations. This finding agrees
with the theory of economic interdependence, suggesting that increased trade can lead to less militarized conflict. This direction of this finding is strengthened by the fact that, even when trade and GDP figures are lagged a year, the correlation still exists. This helps to disprove the possibility that the causation acts in the opposite direction, with militarized action causing decreased trade and the announcement of negotiations causing increased trade. In the decision of how much to escalate, the results again agree with the theory of economic interdependence, with more trade correlated with less escalation. It should be noted that trade made no difference in a challenger’s decision to escalate to low or to moderate levels. This pattern is partially explained by the real world finding that in some cases, challengers escalate to low or medium levels with the hope of achieving territorial objectives without the bilateral relationship being unduly damaged. 

There are several causal mechanisms at work that cause increased trade to lead to less violent solutions. In general, trade increases the opportunity costs of militarized disputes, making it more expensive to fight due to the potential lost trade. In domestic politics, trade can also create powerful businesses that have a stake in continued healthy relations with the target country. Finally, trade can also create more opportunities for people-to-people

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104 Copeland, "Economic Interdependence and War: A Theory of Trade Expectations."
105 Jawaharlal Nehru exemplified this behavior with his Forward Policy in trying to inch forward in the disputed territory with China. “India had been ready to threaten force against Chinese who tried to maintain positions across the Indian claim lines; but Nehru and his colleagues were absolute in their faith that the Chinese would not do likewise.” See Neville Maxwell, India's China War, (London: Cape, 1970), 175.
contact between disputant countries, theoretically making them less willing to go to war.\textsuperscript{108}

These causal mechanisms will be explored further in the next chapter of case studies.

Results on the effect of trade on the decision to offer concession in negotiations is much more counterintuitive. The theory of economic interdependence would hypothesize that more trade would lead to more concessions, but in practice the opposite is true. Higher levels of bilateral trade as a percentage of challenger GDP are correlated with \textit{fewer} concessions.

There are several possible causal mechanisms at work to lead to this finding. It is possible that the business actors in favor of peaceful relations are able to influence the challenger government enough to make it initiate negotiations, but that when faced with the prospect of concessions, the general public outcry against it would be too much for the challenger to justify. However, while this explanation would explain a lack of any statistically significant data, it does not explain the results saying that trade leads to fewer concessions. Another possible explanation could support the theory that economic interdependence leads to economic dependence, so while a challenger with high levels of trade wants to negotiate, it can use those high levels of trade to get concessions from the target country.\textsuperscript{109}

If the writer had more time, he would have explored this surprising finding in greater depth. As it is, it serves as a fascinating result that undoubtedly deserves closer attention in the future whether from this or other researchers.

\textsuperscript{108} Lee and Pyun, “Does Trade Integration Contribute to Peace?” 3-5.

\textsuperscript{109} The data do not support this theory, with no significant difference in trade as a percentage of target GDP between different levels of concessions by targets. (t=−.232, df=611, p=.82)
Institutions in Territorial Disputes

The results for the effect of monadic and dyadic democratic institutions followed the expected pattern in both cases, with both monadic and dyadic democracies less likely to initiate a militarized dispute and more likely to initiate negotiations and dyadic democracies less likely to escalate as much as non-democratic and mixed dyads. This finding supports both the monadic and dyadic theories of the democratic peace, though the monadic theory of democratic peace is only supported in the decisions to change the status quo. Neither theories are supported in the decision to offer concessions.

There are several mechanisms through which monadic and dyadic democracy could work to make militarized action less likely and negotiations more likely. Democratic institutions (either monadic or dyadic) could lead to more peaceful resolution processes due to norms for non-violent conflict resolution derived from domestic political practices. Democratic institutions could also create incentives against the use of force for political leaders in democracies who face a high possibility of domestic opposition to decisions to use force, especially is it is unsuccessful or leads to large loss of life.\(^{110}\) While both explanations could work through monadic and dyadic democratic institutions, the power of democratic norms is likely stronger in democratic dyads, where democratic challengers lack the righteous moral high ground present in militarized conflict with non-democratic regimes. This dichotomy helps explain the weaker explanatory power of monadic democratic institutions in decisions of how much to escalate compared with the statistically significant effect of dyadic democratic institutions.

Neither monadic nor dyadic democratic institutions had a significant impact on a challenger’s decision to offer concessions. It is possible that in this case, the effect of domestic audience costs overpowers any pacifying effect of democratic norms and institutions and makes leaders less willing to offer concession in territorial disputes.\textsuperscript{111} While domestic audiences are generally against militarized disputes and supportive of non-violent conflict resolution, they are also against retreating or offering concessions. These causal mechanisms will be explored in greater depth through case studies in the next chapter.

\textit{Culture in Territorial Disputes}

The results of the effect of culture on the militarization of territorial disputes revealed no statistically significant relationships, going against the hypothesized results. Further research is required to explore the reasons behind these results. It is possible that the results simply demonstrate the fact that similar cultures are likely to be geographically close to each other, where territorial disputes are most likely to occur. The results could imply that culture simply has little effect on the choice to use force in territorial disputes, and that Alexander Wendt and constructivism, in this situation at least, do not represent the actual international order.

However, it is likely that the main reason for these results lies in the inadequate measures used in comparing countries’ culture. Not only did the methodology used assume static cultural values for countries over a period of forty-five years, it also used measures that,

\textsuperscript{111} Huth and Allee, \textit{The Democratic Peace and Territorial Conflict}, 13; Fearon, 1994, Domestic Political Audiences and the Escalation of International Disputes.
while useful in comparing across cultures, failed to encompass some of the most contentious aspects of cultural differences such as different religions.

Chapter Six: Case Studies

I will examine three case studies in an attempt to explore the causal mechanisms behind the quantitative results discussed above. These cases are China and India’s territorial dispute over the eastern and western sections of their border, China, the Republic of China (hereinafter referred to as Taiwan), and Japan’s dispute over the Senkaku Islands (referred to as the Diaoyu Islands by China and Taiwan—hereinafter referred to as the Senkaku Islands), and Japan and South Korea’s dispute over the Liancourt Rocks (referred to as Takeshima by the Japanese and as Dokdo by South Korea—hereinafter referred to as the Liancourt Rocks).

I will use these three disputes as case studies for several reasons. First, they contain ample variation across cases, making them good choices for comparison. Moreover, the disputes are relatively data-rich, with extensive scholarly research and supporting documents available to add depth to the case study, making it a strong candidate for selection. Finally, the cases are intrinsically important, with all three disputes still serving as contentious elements in the countries’ bilateral relationships, so further analysis can help add understanding to the important issues.

These cases have varying results in the dependent and independent variables, making closer analysis ideal. The case of India and China is a case with little bilateral trade, no democratic challenger, militarized action, and high levels of escalation. Meanwhile, the Senkaku Islands dispute includes high levels of trade, one mixed dyad and one democratic dyad, one non-democratic and one democratic challenger, no militarized disputes, and negotiations with moderate concessions. Finally, the dispute over the Liancourt Rocks changes across time in terms of trade and institutions, initially with a non-democratic challenger, mixed dyad, little trade, and militarized action and later with a democratic dyad, high trade, no militarized action, and negotiations.

These cases are also data-rich, with prolific, in-depth research available on the Sino-Indian dispute and the Senkaku Islands dispute in particular. While internal documents form the Chinese government are difficult to obtain, there is nonetheless abundant analysis available of Chinese government thinking in the disputes.

All three of these cases continue to serve as headaches to leaders in disputant countries who wish to improve bilateral relations, so these disputes are especially good targets for further analysis. The Senkaku Islands dispute has poisoned Sino-Japanese relations (and to a lesser extent, Taiwanese-Japanese relations) while the Liancourt Rocks dispute has done the same to the Korean-Japanese relationship. While the Sino-Indian dispute is less contentious at the moment, it remains unresolved and risks damaging the two countries’ relationship.

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115 This dispute will be approached as essentially two separate disputes: one between China and Japan and the other between Taiwan and Japan. While China and Taiwan do dispute ownership of the islands, their dispute is much larger and more complex than that encompassed in the islands, so will not be included in the case study.
China and India Territorial Dispute
The Sino-Indian territorial dispute focuses on three areas of the Chinese border with India: the eastern sector extending from Bhutan to Myanmar and including much of the current Indian state of Arunachal Pradesh, the central sector extending from Nepal to Jammu and Kashmir, and the western sector extending along the border of Indian-controlled Jammu and Kashmir and including the region of Aksai Chin. According to India, the border of the central and eastern sectors follows the McMahon Line, which was agreed to through a treaty between British India and Qing China, while the western sector, including parts of Pakistani-controlled Kashmir, follows the Johnson Line formed through a similar agreement. China, meanwhile, argues that treaties signed by Qing China were signed under principles of inequality, and

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116 Map edited from image taken from *The Economist.*
therefore refuses to follow them.\textsuperscript{117} However, China has agreed in principle to follow the border as defined by the McMahon Line, though Beijing disputes the area of Aksai Chin in the western sector, supporting the more southerly MacDonald Line due to a strategic road running through the sector linking the Chinese provinces of Xinjiang and Tibet.\textsuperscript{118}

In the beginning years of the dispute between China and the newly independent India, China is considered the challenger, with India becoming the challenger after the end of the 1962 border war. However, in several important aspects of the dispute, India could also be fruitfully considered a challenger, and will be analyzed as such for purpose of the case study. This analysis will focus on India’s decision to implement an aggressive forward policy and not offer concessions in dispute negotiations and China’s decision to initiate military action against India in the lead up to the 1962 war.

\textit{India’s Approach to the Sino-Indian Border}

In the immediate aftermath of the Communist takeover of China, Sino-Indian relations were initially characterized by calls for friendship and cooperation and shouts of “Hindi, Chini, Bhai Bhai!” (Indians, Chinese, Brothers!).\textsuperscript{119} However, as China experienced an uprising in Tibet in 1959 supported by much of the Indian population and as the underlying differences in


\textsuperscript{119} Liu, \textit{Sino-Indian Border Dispute}, 5; Verghese, "Fifty years after 1962."; Chang, \textit{China’s Boundary Treaties}, 73.
interpretations of the border became apparent, Sino-Indian relations began to worsen significantly.\textsuperscript{120}

While the Indian government was committed to a position of neutrality in international affairs, President Jawaharlal Nehru found this a difficult position to keep in response to the Tibetan uprising and resulting Chinese crackdown of 1959.\textsuperscript{121} Indian public sentiment was intensely pro-Tibetan and anti-Chinese, with deep cultural and feudal connections with the Tibetan groups across the border.\textsuperscript{122} In January 1962, the Indian paper \textit{Statesman} even proposed that “the support for the Dalai Lama and for the Tibetan refugees be made part of Indian policy toward China.”\textsuperscript{123} In this case, cultural similarities at a local level helped lead to greater conflict in the national bilateral relationship. At the same time, Nehru’s need to garner public support in democratic India helped lead to a more confrontational policy with communist China. In an interview with the BBC on March 12, 1962, Nehru said that the Dalai Lama had been a significant factor in the Sino-Indian border dispute and criticized China, saying that “[China] has done a lot of harm to Tibet and its people.”\textsuperscript{124}

These factors helped contribute to India’s forward policy in the territorial dispute, in which India established new military posts and border patrols in the disputed territory in the eastern and western sectors.\textsuperscript{125} China’s internal instability at the time also convinced New Delhi

\textsuperscript{120} Liu, \textit{Sino-Indian Border Dispute}, 4-6.
\textsuperscript{122} Melvin Gurtov and Byong-Moo Hwang, \textit{China under Threat: The Politics of Strategy and Diplomacy}, (Baltimore: Johns Hopkins, 1980), 124
\textsuperscript{123} Ibid., 124.
\textsuperscript{125} Gurtov and Hwang, \textit{China under Threat}, 119-20.
to implement this forceful policy. As one of Nehru’s close advisors later recalled, “Nehru believed... if we dealt with [the Chinese] strongly we should have the better of them.... Nehru felt that... the Chinese were in no position to divert their attention to anything except putting their internal matters right.” As Nehru himself saw it, China and India were engaged in “a game of military chess with each side maneuvering for position.” There was a strong conviction among policymakers in New Delhi that this chess match would not devolve into war.

It was in this context that Nehru refused Chinese offers in negotiations. Sino-Indian trade was minimal, only .03 percent of Indian GDP in 1960, creating few opportunities for exchange and fewer players in domestic politics with stakes in peaceful Sino-Indian relations. Cultural differences on the national level were amplified by cultural similarities on the provincial level, creating public sentiment against China. As a democratic country, India could not easily overcome nationalist, anti-Chinese sentiment in its population, making concessions more difficult to support. For all of these reasons, New Delhi implemented an aggressive forward policy, failed to reach agreement in negotiations with Beijing, and put the country on a path toward war.

*China’s Approach to the Sino-Indian Border*

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128 Steven A. Hoffmann, *India and the China Crisis*, (Berkeley: University of California, 1990), 120.
In the beginning of the 1960’s, China “considered the United States its primary enemy abroad and urgently needed to devote its efforts to long-term economic construction at home.”\(^{129}\) While Beijing was disturbed by India’s support for the Tibetan rebels and granting of asylum to the Dalai Lama, Chinese leaders were most concerned about the dire state of the economy following the disastrous Great Leap Forward.\(^{130}\) In this context, Zhou Enlai traveled to India in April 1960 following the successful resolution of boundary disputes with Burma and Nepal with the hope of peacefully negotiating an end to the Sino-Indian border dispute.\(^{131}\)

In a meeting in April 1960, Zhou offered concessions to Nehru through which China would relinquish claims in the eastern sector in return for India giving up claims to the Aksai China area in the western sector.\(^{132}\) The negotiations were unsuccessful, and though a similar offer remained on the table for the next two years, it continued to be ill-received by India. In 1962, Beijing began to get increasingly concerned over India’s forward policy, noting that “if India continues to invade and occupy China’s territory and expand the area of its intrusion and harassment on China’s border, the Chinese government will be compelled to consider the further step of resuming border patrols along the entire Sino-Indian border.”\(^{133}\)

Nonetheless, economic concerns continued to play a pivotal role in decision making in Beijing. However, “Chinese leadership continued to pursue a policy of self-reliance, which had been the standard of economic development since 1958.”\(^{134}\) Even in this environment of

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130 Ibid.
132 Maxwell, *India’s China War*, 160.
133 Gurtov and Hwang, *China under Threat*, 138.
134 Ibid., 104.
economic self-reliance, Beijing preferred diplomacy and trade to military actions. Just four months before hostilities broke out in October 1962, Chinese leaders were endeavoring to renew the Sino-Indian Treaty of Trade and Intercourse, which expired on June 3 despite Beijing’s efforts.\textsuperscript{135} China attempted to resolve the dispute through diplomacy once more in July and August, but when negotiations collapsed on August 22, 1962, the “militant line gained ascendance over the line of diplomatic reconciliation.”\textsuperscript{136} The path from this point to the decision to initiate military action was a short one, with war breaking out in October 1962.

In 1959, China showed every intention to resolve the Sino-Indian boundary dispute through peaceful negotiations. Even with bilateral trade at the miniscule level of .06 percent of Chinese GDP, Beijing nonetheless attempted to resolve the dispute peacefully in order to focus on trade and domestic economic development. However, as a non-democratic regime with massive internal instability, China’s threats to use force in response to Indian maneuvering were not believed in New Delhi, where the credibility of such threats would have been strengthened by democratic audience costs. With negotiations unsuccessful, Beijing found military action to be its only choice.

\textsuperscript{136} Gurtov and Hwang, \textit{China under Threat}, 139.
China, Taiwan, and Japan and the Senkaku/Diaoyu Islands Dispute

The Senkaku Islands dispute centers around eight uninhabited islands in the East China Sea. While uninhabited, the waters around the islands serve as rich fishing grounds and are located over an area thought to be rich in oil and gas reserves.

The islands were originally recognized as part of the Ryukyu Kingdom, which was incorporated into Japan in 1879 as part of the Okinawa prefecture. Japan claims that it

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137 Map edited from image found at http://www.npr.org/2013/01/30/170667524/reality-and-perception-on-the-containment-of-china.

surveyed the islands in the 19th century and, finding them uninhabited, claimed them as part of Japan in January 1895.139

Both China and Taiwan dispute Japanese ownership of the islands, saying that the Ryukyu Kingdom was a tributary state of the Qing Dynasty before its incorporation into Japan.140 According to their version of the dispute, the Senkaku Islands only became part of Japan in 1895 under the Treaty of Shimonoseki after the Sino-Japanese war under which Taiwan was ceded to Japan, which would include it in the territory returned to their previous owners in the Treaty of San Francisco.141

Under the San Francisco Peace Treaty, which officially ended World War II and returned control of most of the territory seized by the Japanese Empire, the Senkaku Islands were placed under U.S. administration along with Okinawa and the Ryukyu Islands. The United States “returned” the islands to Japan in 1971 through the Okinawa Reversion Agreement, at which point Beijing and Taipei lodged complaints against the move, claiming ownership to the Senkaku Islands and the waters around them.142

In analyzing this dispute, both China and Taiwan will both be considered challengers with Japan as the target.143 This analysis will focus on China’s decision to continue the status

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142 Chi-kin Lo, China’s Policy Towards Territorial Disputes: The Case of the South China Sea Islands, 168.
143 Huth and Allee do not include Taiwan in their database since Taipei is not an officially recognized government. However, in the analysis of decisions to change the status quo and initiate negotiations of military actions, it is nonetheless a suitable subject since it faces the same incentives as any other government.
quo, initiate negotiations, and not initiate militarized action and Taiwan’s decision to do the same, examining the parallel and diverging motives behind both governments’ rationales.

China and the Senkaku/Diaoyu Islands Dispute

China first challenged Japanese control over the Senkaku Islands in 1970, but the dispute was not a serious impediment to Sino-Japanese relations for the first decades of its existence. The main impetuses behind Beijing’s initial 1970 claim were, first, the discovery of large oil and gas reserves underneath the islands and, second, the hope that, through its protest, the United States might not return the islands to Japan in the Okinawa Reversion Treaty.¹⁴⁴

When China and Japan established diplomatic relations in 1973, the issue of the disputed islands was discussed, and the two governments agreed to shelve the dispute in order to support a present normalization of relations.¹⁴⁵ When then-Vice Premier Deng Xiaoping visited Japan in October 1978 to sign the Sino-Japanese Treaty of Peace and Friendship, he said about the dispute that:

It is true that two sides maintain different views on this question.... It does not matter if this question is shelved for some time, say, ten years. Our generation is not wise enough to find common language on this question. Our next generation will certainly be wiser. They will certainly find a solution acceptable to all.¹⁴⁶

¹⁴⁵ Lo, China’s Policy Towards Territorial Disputes, 171; Reinhard Drifte, “The Senkaku/Diaoyu Islands Territorial Dispute Between Japan and China: Between The Materialization of the "China Threat" And Japan "Reversing the Outcome of World War II"?" UNISCI Discussion Papers, Nº 32, May 2013, 56.
¹⁴⁶ Fravel, Strong Borders, Secure Nation, 271.
At the time of normalization of Sino-Japanese relations, three pressures served to restrain any possible Chinese military action over the Senkaku Islands. First, Beijing sought allies to balance against its chief adversary, Moscow, and Japan played an important role in containing Soviet hegemony.\textsuperscript{147} Second, Japan’s alliance with the United States, which includes defense of areas under Japanese administration, including the Senkaku Islands, made military action in the Senkaku Islands tied to possible confrontation with the United States.\textsuperscript{148} Finally, Japan served as an essential trade partner and supplier of foreign direct investment and technology, drastically increasing the potential costs of military action.\textsuperscript{149}

The importance of Japan as a trading partner has remained an essential dimension of their bilateral relations throughout the past decades. While Japan’s alliance with the United States continues to act as a deterrent against any possible Chinese military action, Sino-Japanese economic interdependence has “[acted] as a constraint against allowing relations to deteriorate unduly.”\textsuperscript{150} However, while the U.S. alliance and economic interdependence serve as deterrents against Chinese aggression, the weight of Japan’s militarist past and the differences in their modern day values and political systems bring conflict into the relationship.\textsuperscript{151} While economic interdependence has led to improved Sino-Japanese relations and has helped avoid a militarized dispute over the Senkaku Islands, “there is no corresponding

\textsuperscript{148} Fravel, \textit{Strong Borders, Secure Nation}, 272.
\textsuperscript{150} Yahuda, “Sino-Japanese Relations,” 166.
\textsuperscript{151} Ibid., 170-1.
spillover into social, intellectual, or security engagement.”\textsuperscript{152} The possibility for militarized action in the territorial dispute, while muted by economic interdependence, remains.

It should be mentioned that militarized action over disputed offshore islands are by no means anathema to Beijing, with past military action over the disputed islands of the South China Seas serving as a prime example. In 1974 and 1988 China clashed with first the Republic of Vietnam and then the Democratic Republic of Vietnam over the Crescent Group and the Spratly Islands respectively.\textsuperscript{153} As late as 2012, China used coercive tactics (though not outright military action) to wrestle control of the Scarborough Shoal from the Philippines.\textsuperscript{154} It is therefore notable that China has not chosen to pursue a similar strategy in the East China Sea.

In the late 1970s Beijing pursued negotiations with Japan in the form of joint development of the surrounding oil and gas fields.\textsuperscript{155} While the idea of joint development ultimately proved unsuccessful, it illustrates China’s deference toward economic interests in its relationship with Japan. From the pursuit of joint development until the renewal of conflict over the islands in 2012, Beijing was consistent in pursuing a nonviolent policy, withholding support from Hong Kong and Taiwanese activists attempting to plant flags on the islands and constraining anti-Japanese protests over the dispute in Beijing.\textsuperscript{156} As recently as April 2007, a joint communique between Japanese Prime Minister Shinzo Abe and Chinese Premier Wen Jiabao stated that “the two sides [would] conduct joint development in accordance with the

\textsuperscript{152} Ibid., 180.
\textsuperscript{153} Fravel, \textit{Strong Borders, Secure Nation}, 273-300.
\textsuperscript{155} Lo, \textit{China’s Policy Towards Territorial Disputes}, 172-3.
\textsuperscript{156} Fravel, \textit{Strong Borders, Secure Nation}, 271-2.
principle of mutual benefit as a temporary arrangement pending the completion of demarcation of sea borders.”

China’s attitude toward Japan and the dispute has deteriorated significantly throughout the early 21st century, with the bilateral relationship reaching a low point in September 2012, when the Japanese government bought three of the islands from a private owner. While Tokyo purportedly bought the islands in order to stop a nationalist mayor from purchasing them, Beijing saw the purchase as a move by Japan to strengthen its control over the disputed islands. Since 2012, China has continued to take a more aggressive stance toward the islands, allowing larger anti-Japanese protests following the purchase, increasing naval and air patrols over the area, and establishing an Air Defense Identification Zone above the islands. While the mutual benefits gained by both China and Japan from their economic relationship continues to act as ballast in Sino-Japanese relations, moderating and tempering possible conflict, the prospect of militarized action over the Senkaku Islands remains strong due to an overall failure of the Sino-Japanese bilateral relationship to extend beyond economics.

Taiwan and the Senkaku/Diaoyu Islands Dispute

159 Ibid.
Like China, Taiwan first challenged Japanese ownership of the Senkaku Islands in 1970, shortly before they were returned to Japan under the Okinawa Reversion Treaty. Taipei’s decision to contest the islands’ ownership was driven by the discovery of oil and gas reserves around the islands, the use of the waters surrounding the islands as a rich fishing area, and the hope that the United States would refrain from returning the islands to Japanese control under the upcoming treaty.  

Following the return of the islands to Japanese administration, Taiwan refrained from initiating military action against Japan for two main reasons. First and most importantly, Taiwan relied (and continues to rely) on military support from the United States to defend itself against China, so possible militarized actions against the U.S. treaty ally of Japan would be significantly constrained. Second, Taiwan and Japan are economically interdependent, with significant bilateral trade and foreign direct investment.

Throughout the following decades, these twin forces continued to push Taiwan away from militarized action and toward negotiations. Taiwanese activists and fishermen supported more nationalistic policies, attempting to plant flags on the disputed islands and traveling in mass to the disputed waters to protest Japan’s ownership. Nonetheless, Taiwan continued to uphold the status quo while pushing for a fishing agreement. During this time, as Taiwan democratized, Japanese sympathy for the island increased, improving bilateral relations. While Taiwanese fishermen continued to assert their rights to fish in the waters around the islands, shared democratic institutions and norms for peaceful conflict resolution helped

162 Drifte, “The Senkaku/Diaoyu Islands Territorial Dispute Between Japan and China,” 56.
prevent the dispute from extending beyond a water-cannon battle between Japanese Coast Guard vessels and Taiwanese fishing boats. \textsuperscript{165} Negotiations between the two governments culminated in a fishing agreement in April 2013 that allowed Taiwanese fishermen access to the majority of the Japanese-controlled waters surrounding the islands. \textsuperscript{166}

In the future of the Taiwanese-Japanese dispute over the Senkaku Islands, these factors of economic interdependence, shared democratic institutions, and shared alliance partner are very likely to help avoid militarized action over the islands.

\textit{Japan and South Korea and the Dispute over the Liancourt Rocks/Dokdo/Takeshima}


The dispute over the Liancourt Rocks centers around two small islets and their surrounding rocks in the East Sea/Sea of Japan. The islands are currently administered by South Korea and are inhabited by a civilian fisherman and his wife as well as a small detachment of the South Korean Coast Guard. The waters around the islands are rich fishing grounds and are thought to have gas preserves underneath them, though the amount is unknown.

In analyzing this dispute, South Korea is considered the challenger with Japan as the target. This analysis will focus on Seoul’s decision to initiate militarized action against Japan in the early 1950’s, and then to continue the status quo and initiate negotiations from 1960 to the present.

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167 Map edited from original map found at http://dokdodispute.tumblr.com.
South Korea and the Liancourt Rocks Dispute

The modern dispute over the Liancourt Rocks emerged as an issue following the end of World War II, when, with the implementation of the Treaty of San Francisco in 1952, the islets were about to be reverted to Japanese sovereignty. While the Korean War was still in progress and before the Treaty of San Francisco came into effect, President Syngman Rhee of South Korea proclaimed jurisdiction over a wide swathe of waters between Korea and Japan including the Liancourt Rocks. Rhee argued that the islands, which were first incorporated under Japanese control in 1905 under the principle of terra nullius, were historically part of Korea, and Tokyo’s administration of the Liancourt Rocks was just another example of Japan’s imperial, militarist legacy. Under the South Korean interpretation of the Treaty of San Francisco and declarations by the occupation forces in Japan, the Liancourt Rocks were part of the territory renounced by Japan as its “former imperial possessions.”

In 1953, the South Korean government under President Syngman Rhee decided to initiate militarized action in order to take control of the islets. On July 12, 1953, fifteen days before the Korean Armistice Agreement was signed, ending the Korean War, “armed Korean officials” fired on a Japanese patrol boat that was ordering Korean fishermen to leave the

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170 Seokwoo Lee, Boundary and Territory Briefing: The Resolution of the Territorial Disputes between Korea and Japan over the Liancourt Rocks (Durham, UK: International Boundaries Research Unit, 2002), 7. While the dispute emerged in 1952, it was largely dormant for the next year and a half while the United States used the islands as a bombing practice zone. Following incidents where Korean fishermen around the Liancourt Rocks were killed by U.S. bombs and following the realization by the United States that it was being dragged into a regional territorial dispute, it dispensed with the use of the island as a bombing range.
171 Allcock et al., Border and Territorial Disputes, 498.
islets. In August, 1954, another Japanese patrol boat was fired upon by South Korean military personnel on the islands.

Official decision-making behind this initiation of militarized action is difficult to determine, but was likely instigated by and sustained by three key facts. First, South Korea retained harsh feelings for its former colonial master. When the idea of having Japanese troops help fight North Korea was entertained in 1951, Syngman Rhee responded by saying that if that happened “he would conclude a truce with the North Korean Communists to repel the Japanese.” Second, trade between South Korea and Japan was minimal, adding little incentive for peaceful settlement. While total bilateral trade equaled the relatively high 2.1% and 1.4% of South Korea GDP in 1953 and 1954 respectively, this trade was a consequence U.S. spending for the Korean War rather than a reflection of economic interdependence. Third, South Korea was not a democracy, and had no norm for peaceful conflict resolution nor need to respond to popular sentiment, as epitomized by the Korean War.

The most surprising fact behind the militarized actions initiated by Seoul in 1953 and 1954 is that it occurred despite the immense U.S. presence in both countries. It also occurred while Japanese minesweepers crewed by Japanese seamen were being used (admittedly without the knowledge of the South Korean government) to fight the North Koreans. This

172 Ibid., 499. and Lee, Boundary and Territory Briefing, 32.
173 Allcock et al., Border and Territorial Disputes, 499.
175 Ibid., 33. This is especially apparent in the fact that, from 1955 to 1960, after the settlement of the Korean War, trade averaged a much lower 0.55%. Trade figure derived from data from Penn World Tables and Correlates of War bilateral trade database.
176 Despite the fact that General Douglas MacArthur’s staff promised allies that “no Japanese were to be employed with the army in Korea,” twenty Japanese minesweepers and five support vessels crewed by 1,200 Japanese sailors as well as an unknown number of soldiers were deployed in the war against North Korea. Tessa Morris-Suzuki,
fact supports the finding in the above section on the Taiwanese-Japanese dispute over the Senkaku Islands that even with Taiwan’s existential reliance on the United States, the possibility of military action remained, and was not initiated for additional reasons beyond a shared alliance partner.

Following this military action carried out by South Korea against Japan, a period of continuation of the status quo and intermittent negotiations took place from 1960 to the present. This coincided with a period of rapid economic integration and, later, democratization. Japan and South Korea completed negotiations over normalization of bilateral relations in 1965 with the conscious decision to “shelve” the Liancourt Rocks dispute for future generations to resolve.\textsuperscript{177} By this point, bilateral trade as a percent of South Korean GDP had risen to near-Korean War levels at 1.8 percent, which increased rapidly as Japan contributed ever more to South Korea’s development.\textsuperscript{178} Over the next several decades, South Korea’s economic growth “required Japanese capital and technology.... Both sides pushed aside their historical animosity and emotional conflicts..., [but] Japanese and South Korean leaders made no attempt to build a bridge of genuine understanding.”\textsuperscript{179} Thus, while Seoul did not initiate negotiations over the Liancourt Rocks, neither did it initiate militarized action since South Korea required continued good relations with Japan for the loans and investment that made economic growth possible.

The democratization of South Korea brought with it an improvement of Korean-Japanese relations, with South Korean President Roh Tae Woo calling for a breaking of “the

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\textsuperscript{178} Lee, Japan and Korea, 119.
\textsuperscript{179} Bilateral trade as a percentage of GDP consistently averaged around 6 to 7 percent from the seventies onward. Calculated using data from Penn World Tables and the Correlates of War bilateral trade data. Lee, Japan and Korea, 67.
shackles of the past” in the first ever speech to the Japanese Diet by a South Korean President. However, the dispute has yet to be settled and continues to serve as a wedge between closer relations. In April 2014, Japan reiterated its claim to the islets, leading to a swift rebuke by the South Korean foreign ministry, saying that Japan’s territorial claims “damage not only the South Korea-Japan relationship but also peace and stability in Northeast Asia.”

The continued dispute over the Liancourt Rocks demonstrates the audience cost that dyadic democracy can bring to a dispute. In cases like that between South Korea and Japan that include the heavy weight of history, democratic institutions add an audience cost that make negotiating a solution nearly impossible. Thus, while democracy and economic integration make militarized action less likely, the weight of historical animosity can make negotiations more challenging.

Chapter Seven: Conclusion

Territory is the basis of modern states, both in the political foundation of sovereign countries and the conceptual underpinning of nationhood. Disputes over territory therefore generate strong governmental reactions and passionate popular responses. It is perhaps unsurprising then that territorial disputes have been the leading cause of war throughout the twentieth century. However, while territorial disputes are the foremost cause of war, the majority of territorial disputes do not lead to war. Understanding the differences between the

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180 Allcock et al., Border and Territorial Disputes, 499.
territorial disputes that result in war and those that do not is essential to better understanding the causes of war and, accordingly, the way to peace.

This research examined the theory of economic interdependence, the theory of the clash of civilizations, and the theory of democratic peace and their connection with the peaceful or violent resolution of territorial disputes.

Through a quantitative analysis of territorial disputes from 1950 to 1995, economic interdependence was proven to have a significant effect on challengers’ decisions to initiate negotiations versus militarized action as well as a significant effect on challengers’ decisions of how much to escalate. Both of these findings were significant and in the direction hypothesized by the theory of economic interdependence.

Economic interdependence was also found to be significant in challengers’ decisions to offer concession, but opposite the expected direction, with more interdependence leading to fewer concession. This finding may illustrate the existence and effect of relative economic dependence and the power countries can exert on economically dependent partners. This puzzling result and the possible mechanisms through which it works would be ideal avenues for further research.

The case studies explored in chapter six supported these findings. In the Sino-Indian dispute, low levels of economic interdependence created few incentives to solve the dispute peacefully, eventually resulting in the 1962 Sino-Indian Border War. The case of the Sino-Japanese dispute over the Senkaku illustrated the pacifying effect of extensive economic interdependence, though it also introduced the possible limits to the theory in the most recent
acrimony caused by the dispute. The Taiwanese-Japanese dispute over the islands presents a similar case supporting the pacifying effect of economic interdependence. The Korean-Japanese dispute over the Liancourt Rocks represents a case where initial low levels of economic interdependence helped create the environment for a 1952 militarized dispute, and where growing economic interdependence avoided further military confrontation and alleviated some of the animosity over the dispute.

The theory of the clash of civilizations was unsupported by the results of the quantitative analysis, with no significant relationship between the difference in disputants’ values and the peaceful or violent outcome of the dispute. However, these results are likely the consequence of inadequate data and measures. The case study of the Sino-Indian territorial dispute introduced a possible causal mechanism of how cultural difference can lead to conflict in disputes. India’s cultural differences with China were amplified by its cultural similarities with Tibet, which resulted in a falling apart of Sino-Indian relations when Jawaharlal Nehru supported the Dalai Lama during the Tibetan uprising of 1959. Further research and better measures are required to better understand this complex connection.

The theory of democratic peace was supported in analysis of territorial disputes from 1919 to 1995. Both the monadic and dyadic versions of the theory had a significant effect on challengers’ decisions to initiate negotiations versus decisions to initiate militarized action. However, only dyadic democracies were found to have a significant impact on challengers’ decisions of how much to escalate. Neither were found to have a significant effect on decisions to offer concessions.
The case studies in chapter six support these findings. In the Sino-Indian territorial dispute, Beijing did not have to account to its people in its decision to initiate military action, lowering the costs of a violent solution. The absence of dyadic democracy also proved important, as decision-makers in New Delhi did not believe Beijing’s threat to respond to India’s forward policy with force because of China’s domestic turmoil and lack of audience cost that would have made the threat more credible. In India’s decision not to initiate military action following the 1962 border war, democracy paid an important role as leaders reflected on the political toll the previous conflict had inflicted on the Nehru administration. Meanwhile, in the Taiwanese-Japanese dispute over the Senkaku Islands, the democratization of Taiwan led to a revitalization of relations and helped instigate an eventual fishing agreement over the territory. The Korean-Japanese dispute over the Liancourt Rocks best demonstrates the efficacy of democratic peace, with South Korea under the authoritarian Syngman Rhee launching militarized action against Japan, but with diplomacy and negotiations winning out after the democratization of the country.

The effect of economic integration on the decision of challenger states to negotiate is a subject that deserves further study. The effect of cultural similarities and differences is another area ripe for deeper analysis; annualized and more exact measures would be especially useful in furthering the study of territorial disputes and culture. Historical animosity and its effect on peaceful or violent resolutions of territorial disputes also merits closer attention. Finally, further research on how economic dependence, or unequal economic interdependence, could lead to peace would add significantly to economic interdependence literature.
In conclusion, this research supported the theories stating that economic integration and democracy support peaceful negotiations over military action. However, that does not mean that democracy and trade are the final solution to ending conflict. The increasingly acrimonious disputes over the Senkaku Islands between China and Japan and over the Liancourt Rocks between South Korea and Japan show the possible limits to the pacifying effects of economic integration and democracy. Nonetheless, the proliferation of trade and democracy shows promise in increasing the likelihood of peaceful negotiated solutions to territorial disputes around the world.
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