CHAPTER 1

Interdependence in World Politics

We live in an era of interdependence. This vague phrase expresses a poorly understood but widespread feeling that the very nature of world politics is changing. The power of nations—that age-old touchstone of analysts and statesmen—has become more elusive: "calculations of power are even more delicate and deceptive than in previous ages."[1] Henry Kissinger, though deeply rooted in the classical tradition, has stated that "the traditional agenda of international affairs—the balance among major powers, the security of nations—no longer defines our perils or our possibilities. . . . Now we are entering a new era. Old international patterns are crumbling; old slogans are uninstructive; old solutions are unavailing. The world has become interdependent in economics, in communications, in human aspirations."[2]

How profound are the changes? A modernist school sees telecommunications and jet travel as creating a "global village" and believes that burgeoning social and economic transactions are creating a "world without borders."[3] To a greater or lesser extent, a number of scholars see our era as one in which the territorial actors such as multinational corporations, transnational social movements, and international organizations. As one economist put it, "the state is about through as an economic unit."[4]

Traditionalists call these assertions unfounded "globaloney." They point to the continuity in world politics. Military interdependence has always existed, and military power is still important in world politics—witness nuclear deterrence; the Vietnam, Middle East, and India-Pakistan wars; and China's military threats toward Taiwan or American intervention in the Caribbean. Moreover, as the Soviet Union has showed, authoritarian states could, at least until recently, control telecommunications and social transactions that they considered disruptive. Even poor and weak countries have been able to nationalize multinational corporations, and the prevalence of nationalism casts doubt on the proposition that the nation-state is fading away.

Neither the modernists nor the traditionalists have an adequate framework for understanding the politics of global interdependence.[5] Modernists point correctly to the fundamental changes now taking place, but they often assume without sufficient analysis that advances in technology and increases in social and economic transactions will lead to a new world in which states, and their control of force, will no longer be important.[6] Traditionalists are adept at showing flaws in the modernist vision by pointing out how military interdependence continues, but find it very difficult to interpret accurately today's multidimensional economic, social, and ecological interdependence.

Our task in this book is not to argue either the modernist or traditionalist position. Because our era is marked by both continuity and change, this would be fruitless. Rather, our task is to provide a means of distilling and blending the wisdom in both positions by developing a coherent theoretical framework for the political analysis of interdependence. We shall develop several different but potentially complementary models, or intellectual tools, for grasping the reality of interdependence in contemporary world politics. Equally important, we shall attempt to explore the *conditions* under which each model will be most likely to produce accurate predictions and satisfactory explanations. Contemporary world politics is not a seamless web; it is a tapestry of diverse relationships. In such a world, one model cannot explain all situations. The secret of understanding lies in knowing which approach or combination of approaches to use in analyzing a situation. There will never be a substitute for careful analysis of actual situations.

Yet theory is inescapable; all empirical or practical analysis rests on it. Pragmatic policymakers might think they need pay no more heed to theoretical disputes over the nature of the world than they pay to medieval scholastic disputes over how many angels can dance on the head of a pin. Academic pens, however, leave marks in the minds of statesmen with profound results for policy. Not only are "practical men who believe themselves to be quite exempt from any intellectual influences" unconscious captives of conceptions created by "some academic scribbler of a few years back," but increasingly the scribblers have been playing a direct role in forming foreign policy.[7] Inappropriate images and ill-conceived perceptions of world politics can lead directly to inappropriate or even disastrous national policies.

Rationale and rationalization, systemic presentation and symbolism, become so intertwined that it is difficult, even for policymakers themselves, to disentangle reality from rhetoric. Traditionally, classical theories of world politics have portrayed a potential "state of war" in which states' behavior was dominated by the constant danger of military conflict. During the Cold War, especially the first decade after World War II, this conception, labeled "political realism" by its proponents, became widely accepted by students and practitioners of international relations in Europe and the United States.[8] During the 1960s, many otherwise keen observers who accepted realist approaches were slow to perceive the development of new issues that did not center on military-security concerns.* The same dominant image in the

*In *The Troubled Partnership* (New York: McGraw-Hill for the Council of Foreign Relations, 1965) Henry A. Kissinger discussed alliance problems with hardly a reference to economic issues, although economic issues were beginning seriously to divide the NATO allies.

late 1970s or 1980s would be likely to lead to even more unrealistic expectations. Yet to exchange it for an equally simple view—for instance, that military force is obsolete and economic interdependence benign—would condemn one to equally grave, though different, errors.

What are the major features of world politics when interdependence, particularly economic interdependence, is extensive?[9] This is one of the two major questions we address in this book. In Chapter 2 we explore this question in general terms; in Chapter 5 and part of Chapter 7 we investigate it further in four case studies; and Chapter 8 examines the implications for American foreign policy. To lay the groundwork for these analyses, in the rest of this chapter we define what we mean by interdependence, differentiate its major types, and relate them to the concept of power, which remains fundamental to the analysis of world politics.

Interdependence affects world politics and the behavior of states; but governmental actions also influence patterns of interdependence. By creating or accepting procedures, rules, or institutions for certain kinds of activity, governments regulate and control transnational and interstate relations. We refer to these governing arrangements as *international regimes*. The second major question of this book is, How and why do international regimes change? Chapter 3 develops a set of explanations for the development of international regimes, and their eventual decline. In Chapter 6 we apply these explanations to issues of oceans and money, and in Chapter 7 we use them to understand some features of Canadian-American and Australian-American relationships.

But interdependence is not simply an analytical concept. It is also a rhetorical device employed by publicists and statesmen. For the statesman, eager to increase the number of people marching beneath his banner, vague words with broad appeal are useful. For the analyst, such vagueness is the path to a swamp of confusion. Before we can construct usable concepts, much less increase our understanding of interdependence and regime change, we must clear a way through the rhetorical jungle. Our task is to analyze the politics of interdependence, not to celebrate it.

THE NEW RHETORIC OF INTERDEPENDENCE

During the Cold War, "national security" was a slogan American political leaders used to generate support for their policies. The rhetoric of national security justified strategies designed, at considerable cost, to bolster the economic, military, and political structure of the "free world." It also provided a rationale for international cooperation and support for the United Nations, as well as justifications for alliances, foreign aid, and extensive military involvements.

National security became the favorite symbol of the internationalists who favored increased American involvement in world affairs. The key foreign policy coordinating unit in the White House was named the National Security Council. The Truman administration used the alleged Soviet threat to American security to push the loan to the British and then the Marshall Plan through Congress. The Kennedy administration employed the security argument to promote the 1962 Trade

Expansion Act. Presidents invoked national security to control certain sectoral economic interests in Congress, particularly those favoring protectionist trade policies. Congressmen who protested adverse economic effects on their districts or increased taxes were assured—and in turn explained to constituents—that the "national security interest" required their sacrifice. At the same time, special interests frequently manipulated the symbolism of national security for their own purposes, as in the case of petroleum import quotas, promoted particularly by domestic oil producers and their political allies.[10]

National security symbolism was largely a product of the Cold War and the severe threat Americans then felt. Its persuasiveness was increased by realist analysis, which insisted that national security is the primary national goal and that in international politics security threats are permanent. National security symbolism, and the realist mode of analysis that supported it, not only epitomized a certain way of reacting to events, but helped to codify a perspective in which some changes, particularly those toward radical regimes in Third World countries, seemed inimical to national security, while fundamental changes in the economic relations among advanced industrialized countries seemed insignificant.

As the Cold War sense of security threat slackened, foreign economic competition and domestic distributional conflict increased. The intellectual ambiguity of "national security" became more pronounced as varied and often contradictory forms of involvement took shelter under a single rhetorical umbrella.[11] In his imagery of a world balance of power among five major centers (the United States, the Soviet Union, China, Europe, Japan), President Nixon tried unsuccessfully to extend traditional realist concepts to apply to the economic challenge posed by America's postwar allies, as well as the political and military actions of the Soviet Union and China.

As the descriptive accuracy of a view of national security dominated by military concerns declined, so did the term's symbolic power. This decline reflected not only the increased ambiguity of the concept, but also American reaction to the Vietnam imbroglio, to the less hostile relationship with Russia and China summed up by the word *detente*, and to the misuse of national security rhetoric by President Nixon in the Watergate affair. National security had to share its position as the prime symbol in the internationalists' lexicon with *interdependence*.

Political leaders often use interdependence rhetoric to portray interdependence as a natural necessity, as a fact to which policy (and domestic interest groups) must adjust, rather than as a situation partially created by policy itself. They usually argue that conflicts of interest are reduced by interdependence, and that cooperation alone holds the answer to world problems.

"We are all engaged in a common enterprise. No nation or group of nations can gain by pushing beyond the limits that sustain world economic growth. No one benefits from basing progress on tests of strength."[12] These words clearly belong to a statesman intending to limit demands from the Third World and influence public attitudes at home, rather than to analyze contemporary reality. For those who wish the United States to retain world leadership, interdependence has become part of the new rhetoric, to be used against both economic nationalism at home and assertive challenges abroad. Although the connotations of interdependence rhetoric may seem quite different from those of national security symbolism each has often been used to legitimize American presidential leadership in world affairs.

Yet interdependence rhetoric and national security symbolism coexist only uneasily. In its extreme formulation, the former suggests that conflicts of interest are passé, whereas the latter argues that they are, and will remain, fundamental, and potentially violent. The confusion in knowing what analytical models to apply to world politics (as we noted earlier) is thus paralleled by confusion about the policies that should be employed by the United States. Neither interdependence rhetoric nor national security symbolism provides reliable guidelines for problems of extensive interdependence.

Rhetoricians of interdependence often claim that since the survival of the human race is threatened by environmental as well as military dangers, conflicts of interest among states and peoples no longer exist. This conclusion would only follow if three conditions were met: an international economic system on which everyone depended on our basic life-supporting ecological system were in danger; all countries were significantly vulnerable to such a catastrophe; *and* there were only one solution to the problem (leaving no room for conflict about how to solve it and who should bear the costs). Obviously these conditions are rarely all present.

Yet balance of power theories and national security imagery are also poorly adapted to analyzing problems of economic or ecological interdependence. Security, in traditional terms, is not likely to be the principal issue facing governments. Insofar as military force is ineffective on certain issues, the conventional notion of power lacks precision. In particular, different power resources may be needed to deal with different issues. Finally, in the politics of interdependence, domestic and transnational as well as governmental interests are involved. Domestic and foreign policy become closely linked. The notion of national interest—the traditionalists' lodestar—becomes increasingly difficult to use effectively. Traditional maxims of international politics—that states will act in their national interests or that they will attempt to maximize their power—become ambiguous.

We are not suggesting that international conflict disappears when interdependence prevails. On the contrary, conflict will take new forms, and may even increase. But the traditional approaches to understanding conflict in world politics will not explain interdependence conflict particularly well. Applying the wrong image and the wrong rhetoric to problems will lead to erroneous analysis and bad policy.

INTERDEPENDENCE AS AN ANALYTIC CONCEPT

In common parlance, *dependence* means a state of being determined or significantly affected by external forces. *Interdependence*, most simply defined, means *mutual* dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.

These effects often result from international transactions—flows of money, goods, people, and messages across international boundaries. Such transactions have increased dramatically since World War II: "Recent decades reveal a general tendency for many forms of human interconnectedness across national boundaries to be doubling every ten years."[13] Yet this interconnectedness is not the same as interdependence. The effects of transactions on interdependence will depend on the constraints, or costs, associated with them. A country that imports all of its oil is likely to be more dependent on a continual flow of petroleum than a country importing furs, jewelry, and perfume (even of equivalent monetary value) will be on uninterrupted access to these luxury goods. Where there are reciprocal (although not necessarily symmetrical) costly effects of transactions, there is interdependence. Where interactions do not have significant costly effects, there is simply interconnectedness. The distinction is vital if we are to understand the *politics* of interdependence.

Costly effects may be imposed directly and intentionally by another actor—as in Soviet-American strategic interdependence, which derived from the mutual threat of nuclear destruction. But some costly effects do not come directly or intentionally from other sectors. For example, collective action may be necessary to prevent disaster for an alliance (the members of which are interdependent), for an international economic system (which may face chaos because of the absence of coordination, rather than through the malevolence of any actor), or for an ecological system threatened by a gradual increase of industrial effluents.

We do not limit the term *interdependence* to situations of mutual benefit. Such a definition would assume that the concept is only useful analytically where the modernist view of the world prevails: where threats of military force are few and levels of conflict low. It would exclude from interdependence cases of mutual dependence, such as the former strategic interdependence between the United States and the Soviet Union. Furthermore, it would make it very ambiguous whether relations between industrialized countries and less developed countries should be considered interdependent or not. Their inclusion would depend on an inherently subjective judgment about whether the relationships were "mutually beneficial."

Because we wish to avoid sterile arguments about whether a given set of relationships is characterized by interdependence or not, and because we seek to use the concept of interdependence to integrate rather than further to divide modernist and traditional approaches, we choose a broader definition. Our perspective implies that interdependent relationships will always involve costs, since interdependence restricts autonomy; but it is impossible to specify *a priori* whether the benefits of a relationship will exceed the costs. This will depend on the values of the actors as well as on the nature of the relationship. Nothing guarantees that relationships that we designate as "interdependent" will be characterized by mutual benefit.

Two different perspectives can be adopted for analyzing the costs and benefits of an interdependent relationship. The first focuses on the joint gains or joint losses to the parties involved. The other stresses *relative* gains and distributional issues. Classical economists adopted the first approach in formulating their powerful insight about comparative advantage: that undistorted international trade will provide overall net benefits. Unfortunately, an exclusive focus on joint gain may obscure the second key issue: how those gains are divided. Many of the crucial political issues of interdependence revolve around the old question of politics, "who gets what?"

It is important to guard against the assumption that measures that increase joint gain from a relationship will somehow be free of distributional conflict. Governments and nongovernmental organizations will strive to increase their shares of gains from transactions, even when they both profit enormously from the relationship. Oil-exporting governments and multinational oil companies, for instance, share an interest in high prices for petroleum; but they have also been in conflict over shares of the profits involved.

We must therefore be cautious about the prospect that rising interdependence is creating a brave new world of cooperation to replace the bad old world of international conflict. As every parent of small children knows, baking a larger pie does not stop disputes over the size of the slices. An optimistic approach would overlook the uses of economic and even ecological interdependence in competitive international politics.

The difference between traditional international politics and the politics of economic and ecological interdependence is *not* the difference between a world of "zero-sum" (where one side's gain is the other side's loss) and "non-zero sum" games. Military interdependence need not be zero-sum. Indeed, military allies actively seek interdependence to provide enhanced security for all. Even balance of power situations need not be zero-sum. If one side seeks to upset the status quo, then its gain is at the expense of the other. But if most or all participants want a stable status quo, they can jointly gain by preserving the balance of power among them. Conversely, the politics of economic and ecological interdependence involve competition even when large net benefits can be expected from cooperation. There are important continuities, as well as marked differences, between the traditional politics of military security and the politics of economic and ecological interdependence.

We must also be careful not to define interdependence entirely in terms of situations of *evenly balanced* mutual dependence. It is *asymmetries* in dependence that are most likely to provide sources of influence for actors in their dealings with one another. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues. At the other extreme from pure symmetry is pure dependence (sometimes disguised by calling the situation interdependence); but it too is rare. Most cases lie between these two extremes. And that is where the heart of the political bargaining process of interdependence lies.

POWER AND INTERDEPENDENCE

Power has always been an elusive concept for statesmen and analysts of international politics; now it is even more slippery. The traditional view was that military power dominated other forms, and that states with the most military power controlled world affairs. But the resources that produce power capabilities have become more complex. In the eyes of one astute observer, "the postwar era has witnessed radical transformations in the elements, the uses, and the achievements of power."[14] And Hans Morgenthau, author of the leading realist text on international politics, went so far in his reaction to the events of the early 1970s as to announce an historically unprecedented severing of the functional relationship between political, military, and economic power shown in the possession by militarily weak countries of "monopolistic or quasi-monopolistic control of raw materials essential to the operation of advanced economies."[15]

Power can be thought of as the ability of an actor to get others to do something they otherwise would not do (and at an acceptable cost to the actor). Power can be conceived in terms of control over outcomes. In either case, measurement is not simple.[16] We can look at the initial power resources that give an actor a potential ability; or we can look at that actor's actual influence over patterns of outcomes. When we say that asymmetrical interdependence can be a source of power we are thinking of power as control over resources, or the *potential* to affect outcomes. A less dependent actor in a relationship often has a significant political resource, because changes in the relationship (which the actor may be able to initiate or threaten) will be less costly to that actor than to its partners. This advantage does not guarantee, however, that the political resources provided by favorable asymmetries in interdependence will lead to similar patterns of control over outcomes. There is rarely a one-to-one relationship between power measured by any type of resources and power measured by effects on outcomes. Political bargaining is usually a means of translating potential into effects, and a lot is often lost in the translation.

To understand the role of power in interdependence, we must distinguish between two dimensions, *sensitivity* and *vulnerability*. Sensitivity involves degrees of responsiveness within a policy framework—how quickly do changes in one country bring costly changes in another, and how great are the costly effects? It is measured not merely by the volume of flows across borders but also by the costly effects of changes in transactions on the societies or governments. Sensitivity interdependence is created by interactions within a framework of policies. Sensitivity assumes that the framework remains unchanged. The fact that a set of policies remains constant may reflect the difficulty in formulating new policies within a short time, or it may reflect a commitment to a certain pattern of domestic and international rules.

An example of sensitivity interdependence is the way the United States, Japan, and Western Europe were affected by increased oil prices in 1971 and again in 1973–1974 and 1975. In the absence of new policies, which could take many years or decades to implement, the sensitivity of these economies was a function of the greater costs of foreign oil and proportion of petroleum they imported. The United States was less sensitive than Japan to petroleum price rises, because a smaller proportion of its petroleum requirements was accounted for by imports, but as rapid price increases and long lines at gasoline stations showed, the United States was indeed sensitive to the outside change. Another example of sensitivity interdependence is provided by the international monetary situation prior to August 15, 1971. Given the constraints on policy created by the rules of the International Monetary Fund (IMF), European governments were sensitive to changes in American monetary policy, and the United States was sensitive to European decisions regarding whether or not to demand the conversion of dollars into gold.

Sensitivity interdependence can be social or political as well as economic.* For example, there are social "contagion effects," such as the trivial but rapid spread of the fad of "streaking" from American to Europeans society in 1974, or more significant, the way in which the development of radical student movements during the late 1960s was reinforced by knowledge of each other's activities. The rapid growth of transnational communications has enhanced such sensitivity. Television, by vividly presenting starvation in South Asia to Europeans and Americans about to sit down to their dinners, is almost certain to increase attention to and concern about the issue in European and American societies. Sensitivity to such an issue may be reflected in demonstrations or other political action, even if no action is taken to alleviate the distress (and no economic sensitivity thereby results).

Using the word *interdependence*, however, to refer only to sensitivity obscures some of the most important political aspects of mutual dependence.[17] We must also consider what the situation would be if the framework of policies could be changed. If more alternatives were available, and new and very different policies were possible, what would be the costs of adjusting to the outside change? In petroleum, for instance, what matters is not only the proportion of one's needs that is imported, but the alternatives to imported energy and the costs of pursuing those alternatives. Two countries, each importing 35 percent of their petroleum needs, may seem equally sensitive to price rises; but if one could shift to domestic sources at moderate cost, and the other had no such alternative, the second state would be more *vulnerable* than the first. The vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face.

Under the Bretton Woods monetary regime during the late 1960s, both the United States and Great Britain were sensitive to decisions by foreign speculators or central banks to shift assets out of dollars or sterling, respectively. But the United States was less vulnerable than Britain because it had the option (which it exercised in August 1971) of changing the rules of the system at what it considered tolerable costs. The underlying capabilities of the United States reduced its vulnerability, and therefore made its sensitivity less serious politically.

In terms of the cost of dependence, sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. Vulnerability can be defined as an actor's liability to suffer costs imposed by external events even after policies have been altered. Since it is usually difficult to change policies quickly, immediate effects of external changes generally reflect sensitivity dependence. Vulnerability dependence can be measured only by the costliness of making effective adjustments to a changed environment over a period of time.

Let us illustrate this distinction graphically by imagining three countries faced simultaneously with an external event that imposes costs on them—for example, the situation that oil-consuming countries face when producers raise prices.

*Since we are referring to the sensitivity of economies and polities to one another, not merely to price sensitivities or interest rate sensitivities as used by economists, our definition builds on, but differs from, that of Richard Cooper, *The Economics of Interdependence* (New York: McGraw-Hill, 1968).

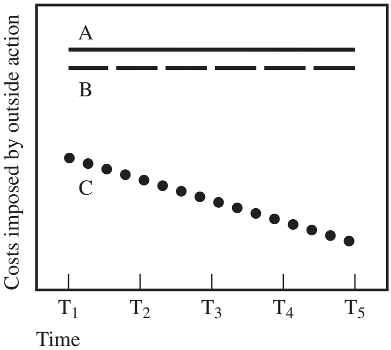

FIGURE 1.1 Sensitivity of three countries (assume policies unchanged)

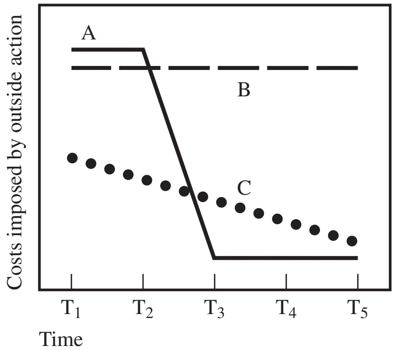

FIGURE 1.2 Vulnerability of three countries (assume policies unchanged)

Figure 1.1 indicates the sensitivity of the three countries to costs imposed by such an outside change. Initially, country *A* has somewhat higher sensitivity to the change than *B* and much higher sensitivity than C. Over time, furthermore, C's sensitivity falls *even without any policy changes*. This change might be caused by price rises in country C, which gradually reduce oil consumption, and therefore reduce imports. The total sensitivity of each country over the time covered by the graph is represented by the area under its respective line.*

Suppose we now alter this picture by assuming that each country tries to change its policies in order to reduce the costs imposed by outside actions. In our oil example, this attempt might involve deciding to incur the high domestic costs of rationing or developing expensive internal energy sources. The extent of these costs and the political willingness to bear them would be the measure of vulnerability. The vulnerability of a country such as Japan is imposed primarily by that country's physical endowments and is virtually inescapable without drastic costs. For other countries, such as the United States, physical vulnerability is not so great. For instance, American efforts to formulate a new energy policy after 1973 were slowed by the lack of domestic consensus on the issue.

In Figure 1.2, depicting vulnerability, we can see that country *A*'s vulnerability is much less than its sensitivity. A policy change at the beginning of the second time period allows that country, by the third period, to reduce costs imposed by external change almost to the vanishing point. Country *A*'s diminished vulnerability would reflect an effective policy, to reduce costs imposed by external change almost to the vanishing point. Country *A*'s diminished vulnerability would reflect an effective policy to become actually or potentially self-sufficient in petroleum. For instance, it might possess new sources of energy that could be developed by the government. *B* and C are less able to alter their situations by changing policy, thus remaining vulnerable to costs imposed by outside events.

*Our example is deliberately simplified. Among other things, the costs of the situation at later points would, of course, have to be reduced by an appropriate discount rate.

The sensitivity dependence of the three countries at the time of the first external event is not, therefore, the same as their vulnerability dependence at that time. Measures of the immediate effects of changes will not precisely indicate long-term sensitivities (note that C's sensitivity declines naturally over time), but they are likely to be even less accurate in measuring long-term vulnerabilities, which will depend on political will, governmental ability, and resource capabilities. In our example, although country *A* is more sensitive than country *B*, it is much less vulnerable.

Vulnerability is particularly important for understanding the political structure of interdependence relationships. In a sense, it focuses on which actors are "the definers of the *ceteris paribus* clause," or can set the rules of the game.[18] Vulnerability is clearly more relevant than sensitivity, for example, in analyzing the politics of raw materials such as the supposed transformation of power after 1973. All too often, a high percentage of imports of a material is taken as an index of vulnerability, when by itself it merely suggests that sensitivity may be high. The key question for determining vulnerability is how effectively altered policies could bring into being sufficient quantities of this, or a comparable, raw material, and at what cost. The fact that the United States imports approximately 85 percent of its bauxite supply does not indicate American vulnerability to actions by bauxite exporters, until we know what it would cost (in time as well as money) to obtain substitutes.

Vulnerability applies to sociopolitical as well as politico-economic relationships. The vulnerability of societies to transnational radical movements in the late 1960s depended on their abilities to adjust national policies to deal with the change and reduce the costs of disruption. When Sweden criticized American policy in Vietnam, its vulnerability to a possible American suspension of cultural contacts would have depended on how it could adjust policy to the new situation. Could exchange professors and tourists be attracted from elsewhere?[19]

Let us look again at the effects on the United States of a famine in South Asia. The vulnerability of an American administration to domestic protests over its lack of a food aid policy would depend on the ease with which it could adjust policy (for instance, by shipping more grain to India) without incurring other high political or economic costs.

How does this distinction help us understand the relationship between interdependence and power? Clearly, it indicates that sensitivity interdependence will be less important than vulnerability interdependence in providing power resources to actors. If one actor can reduce its costs by altering its policy, either domestically or internationally, the sensitivity patterns will not be a good guide to power resources.

Consider trade in agricultural products between the United States and the Soviet Union from 1972 to 1975. Initially, the American economy was highly sensitive to Soviet grain purchases: prices of grain rose dramatically in the United States. The Soviet Union was also sensitive to the availability of surplus American stocks, since its absence could have internal political as well as economic implications. The vulnerability asymmetries, however, ran strongly in favor of the United States, since its alternatives to selling grain to the USSR (Such as government storage, lower domestic prices, and more food aid abroad) were more attractive than the basic Soviet alternative to buying grain from the United States (slaughtering livestock and reducing meat consumption). Thus, as long as the United States government could retain coherent control of the policy—that is, as long as interest groups with a stake in expanded trade did not control it—agricultural trade could be used as a tool in political bargaining with the Soviet Union.

Vulnerability interdependence includes the strategic dimension that sensitivity interdependence omits, but this does not mean that sensitivity is politically unimportant. Rapidly rising sensitivity often leads to complaints about interdependence and political efforts to alter it, particularly in countries with pluralistic political systems. Textile and steel workers and manufacturers, oil consumers, and conservatives suspicious of radical movements originating abroad are all likely to demand government policies to protect their interests. Policymakers and policy analysts, however, must examine underlying patterns of vulnerability interdependence when they decide on strategies. What can they do, at what cost? And what can other actors do, at what cost, in response? Although patterns of sensitivity interdependence may explain where the shoe pinches or the wheel squeaks, coherent policy must be based on an analysis of actual and potential vulnerabilities. An attempt to manipulate asymmetrical sensitivity interdependence without regard for underlying patterns of vulnerability is likely to fail.

Manipulating economic or sociopolitical vulnerabilities, however, also bears risk. Strategies of manipulating interdependence are likely to lead to counterstrategies. It must always be kept in mind, furthermore, that military power dominates economic power in the sense that economic means alone are likely to be ineffective against the serious use of military force. Thus, even effective manipulation of asymmetrical interdependence within a nonmilitary area can create risks of military counteraction. When the United States exploited Japanese vulnerability to economic embargo in 1940–41, Japan countered by attacking Pearl Harbor and the Philippines. Yet military actions are usually very costly; and for many types of actions, these costs have risen steeply during the last thirty years.

Table 1.1 shows the three types of asymmetrical interdependence that we have been discussing. The dominance ranking column indicates that the power resources provided by military interdependence dominate those provided by nonmilitary vulnerability, which in turn dominate those provided by asymmetries in sensitivity. Yet exercising more dominant forms of power brings higher costs. Thus, *relative to cost,* there is no guarantee that military means will be more effective than economic ones to achieve a given purpose. We can expect, however, that as the interests at stake become more important, actors will tend to use power resources that rank higher in both dominance and cost.

A movement from one power resource to a more effective, but more costly, resource, will be most likely where there is a substantial *incongruity* between the distribution of power resources on one dimension and those on another. In such a situation, the disadvantaged actor's power position would be improved by raising the level at which the controversy is conducted. For instance, in a concession agreement, a multinational oil company may seem to have a better bargaining position than the host government. The agreement may allow the company to set the level of output, and the price, of the petroleum produced, thus making government revenues to company decisions. Yet such a situation is inherently unstable, since the government may be stronger on the vulnerability dimension. Once the country has

TABLE 1.1 Asymmetrical Interdependence and Its Uses

Source of independence	Dominance ranking	Cost ranking	Contemporary use
Military (costs of using military force)	1	1	Used in extreme situations or against weak foes when costs may be slight.
Nonmilitary vulnerability (costs of pursuing alternative policies)	2	2	Used when normative constraints are low, and international rules are not considered binding (including nonmilitary relations between adversaries, and situations of extremely high conflict between close partners and allies).
Nonmilitary sensitivity (costs of change under existing policies)	3	3	A power resource in the short run or when normative constraints are high and international rules are binding. Limited, since if high costs are imposed, disadvantaged actors may formulate new policies.

determined that it can afford to alter the agreement unilaterally, it may have the upper hand. Any attempt by the company to take advantage of its superior position on the sensitivity dimension, without recognizing its weakness at the vulnerability level (much less at the level of military force), is then likely to end in disaster.

We conclude that a useful beginning in the political analysis of international interdependence can be made by thinking of asymmetrical interdependencies as sources of power among actors. Such a framework can be applied to relations between transnational actors (such as multinational corporations) and governments as well as interstate relations. Different types of interdependence lead to potential political influence, but under different constraints. Sensitivity interdependence can provide the basis for significant political influence only when the rules and norms in effect can be taken for granted, or when it would be prohibitively costly for dissatisfied states to change their policies quickly. If one set of rules puts an actor in a disadvantageous position, that actor will probably try to change those rules if it can do so at a reasonable cost. Thus influence deriving from favorable asymmetries in sensitivity is very limited when the underlying asymmetries in vulnerability are unfavorable. Likewise, if a state chafes at its economic vulnerabilities, it may use military force to attempt to redress that situation as Japan did in 1941; or, it may subtly threaten to use force, as did the United States in 1975, when facing the possibility of future oil boycotts. But in many contemporary situations, the use of force is so costly, and its threat so difficult to make credible, that a military strategy is an act of desperation.

Yet this is not the whole story of power and interdependence. Just as important as understanding the way that manipulation of interdependence can be an instrument of power is an understanding of that instrument's limits. Asymmetrical interdependence by itself cannot explain bargaining outcomes, even in traditional relations among states. As we said earlier, power measured in terms of resources or potential may look different from power measured in terms of influence over outcomes. We must also look at the "translation" in the political bargaining process. One of the most important reasons for this is that the commitment of a weaker state may be much greater than that of its stronger partner. The more dependent actor may be (or appear to be) more willing to suffer. At the politico-military level, the United States' attempt to coerce North Vietnam provides an obvious example.

Yet the point holds even in more cooperative interstate relations. In the Canadian-American relationship, for example, the use or threat of force is virtually excluded from consideration by either side. The fact that Canada has less military strength than the United States is therefore not a major factor in the bargaining process. The Canadians can take advantage of their superior position on such economic issues as oil and natural gas exports without fearing military retaliation or threat by the United States. Moreover, other conditions of contemporary international interdependence tend to limit the abilities of statesmen to manipulate asymmetrical interdependence. In particular, the smaller state may have greater internal political unity than the larger one. Even though the more powerful state may be less dependent in aggregate terms, it may be more fragmented internally and its coherence reduced by conflicts of interest and difficulties of coordination within its own government.

We will explore this question further in Chapter 7 when discussing our findings on Canadian-American and Australian-American relations between 1920 and 1970. What we have said is sufficient to indicate that we do not expect a measure of potential power, such as asymmetrical interdependence, to predict perfectly actors' successes or failures at influencing outcomes. It merely provides a first approximation of initial bargaining advantages available to either side. Where predictions based on patterns of asymmetrical interdependence are incorrect, one must look closely for the reasons. They will often be found in the bargaining process that translates power resources into power over outcomes.

INTERNATIONAL REGIME CHANGE

Understanding the concept of interdependence and its relevance to the concept of power is necessary to answering the first major question of this book—what are the characteristics of world politics under conditions of extensive interdependence? Yet as we have indicated, relationships of interdependence often occur within, and may be affected by, networks of rules, norms, and procedures that regularize behavior and control its effects. We refer to the sets of governing arrangements that affect relationships of interdependence as *international regimes*. Although not so obvious as the political bargaining process, equally important to understanding power and interdependence is our second major question: How and why do regimes change?

In world politics rules and procedures are neither so complete nor so well enforced as in well-ordered domestic political systems, and the institutions are neither so powerful nor so autonomous. "The rules of the game include some national rules, some international rules, some private rules—and large areas of no rules at all."[20] The weakness of international organizations and the problems of enforcing international law sometimes mislead observers into thinking that international regimes are insignificant, or into ignoring them entirely. Yet although overall global integration is weak, specific international regimes often have important effects on interdependent relationships that involve a few countries, or involve many countries on a specific issue. Since World War II, for instance, specific sets of rules and procedures have been developed to guide states and transnational actors in a wide variety of areas, including aid to less developed countries, environmental protection, fisheries conservation, international food policy, international meteorological coordination, international monetary policy, regulation of multinational corporations, international shipping policies, international telecommunications policy, and international trade.[21] In some cases these regimes have been formal and comprehensive; in others informal and partial. Their effectiveness has varied from issue-area to issue-area and from time to time. On a more selective or regional level, specific groups of countries such as those in the European Community or the Organization for Economic Cooperation and Development (OECD) have developed regimes that affect several aspects of their countries' relationships with each other.

International regimes may be incorporated into interstate agreements or treaties, as were the international monetary arrangements developed at Bretton Woods in 1944, or they may evolve from proposed formal arrangements that were never implemented, as was the General Agreement on Tariffs and Trade (GATT), which derived from the International Trade Organization proposed after World War II. Or they may be merely implicit, as in the postwar Canadian-American relationship. They vary not only in their extensiveness but in the degree of adherence they receive from major actors. When there are no agreed norms and procedures or when the exceptions to the rules are more important than the instances of adherence, there is a *nonregime* situation.*

To understand the international regimes that affect patterns of interdependence, one must look, as we will in Chapter 3, at structure and process in international systems, as well as at how they affect each other. The *structure* of a system refers to the distribution of capabilities among similar units. In international political systems the most important units are states, and the relevant capabilities have been regarded as their power resources. There is a long tradition of categorizing the distribution of power in interstate systems according to the number and importance of major actors (for instance, as unipolar, bipolar, multipolar, and dispersed) just as economists describe the structure of market systems as monopolistic, duopolistic, oligopolistic, and competitive.[22] Structure is therefore distinguished from *process*, which refers to allocative or bargaining behavior within a power structure. To use

*We are concerned in this book with the general question of adherence to specified basic norms of the regimes we examine. Regimes can also be categorized in terms of the degree and type of political integration among the states adhering to them. See J. Nye, *Peace in Parts* (Boston: Little, Brown, 1971), Chapter 2, for discussion of measurement of the integrative and institutional dimensions of regimes.

the analogy of a poker game, at the process level analysts are interested in how the players play the hands they have been dealt. At the structural level they are interested in how the cards and chips were distributed as the game started.

International regimes are intermediate factors between the power structure of an international system and the political and economic bargaining that takes place with it. The structure of the system (the distribution of power resources among states) profoundly affects the nature of the regime (the more or less loose set of formal and informal norms, rules, and procedures relevant to the system). The regime, in turn, affects and to some extent governs the political bargaining and daily decision-making that occurs within the system.

Changes in international regimes are very important. In international trade, for example, an international regime including nondiscriminatory trade practices was laid down by the General Agreement on Tariffs and Trade (GATT) in 1947. For over five decades, the GATT arrangements have constituted a relatively effective international regime. But the 1970s were marked by the partly successful efforts of less developed countries to change this regime. More broadly, by the mid-1970s, the demands of less developed countries for a New International Economic Order involved struggles over what international regimes should govern trade in raw materials and manufactures as well as direct foreign investment. Yet in the 1990s developed and less developed countries agreed on a new World Trade Organization (WTO), which extended and strengthened GATT.

In the two issue areas that we will investigate in Part II—money and oceans—some regime changes have been rapid and dramatic whereas others have been gradual. Dramatic changes took place in international monetary policy in 1914 (suspension of the gold standard); 1931 (abandonment of the gold-exchange standard); 1944 (agreement on the "Bretton Woods System"); and 1971 (abandonment of the convertibility of dollars as gold). Rules governing the uses of the world's oceans changed more slowly, but with significant turning points in 1945 and after 1967. Yet we have no theory in the field of international relations that adequately explains such changes. Indeed, most of our theories do not focus on this question at all.

In Chapter 3, we shall look closely at the problem of explaining the change or persistence in the patterns of norms, rules, and procedures that govern interdependence in various issues. There we will lay out four models, or intellectual constructs, designed to explain regime change, and examine their strengths and weaknesses. The models rest on different assumptions about the basic conditions of world politics. Since world politics vary, over time and from place to place, there is no reason to believe that a single set of conditions will always and everywhere apply, or that any one model is likely to be universally applicable. Thus, before examining the explanatory models, we shall establish the conditions under which they can be expected to apply. As we indicate in the next chapter, in periods of rapid change such as the current one, assumptions about the conditions of world politics can differ dramatically.