

Chapter 1

The Trade-Security Nexus in the Asia-Pacific

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1.1 Introduction

The connections between trade and security are hardly new. Analysts and practitioners have clearly recognized this interrelationship since the mercantilist era of the sixteenth and seventeenth centuries. Despite the fact that economic liberals often prefer to separate the political from the economic, it is widely recognized that trade and security are fundamentally interconnected in the foreign policy of states. Over time, as new forms of trade policy have come into being and the international security environment has evolved, the nexus of these two spheres has grown more complex and scholars have struggled to understand their interconnection.

Much of the research on the relationship between trade and security has focused on whether economic interdependence reduces interstate conflict—or, inversely, on whether conflict affects aggregate trade levels. A large and well-established literature has debated the first question. While many scholars find that trade does indeed reduce conflict, some maintain that trade has no effect at all.¹ Over the

¹ For arguments that trade reduces conflict, see for example Bearce and Fisher (2002); Jungblut and Stoll (2002); Keshk et al. (2004); Maoz (2009); Oneal et al. (2003); and Souva and Prins (2006). Those who claim that trade dependence has no effect include Goenner (2004); Kim and Rousseau (2005); Pevehouse (2004); and Ward et al. (2007).

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years, researchers have brought increasingly sophisticated statistical tools to bear on these questions, but disagreement still persists; the answer to the question seems to depend in part on how one defines “trade” and “conflict” and what cases one considers relevant.² In the smaller body of work that looks at the effects of conflict on trade, the findings are similarly mixed; while most argue that conflict negatively affects trade, a few claim that there is no systematic relationship between the two.³ Another interpretation of this question has looked at the effect of alliances on trade, asking whether military allies are likely to trade more with one another than with non-allies. Most findings suggest that trade does not always “follow the flag”—the effects of alliances on trade depend on factors such as the type of alliance or the type of trade.⁴

In this volume, we look at a different class of trade activity: trade agreements. There is now a growing literature that considers the linkages between trade and security, particularly with respect to preferential trade agreements (PTAs). For example, Richard Higgott writes about the so-called “securitization” of trade with respect to American motivations for concluding bilateral agreements, Ann Capling considers the current negotiations on an Australia-Japan PTA from a foreign policy perspective, and John Ravenhill analyzes the role of security and political factors in PTAs across the western Pacific (Capling 2008; Higgott 2004; Ravenhill 2008). A number of scholars have also done work illuminating the political and security motivations of China’s trade policies.⁵ The role of political factors in driving PTAs is becoming increasingly accepted (Cattaneo 2009; Pang 2007; Wesley 2008; White 2005). Moreover, once in place, the resulting agreements, even if originally motivated by economic considerations, may have significant security implications. For example, Edward Mansfield and Jon Pevehouse argue that parties to the same PTA are less prone to disputes than other states (Mansfield and Pevehouse 2000). Kathy Powers argues that trade agreements can be useful in reducing conflict when they include military alliance commitments (Powers 2004, 2006). Emilie Hafner-Burton finds that PTAs can improve the human security environment by giving participants incentives to observe human rights principles (Hafner-Burton 2005). Since most of these PTAs have been concluded relatively recently, it is difficult to come to conclusive findings, but evidence suggests that the security impacts of these agreements may be quite diverse and complex.

² For example, Gartzke and Li (2003a, b) show that alternative variable constructions and model specifications are sometimes sufficient to account for discrepant findings. Barbieri et al. (2009) show that results vary depending on how researchers handle missing data in their analyses. Dorussen (2006) argues that “what you trade matters,” showing that conflict affects some sectors more than others and calling into question studies using aggregate trade data.

³ Those who argue that conflict disrupts trade include Anderton and Carter (2001) and Oneal et al. (2003). Barbieri and Levy (2001) directly challenge the latter, claiming that there is no systematic relationship between war and trade.

⁴ See for example, Gowa and Mansfield (2004); Long (2003); and Long and Leads (2006).

⁵ See for example, Hoadley and Yang (2007) and Sheng (2003).

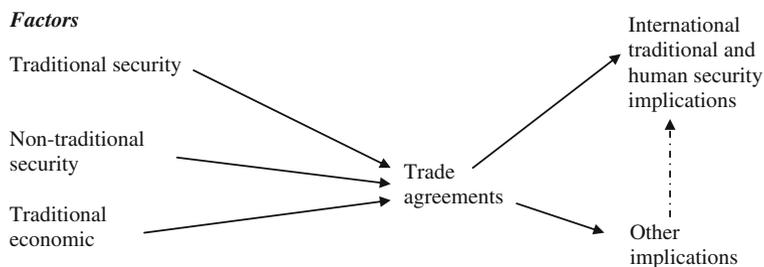


Fig. 1.1 Origins and implications of trade measures

In this book, we build on this literature by examining the influence of security factors in driving trade policy measures and the corresponding implications of different types of trade arrangements for international security, broadly defined. In particular, we address several key gaps in the existing literature. First, our examination of security includes “non-traditional” or “human” security factors in addition to traditional military security considerations. Second, we examine the role of different *types* of trade arrangements (i.e. global, unilateral, or bilateral as well as other dimensions such as organizational structure) in influencing the nature of security-trade linkages; too often, these diverse arrangements have been lumped into a single analytical category that obscures detailed analysis. Third, we look at both sides of the trade-security relationship; after investigating the effects of security on trade, we take the additional step of illuminating the effects that trade arrangements themselves have on the security environment. Our attention to these three issues allows us to produce a comprehensive and differentiated analysis of the complex web of trade and security relationships currently permeating the Asia-Pacific.

In order to tackle this ambitious task, chapter writers conduct detailed case studies of the key trade institutions and agreements affecting the Asian region: the World Trade Organization (WTO), the Association of Southeast Asian Nations (ASEAN), ASEAN Plus Three (APT), the East Asia Summit (EAS), the Asia-Pacific Economic Cooperation (APEC) forum, the Shanghai Cooperation Organization (SCO), and bilateral preferential trade agreements. As a region where economics is increasingly important but many unresolved security issues still linger, Asia presents an ideal setting in which to test theories about the ways that trade agreements are linked to different types of security. We also put the Asian experience in comparative perspective through examination of how the US and EU have used their trade policies to achieve non-economic goals and how these policies have influenced their security environment.

Our basic conceptual approach is laid out in Fig. 1.1 above, which illustrates that several elements—traditional economic factors, traditional security factors, and human security factors—can affect the development of trade agreements and unilateral policies. It also shows that trade policies may have both a direct and an indirect effect on traditional and human security as indicated by the dotted line. Although this process is obviously complex, a systematic analysis of each part of

this framework helps us to understand the effects of different types of trade arrangements on the international security environment.

[Section 1.2](#) of this chapter begins by explaining the broad definition of security that we employ in this volume, reviewing the distinction between traditional, non-traditional, and human security as commonly discussed in the academic literature. In [Sect. 1.3](#), we classify and examine both the variety of trade accords that have been negotiated as well as unilateral measures undertaken by states with a focus on the Asia–Pacific. In [Sect. 1.4](#), we present a framework for looking at linkage strategies. [Section 1.5](#) then considers the role of security in both driving trade policy measures and the implications of different types of arrangements for international security and introduces the case studies done by the chapter writers. We reserve the discussion of our findings for the conclusion of this volume. As a caveat, in view of the relatively recent conclusion of many types of trade agreements, particularly bilateral PTAs and new unilateral measures taken during the financial crisis, examining the impact of such accords is necessarily speculative.

1.2 Broadening the Definition of Security

While existing scholarship has primarily focused on “traditional” security concerns—defined narrowly as the military defense of state interests and territory—it has become apparent that this notion of security is too restrictive to capture the diversity of threats in an increasingly globalized world. Consequently, in this volume, we address not only traditional security but also a broader range of issues that fall under the umbrella of “non-traditional” or “human” security.⁶

Non-traditional security and human security are related but distinct concepts. Human security represents a radical break with traditional security in that it shifts the focus from threats to the state to threats to the *individual*; it is based on the argument that there can be no secure state with insecure people living in it (Oberleitner 2005). The 1994 United Nations *Human Development Report* includes elements such as “safety from chronic threats such as hunger, disease, and repression, as well as protection from sudden and harmful disruptions in patterns of daily life” in its influential and expansive definition of human security (United Nations Development Programme 1994). While some academics have criticized human security for its vague and imprecise nature, others have endeavored to find concrete measures and indicators with which to analyze it (Burger 2004; Iqbal 2006; King and Murray 2001–2002; Matlary 2006).⁷

The related concept of “non-traditional” security also embraces a broader range of security issues; however, rather than focusing on the security of the individual, non-traditional security tends to maintain a focus on the protection of state

⁶ For a useful discussion and comparison of traditional and human security see Tow and Trood (2000).

⁷ For critiques, see for example, Paris (2001).

sovereignty. As a result, non-traditional security represents a less dramatic departure from the traditional security; the two differ primarily in that non-traditional security includes non-military threats such as terrorism, transnational crime, piracy, and cyberattacks (Arase 2010). Consequently, while treatments of human security and non-traditional security often include much of the same substantive material, their motivating ideas are quite different. In this volume, both terms are used to describe and analyze the various types of trade agreements affecting Asia.

Both non-traditional security and human security have received increased scholarly attention since the end of the Cold War. Since threats to human or non-traditional security often transcend national borders, they would seem to be a natural driver of interstate cooperation. A growing body of descriptive work has looked at the way that issues such as pandemic disease and natural disasters have led to increased regional and international collaboration. Moreover, groups have increasingly chosen to actively “securitize” such issues in order to obtain state attention and funding (Caballero-Anthony et al. 2006; Curley and Wong 2008).

In our discussion of various trade agreements in this volume, it is clear that traditional security continues to play a more significant role than non-traditional security in terms of linkages to trade. To date, there has been little evidence of human security issues as a primary driver of the formation of trade arrangements; however, these issues have been included on the agenda of every Asian regional organization, as well as in some PTAs and in the WTO (Govella 2007).⁸ The advent of natural disasters and pandemics has been an important catalyst for regional cooperation within existing organizations, as in the case of the 2003 SARS epidemic and the 2004 Indian Ocean tsunami, and despite their sometimes antagonistic relationships with one another, the countries of Asia have often been able to use cooperation in the non-traditional security arena as an important means of confidence-building.⁹ For example, minilateral trade forums in Asia such as APEC and the East Asia Summit have taken steps to deal with issues such as pandemic diseases, natural disasters, energy security, and the environment even when their progress on economic issues has been stymied. In addition, it is plausible that these organizations have benefited non-traditional security more tangibly than they have impacted traditional security, since it is often easier for Asian countries to cooperate on non-traditional security issues than on trade or traditional security.

1.3 Conceptualizing the Variety of Trade Agreements

The post-World War II period has been marked by a host of measures to regulate and liberalize trade flows. The Asian region in particular has seen much growth in trade-

⁸ See also the chapter by Yamada in this volume.

⁹ This idea is explicit in the strategy of the ASEAN Regional Forum, which outlines a three-stage process: (1) promotion of confidence building; (2) development of preventive diplomacy; and (3) elaboration of approaches to conflict.

related organizations and agreements; although ASEAN was the only regional institution in Asia for over two decades after its creation in 1967, it was subsequently joined by APEC (1989), ASEAN Plus Three (1997), and the East Asia Summit (2005) and by an explosion of bilateral preferential trade agreements in the 2000s. Despite the diverse membership and domains of these arrangements, analysts have often conflated and used them synonymously. For example, the term “regional agreement,” commonly used by the WTO as a contrast with multilateral arrangements, has been used to refer to such widely disparate accords such as APEC, the Asia Europe Meeting (ASEM), the North American Free Trade Agreement (NAFTA), interregional and transregional bilateral free trade agreements, and even sectoral agreements such as the Information Technology Agreement (ITA).¹⁰

This conceptual ambiguity and under-differentiation of the dependent variable makes it more difficult to develop causal arguments to account for specific outcomes, and for the purposes of this chapter, to adequately understand both the role of security considerations in driving different types of accords and the implications for security of the trade arrangements that have been concluded.

To analytically conceptualize different types of trade arrangements, we focus on several dimensions: the number of participants involved in an agreement, geographical scope, and organizational structure. We define the number of participants in terms of unilateral actions and bilateral, minilateral, and multilateral accords. Bilateral accords refer to arrangements between two countries and minilateral to more than two but less than relatively global membership coverage.¹¹ Geographical scope distinguishes between arrangements that are concentrated geographically and those that bind states across great distances. Finally, one can also look at the degree of institutionalization or strength of agreements.¹² Table 1.1 summarizes a typology of trade agreements with illustrative examples for the Asia–Pacific (where such measures exist) based on number of participants and geographical scope. All of the agreements included are multiproduct, although sector-specific agreements also exist for each of the categories (see Aggarwal 2001).

Unilateral actions as in cell 1 include unilateral liberalization measures taken by Australia, New Zealand, Chile, Hong Kong, and Singapore. Although we do not examine these types of actions in this project, they can be quite important; the most important unilateral market-closing measures were taken by the US, with the

¹⁰ See for example, Mansfield and Milner (1999, 592), who recognize the problematic nature of the term “regionalism” but then proceed to use this term in their analysis. An earlier version of the analytical distinction in this section was first developed in Aggarwal (2001).

¹¹ This usage differs from that of Yarbrough and Yarbrough (1987), which conflates third party enforcement with these terms so that “bilateral” for them can also mean three countries, a highly counterintuitive use. Keohane (1990) refers to an agreement among three or more states as multilateralism. Richardson (1987) is consistent with our usage.

¹² Of these, the dimension of geographical scope is the most controversial. It is worth noting that this category is quite subjective, since simple distance is hardly the only relevant factor in defining a “geographic region.” Despite the interest that regionalism has attracted, the question of how to define a region remains highly contested. See the discussion by Aggarwal and Fogarty (2004); Katzenstein (1997); and Mansfield and Milner (1999), among others.

Table 1.1 Varieties of trade governance classified by number of participants and geographical scope

Number of participants	Bilateral		Mimilateral		Multilateral
	Geographically concentrated	Geographically dispersed	Geographically concentrated	Geographically dispersed	
(1) Singapore and Hong Kong unilateral opening APEC individual action plans (IAPs) <i>Smoot-Hawley (1930)</i>	(2) Canada-US FTA (1989) Mainland China-Hong Kong CEPA (2003) Mainland China-Macau CEPA (2003) Japan-South Korean FTA (halted) China-South Korea FTA (under study)	(3) Singapore-New Zealand CEP (2000) Japan-Singapore EPA (2002) Korea-Chile FTA (2002) US-Singapore FTA (2003) Taiwan-Panama FTA (2003) Japan-Mexico FTA (2004) Korea-Singapore FTA (2005) Japan-Malaysia FTA (2005) China-Chile FTA (2005) China-New Zealand (2008) US-Korea (2012)	(4) AFTA (1991) NAFTA (1993) China-ASEAN FTA (2003) Northeast Asian FTA (proposed) Shanghai Cooperation Organization FTA (proposed)	(5) APEC (1989) EAEC (1994) ASEM (1996) ASEAN Plus Three (1998) EAS (2005) South Korea-ASEAN FTA (2006) South Korea-EFTA FTA (2005) TPP (2005) ASEAN-Japan Closer Economic Partnership EU-Mercosur (under negotiation)	(6) GATT/WTO (1947/1995)

Source Adapted from Aggarwal (2001). Examples illustrative, not exhaustive

1930 Smoot-Hawley Tariff that set a cycle of trade protectionism in motion and aggravated the depression.

Bilateral agreements of both regional and transregional actor scope have rapidly proliferated over the last few years. Cell 2 refers to *bilateral regional* trade agreements covering multiple products between a pair of adjacent countries, such as the Canada-US FTA (CUSFTA) that took effect in 1989, the Mainland China Closer Economic Partnership Arrangements signed with Hong Kong and Macau in 2003, and the Japan-South Korea preferential trade agreement.

Bilateral transregional agreements, cell 3, include cases of geographically dispersed bilateral agreements covering multiple products. Examples include PTAs between the United States and Israel (1985), Mexico and Israel (2000), the United States and Jordan (2001), Japan and Singapore (2001), South Korea and Chile (2002), the United States and Singapore (2004), Japan and Mexico (2004), the United States and South Korea (2012), and many current negotiations involving the EU, China, Japan, and others.

Minilateral regionalism, as noted in cell 4, focuses on geographically concentrated minilateral agreements, such as the ASEAN Free Trade Area (AFTA), the North American Free Trade Agreement (NAFTA), and the proposed free trade area under the Shanghai Cooperation Organization. These types of accords have attracted much scholarly attention. It is worth noting that in referring to many accords as “regionalism,” we should be aware that this term only makes analytical sense for cells 2 and 4 of our typology. And even in these cases, as we can see, the types of accords differ on many dimensions, thus indicating the conceptual ambiguity and under-differentiation inherent in the existing literature on regionalism.

Minilateral interregionalism is another important recent development in trade arrangements concerning links that span countries across continents, as noted in cell 5. Many analysts lump their examination of “minilateral regional” accords such as NAFTA and the EU with those of “minilateral interregional” arrangements such as the EU’s efforts to link up with Mercosur, although the causal factors behind minilateral interregionalism are often quite different from those driving minilateral regionalism.¹³ Asia is home to a number of minilateral interregional trade organizations, including APEC, ASEAN Plus Three, and the East Asia Summit. Preferential trade agreements have been proposed within each of these organizations by the US, China, and Japan respectively, though these agreements are far from being formalized or put into force.

¹³ The term “interregionalism” can itself be broken down into more specific types, based on the prevalence of PTAs and/or customs unions as constitutive units within interregional agreements. Aggarwal and Fogarty (2004) refer to an agreement as “purely interregional” if it formally links free trade areas or customs unions, as in the case of EU-Mercosur. If a customs union negotiates with countries in different regions, but not with a customs union or free trade agreement, we refer to this as “hybrid interregionalism” (e.g., the Lomé Agreement). Finally, if an accord links countries across two regions where neither of the two negotiates as a grouping, then we refer to this as “transregionalism” (e.g., APEC).

Multilateralism, cell 6, refers to the case of global, multiproduct trading arrangements such as the GATT and its successor organization, the WTO. Though highly successful throughout the postwar period, multilateral trade forums at the global level have increasingly encountered difficulties in hammering out new terms of trade liberalization. This, in turn, has fueled interest in preferential arrangements at the sub-multilateral level.

In addition to the number of participants, we also consider the underlying organizational structure as an important element differentiating these trade arrangements. Scholars have been quick to point out how regional organizations in Asia and Europe differ greatly in terms of organizational structure; institutions in Asia tend to be highly informal and non-legalistic, in contrast with the European emphasis on formal rules (Kahler 2000; Pekkanen forthcoming). While formal PTAs and arrangements under the WTO include binding legal commitments, well-defined domains of interest, and dedicated personnel, groupings such as APEC, ASEAN+3, the East Asia Summit, and the Shanghai Cooperation Organization have less focused organizational domains, non-binding agreements, and may largely consist of meetings between officials. ASEAN+3 and the East Asia Summit lack even an independent secretariat to call their own.

We do not assume that more formal organizations with hard legal rules are necessarily ideal; there is an ongoing debate about this issue. But for our purposes, it is important to take this factor into consideration, as the organizational structure of a trade arrangement can stem from or lead to different issue linkage dynamics. For example, the level of formalization or types of rules can be a strategic choice. More powerful states might be able to more easily manipulate informal institutions, while relatively weak states can use formal agreements to constrain larger states. These power disparities (as well as the normative preferences of the actors) also play into the formation of the arrangements themselves.

Organizational structure may also play an important role in the propensity of these trade agreements to affect the traditional or nontraditional security environment. For example, evidence from Africa shows that regional trade agreements that include formalized military alliance obligations successfully reduce aggression among member-states Powers 2004; 2006). Research has also shown that linking human rights to formal PTAs can improve state compliance (Hafner-Burton 2005). Although less institutionalized arrangements are unlikely to force states to change their behavior, they may be more successful in facilitating dialogue on sensitive issues precisely because of their informal nature. This idea is embedded in the norms of consultation and consensus that constitute the “ASEAN Way,” though its record has been rather mixed in practice.

This volume considers a wide variety of trade arrangements that combine differing numbers of participants, geographical scopes, and levels of institutionalization, which allows us to consider the factors that affect the way countries link trade and security in their negotiations. But before we provide some preliminary ideas on that score, we first theorize more abstractly about the process itself of linkage formation.

1.4 Theorizing About Linkages to Trade

Actors can go about linking trade to security in a variety of ways. One approach is to “nest” broader and narrower institutions in a hierarchical fashion. Another is to use “parallel” linkages across institutions, through an institutional division of labor.¹⁴ A third approach focuses on linkages within a single institution, as manifested in direct linkage to security in the context of a trade agreement or organization. Our interest is in thinking about linkages based on four closely inter-related questions. First, how do actors decide on which issues, both traditional and nontraditional, to link to trade in setting their agenda domestically? This question is closely tied to a second consideration—anticipation by policymakers of whether such linkages will actually lead to a positive negotiating outcome with their international counterparts.¹⁵ To examine these two questions, we consider the key issue of the extent to which, from the originator’s perspective, linkages are seen to be tactical (based on power) or substantive (based on knowledge connections), both domestically and internationally. A third question is: How strongly are these other issues linked to trade? The answer to this question is again partially tied to the tactical or substantive nature of the linkage, but also to factors such as the relative power distribution between states and the trade-offs that policymakers in the originating state are willing to make to achieve their linkage goals. Fourth, and closely tied to the third question, what inducements or punishments do these actors attempt to use to convince the target state to agree to an accord?

How can we think about the question of the domestic agenda-setting process by which issues are linked to trade? And how do policymakers then make calculations about whether or not to engage in issue linkage with specific states? The notion of linkage nature reflects the intellectual basis for the issue connection. If two issues are perceived by decision-makers to be unrelated but become tied together in negotiations, both with respect to domestic and international negotiations, this can be considered a power-based connection or tactical link. By contrast, if the issues exhibit some intellectual coherence, then the linkage can be labeled substantive.¹⁶ Table 1.2 presents the alternatives under different conditions.

The second type of manipulated linkage, “failed substantive linkage,” is more complicated. Here, even though experts agree that two issues are interconnected (e.g. the connection between trade and the environment or trade and labor standards), policymakers who do not believe that the two issues are linked may still agree to treat them together because of domestic pressures—solely to mollify powerful interest groups. In an international context, in this second type the target country does not recognize the issues as substantively linked. Instead, the target

¹⁴ For a detailed discussion, see Aggarwal (1998).

¹⁵ Of course, policymakers may not care if other states actually go along with the linkage, as long as it helps them domestically.

¹⁶ See Haas (1980) on substantive and tactical linkages. The discussion of linkages in this section builds on Aggarwal (1998).

Table 1.2 The dynamics of issue-linkages

Linkage type	Objective reality	Target decision makers' perception	Basis for issue connection	Outcome
Substantive link	Connected	Connected	Knowledge	(1) Stable issue-area
Failed substantive link (perceived as tactical)	Connected	Unconnected	Power	(2) Temporary solution to externalities
Tactical link	Unconnected	Unconnected	Power	(3) Unstable issue-area
Failed tactical link (perceived as substantive)	Unconnected	Connected	Misunderstanding	(4) "Contingent" (shifts to unstable issue-area with knowledge change)

Source Aggarwal (1998)

policymakers perceive the issues as only tactically related and go along with the linkage because of asymmetrical power. Without a change in beliefs about the issue connection, even though the target actor treats the issues as connected and agrees to the linkage, this will prove to be only a temporary solution to the externalities problem. Such a situation may provide hope for the actor trying to establish the link (the "linker"). In a domestic context, when the policymaker's initial reaction is to reject substantive connections among issues, experts in that country who are advising interest groups and government policymakers may play a prominent role in swaying decisionmakers' opinions. Thus, over time, with changed causal understanding, we may see a move to substantive linkage. Similarly, transnational exchange of ideas across countries may also lead to greater cooperation between the linker and linkee, eventually leading to a more stable relationship and greater likelihood of cooperation to achieve the targeted goals of the linkage effort.

The third type of link, tactical linkage, may foster even greater conflict. This method of connecting issues is a pure power play. If used as a positive inducement, it can diminish conflict. But if used as a stick, tactical linkages will create sharp conflict in negotiations and will most likely lead to unstable agreements. At the domestic level, we often see powerful interest groups pressuring policymakers who are resistant to making linkages (e.g. various NGOs pressuring the Republicans on the environment-trade connection in the US). Internationally, smaller states may realize that they have little choice but to go along with a linkage (say to environmental protection or labor rights issues) if they want to secure a trade accord with a powerful actor such as the US, China, or the EU.

Finally, in the last case, misperceived tactical linkages, policymakers in the target country see the issues as substantively linked—even though they are only linked tactically. Although the target decisionmakers' own experts will attempt to dissuade their policymakers from accepting the linkage, target decisionmakers may agree to some type of joint agreement and consider the issues in question as a package. Clever manipulation by the linker could produce considerably more

favorable outcomes than might otherwise be the case. But because it is based on a misunderstanding, this is an unstable situation and will lead to an unstable policy outcome. Indeed, if and when the target comes to realize that the connection was tactical in nature, the bargaining connection will shift to a potentially unstable one that will only endure as long as the linker maintains its superior power. This type of phenomenon could apply both in domestic and international negotiations.

In terms of the strength of linkages between other issues and trade in international negotiations, this will depend on several inter-related elements. These include the degree of pressure on policymakers domestically to implement linkages, which itself is tied to whether or not the linkages are seen to be tactical or substantive. Another key element will be the asymmetry of power between the initiator and the target state. Obviously, if the initiating state's policymakers are convinced of the need to link two or more issues—whether owing to the political pressure they face or to their deep, expert-driven conviction about promoting their values—they face the reality of power in international negotiations. The EU, for example, has had a more difficult time in attempting to pressure countries like India to link trade to issues such as non-proliferation than in its efforts to convince either prospective accession states or weak countries (as in the Lomé Convention) to go along with linkages on trade and the environment.

Finally, states promoting issue linkages must consider how they wish to convince other countries to agree to linkages between two issues. Again, if the target country believes the issue is substantively connected, little in the way of inducements or threats not to pursue a trade accord would be needed. If the power balance is very asymmetrical, the need to explicitly pressure countries may also not arise. Beyond these relatively simple cases, the more interesting ones involve, once again, countries that are more on par with the initiator from a power perspective. In such cases, policymakers in international negotiations must consider the trade-offs they will face in attempting to secure linkages, and the extent to which this will create domestic counter-pressures. For example, when the EU negotiates with countries such as India, or when the US negotiated with South Korea, policymakers in both the EU and US faced criticisms about excessive efforts to engage in issue linkage from their domestic business lobbies who were eager to conclude accords for economic reasons.

1.5 Linkages and Types of Trade Agreements

With these analytical considerations about the factors that influence linkages and types of linkage efforts, the next step is to examine security factors, first as a

¹⁷ See Aggarwal (2006) for a discussion of how these factors influence the origin and evolution of bilateral free trade agreements.

dependent variable and then as an independent variable. As mentioned above, a variety of factors can affect the development of trade arrangements: traditional security factors, nontraditional security factors, and economic factors.¹⁷ Resultant trade policies may also in turn affect the security environment both directly and indirectly. In this section, we give a brief overview of the interrelationship between traditional security and trade among the various types of trade agreements.

We begin with arguments about security influences on multilateral agreements and their effects, before turning to consider specific minilateral, bilateral, and unilateral measures. Each of these trade agreements is discussed in greater detail in the subsequent chapters of this volume.

1.5.1 Multilateral (Global) Arrangements

Of the major states involved, the US played the most crucial role in creation of the GATT. With a dominant military force, a large market, enormous productive capacity, and a strong currency and financial system, the US was well positioned to assume global responsibility at the end of the Second World War. It acted as the military leader of the Western alliance, served as the world's central banker, and provided the major impetus for international trade liberalization. For our purposes, the key element of interest is the "nested" context of the international trading system within the overall security system. This nesting gave the US executive leverage to resist domestically oriented protectionist groups. The president could resist both Congressional and interest group pressures by raising the specter of the Soviet and Chinese communist threat to US interests, thereby allowing him to advance Cold War concerns over narrow parochial interests and foster free trade.¹⁸ Even when these security considerations failed to overcome a coalition of protectionists and free traders in the United States, as in the case of Congressional failure to pass the International Trade Organization, the US promoted a temporary implementing treaty, the GATT, as the key institution to manage trade on a multilateral basis in 1948. The US executive continued to resist protectionist pressures, helping Japan secure entry into the GATT over European objections and then using the specter of communism to at least initially resist protectionist demands by the textile industry. As John Foster Dulles put it in 1953, "Legislation to establish import quotas on Japanese textiles would be unfortunate...it would restrict trade when the free world must depend for so much of its strength on the expansion of trade and economic viability of countries such as Japan."¹⁹

¹⁸ See Aggarwal (1985) for a discussion of the nesting of economic issues within a security context.

¹⁹ *US Department of State Bulletin*, 26 June 1953.

With respect to global trading arrangements, the link between security and trade continues in the post-Cold War period. For example, shortly after the 9/11 attacks, Alan Greenspan, Chairman of the US Federal Reserve, noted on September 20, 2001: “A successful [trade] round would not only significantly enhance world economic growth but also answer terrorism with a firm reaffirmation of our commitment to open and free societies” (Greenspan 2001). In [Chap. 2](#), David Vogel provides a detailed analysis of linkages to traditional security, environmental issues, and labor in WTO negotiations.

1.5.2 Minilateral Agreements

The most significant minilateral arrangement in the Asia–Pacific has been the ASEAN grouping. At its inception, ASEAN was specifically designed to address regional security concerns. The conflict between Indonesia and Malaysia was the immediate catalyst, and ASEAN states were also keen to band together in hopes of keeping external powers (i.e. the US and the Soviet Union) from interfering in their regional affairs. From its early days, ASEAN linked the ideas of economic integration and a common market to dealing with broader security concerns. However, it took over two decades for ASEAN to seriously broaden into economic cooperation with the creation of the AFTA in the 1990s; it currently has a target of 2015 for creating an ASEAN Economic Community (AEC). Indeed, even with the AEC target date, it remains to be seen if ASEAN can truly foster the creation of a strong open trade grouping.²⁰ In [Chap. 4](#), Jonathan Chow explains how economic and security issues have traditionally been intentionally “de-linked” in the ASEAN context and outlines some of the ways that the organization is making tentative moves toward incorporating human security issues.

Additional efforts to create minilateral arrangements have been pursued in the Asia–Pacific. Among these, two have been linked to ASEAN, the ASEAN Plus Three initiative (involving South Korea, Japan, and China) and the East Asia Summit, or ASEAN Plus Six (which adds India, New Zealand, and Australia to the ASEAN Plus Three countries). These arrangements have not resulted in any significant economic integration, although China and Japan have proposed the formation of trade agreements within ASEAN Plus Three and the East Asia Summit respectively. ASEAN Plus Three has made some headway on financial cooperation through the Chiang Mai Initiative and the Asian Bond Market (Amyx 2008). Many analysts see ASEAN Plus Three and the East Asia Summit as potentially competing visions, with China preferring APT where it is better able to exert its power and other

²⁰ The role of norms in preventing sustained trade liberalization is the theme of Aggarwal and Chow (2010).

²¹ For a realist analysis focusing on balancing and bandwagoning in the case of ASEAN Plus Three, the East Asia Summit and ASEM, see Aggarwal (2009). For a focus on ASEAN, see Roy (2005).

countries hoping to dilute Chinese influence in the larger membership of EAS (Pempel 2007).²¹ The membership structure of these two groupings seems to be something of a security issue in itself; engaging China was often seen as a goal of ASEAN Plus Three in its early days, while the admission of the US to the East Asia Summit in 2011 (after years of debate) was seen as a way of keeping the US engaged in Asia.

In addition to ASEAN Plus Three and the East Asia Summit, the ASEAN+1 meetings have also produced some interesting linkages between trade and security. The ASEAN+China dialogue and the associated ASEAN-China FTA (ACFTA) were security-embedded in that for both China and ASEAN, security concerns—rather than pure economic considerations—drove an interest in the creation of the ACFTA (Kwei 2006). China's rapid rise has raised fears about its intentions in the region and its likely foreign objectives. In response, China has chosen to use not only purely security forums like the ARF and the SCO, but also economic and other soft institutional mechanisms—such as the 2002 Code of Conduct in the South China Sea and the 2003 TAC with ASEAN—to diminish concern about its rise. Indeed, Beijing's proactive participation in a variety of regional institutions reflects a broader trend towards a “cooperative security” in the region (Shambaugh 2005; Yahuda 2005). Japan and Korea have also developed individual relationships with ASEAN, but neither is as well developed as the ASEAN-China dialogue. In Chap. 5, Min Gyo Koo discusses the development of the so-called “ASEAN Plus X” groupings (ASEAN+1, ASEAN+3, and the East Asia Summit) in the broader context of American security policy.

At the Asia-Pacific level, security considerations have clearly influenced APEC.²² Created in 1989, APEC reflected concerns in the Asia-Pacific about the changing role of China and the US. Led by Japan and Australia, APEC has been seen in part as a balancing effort against NAFTA and EU integration efforts. Almost immediately after it was proposed, however, the US chose to participate, thus addressing the balancing effort. The discussion of Asian security cooperation at APEC is nearly as old as the organization itself. Although security has been most visible at the ministerial meetings after 9/11, discussions relating to the North Korean threat were broached as early as the 1991 meeting in Seoul. On 14 November 1991, China's Foreign Minister Qian Qichen declared at a news conference concluding the APEC meeting that dialogue, not pressure or sanctions, was the best way to deal with North Korea (Mazarr 1995). Discussions of the North Korean nuclear program also took place at the APEC Summit in Seattle in November 1993, as officials worked behind the scenes to convince Pyongyang to give up its nuclear program.²³

²² On APEC's formation, see Aggarwal and Morrison (1998) and Crone (1993), among others. On APEC and security, see Aggarwal and Kwei (2005) from which the following discussion draws.

²³ *The New York Times*, 22 November 1993, A5.

In terms of security, over time, APEC has taken on new roles, particularly after 9/11 when the US chose to rally international support in the fight against terrorism. Security concerns dominated the discussions at the Los Cabos meeting in 2002 and were an overarching theme in what would normally have been a more “economic” agenda. For example, the US led a drive to increase security in shipping containers and cooperation in customs and immigration. Stronger controls over financial institutions were partially motivated by the imperative to freeze assets of suspected terrorist organizations. Additional steps were also taken to enhance maritime, aviation, and telecommunications security. In [Chap. 3](#), John Ravenhill traces the development of non-traditional security issues on the APEC agenda.

The most recent discussion about APEC’s role has focused on the possible creation of a Free Trade Area of the Asia Pacific (FTAAP). C. Fred Bergsten of the Peterson Institute of International Economics, a prominent Washington D.C. think tank, has endorsed this idea, which was promoted by the Bush Administration in the waning days of the administration. In the last year, steps have been taken to use the Trans-Pacific Partnership (TPP) as the basis for a FTAAP. While TPP was originally an agreement between Brunei, New Zealand, Chile and Singapore (P4), its membership has now expanded to include Australia, Canada, Malaysia, Mexico, Peru, Vietnam and the US. Among other arguments that have been adduced in FTAAP’s favor is the notion of diminishing the incentives for Asian states to pursue ASEAN Plus Three or the East Asia Summit. Yet, this notion may have the opposite effect of encouraging the pursuit of these types of arrangements. Moreover, free trade with China appears to be a non-starter, a point that has been reinforced by the current financial crisis and the rise of “murky protectionism.”²⁴

Moving to the northwestern reaches of Asia, the SCO was motivated primarily by security concerns related to border protection and fears of secession, which were particularly tangible given the heterogeneous populations of its member countries (Misra 2001; Newland 2007). China and Russia were the key players pushing for the formation of the grouping in an effort to expand their influence in Central Asia. Today, the SCO includes six member states—China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan—and has expanded into economic cooperation. The SCO does seem to have been successful in enhancing the stability of Central Asia; for example, China has resolved its long-standing border disputes with other countries in the area. But the success of a union of non-democratic states like the SCO may have more dubious consequences for the international security environment, particularly with regard to human security (Wan 2011). In [Chap. 6](#), Ming Wan analyzes the development of the SCO and its recent moves to link security to economics.

²⁴ For this debate, see Morrison and Pedrosa (2007).

²⁵ This discussion on PTAs and security draws on Aggarwal and Koo (2007).

1.5.3 *Bilateral Trade Agreements*

The newest trend in trade has been the proliferation of bilateral PTAs since the early 2000s.²⁵ Some argue that PTAs might be a building block for security issues, thus providing the context for regional security institution-building. If we consider some cases of PTAs, we can see security considerations playing a role. For example, Singapore considered security to be the single most important motive for entering an FTA with the US in 2003, while it considered the economic benefits of the agreement insignificant due to its traditional openness and the small size of its economy. Singapore has approached China as well, concluding an FTA in October 2008. Singaporean officials are often quite explicit in their concern for maneuvering carefully in the region and often point to the security dimensions of their trade strategy.²⁶ The recently ratified South Korea-US FTA (KORUS FTA) also illustrates the simultaneous pursuit of economic benefits and strategic interests in trade negotiations. In addition to the goal of maximizing the gains from trade and investment, South Korea wanted to hedge against the growing strategic uncertainties in Northeast Asia by cementing its economic ties with the US, while the US realized that an FTA with South Korea would give Washington a strong foothold to maintain its strategic and economic presence in the region. In [Chap. 7](#), Seungjoo Lee discusses the development of bilateral trade agreements in Asia, exploring the different strategies that China, Japan, Singapore, and South Korea have pursued in linking these agreements with trade.

There has been much less activity in terms of linkages between bilateral trade agreements and non-traditional security. Labor and environmental issues remain largely absent from the texts of intra-Asian trade agreements due to their sensitive nature. In [Chap. 8](#), Atsushi Yamada takes up two prominent exceptions to this rule: Japan's trade agreements with the Philippines and Indonesia, which include provisions for the freer movement of workers, specifically nurses and caregivers.

The US government has been explicit in closely linking foreign economic and security policy, utilizing PTAs as a reward for allies. This tendency was demonstrated in the cases of the US-Israel FTA and the US-Jordan FTA. This "securitization" of US PTA policy further accelerated in the post-9/11 era as the US pursued agreements with countries that supported the Iraq war such as Australia, Bahrain, and Oman (Aggarwal, this volume and Higgott 2004).

For its part, the EU has actively sought to promote an agenda of linking both traditional security concerns and non-traditional ones in its bilateral FTAs. It has included clauses on Weapons of Mass Destruction (WMD) and small arms, as well as on labor standards and environment in all of its agreements. More recently, it faces the challenge of convincing India to go along with security linkages, which it continues to resist. As Ahnliid notes, the EU has been successful in linking issues when it is much stronger than the other countries (as with a number of small developing countries) or with states attempting to enter the EU and states that see

²⁶ Author interviews with Singaporean officials, March 2009.

eye to eye with the EU on these issues. India, on the other hand, will provide a first test case of whether the EU would back away from an agreement with important economic implications if it does not secure Indian agreement on linkages, or if it will agree to deviate from all of its previous FTAs (Ahnliid, this volume).

At this stage, it is difficult to assess the extent to which PTAs have provided security benefits to states that have concluded them, given their relatively recent conclusion. In many cases, the view that trade can drive security has faced the reality of the sharp difficulties that Japan has had in pursuing PTAs with China and South Korea. While these may reflect problems of concerns about economic competitiveness and agriculture, the less than friendly relations among these countries can pose an impediment to trade accords, no matter how logical these accords might be from an aggregate economic perspective.

1.5.4 Unilateral Measures

Although they are not the focus of this volume, we can also see security considerations in the use of unilateral measures in trade. On the export side, the US had long used export controls through the Coordinating Committee for Multilateral Export Controls (COCOM) and more recently has restricted the export of high technology goods with potential military applications. Currently, this policy is being reviewed by the Obama administration under pressure from export interests in the US and from China. On the import end, restrictions on goods may allow states to develop industries that have significant competitive and security implications. As noted earlier, many of the curbs on imports that China—and, to a lesser extent, the US—has been imposing in the context of the current financial crisis appear to be targeted toward the development of leading-edge technologies. Whether these will be important for security is unclear at this point, but the implications for possible conflict as states compete with each other in advanced technologies are clear.

1.6 Conclusion

The institutional architecture of the Asia–Pacific is in flux. Following the end of the Cold War, the Asian financial crisis, and the 9/11 attacks, and in the context of China’s rise, we have seen the pursuit of new forms of trade agreements as the Doha Round of the WTO remains moribund. Although many scholars have examined this shift, the focus of this chapter has been to examine the contribution of security factors, as compared to other driving forces, to understand the shift in trade policies, and to suggest ways that trade agreements affect the security environment.

In [Sects. 1.2](#) and [1.3](#) of this chapter, we laid out the broad range of traditional and non-traditional security issues to be taken up in this volume and our approach

to analyzing trade arrangements in terms of number of actors, geographical scope, and underlying organizational structure. Clarifying these concepts and elements allows us to systematically examine various trade arrangements and their linkages to different types of security issues.

Section 1.4 introduced an analytical approach to thinking about linkages, differentiating between power-based efforts (tactical) versus knowledge-based ones (substantive), as well as differences in actors' perceptions. Our basic claim is that understanding these elements, together with power and domestic considerations, helps to shed light on the bargaining process and likely outcomes of trade negotiations.

Section 1.5 of this chapter presented a preliminary consideration of the role of security in influencing trade arrangements, and the effects of these arrangements on security, revealing a great deal of variation. The Cold War clearly influenced the creation of many types of trade agreements, and the executive branch of the US government was able to use concerns regarding communist expansion as a means of at least partially resisting protectionist pressures. In terms of the new trends that we see in the Asia-Pacific of ASEAN Plus Three, the East Asian Summit, proposals for FTAAP, and the like, there are clear elements of security bandwagoning and balancing taking place as countries vie to create the most favorable arrangement for economic, political, and security reasons, rather than simple aggregate economic gains as generally propounded by economists. The most significant development, however, is the move toward bilateral PTAs. China, Singapore, and South Korea, among others, have been pursuing these arrangements with zeal. By contrast, the US has stopped pursuing this track, not for lack of interest, but for lack of trade promotion authority. Together with the opportunistic protectionism that we have seen in the context of the global financial crisis, the damage that these measures will cause to the very institution that has enabled their post-World War II dynamic growth—the GATT/WTO system—may prove to be the most consequential development for global security.

By addressing a broad notion of security, differentiating among types of trade agreements, and looking at both sides of the trade-security relationship, it is our hope that this study will contribute to scholarly understanding of the complex nexus of trade and security. Given the speed at which trade agreements are forming and the increasing complexity of interstate relationships in an era of globalization, this is an area that demands serious inquiry.

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